GST
An Overview

By

RNT Business Solutions & Consultancy

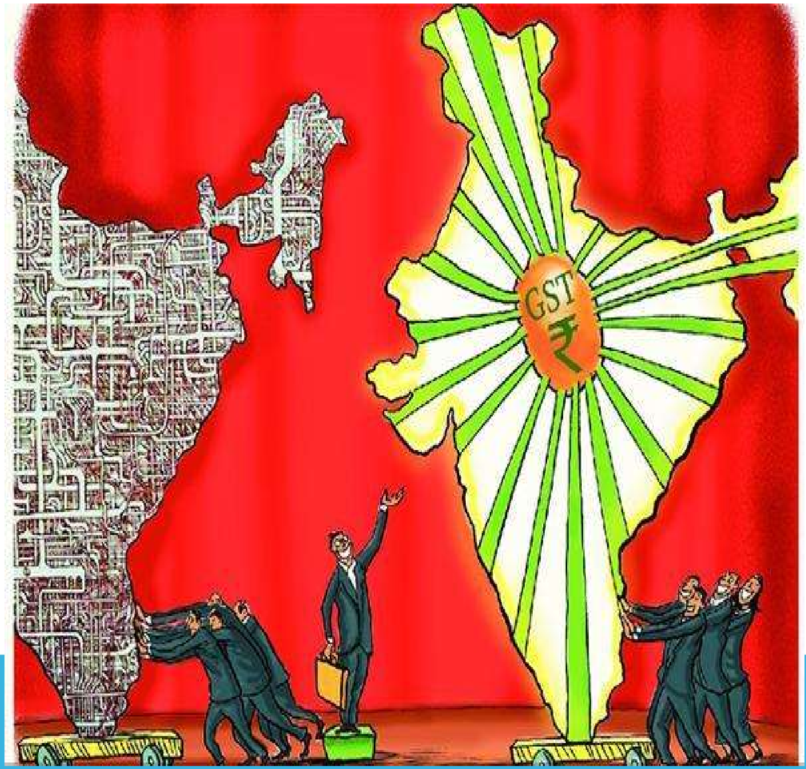
PRESENTATION PLAN

- Introduction: GST A Game Changer
- Benefits and Salient Features of GST
- IGST Mechanism
- Registration and Returns

What is GST?

One Tax For

- Manufacturing
- Trading
- Services



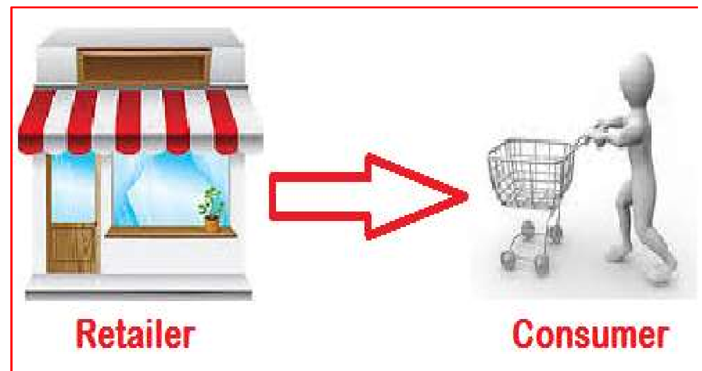
ONE NATION: ONE TAX

Limitations of current Tax regime

1. Cascading Effect of Tax

UTTARAKHAND

HIMACHAL PRADESH

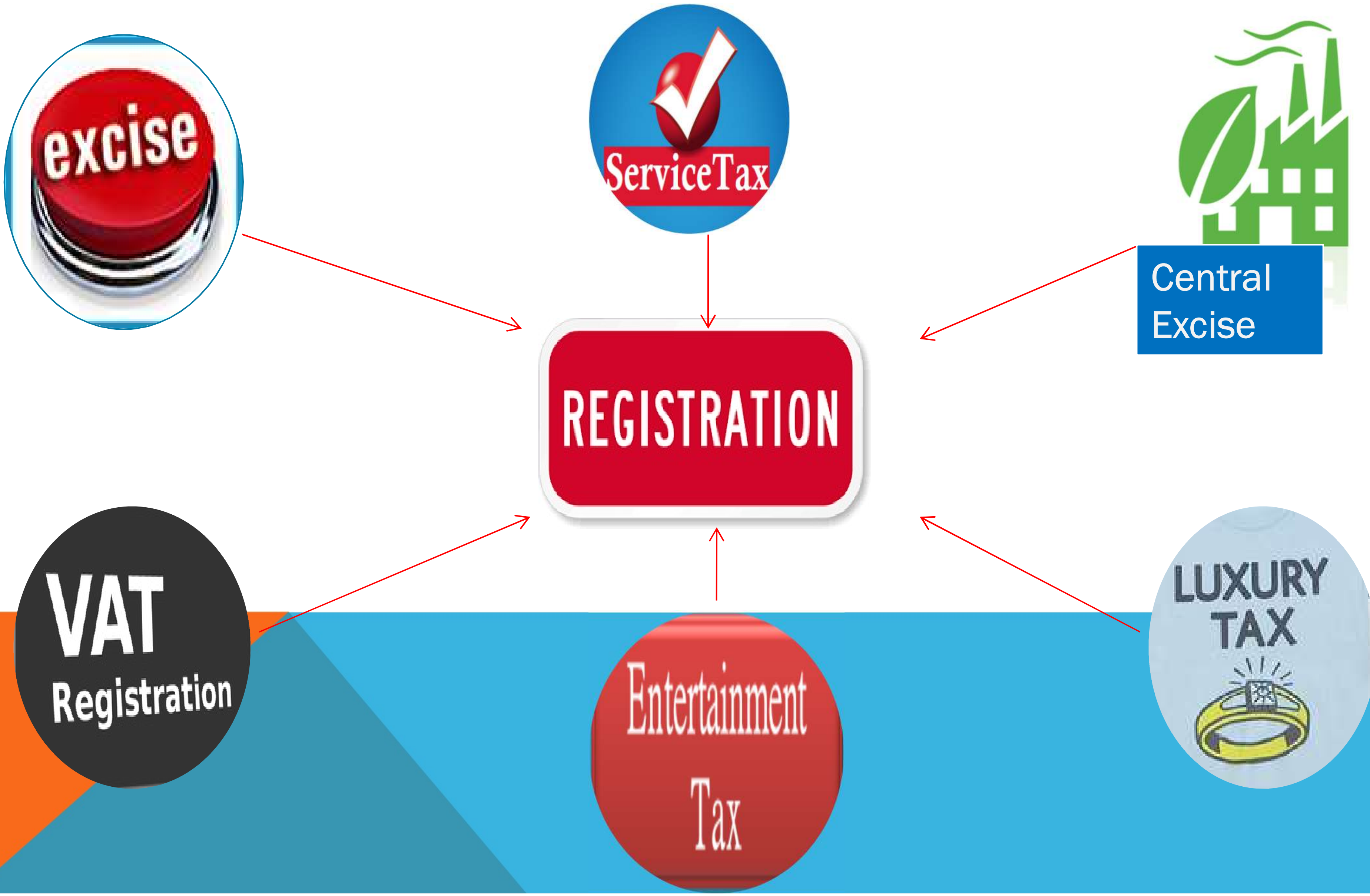


Credit of Excise not allowed

Credit of CST Not Available (This should relate to interstate supply. An arrow can be shown from wholesaler in Uttarakhand to retailer in Himachal and show that credit of CST paid in Himachal. not available to Retailer in MP)

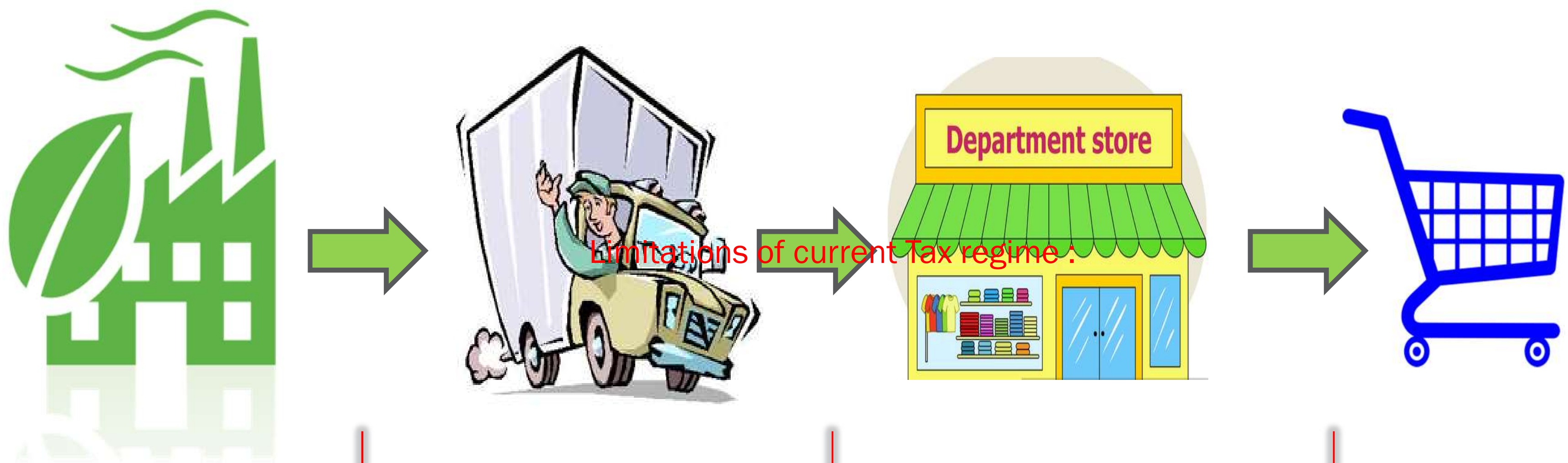
Limitations of current Tax regime :

2. Multiple Registrations



Limitations of current Tax regime :

3. Different Points of Taxation



Limitations of current Tax regime :

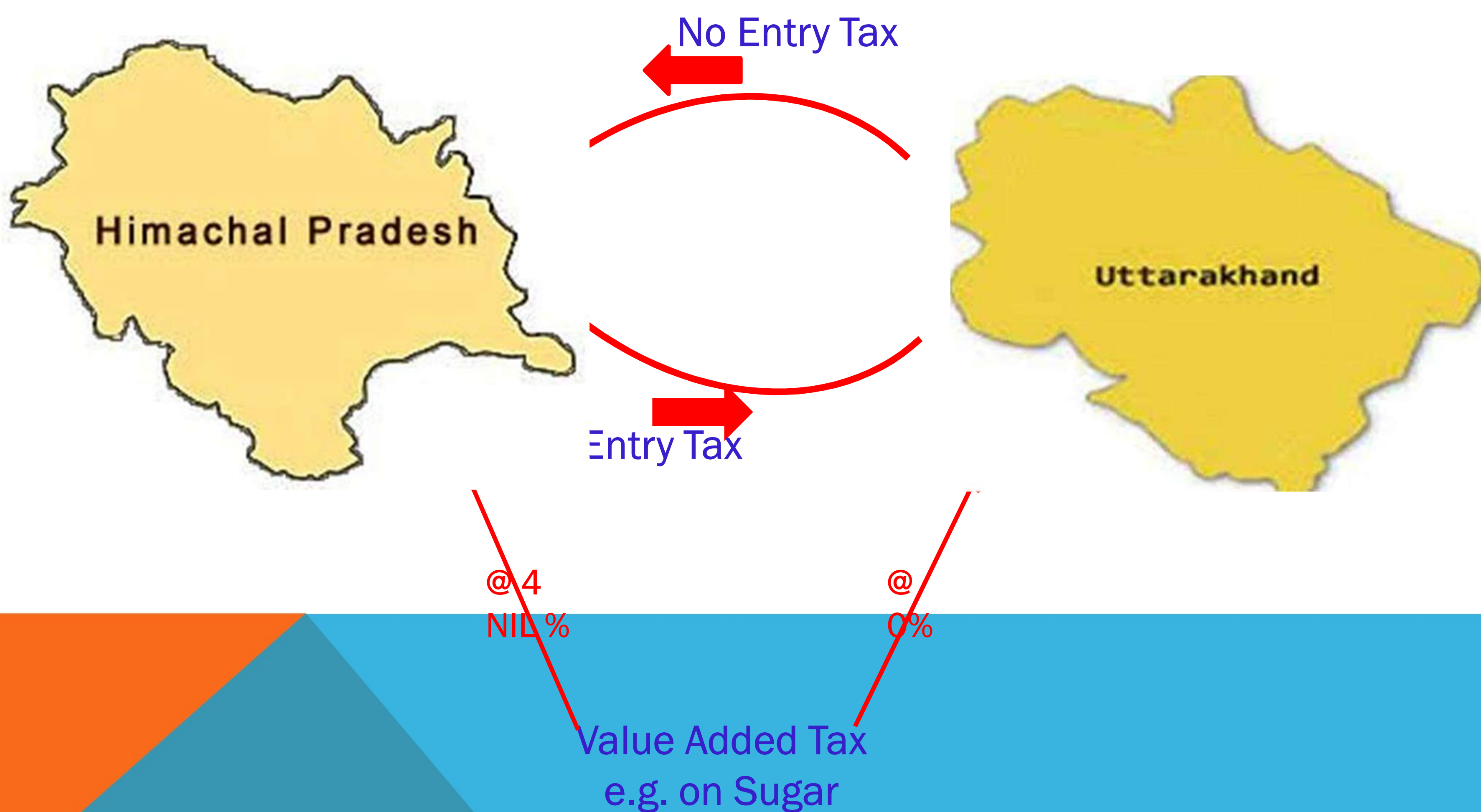
Central Excise
(On Manufacturing)

Service Tax
(On provision of Service)

VAT
(On sale of Goods)

Limitations of current Tax regime :

4. Lack of Uniformity

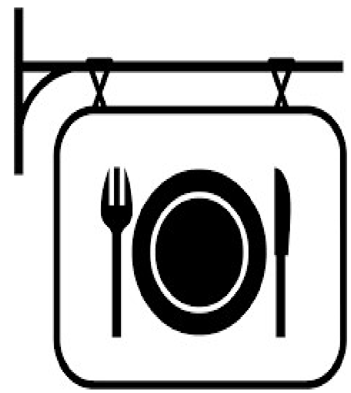


Limitations of current Tax regime :

5. Goods Vs. Services dilemma ?

License Software in CD

Sale of Food In Restaurant



Sale

Services

Manufacturing

BENEFITS OF GST (1/2)

Reduction in Cascading of Taxes

Overall Reduction in Prices

Decrease in Inflation

Common National Market

Benefits to Small Taxpayers

Ease of Doing Business

Self-Regulating Tax System

Non-Intrusive Electronic Tax System

Decrease in "Black" Transactions

BENEFITS OF GST (2/2)

Simplified Tax Regime

Reduction in Multiplicity of Taxes

More informed consumer

Consumption Based Tax

Abolition of CST

Poorer States to Gain

Exports to be Zero Rated

Protection of Domestic Industry - IGST

Make in India

SALIENT FEATURES OF GST

The GST would be applicable on the supply of goods or services.

It would be a single GST on any item out of which 50% will go to Central Govt and 50% will go to State Govt / Union Territory.

- Central tax (CGST) and State tax (SGST) / Union territory tax (UTGST).

The GST would apply on all goods or services or both other than alcoholic liquor for human consumption and five petroleum products.

SALIENT FEATURES OF GST… (CONTD.)

Destination based consumption tax

- The tax would accrue to the State which has jurisdiction over the place of consumption which is also termed as place of supply.
- Levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff.
- In a nutshell, only value addition will be taxed and burden of tax is to be borne by the final consumer.
- Exports would be tax-free and imports taxed at the same rate as integrated tax (IGST) levied on inter-State supply of like domestic products

SALIENT FEATURES OF GST… (CONTD.)

Tax payers with an aggregate turnover in a financial year up to Rs.20 lakhs would be exempt from tax.

- For special category states specified in Article 279A, the threshold exemption shall be Rs. 10 lakhs.
- Tax payers making inter-State supplies or paying tax on reverse charge basis shall not be eligible for threshold exemption.

Small taxpayers with an aggregate turnover in a financial year up to Rs. 75 lakhs shall be eligible for composition levy.

SALIENT FEATURES OF GST… (CONTD.)

An Integrated GST (IGST) would be levied and collected by the Centre on inter-State supply of goods and services.

HSN 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.

For Services, Service Accounting Codes (SAC) shall be used

SALIENT FEATURES OF GST… (CONTD.)

Exports and Supplies to SEZs shall be treated as zero-rated supply. No tax is payable on exports but ITC related to the supply shall be refunded to exporters.

Import of goods/services would be subject to IGST in addition to Basic Customs duty.

Laws and procedures for levy and collection of CGST/SGST would be harmonized to the extent possible.

GST RATES

Rates: 0%(on essential items, rice/wheat)

5%: (on items of mass consumption)

12%/18%:(standard rates covering most manufactured items and Services)

28% : (on Consumer Durable Goods, Pan masala, tobacco and aerated drinks etc)

Basic philosophy behind these rates are that, to the extent possible, the current combined rate of tax levied on individual goods by the Central and the State Governments should be maintained in GST

Uniform GST rate not possible at this stage as luxury goods and goods consumed by poorer sections of society cannot be taxed at the same rate

+

Rates will be notified by Government on recommendations of GST Council.

NEITHER GOODS NOR SERVICES !!!

The following would not constitute supply of Goods or Services (Schedule –III of the Act)

- by an employee to employer
- Services by any Court or Tribunal
- Functions performed by Members of Parliament/ State legislature/Panchayats/ Municipalities/ other local authorities.
- Duties performed by Constitutional functionary.
- Duties performed by Chairperson/Member /Director in a body of CG/SG/local authority, who is not deemed to be an employee before commencement of this clause.

NEITHER GOODS NOR SERVICES !!! (CONTD.)

- Funeral, burial, crematorium/mortuary service, including transportation of deceased
- Sale of land
- Sale of building[subject to clause (b) of paragraph 5 of Schedule II)
- Actionable claims, other than lottery, betting and gambling

WHY IGST?

Need for a mechanism to levy and apportion GST on interstate supplies to destination states

What are Inter-state supplies?

INTER-STATE SUPPLIES?

A supply of goods or services or both in the course of inter-State trade or commerce means any supply where the location of the supplier and the place of supply are in different States. (Section 3(1) and 3(2) of the IGST Act)

- *Exports/ Imports/ Supplies to & by SEZs-Deemed*

Why IGST? Advantages?

ADVANTAGES OF IGST MODEL

1) Maintenance of uninterrupted ITC chain on inter-State transactions. The buyer in another State is in a position to avail credit of the IGST charged by the seller in one State.
2) The incidence of tax would be same be it inter state or intra state. Hence , there would be no rate shopping or unfair advantage to any state.
3) The tax regime is simple and there would not be any requirement of documentation as required in existing CST regime.
4) The tax collected in the originating state would be transferred to the destination state.
5) No refund claim in exporting State(within India), as ITC is used up while paying the tax.

STEPS INVOLVED IN INTERSTATE SUPPLIES IN GST REGIME

B2C

State 'Aa'
Origin state

GST is collected on supply 'S'

IGST

State 'Bb'
Destination State

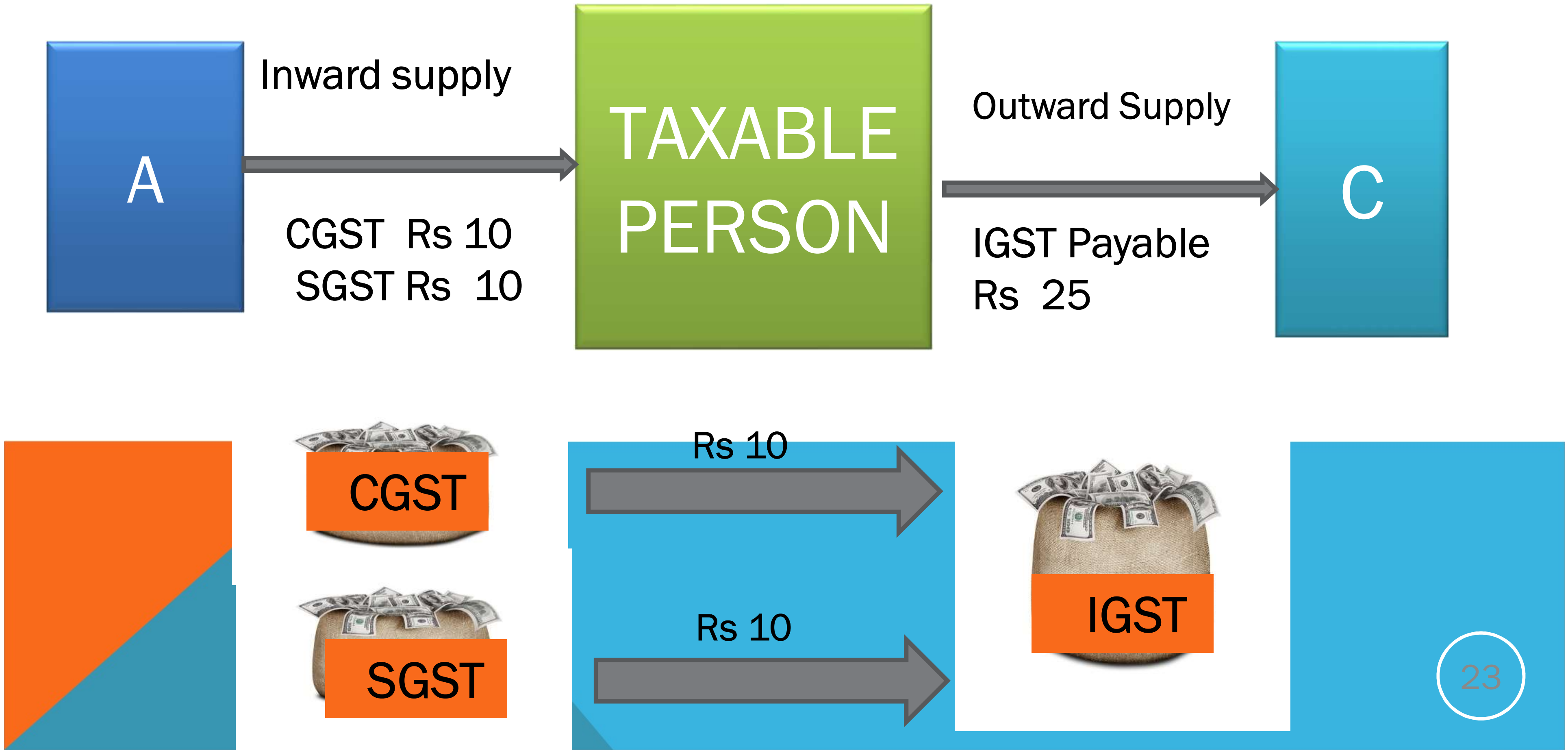
ITC of tax paid c
'S'

...stination ...sed tax belongs to State B

Utilisation of ITC means payment of lesser tax in cash to State B. So 'B' should get the amount from State A

How would GST amount move from 'A' to 'B'

Cross utilization of Input Tax Credit



PLACE OF SUPPLY - SIGNIFICANCE

Determining

- whether supplies are intra-state or inter-state /inter-national
- which tax to pay – CGST & SGST or IGST

Achieving the objective of destination based taxation

- Tax is paid at the point of origin. However, it has to reach consumption point

- ITC of IGST allowed to buying taxpayer in destination State

Registration

Compulsory Registration for Each State where business situated

Option to take multiple registration for each business vertical within same state

REGISTRATION (CONTD.)

Liability to be registered

- Every person who is registered under existing indirect laws being subsumed in GST
- Every person whose turnover in a year exceeds Rs. 20 lakhs (Rs. Ten lakhs for special category states)
- Voluntary registration permitted even if no liability.

Mandatory Registration

(irrespective of threshold)

- Persons making inter-State taxable supply
- Persons required to pay tax under reverse charge
- Casual and non-resident taxable persons
- E-Commerce operator /Those required to collect TDS
- Persons supplying goods through e-commerce operator
- Persons making supplies on behalf of a registered taxable person
- Input Service Distributer
- Every person supplying online information and data base access or retrieval services from a place outside India to a person in India, other than a registered person

REGISTRATION… (CONTD.)

Registration (GSTIN)to be granted State-wise.

PAN mandatory for GSTIN (*except for NRTP- here Passport*)

Separate registration permitted for multiple business verticals in a State.

- Registration deemed to be granted if objection by way of Notice is not communicated within the time of 3 ~~common~~ working days.

ASSESSMENT AND SCRUTINY

Self assessment

Provisional assessment request of tax payer

- Tax payer if unable to determine tax rate or value, may request for provisional assessment. Dept shall not suo moto assess provisionally

Assessment of non-filer even after service of notice

- Best judgement
- Withdrawn if valid return furnished within 30 days of order

Assessment of un-registered person

Summary assessment

Scrutiny of return

Returns Process under GST

WHY RETURNS?

- Means of compliance verification
- Mode for transfer of information to tax administration
- To declare tax liability for a given period
- Providing necessary inputs for taking policy decision

FEATURES OF TAX RETURNS IN GST

- Based on transactions – Invoice based
- Designed for system based matching of Input Tax Credit and other details (import, export etc.)
- Auto-population from details of outward supplies
- Auto-reversal of ITC in case of mismatch
- Concepts of ledgers – cash, ITC and liability
- No revised returns – changes through ~~amendments~~ rectifications and reported in the return for the month in which error detected ~~to original details~~

GST Returns:

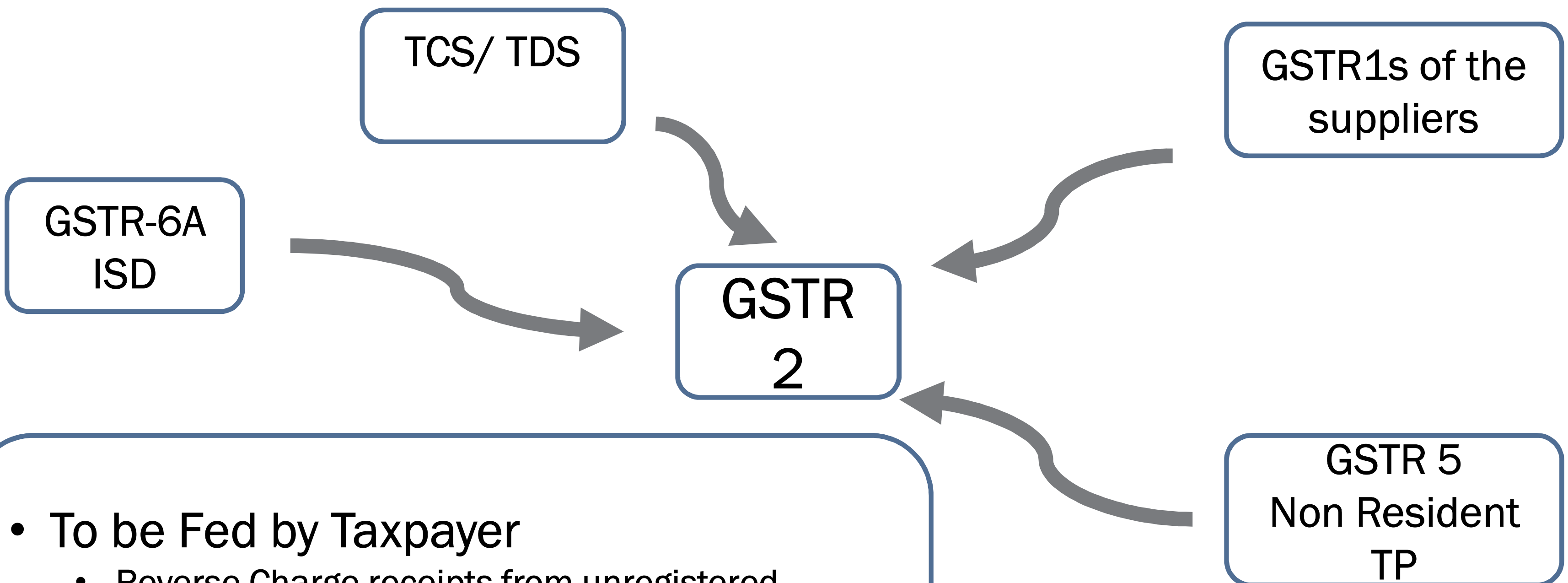
GSTR1

- Statement of Outward Supplies
  - What information?
  - Basic details -To be filed by 10th of the next month- can be easily done by a computer
  - Invoice level details ; GSTIN of recipient
  - Invoice details – Number, date, HSN/SAC, ….Value, Taxable value…. POS
  - Tax – IGST, CGST, SGST/UTGST – Rate and Tax amount
- What is not required to be uploaded?
  - Invoice level information for B2C invoice < Rs. 2.5 lacs
  - Consolidated information of all B2C supplies sufficient
  - HSN/SAC ….. < Rs.1.5 crore

GST Returns:

GSTR 2

Information Flow for auto-population/ self feeding



- To be Fed by Taxpayer
  - Reverse Charge receipts from unregistered supplies
  - Imports

GST Returns:

GSTR 3

Auto-populated based on GSTR-1 and GSTR-2

Outward Supplies

- All B2B inter and intra state supplies
- All B2C inter-State supplies above the value of Rs. 2.5 lacs
- Exports
- Revision of tax of previous periods

Inward Supplies

- Inter and intra state supplies received
- Imports
- Amendment to tax of previous periods
- Credit to ITC Ledger

STANDARDISED FORMS/ CERTIFICATES

Form GSTR-1 -Details of outward supplies of taxable goods or services effected

Form GSTR-1A Details of outward supplies as added, corrected or deleted by the recipient

Form GSTR-2 Details of inward supplies of taxable goods and/or services claiming input tax credit

Form GSTR-2A Details of inward supplies made available to the recipient on the basis of FORM GSTR-1 furnished by the suppliers

GSTR-3 Monthly return on the basis of finalization of details of outward supplies and inward supplies

GSTR-3A Notice to a registered taxable person who fails to furnish return

GST Returns:

STANDARDISED FORMS/ CERTIFICATES (CONTD.)

Form GSTR-4 Quarterly Return for compounding Taxable persons

Form GSTR-4A Details of inward supplies made available to the recipient registered under composition scheme on the basis of FORM GSTR-1 furnished by the supplier

Form GSTR-5 Return for Non-Resident foreign taxable person

Form GSTR-6 ISD return

Form GSTR-6A Details of inward supplies made available to the ISD recipient on the basis of FORM GSTR-1 furnished by the supplier

Form GSTR-7 Return for authorities deducting tax at source

Form GSTR-7A TDS Certificate

GST Returns:

STANDARDISED FORMS/ CERTIFICATES (CONTD.)

Form GSTR-8 Details of supplies effected through e-commerce operator and the amount of tax collected

Form GSTR-9 Annual return

Form GSTR-9A Simplified Annual return by Compounding taxable persons registered under section 8

Form GSTR-9B Reconciliation Statement

Form GSTR-10 Final return

Form GSTR-11 Details of inward supplies to be furnished by a person having UIN

CORRECTION IN RETURNS

No Revision of returns

- As per the return taxes have already been paid and fund transfers already settled
- No significance as the basis now is individual transaction

All changes through rectifications reported in subsequent returns

If an invoice has been left out in GSTR-1 or GSTR-2 : can be uploaded in subsequent returns but to pay interest for any tax not paid on this account

If any invoice has been wrongly entered but remains unmatched – can be amended in subsequent returns

GST Returns:

CORRECTION IN RETURNS

Post transaction changes to be done through debit or credit notes

Other details like B2C supplies can be amended in subsequent returns

Delayed uploading coupled with payment of interest

All changes, credit or debit notes to be carried out before September of the next financial year

- To enable any auto-reversal before Annual Return

GST Returns:

ANNUAL RETURN

Annual summary of all transactions

Accounts to be certified by Chartered Accountant etc. if turnover more than Rs. 2 Crore

Personal Details

Details of Expenditure

- Purchases – goods/services – intra/inter state
- Imports

Details of Income

- Supplies – goods/services – intra/inter state
- Exports

Not to be filed by ISD, TDS Deductor, Casual Taxpayer, and Non resident taxpayer

FIRST AND FINAL RETURNS

First Return

- Required when the liability to register and pay tax arose before grant of registration

Final Return

- On closure of business
- Reversal of credit on goods in stock

REFUNDS

Time limit for claiming refund enhanced 2 years from the relevant date.

Refund of Input tax Credit allowed in case of exports or where the credit accumulation is on account of inverted duty structure.

Refund shall be granted within 60 days from the date of receipt of application.

In case of refund claim on account of exports, 90% of the claim can be given immediately within seven days on provisional basis.

No need to furnish evidence against unjust enrichment if the refund claim is less than Rs. 2 lakhs. Self-certification would suffice.

Interest payable after 3 months from the date of receipt of application till the date of refund.

ADVANCE RULINGS

- **An applicant can apply for advance ruling even before taking up a transaction (proposed supply of goods or services) or in respect of a supply which is being undertaken.**
  - **The only restriction is that the question being raised is already not pending or decided in any proceedings in the case of applicant.**
- **Advance ruling to be issued within 90 days.**
- **Advance ruling shall be binding on** concerned officer or jurisdictional officer in case of applicant and **only on the applicant**
- **Advance ruling to continue unless there is a change in law or facts.**

ISSUES ON WHICH RULING CAN BE ASKED?

Classification

Applicability of a notification

Determination of time and value of supply

Admissibility of input tax credit of tax paid or deemed to have been paid

Determination of the liability to pay tax on any goods or services under the Act

Whether applicant is required to be registered under the Act;

Whether any particular thing done by the applicant with respect to any goods or services amounts to or results in a supply of goods or services

TRANSITIONAL PROVISIONS

Existing taxpayers to be issued Provisional Registration valid for 6 months (extendible)

- Upon furnishing of prescribed information, final RC to be granted

Cenvat credit/VAT carried forward in return allowed as ITC under GST

Un-availed Cenvat/VAT credit on capital goods, not carried forward in return, shall also be allowed as ITC under GST

Eligible duties and taxes in respect of inputs held in stock permissible as credit to registered persons

TRANSITIONAL PROVISIONS

Eligible duties and taxes in respect of inputs held in stock available as credit to taxable person switching over from compounding

Transitional credit available generally only if both laws permit and invoice is not more than 12 months old

No tax payable on goods removed/despatched earlier but returned within 6 months after the introduction of GST

Proceedings under earlier law to be conducted under old law

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