GST

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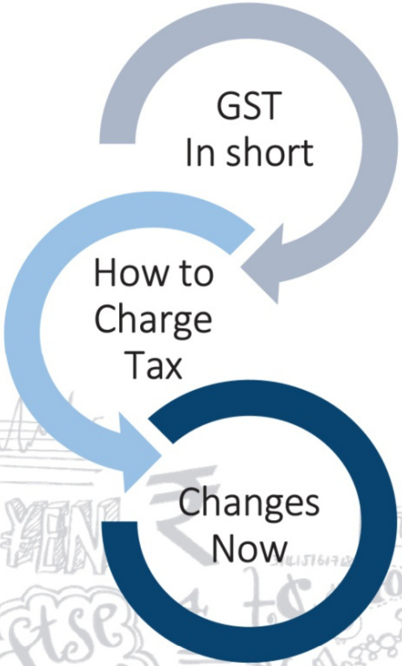
Overview



- Tax on both goods and services when <u>supplied</u>
- **Replacing** - Central Excise, Service Tax, VAT, Entry tax, CST etc.

- **Dual GST –** State GST/Union Territory GST and Central GST levied on common base
- **Integrated GST** on inter-state supplies and import
- **Decentralized** registration and compliances

- Shift to destination based tax - **Place of Supply Rules**
- Easy flow of **credit**

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Overview

- GST is a **single indirect tax** for goods and services across India
- More and smooth flow of GST credits
- No more double taxation effect of indirect taxes

Sale of goods within State	Sale of goods within Union Territory	Sale of goods between 2 states
• SGST • CGST	• UTGST • CGST	• IGST

Overview

What will be taxed?

- All good and services (exclusions)
- Imports
- Exports are taxed at zero rate

Who will be taxed?

- All manufacturers, traders / dealers, importers / exporters and service providers.
- Small business / traders below a limit are exempted.

When will be taxed?

- Destination based — final consumer bears the tax
- Seller/service provider pays tax only on the value addition; gets full input tax credit

What will be the tax rate?

- Four rate tax structure (5%, 12%, 18% and 28%) — lowest rate for precious metals, stones etc., reduced rate for necessary items; standard rate for other goods
- Rates are yet to be finalized.

Overview

Taxes replaced

Central Taxes:
- Excise Duty
- Service Tax
- CST
- SAD
- CVD

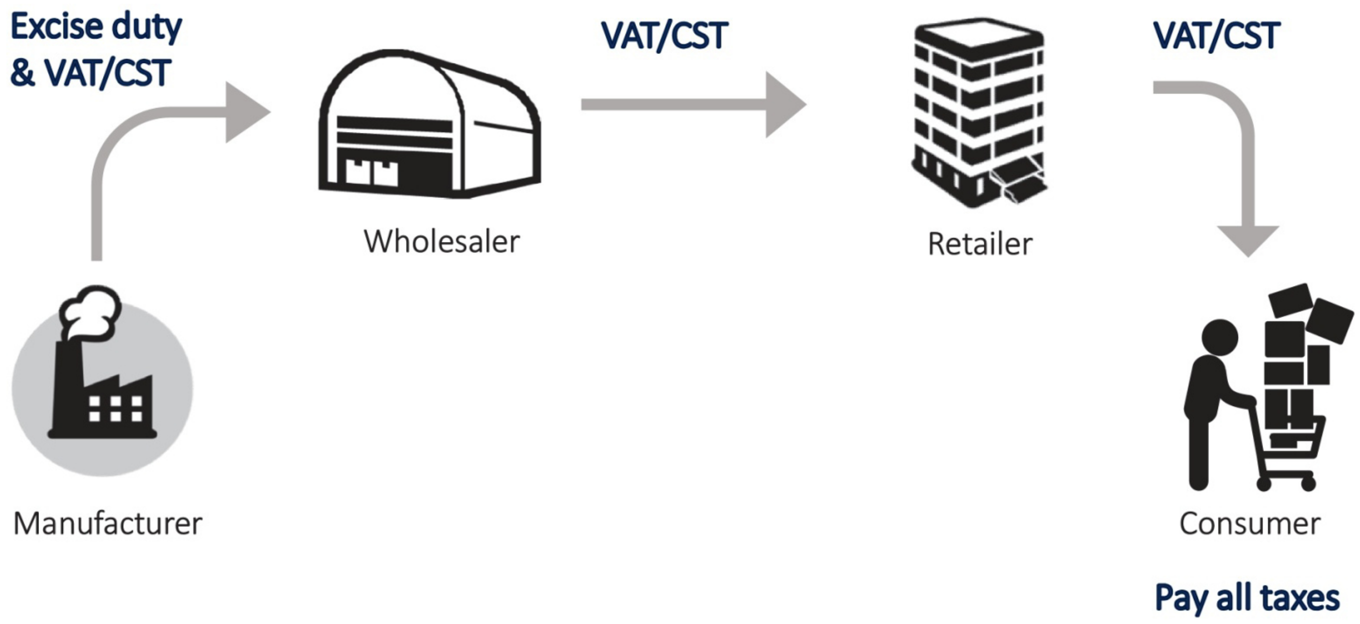
State Taxes:
- VAT
- Entry Tax/Octroi
- Entertainment Tax
- Luxury Tax

Taxes not replaced

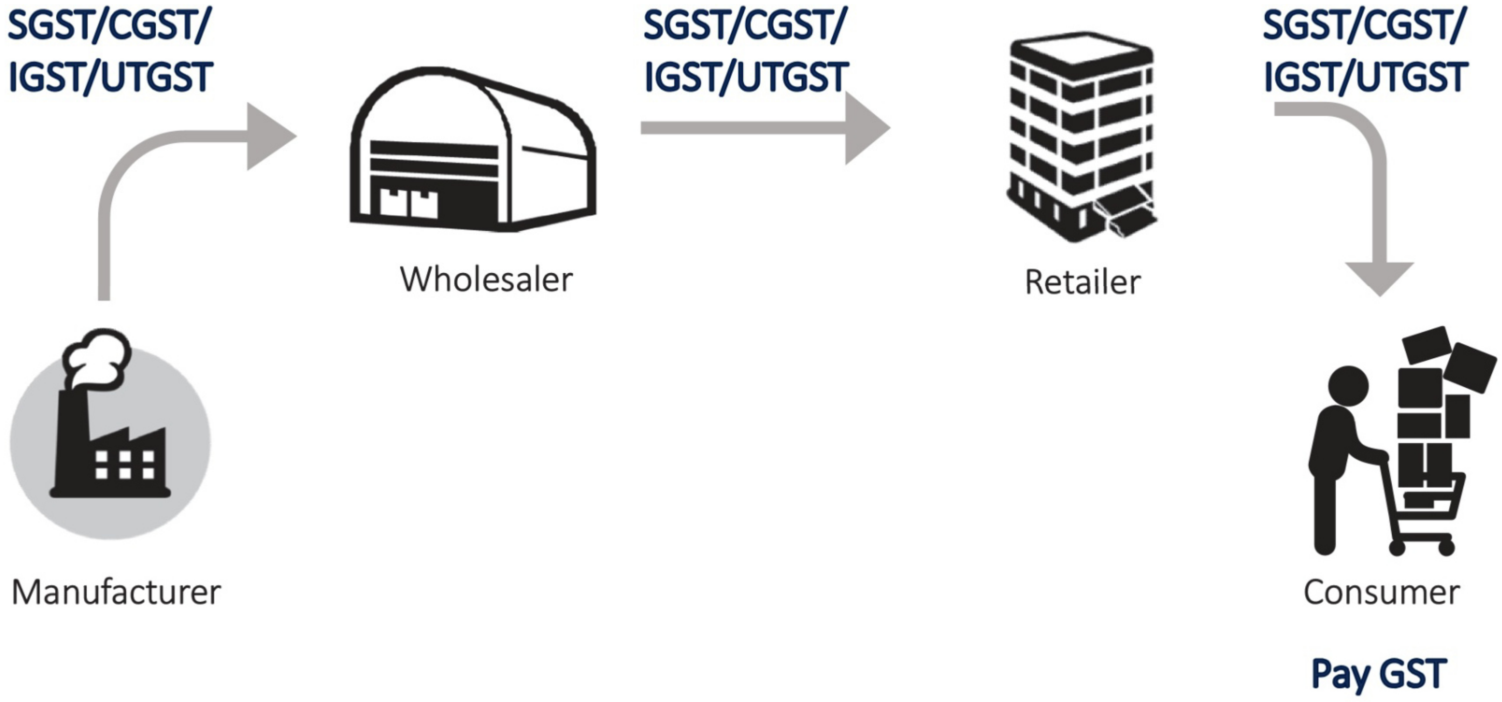
Central Taxes:
- Basic Custom Duty
- Export Duties
- Clean Energy Cess
- Customs Cess

State Taxes:
- Stamp Duty
- Property Tax
- Tax on liquor and petroleum products

Present Tax Structure



Tax Structure under GST



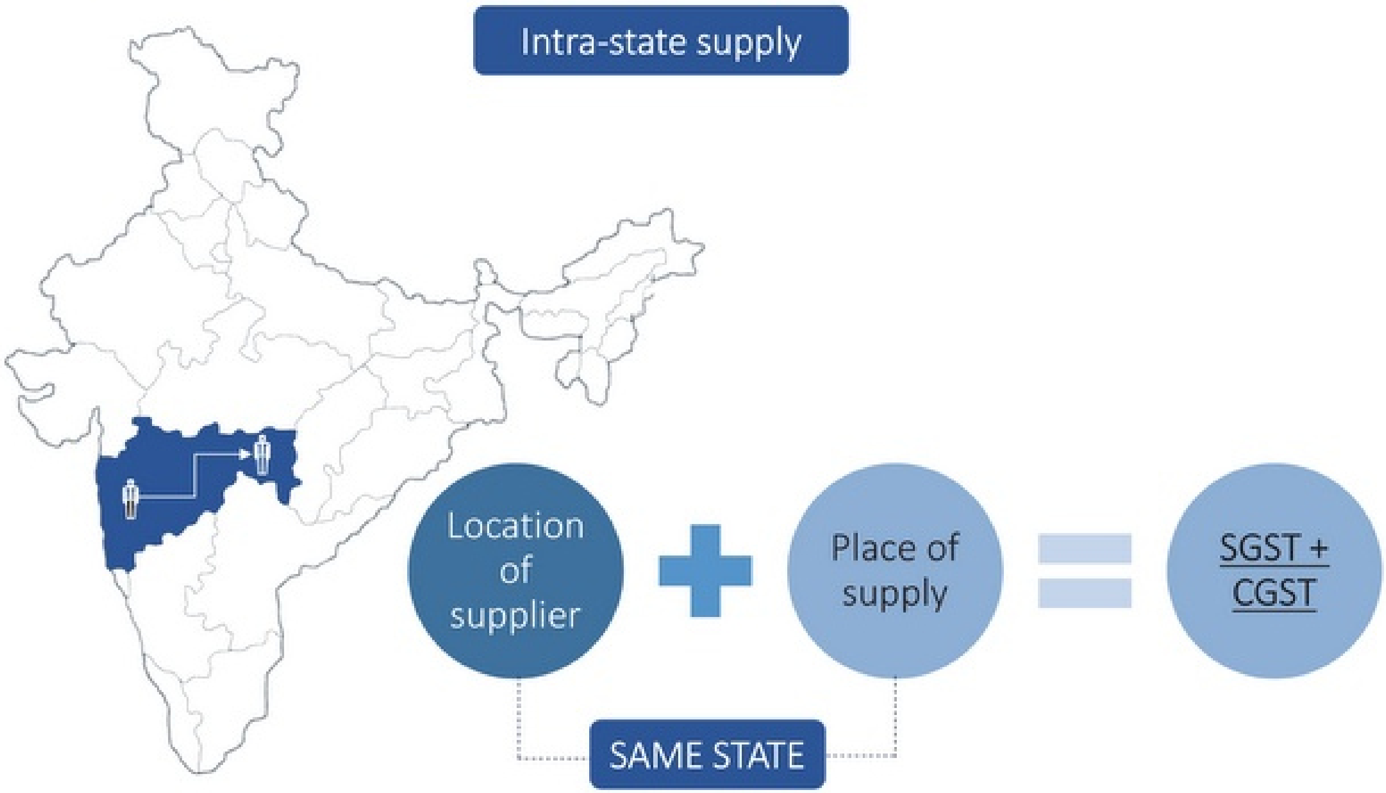
Supply

Supply

*<u>*Supply includes*</u>

Sale, Transfer, Barter, Exchange, Lease, Disposal

Types of Supply

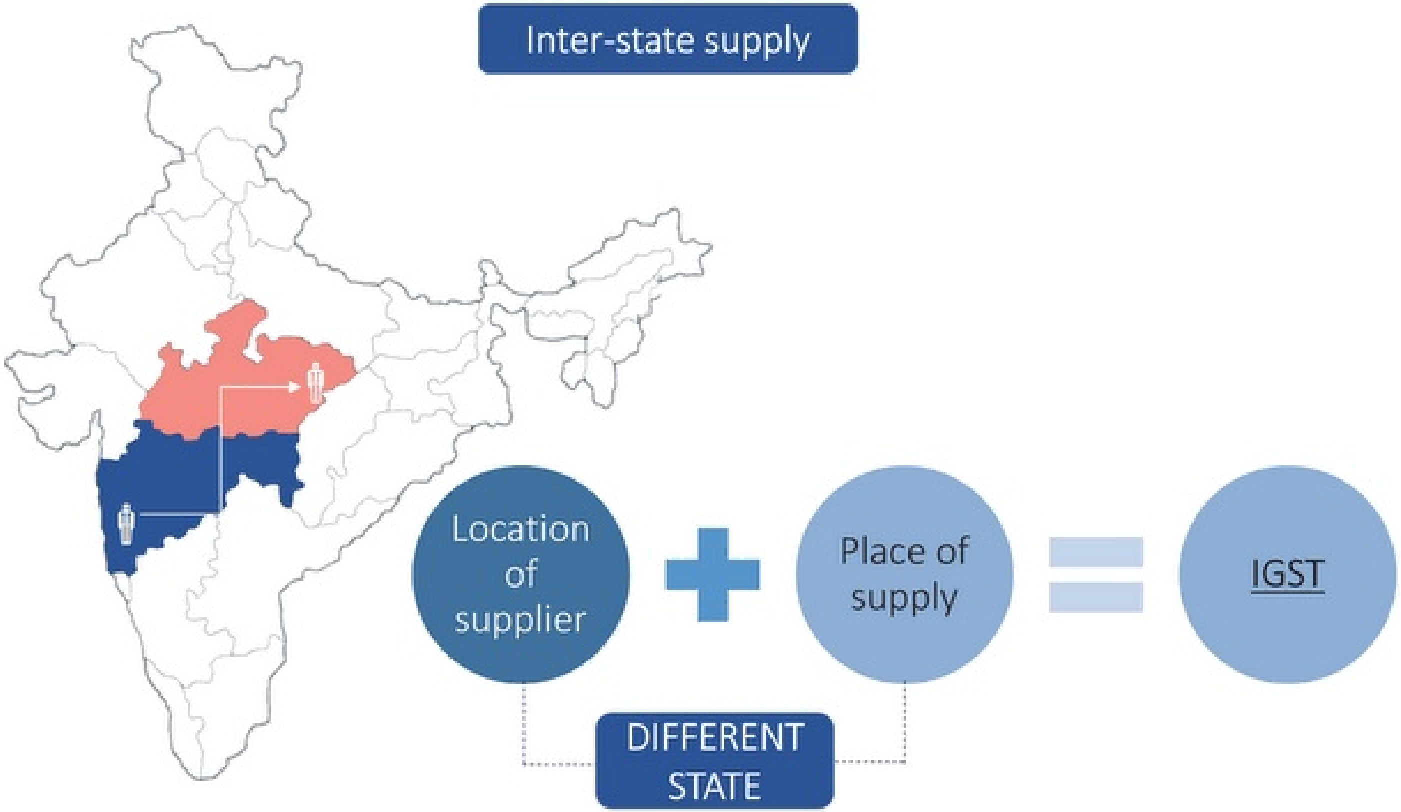


Example: (Intra-state supply)

‘A’ sold to ‘B’ of Mumbai	
Particulars	Rs.
Selling Price	1,000
CGST @ 9%	90
SGST @ 9%	90
Total Sale Price	1,180
Total tax paid by A	180

‘B’ sold to consumer in Mumbai	
Particulars	Rs.
Selling Price	2,000
CGST @ 9%	180
SGST @ 9%	180
Total Sale Price	2,360
Total tax paid by B (360 -180)	180

Types of Supply



Example: Inter-state supply

'A' of Goa sold to 'B' of Mumbai	
Particulars	Rs.
Selling Price	1,000
IGST @ 18%	180
Total Sale Price	1,180
Total tax paid by A	180

'B' sold to consumer in Indore	
Particulars	Rs.
Selling Price	2,000
IGST @ 18%	360
Total Sale Price	2,360
Total tax paid by B (360 - 180)	180

Registration Law & Procedures

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GST Registration

Every person is required to take a registration in every state of supply if

Total turnover > 20 Lakhs*

* 10 lakhs for north eastern states

Total Turnover = Taxable Supplies + Interstate Supplies + Exempt Supplies + Export of goods and / or services

GST Registration

Registration @ GST Network

No

- Restriction to collect tax
- ITC and CENVAT lapse

Yes

- Authorised to collect tax and pass on the credit
- Claim input tax credit and utilise the same against payment of taxes

Casual & Non-resident

- Temporary registration to be obtained who occasionally undertakes supply of service in a State where he has no place of fixed business
- Advanced deposit of tax to be made of the estimated tax liability
- Registration is valid for 90 days and can be extended

Input Service Distributor (ISD)

- Separate registration to be taken as ISD
- Credit of only input service to be distributed

Cancellation of registration

- Non-filing of returns continuously for 6 months
- Contravention of provisions of Act
- Non-commencement of business within 6 months in case of voluntary registration

GST Registration

Multiple registrations

- Separate registration for each state
- Option for obtaining separate registrations for different business
  - Two or more branches in single state – Single registration
- Example : M/s ABC Ltd. has business of
  - Manufacture of AC (Mumbai)
  - Construction of residential apartments (Pune)
- M/s ABC Ltd. has the option to obtain one single registration for both units or has the option to take separate registration for each line of business

Transition / Migration

- VAT / CST / Service tax dealers have to migrate under the GST law
- GST Registration number (GSTIN) to be obtained in the specified period

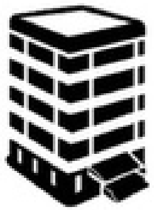
GST Registration

Illustration:

✓ A Manufacturer has 6 factories in Maharashtra and sale offices in 4 states (including Maharashtra). It also has centralized service tax registration at Maharashtra.

Present tax structure

6 Excise Registrations



4 VAT Registrations

1 Service Tax Registration

GST structure

4 GST Registrations
(1 for each state)

Composition Scheme

Conditions for availing composition levy

Turnover less than 50 lacs + PAN linked + No tax collection + No input tax credit + Only intra-state sales

- Composition scheme is Optional
- Minimum prescribed rate of tax under Composition scheme:
  (% of turnover in a state during the year)

Manufacturer	Trader	Restaurants
1%	0.5%	2.5%

- Composition scheme not applicable to the reverse charge segment

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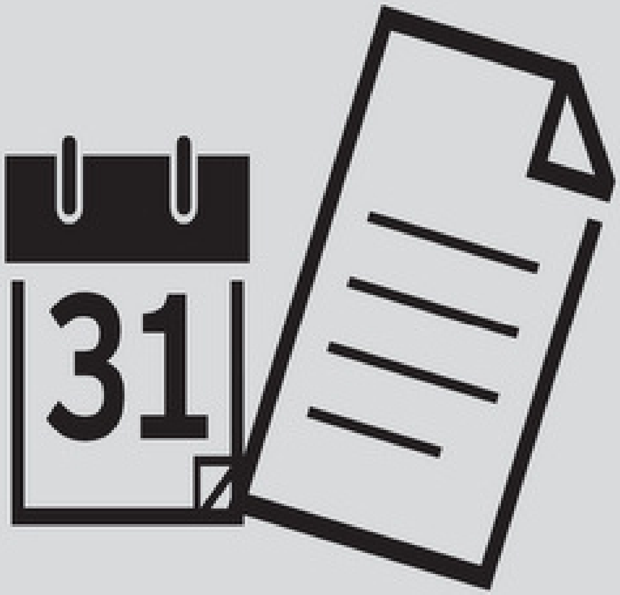
Return Filing



Returns under GST

GSTR - 1	Details of Sales	10th of the next month	10
GSTR - 2	Details of Purchase	15th of the next month	15
GSTR - 3	Monthly return	20th of the next month	20

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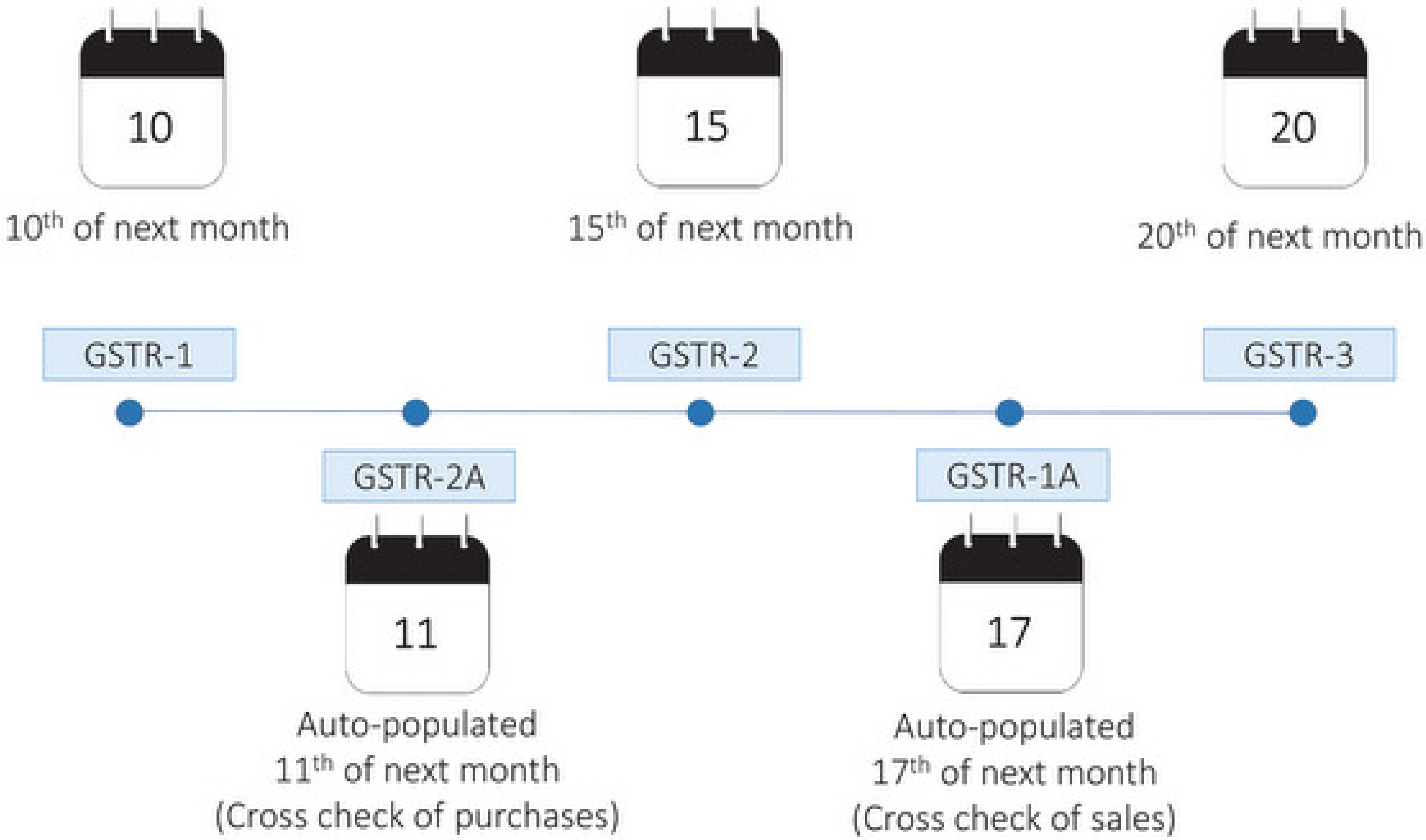
Return Flow (GSTR 1 – GSTR 3)



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GSTR - 4

Quarterly return
(For composition dealers only)

18

18th of the next month following the quarter

GSTR - 6

Input Service Distributor (ISD)

13

13th of the next month

GSTR - 9

Annual return

31

31st December of next year

Filing of late return - Penalty of Rs. 100 per day (Maximum Rs. 5000)

Periodicity of returns - comparison

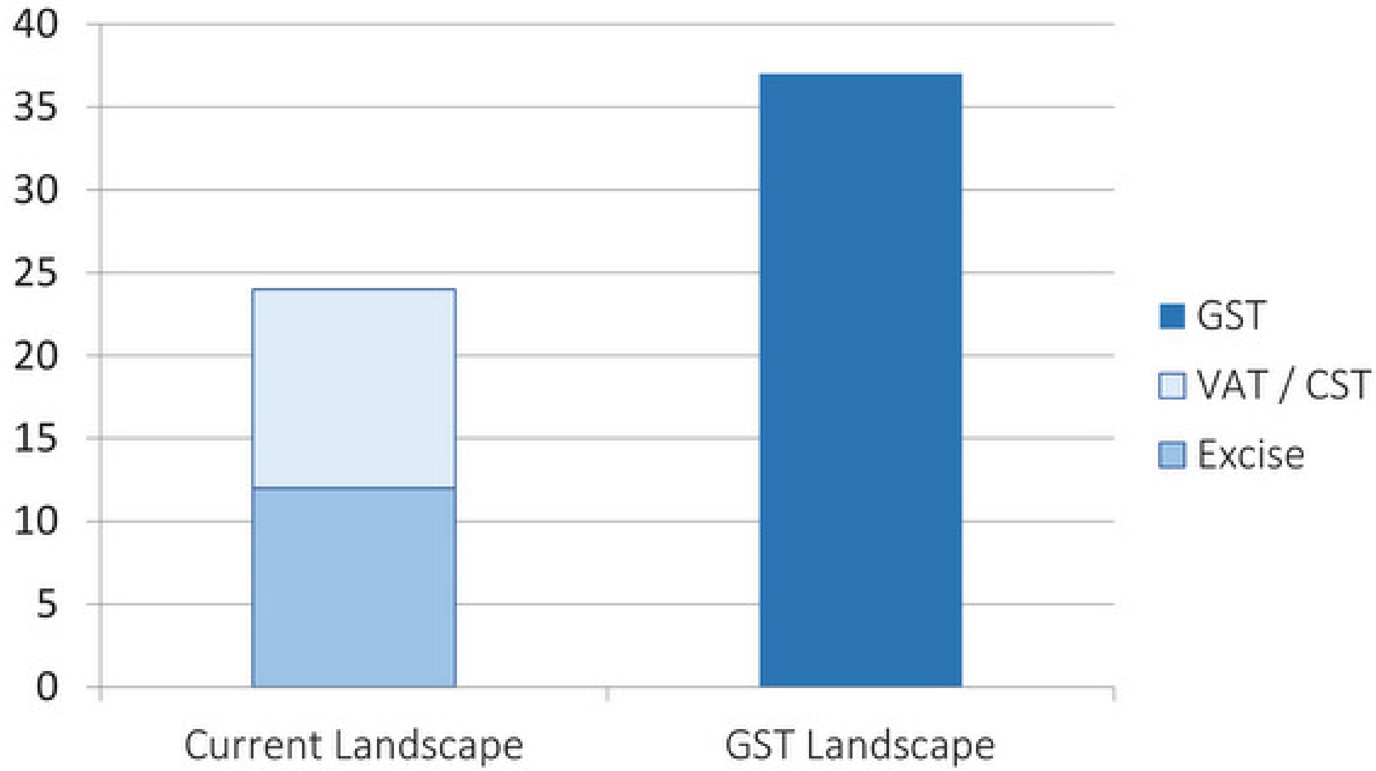
Excise Duty	VAT / CST	GST
ER – 1, ER – 2, ER – 6 Returns by 10th of next month	Returns by 20th of next month/quarter (Varies as per state)	Sales by 10th Purchases by 15th Monthly Return by 20th of next month

Approx. 37 – 50 returns every year for each state under GST

Excise duty is paid at the time of removal of goods from the factory

GST will be paid at the time of delivery of goods to the receiver

Returns Compliance



No. of returns to be filed in a year

Invoices

Invoice Comparison

Under Excise and VAT	Under GST
Complex invoice format as compared to GST	Simple invoice as compared to Excise
Multiple Invoices – Excise, VAT, Service Tax	One single invoice – GST
HSN Code required only in excise invoice	HSN Code required on every GST invoice

<u>Time limit for issue of invoice –</u>

Before or at the time of removal of goods

GST Invoice Format

1. GSTIN
2. Name
3. Address
4. Serial No. of Invoice
5. Date of Invoice

Details of Receiver (Billed to)
Name
Address
State
State Code

GSTIN/Unique ID

Details of Consignee (Shipped to)
Name
Address
State
State Code

GSTIN/Unique ID

Sr. No.	Description of Goods	HSN	Qty.	Unit	Rate (per item)	Total	Discount	Taxable value	CGST		SGST		IGST	
									Rate	Amt.	Rate	Amt.	Rate	Amt.
	Freight													
	Insurance													
	Packing and Forwarding Charges													
		Total												
	Total Invoice Value (In figure)													
	Total Invoice Value (In Words)													
	Amount of Tax subject to Reverse Charges													

HSN Code to be mentioned

Declaration:

Signature:
Name of the Signatory:
Designation / Status

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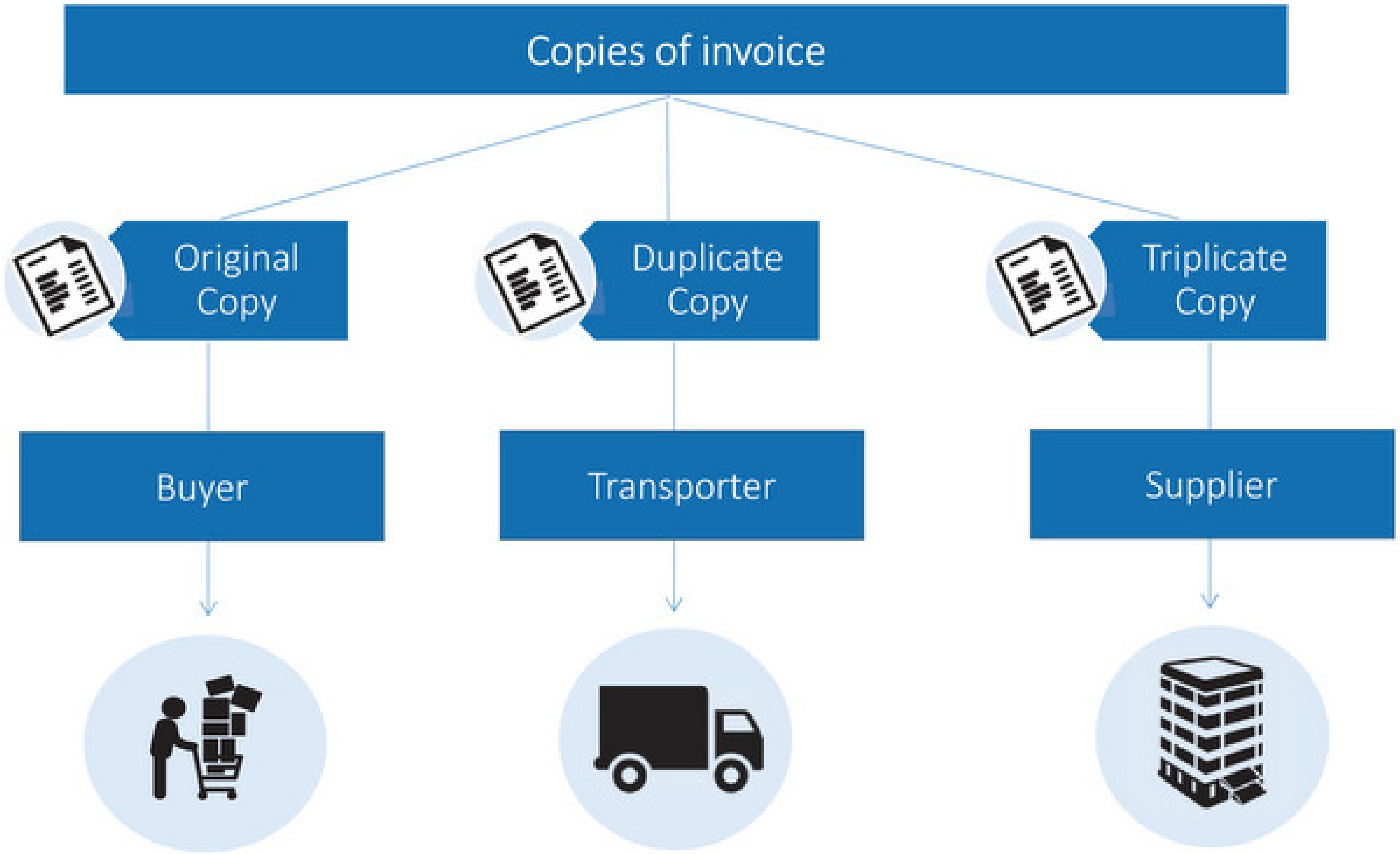
Copies of invoice



Industry specific points

Pricing Analysis

- To stay competitive in the market, pricing analysis and adjustment is important

Under Current Law		Under GST	
Cost (inclusive of Excise Duty @ 15%)	115	Cost	100
(+) VAT @ 10%	11.5	(+) GST @ 18%	18
Total	126.5	Total	118
(-) Input tax credit	(11.5)	(-) Input tax credit	(18)
Total cost to supplier	115	Total cost to supplier	100

- Price adjustment is advisable to stay competitive and to capture a wider customer base

Transfers

	Under Current Law	Under GST
Stock transfers	Stock transfer is currently exempt from tax on submission of Form F	Supply includes stock transfer and will be taxable. This can create cash flow problems
Transfer of Plant & Machinery	CENVAT credit to be reversed under Excise Law	Transfer of plant & machinery is 'Supply' and GST is applicable

Availability of credit

(Cenvat credit under Excise and Input tax credit under GST)

	Under Current Law	Under GST
Allowance of credit when supplier does not make tax payment and file return	Cenvat credit was allowed to buyer even when supplier does not make payment of tax	Input tax credit will not be allowed to buyer if supplier does not make payment of GST collected from buyer and file the return
Matching of invoices	No such provision under Cenvat credit rules	Input tax credit will be allowed to buyer only when outward return of supplier (GSTR-1) matches with the inward return (GSTR-2) of the buyer

Job-work

Under Current Law	Under GST
Job worker to pay excise duty unless declaration is furnished by manufacturer and excise duty is paid by him on return of goods to his factory	Manufacturer can send goods to job worker without payment of GST on following conditions – • Goods to be returned back within 1 year (Capital goods – 3 years) • Manufacturer to list place of job worker as an additional place of business

Other points

	Under Current Law	Under GST
Advances received	Advances received from customers not taxable	Advances received from customers liable to GST
Sales return	No such time limit under excise. To be returned within 6 months under VAT to reduce the liability.	To be returned before - 30th September of the next financial year or Filing of annual return (31st December) (whichever is earlier)

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Transitional provisions

Refund claims in transit	Pending appeals / revisions in transit
Refund claims to be governed as per provisions of the earlier law	Any pending claims / revisions to be governed and disposed off as per the earlier law
Any amount receivable to be refunded	Any amount recoverable will be collected as "Arrears under GST"

Points for consideration

- Ensure that all the eligible credits available under Excise / VAT are filed in the last return
- The books of accounts reconcile with the returns filed
- All invoices / supporting documents are properly maintained
- Reconciliation of stocks lying at all locations along with the job worker
- Ensure that all invoices are received and payments are made before the cut-off date to avail credit
- Assess the impact of GST on business and make necessary adjustments

Conclusion :

- For industry, this is the time to kick start various activities such as impact analysis and transition issues
- Getting ready with the compliance requirements will reduce the burden on the industry
- Industry also needs to gear up their IT systems

Be GST enabled on time

Thank You

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