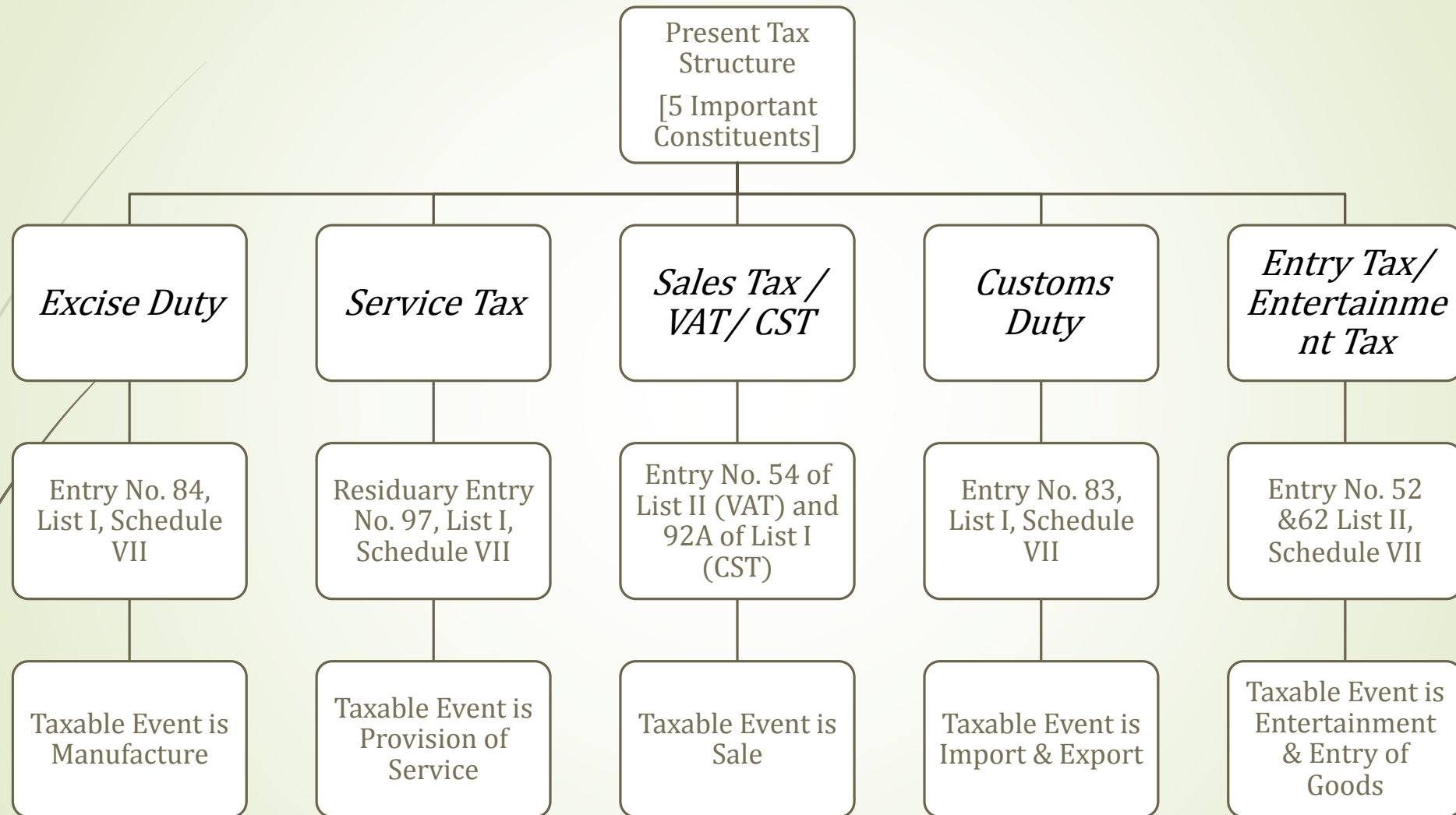


Goods and Services Tax (GST)

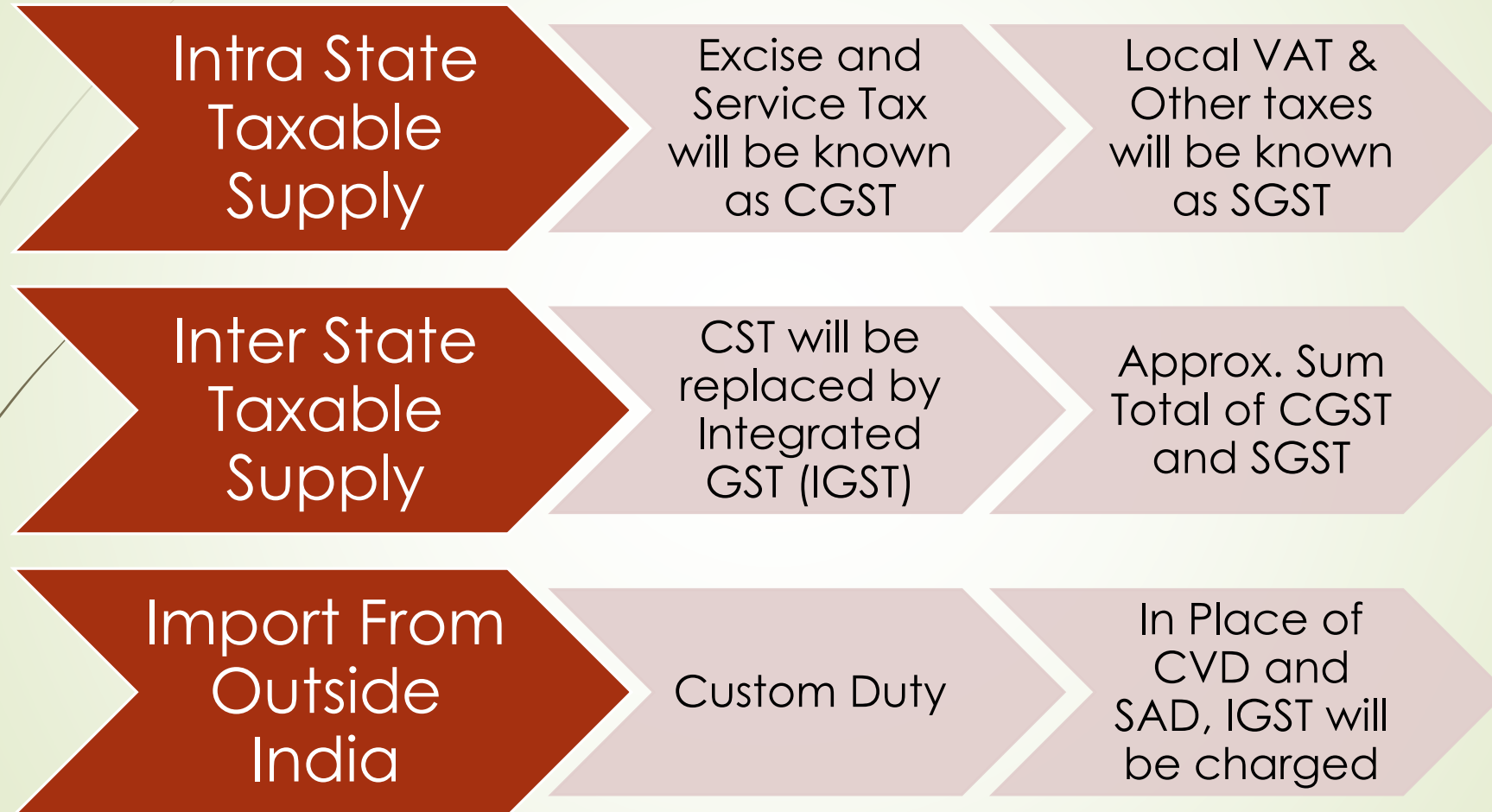
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Present Indirect Tax Structure of India



Proposed Indirect Tax Structure



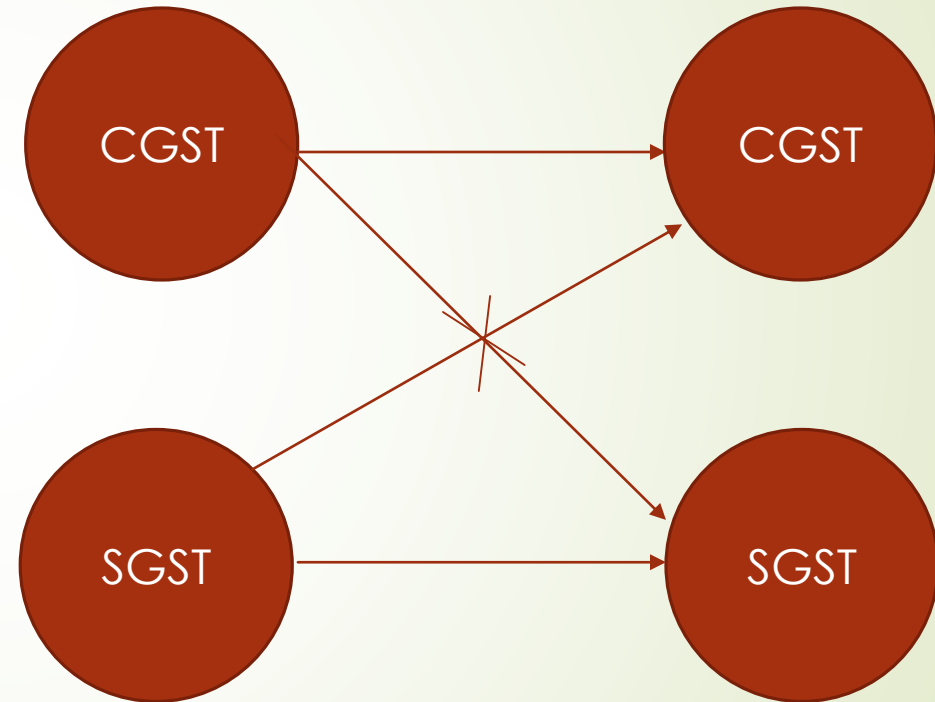
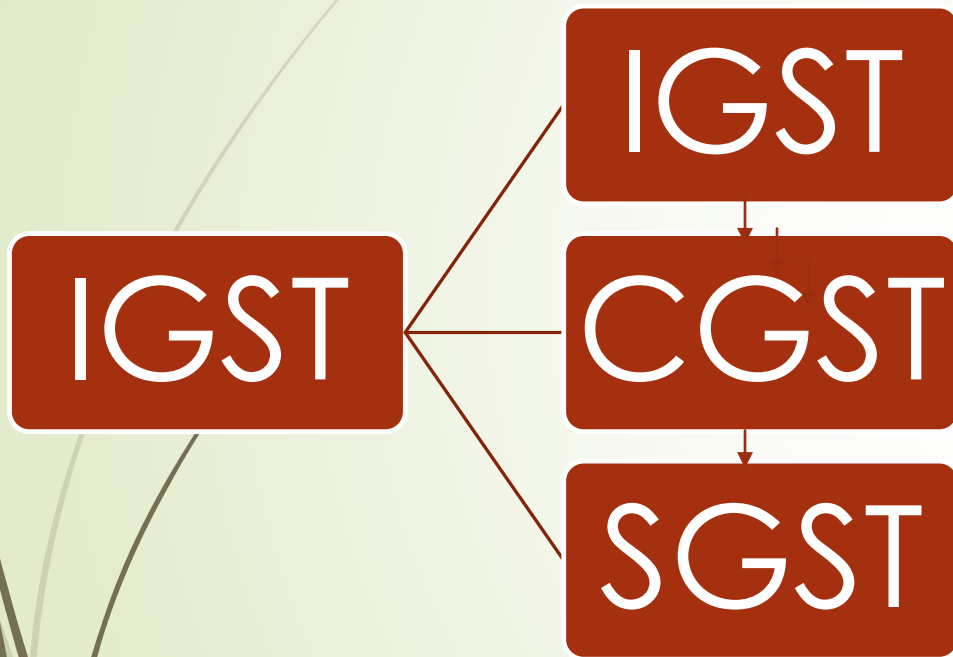
Benefits to Assessee

- Reduction in multiplicity of taxes.
- Mitigation of cascading/ double taxation.
- Simpler tax regime -
 - Fewer rates and exemptions.
 - Conceptual clarity (Goods vs. Services).



FEATURES OF PROPOSED GST MODEL

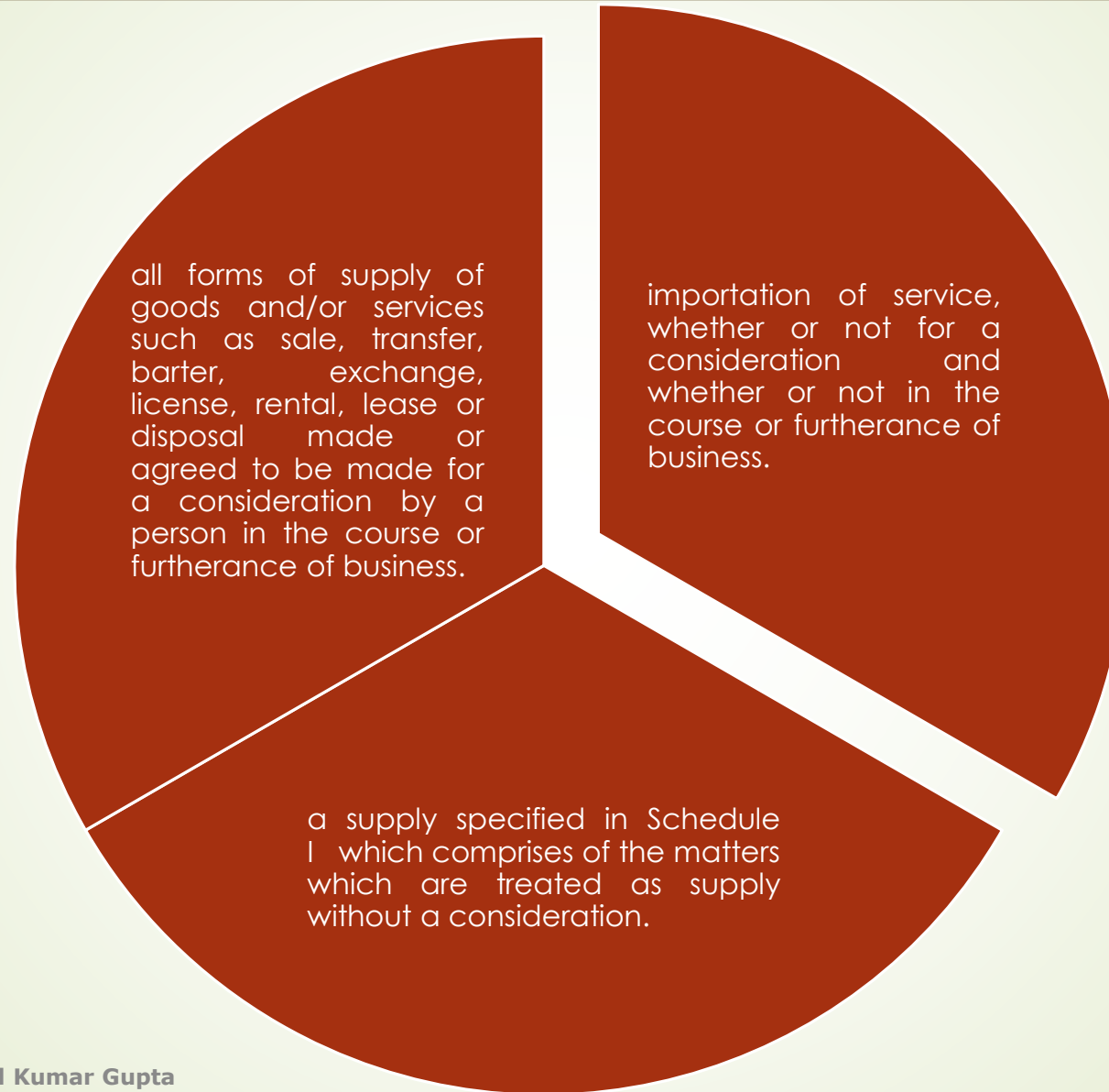
CENVAT Credit under GST



Features of Proposed GST contd.

- Destination based Taxation. Apply to all stages of the value chain
- GST Rates – to be based on RNR – Four rates
 - Merit rate for essential goods and services
 - Standard rate for goods and services in general (with a band of 0-2% for SGST)
 - Special rate for precious metals
 - NIL rate
- HSN Code likely to be used for classification of goods.
- Present Accounting codes likely to be used for Services.
- Place of supply to determine the place where the supply of goods/services will take place and to determine whether supplies are inter state or intra state. Tax revenues accrues to the destination/importing State based on **Place of Supply Rules.**

■ What is Supply -Section 3 of Model GST Law



Definition of Goods and Services

“Goods” means every kind of movable property other than actionable claim and money but includes securities, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under the contract of supply;

- Explanation– For the purpose of this clause, the term ‘moveable property’ shall not include any intangible property.

“Services” means anything other than goods;

- Explanation: Services include intangible property and actionable claim but does not include money.

Deemed Supply

- Sub-section (2A) of section 3 provides that person acting as an agent for an agreed commission or brokerage, either supplies or receives any goods and/or services on behalf of any principal, the transaction between such principal and agent shall be a deemed supply.
- Sub-section (4) of section 3 states that the supply of any branded service by an aggregator under a brand name or trade name owned by him shall also be deemed to be a supply of the said service by the said aggregator.

Time of Supply of Goods

The time of supply will be earliest of the following dates

The date on which goods are removed by the supplier or

The date on which supplier issues the invoice or

The date on which supplier receives the payment or

The date on which the recipient shows the receipt of goods in his books of account.

Continuous Supply and its time of Supply

► What is Continuous Supply

“Continuous supply of goods” means a supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, whether or not by means of a wire, cable, pipeline or other conduit, and for which the supplier invoices the recipient on a regular or periodic basis.

► **Section 12(3) provides for the time of supply in case of continuous supply of goods.**

- In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the time of supply shall be the date of expiry of the period to which such *successive statements* of accounts or successive payments relate.
- If there are no successive statements of account, the *date of issue of the invoice* (or any other document) or the *date of receipt of payment*, whichever is earlier, shall be the time of supply.

Time of Supply of Services

the date of issue of invoice or the date of receipt of payment, whichever is *earlier*, if the invoice is issued within the prescribed period or

the date of completion of the provision of service or the date of receipt of payment, whichever is *earlier*, if the invoice is not issued within the prescribed period or

the date on which the recipient shows the receipt of services in his books of account
other cases.

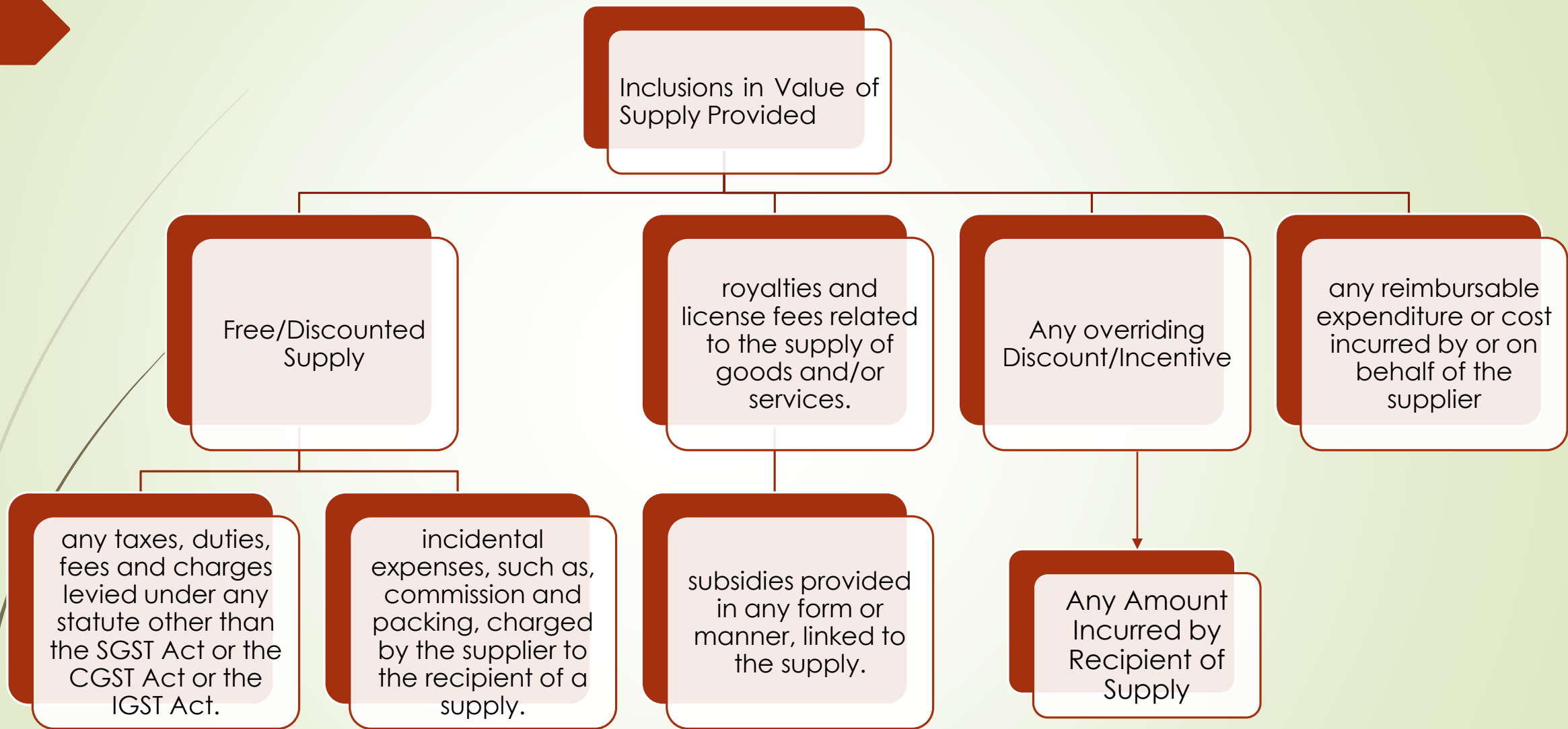
Continuous Supply of service and its time of Supply

- ▶ “continuous supply of services” means a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of such service as the Central or a State Government may, whether or not subject to any condition, by notification, specify.
- ▶ Section 13 (3) provides for the time of supply in case of continuous supply of services. It states that the time of supply will be: -
 - ▶ where the *due date of payment is ascertainable* from the contract, the date on which the payment is liable to be made by the recipient of service, whether or not any invoice has been issued or any payment has been received by the supplier of service.
 - ▶ where the *due date of payment is not ascertainable* from the contract, each such time when the supplier of service receives the payment, or issues an invoice, whichever is earlier.
 - ▶ where the payment is linked to the completion of an event, the time of completion of that event.



Valuation of Taxable Supply

“Where the price is the sole consideration of supply and the supplier and recipient of the supply are not related, the value of a supply of goods and/or services shall be the transaction value, that is the price actually paid or payable for the said supply of goods and/or services”.



Registration

- ▶ Section 19 of the Model Act provides that: -
 - ▶ Every person who is liable to be registered under Schedule III of this Act shall apply for registration in every such State in which he is so liable within thirty days from the date on which he becomes liable to registration.
 - ▶ If the person, other than an Input Service Distributor, is registered under an earlier law, it shall not be necessary for him to apply for fresh registration under this section and he shall follow the procedure as may be prescribed.
 - ▶ A person having multiple business verticals in a State may obtain a separate registration for each business vertical.
 - ▶ Any specialized agency of the United Nations Organization or any Multilateral Financial Institution, Consulate or Embassy of foreign countries and any other person or class of persons as may be notified by the Board / Commissioner, shall obtain a Unique Identity Number for registration purpose.

Returns under GST

➤ **Return for outward supplies**

- As per Section 25, Every registered taxable person shall furnish electronically the details of outward supplies of goods and/or services effected which includes details relating to zero-rated supplies, inter-state supplies, return of goods received in relation to/ in pursuance of an inward supply, exports, debit notes, credit notes and supplementary invoices issued, during a tax period on or before *the 10th day of the month* succeeding the said tax period and such details shall be communicated to the recipient of the said supplies. For example, the return of the month of April shall be filled by 10th May.
- Model GST Law defines “**outward supply**” as in relation to a person, shall mean supply of goods and/or services, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made by such person in the course or furtherance of business except in case of such supplies where the tax is payable on reverse charge basis.


Return for Inward supplies

- ▶ As per Section 26, Every registered taxable person shall verify, validate, modify or, if required, delete the details relating to outward supplies and credit or debit notes communicated under outward supply details to prepare the details of his inward supplies and credit or debit notes and may include therein, the details of inward supplies and credit or debit notes received by him in respect of such supplies that have not been declared by the supplier.
- ▶ Every registered taxable person shall furnish, electronically, the details of inward supplies of taxable goods and/or services, including inward supplies of services on which the tax is payable on reverse charge basis under this Act and inward supplies of goods and/or services taxable under the IGST Act, and credit or debit notes received in respect of such supplies during a tax period on or before the *15th day of the month* succeeding the tax period in such form and manner as may be prescribed.
- ▶ For example, the return of the month of April shall be filled by 15th May.



▶ **Monthly Return**

- ▶ Section 27 prescribe that every registered taxable person shall, for every calendar month or part thereof furnish a return electronically of inward and outward supplies of goods and/or services, input tax credit availed, tax payable, tax paid and other particulars as may be prescribed within *twenty days after the end of such month*.
- ▶ Every registered taxable person, who is required to furnish a monthly return shall pay to the credit of the appropriate Government the tax due as per such return not later than the last date on which he is required to furnish such return.
- ▶ A monthly return furnished by a registered taxable person without payment of full tax due as per such return shall not be treated as a valid return for allowing input tax credit in respect of supplies made by such person.
- ▶ Every registered taxable person shall furnish a monthly return for every tax period, whether or not any supplies of goods and/or services have been effected during such tax period.

- 
- **TDS return:** Every registered taxable person required to deduct tax at source shall furnish a return, electronically, in such form and in such manner as may be prescribed, for the month in which such deductions have been made along with the payment of tax so deducted, within *ten days after the end of such month*.
 - **ISD Return:** Every Input Service Distributor shall, for every calendar month or part thereof, furnish a return, electronically, in such form and in such manner as may be prescribed, within *thirteen days after the end of such month*.



- ▶ **Annual Return**

- ▶ Section 30 provides that every normal registered taxable person, shall furnish an annual return for every financial year electronically on or before *the thirty first day of December* following the end of such financial year. Every taxable person who is required to get his accounts audited under subsection (4) of section 42 shall furnish, electronically, the annual return along with the audited copy of the annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the year with the audited annual financial statement, and such other particulars as may be prescribed.

- ▶ **Late Fees**

- ▶ Any registered taxable person who fails to furnish the annual return required under section 30 by the due date shall be liable to a late fee of rupees one hundred for every day during which such failure continues subject to a maximum of an amount calculated at a quarter percent of his aggregate turnover and
- ▶ In case of failure of other returns a late fee of rupees one hundred for every day during which such failure continues subject to a maximum of rupees five thousand.



Refunds

- ▶ Section 38 provides that any person claiming refund of any tax and interest may make an application in that regard to the proper officer of IGST/CGST/SGST before the *expiry of two years* from the relevant date.
- ▶ A taxable person may claim refund of any unutilized input tax credit at the end of any tax period in case of exports or in cases where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on outputs.
- ▶ No refund of unutilized input tax credit shall be allowed in cases where the goods exported out of India are subjected to export duty.



GST IMPACT ANALYSIS

CA. Atul Kumar Gupta

Transitional Issues

Carry forward of Credit

Switch over from/to composition scheme

Price Negotiation in post GST regime

Goods lying with consignment agent



Goods returned from Job worker

Sales Return in Post GST period

Pending Refund/Litigations



Tax impact on Cost Sheet need to rework for new Pricing, Margins.

Supply chain Management (business remodeling)

IT Infrastructure

Managing Finance

Compliances

- ✓ Additional Tax
- ✓ Cross Credit Availability
- ✓ Impact of enhanced working capital
- ✓ Multiple taxes reductions
- ✓ Entry tax subsume
- ✓ Additional Tax
- ✓ Multiple registration
- ✓ Human Resource for decentralized assessment
- ✓ Capacity Building
- ✓ Working Capital Blockage
- ✓ Compliance Cost
- ✓ Handling Line Item Data
- ✓ Multiple regst., Returns
- ✓ Reconciliation
 - ✓ Different Credits
 - ✓ Different locations
- ✓ MIS
- ✓ Branch Transfer/Consignment sale
- ✓ Credits lying at Multiple registration
- ✓ Purchase by Export/Exempted Units
- ✓ Multiple return for each registration
- ✓ Separate assessment
- ✓ Multi-authority



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