Guide to Study Tax

(A brief note on GST)

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GST (Goods & Services Tax) is the talk of the town these days. No matter who you are, whether you are a businessman, auditor, salaried person, student or even a homemaker, GST is going to affect your life in some way or the other. So, let us understand how GST is going to change our lives. Many people have the question in their mind What exactly is GST? If you read further you will get your answer.

GST refers to Goods & Services Tax which has been brought in with an intention to replace the current tax structure and simply put, GST in place of all other numerous indirect taxes!

Why GST????????????

- To eliminate *CASCADING EFFECT OF TAXES*
- To maximize ECONOMIC GAIN
- To minimize COMPLIANCE PLAN
- To have ONE NATION ONE TAX
- BETTER PRICING due to availability of credit for the buyer
- FREE FLOW OF GOODS AND SERVICES – No checkpoints
- NON-INSTRUCTIVE ADMINISTRATION through electronic compliance

The GST is a destination based tax on consumption of goods and services which mean the tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply. Therefore, imports would be subject to GST, while exports would be zero-rated.

It is proposed to be levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. Only value addition will be taxed and taxable event is Supply as against the existing taxable events of sale, manufacture or provision of service.

GST
ONE NATION...ONE TAX...ONE MARKET

An effective and efficient GST system would provide for elimination of the cascading effect of taxes. The GST on inputs is generally available as a credit for set off against the GST on the output supply.

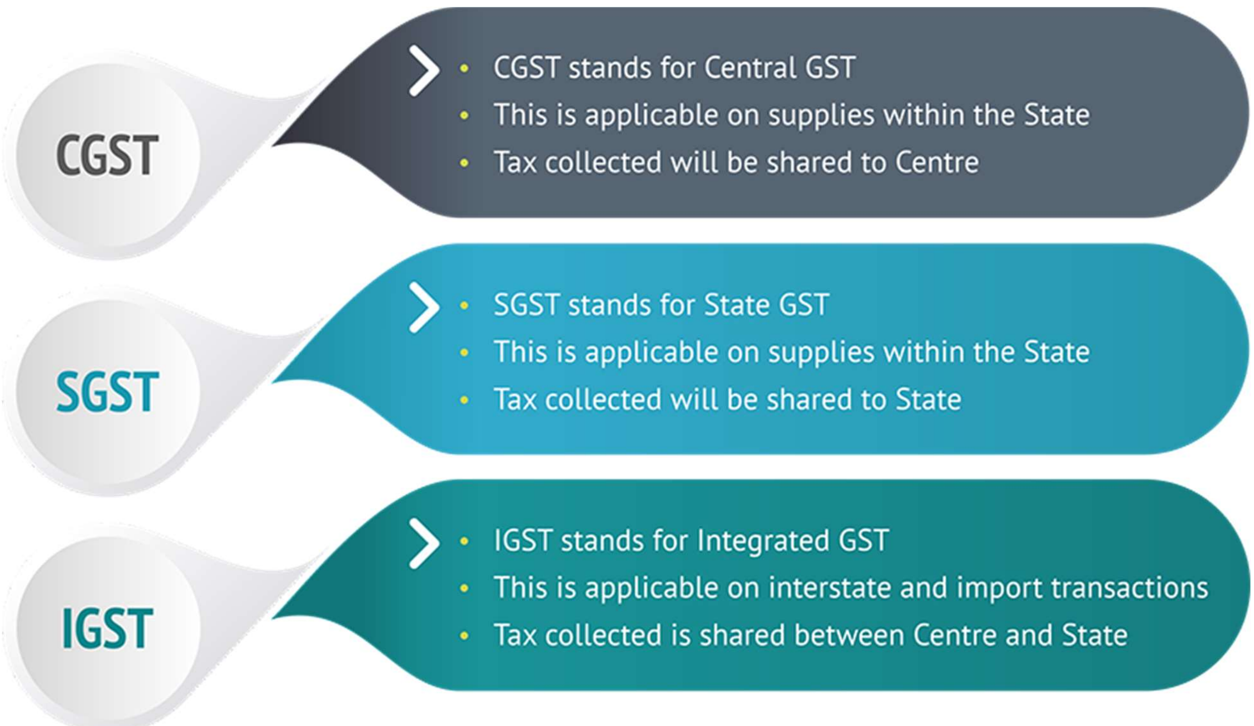
Stock transfers or branch transfers which were not taxed in the State Laws earlier will now be taxed under GST. (credit will of course be available on such tax paid)

What is the definition of the term Goods & Services?

Goods: Section 2(52) of the GST Act defines the term goods as, "Goods means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.". Actionable claim is a recent addition to the definition of goods.

Service: Section 2(102) of the GST Act defines the term Service as, "Service means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged." So, if you have noticed the definition of service is all encompassing. It is more like a residuary definition and covers everything which is not covered under the definition of goods.

CLASSIFICATION OF GST



GST SLABS:

0%

- There will be 0% tax on more than 50% consumer price Basket including food grains, Palmyra jaggery, all type of salt
- Government of India tried to keep food grains out of GST Slab.
- This will play important role in curbing inflation.
- Food grains will be zero rated to insulate people from inflationary pressures.

5%

- Most of the items covered here are like cashew nuts, raisins, Insulin, Agarbatti, Revenue stamps, Kites, Hearing aids, spices, oil, Mustard etc.

12%

- Most of items covered here are processed goods like jam, ketchup, pickle etc.,
- Also cover Note books, glasses for specs, spoon, forks, knives, chess board, carrom board etc.
- Include all board games other than video games

18%

- Items covered here are Seasonings, Kajal pencil sticks, school bags, hand bags, aluminum foil, weighing machine, printers, CCTV, TV set top box, computer monitor not exceeding 17 inches, baby carriages, bamboo furniture, swimming pools, measuring tape, Smartphones, laptops, Toothpaste etc.

28%

- Most white goods like Washing machines, air conditioner, refrigerator, Shampoo, shaving stuff and soap.
- The rider has been set as because there are several items which are being used by several lower middle class.

28% plus cess

- In this category tax will be high.
- Items covered here are high end cars, pan masala, aerated drinks, tobacco products etc.

GST REGISTRATION

1.Registration for Taxpayer under existing laws

-Provisional Registration Certificate

-Final RC on submission of prescribed documents within three months

2.Fresh Registration required for

A) Person Liable to Register

<u>i)Threshold</u>

-Aggregate turnover of all supplies exceeds INR 20 Lakh

INR 10 Lakh in North Eastern states

<u>ii)Mandatory Registration</u>

- Interstate supply
- Tax payable under reverse charge
- Aggregator for services
- Non-resident taxable person
- Casual taxable person
- Input Service Distributor (ISD)
- E-commerce Operators
- Person supplying goods/ services through an ecommerce
- operator (other than branded services) TDS
- Separate registration for multiple business verticals within a State or a Union territory

B) Optional

- Voluntary registration below threshold limit

C) Composition turnover threshold exceeds Rs. 75 lakhs.

<u>Suo moto registration</u>

(1) Where, pursuant to any survey, enquiry, inspection, search or any other proceedings under the Act, the proper officer finds that a person liable to registration under the Act has failed to apply for such registration, such officer may register the said person on a temporary basis and issue an order in FORM GST REG- 12.

(2) The registration granted under sub-rule (1) shall be effective from the date of order

Cancellation of Registration

The registration granted to a person is liable to be cancelled if the said person—

(a) does not conduct any business from the declared place of business; or

(b) issues invoice or bill without supply of goods or services in violation of the provisions of this Act, or the rules made thereunder.

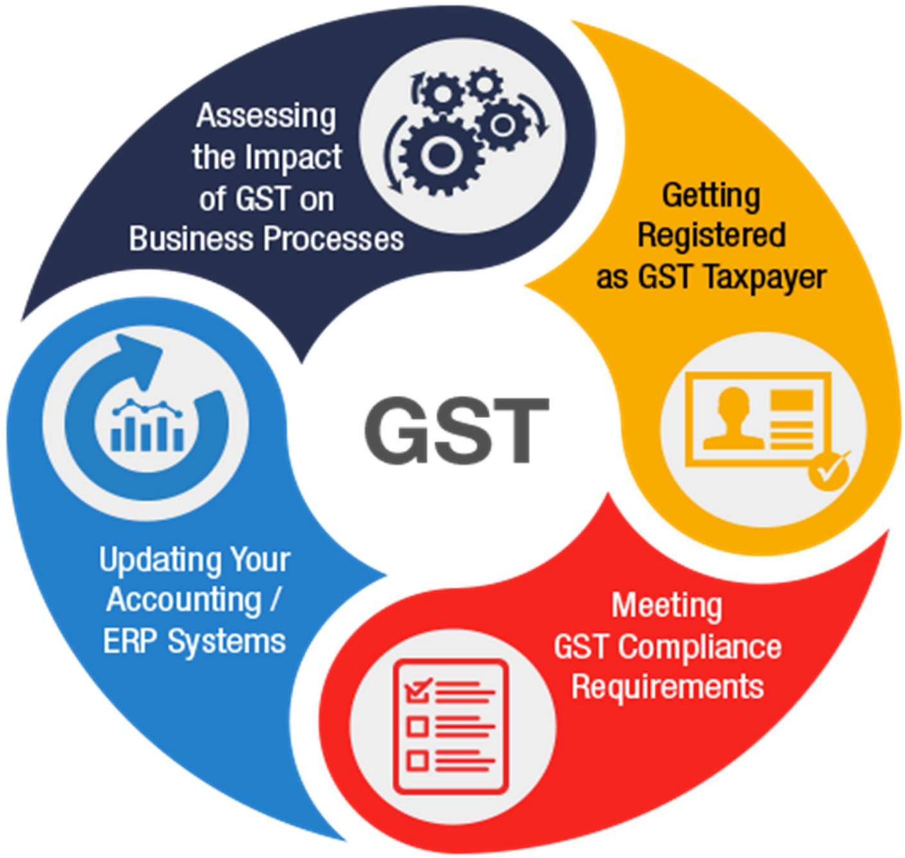
GST Migration Steps:

1. Creation of User ID & Password on Common Portal
2. Enter Details of Business
3. Details of Proprietor, Partner, Managing and Whole Time Director, Karta
4. Details of Authorized Signatory
5. Details of principle Place of Business
6. Enter Details of Additional Place of Business
7. Details of Goods & Service supplied
8. Details of Bank Accounts
9. Final Verification

KEY DOCUMENTS IN GST

- Invoices
- Tax Invoice containing all relevant particulars prescribed under GST Rules
- Bill of Supply (supply of exempted goods/services)
- Receipt Voucher (Advance payment)
- Supplementary Tax Invoice (revised invoice)
- Credit and Debit Notes
- ISD invoice/ISD Credit Note
- Delivery Challan

TECHNOLOGY



- GST would be system driven. All transactions and processes only through electronic mode – Non-intrusive administration
- All vendors and service providers will have to provide information online for the buyer to avail credit -Matching concept
- If vendor is not ready with appropriate IT solutions, raw material supply could be delayed
- If manufacturer is not ready with IT solutions, customer delivery can be affected
- Increase in technology cost
- Massive information to be filed online by various companies in each State in which it operates

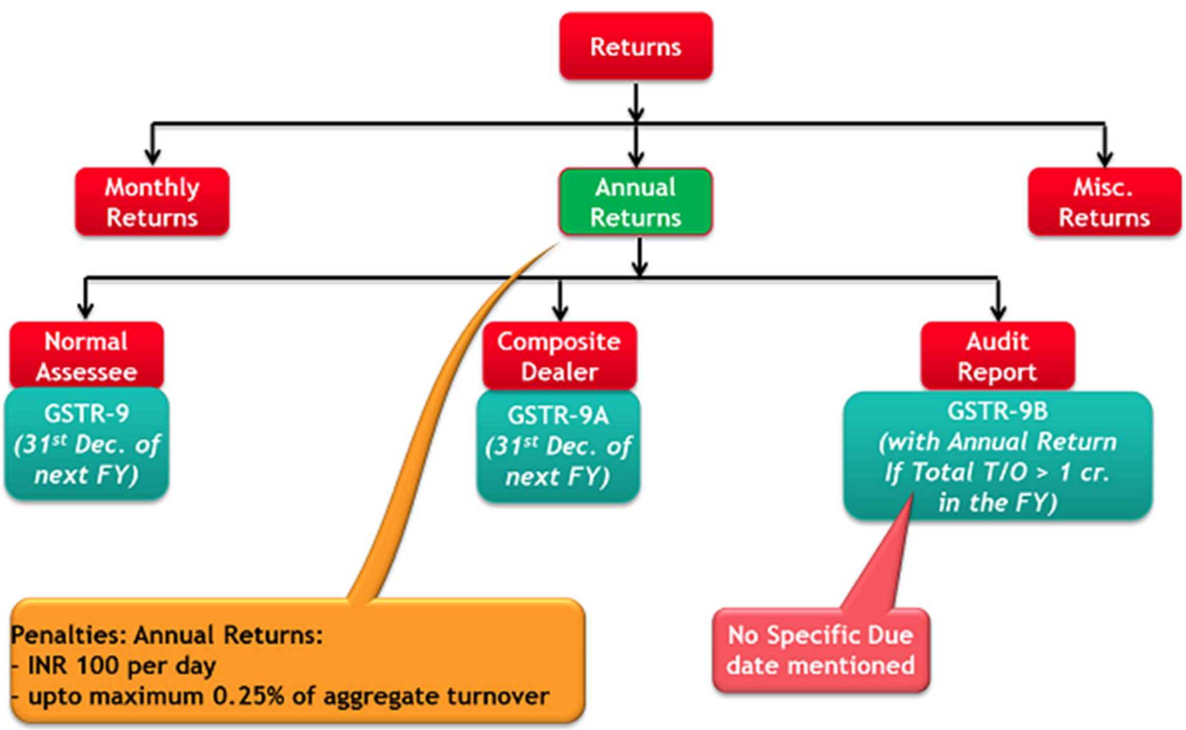
NEW CONCEPTS In GST

- GST on advances for supply of services or goods or both.
- Reverse charge mechanism
- Anti-profiteering Rules
- Supply of goods or services by unregistered person to registered person
- Tax deduction at source
- E-way bills
- Concept of related party and valuation
- Inter-unit billing
- Electronically maintained ledgers to have Non-intrusive administration

GST RETURNS COMPLIANCE

- Details of inward supply furnished by a recipient shall be matched with the corresponding details of outward supply furnished by the supplier, in his valid return for the same tax period or any preceding tax period.
- Where the details match, subject to Section 16 credit would be finally accepted and the acceptance shall be communicated in the manner as may be prescribed to the recipient.
- Where the ITC claim is more than the tax declared by the supplier or the supply has not been declared in the return, discrepancy shall be communicated to both parties in the manner prescribed.
- Duplication of claims shall also be communicated.
- If discrepancy is not rectified by the supplier in his valid return for the month in which the discrepancy is communication, it shall be added to the output tax liability of the recipient in the succeeding month.
- Excess on account of duplication shall also become output tax liability of the recipient.


Types of
GST Returns


Returns
Monthly Returns
Annual Returns
Misc. Returns
Normal Assessee
GSTR-9
(31st Dec. of next FY)
Composite Dealer
GSTR-9A
(31st Dec. of next FY)
Audit Report
GSTR-9B
(with Annual Return If Total T/O > 1 cr. in the FY)
Penalties: Annual Returns:
- INR 100 per day
- upto maximum 0.25% of aggregate turnover
No Specific Due date mentioned

Return	Due date for filling	Description
GSTR 1	10th of the next month	Outward supplies of taxable goods and / or services effected
GSTR 1A	Auto populated	Amended Inward Supply details in GSTR2 automatically available to Supplier
GSTR 2	15th of the next month	Inward supplies of taxable goods and / or services claiming input tax credit
GSTR 2A	Auto populated	Details of outward supply auto populated from GSTR1 available to recipient in Part A
GSTR 3	20th of the next month	Monthly return
GSTR 3A		Notice for non-filing of returns
GSTR 4	Within 18 days after end of quarter	Quarterly return
GSTR 5	Within 20 days after the end of tax period or 7 days after the expiry of registration, whichever is earlier	Return for Non-resident tax person
GSTR 5A		Return for persons providing online information and database access or retrieval services
GSTR 6	30th of the next month	Return for Input Service Distributor (ISD)
GSTR 6A	.	Details of Inward Supply details automatically available to Recipient based on GSTR1 filed by the Supplier
GSTR 7	10th of the next month	Return for Tax Deducted at Source (TDS)
GSTR 8	Within 10 days after the end of such month	Return for E-commerce operator
GSTR 9	By 31st December	Annual Return

Person who are liable to make the payment under GST:

► Person making intra-state supplies – CGST and SGST

► Person making inter-state supplies - IGST

► Person liable to deduct tax – TDS

► E-commerce operator collecting tax - TCS

► Default in payment of tax or wrong availment of credit – Interest

► Short payment of taxes or commitment of offence - Penalty

► Default in filing of returns – Late fees

► Any other payment which may be required to be made under the GST Act

Person liable to pay GST

► Supplier of goods/service

► Recipient of supply, in case of Reverse Charge Mechanism

► Third person (eg. E-commerce operator responsible for TCS, authorized person)

PAYMENT OF GST

- All accounts to be maintained in Electronic Form in the Common Portal
- Every Deposit made towards tax, interest, penalty, fee or other amount by registered taxable person (RTP) shall be credited to the Electronic Cash Ledger of such person.
- Date of credit to the account shall be deemed to be date of deposit.
- Electronic Credit Ledger – for claims if ITC. ITC in the return of RTP shall be credited to his Electronic Credit Ledger.
- Electronic Tax Liability Register – all amounts payable by a taxable person shall be debited.
- Unique Identification Number for each debit or credit.

GST Refund may arise due to the following situations:

Any person eligible to claim refund of tax paid by him on his inward supplies as per section 55 shall apply for refund in FORM GST RFD-10 once in every quarter, electronically on the Common Portal, either directly or from a Facilitation Centre notified by the Commissioner, along with a statement of inward supplies of goods or services or both in FORM GSTR-11, prepared on the basis of statement of outward supplies furnished by corresponding suppliers in FORM GSTR-1.

Refund of tax paid by the applicant shall be available if-

(a) the inward supplies of goods or services or both were received from a registered person against a tax invoice and the price of the supply covered under a single tax invoice exceeds five thousand rupees, excluding tax paid, if any;

(b) name and GSTIN or UIN of the applicant is mentioned on the tax invoice; and

(c) such other restrictions or conditions as may be specified in the notification are satisfied.

► Excess payment of tax due to mistake or inadvertence;

► Finalization of provisional assessment;

► Refund of pre-deposit (Refund arising in pursuance of favorable appellate order);

► Payment of tax during investigation;

► Credit accumulation due to inverted duty structure;

► No refund of input tax credit shall be allowed if the supplier of goods or services or both avails of drawback in respect of CGST or claims refund of IGST paid on such SUPPLIES

KEY IMPLEMENTATION CHALLENGES

- ✓ Unregistered Dealer purchase
- ✓ Different types of documents – Invoice/CN/DN; Bill of supplies; Receipt Vouchers; invoice issued under section 74, 129 & 130 (with caption ITC not available); Exports should have different disclosure; ISD invoice; All digitally signed – CGST/SGST/IGST and UTGST Backward/Forward stakeholder compliance is important
- ✓ Tax to be shown separately in invoice; CN/DN to be issued by the supplier
- ✓ Records to be maintained in each place of business; Retention of accounts for 78 months
- ✓ Late payment interest is also subject to GST on receipt
- ✓ Finalization of various tax positions – For example warranty is a supply of goods or service
- ✓ UTGST tax configuration
- ✓ Anti-Profiteering measures – Sec 171 of CGST Act, 2017 stipulates that any reduction in rate of tax and benefit of input tax credit to be passed on the recipient by way of reduction in prices.
- ✓ Zero rating to Supplies to SEZ and supplies to EOUs, STPIs, EHTPs, etc so separate registration for those entities
- ✓ Multi location registrations for service sectors
- ✓ Employer and Employee are deemed “related persons”– Gifts provided by employer to employee’s exceeding INR 50,000 in a financial year
- ✓ ITC mismatch
- ✓ Lack of trained staff
- ✓ Lack of clear mechanism to control tax evasion
- ✓ Hard to estimate the exact impact of GST

Who Can Audit under GST

Commissioner of CGST/Commissioner of SGST or any officer authorised by him

- by way of a general or a specific order,
- may undertake audit of the business transactions
- of any taxable person for such period,
- The frequency of audit to be defined by the Commissioner of CGST or SGST or any authorised persons authorised by the Commissioner of CGST/ SGST. The tax authorities may conduct audit at the place of business of the taxable person.

GST- SPECIAL AUDIT

If at any stage of scrutiny, enquiry, investigation or any other proceedings before him, any officer not below the rank of Deputy/Assistant Commissioner having regard to the nature and complexity of the case and the interest of revenue, is of the opinion that

- the value has not been correctly declared or
- the credit availed is not within the normal limits,

he may, with the prior approval of the Commissioner, 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 as may be nominated by the Commissioner in this behalf.

The Chartered Accountant or Cost accountant as nominated by the Commissioner, within the period of 90 days, submit a report of such audit duly signed and certified by him including the other details to the said Deputy/Assistant Commissioner.

TRANSITION ISSUES

- Migration of existing credits
  - -how to carry forward Education Cess, SHEC (CGST).
  - -Input Tax credits relating to concessional form sales
- Availment of tax paid on closing stocks of IGST transactions made by the registered person.
- ITC treatment if taxes paid earlier and Goods/Services received after
- Centralized registrations migration of credit – how to allocate/ apportion the carried forward credits
- Existing refund claims/Cenvat litigations
- Tax or duty credit carried forward under any existing law or on goods held in stock on the appointed day
- Treatment stock held by a principal and agent
- Treatment of goods sent on approval basis
- Recovery of credit wrongly availed

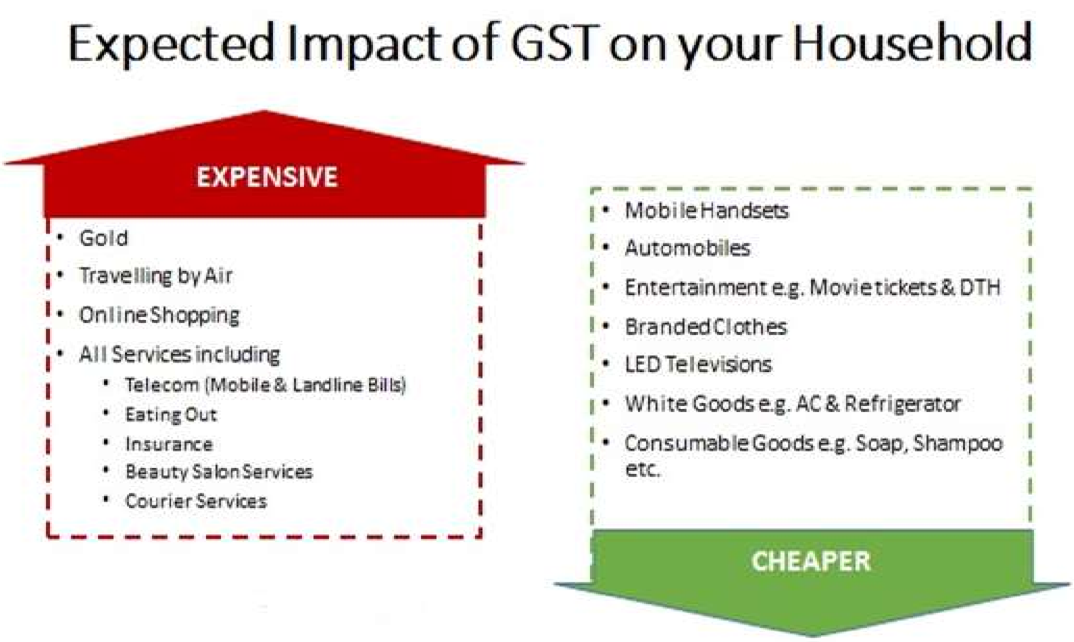
How GST will affect the common man?

Eating out may get expensive: As of now we have to pay 18.5% service tax as well as Vat, if we spend of Rs.1000 for eating out. After GST implementation tax rate may become 18% or more.

Mobile Bills may increase: For instance, we pay 15% service tax and VAT for bill of Rs.1000, so we are paying 1150 now. If GST tax kept fixed as 18%, we have to pay 1180. So be prepared to pay higher call rates and higher internet packs.

Jewelry and mobile phones to get expensive: Current tax on jewelry is just 2%, as per GST it is going to be 6%. We are paying 12.5% tax on mobile phones now, which is going to be 18%.

Online shopping: Buying bags, shoes and electronics online will be getting more expensive as ecommerce industry come into tax slab.



GST will turn India into one common market, leading to greater ease of doing business and big savings in logistics costs from companies across all sectors. Some companies will gain more as the GST rate will be lower than the current tax rates they pay, others will lose as the rate will be higher than the present effective rate. Manufacturing costs will be reduced, hence prices of consumer goods likely to come down.

For Government - Very Good

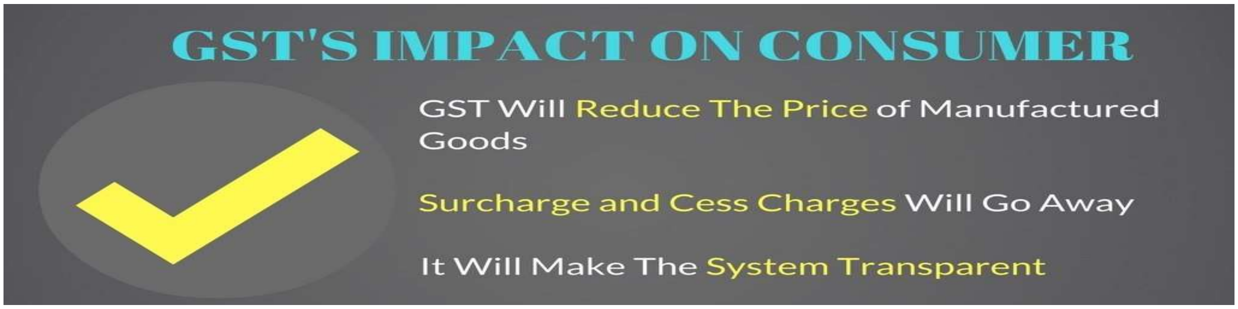
- ☺ A unified common national market to boost Foreign Investment
- ☺ Boost export/manufacturing activity
- ☺ Generation of more employment, leading to reduced poverty and increased GDP growth
- ☺ Improving the overall investment climate in the country which will benefit the development of states
- ☺ Reduction in compliance costs as no requirement of multiple record keeping
- ☺ Technology based processing which help Government to manage taxation, refunds in much easier way and help in transparent Process.

For Traders - Very Good

- ☺ Reduction in multiplicity of taxes
- ☺ Mitigation of cascading/double taxation
- ☺ More efficient neutralization of taxes especially for exports
- ☺ Development of common national market
- ☺ Simpler tax regime with streamlined process will reduce time

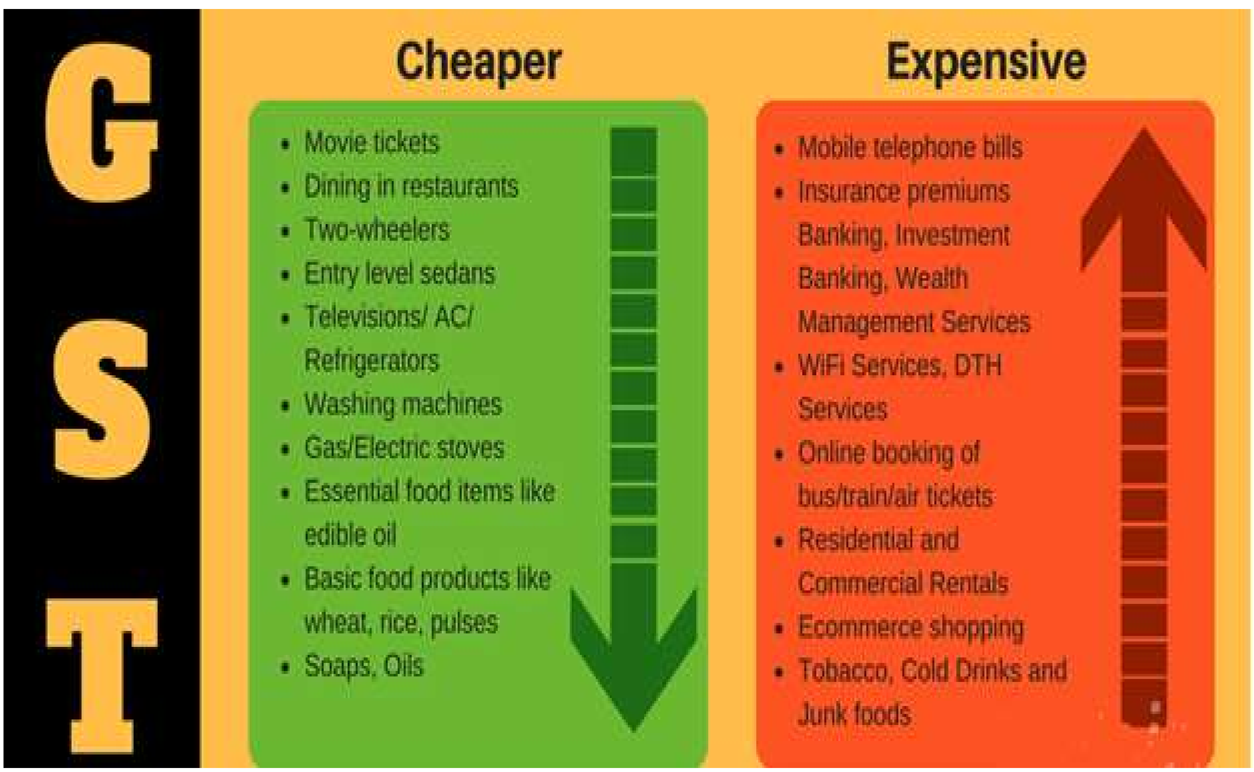
For Manufacturers - Very Good

- ☺ With One taxation across India and removal of Excise Duty, Manufacturers will have whole of India as their market
- ☺ For Manufacturing States such as Gujarat, Tamil Nadu, Maharashtra - They will lose revenue as tax liability will shift to place where consumption take place Central government has promised to compensate for all losses for 5 years



<u>For Consumer - Good</u>

- ☺ Higher GDP growth rate due to efficient system
- ☺ Reduction in prices of goods and services due to elimination of cascading
- ☺ Uniform prices throughout the country
- ☺ Transparency in taxation system
- ☺ Increase in employment opportunities



WAY FORWARD:

Looking forward, there are number of goal posts that need to be met when GST rolled out in the country such as-

- ✓ Establishment and upgradation of IT framework
- ✓ Meeting implementation challenges
- ✓ Effective coordination between Centre & State tax administrations
- ✓ Reorganization of field formations
- ✓ Training of Officials
- ✓ Outreach programs for all stakeholders including Trade & Industry.
- ✓ Whether Services will become expensive. e.g. Telecom, banking, airline, hospitality etc.
- ✓ It is a consumption based tax, so in case of services the place where service is provided needs to be determined.

Being a new tax, it will take some time for the people to understand its implications. There are always some complications attached. However, GST is a long-term strategy and the positive impact shall be seen in the long run only.

Get ready to Step Towards GST