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IMPACT OF GST ON VARIOUS SECTORS

(With FAQs of all important topics)

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Dedicated to my parents

Preface

GST Bill has been passed in the Lok Sabha on March 29, 2017 and Rajya Sabha on April 13, 2017, it seems certain that it will meet its July 1, 2017 deadline for implementation. The GST is being touted as the game changer it would replace several taxes, cesses, and surcharges at one go. The Various Sectors expecting to benefit from the GST rollout, in a major way. Incidentally,

With the passage of India's biggest tax reform in decades, we will become a unified market, with one tax for all goods and Services. Once GST implemented will significantly ease the ambiguity Investment and stimulate overall growth of the economy.

Experts believe that in the present tax system, there are a lot of different taxes that one has to pay, like VAT, Excise duty, Service tax, or the local body taxes. GST will subsume all these taxes into it. Instead of paying various taxes, at various states and cities like we have to pay 'Entertainment Tax' for watching a movie. We have to pay Value Added Tax (VAT) on purchasing goods & services and there are Excise duties, Import Duties, Luxury Tax, Central Sales Tax, and Service Tax of today some of these taxes are levied by the Central Government and some are by the State governments after implementation of GST we would only one tax that is GST.

This book attempts to give an insight to readers about the impact of good and service tax (GST) in various sector like Real Estate, IT, Hospitality etc.

I would like to highlight the title of the book **“Impact of GST on various Sectors”**

I believe this book is user-friendly and can be used by students, professionals, industries, etc for reference.

I am thankful to my parents, family, professional colleagues, friends, for their excellent engagement & efforts to support & ensure enriched contents of the book. I solicit the valuable suggestions, views and healthy criticisms, if any, of my esteemed readers through any means of communication convenient to them.

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His core competency and area of expertise are indirect taxation. International and corporate taxation. He has done extensive study on GST in India and has been following all developments in the rollout of GST by central governement.GST is therefore one of his core competency area along with other indirect laws.

He is a regular contributor of articles on indirect tax matters, which are published on online portals.

Contents at a Glance

CHAPTER 1

IMPACT OF GST ON REAL ESTATE SECTOR

Real Estate is one of the major revenue generating sectors for the Indian economy. It is the second-largest employer next to agriculture and accounting for 7.8% of GDP during financial year, 2014-2015, according to the Economic Survey of India financial year, 2014-2015.

Real Estate sector alone contributes around 5% to 6% of the country's GDP, it is very important for the sector to analyze, discuss and prepare for possible impacts on costs, taxes and profitability under GST.

PRESENT TAX STRUTURE IN REAL ESTATE SECTOR:

Under present tax regime The Real Estate sector is exposed to multiple indirect taxes such as custom duty, excise duty, VAT, Service tax and also subject to Stamp Duty. Generally, whatever indirect taxes the real estate business bears, it collects those taxes from its prospective customers. But there has always been disputes regarding computation and determinations of such tax liability. Although the current tax regime has provided certain rules and methods in computation and determination of such taxes, the same has not been followed uniformly. Consequently, many tribunals, high courts and the Supreme Court have given different judgments with regard to such issues.

Moreover, the Real Estate Builder/Developer is not eligible to take credit of custom duty, excise duty which will add to the cost of constructions ultimately increasing the prices of apartments, flats etc. Also, there is no provision to take credit of VAT against Service tax and vice versa. Due to the multiple taxes, the Builder/Developer has to maintain various books and records under different taxes, file multiple returns/forms and many times has to encounter with various tax authorities, which will ultimately increase the compliance cost and time

REAL ESTATE UNDER THE GST REGIME:

The impact of GST on real estate, in terms of tax outflow for developers and consumers will depend on whether the final GST rate is more or less than the combined taxes paid currently. The current tax rate is between 22 to 25% of a house depending on the state.

To reduce such harassment that is there due to multiple taxes, GST is expected to be the game changer which will subsume or replace various existing indirect taxes. The implementation of GST is likely to improve transparency and reduce tax evasion on account of better enforcement and compliance and possibly reduce the cost of home ownership. It has also promised seamless flow of tax credit which will help the Builders/Developers to reduce cascading effect and restructure their cost estimation and pricing with less compliance cost and time. The Government is leaving no stone unturned to rollout GST from July 1st, 2017. Now the Lok Sabha & Rajya Sabha has also cleared four supplementary GST Bills i.e. CGST, IGST, UTGST and Compensation Cess Bill with some amendments. As per Bills passed by the Lok Sabha & Rajya Sabha, Sale and purchase of Immovable properties (Land and Buildings) have been kept outside the purview of GST since these transactions attract Stamp Duty (Stamp Duty is not subsumed to GST) but under-construction properties are covered under GST. This will ensure the transparency and uniformity in the real estate transactions and save or reduce compliance cost and time.

Will homes cost more for home buyers post GST?

The latest version of the GST bill states that the leasing of a building, in part or whole which includes a residential and commercial building, would be considered as service rendered as per the GST bill. At present, service tax is only levied on the commercial and industrial units which are rented out but the residential unit is exempt from such taxes. “Service tax and VAT will be replaced by the Central GST and State GST whereas, stamp duty will remain unchanged as it is out of the purview of GST. Two aspects that will define the impact of GST on the sector, is the rate and abatement for land value in total agreement value of residential and under- construction homes

Experts believe that lowering costs on account of input credit allowance could lower prices, if developers are willing to pass on the benefits to the end-users, resulting in a saving of up to 20% for the home buyer. Overall, with the implementation of the GST, the consumers may need to bear slightly higher taxes but they could still pay lower prices for the property if the developers pass the benefits of input credits, to their customers.

Key points:-

- Under-construction homes to attract GST.
- Leasing and renting of land and building would invite GST.
- GST to be levied on EMI of under-construction property
- Tenancy and leasing would be considered as rendering the service under the GST bill.
- GST will be applicable on constriction raw materials there will increase cost of project.
- The unified tax systems under GST reduce compliance cost for developers.

CHAPTER **2**

IMPACT OF GST ON INFORMATION TECHNOLOGY SECTOR

India is the world's largest sourcing destination for the information technology (IT) industry, accounting for approximately 67 per cent of the US$ 124-130 billion market. The industry employs about 10 million workforces. More importantly, the industry has led the economic transformation of the country and altered the perception of India in the global economy. India's cost competitiveness in providing IT services, which is approximately 3-4 times cheaper than the US. India's technology and BPM sector (including hardware) is likely to generate revenues of US$ 160 billion during FY16 compared to US$ 146.5 billion in FY15, implying a growth rate of 9.2 per cent.

The contribution of the IT sector to India's GDP rose to approximately 9.5 per cent in FY15 from 1.2 per cent in FY 1998. It is very important for this sector to analyze, discuss and prepare for possible impacts on costs, taxes and profitability under GST

PRESENT TAX STRUTURE IN IT SECTOR:

Under our present tax structure the sale of packaged software is entitled to both VAT and service tax.VAT rate is around 5% in most of the state and Service tax rate is 15%(including Swachh Bharat Cess and Krishi Kalyan Cess), Excise duty is also imposed in case of manufacturing of IT products.

Example if software comes in a CD or DVD or Hard disk, then there are 3 taxes

1. Excise Duty for manufacturing of product
2. Sales tax i.e. VAT for sale and
3. Service Tax for providing Service as software can be downloadable for multiple times.

IT SECTOR UNDER THE GST REGIME:

Registration:

Under GST, all the assesses needs to register in each state for his business. Currently, all the Service Provider is registered under Central Service Tax dept. and billing, utilization of credit done from a single location. However, under GST all the offices (HO and Branches) need to register for their location. For small software company who is having only one location of business, there will be no difficulties.

However, for big IT Service Provider like MNC this will lead practical difficulties as the registration and other statutory matters to be taken care for each location.

Tax Rate:

Tax rate may come as 18% to 20 % as per expert, so it may lead to increase in tax portion under GST. Therefore the cost of IT Services will elevate, especially for end customers who do not usually claim the input tax credit. Under current tax regime overall rate of indirect taxes is come under 20 to 25 %(excise duty, vat, service Tax), and GST rate may come under 18 to 20 % due to this price of IT product may be cheaper but IT service is expansible.

Cascading effects of Taxes:

Under GST both the IT service providers and their clients will be eligible to claim full credit of GST; this is expected to eliminate the cascading effects of the present tax structure

Improved competitiveness:

Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.

Gain to manufacturers and exporters:

The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

Key Points:-

- After GST cost of IT product may be cheaper
- Big MNC Company incurred more cost for infrastructure
- Remove cascading effects.
- Compliance cost increase.
- Input of various local taxes available under GST regime
- Reduce hassle and expense.

CHAPTER 3

IMPACT OF GST ON HOSPOTALITY SECTOR

The Indian hospitality and tourism industry, which was pegged at US$ 136.2 billion at the end of last year, is one of the sectors which will see major changes after 1st July 2017. Experts observe that the implementation of GST will provide an edge to the sector by reducing costs for customers, harmonizing taxes, and reducing business transaction costs.

Hotel Sector in India is presently covered as one of the priorities of the Government and as such is allowed tax relief in the form of abatements vides **N.No. 26/2012-ST dated 20.06.2012**. Presently, the hotel industry is plagued by multiple of taxes i.e., Service tax, luxury tax and VAT which ultimately results into cascading effect. The three taxes that are levied are the VAT and luxury tax by the States government and service tax by the Centre government. The VAT rate varies from state to state, luxury tax depends on the room tariff and the state (generally varies from Nil to 12%). Similarly, service tax varies on the type of service. For hotels with room tariff in excess of Rs 1,000 and above, service tax is applicable at 60% of room tariff in addition to VAT (ranging between 12 to 14.5%) and luxury tax wherever applicable. In case of restaurants on the F&B bills, service tax is applicable on 40% of the bill or effective rate of 5.8% apart from VAT @ 12 to 14.5%. In case of social functions (marriage, seminars etc.) the applicable service tax rate after 30% abatement is 10.5%. When the VAT, service tax and luxury tax are combined, the total impact goes up and lies between 20 to 27 percent. As input credit from central taxes cannot be set off against VAT liability and vice-versa, this leads to cascading effect. The present rate of service tax is 15% including cesses viz Swachh Bharat Cess (SBC) and Krishi Kalyan Cess (KKC).

.**Indirect taxes pertaining to the Hotel Industry under present System:**

1. **States Taxes:**
   - Value Added Tax (VAT).
   - Luxury Tax.
   - Entertainment Tax.
   - Excise duty on liquor and tobacco.

2. **Central Taxes:**
   - Service Tax.
   - Customs duty.
   - Excise duty.

Hotel Industry under the GST Regime:

Under the Goods and Service Tax (GST), the hospitality sector stands to reap the benefits of standardized and uniform tax rates, and easy and better utilization of input tax credit. As the final cost to end user decreases, we can expect the industry to attract more overseas tourists as compared to our neighbors. This would ideally result in improved revenues for the government. There are no specific provisions for inclusions or exclusions of hotels and restaurants services or any other activity related to hotels / restaurants elsewhere in the proposed law

Based on the provisions of GST Law, it can be said that hotel sector shall be impacted both positively and negatively under the GST regime.

- The multiple taxes would be replaced by one single tax, the rate of which is likely to be between 18%-20%. The hotel industry would benefit in the form of lower tax rate which should help in attracting more tourists in India.

- It is still very difficult to differentiate between a Value Added Tax and an entertainment tax by the common people in their bills. However, under GST regime customer will going to see only a single charge on their bill and it would give them a clear picture of the cost they are incurring for the goods and services.

- The riddance of a lot of entries from the book of accounts of any hotel in the name of several taxes means minimum time to process a transaction. This will also result in faster and fresher service to the customers and the reservations process will become an easy breezy process

- There are likely to be concerns in valuation of restaurant services in view of the industry practice of discounts / offers / policies in the form of incentives. The proposed valuation rules are different from the existing ones and as such this sector need to frame an appropriate policy for such discounts in advance.

- Service providers having centralized registration will have to get registered in each state whether providing hotel services on own account or through agent (franchise).

- Service providers will have an option to take different registration or separate business verticals which needs to be examined on case to case basis.

- The procedure for all the invoices / receipts towards inward and outward supplies will become cumbersome as each one of them will have to be uploaded in the system.

- With the implementation of GST, it may lead to price hike in some product and service cost. For an example, a service along with abatement results in 18-20 percent will be charged as 18% under GST and hence will increase the price.

- The frequency and number of returns to be filed will go up.

- There is a provision for GST audit if the turnover is more than the prescribed limit.

- The e-commerce companies may have to revamp the current models, as the VAT rate arbitrage available in the current law may not be available in GST. Tax Collection at Source (TCS) provisions have been introduced on ecommerce operators in the GST Law. However, there are no provisions relating to collection of tax at source under the current tax regime.

- Alcohol and electricity are out of the purview of GST net. The taxation on alcohol would be different than the single GST rate. Thus, the hotel industry would not be able to avail the input credit on the two items which will have a negative impact on this sector.

Key Points:-

- Hotel Industries will have to get registration in each state.
- No input tax credit on alcohol and electricity consumption.
- Tourisms will be increase due to lower of taxes.
- Eating in the restaurants may b cheaper.
- Time saving and improved quality.
- Administrative ease due to eliminate various taxes.
- Technological burden.

CHAPTER **4**

IMPACT OF GST ON INDIAN SMES

Small and Medium Enterprises (SMEs) have been considered as the primary growth driver of the Indian economy for decades. It is further evident from the fact that today we have around 3 million SMEs in India contributing almost 50% of the industrial output and 42% of India's total export. For a developing country like India and its demographic diversity, SMEs have emerged as the leading employment-generating sector and has provided balanced development across sectors

Opportunities and challenges for SMEs:

- **GST is going to widen the taxpayer base:** Earlier, any manufacturer with a turnover of Rs 1.5 crore or less was not required to comply with the rules of excise duty. However, with the merging of all State and Central level taxes into the ambit of GST, any manufacturer with a turnover of Rs 20 lakh (others) /10Lakh (North Eastern States) or more will have to comply with GST and its procedures.

- **All the compliance procedures through online**: Registration, Payments, Refunds and Returns will now be carried out through online portals only and thus SMEs need not worry about interacting with department officers for carrying out these compliances, which are considered as a headache in the current tax regime.

Positive Impact of GST on SMEs:

- **Reduction of the tax burden on new business**: As per the present indirect tax structure, businesses with a turnover of over 5 lakh rupees (10 lakh in some states) need to pay a VAT registration fee. The central government has increased the basic exemption limit to 20 lakhs, which is a 75 percent relaxation in limit for small traders and manufacturers.
- **Improved logistics and faster delivery of services**: Under the GST bill, no entry tax will be charged for goods manufactured or sold in any part of India. As a result, delivery of goods at interstate points and toll check posts will be expedited. According to an estimate, the logistics cost for manufacturers of bulk goods will get reduced significantly by about 20%. This is expected to boost ecommerce across the nation.
- **Elimination of distinction between goods and services:** GST ensures that there is no ambiguity between goods and services. This will simplify various legal proceedings related to the packaged products. As a result, there will no longer be a distinction between the material and the service component, which will greatly reduce tax evasion.
- **Ease of starting business**: A business having operations across different state needs VAT registration. Different tax rules in

different states only add to the complications and incur high procedural fees. GST enables a centralized registration that will make starting a business easier and the consequent expansion an added advantage for SMEs

Challenges for SMEs:

- **No tax differentiation for luxury items and services**: The tax neutrality will not differentiate luxury goods and normal goods. Currently the state and central government levy higher taxes on luxury goods and services. Under GST implementation, all goods and services will have to pay the same tax which will lead to rich becoming richer and poor becoming poorer. It is not an ideal situation for MSMEs competing against large businesses.
- **Selective tax levying**: GST will not be applicable to Alcoholic liquor for human consumption and Petroleum based businesses, which creates further gap and does not support the 'unified market' ideology of GST.
- **The burden of higher tax rate for Service Provider**: Presently Service Tax rate is 15%. GST rate will be around 18%. The scenario in the service sector will further be impacted as the concept of Centralized Registration has been done away with and each unit in different states will have to take separate registration.
- **Excess Working Capital Requirement**: Taxation of stock transfer will primarily impact the working capital requirements. The quantum of impact will vary depending on stock turnaround time at warehouse, credit cycle to customer, quantum of stock transfer,

etc. Higher amount of Capital Requirement will increase interest cost which ultimately will increase the price of Finished Goods.

- **Realignment of Purchase and Supply Chain:** Under GST credit will be not be available to a compliant company if the vendor from whom MSME is purchasing goods does not show the same in his return. Thus sourcing strategies will change on account of GST credit mechanism. Also there will be re-consideration of Supply Chain on account of taxation of Stock Transfers.

- **Decrease in duty limits:** Under the present excise tax regime, no duty is paid by a manufacturer with a gross turnover of less than Rs 1.50 crores. However, after GST implementation, this exemption limit would get considerably lowered to Rs 20 lakhs. Consequently, a large number of SMEs and start-ups would come under the purview of the GST tax.

Key Points:-

- Increase in tax rate for small scale service from 15% to 18 to 20%.
- Reduction of tax burden on new business.
- Improved logistics and faster delivery of service.
- Classification between services and good eliminated.
- Working capital requirements increase.

CHAPTER **5**

IMPACT OF GST ON E-COMMERCE

E-commerce has seen an unprecedented growth and India is pegged as the second largest market for E-commerce. The E-commerce market in the country is expected to breach the $100- billion mark by 2020. The explosive growth in the sector has given rise to multiple tax issues along with other challenges such as rising competition, shrinking profit margins etc.

India's e-commerce market is estimated to have crossed Rs. 211,005 crore in December 2016 as per the study conducted by **Internet and Mobile Association of India**. The report further claims that India is expected to generate $100 billion online retail revenue by the year 2020.

The uprising of Electronic Commerce in India has also resulted in conception of online marketplaces. An online marketplace is basically a place (in our case a website) where you can find products coming from multiple vendors, would they be brands, shops or persons, in the same platform. The marketplace owner is responsible for attracting customer and keeping track of money transactions, whereas the third party vendor is dealing with manufacturing and shipping. Some Famous online marketplaces Flipkart, Snapdeal and Amazon.

Some of the features of a marketplace model are:

- Marketplace enables third-party sellers to register and sell online on their platform.
- Marketplace charges a subscription fees/ commission on sale value from listed sellers.
- Third-party sellers under this model gain access to a larger customer base, registered with marketplace.
- Customer on the other hand gains access to multiple sellers and competitive prices for desired products.
- Items purchased on such marketplaces are either shipped by Merchant/Third-party seller directly or through the fulfillment center managed by Marketplace Operator.

Challenges for E-Commerce Companies:

- **No threshold for GST registration:** Government has specified a threshold limit for all the businesses. A business is liable to register under Goods and Services Tax once such threshold limit is breached. However such limit is not applicable in case of E Commerce sellers. All the businesses carrying out e-commerce activity are required to get registered under GST irrespective of their turnover.
- **No Benefit under Composition Scheme:** Most of these sellers registered with marketplace operators are small and medium businesses. Government has introduced composition scheme under GST law. This scheme is primarily aimed to reduce the burden of compliance for small and medium businesses. Under

this scheme, businesses are required to file returns quarterly instead of monthly and pay taxes at nominal rates However GST law has explicitly excluded E-Commerce businesses from this scheme.

- **Registration in each individual state:** As per the provisions under GST law, every business involved in E commerce is required to get registered in each state in which they are supplying goods. Since the e-commerce business model is as such that the seller expects order from all the states, they are liable to obtain registration in all the states.
- **Tax Collection at Source by Marketplace Operator:** Under GST, online marketplaces will have to deduct 2% tax per transaction while making payments to sellers listed on their portal. This Tax Collected at Source (TCS) will be handed over as collection towards GST to the government. This rule however does not apply to offline retailers. With TCS, capital will be locked away for periods between 20-50 days depending on the transaction date. The significant impact on the cash flow will force smaller firms to seek additional working capital. This will also impact the liquidity and cash flow of these sellers.
- **Compliance issue in case of returns and refunds:** Majority of the products sold online carry a return date of 30 days which translates to about 15 – 20 million transactions per month and the returns and refunds for these have to be done with utmost care. The returns are required to be filed monthly now by both

parties and refund adjustment will need special attention affecting tax liability.

- **Price advantage due to tax arbitrage would disappear:**

  Under the present tax structure, different states impose different VAT rates on the same goods. For example, Haryana has a tax rate of 5% (assume) on mobile phones, whereas Delhi has 13.5% (assume). Online marketplaces list sellers who need to charge lower taxes thus making the product cheaper than local retail prices. The e-tailers often enter exclusive tie-ups to take advantage from tax arbitrage. Post GST, there will be standard tax rates for each product and tax arbitrage will not be possible, bringing e-tailors and offline sellers to the same level in terms of costing and pricing.

  - **System Changes:**

    Market places will have to make necessary changes to their ERPs to handle the new requirements emerging due to GST:

Frequently Ask Question (FAQs):-

Question 1. What is Electronic Commerce?

Answer. Electronic Commerce has been defined to mean the supply o f goods or services or both, including digital products over digital or electronic network.

Question 2. Who is an e-commerce operator?

Answer. Electronic Commerce Operator has been defined to mean any person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

Question 3. Is it mandatory for e-commerce operator to obtain registration?

Answer. Yes. The benefit of threshold exemption is not available to e-commerce operators and they would be liable to be registered irrespective of the value of supply made by them.

Question 4. Whether a supplier of goods or services supplying through e-commerce operator would be entitled to threshold exemption?

Answer. No. The threshold exemption is not available to such suppliers and they would be liable to be registered irrespective of the value of supply made by them. This requirement, however, is applicable only if the supply is made through such electronic commerce operator who is required to collect tax at source.

Question 5. Will an e-commerce operator be liable to pay tax in respect of supply of goods or services made through it, instead of actual supplier?

Answer. Yes, but only in case of certain notified services. In such cases tax shall be paid by the electronic commerce operator if such services are supplied through it and all the provisions of the Act shall apply to such electronic commerce operator as if he is the person liable to pay tax in relation to supply of such services.

Question 6. Will threshold exemption be available to electronic commerce operators liable to pay tax on notified services?

Answer. No. Threshold exemption is not available to ecommerce operator who is requiring paying tax on notified services provided through them.

Question 7. What is Tax Collection at Source (TCS)?

Answer. The e-commerce operator is required to collect an amount calculated at the rate not exceeding one percent of the net value of taxable supplies made through it, where the consideration with respect to such supplies is to be collected by such operator. The amount so collected is called as Tax Collection at Source (TCS).

Question 8. It is very common that customers of ecommerce companies return goods. How these returns are going to be adjusted?

Answer. An e-commerce company is required to collect tax only on the net value of taxable supplies. In other words, value of the supplies which are returned are adjusted in the aggregate value of taxable supplies.

Question 9. What is meant by "net value of taxable supplies"?

Answer. The "net value of taxable supplies" means the aggregate value of taxable supplies of goods or services or both, other than the services on which entire tax is payable by the e-commerce operator, made during any month by all registered persons through such operator reduced by the aggregate value of taxable supplies returned to the suppliers during the said month.

Question 10. Is every e-commerce operator required to collect tax on behalf of actual supplier?

Answer. Yes, every e-commerce operator is required to collect tax where consideration with respect to the supply is being collected by the e-commerce operator.

Question 11. At what time should the e-commerce operator make such collection?

Answer. The e-commerce operator should make the collection during the month in which supply was made.

Question 12. What is the time within which such TCS is to be remitted by the e-commerce operator to Government account?

Answer. The amount collected by the operator is to be paid to appropriate government within 10 days after the end of the month in which amount was so collected.

Question 13. How can actual suppliers claim credit of this TCS?

Answer. The amount of TCS deposited by the operator with the appropriate government will be reflected in the cash ledger of the actual registered supplier (on whose account such collection has been made) on the basis of the statement filed by the operator. The same can be used at the time of discharge of tax liability in respect of the supplies by the actual supplier.

Question 14. Is the e-commerce operator required to submit any statement? What are the details that are required to be submitted in the statement?

Answer. Yes, every operator is required to furnish a statement, electronically, containing the details of outward supplies of goods or services effected through it, including the supplies of goods or services returned through it, and the amount collected by it as TCS during a month within ten days after the end of such month. The operator is also required to file an annual statement by 31st day of December following the end of the financial year in which the tax was collected.

Question 15. What is the concept of matching in e-commerce provisions and how it is going to work?

Answer. The details of supplies and the amount collected during a calendar month, and furnished by every operator in his statement will be matched with the corresponding details of outward supplies furnished by the concerned supplier in his valid return for the same calendar month or any preceding calendar month. Where the details of outward supply, on which the tax has been collected, as declared by the operator in his statement do not match with the corresponding details declared by the supplier the discrepancy shall be communicated to both persons.

Question 16. What will happen if the details remain mismatched?

Answer. The value of a supply relating to any payment in respect of which any discrepancy is communicated and which is not rectified by the supplier in his valid return for the month in which discrepancy is communicated shall be added to the output liability of the said supplier, for the calendar month succeeding the calendar month in which the discrepancy is communicated. The concerned supplier shall, in whose output tax liability any amount has been added shall be liable to pay the tax payable in respect of such supply along with interest on the amount so added from the date such tax was due till the date of its payment.

Question 17. Are there any additional powers to tax officers available?

Answer. Any authority not below the rank of Deputy Commissioner may issue a notice to the electronic operator to furnish specified details within a period of 15 working days from the date of service of such notice.

Key points:-

- Big MNC Company incurred more cost for infrastructure.
- No Composition scheme available to E- Commerce Company.
- TCS to be Deducted by E-commerce company and file a separate return.
- System Change.
- No threshold limit for registration under GST.

CHAPTER -6

IMPACT OF GST ON FMCG

The 3 lakh crore Fast Moving Consumer Goods (FMCG) industry in India is one of the major contributor to the state exchequer in excess of Rs 40,000 crores. Major categories being food & beverage followed by household and personal care.

FMCG is one of the fastest growing sectors among all the sectors in the Indian economy The Indian FMCG sector is the fourth largest sector in the economy with a total market size in excess of US$ 13.1 billion. Fast Moving Consumer Goods (FMCG) goods are popularly named as consumer packaged goods. Hence, the sector is likely to see a significant impact once the Goods and Services Tax (GST) act is applicable in the country.

PRESENT TAX STRUTURE IN FMCG SECTOR:

As per the current tax regime, FMCG has to pay many taxes like VAT, Service Tax, Excise duty, Central Sales Tax. Once the GST law will be implemented it will cover all the above taxes under one single point of tax in form of GST. The current tax rate for the FMCG industry including all the taxes is around 22-24%. GST might be implemented with the expected rate of 18-20 %. It would be welcomed by all the major players in the FMCG industry. No input credit was available for certain taxes like CST, CVD and SAD under the current tax regime. Whereas under GST, there would be input credit available for all the GST payments made in the course of business.

IMPACT OF GST ON FMCG:

- **REDUCTION IN LOGISTICS COST**

FMCG sector would also benefit from GST in the form of saving considerable amount of expenses on logistics. Distribution cost of the FMCG sector currently amounts to 2-7% of total cost, which is expected to drop to 1.5% after implementation of GST. Due to the smoother supply chain management, payment of tax, claiming input credit, removal of CST under the GST regime there will be cost reduction in terms of transportation and storage of goods. It is expected that the reduction in cost and taxes would make the consumer goods cheaper.

- **STOCK TRANSFERS:**

Under present taxation structure , a registered manufacturer making a stock transfer of excisable goods, should pay excise duty on 100% +10% of cost of production and under VAT, after furnishing Form F, stock transfers between two branches of company are not taxable..

Under GST, levy of tax when stock transfer between two branches/depots stock transfers is taxable in the following two cases:

- **Intrastate stock transfer:** Only when an entity has more than one registration in one state

- **Inter State Stock transfer**: Transfer between two entities located in different states is taxable

The taxability of stock transfers under GST will have an impact on cash flow. This is because, tax is paid on the date of stock transfer, and ITC is effectively used when stock is liquidated by the receiving branch. Hence, under GST, for businesses engaged in stock transfers, especially in case of FMCG goods, the need of additional working capital arises due to tax instances. This will be a challenge for SMEs who operate with thin working capital.

- **WAREHOUSING:**

A lot of FMCG companies set up their warehouses in states like Himachal Pradesh/Uttaranchal as they enjoy a lot of tax holidays/benefits/exemptions under the current tax regime. It is still not clear as to whether all the tax holidays/benefits/exemptions would exist under the GST law once it it is implemented Major FMCG companies like Nestle, ITC, Hindustan Unilever, Dabur and Cadbury are anxious as the non migration of Tax holidays / exemptions provided in current law could hurt the costing of the products of the company

- **TAXABILITY OF FREE SUPPLIES:**

Taxability of Free Supplies Supply of goods between persons without consideration is deemed to be a 'supply'. Accordingly, stock transfer of promotion materials/ free samples will be subject to GST. Subsequent supply of the said promotion materials to stockiest/end customers will also attract GST. Under the present regime, free supplies are not subject to

VAT. Hence, promotion expenses of FMCG companies will increase under the GST regime.

KEY POINTS:

- Warehousing will gain market as manufacturer will be more interest in directly selling from to warehouses rather than transferring to various outlets.
- Stock transfer between two branches/depots will be taxable.
- More working capital requirements.
- Reduction in logistic cost.
- Good may be cheaper.
- No distinction between free samples and gifts made in course or furtherance of business.
- Company could generate substantial savings in logistics and distribution cost.
- Food companies see increase in effective tax as many companies enjoy concessional rate of excise.

CHAPTER-7

IMPACT OF GST ON AVIATION SECTOR

The Role of Aviation Industry in India GDP in the past few years has been phenomenal in all respects. The Aviation Industry in India is the most rapidly growing Aviation sector of the world. With the rise in the economy of the country and followed by the liberalization in the Aviation sector, the Aviation Industry in India went through a complete transformation in the recent period.

The Civil Aviation industry has ushered in a new era of expansion, driven by factors such as low-cost carriers (LCCs), modern airports, Foreign Direct Investment (FDI) in domestic airlines, advanced information technology (IT) interventions and growing emphasis on regional connectivity. India is the ninth-largest civil aviation market in the world, with a market size of around US$ 16 billion. India is expected to become the third largest aviation market by 2020 with the implementation of Goods and Service Tax (GST) Act.

Benefits and Drawbacks of GST Implementation on Aviation Sector:

- **Increase in Fare Prices of Ticket: c**urrently, Service Tax rate on air travel ticket after abatement is 6% in case of economy class and 9% in case of business class. With the GST Rate is likely to be estimated at 18%, which will result in an excess burden of 9-12% on the air travel tickets, adversely affect the growth of the industry. This will lead to higher ticket prices which will impact the cash flow.

- **Input Cost of Jet Fuel /Aviation Turbine Fuel:** ATF will not be included within the GST regime and therefore the Central and State governments will continue to impose excise duty and Value Added Tax **(**VAT**),** respectively. Since the levy of these taxes will not be creditable for carriers under the GST regime, it will result in a cascading effect of taxes.

- **Leasing of Aircraft:** Presently, carriers are not required to pay any indirect taxes on lease of aircraft into India (as Customs duty on import of aircraft is exempt and the transaction is beyond the jurisdiction for levy of VAT). Only in case of a finance lease arrangement, service tax is applicable on 10% of the lease rentals. Under GST law leasing of aircraft now taxable.

- **Repair and Maintenance**: Presently both Service Tax and VAT are charged on repair and maintenance of aircraft resulting in higher tax burden. Under GST law, It is expected to treat pure service transaction where supply include both goods and services thus helps in removing the cascading effect of the tax on tax. Also, repair and maintenance of aircraft carried outside India are currently exempted from service Tax.

- **Import of Aircraft and Its Spare Parts:** Presently import of aircraft and its spare parts is exempted from customs duty. Under GST if the exemption is not provided, then price of imported aircraft will increase.

- **Compliance Cost:** Under existing Tax Law, only single registration of service tax is required to take. Under GST, registration is required to take in every state from where supply takes place. Thus, the carrier has to take registration in every state where passengers are located and from where the flight embarks.

- **Tax impact for international flights:** Air travel commencing outside India is not subject to service tax. Under the GST Law, air travel commencing outside India will now be subject to GST in India, if provided to customers registered under the GST. Further, the GST Law stipulates that a return journey will be treated as a separate journey and will be taxable in India if such services are provided to customers registered under GST in India. However, where customers are not registered in India, the return journey will not be taxable.

Key points:-

- Aircraft lease now taxable
- Increase in maintenance costs
- Compliance cost increase
- Import or aircraft and its spare part now more expensive
- Ticket price increase

CHAPTER-8

IMPACT OF GST ON TELECOMMUNICATION SECTOR

The telecommunications sector has become one of India's core economic drivers, India is only second to china in term of the number of connections and subscribers, the sector is also among the top five employment generation in india**.**Telecom sector of India can basically be divided into three parts, the telecom service providers, infrastructure providers and equipment manufacturers.

Benefits and Drawbacks of GST Implementation on Telecommunication Sector:

- **Change in the system of taxation**: Currently, selling of recharge vouchers to agents/distributors is exempt from service tax as per **Mega exemption notification no.25/2012 dated 20 June 2012.** The liability to pay Service tax on the Maximum Retail Price (MRP) (which includes the agent's/ distributor's margin) is on the telecom industry. As the GST law currently reads, in the absence of MRP-based valuation for the telecom and specific exemption to the distributors, it appears that each leg of the sale of SIMs would be subject to GST. This would mean that the distributors and all retailers in the supply chain would get taxed.

- **Mobile Wallets** There are several diversities that exist among the telecom companies that engage in a number of telecom services which includes mobile wallets. These need to analyze and each of its nature needs to be evaluated to gain knowledge of the impact of such transactions. This is, however, a very complicated process because the telecom companies make payments that include bank license by which they start their operations. Top telecom services providers including Airtel and Vodafone have already launched their mobile wallets, airtel money and Vodafone M-pasa. Most mobile wallets in India follow either the closed model or the semi-closed model, which restricts the utilization of credit to a specified set of services. The indirect taxes implication on mobile wallet services remains clouded as several councils across India have different opinions regarding its point of taxation under GST regime.

- **Unveiled cenvat credit relating to one time charges for spectrum assignment:** Presently, cenvat credit for service tax paid on one time charges for assignment of right to use any natural resources is spread equally over a period of three years as per the CCR, 2004, The GST law does not envisages any mechanism for carry forward of such unveiled credit.

- **No provision for transition of input tax credit relating to goods purchased:** Under the current regime, telecom are not eligible to avail credit of the tax (VAT/ CST) paid on purchase of goods.

However, under the GST regime, telecom would be allowed to avail such input tax credit for rganizatio against output GST liability. Currently, there is no specific transition provision under the GST law which permits a telecom to carry forward such taxes paid under the present regime for rganizatio against GST liability.

Cenvat credit on towers: Infrastructure providers also known as tower companies are one of the three broad segments of the telecom sector. In this regard, it is relevant to refer to **BHARTI AIRTEL LTD V/S COMMISSIONER OF CENTRAL EXCISE, PUNE** wherein credit on the towers, its parts thereof and pre-fabricated building material used for providing telecommunication service, was denied on the grounds that the goods under consideration would neither qualify under the definition of 'Capital goods' nor input defined under cenvat credit rules, 2004 accordingly due to the factor of immovability in the goods there is a ambiguity with respect to availing such credit. Under GST, it would be interesting to understand whether such ambiguity would continue or if there would be some certainty with no restrictions on availing credit.

- **Compliance requirements:** Currently, most telecom have obtained rganizatio Service tax registration certificate and undertake rganizatio compliances. However, under the GST Law, separate registration would be required in each State from where the services are rendered. Accordingly, telecom could be required to obtain registration separately in each State from where the services are rendered leading to increased compliance requirements as compared to the current regime.

- **Rate of tax**: Currently the rate service tax including cesses is 15%, however if GST rates are estimated above the same it would have a direct impact on the increase in the cost for the subscribers. Telecom companies may find difficult to pass increased burden of taxes to end customers belong in prepaid segment

Key Points:

- Call charges, Data rates may go up if the tax rate in the GST regime exceeds 15 %.
- The entire telecom companies may need to be revamped to accommodate a state level, GST driven mechanism and processes. .
- Removal of Cascading Effect.
- Compliance cost will increase.
- Changes agreement with various suppliers, customers, Etc.
- Tower firms won’t be able to set off their input duty liabilities because petro-product continuous to stay outside GST framework.

CHAPTER-9

IMPACT OF GST ON TEXTILE INDUSTRY

Textile industries play a very important role in the development of the Indian economy with respect to GDP, Export promotion, employment, etc. It is the one of the oldest manufacturing industry in India. It is the second largest industry after agriculture which provides skilled and unskilled employment. In this sector, 100% FDI is allowed by the Government under the Automatic Route. Textile Industry contributes more than 10% in Total Export. Textile Industry is divided into Two Segment, firstly Unorganized and Secondly Organized. Unorganized sector consists of handloom, handicraft, small and medium-scale mills and Organized Sector consist of spinning, apparel and garments segment which apply modern machinery and techniques.

The Textile and apparel industry can be broadly classified into two segments:

1. Yarn & fiber (Natural & Man-made)
2. Processed Fabrics, Ready-made garments & apparels

Current Tax Regime:

Indirect taxes on textile sector are obfuscated and indifferent across its various sectors. Most of their products are either exempt or are taxed at a relatively lower rate and are extensively subsidized under different central and state regimes. The current taxes vary from 4% to 12 % on various categories of textiles. The current taxation is production based which will be transformed to consumption based with the GST introduction

Some Pertinent Issue in Current Taxation under Textile Industry:

- **Input Tax Credit Breakup:** The textiles industry comprises of both regular and composition taxpayers. Most of the industry is being in composition Segment. Numerous transactions in the textiles industry flow from the unorganized to the organized sector and vice versa. Where Regular/Registered Taxpayer purchases goods from composition Taxpayers, they are not eligible for Input Tax Credit, thus breaking the Cenvat Credit chain. Input Tax credit paid on the previous transaction is included in the cost of the product making the product costly.

- **Job work under Central Excise:** In term of the Rule 4 (1A) of Central excise rules, every person who gets the goods, falling under chapter 61, 62 and 63 of the first schedule to the Tariff Act, produced or manufactured on his account on job work, shall pay the duty leviable on such goods.Therfore, it is the raw material supplier and not job worker who is liable to excise duty under current regime.

- **Small Business Compliance Cost:** composition scheme Taxpayer is hesitant to join Credit chain as it increases the compliance cost of engaging professional to meet their Tax obligation.

- **All Other Taxes to be included in GST:** Supply chain of Textile Industry is loaded with input and output across state boundaries to reach the ultimate consumer. Octroi and Entry Tax are the bottlenecks, credit of which is not allowable, thus form the part of the cost. Subsume of octroi, entry tax, entertainment tax, luxury tax, etc. into GST will remove the cascading effect at the distribution stage.

Impact of GST on textiles industries:

- **Dr. Arvind Subramanian** committee, recommended 12% lower GST rate on textile segments, the textile sector is likely to be negative impacted as compared to current taxation. At present most of the textiles industries attracting zero central excise duty and tax in inputs may not be more than 2-4%.
    - As CGST and SGST rates are likely to be higher than the current textile sector rate, this will result in the higher revenue to the Central and State Government and Textile Prices will increase.
    - In the current taxation, taxes are being paid on input are being added to cost as the finished product are exempt from taxes. In GST, Textile Output will be taxed and Input Tax will be rebate whether in the case of export or for domestic use making taxation transparent

- Taxes paid on purchase and installation of capital asset and equipment can be claimed as Cenvat credit. This will lead to up gradation and expansion of the Textile Industries with latest Improve technologies.
- An important effect of GST would be to improve compliance. The value chain under the GST will be fully traceable. As result, input tax credit claims will have to be backed by full information chain of purchase and sales. Improved compliance will automatically lead to higher revenues for any given rate as long as that rate is not excessively high.
- Fiscal barriers will be removed with the movement of Textile Input and output taxes from one states to another
- Under GST, All Fiber will be treated in same way. No discrimination between cotton fiber and man-made fiber.
- GST would streamline the process of claiming input credit thus allowing the textile industry to be more competitive in the export market.

KEY POINTS:-

- Reduction in Manufacturing cost due to subsume the various fringe taxes like octroi, entry tax, luxury tax etc.
- Input credit allowed on capital goods
- Smoother input credit system.
- Increased compliance burden.
- Due to decrease exemption limit from Rs.1.5 crores to Rs.20 lakhs the number of assesses would increase.
- GST is a technology driven law, which would pose difficulties to small players, who may find it difficult to adapt.

CHAPTER-10

IMPACT OF GST ON BANKING INDUSTRY

Today Indian economy is considered as the fastest growing economies in the world. Contributing to its high growth are many critical sectors, amongst which ‘financial services sector’ is one of the most distinguished sectors of Indian economy

The Indian Banking industry is currently worth Rs. 81 trillion (US $ 1.31 trillion) roughly, the Contribution of the banking sector to GDP is about 7.7% of GDP.Banking sector has generated employment in the economy for about 1.5 million people.

Opportunities and challenges for Banking Industries:

Registration:

Presently Bank follows Zonal or Regional structure where for one large State, there may be more than one Zone and conversely, one Zone may comprise more than one State after GST Law, banks having branches in multiple States and Union Territories (Uts) will be required to register in each such State and UT. Due to registration of all location many banks and financial institutions may be in for a lot of trouble as they could just see the complexity in paying taxes increase under the GST.

Accounts and Administration:

As GST stands today, transactions between two branches of same bank is set to trigger a tax, which could prove to be cumbersome.

- GST would require restructuring of accounting, administration and control mechanism in the IT systems and processes of banks to be able to maintain financial records of each State separately.

- GST being levied on branch transactions could be cumbersome because of the enormous number of financial transactions being carried out.

Services by Bank:

- Some services by bank to a customer are centralized (Ex: Demat Account, Wealth Management services, bigger home loans etc.) while some others are localized to branches (Ex: Savings account, Personal loan, OD etc.).

- Banks provide different types of services to customers like Debit Card, Credit Card, Internet banking, Cheque Clearance, NEFT, RTGS, IMPS, Funds Transfer, Demand Draft, Demat Account, Wealth Management services, home loans, Savings account, Personal loan, etc.

- Bank Head office also provides services to branches which may become taxable under GST. The IT systems of banks need to be upgraded to meet all these requirements related to multiple registrations, determining point of supply of services, compliance needs and Input Service distribution.

- Currently, the power to levy and collect Service Tax on all services is with the Centre. With the introduction of GST, the States would also be empowered to levy GST on services.

Place of Supply of Goods and Services:

In banking industries it's interesting to know the place of business. As per current scenario in banking industries every person having an account in a single location, he can do the transaction across global through internet banking/mobile banking hence point of supply identification is very much required for taxation purpose under GST.

Invoicing:

- As per Law requires uploading of invoices on Goods and Services Tax Network (GSTN) by 10th of the next month.It means wherever the recipient of service wants to avail input tax credit, each and every document, where under certain fee or commission or charges have been charged and on which GST is levied, is required to be uploaded electronically on the GSTN by the service provider. It is a fact that banks do not issue commercial invoices for every service rendered. It would practically be a very difficult task to issue invoices for such small amounts and uploading them on GSTN.

Repossession of Assets of Defaulters:

As per existing law and practice, when a bank repossesses assets from a defaulter of loan and sells the same, VAT is paid by the bank as a 'dealer' in terms of State VAT laws. Treatment of this under GST will be quite interesting, which need to be looked upon.

Benefits to Banking industry:

- Bank will be able to set off their GST liabilities against credit received on purchase of goods.
- Under the existing CENVAT mechanism, banks are eligible to take partial credit of excise duty and service tax paid on procurement of qualifying goods and services which are used for provision of output service but under GST law bank will take input tax credit which would be used by bank for payment of output liability.
- Banks do not get input tax credit of State VAT paid on any goods procured by them. As all these indirect taxes will be subsumed in GST, banks will be able to take credit of GST paid on procurement of goods as well.

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- GST Will help to reduce tax evasion. Under GST doing business will be easy. The increase in business will lead to additional demand of

funds. Addition demand of funds will lead to increase in a number of transactions in the bank as the business and current scenarios ask to go for digital transaction

Key points:-

- Bank needs to register all office/branches in each location where office or branch situated.
- Bank to maintain separate books of accounts to have a control for all input tax credit utilized and unutilized.
- Compliance cost increase.
- Banking industry claim input tax credit of state VAT paid on any goods procured by them.
- GST will help to reduce tax evasion.

CHAPTER-11

IMPACT OF GST ON CEMENT INDUSTRY

Indian Cement Industry is the second largest cement producer in the world after China. Government of India has been giving immense boost to various infrastructure projects, housing facilities and road networks, the cement industry in India is currently growing at Indian cement industry is aimed to grow at a CAGR of 11.14% in volume terms during financial year 2011 to Financial Year 2017 The introduction of Goods and Services Tax in India will certainly benefit the Indian cement industry and improve their profitability. Cement industries likely to have a positive impact after GST Several big names among cement manufacturers, such as Ultratech, JK Cement, and Shree Cement are expected to benefit from the new tax reform in India, Significant tax reduction is being expected by experts for this sector.

IMPACT OF GST ON CEMENT SECTOR:

- Currently, the tax on cement ranges between 27% to 32%.After implementation of GST in regime the tax rate for the cement sector is expected to decline to 18-20%.
- This is expected to lead to savings in transportation costs, which currently comprise up to 20-25% of total revenue.

- Overall rganization of cement companies will substantially improve post GST rollout.

- The impact of GST will be positive, as companies in the cement sector will also be able to save on their logistics costs, due to rganizations n of warehouses and lower transportation costs (due to decline in transit time).

- Supply chain management is expected to get a boost. Further, interstate trade barriers would reduce and eventually result in better interstate commerce. Consolidation of warehousing facilities is expected.
- The anticipated 18 per cent GST rate is far lower than what cement companies are paying currently, and analysts expect cement makers to pass on the benefits to consumers as demand continues to remain weak. Whether this alone will help revive demand is another matter altogether.

Key points:-

- Tax Rate decline from 32% to 18%.
- Saving in Transportation Cost.
- Supply Chain Management Boost,
- Cement demand increase.
- One common market will bring down the number of depot in the countries.

CHAPTER-12

IMPACT OF GST ON PHARMACEUTICAL INDUSTRY

Drugs and pharmaceutical industry plays a vital role in the economic development of a nation. It is one of the largest and most advanced sectors in the world, acting as a source for various drugs, medicines and their intermediates, as well as other pharmaceutical formulations. The Indian drugs and pharmaceutical industry, over the years, has shown tremendous progress in terms of infrastructure development, technology base creation as well as product usage. On the global platform, India holds fourth position in terms of volume and thirteenth position in terms of value of production in pharmaceuticals. The estimated worth of the Indian Pharmaceutical Industry is US$ 6 billion the growth rate of the industry is 13% per year.

Indian drugs are exported to more than 200 countries in the world. India is the largest provider of Generic drugs medicines globally and expected to expand further experiencing a boom in medical industry which will help in generating additional returns for the Industry.

Opportunities and challenges for Pharmaceutical industries:

- **Opportunities to create supply chain efficiencies**: Most of the pharma companies operate 30-35 warehousing locations in India; on the keys reasons for this arrangement is the current indirect tax structure of India. Under the current indirect tax structure interstate sale of good (i.e. sale of goods from one state to another state) central sale tax attracts, which is not credible to the buyer, whereas interstate movement of goods across warehouse of the same company is not subject to tax. Hence pharma company have adopted a decentralized supply chain model whereby multiple warehousing location in different state in India have been operated to avoid tax leakage from the direct inter-state sale of goods. Since GST on interstate sale of goods was to be credible under the GST law there exists an opportunity for companies to revisit current supply chain structure.

- **Free Supplies:** There exists various scenarios where medicines are supplied free of cost. **For example**, samples sent to physicians, supplies to WHO/Government as part of health awareness programs, patient assist programs, etc. Currently, free supplies are subject to Central Excise levy and not subject to state VAT/CST. Under the proposed GST regime, supplies made free of cost and other internal transactions, as detailed above, would be subject to tax. This would result in higher costs to the company.

- **Tax-free havens:** Many companies engaged in the manufacture of pharmaceutical products have set up their plants in locations where the Government has offered indirect tax exemptions/ incentive schemes. These schemes provide for either upfront exemption or refund of indirect taxes paid. Continuity of these location-based indirect tax benefits under the GST regime is critical, as companies have made significant capital investments in such areas due in part to the availability of these tax incentives. If the incentives are discontinued prematurely, such companies are likely to face financial challenges. This may also indirectly impact the cost of medicines.

- **Loan Licensee Model:** The GST law also provides special provisions for movement of goods for job work without payment of GST. While this could be beneficial for the Pharmaceutical Industry, it will require approval. Of the Jurisdictional Commissioner by way of special order. In case the permission is not granted, the law states that supply of raw or packing materials for job work cannot be undertaken without payment of GST. A job work procedure based on self-declaration which doesn't require specific approval from the authorities would be welcomed by the industry

- **Inverted duty structure:** The GST law provides for refund of accumulated credit resulting out of increased rate for inputs vis-à-vis reduced rate of output supply, a welcome change for the pharma industry, which has been struggling with a high amount of blocked credit.

Key Points:-

- Compliance cost increase.
- Cascading effect of multiple taxes decline.
- Negative impact of free sample.
- Reduction in transaction cost.

CHAPTER-13

IMPACT OF GST ON MEDIA & ENTERTAINMENT INDUSTRY

India is globally the fifth largest media and entertainment market .The Indian media and entertainment industry is a raising sector, with a rapid growth curve, in 2015; the industry grew at 11.76% with a market size of $19 billion. Overall the industry is expected to grow at CAGR at 13.98% till 2018. Proving its resilience to the world, the Indian M&E industry is on the cusp of a strong phase of growth, backed by rising consumer demand and improving advertising revenues.

The industry has been largely driven by increasing rganization and higher internet usage over the last decade. Internet has almost become a mainstream media for entertainment for most of the people.

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Opportunities and challenges for Media industries & Broadcast Services:

Currently consumers are paying a service tax at 15% for all broadcast services like television that includes cable, DTH and digital content, Besides this an entertainment tax at around 8-12% is further levied to increasing the average tax to a much as 25%. However once GST comes into play consumer would have to pay a single tax between 18-20%. Hence the overall tax burden on consumers is set to reduce.

Film producers & studios:

Film producers and studios is liable to service tax as well as VAT. Considering that, theatrical revenue is exempted from most of the output taxes. A large part of the taxes charged on the procurements are not available to be set off against output tax liability and therefore is a cost. The cascading taxes generally amount to almost 7-10% of the overall procurement cost. Imposing GST through the supply chain should allow the producers and studios to set off these taxes, thereby reducing costs materially

Place of supply:-

As per the structure of the GST law, each intra-State supply would attract Central GST as well as State GST. For inter-State supply, IGST would be applicable. The GST Law contains provisions to determine the place of supply in each case. Place of supply for broadcasting services would be determined based on the location where the cable connection or dish antenna is installed. Direct to Home ('DTH') operators would be required to determine the customers' location, as SGST would accrue to the state where the cable connection or dish antenna is installed. In case of paper vouchers, location of the cable connection or dish antenna may not be known at the time of sale of such vouchers. Further, such paper vouchers are actionable claims, which will add to the ambiguity. There should be clarity on this aspect. Currently, service tax being a central levy, an option of rganizatio registration is available, and hence the place of supply of services is not very relevant. However, considering that states will also charge SGST, and considering the absence of a rganizatio registration option, determination of place of supply becomes crucial.

Multiplexes

There are other segments of the media and entertainment industry that would look to the GST regime as a savior. Multiplexes. For instance, will be major gainers. “Film exhibition is subjected to punitive entertainment taxes which are imposed at a retail level and are not fungible against any taxes charged on the procurements made by multiplexes such as service tax on rentals, VAT on goods procured, etc. A unified GST chargeable through the supply chain should significantly mitigate the cascading impact of tax, thereby reducing cost. However, entertainment taxes imposed by local bodies may be considered negative if the same are imposed at punitive levels and are not recoverable from the general

Advertising agencies

Taxation for the advertising agencies can get complicated. The service industry can come under inflationary pressures. “It may actually make it much more complicated, particularly for advertising agencies operating in multi states because there will be a central GST and states GST. This will increase the complexity rather than ease it as is the intent. We hope that government is able to focus on this area and address this issue urgently so that the bill achieves its intent of simplification and ease of business.

Key point:-

- Multiplex chains will save on revenues as there will be a more uniform tax, unlike current high rate of entertainment tax levied by different states. It may lower the average ticket price, and increase the footfalls in multiplexes.
- GST will bring major change and uniformity in businesses. Taxes could go down by 2-4%.
- GST will be a big boon to film producers and studios that currently pay service tax on most of their cost, but cannot charge input credit on creative services (payments to artists etc) as they fall under the negative list. Under GST, they will be able to claim credit of these services also, which will help is lowering the overall cost.
- Under GST regime the tax cost on procurements for DTH and cable service providers should reduce on account of large availability of credits.
- Cinema tickets price may come down.

CHAPTER-14

IMPACT OF GST ON RETAIL SECTOR

India is the 5th largest retail market in the world. Retailing in India accounts for over 10% of the country's Gross Domestic Product (GDP) and around 8% of the employment. From US$ 600 billion in 2015, the Indian retail market is expected to nearly double to US$1 trillion by 2020. Retailing has played a major role over the world in increasing productivity across a wide range of consumer goods and services. The retail sector in India is dominated by the unorganized retail trade.

The sector can be broadly divided into two segments: Value retailing, which is typically a low margin-high volume business (primarily food and groceries) and Lifestyle retailing, a high margin-low volume business (apparel, footwear, etc). The sector is further divided into various categories, depending on the types of products offered.

Opportunities and challenges for retail sector:

Increased availability of input tax credit: At present, the CVD paid on import of goods, excise duty paid on goods manufactured in India, CST paid on interstate procurement of goods and service tax paid on input services, are currently a cost to the retailers. However, the GST charged on the aforementioned transactions would be creditable. This would eliminate the cascading effect of taxes and could lead to reduction in effective tax cost for various products

Increased working capital requirement:

Inter-state stock transfer of goods from one branch to another is presently not liable to tax. However, the same would be liable to GST. This would increase the working capital requirements of the retailers.

Promotion schemes:

Retailers currently offer various marketing schemes such as “Buy one get one free”, free samples, etc, to customers. At present, the products given free of cost are not liable to sales tax. However, in the GST regime, supply of goods by one person to another without consideration could also be liable for taxation. This would lead to increased cost of promotion and also pose a challenge as regards the valuation to be adopted for calculating GST on such goods.

Check-post related compliances:

Movement of goods within the state and from one state to another entail stoppage of goods at check-post for verification which leads to inefficiencies in the transportation system, increased cost due to halting and compliance hassles for the business. Under GST, given that entire India is a single market place, it is hoped that the way bill requirement and check-post compliances should be done away with or with less complexities.

Central Sales Tax:

GST implementation will phase out the Central Sales Tax (CST). In the current system of taxation, most retail companies plan their warehouse and outlet locations keeping in mind the CST levied on any sale or purchase of goods in the course of interstate trade or commerce. Once GST is put into action, IGST creditable tax–shall be applied on all interstate supply of goods. Since IGST is a creditable tax, retail companies will have the option of shutting down some locations used just for the transfer of goods from depot to outlets**.**

Critical issues in trade incentive and discounts:

Trade incentives and discounts that are allowed after the supply of goods has been affected become part of transaction value on which tax is paid by the supplier of goods. The incentives such as year-end sale discount, festival sales, turnover discount etc. are normally given after supply and cannot be linked to specific invoices will now become part of transaction value and tax has to be paid.

Key Points:-

- Working Capital Requirement Increase.
- Availability of input tax credit of CST, Excise duty and many other taxes.
- Increase cost of promotion scheme.
- Reduce check post compliance.
- Trade discount and incentive scheme may be affected.

CHAPTER-15

IMPACT OF GST ON AUTOMOBILES COMPANY & DEALERS

The Automobile Industry is one of the fastest growing sectors in India. The industry accounts for 7.1 per cent of the country's Gross domestic Production (GDP).Almost 13% of the revenue from central excise is from this sector and claims a size of 4.3% of total exports from India. The Automobiles sector is four different segments which are as follows:

- Two-wheelers which comprise of mopeds, scooters, motorcycles and electric two-wheelers
- Passenger Vehicles which include passenger cars, utility vehicles and multi-purpose vehicles
- Commercial Vehicles that are light and medium-heavy vehicles
- Three Wheelers that are passenger carriers and goods carriers.

Present Taxation System on Automobiles Company and dealer:

Under the present taxation system of indirect taxes, there are several taxes applicable on this sector like excise, VAT, sales tax, road tax, motor vehicle tax, registration duty etc.

Impact of GST on Automobiles Company and dealer:

- **Impact of tax**: Under GST regime all the taxes like excise, sales tax, road tax, motor vehicle tax, registration tax etc will be subsumed by GST. In GST regime, Automobile dealers will collecting and paying CGST and SGST (i.e. Central GST and State GST on intra-state sale of vehicles. Further in case of interstate sale of the vehicles, they will be collecting and paying IGST).

- **Impact on Credits:** Currently, automobile dealers are not able to avail CENVAT credit on the following indirect taxes paid by them:

  - CST Paid on purchase of vehicle, spares, consumables, accessories and assets.
  - Excise Duty paid on purchase of vehicles, spares, consumables and accessories.
  - NCCD (National calamity contingent duty), Auto Cess and Infrastructure Cess paid on purchase of vehicles.
  - CVD paid on any imported Spares, accessories and consumables.
  - SBC (Swachh Bharat cess) paid on input services.
  - Reversal of proportionate CENVAT credit of service tax due to trading activity – Showroom Rent, Advertisement expenses etc.

    In GST Regime, all the above duties/ taxes will get subsumed, therefore dealers should be able to avail the input tax credit of all its procurements of goods/ services except for few restrictions laid in the GST Law.

- **Dealer Incentive Schemes:** Currently, dealer incentive schemes are not subject to VAT, but there are issues on applicability of service tax on dealers, depending on the terms of each scheme. The industry view that these schemes are not an independent service by dealers to the manufacturers, but are in the nature of post-sale discounts. The GST law does not provide as to whether these incentives or discounts are subject to GST or not.

Further, since the original supply would have already suffered GST and the buyer would have taken the input tax credit, the issue of whether these incentives/ discounts would impact the price and credits, or will these be kept out of GST, needs to be addressed. Further, in case such schemes are subject to GST, whether the same would be treated as a service or goods is also another aspect that needs to be clarified.

- **Lack of clarity on MOU incentives –** The investments by automobile companies are significant and have multiplier effect on the State's economy. Generally, States provide for various incentives including Investment Promotion Subsidies (IPS). A majority of the automobile manufacturers enjoy special benefits from the State Government in the form of State Investment Promotion Subsidies (IPS). This is given in the form of refund of VAT/ CST paid, or as a loan.

With the introduction of GST, taxes move from the Origin State to the Consumption State. This would result in significant reduction of flow-back of IPS, since GST on inter-state sales is not credited to the Origin State. While this issue does not strictly arise under the GST law, the shift in the place of supply significantly impacts the IPS. Unless there is a compensation mechanism to the States with regard to the impact on the IPS due to GST. The effect on project viability for some of the mega automobile projects would be severe.

- **Lake of Clarity on subsuming of cess:** The automotive industry has witnessed several cesses, including automobile cess, NCCD, tractor cess and infrastructure cess. In the discussions on GST, the Government has indicated its intention to subsume all Central and State cesses into GST. However, on a reading of the GST law and the constitutional amendment bill, it is not clear as to whether the cesses levied under different legislations will be subsumed into GST or would continue under the GST scenario.

- **Time of supply for payment:** Currently, under the excise law, duty is paid at the time of removal of the vehicles manufactured. VAT is paid at the time of sale of vehicles. The GST law specifies that the time of supply of goods shall be at the earliest of the following dates: Date of removal of goods, Date of which goods are made available to recipient, Date of invoice, Date of receipt of payment with respect to the supply, Date of receipt of goods as shown in the books of accounts by recipient. Under the existing law, receipt of advance towards supply of goods is not a taxable event, both under central excise and VAT law.

However, under the GST Law, receipt of advance is sought to be treated as a taxable event. Considering the practice of ‘cash & carry’ followed by vehicle manufacturers and also the dealer network following advance for supply with its customers, the change in the timing of supply would result in significant changes in the cash flow, and also procedural changes for manufacturers and dealers. The industry would also need to consider that there could be more than one GST invoice for the supply of vehicles. This has to be factored along with the procedure followed by various State Regional Transport Office (RTO) to avoid any hassles in relation to registration of vehicles.

- **Job work –** The job work process is the backbone for automobile industry operations. The GST law treats ‘job work’ as a service and non-taxability of job work transaction and providing credits to the principal for supplies to job worker, However, some more clarity is needed in the conceptual framework for job work else will pose a challenge.

Key Points:

- Dealers/Automobiles Company should able to avail input tax credit of various taxes, which is not available in present tax structure.
- Confusion regarding dealer incentive scheme taxable or not.
- Advance received shall be treated as sale and GST will be charged.
- Remove cascading Effect.
- Compliance cost increase.
- On-road price of vehicles will be drop by around 8% as per experts.

CHAPTER-16

IMPACT OF GST ON INSURANCE SECTOR

Insurance industry of India consists of life insurance and non-life insurance companies. India's Life insurance sector recorded a new premium income of Rs. 1.38 trillion for the period April 2015 to March 2016 indicating a growth rate of 22.5 percent. But the question lies here that with the introduction of GST in taxation regime will bring positive or negative impact on the insurance industry.

The introduction of GST in taxation regime in India will bring a significant change in the hands of common man. The service sector will be more affected than any other sector. As a result if you are paying heavy insurance premiums, be prepared for the new taxation structure as it will cost you more as tax rate may rise to 18% to 20%, so, if your premium is currently Rs. 1,000, you may have to pay Rs. 20-30 more.

Present Scenario of Taxation in Insurance:-

The insurance plans are bifurcated into two parts i.e. protection and investment. The service tax is levied on the basis of the insurance plan. Have a look at this table for your reference:

Category	Service tax rate as on date
Term insurance premium	15
ULIP charges	15
Health Insurance	15
Annuity : Single Premium	1.5
Endowment: First year premium	3.75
Endowment: Renewal premium	1.875

GST and its impact on insurance premium:

Policyholder typically pays service tax on the risk element of the premium component where as the investment element of the policies is usually out of the service tax scope. With the implementation of the GST, Insurance policies, including life, health and motor will all be costlier as taxes will go up by at least 3%.

Term Plans:

Presently, service tax of 15% is imposed on the premium cost of the term plans. With the implementation of GST, the tax is expected to rise to 18% in the first year and also on renewal premium. It implies that for every Rs 100 paid towards premium which currently attracts Rs 15 as service tax will be replaced by additional Rs 18 as GST under the new tax regime. The premium will get dearer by 3% or 300 basis points.

Endowment plans

Endowment plans or traditional insurance savings plan, which currently attracts a service tax of 3.75% on the premium in the first year of the policy is expected to rise to 4.5% in the first year under the new tax regime. As of now, 1.88% of the service tax is levied on endowment plan's premium for the second year which is expected to rise to 2.25% from the second year onwards after the implementation of GST.

Health Plans

Currently, health plan premium attracts a service tax of 15% on its premium cost. With the introduction and implementation of the GST, the cost of purchasing the health insurance will be expensive as it will attract a tax of about 18% on premium.

Motor insurance:

Motor insurance premium also attracts 15% of the service tax which will enhance to 18%,

Due to increase in insurance premiums, there will be a fierce competition among the insurers for offering the best insurance proposition to the consumer, which will apparently be beneficial for the consumer. Insurance premium apart from including risk element also includes expenses related to policy issuance, intermediary commission' etc. which could be lowered by the insurers to compensate the effect of enhancement of service tax in the new GST era.

It is important to compare and buy the best insurance product which suits your family's requirement, needs, structure, liabilities, objectives and budget.

Key points:-

- GST rate likely to be higher than the current service tax rate and that will increase cost of insurance premium.
- Health and motor insurance costs will also go up.
- ULIP and Endowment policy holder will also have to pay the higher rate.

CHAPTER-17

IMPACT OF GST ON TRANSPORT INDUSTRIES

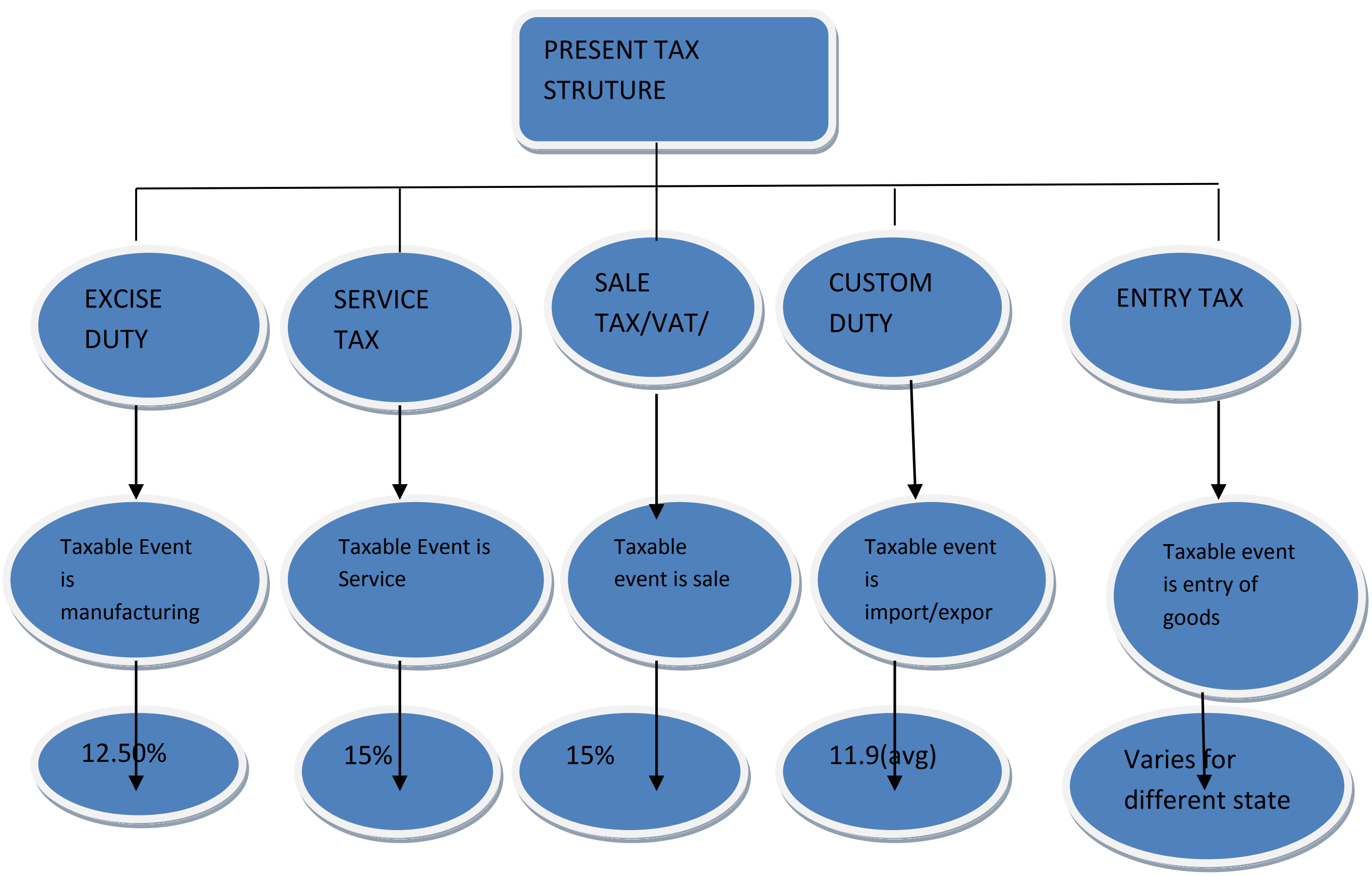
Logistics sector plays a very significant role in the development of our nation. The Indian logistics industry is expected to grow steadily. The India logistics industry is projected to grow at CAGR of 15-20% during the financial year 2016 to the financial year 2020.

But the logistics costs in India are high when compared to developed countries. The logistics costs in India is high (13 per cent of GDP) as compared to developed countries (8-9 per cent of GDP). This results in high logistics costs putting extra cost burden on the customers

This is primarily due to complex tax structure and poor infrastructure. Currently the freight that moves across the country is taxed multiple times.

The Indian logistic sector is primarily categorized into four segments comprising transportation, warehousing, freight forwarding and value-added logistics. The transportation which contributes maximum to the whole pieces of logistic sector comprises various means such as road, rail, air and water.

Present tax structure in Transport industries:-



Impact of GST on transportation business:

Third Party Logistics Service Providers:

Logistics companies in India has evolved over the years from being mere first-party logistics providers to second-party logistics providers to integrated fourth-party logistics providers by providing a complete package of logistics services, including transportation, warehousing, pool distribution, management consulting, logistics optimization, etc. and complementing them with advanced supply chain facilities. Currently in India the development of third party logistics service providers (3PL) and four party logistics service providers(4PL) are very slow due to tax regime which adding to the logistics woes of the country.

Interstate tax burden:

Currently, each of India's states taxes goods that move across their borders at different rates apart from that corporate state tax of 2% is levied for inter-state goods transfer after implementation of GST Uniform taxation and no varying tax structures would be allowed across states.

Logistic time:

Due to trade barriers such as entry taxes, local body taxes, octroi and other hurdles, trucks lie idle for 30 to 40% as per industry estimates during their delivery schedule. Improvement in the logistic time after phasing out the border check posts resulting in improvement in operational efficiency through quicker and increased number of deliveries along with reduction in logistic cost during the transit. As per GST law Indian corporate can save up to 30-40% of logistic costs incurred due to stoppages at various tolls and check posts.

Cost:

The existing inter-state taxation system has forced the companies to create and maintain warehouses in each state. Currently, there are around 20-30 warehouses per company, one in every state, in addition to this 20-30 Carry & Forwarding agents per state making the supply chain longer and inefficient. GST tax will be levied on transportation of goods and full credit will be available on interstate transactions. Logistic costs are expected to be decreased by 1.5 to 2.00% of sales on account of optimization of warehouses leading to lower inventory costs which are set up across states to avoid paying 2% corporate sales tax and phasing out of interstate sales tax. There is immense scope for optimization of costs

Classification of logistics services:

Bundled versus unbundled In the transport and logistics industry the services typically provided by a liner/ freight forwarder/ logistics service provider are transportation, cargo handling, customs clearance, terminal handling and warehousing. The services are subject to Service Tax at the rate of 15%. However, specified transportation services have been granted abatement, such as transport of goods by vessel, rail and road. On account of concessional rates of tax, the question which always arises is whether ancillary services can be construed as bundled with transportation services, so as to be eligible to avail the concessional rate. The concept of bundled services has been defined under the present Indirect Tax regime. Similarly, the GST Law defines composite supplies. However this definition has not been incorporated in the provisions determining taxability or valuation. Therefore, presently, the taxation of bundled services is unclear.

Taxability of Services provided to overseas entities:

Freight Forwarders and Courier service providers typically provide services as part of a global network in order to be able to provide last mile delivery for its customers in any country. The service providers therefore enter into network contracts whereby the Indian entity will provide services to its network entity with respect to the last mile delivery in India and vice versa. Under the GST Law, services provided to a non-resident entity will be construed as services. Accordingly, the place of provision of service will be the location where the goods are handed over for transportation, which will be India. Hence, services provided to the non-resident entity will be subject to GST on the basis of goods being handed over in India and the recipient being nonregistered. At the same time, services received from the non-resident entity will also be subject to GST under reverse charge on the basis of the recipient being in India.

Key Points:-

- Easy tracking of consignments.
- Managing complete hub and spoke model.
- Effective system to mange warehouse.
- Outsource the logistics operations.

CHAPTER-18

IMPACT OF GST ON AGRICULTURE SECTOR

Agriculture provides the principal means of livelihood for over 58.4% of India's population. It contributes approximately one-fifth of the total gross domestic product (GDP) and accounts for about 10% of the total export earnings and provides raw material to a large number of industries.

The Agriculture sector in India has enjoyed a special treatment in the present indirect taxation regime and has been granted various tax exemptions and concessions both by the Central as well as the State Governments. Sale of Agricultural produce has been exempted from the levy of VAT. State wise exemptions from levy of VAT have been granted to commodities like Cereals, paddy, rice, wheat, pulses, fresh plants, fruits and vegetables, milk, eggs, meat, etc. Concessional rates of VAT have been levied by various states on agricultural machinery and implements, agricultural tractors, trailers and trolleys, harvesters, threshers, including attachments, components and parts

PRESENT TAX LAWS

Agricultural products go through a lot of licensing, no of indirect taxes, under the present tax laws.

State VAT is currently applicable to all the agricultural goods at each state; it passes through prior to final consumption. Although there are certain exemptions available from state VAT for certain unprocessed food products like meat, eggs, fruits, vegetables etc.

Opportunities and Challenges for Agriculture Sector:

- A scheme for the promotion of National Agricultural Market (NAM) is introduced by the central government. Involving all the farmer and traders in the regulated markets with a common E-Commerce platform for a transparent, impartial trade of agri-commodities can be termed as National Agricultural Market. Due to the different state VAT and APMC (Agricultural produce market committee) laws, implementation of NAM scheme would be challenging.

  GST is crucial for creating a path regarding the successful implementation of NAM. Most of the indirect taxes levied on agricultural products, would be subsumed under GST. GST would provide each trader, the input credit for the tax paid on every value addition. This will create a transparent, hassle free supply chain which would lead to free movement of agri-commodities across India.

- Most of the agricultural commodities are perishable in nature. An improved supply chain mechanism due to GST would reduce the time taken for inter-state transportation. Benefit of reduction in time would be passed on to the farmers/retailers. Some states in India like Maharashtra, Punjab, Gujarat, Haryana earn more than Rs 1000 crores from charging cst / octroi/ Purchase Tax. GST would subsume all the above taxes. Hence these states would need to be compensated for the loss of revenue.

- GST is essential to improve the transparency, reliability, timeline of supply chain mechanism. A better supply chain mechanism would ensure reduction in wastage and cost for the farmers/retailers. GST would also help in reducing the cost of heavy machinery required for producing agricultural commodities.
- Shortages in agricultural goods which are imported as domestic produce could not fulfill the requirement and charged with custom duty. As custom duty would not be subsumed in GST and custom duty would continue. Hence, the exemption from basic duty of custom on agricultural produce like pulses would continue.
- The main impact that GST in agriculture would bring is the inflation with currently 4% VAT being increased to 8% on many food items including cereals and grains as the exemption under VAT is limited to unprocessed food. The most affected from the inflation would be the consumers living below the poverty line

Key Points:-

- Cascading effect of various taxes remove.
- Logistics cost for farmer reduce.
- GST will help reducing cost for heavy vehicle which is use of harvesting of agriculture products

CHAPTER-19

IMPACT OF GST ON MANUFACTURING SECTOR

Manufacturing has emerged as one of the high growth sectors in India. Prime Minister of India, Mr. Narendra Modi, had launched the 'Make in India' program to place India on the world map as a manufacturing hub and give global recognition to the Indian economy. India is expected to become the fifth largest manufacturing country in the world by the end of year 2020.

The Government of India has set an ambitious target of increasing the contribution of manufacturing output to 25 per cent of Gross Domestic Product (GDP) by 2025, from 16 per cent currently.

India's manufacturing sector has the potential to touch US$ 1 trillion by 2025. There is potential for the sector to account for 25-30 per cent of the country's GDP and create up to 90 million domestic jobs by 2025. Business conditions in the Indian manufacturing sector continue to remain positive.

For India, becoming a manufacturing hub will need various strategic reformations to simplify the existing system in the country. One of the much-publicized proposed reform "make in India" scheme initiative taken by the government is aligning with the implementation of the goods and service tax (GST). The new GST law will trigger a transformational change from a complex multi-structured indirect taxation system to a unified indirect taxation system. The idea behind the GST regime is to eradicate the current empowerment by the central government and state government to levy excise duty on manufacturing plus service tax on the supply of goods.

Under GST, tax paid on inputs can be set off against the tax payable on the output produced. This input credit set off operates through the manufacturing and distribution stage of commodity production and the tax is collected only at the place of consumption.

Opportunities and Challenges for manufacturing sectors:

- **Reduced Cost of Production:**

  This sector is one of the crucial and competitive industry and reducing the cost of production while creating value for customers remains a challenge for every business. The new GST regime will be a great salutary influence, as a reduction in tax cascading will lead to a lower cost of production.

  For **Example**, suppose a manufacturer of shirts buys a raw material or inputs like cloth, thread, buttons, tailoring equipment worth Rs.100, a sum that includes a tax of Rs.10 with these manufacturing inputs of a shirt. In this process, the manufacturer adds a value to the materials he started out. Let us take this value added by him to be Rs.30. Now, the gross value of his good would be RS (100+30=Rs.130. At a tax rate of 10%, the tax on an output of the shirt will be then Rs.13. However, under the GST, he can set off the tax against the tax he has already paid on raw material (Rs.10).

Therefore, the effective GST incidence on the manufacturer will be only Rs (13-10= Rs.3).

- **Hassle free Supply of Goods.**

  State-border checkpoints, which are entrusted with material examination and location-based tax compliance, adversely affect the general production and logistics time and record for around 60% of a truck's travel time. These useless travel hours combined with administrative hindrances decrease the proficiency of Indian makers contrasted with their worldwide partners. The new GST administration will bind together the Indian market and help the smooth stream of products inside the country. In spite of the fact that outskirt checkpoints may not be discarded quickly, decreased compliance scrutiny at these checkpoints will lessen transport bothers.

- **Increased Compliance Requirement:**

  While the new GST administration may offer many advantages to organizations, it additionally has a flip side. Taking a prompt from the place of supply rule, which were revealed not long ago, GST may lead to increased compliance requirements.

- **Area-Based Exemptions**

  As GST would prompt to the whole country being viewed as a typical and unified market, the present territory based exemptions would get to be distinctly unimportant.

- **GST Rate**

The GST administration might be seen as a decent indirect tax collection framework only if the tax rates proposed by the government don't surpass the revenue-neutral rate (RNR) of the entire industry (on average). On the off chance that the GST rate is higher than anticipated (20–28%), it will refute each positive part of the new administration.

Key Points:

- Area based Exemption unimportant under GST regime.
- Reduce cost of production.
- Transportation times decrease.
- Cascading effect of multiple taxes remove.
- Reduce compliance cost

CHAPTER-20

IMPACT OF GST ON SERVICE SECTOR

The services sector is not only the dominant sector in India's GDP, but has also attracted significant foreign investment flows, contributed significantly to exports as well as provided large-scale employment. India's services sector covers a wide variety of activities such as trade, hotel and restaurants, transport, storage, communication, financing, insurance, real estate, business services, community, social, personal services, and services associated with construction. The sector contributed around 66.1 per cent of its Gross Value Added growth in 2015-16.

The service sector at present is taxed at the current rate of 15% including Swatch Bharat and Krishi Kalyan Cess (KKC). The GST rate is expected to be higher generally speculated at 18%. This indicates that there will be an impact on the services which will become expensive by the differential tax amount from the present levels.

Opportunities and Challenges for Service industries:

- **Costlier Services:**

  In current tax regime, service tax is applicable at the rate of 15% on Services rendered which includes 0.5% for Swatch Bharat Cess and 0.5% for Krishi Kalyan Cess but it is expected that under GST regime services will be charged by higher rate of tax at 18%.

- **Notices from Taxation Authorities:**

In current tax system, both Central and State Govt. have right to collect the tax according to the rights given in list I, II and III in the Constitution and because of that sometimes it becomes so confusing to find out to pay taxes to which department in regards to goods and services like software, works contract etc. Having disputes between Central and State Government and what's happening is that the person paying tax to service tax department getting notices from the VAT/CST department and the person paying the VAT/CST liability gets the notifications from the Services tax department.

But with the introduction of single tax GST regime, the double taxation effect due to disputed goods and services in the current tax system will get eliminated. In GST tax structure both supplies of goods and services will be treated once with the unique rate of tax respectively.

- **Registration of Place of Business:**

Currently there are centralized registration provisions under Service tax that mean provider of services can render services from any place in India after getting registered once but in GST regime centralized registration will not be available as the dealer or the service provider needs to get registered with that particular state govt where he has the provision for registering business site office as well from where he is intended to provide services.

Input credit:

Under the current scenario the service sector is unable to claim of VAT and sales tax incurred but in GST regime service sector company able to take credit of Vat/CST/ Excise duty. This is likely to change in the favour of the service providers

Multi-location taxation:

The GST is a destination based tax and is proposed to be levied at the point of sale. The service providers especially the IT sector is used to service tax compliance from a centralized location. Under the GST regime the CGST, SGST, IGST will have to paid depending on the jurisdiction of the service provided. In other words if the service provider is making the software installation for a company which has 6 offices in 6 different states, It would be required to split the GST payment across six states.

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Key Points:-

- Service providers take registration at each place where service are provide
- Change IT Infrastructure
- Service providers take credit of sale tax/vat/excise duty
- Service becomes costlier.

CHAPTER-21

IMPACT OF GST ON IMPORT

India is one of the fastest growing global economy and in the way to becoming the new global manufacturing hub India is the 16th largest export economy in the world and the 49th most complex economy according to the Economic Complexity Index (ECI).

As per the GST Law, GST will subsume Countervailing Duty (CVD) and Special Additional Duty (SAD), however, Basic Customs Duty will continue to do its round in the import bills. BCD has been kept outside the purview of GST and will be charged as per the current law only.

Below are some of the implications for imports and importers by virtue of GST implementation in India:

- **Import as Inter-State Supply:**

  Import into India will be considered as Inter-State supply under GST Law and accordingly will attract Integrated Goods and Services Tax (IGST) along with BCD and other surcharges.

- **Import of Services:**

  GST law accord liability of payment of tax on the service receiver, if such services are provided by a person residing outside India. This is similar to the current provision of reverse charge, wherein service receiver is required to pay tax and file return.

- **Transaction Value based Valuation Principal:**

  GST law has borrowed the concept of transaction value based valuation principal from current customs law for charging GST. This will have implication at the time of tax liability determination as currently Countervailing Duty (CVD) is charged on MRP valuation principle. Under the new regime IGST which subsumes Countervailing Duty (CVD) will be charged on transaction value. This may also require working capital restructuring. This may also reveal the margin of Service Provider which is currently not the case.

- **Refund of Duty:**

  Under the new law, tax paid during import will be available as a credit under “Import and Sale” model, whereas no such credit is available presently. Also refund of Special Additional Duty (SAD) which is available now, after doing specific compliance, no such restrictions are placed under GST.

- **Withdrawal of Current Exemptions** :

  The current customs import tariff is loaded with multiple exemption notifications which are likely to reviewed and possibly withdrawn or converted into a refund mechanism. This could mean change in the structure of export-linked duty exemption schemes under the foreign trade policy (FTP) where the duty exemptions may get limited to exemption from payment of Basic customs duty (BCD), while IGST may not be exempted. Withdrawal of exemptions or changing them to refund mechanism could fundamentally change the attractiveness and viability of some of the key schemes under the foreign trade policy (FTP) like export oriented units (EOU), software technology park (STP), Advance authorization etc.

- **Tax structure & input tax credit in case of import under GST:**

Since the import of goods/services would be deemed as the inter-state supply of goods and thus shall be subjected to the levy of IGST. However, the import of goods shall continue to attract Basic Customs Duty (BCD) in addition to IGST.

The manufacturer, service provider and trader of goods who imports goods/services shall be eligible to offset IGST paid on import of goods/services against his output liability. However, the credit of BCD will not be available under proposed GST law.

Key Points:-

- Tax paid during import will available as credit under GST.
- Withdrawal of present exemptions under custom like EOU, STP.etc
- GST will subsume CVD, and SAD but not BCD.

CHAPTER-22

IMPACT OF GST ON ERP SYSTEM

India's most ambitious indirect-tax reform is likely to roll out from 1 July 2017. The major objective of the Goods and Service Tax will be to eliminate cascading effect of indirect taxes. GST could be the biggest tax reform in India replacing existing Indirect taxes such as Excise, Value Added Tax (VAT), Service tax, etc., into one taxation system GST. Most of companies in India adopted ERP system in one or the other form for day-to-day activities. The biggest challenge to adopt new taxation system in the form of GST in the existing ERP system. Companies took many years to develop their business and adopt ERP system to the current state. The statutory needs of GST have to be done within this short period. GST could have a major impact on ERP systems, which has been listed below:

- **Registration Number**:

  The existing registration numbers will be replaced with new registration number called GSTIN, and it is state based. The registration number of the implementing company, the business stakeholders like the Customers, Suppliers, Bankers, etc. have to be captured in the system at the State Level.

- **Tax Codes**:

  There will be a new set of tax codes to be defined for GST, and these codes are new once, and the same has to be supported by the ERP vendor. The tax codes required for GST are Central Goods and Service Tax (CGST), State Goods and Service Tax (SGST), Integrated Goods and Service Tax (IGST).

- **Supply:**

  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. Keeping in mind, all supplies needs to be re-defined in the ERP system.

- **HSN Code:**

  All Items have to be associated with the Harmonized System Nomenclature for all the taxes. Currently, HSN codes are known as Excise Tariff Codes, and the reporting under GST is based on HSN codes. Quantitative details are also required to be provided by HSN in the GST Returns. The Item Master data for each and every item must be defined with an HSN Code.

- **SAC Code:**

  Services accounting codes are associated with the supply of services, and they are similar to service categories in the current service tax regime. Reporting under GST is done at the transaction level, and this has to be captured at a master data level and defaulted on the transactions. Most of the ERP's do not have this feature currently for Indian Taxes. The same needed to be explained to the ERP vendors and ensured that the same is available in the product before the rollout of GST.

- **Tax Defaulting:**

  The defaulting in GST is based on the "Ship To" location, as GST is a destination-based taxation. Ensure with the ERP / accounting package vendor that the same is supported in the product else take up the same with them and get the same developed and released for testing much before the rollout of GST as it requires a lot of time for testing.

- **Configuring GST tax ledger;**

  CGST, SGST, IGST, additional cess ledgers have to be created and applied based on transaction type.

- **Configuring GST tax rate Rules-** GST law prescribed rate structure as 0%, 5%, 12%, 18% and 28. These different slab rates have to be defined in system.

- **Calculation of GST:**

  ICGST/SGST/IGST In case of Intra-state transactions, Seller collects both CGST and SGST from buyer. In case of Inter-state transactions, Seller collects IGST from buyer. Provision should be made in the ERP system to accommodate these tax calculation changes.

- **Voucher serial numbering:**

  A unique sequential numbering for outward supplies needs to be specified as per the directives given by GST authorities.

- **Invoice / Document printing Existing:**
  Invoice / document printing format have to be modified in accordance with GST.

- **Free Supplies and Tax applicability In GST regime:**
  As tax is applicable on Free Supplies, the existing ERP system has to be changed accordingly.

- **Transactions through e-commerce operators:**
  In case of transactions through e-commerce operators- such e-commerce operator details needs to be captured and reported to the authorities. Necessary provision should be made to capture these details in the existing ERP system.

- **Invoice matching In GST regime:**
  Input tax credit will be made available, based on Vendor's Tax return and payment submission to authorities. Hence, each Vendor's evaluation is required. The ERP system should track these details.

- **Submerging existing Tax structure:**
  As existing Indirect tax structure like Excise, Value Added Tax (VAT), Service Tax, etc., submerged as GST, most of the businesses have to de-activate these taxes in the ERP system.

- **Managing Returns/Change in price of Pre-GST Invoices:**

ERP system should accommodate Returns and change in price of Invoices issued in earlier tax system.

- **Chart of Accounts:**

  New accounts have to be added to track and trace the recovery accounts, liability accounts, interim credit account, etc. for the tax codes mentioned above state wise. This makes reporting easy.

- **Report changes**

  Existing reports like Sales Register, Purchase Register, MIS repost, etc., has be changed in accordance with GST requirements

- **Return filing system changes:**

  In the existing system of ERP, separate Return/Annexure are submitted to each taxation like ER1, ST 3, various VAT return/Annexure, etc., As these taxes are subsumed into GST, the Return filing system has to modified as per GST requirements.

- **E-ledgers:**

  In GST regime, E-ledger registers such as E-tax liability, E-tax credit and e-cash registers are maintained in the department website. Proper reconciliation system is required in ERP system, to ensure Books of Account and e-ledger register are same.

- **Utilization of Credit / Payment of taxes:**

As utilization of credit / Payment of taxes has to be done in e-ledgers which is maintained in department website, proper reconciliation system is required in ERP system.

CHAPTER-23

IMPACT OF GST ON PROCUREMENTS

Procurements department plays a key role in any business set-up as they directly deal with the cost element. Apart from focusing on volumes and margin of sales, businesses also very keenly track the cost of procurements and efforts are always made to control the costs/ overheads. In most of the industries, the materials cost would normally be substantial between 50-70%. Therefore, would influence management decisions such as product pricing, outsourcing, import vs domestic procurement, vendor selection etc.

Various key aspects that a business needs to take care in the GST from procurements point of view are as under:

- **Mapping current procurements**:

The first stage of planning the procurements is to know the current purchases, it shall be important for the businesses to map their entire procurements in a manner to understand them better. Procurements can be mapped based on the various criteria’s as required by the management. For instance, all purchases can be grouped in various baskets based on the tax components levied on such procurements. Many a times, procurements are being made to optimize the current taxes. In case currently procurements are being made from a particular vendors only to suit the needs of the present tax regime, then such procurements needs to be re-looked.

- **Procurements from composition dealers to be avoided**:
  Under the present VAT regime, the tax paid on purchase of goods from composition dealers would not be eligible for input credit. Even in GST regime, the composition scheme would continue. The tax cannot be collected by the seller and therefore, there is no question of credit for the buyer of goods. However, due to ineligibility of credit on purchases, the cost of sales for composition dealer would increase. There is a need to reduce / completely avoid procuring goods from composition dealers in GST regime. However, this decision should be taken considering other factors such price of goods, necessity of goods etc.
- **Screening/ grading of suppliers:**
  Presently, the credit of excise duty and VAT paid on purchases would be eligible as credit if goods are received and put to use in business. Generally, it is not the responsibility of the buyers to ensure tax payment by the suppliers to the Government. To this understanding, there are exceptions in States like Delhi and Tamil Nadu where the credit of VAT would not be eligible for the buyer of goods unless the taxes are paid by the seller to the Government. This very poor practice has now been extended to whole of India. However, in GST regime, the credit would be eligible for buyers only if suppliers have paid their taxes properly and filed the return accurately and in time. The concept of matching credits has been introduced. Any default in tax payment by suppliers would make buyers ineligible for credits. Therefore, screening of suppliers would be

critical. There would be a compliance grading. Therefore lower graded dealers / suppliers should be avoided. In present regime some States have a black list of dealers. Dealers who do not issue proper invoices should also be avoided by the manufacturers.

Purchase price:

It shall be very important for the businesses to strategies its procurement pricing and procurement cost based on the impact of GST. Various elements of the purchase planning that needs to be looked into from GST point of view are as under: Change in EOQ levels, lead times, carrying costs etc. EOQ is the order quantity that minimizes the total holding costs and ordering costs. Under GST regime entire nation will become a one common market and in case the geographical location of the procurement undergoes a change then a corresponding change in the EOQ levels, lead times and the carrying costs must be planned and accordingly the promised delivery times to the customers must be changed.

Procurement from non-excise dealers:

- In case of goods procured from dealers other than first / second stage dealer, buyer can avail only VAT credit. Dealer would have procured goods from manufacturers / imported on payment of duties. If the dealers are not passing on the benefit of taxes paid, then the same would add to purchase cost. In GST, this scenario would not arise as dealers would be eligible take all credits and pass on the same to buyers
- **Revision in purchase budgets:**

  The amount stated in the purchase budget is the amount needed to ensure that there is sufficient inventory in hand to meet customer orders. Organizations should compare the current purchase budget with proposed budget taking the GST rate and eligibility of credits etc. into consideration, revise the budgets. If the prices are going go high in GST regime, then increasing the purchase budget in terms of value can be looked into. On the other hand, if the GST impact is positive side on purchase cost, then decrease the purchase budget amounts accordingly.

- **Revision in product costing:**

  Product cost refers to the costs used to create a product. These costs include direct labor, direct materials, consumable production supplies, and factory overhead including taxes. Since the objective of GST is to give seamless credit throughout supply chain, then the above procurement costs may get reduced ranging from 2%-5%. By considering the above reduction in procurement cost organizations should revise the product costing to get better competitive price in the market to edge over others.

- **Timing of purchases to be re-visited especially during transitional phase**:

  The most important thing that the organizations can do during the transitional phase is timing of purchases. If the rate of GST is going to be high in GST regime when compared to present indirect tax regime then purchase can be pre-poned otherwise it can be postponed/ deferred.

- **Procurement from un-registered vendor:**

  Purchases from unorganized dealers should be reduced. Dealers who are not regular in their tax payments, black listed dealers, dealers who do not issue proper invoices should be strictly avoided.

- **Advance payment to vendors Policy with respect advance payment to vendors have to be looked into**:

  Currently, excise duty and VAT/CST are not applicable on advances instead the tax is payable only when the goods are removed from the factory gate or when the sale takes place. However, GST needs to be paid on the advance element also upon the receipt of any advances. Therefore, traders and manufacturers need to adapt themselves to this change and tax needs to be collected even on the advances such that it does not impact the working capital. Failure in collection of tax on advances directly leads to payment of taxes out of own funds thereby blocking the working capital in taxes.

- **Matching concept**:

  For Input Tax credits an important aspect in GST is that tax credit to the purchaser is linked with that of tax payment of such taxes by the vendor. Unless, the vendor pays the taxes on supply of the goods/ services, the customer will not be entitled to take credit of such supplies. If supplier has not remitted taxes, then GST becomes cost to buyer and in turn, price of his supply would substantially goes up which would affect the market. Further, if there is any delay on account of vendor in remitting taxes, then the buyer can take credit of taxes only after discharge of taxes by supplier. Till then, buyer has to wait for the payment by supplier. This becomes a big challenge to the business to follow up with the supplier for taking credits.

- **Identifying multiple new vendors:**

  As GST is a united indirect tax and since it will change the entire dynamics of the businesses, therefore prices of almost all the businesses will undergo a change. Therefore, it gives an opportunity to the businesses consider entire nation as a common market and enhance the geographical purchase horizon and get the quotes multiple new vendors. Therefore, against the current practice of obtaining 3 or 4 quotations, business can identify multiple new vendors and get revised quotations from the existing vendors to obtain for a better and cheaper price at same quality in the GST regime.

- **Conducting vendor education**:

  Vendor education programs needs to be conducted for un-organized vendors to bring awareness about GST. Such programs shall ultimately fetch results for the customers in the long run.

  Obtaining information from vendors:

  A simple information form must be issued to the vendors asking for filling and submitting information that needs to be updated in the vendor masters.

CHAPTER-24

IMPACT OF GST ON RAILWAY SECTOR

Indian Railways is one of the largest systems in the world. It is also one of the very few railway systems in the world generating operating surpluses. With a modest beginning in India on April 16, 1853, when the first wheels rolled on rails from Bombay to Thane, the Indian Railways has emerged today as the main vehicle for socio-economic development of the country.

Rail transportation has a number of favorable characteristics as compared to road transportation. It is six times more energy-efficient than road and four times more economical. The social costs in terms of environment damage or degradation are significantly lower in rail. Rail construction costs are approximately six times lower than road for comparable levels of traffic. It is the only major transport mode capable of using any form of primary energy.

The Indian Railways contributes to India's economic development, accounting for about one per cent of the GNP and the backbone of freight needs of the core sector. It accounts for six per cent of the total employment in the rganizat sector directly and an additional 2.5 per cent indirectly through its dependent rganizations. It has invested significantly in health, education, housing and sanitation. With its vast network of schools and investment in training, the Indian Railways plays an important role in human resource development. The Indian Railways, with nearly 63,000 route kilometers fulfils the country's transport needs, particularly, in respect of long-distance passenger and goods traffic. Freight trains carry nearly 1.2 million tones of originating goods and 7,500 passenger trains carry nearly 12 million passengers every day.

Opportunities and challenge for railway sector:

Business:

Indian Railway being a body of Central Government is engaged in providing transportation services to the general public in India, therefore, activities of transportation by Indian railway shall be deemed to be a business or commerce. Further, Indian railway owns and/or is maintaining and/or operating hospitals, schools for children of employees and other ventures for the benefits and welfare of its manpower. Accordingly, all the activities like transportation service including hospitals, schools and other venture will also be covered in the scope of business, irrespective of pecuniary benefit.

Registration:

- Indian Railway is required to get registration in the State from where it makes the supply. There is no concept of Centralized registration under GST regime as it is available under the present service tax. Therefore, State wise registrations need to be taken. Therefore each and every railway station from where the services through trains are provided to be registered under GST law railway also to be registered his production units

- **Taxable Event:**

Supply Under service tax law, rendering of service is a taxable event for levy of Service Tax. In case of central excise, manufacture and place of removal determines the taxability. 'Supply' is to be considered as a taxable event under GST. Supply shall include:

(i) all forms of supply of goods and/or services made or agreed to be made for a consideration by a person in the course or furtherance of business,

(ii) Importation of service for a consideration, and

(iii) Services have been specified in schedule I, which shall be considered as a supply even if made without consideration.

Accordingly, transportation services, facilities in hospitals and other activities relating to welfare of manpower, importation of services for consideration, long term leases meant for development of infrastructure, all projects being executed by Indian Railways through PPP/JV and cleaning at Railways Stations, Railways tracks etc. shall be covered under the ambit of GST.

- **Composite Supply:**

  Indian railway has been providing transportation of freight services, therefore, in the case where goods are packed and transported with insurance then, the supply of goods, packing materials, transport and insurance etc. may be considered as a composite supply and taxable in GST law.

  Mixed Supply:

  Where 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. For example, in a train like ‘Duranto’ passengers are transported for a consideration and food and bad roll are supplied for a price which can be booked with the journey ticket. The combined price would constitute a mixed supplyand taxable in GST law..

Stock Transfers;

Stock transfer to be subject to GST Transfer of inputs/ capital equipment from one unit to another is quite common in Indian railway. Therefore, units operating from multiple locations in different States would be required pay to GST on stock/assets transfers from its premises in one State to its premises in another State.

Invoice:

A tax invoice shall include a ticket for the supply of services. Suitable changes need to be made in respect of discount/concession given to specified categories of persons and goods transportation so that such relief shall not become part of the transaction value for the purpose of GST.It may be noted that the ticket should contain prescribed information such as: name, address, GSTIN of the supplier date of its issue name, address, and GSTIN / Unique ID Number, if registered, of the recipient etc.

Rate of Tax

Currently, under service tax, Indian railway has been paying service tax on the abated value of services. Presently following Abatement there like is Transport of goods by Rail: 30%, Transport of passengers by Rail: 40%. Under GST law, four-tier rate structures, i.e. 0%,5%, 12%, 18% and 28%. However, no abatements have been prescribed yet. Therefore, prima facie, it appears that Indian railway would need to pay GST at the rate as may be prescribed for the transportation of goods and/or services.

Works Contracts:

A significant part of railways capital expenditure is through works contracts. As per GST law, activities of works contract are specifically classified as the supply of services. It is expected that services may be taxed @18% or lower rate..

Key points:-

- Travelling in Rail costly due to increase tax rate.
- Work contracts come under GST regime.
- All the services of railway taxable like Food, Laundry.
- No specific Direction regarding abatement.
- Compliance cost increase.
- Registration of each station of railway is mandatory.

CHAPTER-25

IMPACT OF GST ON EDUCATION SECTOR

Education and Training industry is important place in Indian economy.GST law will also impact on Education and Training industry.

Presently, Educational services are excluded from the levy of Service Tax and are in 'Negative List' under section 66D(i) which are related to delivery of education as 'a part' of the curriculum that has been prescribed for obtaining a qualification prescribed by law. Conduct of degree courses by colleges, universities or institutions which lead to grant of qualifications recognized by law are also in negative list. Similarly, vocational training is also out of tax net. However, training or coaching imparted by coaching institutes would, however, not be covered in this exclusion as such training does not lead to grant of a recognized qualification. Such services are liable to service tax but subject to exemption under Notification No. 25/2012-ST dated 20.06.2012 vide Entry No. 9 and 9A.

The present rate of service tax is 15% including cesses viz Swachh Bharat Cess (SBC) and Krishi Kalyan Cess (KKC).

Proposed GST Law

According to the GST law which neither contains the exemptions nor the rates of taxation as of now, it appears that all services in relation to coaching and training would be subject to levy of GST as the scope of 'service' is very wide. However, the rates are expected to be in the range of 12-18%.

In GST regime, GST shall be payable by taxable persons on the supply of goods and services. Taxable person is defined in GST law which stipulates that the Central Government, a State Government or any local authority shall be regarded as a taxable person in respect of activities or transactions in which they are engaged as public authorities other than the activities or transactions as specified in the Act.

Further, 'Education Services' have been defined in Schedule which means services by way of –

(iv) Pre-school education and education up to higher secondary school or equivalent;

(v) Education as a part of a curriculum for obtaining a qualification recognized by any law for the time being in force; or

(vi) Education as a part of an approved vocational education course.

Hence, the exemption may be restricted to activities or transactions done by Central Government, State Government or any Local Authority.

It, therefore, appears that education services provided by Government will not be taxable. There are no specific provisions for inclusions or exclusions of coaching and training services or any other activity related to education elsewhere in the proposed law.

Impact in GST Regime;

Based on the provisions of GST Law, it can be said that education sector shall be impacted both positively and negatively under the GST regime.

(i) The rate of tax is likely to go up by 3-5% as it is expected that GST may be levied @12-18%.

(ii) There are likely to be concerns in valuation of coaching services in view of the industry practice of discounts / concessions / scholarship. The proposed valuation rules are different from the existing ones and as such coaching institutes need to frame an appropriate policy for such discounts in advance making it a part of documentation.

(iii) Service providers having centralized registration will have to get registered in each state whether providing coaching on own account or through agent (franchise).

(iv) The procedure for all the invoices / receipts towards inward and outward supplies will become cumbersome as each one of them will have to be uploaded in the system.

(v) The frequency and number of returns to be filed will go up.

(vi) There is a provision for GST audit if the turnover is more than prescribed limit.

(vii) The procedure for taking credit of input taxes will become simple and seamless which will have a positive impact.

Key points:-

- Education institution gets registration in each state where education services provide.
- Frequency and no of return increase in GST regime for education sectors.
- GST audit provision applicable for Education Institute.
- Procedure of taking credit becomes simple and seamless.
- No clarity of abetments.

CHAPTER-26

IMPACT OF GST ON STEEL SECTOR

Steel industries contribute nearly two per cent of the country's Gross Domestic Product (GDP) and Employs over 600,000 people in India. Steel industries of India were third largest producer of crude steel and are expected to become the second-largest producer in near future.

The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour. Total steel production in the country is expected to increase by 7 per cent in 2016.The Indian steel industry is very modern with state-of-the-art steel mills. It has always strived for continuous and modernization up-gradation of older plants and higher energy efficiency level. The gross non-performing assets in the steel sector are expected to rise 4% in a year to nearly 12% by March 2017.The steel industry is the highest leveraged sector in India.

Benefit of Steel Industries after GST:

Reduction of logistics cost and time:

Presently if a truck passes throw different states there are number of indirect cost attributed to the product and this increase the price of the product. Each time it crosses a state there are number of check post which delay the supply of goods to the customer. In the post GST regime there will 40 to 45 % saving in time.

Generation of employment in un developed states: Implementation of GST will reduce corruption in highly corrupt states of Orissa, Jharkhand, Karnataka and Chhattisgarh, because of transparency in the post GST regime. Middleman will be eliminated from the system. In the post GST regime more and more person will have to follow the line of business and that will generate the employment and in turn will improve the GDP

Utilisation of natural resources:

GST will give more money to Under-developed states for their resources. By proper auctions and elimination of the middleman the state govt will be able to fetch the proper value and price of their resources.

Protection to domestic industry:

Steel industry plaguing with a rising threat of imports, GST rates on imports should be at the same level as for domestic supply.

i) **Reduction in production cost**: The likely rate of GST may be within 15 to 18 % against the current average rate of indirect tax at 20%. It would, therefore, reduce production cost.

KEY POINTS:

- Generation new employments.
- No cascading effect.
- Utilization of natural resources
- Logistic cost reduces.

CHAPTER-27

IMPACT OF GST ON JOB WORK

The manufacturing industries now-a-days stick to their core competencies and get most jobs done on outsourced basis. The sending of raw materials/semi-finished materials for some process as per the directions of principal manufacturer is known as job work. This is widely used method in many industries.

Meaning of Job work under different scenario:

Meaning of job work:

Job work is understood as the processing or working on goods supplied by the principal so as to complete a part or whole of the process. The work may be the initial process, intermediate process, assembly, packing or any other completion process. The goods sent for job work maybe raw material, component parts, and semi finished goods and even finished goods. The resultant goods could also be a variation of the same or the complete product. Examples of common job works are slitting, machining, welding, painting, electroplating, assembly, powder coating etc.

Meaning of Job work under Central Excise:

Job work is defined in Notification No. 214/86 and under Rule 2(n) of the Cenvat Credit Rules, 2004

Job work means processing or working upon of raw materials or semi-finished goods supplied to the job worker/ so as to complete a part or whole of the process resulting in the manufacture or finishing of an article or any operation which is essential for the aforesaid process.

If one were to go by the definition of the term “job work”, it is evident the raw materials have to be supplied by another person. **In Prestige Engineering India Ltd v CCE Meerut, - 1994 (9) TMI 66**, the Supreme Court held that when the job worker contributed his own material to the goods supplied by the customer and engaged in manufacturing, the activity was not one of job work. However, minor additions by the job worker would not take away the fact that the activity was one of job work.

Tax Liability Under Current Regime:

In case, if the process undertaken by the job worker amounts to manufacture/ deemed manufacture, the job worker would be liable to pay the duty of excise on the goods so manufactured. However, the principal manufacturer who has supplied the goods for job work may furnish a declaration based on which job worker would not be required to charge duty of excise. This declaration exempts goods manufactured by a job worker from the duty of excise as per notified provision. This declaration also puts certain condition on principal manufacturer which are:

1. The goods must be used in manufacturing process by principal manufacturer, and
2. It should result in a dutiable product on which duty of excise can be charged.

The activity undertaken by job worker would not be liable to service tax as well because process amounting to manufacture or production of goods is covered by the Negative list of Services Tax.

Applicability of GST on job work:

GST law has come up with exclusive provisions on Job Work and related activities. These provisions are very much in line with the existing law. GST law allows principal to send taxable goods, without payment of tax, to a job worker. There can be further movement of such goods from one job worker to another. However such goods must be brought back to principal's place of business and must be removed after payment of tax thereon.

In simple words, a principal can remove goods without payment of tax, provided such goods are sent for job work and intended to bring back for a taxable supply. Such removal of goods is allowed only on declaration basis.

Some of the other conditions as applicable are:

- The principal shall be given input credit on goods sent for Job Work provided such goods are received back by the principal within one year of their being sent out.
- such time limit in case of Capital Goods is kept at three year

Frequently Asks question (FAQs) on Job work under GST:-

Question 1. What is job work?

Answer. Job work means undertaking any treatment or process by a person on goods belonging to another registered taxable person. The person who is treating or processing the goods belonging to other person is called 'job worker' and the person to whom the goods belongs is called 'principal'. This definition is much wider than the one given in Notification No. 214/86 – CE dated 23rd March, 1986. In the said notification, job work has been defined in such a manner so as to ensure that the activity of job work must amount to manufacture. Thus the definition of job work itself reflects the change in basic scheme of taxation relating to job work in the proposed GST regime.

Question 2. Whether goods sent by a taxable person to a job worker will be treated as supply and liable to GST? Why?

Answer. It will be treated as a supply as supply includes all forms of supply such as sale, transfer, etc. However, the registered taxable person (the principal), under intimation and subject to such conditions as may be prescribed send any inputs and/or capital goods, without payment of tax, to a job worker for job work and from there subsequently to another job worker(s) and shall either bring back such inputs/capital goods after completion of job work or otherwise within 1 year / 3 years of their being sent out or supply such inputs/capital goods after completion of job work or otherwise within 1 year / 3 years of their being sent out, from the place of business of a job worker on payment of tax within India or with or without payment of tax for export.

Question 3. Is a job worker required to take registration?

Answer. Yes, as job work is a service, the job worker would be required to obtain registration if his aggregate turnover exceeds the prescribed threshold.

Question 4. Whether the goods of principal directly supplied from the job worker's premises will be included in the aggregate turnover of the job worker?

Answer. No. It will be included in the aggregate turnover of the principal. However, the value of goods or services used by the job worker for carrying out the job work will be included in the value of services supplied by the job worker.

Question 5. Can a principal send inputs and capital goods directly to the premises of job worker without bringing it to his premises?

Answer. Yes, the principal is allowed to do so. The input tax credit of tax paid on inputs or capital goods can also be availed by the principal in such a scenario. The inputs or capital goods must be received back within one year or three years respectively failing which the original transaction would be treated as supply and the principal would be liable to pay tax accordingly.

Question 6. Can the principal supply the goods directly from the premises of the job worker without bringing it back to his own premises?

Answer. Yes. But the principal should have declared the premises of an unregistered job worker as his additional place of business. If the job worker is a registered person then goods can be supplied directly from the premises of the job worker. The Commissioner may also notify goods in which case goods sent for job work can be directly supplied from the premises of the job worker.

Question 7. Under what circumstances can the principal directly supply goods from the premises of job worker without declaring the premises of job worker as his additional place of business?

Answer. The goods can be supplied directly from the place of business of job worker without declaring it as additional place of business in two circumstances namely where the job worker is a registered taxable person or where the principal is engaged in supply of such goods as may be notified by the Commissioner.

Question 8. What are the provisions concerning taking of ITC in respect of inputs/capital goods sent to a job worker?

Answer. Principal shall be entitled to take credit of taxes paid on inputs or capital goods sent to a job worker whether sent after receiving them at his place of business or even when such the inputs or capital goods are directly sent to a job worker without their being first brought to his place of business. However, the inputs or capital goods, after completion of job work, are required to be received back or supplied from job worker's premises, as the case may be, within a period of one year or three years of their being sent out.

Question 9. What happens when the inputs or capital goods are not received back or supplied from the place of business of job worker within prescribed time period?

Answer. If the inputs or capital goods are not received back by the principal or are not supplied from the place of business of job worker within the prescribed time limit, it would be deemed that such inputs or capital goods had been supplied by the principal to the job worker on the day when the said inputs or capital goods were sent out by the principal (or on the date of receipt by the job worker where the inputs or capital goods were sent directly to the place of business of job worker). Thus the principal would be liable to pay tax accordingly.

Question 10. What would be treatment of the waste and scrap generated during the job work?

Answer. The waste and scrap generated during the job work can be supplied by the job worker directly from his place of business, on payment of tax, if he is registered. If he is not registered, the same would be supplied by the principal on payment of tax.

Question 11. Whether intermediate goods can also be sent for job work?

Answer. Yes. The term inputs, for the purpose of job work, includes intermediate goods arising from any treatment or process carried out on the inputs by the principal or job worker.

Question 12. Is it compulsory that job work provisions should be followed by the principal?

Answer. No. The principal can send the inputs or capital goods after payment of GST without following the special procedure. In such a case, the job-worker would take the input tax credit and supply back the processed goods (after completion of job-work) on payment of GST.

Question 13. Should job worker and principal be located in same State or Union territory?

Answer. No this is not necessary as provisions relating to job work have been adopted in the IGST Act as well as in UTGST Act and therefore job-worker and principal can be located either is same State or in same Union Territory or in different States or Union Territories.

CHAPTER-28

IMPACT OF GST ON ALCOHOL/LIQUOR SECTOR

Alcohol sector is the second largest contributor of taxes to state government in India. The total tax impact for liquor companies are in the range from 7. To 150% in most state a no inter-state set offs are available, for them while alcoholic beverages represents 25 % of the food and beverages market in china and USA. In India sprits alone is 34% making it the largest category. For most states alcohol contributes to 20% to 25% of state revenue in the form of state excise, vat.. Andhra Pradesh and Telangana are the highest alcohol consuming state in India. The population of these states is not only ahead in consuming Indian made foreign liquor (IMFL) but also gets high of country liquor.

Current Taxation system on Liquor in India:

Manufacturing of Liquor meant for human consumption is subject to state Excise duties and not central excise duty under the central excise act 1944.

According to clause (f) of section 66D (Negative List) of finance Act, 1944, w.e.f. 1.7.2012, services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption were in the negative list .

Finance Act ,2015 had amended the aforesaid entry (f) w.e.f. 01.06.2015 to carve out from the negative list, process amounting to manufacture or production of alcoholic liquor for human consumption. Consequently, Service Tax shall be levied on bottling/job work/contract manufacturing of potable liquor (meant for human consumption) for a consideration. Alcoholic liquor meant for industrial use or for any other purpose shall still be covered under negative list.

Impact of GST on Liquor companies:-

As per the GST law liquor is out of purview of GST because liquor is the source of revenue for the states approx 20–25%. and they don't want to lose their revenue as in GST every collection will be shared between centre and states in ratio of 1:1.

Key points:-

- Cascading effect of tax still remains.
- Multiplex of taxes.
- No input tax credit on GST paid on raw material.
- On encouragement for Foreign direct investment.
- Increase price of liquor.
- Blockage of input credit
- Increased production cost.
- Restaurants and bars serving alcohol and selling both GST and Non-GST products may be required to undertake dual compliance.

CHAPTER-29

IMPACT OF GST ON TOBACCO SECTOR

India has the second largest number of tobacco users (275 million or 35 percent of all adults in India) in the world. A study estimated that nearly 10 percent of minors use tobacco primarily because tobacco industry targets children as their new consumer base.

Present Taxation system on Tobacco in India:

Currently Excise duty and state vat is levied on Tobacco, excise duty varies between Rs 1.28 per stick to Rs 3.37 per stick. States levy additional value-added tax (VAT). Tax on Tobacco is lower in India compared to neighboring countries, like in Bangladesh tax on cigarettes is 76% and in Sri Lanka is 73.8%.

Impact of GST on Tobacco Sector:

According to industry reports, in the last three years, excise and VAT on cigarettes at per unit level has gone up cumulatively by 98% and 124%, respectively.

As a result, cigarette sales volume is down by more than 15% for the last three quarters. The proposed GST rate if implemented will further impact sales of the cigarettes and will trigger consumption to other forms of tobacco

A government has proposed a higher GST rate on tobacco and related products. This would mean much steeper tax on cigarette companies. As per GST Laws which is passed in Lok sabha and Rajya sabha Tobacco and tobacco products would be subject to GST. In addition, the Centre would have the power to levy Central Excise duty on these products

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Key points:-

- Tobacco price increase.
- Cascading effect not eliminated.
- Compliance cost increase.
- Production of Tobacco decreased.
- Central have power to levy both GST and Central excise duty on Tobacco.

CHAPTER-30

IMPACT OF GST ON ENERGY SECTOR

Power is one of the most critical components of infrastructure crucial for the economic growth and welfare of nations. The existence and development of adequate infrastructure is essential for sustained growth of the Indian economy.

India's power sector is one of the most diversified in the world. Sources of power generation range from conventional sources such as coal, lignite, natural gas, oil, hydro and nuclear power to viable non-conventional sources such as wind, solar, and agricultural and domestic waste. Electricity demand in the country has increased rapidly and is expected to rise further in the years to come. In order to meet the increasing demand for electricity in the country, massive addition to the installed generating capacity is required.

India ranks third among 40 countries in EY's Renewable Energy Country Attractiveness Index, on back of strong focus by the government on promoting renewable energy and implementation of projects in a time bound manner.

Lack of pass through of indirect taxes contributes to the inefficiencies that have crept into this sector. Unfortunately, this legacy issue is set to continue under the Goods and Service Tax (**GST**) regime, with generation and sale of electricity being kept outside the purview of GST but capital goods and services used in the energy sector being brought within the GST net.

Currently, tax concessions and exemptions, both at the Central and State level are available on specified goods and services which are used in the energy sector. However, with the GST regime generally set to trim such exemptions and concessions, the effect on the energy sector may be significant.

KEY IMPACT AREAS

- **Increased cost of energy projects**

Status of exemptions and concessions*:* While goods and services required for setting up energy projects will be subject to GST, they will not be creditable for the generating entity leading to a cascading of indirect taxes. Under the current indirect tax regime, various concessions and exemptions are available for setting up energy projects, especially in the renewable energy space to counter such cascading effect. However, there is no clarity on whether these concessions/ exemptions will continue under the GST regime.

- **Impact on renewable energy**

Owing to the higher set up costs of renewable energy projects, tariff rates for clean energy are generally not competitive vis-à-vis conventional energy. With a view to encourage clean energy, multiple tax concessions and exemptions have been extended to the renewable energy sector. As a result, green energy is generally available at reduced tariff rates. However, there is no clarity on whether such benefits would be extended under the GST regime. It is necessary that the government continues to offer tax breaks to the renewable energy sector, for it to remain a competitive option to conventional fuel based energy. One possible option could be to zero rate supplies to renewable projects. This would remove GST incidence at the terminal stage, and also enable suppliers to obtain tax refunds of their own input costs.

- **Issues under existing power purchase agreements**

Power Purchase Agreements (**PPAs**) generally provide for pass through of existing indirect taxes by way of incorporating the costs thereof into the contract price. However, PPAs generally provide for contract prices to be adjusted on account of any increase in taxes or introduction or change in taxes.

Generally, introduction of GST would be seen as 'Change in under most PPAs. However, for those PPAs that do not provide an adjustment to cover increase or introduction of taxes, the introduction of GST would result in an escalation of contract prices.

- **Reduction of legacy issues**

Power projects, especially at the engineering, procurement, construction (EPC) stage, are plagued with issues centered around the indirect tax treatment of works contracts, which is complicated due to different aspects of such contracts being subject to service tax and VAT. Even splitting of supplies and services into separate contracts does not necessarily help address the issue as it often leads to litigation with indirect tax authorities.

This is because they still seek to treat such contracts as composite works contract (involving supply of both goods and services), especially if there is a 'wrap agreement' or 'cross-fault breach clause' (a clause providing common indemnity across the contracts). EPC companies also face challenges on valuation of such contracts as authorities often claim that value of one type of supply has been artificially deflated in favour of the other, to take advantage of any rate arbitrage.

The GST Law specifically treats a 'works contract' as a 'service' and the whole value is likely to be subject to a uniform tax rate. This is likely to address the ambiguity and reduce disputes.

KEY POINTS:-

- Increased cost of energy projects
- Impact on renewable energy negative
- Problem in power purchase agreements

CHAPTER-31

IMPACT OF GST ON ROLE/WORK OF PROFESSIONALS (CA, CS, CWA)

The introduction of GST will have a magnanimous impact as each and every business will be affected. The entire framework of indirect taxation will change ranging from the nature of levy, rate of taxes and administration of the taxes. Introduction of GST should rationalize the tax content in product price, enhance the ability of business entities to compete globally, and possibly trickle down to benefit the ultimate consumer. GST will have a crippling effect on the prices of all the goods and services in India. Amid this huge impact, lies an enormous opportunity for the professionals.

Review of the existing scenario will pave the way for identifying the impact of GST on the business. The introduction of GST will result in widening of tax bases, differing rates for taxing goods and services and an extended set off mechanism, which has the potential to change the price of goods and services in India.

Professionals, with their knowledge on manufacturing, costing and pricing will be best suited to assist the industry in determining the correct cost of manufacturing goods / rendering services, post introduction of GST. The same will be vital as final prices of goods / services and the profit margins thereto would need to be re-determined. The GST impact assessment should also highlight key impact points of GST on various functions of the Company such as procurement, distribution, marketing, accounting and taxation functions.

Role of professional in GST Regime:

- **Representations to Policy makers pre GST:**

Professionals can submit their representations to the company. This representation can be help to industry and consumers to achieve convergence to new law as well as it may prevent hard ship caused to industry and consumer.

- **GST – Registration :**

Threshold limit Rs. 20 Lacs of aggregate turnover has been prescribed to taxable person located other than north east States. The threshold limit of Rs. 10 lacs will for a taxable person conducts his business in any to taxable person located of north east state.

It also will be noted that threshold limit will not be applicable to those taxpayers who make inter-state supplies, Casual Tax Payer, person liable to pay reverse charge, non-resident tax payer, person required to be paid TDS, Agent , Input Service Distributor, E-Commerce Operator , persons providing branded services through ecommerce, aggregator or any other persons as notified. Such person needs to obtain the registration.

The concept of a single/ centralised registration for multiple places of business has not been provided.

Hence the Taxpayer base is going to be increased and business will need to take registrations under all State GST act wherever it is operating.

This will bring opportunity to professionals to approach tax payers to assist in getting registered under GST regime. This will provide opportunity to professionals to advice and consult the assesses in forming strategy right from inception.

- **GST – Procedural Compliances:**
  - **Tax credits** – Although the GST is meant for seamless flow of ITC, there are certain restriction on availing ITC. Tax professionals can advise taxpayers about the eligibility of Input Tax Credit (ITC).
  - **Maintaining ITC Register** – ITC Register will be maintained in electronic form based on the transactions uploaded by assesses. Hence the transaction need to be uploaded in the prescribed form and periodical review of the same is required to confirm the availability of ITC.
  - **Computation of accurate liability –** The GST liability needs to be paid off on monthly basis. The liability will be outward tax payable less Input Tax Credit available. Short payment will attract the penal provision and excess payment will block funds. Professionals can compute and intimate accurate tax liability to tax payers.
- **Matching of ITC -Tax Credit reconciliations:**

The ITC will be allowed only when the data in matched with the respective data filled up by suppliers or customers. Hence the reconciliation of Input tax credit as per our filling and as per other parties filling need to matched. Tax credit will not be allowed if the data is not matching. Professional can help to identify such transactions and can inform the respective buyer /seller to amend their filling accordingly. This reconciliation will be big opportunity for professionals to undertake outsourcing assignments.

- **Verification of Returns:**

Professionals can do the verification of records on monthly basis. Before the returns are filled tax payers in consultation with professional can do the verification of the invoices and other records to get assured of the correctness of the information getting filled with Government authorities. This will preventive check to eliminate the possibility of getting mismatch of tax credit and will avoid duplication of work.

- **Internal Audit:**

Professionals can undertake internal audit of GST records. The internal audit can focus areas wherein there could be possibility of tax credit leakage. It may be in the form of excess computation of liability or short availment of tax credit. With the expertise in prevalent indirect taxes and knowledge of business process, professionals can be preferred source of this kind of services.

- **Special Audit:**

Section 66 of the GST act prescribes that if GST officer of is of the opinion that the value has not been correctly declared or the credit availed is not within the normal limits, he may, direct such taxable person by notice in writing to get his records including books of account examined and audited by a Chartered Accountant or a Cost Accountant. CA/CMAs can help government officers to find out revenue leakage if any. Such special audit will be conducted on behalf of Governmental authorities. This will help to find out non-compliant tax payers and protect the revenue of Government.

- **GST- Assessment**

Section 60 prescribes for scrutiny of the GST return. The proper officer may scrutinize the return and related particulars furnished by the taxable person to verify the correctness of the return in such manner as may be prescribed. The proper officer shall inform the taxable person of the discrepancies noticed, if any, after such scrutiny in such manner as may be prescribed and seek his explanation thereto. The assessments are extended to non-filers of return as well as unregistered persons.

Professionals can help taxpayers to prepare the necessary explanations and submissions to the authorities facilitating quick competition of assessment proceedings.

- **Systems Audit and systems development to be GST compliance:**

GST will be highly IT driven initiative and systems will have to play important role in the successful implementation of GST. A systems audit involves a detailed analysis and evaluation of a complete system. There would be changes required in the ERP or Accounting systems established. Those systems are to be made GST-compliant. Professionals would be the facilitator to conduct the systems audit rigorously and do the transactions mapping in the systems.

- **GST- Training**

Corporate Training – Apprising the management about various intricacies of GSM Law. The training requirements will be different for levels of management. TOP management will be interested in impact of GST in Strategic Management like impact on various contracts, redefining the existing contracts, caring out business models, Business process mapping etc. Middle management will require training in terms of Compliances of GST Law.

Key points:-

- Tax professional submit representation to industry and help to industry coverage new GST law.
- Help in migration from old indirect tax law to new GST law.
- Help to newly industries to register under GST law.
- Help to maintaining ITC register.
- Help to matching ITC credit.
- Help to govt for special audit.

CHAPTER-32

IMPACT OF GST ON EXPORT

Exports of goods and services represent the value of all goods and other market services provided to the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal and government services.

Exports of goods and service (% of GDP) in India were at 23.59%, according to the World Bank collection of development indicators, compiled from officially recognized sources.

To promote exports from India Government has provides various exemptions, incentives, Scheme like Export Promotion capital goods (EPCG) Scheme, The special economic zones (SEZ) scheme etc.

Goods and service tax(GST) helps the exporter and export incentives will continue to exporter in order to earn foreign currency and to promote business and do strengthen the economy

IMPACT OF GST ON EXPORT:

- Exporters will be able to get refund and rebate of the state taxes which is presently not available to them.

- The drawback rates may go up because the GST rate would be higher than present rate of central excise. The component of service tax is quite low at present.
- The refund procedures may become simple as all the data of GST is available online.
- All export data will be available on GSTN domain. It will be quite transparent and no scope for the tax Department or the exporters to dispute or manipulate it.
- Once the Customs and GST IT infrastructure are integrated, there is a possibility of automatic sanction of export incentive
- All other export promotion schemes may be remodeled to remove duplication and help the exporter.
- Physical verification of export documents and the claims as all requisite data will be available on GSTN server.
- There will not be any delay due to bureaucratic hurdle or delay in incentive grants.

- No longer will anyone be able to claim incentives on forged documentation as all export/ import data, mode of payments etc. will be available with the GSTN domain.

Key Points:-

- Exporter will able to claim state tax.
- No requirement of checking physical documentation.
- Compliance cost reduces.
- Cascading effect remove.
- All export data will be available on GSTN domain.

CHAPTER-33

IMPACT OF GST ON INDIAN ECONOMY

The introduction of Goods and Services tax (GST) would be a very noteworthy step in the field of indirect tax reforms in India, by amalgamations a large number of central and state taxes into a single tax.

Introduction of GST would also make Indian products competitive in the domestic and international markets. Once GST implemented in the system holds great promise in term of sustaining growth for the Indian economy.

As per GST act which is passed in Lok Sabha and Rajya Sabha four tier GST tax structure at 5%,12%,18, and 28% rate decided., with lower rate for essential items and the highest for luxury and de-merits goods, including luxury cars, SUVs and tobacco products, that would also attract an additional cess.

IMPACT OF GST ON INDIAN ECONOMY

- Removal of tax barriers with seamless credit will make India a common market leading to economies of scale in production and efficiency in supply chain.
- Removal of cascading effect of taxes embedded in cost of production of goods and services, significantly reducing cost of indigenous goods and indirectly promoting ‘Make in India.

- Stable, transparent and predictable tax regime to encourage local and foreign investment in India creating significant job opportunities.
- Reduce tax burden on producers and foster growth through more production. This double taxation prevents manufacturers from producing to their optimum capacity and retards growth. GST would take care of this problem by providing tax credit to the manufacturer.
- A single taxation on producers would also translate into a lower final selling price for the consumer.
- GST would add to government revenues by widening the tax base.
- GST provides credits for the taxes paid by producers earlier in the goods/services chain. This would encourage these producers to buy raw material from different registered dealers and would bring in more and more vendors and suppliers under the purview of taxation.

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Key Points:-

- GST will eliminate different tax barriers like check posts, toll plazas.
- Government revenue increase.
- Selling price of product reduce.

CHAPTER-34

FREQUENTLY ASKED QUESTIONS

(FAQs)

Overview of Goods and Services Tax

Question 1: **Which of the existing taxes are proposed to be subsumed under GST?**

Answer: The GST would replace the following taxes:

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

a. Central Excise duty
b. Duties of Excise (Medicinal and Toilet Preparations)
c. Additional Duties of Excise (Goods of Special Importance)
d. Additional Duties of Excise (Textiles and Textile Products)
e. Additional Duties of Customs (commonly known as CVD)

f. Special Additional Duty of Customs (SAD)

g. Service Tax h. Central Surcharges and Cesses as far as they relate to supply of goods and services

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

a. State VAT

b. Central Sales Tax

c. Luxury Tax d. Entry Tax (all forms)

d. Entertainment and Amusement Tax (except when levied by the local bodies)

e. Taxes on advertisements

f. Purchase Tax

g. Taxes on lotteries, betting and gambling

h. State Surcharges and Cess

Question 2: **Which are the commodities proposed to be kept outside the purview of GST?**

Answer: Article 366(12A) of the Constitution as amended by 101st Constitutional Amendment Act, 2016 defines the Goods and Services tax (GST) as a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. So alcohol for human consumption is kept out of GST by way of definition of GST on constitution. Five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out and GST Council shall decide the date from which they shall be included in GST. Furthermore, electricity has been kept out of GST.

Question 3: **What will be status of Tobacco and Tobacco products under the GST regime?**

Answer. Tobacco and tobacco products would be subject to GST. In addition, the Centre would have the power to levy Central Excise duty on these products.

Question 4: **What type of GST is proposed to be implemented?**

Answer. It would be a dual GST with the Centre and States simultaneously levying it on a common tax base. The GST to be levied by the Centre on intra-State supply of goods and / or services would be called the Central GST (CGST) and that to be levied by the States/ Union territory would be called the State GST (SGST)/ UTGST. Similarly, Integrated GST (IGST) will be levied and administered by Centre on every inter-state supply of goods and services.

Question 5: **Which authority will levy and administer GST?**

Answer: Centre will levy and administer CGST & IGST while respective states /UTs will levy and administer SGST/ UTGST

Question 6: **How a particular transaction of goods and services would be taxed simultaneously under Central GST (CGST) and State GST (SGST)?**

Answer. The Central GST and the State GST would be levied simultaneously on every transaction of supply of goods and services except the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. Further, both would be levied on the same price or value unlike State VAT which is levied on the value of the goods inclusive of CENVAT. While the location of the supplier and the recipient within the country is immaterial for the purpose of CGST, SGST would be chargeable only when the supplier and the recipient are both located within the State.

Illustration I: Suppose hypothetically that the rate of CGST is 10% and that of SGST is 10%. When a wholesale dealer of steel in Uttar Pradesh supplies steel bars and rods to a construction company which is also located within the same State for, say Rs. 100, the dealer would charge CGST of Rs. 10 and SGST of Rs. 10 in addition to the basic price of the goods. He would be required to deposit the CGST component i n t o a central government account while the SGST portion into the account of the concerned State Government. Of course, he need not actually pay Rs. 20 (Rs. 10 + Rs. 10) in cash as he would be entitled to set off this liability against the CGST or SGST paid on his purchases (say, inputs). But for paying CGST he would be allowed to use only the credit of CGST paid on his purchases while for SGST he can utilize the credit of SGST alone. In other words, CGST credit cannot, in general, be used for payment of SGST. Nor can SGST credit be used for payment of CGST.

Illustration II: Suppose, again hypothetically, that the rate of CGST is 10% and that of SGST is 10%. When an advertising company located in Mumbai supplies advertising services to a company manufacturing soap also located within the State of Maharashtra for, let us say Rs. 100, the ad company would charge CGST of Rs. 10 as well as SGST of Rs. 10 to the basic value of the service. He would be required to deposit the CGST component into a Central Government account while the SGST portion into the account of the concerned State Government. Of course, he need not again actually pay Rs. 20 (Rs. 10+Rs. 10) in cash as it would be entitled to set-off this liability against the CGST or SGST paid on his purchase (say, of inputs such as stationery, office equipment, services of an artist etc.). But for paying CGST he would be allowed to use only the credit of CGST paid on its purchase while for SGST he can utilise the credit of SGST alone. In other words, CGST credit cannot, in general, be used for payment of SGST. Nor can SGST credit be used for payment of CGST

Question 7: **Who is liable to pay GST under the proposed GST regime?**

Answer. Under the GST regime, tax is payable by the taxable person on the supply of goods and/or services. Liability to pay tax arises when the taxable person crosses the turnover threshold of Rs.20 lakhs (Rs. 10 lakhs for NE & Special Category States) except in certain specified cases where the taxable person is liable to pay GST even though he has not crossed the threshold limit. The CGST / SGST is payable on all intra-State supply of goods and/or services and IGST is payable on all inter- State supply of goods and/or services. The CGST /SGST and IGST are payable at the rates specified in the Schedules to the respective Acts.

Question 8: **What are the benefits available to small tax payers under the GST regime?**

Answer. Tax payers with an aggregate turnover in a financial year up to [Rs.20 lakhs & Rs.10 Lakhs for NE and special category states] would be exempt from tax. Further, a person whose aggregate turnover in the preceding financial year is less than Rs.50 Lakhs can opt for a simplified composition scheme where tax will payable at a concessional rate on the turnover in a state. [Aggregate turnover shall include the aggregate value of all taxable supplies, exempt supplies and exports of goods and/or services and exclude taxes viz. GST.] Aggregate turnover shall be computed on all India basis. For NE States and special category states, the exemption threshold shall be [Rs. 10 lakhs]. All taxpayers eligible for threshold exemption will have the option of paying tax with input tax credit (ITC) benefits. Tax payers making inter-State supplies or paying tax on reverse charge basis shall not be eligible for threshold exemption

Question 9. **How will the goods and services be classified under GST regime?**

Answer. HSN (Harmonised System of Nomenclature) code shall be used for classifying the goods under the GST regime. Taxpayers whose turnover is above Rs. 1.5 crores but below Rs. 5 crores shall use 2-digit code and the taxpayers whose turnover is Rs. 5 crores and above shall use 4-digit code. Taxpayers whose turnover is below Rs. 1.5 crores are not required to mention HSN Code in their invoices. Services will be classified as per the Services Accounting Code (SAC)

Question 10: How will imports be taxed under GST?

Answer. Imports of Goods and Services will be treated as inter-state supplies and IGST will be levied on import of goods and services into the country. The incidence of tax will follow the destination principle and the tax revenue in case of SGST will accrue to the State where the imported goods and services are consumed. Full and complete set-off will be available on the GST paid on import on goods and services.

Question 11: How will Exports be treated under GST?

Answer. Exports will be treated as zero rated supplies. No tax will be payable on exports of goods or services, however credit of input tax credit will be available and same will be available as refund to the exporters. The Exporter will have an option to either pay tax on the output and claim refund of IGST or export under Bond without payment of IGST and claim refund of Input Tax Credit (ITC).

Question 12: What is the scope of composition scheme under GST?

Answer. Small taxpayers with an aggregate turnover in a preceding financial year up to [Rs. 50 lakhs] shall be eligible for composition levy. Under the scheme, a taxpayer shall pay tax as a percentage of his turnover in a state during the year without the benefit of ITC. The floor rate of tax for CGST and SGST/UTGST shall not be less than [1% for manufacturer & 0.5% in other cases; 2.5% for specific services as mentioned in para 6(b) of Schedule II viz Serving of food or any other article for human consumption]. A tax payer opting for composition levy shall not collect any tax from his customers. The government may increase the above said limit of 50 lakhs rupees to up to one crore rupees, on the recommendation of GST Council. Tax payers making inter- state supplies or making supplies through ecommerce operators who are required to collect tax at source shall not be eligible for composition scheme.

Question 13: **Whether actionable claims liable to GST?**

Answer. As per section 2(52) of the CGST/SGST Act actionable claims are to be considered as goods. Schedule III read with Section 7 of the CGST/SGST Act lists the activities or transactions which shall be treated neither as supply of goods nor supply of services. The Schedule lists actionable claims other than lottery, betting and gambling as one of such transactions. Thus only lottery, betting and gambling shall be treated as supplies under the GST regime. All the other actionable claims shall not be supplies.

Question 14: **What is Anti-Profiteering measure?**

Answer. As per section 171 of the CGST/SGST Act, any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices. An authority may be constituted by the government to examine whether input tax credits availed by any registered person or the reduction in the tax rate have actually resulted in a commensurate reduction in the price of the goods or services or both supplied by him.

Levy of and Exemption from Tax

Question 15: **Whether supplies made without consideration will also come within the purview of supply under GST?**

Answer. Yes, but only those activities which are specified in Schedule I to the CGST Act / SGST Act. The said provision has been adopted in IGST Act as well as in UTGST Act also.

Question 16: **What are composite supply and mixed supply? How are these two different from each other?**

Answer. Composite supply is a supply consisting of two or more taxable supplies of goods or services or both or any combination thereof, which are bundled in natural course and are supplied in conjunction with each other in the ordinary course of business and where one of which is a principal supply. For example, when a consumer buys a television set and he also gets warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal supply, warranty and maintenance service are ancillary. Mixed supply is combination of more than one individual supplies of goods or services or any combination thereof made in conjunction with each other for a single price, which can ordinarily be supplied separately. For example, a shopkeeper selling storage water bottles along with refrigerator. Bottles and the refrigerator can easily be priced and sold separately.

Question 17: **What is the threshold for opting to pay tax under the composition scheme?**

Answer. The threshold for composition scheme is Rs. 50 Lakhs of aggregate turnover in the preceding financial year. The benefit of composition scheme can be availed up to the turnover of Rs. 50 Lakhs in current financial year.

Question 18: **What are the rates of tax for composition scheme?**

Answer. There are different rates for different sectors. In normal cases of supplier of goods (i.e. traders), the composition rate is 0.5 % of the turnover in a State or Union territory. If the person opting for composition scheme is manufacturer, then the rate is 1% of the turnover in a State or Union territory. In case of restaurant services, it is 2.5% of the turnover in a State or Union territory. These rates are under one Act, and same rate would be applicable in the other Act also. So, effectively, the composition rates (combined rate under CGST and SGST/UTGST) are 1%, 2% and 5% for normal

Question 19: **A person availing composition scheme during a financial year crosses the turnover of Rs.50 Lakhs during the course of the year i.e. say he crosses the turnover of Rs.50 Lakhs in December? Will he be allowed to pay tax under composition scheme for the remainder of the year i.e. till 31st March?**

Answer. No. The option availed shall lapse from the day on which his aggregate turnover during the financial year exceeds Rs.50 Lakhs.

Question 20 **Will a taxable person, having multiple registrations, be eligible to opt for composition scheme only for a few of registrations?**

Answer. All registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one registered person opts for normal scheme, others become ineligible for composition scheme.

Question 21: **Can composition scheme be availed of by a manufacturer and a service supplier?**

Answer. Yes, a manufacturer can opt for composition scheme generally. However, a manufacturer of goods, which would be notified on the recommendations of the GST

Council, cannot opt for this scheme. This scheme is not available for services sector, except restaurants.

Question 22: **Who are not eligible to opt for composition scheme?**

Answer. Broadly, five categories of registered person are not eligible to opt for the composition scheme. These are: (i) supplier of services other than supplier of restaurant service; (ii) supplier of goods which are not taxable under the CGST Act/SGST Act/UTGST Act. (iii) an inter-State supplier of goods; (iv) person supplying goods through an electronic commerce operator; (v) manufacturer of certain notified goods.

Question 23: **Can the registered person under composition scheme claim input tax credit?**

Answer. No, registered person under composition scheme is not eligible to claim input tax credit.

Question 24: **Can the customer who buys from a registered person who is under the composition scheme claim composition tax as input tax credit?**

Answer. No, customer who buys goods from registered person who is under composition scheme is not eligible for composition input tax credit because a composition scheme supplier cannot issue a tax invoice.

Question 25. **Can composition tax be collected from customers?**

Answer. No, the registered person under composition scheme is not permitted to collect tax. It means that a composition scheme supplier cannot issue a tax invoice.

Question 26: **How to compute 'aggregate turnover' to determine eligibility for composition scheme? Ans. The methodology to compute aggregate turnover is given in Section 2(6). Accordingly, 'aggregate turnover' means value of all outward supplies (taxable supplies exempt supplies+exports + inter-state supplies) of a person having the same PAN and it excludes taxes levied under central tax (CGST), State tax (SGST), Union territory tax (UTGST), integrated tax(IGST) and compensation cess. Also, the value of inward supplies on which tax is payable under reverse charge is not taken into account for calculation of 'aggregate turnover'.**

What will be the effective date of registration?

Answer. Where the application for registration has been submitted within thirty days from the date on which the person becomes liable to registration, the effective date of registration shall be the date on which he became liable for registration. Where an application for registration has been submitted by the applicant after thirty days from the date of his becoming liable to registration, the effective date of registration shall be the date of grant of registration. In case of a person taking registration voluntarily while being within the threshold exemption limit for paying tax, the effective date of registration shall be the date of order of registration.

Registration

Question 27: **Who are the persons liable to take a Registration under the Model GST Law?**

Answer. As per Section 22 of the CGST/SGST Act 2017, every supplier (including his agent) who makes a taxable supply i.e. supply of goods and / or services which are leviable to tax under GST law, and his aggregate turn over in a financial year exceeds the threshold limit of twenty lakh rupees shall be liable to register himself in the State or the Union territory of Delhi or Puducherry from where he makes the taxable supply. In case of eleven special category states (as mentioned in Art.279A(4)(g) of the Constitution of India), this threshold limit for registration liability is ten lakh rupees. Besides, Section 24 of the Act mentions certain categories of suppliers, who shall be liable to take registration even if their aggregate turnover is below the said threshold limit of 20 lakh rupees. On the other hand, as per Section 23 of the Act, an agriculturist in respect of supply of his agricultural produce; as also any person exclusively making supply of non-taxable or wholly exempted goods and/or services under GST law will not be liable for registration.

Question 28: **What is aggregate turnover?**

Answer. As per section 2(6) of the CGST/SGST Act "aggregate turnover" includes the aggregate value of: (i) all taxable supplies, (ii) all exempt supplies, (iii) exports of goods and/or service, and, (iv) all inter-state supplies of a person having the same PAN. The above shall be computed on all India basis and excludes taxes charged under the CGST Act, SGST Act, UTGST Act, and the IGST Act. Aggregate turnover shall include all supplies made by the Taxable person, whether on his own account or made on behalf of all his principals. Aggregate turnover does not include value of supplies on which tax is levied on reverse charge basis, and value of inward supplies. The value of goods after completion of job work is not includible in the turnover of the job-worker. It will be treated as supply of goods by the principal and will accordingly be includible in the turnover of the Principal.

Question 29. **Which are the cases in which registration is compulsory?**

Answer. As per Section 24 of the CGST/SGST Act, the following categories of persons shall be required to be registered compulsorily irrespective of the threshold limit: i) persons making any inter-State taxable supply; ii) casual taxable persons; iii) persons who are required to pay tax under reverse charge; iv) electronic commerce operators required to pay tax under sub-section (5) of section 9; v) non-resident taxable persons; vi) persons who are required to deduct tax under section 51; vii) persons who supply goods and/or services on behalf of other registered taxable persons whether as an agent or otherwise; viii) Input service distributor (whether or not separately registered under the Act) ix) persons who are required to collect tax under section 52; x) every electronic commerce operator xi) every person supplying online information and data base retrieval services from a place outside India to a person in India, other than a registered person; and, xii) 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.

Question 30. **What is the time limit for taking a Registration under GST?**

Answer . A person should take a Registration, within thirty days from the date on which he becomes liable to registration, in such manner and subject to such conditions as is prescribed under the Registration Rules. A Casual Taxable person and a non-resident taxable person should however apply for registration at least 5 days prior to commencement of business.

Question 31: **Whether a person having multiple business verticals in a state can obtain for different registrations?**

Answer. Yes. In terms of the proviso to Sub-Section (2) of Section 25, 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.

Question 32. **Is there any facility for digital signature in the GSTN registration?**

Answer. Tax payers would have the option to sign the submitted application using valid digital signatures. There will be two options for electronically signing the application or other submissions- by e-signing through Aadhar number, or through DSC i.e. by registering the tax payer’s digital signature certificate with GST portal. However, companies or limited liability partnership entities will have to sign mandatorily through DSC only. Only level 2 and level 3 DSC certificates will be acceptable for signature purpose.

Meaning and Scope of Supply

Question 33. **What is the taxable event under GST?**

Answer. The taxable event under GST shall be the supply of goods or services or both made for consideration in the course or furtherance of business. The taxable events under the existing indirect tax laws such as manufacture, sale, or provision of services shall stand subsumed in the taxable event known as 'supply'.

Question 34 . **What is the scope of 'supply' under the GST law?**

Answer. The term 'supply' is wide in its import covers all forms of supply of goods or services or both that includes 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. It also includes import of service. The model GST law also provides for including certain transactions made without consideration within the scope of supply

Question 35. **What do you mean by "supply made in the course or furtherance of business"?**

Answer. "Business" is defined under Section 2(17) include any trade, commerce, manufacture, profession, vocation etc. whether or not undertaken for a pecuniary benefit. Business also includes any activity or transaction which is incidental or ancillary to the aforementioned listed activities. In addition, any activity undertaken by the Central Govt. or a State Govt. or any local authority in which they are engaged as public authority shall also be construed as business. From the above, it may be noted that any activity undertaken included in the definition for furtherance or promoting of a business could constitute a supply under GST law.

Question 36. **What are inter-state supplies and intra-state supplies?**

Answer. Inter-state and intra-state supplies have specifically been defined in Section 7(1), 7(2) and 8(1), 8(2) of the IGST Act respectively. Broadly, where the location of the supplier and the place of supply are in same state it will be intrastate and where it is in different states it will be inter-state supplies.

Question 37. **Whether transfer of right to use goods will be treated as supply of goods or supply of service? Why?**

Answer. Transfer of right to use goods shall be treated as supply of service because there is no transfer of title in such supplies. Such transactions are specifically treated as supply of service in Schedule-II of CGST/SGST Act.

Question 38. **Whether Works contracts and Catering services will be treated as supply of goods or supply of services? Why?**

Answer. Works contracts and catering services shall be treated as supply of services as both are specified under Sl. No. 6 (a) and (b) in Schedule-II of the model GST law.

Question 39. Whether supply of software would be treated as supply of goods or supply of services under GST law?

Answer. Development, design, programming, customization, adaptation, upgradation, enhancement, implementation of information technology software shall be treated as supply of services as listed in Sl. No. 5 (2)(d) of Schedule–II of the model GST law.

Question 40. Whether goods supplied on hire purchase basis will be treated as supply of goods or supply of services? Why?

Answer. Supply of goods on hire purchase shall be treated as supply of goods as there is transfer of title, albeit at a future date.

Question 41. What is a Composite Supply under CGST/ SGST/UTGST Act?

Answer. 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. For 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.

Question 42: **How will tax liability on a composite supply be determined under GST?**

Answer. A composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply.

Question 43. **What is a mixed supply?**

Answer. 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. For example, a supply of package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juice when supplied for a single price is a mixed supply. Each of these items can be supplied separately and it is not dependent on any other. It shall not be a mixed supply if these items are supplied separately.

Question 44: **How will tax liability on a mixed supply be determined under GST?**

Answer . A mixed supply comprising two or more supplies shall be treated as supply of that particular supply which attracts the highest rate of tax.

Time of Supply

Question 45. **Let's say there was increase in tax rate from 18% to 20% w.e.f. 1.6.2017. What is the tax rate applicable when goods are supplied and invoice issued after change in rate in June 2017, but full advance payment was already received in April 2017?**

Answer. The new rate of 20% shall be applicable as goods are supplied an d in voice issued after 1. 6.2017

Question 46. **What is the time period within which invoice has to be issued for supply of Goods?**

Answer. As per Section 28 of CGST/SGST Act a registered taxable person shall issue a tax invoice showing description, quantity and value of goods, tax charged thereon and other prescribed particulars, before or at the time of (a) removal of goods for supply to the recipient, where supply involves movement of goods or (b) delivery of goods or making available thereof to the recipient in other cases.

Question 47. **What is transaction value?**

Answer. Transaction value refers to the price actually paid or payable for the supply of goods and or services where the supplier and the recipient are not related and price is the sole consideration for the supply. It includes any amount which the supplier is liable to pay but which has been incurred by the recipient of the supply

GST Payment of Tax

Question 48. What are the Payments to be made in GST regime?

Answer. In the GST regime, for any intra-state supply, taxes to be paid are the Central GST (CGST), going into the account of the Central Government) and the State/UT GST (SGST, going into the account of the concerned State Government). For any inter-state supply, tax to be paid is Integrated GST (IGST) which will have components of both CGST and SGST. In addition, certain categories of registered persons will be required to pay to the government account Tax Deducted at Source (TDS) and Tax Collected at Source (TCS). In addition, wherever applicable, Interest, Penalty, Fees and any other payment will also be required to be made.

Question 49. Who is liable to pay GST?

Answer. In general, the supplier of goods or services is liable to pay GST. However, in specified cases like imports and other notified supplies, the liability may be cast on the recipient under the reverse charge mechanism. Further, in some notified cases of intra-state supply of services, the liability to pay GST may be cast on e-commerce operators through which such services are supplied. Also Government Departments making payments to vendors above a specified limit [2.5 lakh under one contract as per S.51(1)(d)] are required to deduct tax (TDS) and E-commerce operators are required to collect tax (TCS) on the net value [i.e. aggregate value of taxable supplies of goods and/or services but excluding such value of services on which the operator is made liable to pay GST under Section 9(5) of the CGST Act, 2017] of supplies made through them and deposit it with the Government.

Question 50. **When does liability to pay GST arises?**

Answer. Liability to pay arises at the time of supply of Goods as explained in Section 12 and at the time of supply of services as explained in Section13. The time is generally the earliest of one of the three events, namely receiving payment, issuance of invoice or completion of supply. Different situations envisaged and different tax points have been explained in the aforesaid sections.

Question 51. **What are E-Ledgers?**

Answer. Electronic Ledgers or E-Ledgers are statements of cash and input tax credit in respect of each registered taxpayer. In addition, each taxpayer shall also have an electronic tax liability register. Once a taxpayer is registered on Common Portal (GSTN), two e-ledgers (Cash &Input Tax Credit ledger) and an electronic tax liability register will be automatically opened and displayed on his dash board at all times.

Question 52. **What is a tax liability register?**

Answer. Tax Liability Register will reflect the total tax liability of a taxpayer (after netting) for the particular month.

Question 53. What is a Cash Ledger?

Answer. The cash ledger will reflect all deposits made in cash, and TDS/TCS made on account of the taxpayer. The information will be reflected on real time basis. This ledger can be used for making any payment on account of GST.

Question 54. What is an ITC Ledger?

Answer. Input Tax Credit as self-assessed in monthly returns will be reflected in the ITC Ledger. The credit in this ledger can be used to make payment of TAX ONLY and not other amounts such as interest, penalty, fees etc.

Question 55. What is the linkage between GSTN and the authorized Banks?

Answer. There will be real time two-way linkage between the GSTN and the Core Banking Solution (CBS) of the Bank. CPIN is automatically routed to the Bank via electronic string for verification and receiving payment and a challan identification number (CIN) is automatically sent by the Bank to the Common Portal confirming payment receipt. No manual intervention will be involved in the process by any one including bank cashier or teller or the tax payer.

Question 56. Can a tax payer generate challan in multiple sittings?

Answer Yes, a taxpayer can partially fill in the challan form and temporarily "save" the challan for completion at a later stage. A saved challan can be "edited" before finalization. After the tax payer has finalized the challan, he will generate the challan, for use of payment of taxes. The remitter will have option of printing the challan for his record.

Question 57. Can a challan generated online be modified?

Answer No. After logging into GSTN portal for generation of challan, payment particulars have to be fed in by the tax payer or his authorized person. He can save the challan midway for future updation. However once the challan is finalized and CPIN generated, no further changes can be made to it by the taxpayer.

Question 58. What is Tax Collected at Source (TCS)?

Answer. This provision is applicable only for E-Commerce Operator under section 52 of CGST/SGST Act. Every ECommerce Operator, not being an agent, needs to withhold an amount calculated at the rate not exceeding one percent of the "net value of taxable supplies" made through it where the consideration with respect to such supplies is to be collected by the operator. Such withheld amount is to be deposited by such E-Commerce Operator to the appropriate GST account by the 10th of the next month. The amount deposited as TCS will be reflected in the electronic cash ledger of the supplier.

Input Tax Credit:

Question 59. **What is input tax?**

Answer. Input tax means the central tax (CGST), State tax (SGST), integrated tax (IGST) or Union territory tax (UTGST) charged on supply of goods or services or both made to a registered person. It also includes tax paid on reverse charge basis and integrated tax goods and services tax charged on import of goods. It does not include tax paid under composition levy

Question 60. **Can GST paid on reverse charge basis be considered as input tax?**

Answer. Yes. The definition of input tax includes the tax payable under the reverse charge.

Question 61. **Does input tax includes tax (CGST/IGST/SGST) paid on input goods, input services and capital goods?**

Answer. Yes, it includes taxes paid on input goods, input services and capital goods. Credit of tax paid on capital goods is permitted to be availed in one instalment.

Question 62. **Is credit of all input tax charged on supply of goods or services allowed under GST?**

Answer. A registered person is entitled to take credit of input tax charged on supply of goods or services or both to him which are used or intended to be used in the course or furtherance of business, subject to other conditions and restrictions.

Question 63. **What are the conditions necessary for obtaining ITC?**

Answer. Following four conditions are to be satisfied by the registered taxable person for obtaining ITC: (a) he is in possession of tax invoice or debit note or such other tax paying documents as may be prescribed; (b) he has received the goods or services or both; (c) the supplier has actually paid the tax charged in respect of the supply to the government; and (d) he has furnished the return under section 39

Question 64. **What is the time limit for taking ITC and reasons therefore?**

Answer. A registered person cannot take ITC in respect of any invoice or debit note for supply of goods or services after the due date for furnishing the return under section 39 for the month of September following the end of financial year to which such invoice/invoice relating to debit note pertains or furnishing of the relevant annual return, whichever is earlier. So, the upper time limit for taking ITC is 20th October of the next FY or the date of filing of annual return whichever is earlier. The underlying reasoning for this restriction is that no change in return is permitted 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.

Question 65. **A taxable person is in the business of information technology. He buys a motor vehicle for use of his Executive Directors. Can he avail the ITC in respect of GST paid on purchase of such motor vehicle?**

Answer. No. ITC on motor vehicles can be availed only if the taxable person is in the business of transport of passengers or goods or is providing the services of imparting training on motor vehicles.

Question 66. **Sometimes goods are destroyed or lost due to various reasons? Can a person take ITC to the extent of such goods?**

Answer. No, a person cannot take ITC with respect to goods lost, stolen, destroyed or written off. In addition, ITC with respect of goods given as gifts or free samples are also not allowed.

Question 67. **Can a registered person get ITC with respect of goods or services used for construction of a building for business purposes?**

Answer. No. ITC on goods or services by a person for construction of immovable property, other than plant and machinery, is not allowed. Plant and machinery cover only apparatus, equipment, and machinery fixed to earth by foundation or structural support, and excludes land and building, among other things.

Question 68. What is the ITC entitlement of a newly registered person?

Answer. A person applying for registration can take input tax credit of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration. If the person was liable to take registration and he has applied for registration within thirty days from the date on which he became liable to registration, then input tax credit of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken.

Question 69. A person becomes liable to pay tax on 1st August, 2017and has obtained registration on 15th August, 2017. Such person is eligible for input tax credit on inputs held in stock as on:

(a) 1st August, 2017

(b) 31st July, 2017

(c) 15th August, 2017

(d) He cannot take credit for the past period Ans. 31st July, 2017.

Answer. 31st July, 2017.

Question 70. Which of the following is included for computation of taxable supplies for the purpose of availing credit?

(a) Zero-rated supplies

(b) Exempt supplies

(c) Both Ans. Zero rated supplies.

Answer. Zero rated supplies

Question 71. Mr. A, a registered person was paying tax under composition scheme up to 30th July, 2017. However, w.e.f 31st July, 2017, Mr. A becomes liable to pay tax under regular scheme. Is he eligible for ITC?

Answer. Mr. A is eligible for input tax credit on inputs held in stock and inputs contained in semi-finished or finished goods held in stock and capital goods (reduced by such percentage points as may be prescribed) as on 30th July, 2017.

Question 72. Mr. B applies for voluntary registration on 5th June, 2017 and obtained registration on 22nd June, 2017. Mr. B is eligible for input tax credit on inputs in stock as on……….

Answer. Mr. B is eligible for input tax credit on inputs held in stock and inputs contained in semi-finished or finished goods held in stock as on 21st June, 2017. Mr. B cannot take input tax credit in respect of capital goods.

Question 73. What happens where the details of inward supplies furnished by the recipient do not match with the outward supply details furnished by the supplier in his valid return?

Answer. In case of mismatch, the communication would be made to the both parties. If the mismatch is not rectified, then the amount will be added to the output liability of recipient in the return for the month succeeding the month in which discrepancy is communicated.

Question 74. Is input tax credit allowed only after matching?

Answer. No, input tax credit is allowed provisionally for two months. The supply details are matched by the system and discrepancies are communicated to concerned supplier and recipient. In case mismatch continues, the ITC taken would be reversed automatically.

Question 75. Can provisionally allowed ITC be used for payment of all liabilities?

Answer. No, provisionally allowed ITC can be used only for the payment of self-assessed output tax in the return.

Question 76 . **What will be the tax impact when capital goods on which ITC has been taken are supplied by taxable person?**

Answer. In case of supply of capital goods or plant and machinery on which input tax credit has been taken, the registered person shall pay an amount equal to the input tax credit taken on the said capital goods or plant an d machin ery reduced by the percentage points as may be specified in this behalf or the tax on the transaction value of such capital goods, whichever is higher.

Question 77. **What is the tax implication of supply of capital goods by a registered person who had taken ITC on such capital goods?**

Answer. The registered person would pay an amount equal to ITC reduced by prescribed percentage point or tax on the transaction value, whichever is higher. But in case of refractory bricks, moulds and dies, jigs and fixtures when these are supplied as scrap, the person can pay tax on the transaction value.

Concept of Input Service Distributor in GST

Question 78. **What is Input Service Distributor (ISD)?**

Answer. ISD means an office of the supplier of goods or services or both which receives tax invoices towards receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax (CGST), State tax (SGST)/ Union territory tax (UTGST) or integrated tax (IGST) paid on the said services to a supplier of taxable goods or services or both having same PAN as that of the ISD**.**

Question 79. **What are the requirements for registration as ISD?**

Answer. An ISD is required to obtain a separate registration even though it may be separately registered. The threshold limit of registration is not applicable to ISD. The registration of ISD under the existing regime (i.e. under Service Tax) would not be migrated in GST regime. All the existing ISDs will be required to obtain fresh registration under new regime in case they want to operate as an ISD.

Question 80. **What are the documents for distribution of credit by ISD?**

Answer. The distribution of credit would be done through a document especially designed for this purpose. The said document would contain the amount of input tax credit being distributed.

Question 81. **Can an ISD distribute the input tax credit to all suppliers?**

Answer. No. The input tax credit of input services shall be distributed only amongst those registered persons who have used the input services in the course or furtherance of business.

Question 82. **It is not possible many a times to establish a one-to-one link between quantum of input services used in the course or furtherance of business by a supplier. In such situations, how distribution of ITC by the ISD is to be done?**

Answer. In such situations, distribution would be based on a formula. Firstly, distribution would be done only amongst those recipients of input tax credit to whom the input service being distributed are attributable. Secondly, distribution would be done amongst the operational units only. Thirdly, distribution would be done in the ratio of turnover in a State or Union territory of the recipient during the period to the aggregate of all recipients to whom input service being distributed is attributable. Lastly, the credit distributed should not exceed the credit available for distribution.

Question 83. **What does the turnover used for ISD cover?**

Answer . The turnover for the purpose of ISD does not include any duty or tax levied under entry 84 of List I and entry 51 and 54 of List II of the Seventh Schedule to the Constitution.

Question 84. **Is the ISD required to file return?**

Answer. Yes, ISD is required to file monthly return by 13th of the following month.

Question 85. **Can a company have multiple ISD?**

Answer. Yes, different offices like marketing division, security division etc. may apply for separate ISD.

Question 86. **What are the provisions for recovery of excess/wrongly distributed credit by ISD?**

Answer. The excess/wrongly distributed credit can be recovered from the recipients of credit along with interest by initiating action under section 73 or 74.

Question 87. **Whether CGST and IGST credit can be distributed by ISD as IGST credit to recipients located in different States?**

Answer. Yes, CGST credit can be distributed as IGST and IGST credit can be distributed as CGST by an ISD for the recipients located in different States.

Question 88. **Whether SGST / UTGST credit can be distributed as IGST credit by an ISD to recipients located in different States?**

Answer. Yes, an ISD can distribute SGST /UTGST credit as IGST for the recipients located in different States.

Question 89. **Whether the ISD can distribute the CGST and IGST Credit as CGST credit?**

Answer. Yes, CGST and IGST credit can be distributed as CGST credit by an ISD for the recipients located in same State.

Question 90. **Whether the SGST/ UTGST a nd IGST C red it can be distributed as SGST/UTGST credit?**

Answer. Yes, ISD can distribute SGST and IGST credit as SGST / UTGST credit for the recipients located in same State.

Question 91. **How to distribute common credit among all the recipients of an ISD?**

Answer. The common credit used by all the recipients can be distributed by ISD on pro rata basis i.e. based on the turnover of each recipient to the aggregate turnover of all the recipients to which credit is distributed.

Question 92. **The ISD may distribute the CGST and IGST credit to recipient outside the State as_ (a) IGST (b) CGST (c) SGST**

Answer. (a) IGST.

Question 93. **The ISD may distribute the CGST credit within the State as____ (a) IGST (b) CGST (c) SGST (d) Any of the above.**

Answer. (b) CGST.

Question 94. **The credit of tax paid on input service used by more than one supplier is _________ (a) Distributed among the suppliers who used such input service on pro rata basis of turnover in such State. (b) Distributed equally among all the suppliers. (c) Distributed only to one supplier. (d) Cannot be distributed.**

Answer. (a) Distributed among the suppliers who used such input service on pro rata basis of turnover in such State.

Question 95. Whether the excess credit distributed could be recovered from ISD by the department?

Answer. No. Excess credit distributed can be recovered along with interest only from the recipient and not ISD. The provisions of section 73 or 74 would be applicable for the recovery of credit.

Question 96. What are the consequences of credit distributed in contravention of the provisions of the Act?

Answer. The credit distributed in contravention of provisions of Act could be recovered from the recipient to which it is distributed along with interest.

Refunds

Question 97. What is refund?

Answer. Refund has been discussed in section 54 of the CGST/SGST Act. "Refund" includes (a) any balance amount in the electronic cash ledger so claimed in the returns, (b) any unutilized input tax credit in respect of (i) zero rated supplies made without payment of tax or, (ii) where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies), (c) tax paid by specialized agency of United Nations or any Multilateral Financial Institution and Organization notified under the United Nations (Privileges and Immunities) Act, 1947, Consulate or Embassy of foreign countries on any inward supply

Question 98. **Can unutilized Input tax credit be allowed as refund?**

Answer. Unutilized input tax credit can be allowed as refund in accordance with the provisions of sub-section (3) of section 54 in the following situations: - (i) Zero rated supplies made without payment of tax; (ii) Where credit has accumulated on account of rate of tax on inputs being higher than the rate of taxes on output supplies (other than nil rated or fully exempt supplies) However, no refund of unutilized input tax credit shall be allowed in cases where the goods exported out of India are subjected to export duty, and also in the case where the supplier of goods or services or both avails of drawback in respect of central tax or claims refund of the integrated tax paid on such supplies.

Question 99. **Can unutilized ITC be given refund, in case goods Exported outside India are subjected to export duty?**

Answer. Refund of unutilized input tax credit is not allowed in cases where the goods exported out of India are subjected to export duty - as per the second proviso to Section 54(3) of CGST/SGST Act.

Question 100. **Will unutilized ITC at the end of the financial year (after introduction of GST) be refunded?**

Answer There is no such provision to allow refund of such unutilized ITC at the end of the financial year in the GST Law. It shall be carried forward to the next financial year.

Question 101. **Suppose a taxable person has paid IGST/ CGST/SGST mistakenly as an Interstate/intrastate supply, but the nature of which is subsequently clarified. Can the CGST/SGST be adjusted against wrongly paid IGST or vice versa?**

Answer. The taxable person cannot adjust CGST/SGST or IGST with the wrongly paid IGST or CGST/SGST but he is entitled to refund of the tax so paid wrongly - Sec.77 of the CGST/SGST Act.

Question 102. **Whether purchases made by Embassies or UN are taxed or exempted?**

Answer. Supplies to the Embassies or UN bodies will be taxed, which later on can be claimed as refund by them in terms of Section 54(2) of the CGST/SGST Act. The claim has to be filed in the manner prescribed under CGST/SGST Refund rules, before expiry of six months from the last day of the month in which such supply was received. [The United Nations Organization and Consulates or Embassies are required to take a Unique Identity Number [section 26(1) of the CGST/SGST Act] and purchases made by them will be reflected against their Unique Identity Number in the return of outward supplies of the supplier(s)]

Question 103. **What is the time limit for taking refund?**

Answer. A person claiming refund is required to file an application before the expiry of two years from the “relevant date” as given in the Explanation to section 54 of the CGST/SGST Act.

Question 104. **Whether principle of unjust enrichment will be applicable in refund?**

Answer. The principle of unjust enrichment would be applicable in all cases of refund except in the following cases: - i. Refund of tax paid on zero-rated supplies of goods or services or both or on inputs or input services used in making such zero-rated supplies ii. Unutilized input tax credit in respect of (i) zero rated supplies made without payment of tax or, (ii) where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies iii. refund of tax paid on a supply which is not provided, either wholly or partially, and for which invoice has not been issued; iv. refund of tax in pursuance of Section 77 of CGST/SGST Act i.e. tax wrongfully collected and paid to Central Government or State Government v. if the incidence of tax or interest paid has not been passed on to any other person; vi. such other class of persons who has borne the incidence of tax as the Government may notify.

Question 105. **In case the tax has been passed on to the consumer, whether refund will be sanctioned?**

Answer. Yes, the amount so refunded shall be credited to the Consumer Welfare Fund - Section 57 of the CGST/SGST Act

Question 106. **Is there any time limit for sanctioning of refund?**

Answer. Yes, refund has to be sanctioned within 60 days from the date of receipt of application complete in all respects. If refund is not sanctioned within the said period of 60 days, interest at the rate notified will have to be paid in accordance with section 56 of the CGST/SGST Act. However, in case where provisional refund to the extent of 90% of the amount claimed is refundable in respect of zero-rated supplies made by certain categories of registered persons in terms of sub-section (6) of section 54 of the CGST/SGST Act, the provisional refund has to be given within 7 days from the date of acknowledgement of the claim of refund.

Question 107. **Can refund be withheld by the department?**

Answer. Yes, refund can be withheld in the following circumstances: i. If the person has failed to furnish any return till he files such return; ii. If the registered taxable person is required to pay any tax, interest or penalty which has not been stayed by the appellate authority/Tribunal/ court, till he pays such tax interest or penalty; The proper officer can also deduct unpaid taxes, interest, penalty, late fee, if any, from the refundable amount – Section 54(10) (d) of the CGST/SGST Act iii. The Commissioner can withhold any refund, if, the order of refund is under appeal and he is of the opinion that grant of such refund will adversely affect revenue in the said appeal on account of malfeasance or fraud committed - Sec.54 (11) of the CGST/SGST Act.

Question 108. **Where the refund is withheld under Section 54(11) of the CGST/SGST Act, will the taxable person be given interest?**

Answer. If as a result of appeal or further proceeding the taxable person becomes entitled to refund, then he shall also be entitled to interest at the rate notified [section 54(12) of the CGST/SGST Act].

Question 109. **Whether refund can be made before verification of documents?**

Answer. In case of any claim of refund to a registered person on account of zero rated supplies of goods or services or both (other than registered persons as may be notified), 90% refund may be granted on provisional basis before verification subject to such conditions and restrictions as may be prescribed in accordance with sub-section 6 of section 54 of the CGST/SGST Act.

Question 110. In case of refund under exports, whether BRC is necessary for granting refund?

Answer. In case of refund on account of export of goods, the refund rules do not prescribe BRC as a necessary document for filing of refund claim. However, for export of services details of BRC is required to be submitted along with the application for refund.

Question 111. Will the principle of unjust enrichment apply to exports and supplies to SEZ Units?

Answer. The principle of unjust enrichment would not be applicable to zero-rated supplies [i.e. exports and supplies to SEZ units]

Question 112. How will the applicant prove that the principle of unjust enrichment does not apply in his case?

Answer. Where the claim of refund is less than Rs.2 Lakh, a self declaration by the applicant based on the documentary or other evidences available with him, certifying that the incidence of tax has not been passed on to any other person would make him eligible to get refund. However, if the claim of refund is more than Rs.2 Lakh, the applicant is required to submit a certificate from a Chartered Accountant or a Cost Accountant to the effect that the incidence of tax has not been passed on to any other person.

Question 113. **Today under VAT/CST merchant exporters can purchase goods without payment of tax on furnishing of a declaration form. Will this system be there in GST?**

Answer. There is no such provision in the GST law. They will have to procure goods upon payment of tax and claim refund of the unutilized input tax credit in accordance with section 54(3) of the CGST/SGST Act.

Question 114. **Presently under Central law, exporters are allowed to obtain duty paid inputs, avail ITC on it and export goods upon payment of duty (after utilizing the ITC) and thereafter claim refund of the duty paid on exports. Will this system continue in GST?**

Answer. Yes. In terms of Section 16 of the IGST Act, a registered taxable person shall have the option either to export goods/services without payment of IGST under bond or letter of undertaking and claim refund of ITC or he can export goods/services on payment of IGST and claim refund of IGST paid.

Question 115. **What is the time period within which an acknowledgement of a refund claim has to be given?**

Answer. Where an application relates to a claim for refund from the electronic cash ledger as per sub-section (6) of section 49 of the CGST/SGST Act made through the return furnished for the relevant tax period the acknowledgement will be communicated as soon as the return is furnished and in all other cases of claim of refund the acknowledgement will be communicated to the applicant within 15 days from the date of receipt of application complete in all respect.

Question 116. **What is the time period within which provisional refund has to be given?**

Answer. Provisional refund to the extent of 90% of the amount claimed on account of zero-rated supplies in terms of sub-section (6) of section 54 of the CGST/SGST Act has to be given within 7 days from the date of acknowledgement of complete application for refund claim.

Question 117. **Is there any specified format for filing refund claim?**

Answer. Every claim of refund has to be filed in Form GST RFD 1. However, claim of refund of balance in electronic cash ledger can be claimed through furnishing of monthly/quarterly returns in Form GSTR 3, GSTR 4 or GSTR 7, as the case may be, of the relevant period.

Question 118. **Is there any specified format for sanction of refund claim?**

Answer. The claim of refund will be sanctioned by the proper officer in Form GST RFD-06 if the claim is found to be in order and payment advice will be issued in Form GST

RFD- 05. The refund amount will then be electronically credited to the applicants given bank account.

Question 119. **What happens if there are deficiencies in the refund claim?**

Answer. Deficiencies, if any, in the refund claim has to be pointed out within 15 days. A form GST RFD-03 will be issued by the proper officer to the applicant pointing out the deficiencies through the common portal electronically requiring him to file a refund application after rectification of such deficiencies.

Question 120. **Can the refund claim be rejected without assigning any reasons?**

Answer. No. When the proper officer is satisfied that the claim is not admissible he shall issue a notice in Form GST RFD-08 to the applicant requiring him to furnish a reply in GST RFD -09 within fifteen days and after consideration of the applicant’s reply, he can accept or reject the refund claim and pass an order in Form GST RFD-06 only.

GST RETURN

Question 121. **What is the purpose of returns?**

Answer. a) Mode for transfer of information to tax administration;
b) Compliance verification program of tax administration;
c) Finalization of the tax liabilities of the taxpayer within

stipulated period of limitation; to declare tax liability for a given period;

d) Providing necessary inputs for taking policy decision; e) Management of audit and anti-evasion programs of tax administration.

Question 122. Who needs to file Return in GST regime?

Answer. Every person registered under GST will have to file returns in some form or other. A registered person will have to file returns either monthly (normal supplier) or quarterly basis (Supplier opting for composition scheme). An ISD will have to file monthly returns showing details of credit distributed during the particular month. A person required to deduct tax (TDS) and persons required to collect tax (TCS) will also have to file monthly returns showing the amount deducted/collected and other details as may be prescribed. A non-resident taxable person will also have to file returns for the period of activity undertaken.

Question 123. What type of outward supply details are to be filed in the return?

Answer. A normal registered taxpayer has to file the outward supply details in GSTR-1 in relation to various types of supplies made in a month, namely outward supplies to registered persons, outward supplies to unregistered persons (consumers), details of Credit/Debit Notes, zero rated, exempted and non-GST supplies, exports, and advances received in relation to future supply.

Question 124. Is the scanned copy of invoices to be uploaded along with GSTR-1?

Answer No scanned copy of invoices is to be uploaded. Only certain prescribed fields of information from invoices need to be uploaded.

Question 125. Whether all invoices will have to be uploaded?

Answer. No. It depends on whether B2B or B2C plus whether Intra-state or Inter-state supplies. For B2B supplies, all invoices, whether Intra-state or Interstate supplies, will have to be uploaded. Why So? Because ITC will be taken by the recipients, invoice matching is required to be done. In B2C supplies, uploading in general may not be required as the buyer will not be taking ITC. However still in order to implement the destination based principle, invoices of value more than Rs.2.5 lacs in inter-state B2C supplies will have to be uploaded. For inter-state invoices below Rs. 2.5 lacs and all intra-state invoices, state wise summary will be sufficient.

Question 126. Whether description of each item in the invoice will have to be uploaded?

Answer. No. In fact, description will not have to be uploaded. Only HSN code in respect of supply of goods and Accounting code in respect of supply of services will have to be fed. The minimum number of digitsthat the filer will have to upload would depend on his turnover in the last year.

Question 127. Whether value for each transaction will have to be fed? What if no consideration?

Answer. Yes. Not only value but taxable value will also have to be fed. In some cases, both may be different. In case there is no consideration, but it is supply by virtue of schedule 1, the taxable value will have to be worked out as prescribed and uploaded.

Question 128. Can a recipient feed information in his GSTR-2 which has been missed by the supplier?

Answer. Yes, the recipient can himself feed the invoices not uploaded by his supplier. The credit on such invoices will also be given provisionally but will be subject to matching. On matching, if the invoice is not uploaded by the supplier, both of them will be intimated. If the mismatch is rectified, provisional credit will be confirmed. But if the mismatch continues, the amount will be added to the output tax liability of the recipient in the returns for the month subsequent to the month in which such discrepancy was communicated.

Question 129. **Does the taxable person have to feed anything in the GSTR-2 or everything is autopopulated from GSTR-1?**

Answer. While a large part of GSTR-2 will be auto-populated, there are some details that only recipient can fill like details of imports, details of purchases from non-registered or composition suppliers and exempt/non-GST/nil GST supplies etc.

Question 130. **What if the invoices do not match? Whether ITC is to be given or denied? If denied, what action is taken against supplier?**

Answer. If invoices in GSTR-2 do not match with invoices in counter-party GSTR-1, then such mismatch shall be intimated to the supplier. If the mismatch continues even after it is made known to both and still it is not rectified. Mismatch can be because of two reasons. First, it could be due to mistake at the side of the recipient, and in such a case, no further action is required. Secondly, it could be possible that the said invoice was issued by supplier but he did not upload it and pay tax on it. In such a case, the ITC availed by the recipient would be added to his output tax liability, in short, all mismatches will lead to proceedings if the supplier has made a supply but not paid tax on it.

Question 131. **What will be the legal position in regard to the reversed input tax credit if the supplier later realizes the mistake and feeds the information?**

Answer. At any stage, but before September of the next financial year, supplier can upload the invoice and pay duty and interest on such missing invoices in his GSTR-3 of the month in which he had earlier failed to upload the invoice.

The recipient shall be eligible to reduce his output tax liability to the extent of the amount in respect of which the supplier has rectified the mis-match. The interest paid by the recipient at the time of reversal will also be refunded to the recipient by crediting the amount in corresponding head of his electronic cash ledger.

Question 132. What is the special feature of GSTR-2?

Answer. The special feature of GSTR-2 is that the details of supplies received by a recipient can be auto populated on the basis of the details furnished by the counterparty supplier in his GSTR-1.

Question 133. Do tax payers under the composition scheme also need to file GSTR-1 and GSTR-2?

Answer. No. Composition tax payers do not need to file any statement of outward or inward supplies. They have to file a quarterly return in Form GSTR-4 by the 18th of the month after the end of the quarter. Since they are not eligible for any input tax credit, there is no relevance of GSTR-2 for them and since the credit of tax paid under Composition Levy is not eligible, there is no relevance of GSTR-1 for them. In their return, they have to declare summary details of their outward supplies along with the details of tax payment. They also have to give details of their purchases in their quarterly return itself, most of which will be auto populated.

Question 134. Do Input service Distributor (ISDs) need to file separate statement of outward and inward supplies with their return?

Answer. No, the ISDs need to file only a return in Form GSTR- 6 and the return has the details of credit received by them from the service provider and the credit distributed by them to the recipient units. Since their return itself covers these aspects, there is no requirement to file separate statement of inward and outward supplies.

Question 135. **How does a taxpayer get the credit of the tax deducted at source on his behalf? Does he need to produce TDS certificate from the deductee to get the credit?**

Answer. Under GST, the deductor will be submitting the deductee wise details of all the deductions made by him in his return in Form GSTR-7 to be filed by 10th of the month next to the month in which deductions were made. The details of the deductions as uploaded by the deductor shall be auto populated in the GSTR-2 of the deductee. The taxpayer shall be required to confirm these details in his GSTR-2 to avail the credit for deductions made on his behalf. To avail this credit, he does not require to produce any certificate in physical or electronic form. The certificate will only be for record keeping of the tax payer and can be downloaded from the Common Portal.

Question 136. **Which type of taxpayers need to file Annual Return?**

Answer. All taxpayers filing return in GSTR-1 to GSTR-3, other than ISD's, casual/non-resident taxpayers, taxpayers under composition scheme, TDS/TCS deductors, are required to file an annual return. Casual tax payers, nonresident taxpayers, ISDs and persons authorized to deduct/collect tax at source are not required to file annual return.

Question 137. **Is an Annual Return and a Final Return one and the same?**

Answer. No. Annual Return has to be filed by every registered person paying tax as a normal taxpayer. Final Return has to be filed only by those registered persons who have applied for cancellation of registration. The Final return has to be filed within three months of the date of cancellation or the date of cancellation order.

Question 138. **If a return has been filed, how can it be revised if some changes are required to be made?**

Answer. In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/ credit notes. Instead of revising the return already submitted, the system will allow changing the details ofthose transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR- 1/2 in the tables specifically provided for the purposes of amending previously declared details.

Question 139. How can taxpayers file their returns?

Answer. Taxpayers will have various modes to file the statements and returns. Firstly they can file their statement and returns directly on the Common Portal online. However, this may be tedious and time consuming for taxpayers with large number of invoices. For such taxpayers, an offline utility will be provided that can be used for preparing the statements offline after downloading the auto populated details and uploading them on the Common Portal. GSTN has also developed an ecosystem of GST Suvidha Providers (GSP) that will integrate with the Common Portal.

Question 140. What precautions, a taxpayer is required to take for a hassle free compliance under GST?

Answer. One of the most important things under GST will be timely uploading of the details of outward supplies in Form GSTR-1 by 10th of next month. How best this can be ensured will depend on the number of B2B invoices that the taxpayer issues. If the number is small, the taxpayer can upload all the information in one go. However, if the number of invoices is large, the invoices(or debit/ credit notes)should be uploaded on a regular basis. GSTN will allow regular uploading of invoices even on a real time basis. Till the statement is actually submitted, the system will also allow the taxpayer to modify the uploaded invoices. Therefore, it would always be beneficial for the taxpayers to regularly upload the invoices. Last minute rush will make uploading difficult and will come with higher risk of possible failure and default. The second thing would be to ensure that taxpayers follow up on uploading the invoices of their inward supplies by their suppliers. This would be helpful in ensuring that the input tax credit is available without any hassle and delay. Recipients can also encourage their suppliers to upload their invoices on a regular basis instead of doing it on or close to the due date. The system would allow recipients to see if their suppliers have uploaded invoices pertaining to them. The GSTN system will also provide the track record about the compliance level of a tax payer, especially about his track record in respect of timely uploading of his supply invoices giving details about the auto reversals that have happened for invoices issued by a supplier. The Common Portal of GST would have pan India data at one place which will enable valuable services to the taxpayers. Efforts are being made to make regular uploading of invoices as easy as possible and it is expected that an enabling ecosystem will be developed to achieve this objective. Taxpayers should make efficient use of this ecosystem for easy and hassle free compliance under GST.

Question 141. **Is it compulsory for a taxpayer to file return by himself?**

Answer. No. A registered taxpayer can also get his return filed through a Tax Return Preparer, duly approved by the Central or the State tax administration.

Question 142. **What is the consequence of not filing the return within the prescribed date?**

Answer. A registered person who files return beyond the prescribed date will have to pay late fees of rupees one hundred for every day of delay subject to a maximum of rupees five thousand. For failure to furnish Annual returns by due date, late fee of Rs. One hundred for every day during which such failure continues subject to a maximum of an amount calculated at a quarter percent [0.25%] of his turnover in a state, will be levied.

Question 143. **What happens if ITC is taken on the basis of a document more than once?**

Answer. In case the system detects ITC being taken on the same document more than once (duplication of claim), the amount of such credit would be added to the output tax liability of the recipient in the return. [section 42(6)]

Question 144. **Whether the amount of credit detected by the system on account of mis-match between GSTR-1 and GSTR-2 and recovered as output tax can be reclaimed?**

Answer. Yes, once the mismatch is rectified by the supplier by declaring the details of the invoices or debit notes, as the case may be, in his valid return for the month/quarter in which the error had been detected. The said amount can be reclaimed by way of reducing the output tax liability during the subsequent tax period. [section 42(7)]. Similar provisions have also been made in Section 43 of the Act in respect of the credit notes issued by the supplier.