

JANAKPURI STUDY CIRCLE

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Overview of GST

By CA Ashish Chaudhary

Discussion

- ✓ Need for GST in India
- ✓ GST Features
- ✓ GST Procedures
- ✓ When GST could be introduced?
- ✓ Transitional issues
- ✓ Professional Opportunity

Need for GST in India

- ✓ Plethora of Indirect taxes at central and state level
- ✓ Cross sectional credit not admissible leading to cascading effect
- ✓ Increased cost and competitive ineffectiveness owing to cascading effect

Need for GST in India

- ✓ Barriers in free supply of goods across the states
- ✓ compliance burden
- ✓ No Service Tax Revenue for states
- ✓ all economy activity may not be taxed.. though over a period
govt widening the coverage:
- ✓ Classification issues
- ✓ Dealing with multiple agencies

GST - Features

- ✓ Destination based consumption tax – levy at single point
- ✓ Apply to all stages of the value chain – primary, secondary & tertiary including retail
- ✓ Apply to all supplies of goods or services for a consideration except:
 - Exempted goods or services – common list for CGST & SGST [Small]
 - Goods or Services outside the purview of GST
 - Transactions below threshold limits

GST - Features

- ✓ Components of GST
 - IGST levied & collected by Centre
 - CGST levied & collected by the Centre
 - SGST levied & collected by the States
 - 1% of additional tax- *talk of being done away*
- ✓ CGST & SGST - intra-state supplies of goods/services in India.
- ✓ SGST rate - bit higher.

GST – Features

- ✓ IGST (=CGST+SGST) - inter-state supplies - goods/services in India – levied, collected by Centre
- ✓ IGST - import of goods or services - Constitutional Amendment Bill, 2014
- ✓ Export of goods or services – Zero rated

GST – Features

- ✓ All goods or services likely to be covered under GST except:
 - Alcohol-human cons. - State Excise plus VAT
 - Electricity - Electricity Duty
 - Real Estate - Stamp Duty plus Property Taxes
 - Petroleum Products – 5 products - under Discussion
 - Tobacco products – under GST plus Central Excise

GST – Features

Taxes likely to be subsumed in GST

<u>Central Taxes</u>	<u>State Taxes</u>
<ul style="list-style-type: none">▪ Central Excise Duty▪ Additional Duties of Excise▪ Excise Duty under Medicinal & Toiletries Preparation Act▪ Additional Duties of Customs▪ Service Tax▪ Special additional duty = CST▪ Surcharges & Cesses	<ul style="list-style-type: none">▪ State VAT / Sales Tax / CST▪ Purchase Tax▪ Entertainment Tax▪ Luxury Tax▪ Entry Tax (not levied by local bodies)▪ Taxes on Lottery, Betting & Gambling▪ Surcharges & Cesses

GST – Features

- ✓ GST Rates – based on RNR – Four rates:
 - Merit rate for necessary goods- 11-13%
 - Standard rate for goods or services – 16-18%
 - Sin Goods/Demerit goods- 40%
 - Nil rate for exempted goods or services
- ✓ SGST - Floor rate with a small band of rates for standard rated goods or services [1-3%]
- ✓ Optional Exemption – 15L - 25L
- ✓ Composition scheme – 50 L

GST – Features

✓ Input tax credit (ITC) of

- CGST - CGST & SGST - SGST
- no cross utilization
- IGST - IGST, CGST & SGST
- CGST - CGST & IGST in that order
- SGST - SGST & IGST in that order



GST – Features

- ✓ Multiple statutes – Centre & each State
- ✓ Model GST Law including Rules & procedures to be recommended by GST Council -
 - Certain features to be common between Centre & States and across States
 - Certain features may vary to allow flexibility to Centre & States

GST – Features

- ✓ Place of Supply Rules – could be similar to POPS
 - determine Place of Supply of goods or services
 - determine whether supplies are intra-State or inter-State
- ✓ HSN Code – already given in return module
- ✓ Complicated and not simple

GST – Procedures- Reg.

- ✓ Separate registration in each state
- ✓ Option of multiple registrations within same state for different verticals
- ✓ Compounding dealer- 50 lacs
- ✓ Non resident dealer
- ✓ Casual dealer
- ✓ Input Service Distributor
- ✓ Threshold- not for RCM, inter state supply

GST – Procedures- Return

✓ Return Procedure:

- Monthly returns
- Invoice level details
- No Revision of returns
- Revision of information through CN/DN
- HSN code for goods
- SAC for services
- Nil return – if no business activity

Types of Return

Sl N.	Return	For	To be filed by
1	GSTR 1	Outward supplies made by taxpayer (other than compounding taxpayer and ISD)	10th of the next month
2	GSTR 2	Inward supplies received by a taxpayer (other than a compounding taxpayer and ISD)	15th of the next month
17th would be the last date for finalising supply and purchase details			
3	GSTR 3	Monthly return (other than compounding taxpayer and ISD)	20th of the next month
4	GSTR 4	Quarterly return for compounding Taxpayer	18th of the month next to quarter
5	GSTR 5	Periodic return by Non-Resident Foreign Taxpayer	Last day of registration
6	GSTR 6	Return for Input Service Distributor (ISD)	15th of the next month
7	GSTR 7	Return for Tax Deducted at Source	10th of the next month
8	GSTR 8	Annual Return	By 31st December of next FY

GST – Procedures

✓ Refund process:

- Thumb rule – 90% of refund amt claimed sanctioned automatically.
- Form should be simple and easy to understand and in e-form.

✓ GST Payment:

- Expected to be Electronic payment
- Two challans – GST & non-GST
- Through – internet banking, OTC & NEFT/RTGS

Blacklisting of dealers

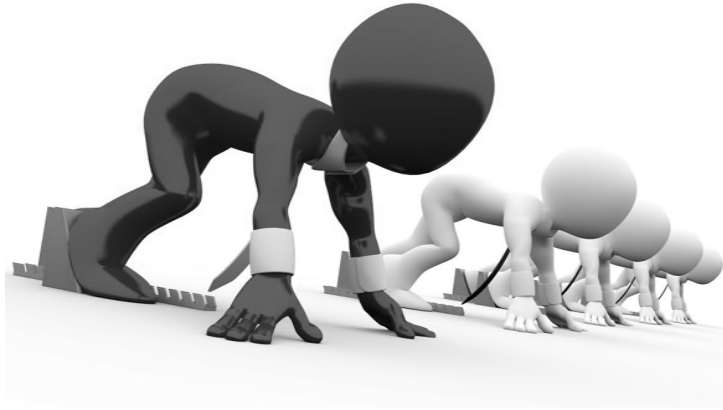
- ✓ System of GST compliance rating to be introduced
- ✓ Dealer falling below certain limit- blacklisted
- ✓ Buyer not eligible to take credit- available once selling dealer paid tax
- ✓ Trigger for blacklisting
 - Default for 3 months in payment of ITC that has reversed
 - Con. Default of 3 months or any 3 month period in 12 months in uploading selling details-resulting in non availability of ITC to buyer
 - Short reporting of sale beyond 5% for a 6 months

Pending Steps

- ✓ Constitutional Bill to be passed by Rajya Sabha
- ✓ Validation of Constitutional amendments by 50% of the State legislatures
- ✓ Formation of GST Council
- ✓ Recommendations of GST Council
- ✓ Drafting and introducing model law in Parliament/State Legislatures based on GST Council's recommendations

Pending Steps

- ✓ Feedback and recommendations by public, industry and professional bodies about model law
- ✓ GST law to be passed by Parliament and State Legislatures including transition provisions
- ✓ Framing of rules, notifications and regulations as per GST law including transition provisions
- ✓ Feedback from public, industry and professional bodies about draft rules, notifications, regulations etc
- ✓ Notifying the date of implementation of GST



Transitional Challenges and possible way forward



Transition

- ✓ Passage from one state, place or stage to another.
- ✓ GST law context - passage from present indirect tax laws to GST law.
- ✓ Could be a game changer - impacting all the sectors
- ✓ many aspects of business require changes – long term plans
- ✓ impact on finances due to increased need of W. Capital

Transition – Different aspects

- ✓ Levy
- ✓ Registration
- ✓ Exemptions
- ✓ Refunds
- ✓ IT environment
- ✓ Accounting aspects
- ✓ Training



Issues – w.r.t. levy

- ✓ Meaning of levy
- ✓ Difference between levy and exemption
- ✓ Taxable event in GST

Central Excise:

- ✓ Goods manufactured pre-GST regime - removed from factory after introduction of GST??
- ✓ Captive consumption??
- ✓ Goods cleared during pre-GST regime - returned to factory for repairs, etc during post-GST regime.

Issues – w.r.t. levy

Customs:

- ✓ Goods imported during pre-GST regime - not cleared for home consumption.
- ✓ Goods where export order is issued during pre-GST regime but goods not physically exported.
- ✓ Goods lying in bonded warehouses.

Issues – w.r.t. levy

Service Tax:

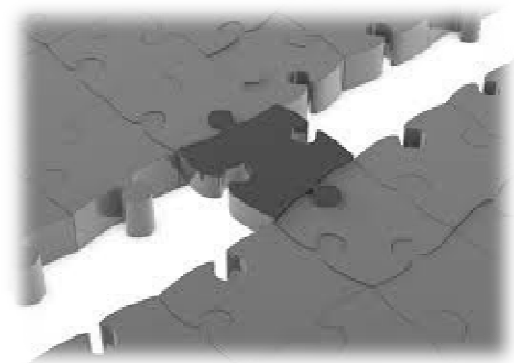
- ✓ Service provided, agreed to be provided & Advance received during pre-GST regime - payment not received or invoice not raised.

VAT/CST:

- ✓ Goods sold during pre-GST regime - not delivered to customers or returned in post-GST regime..
- ✓ Advances received - goods not yet sold

Transitional Provisions

- ✓ Carry Forward of Credit under VAT, Service Tax, Central Excise. As per the books to GST.
- ✓ Duty / tax paid on stocks on which credit has not been availed as they were not admissible in earlier period.
- ✓ Quantitative confirmation - certification by a Chartered Accountant or other professional



Carry forward of Credit

- ✓ Carry forward of stock as on transition date
- ✓ Refund of Credit
- ✓ Goods lying at job-workers premises
- ✓ Goods lying with agents
- ✓ Unutilized input tax credit
- ✓ Present Product/ Service being Exempt
- ✓ Credit Reversal Under Protest



Carry forward of Credit

- ✓ Credit of VAT or CST paid on available stock-composition scheme under existing State VAT Act
- ✓ Partial credit taken under Pre-GST for tax paid on capital goods
- ✓ Credit reversed on completion of 180 days - goods received from the job worker after implementation of GST?
- ✓ Check if credit for SAD & CST paid on inputs and consumables available for the service providers on the stock available?

Carry forward of Credit

- ✓ Credit of TDS deducted under the existing VAT Act available as credit under GST law.
- ✓ Credit reversed on becoming obsolete - used after implementation of GST?
- ✓ Sales returns after implementation of GST ED & VAT.



Claim through declaration

- ✓ File a declaration providing complete details of inventory lying in stock before tax officer
- ✓ Burden of proving that such goods have suffered tax would be on the claimant.
- ✓ Duly certified by a Chartered Accountant.
- ✓ Prescribed Officer on satisfaction of the claim must issue a certificate which will entitle the dealer to avail the Credit



Professional opportunities...Strengths

- ✓ Comprehensive course
- ✓ Practical industry/trade experience
- ✓ Code of Conduct
- ✓ Cost effective & value additive
- ✓ Strength can't be compared to advocates/other commerce professionals

Professional Strengths

- ✓ Production and Distribution - Optimizing
- ✓ ERP systems – changes mandatory
- ✓ Analysis of impact- in house/ outsourced
- ✓ Credits in hand?
- ✓ System design- SOP
- ✓ Consultancy/ trouble shooting
- ✓ Dispute resolutions

Practice in GST

- ✓ Possible specialisation in GST in future
- ✓ Attest function – ensure client sees value in such service
- ✓ Total business advisor
- ✓ Internal audit – GST impact analysis
- ✓ Financing and investment consultancy

Practice in GST

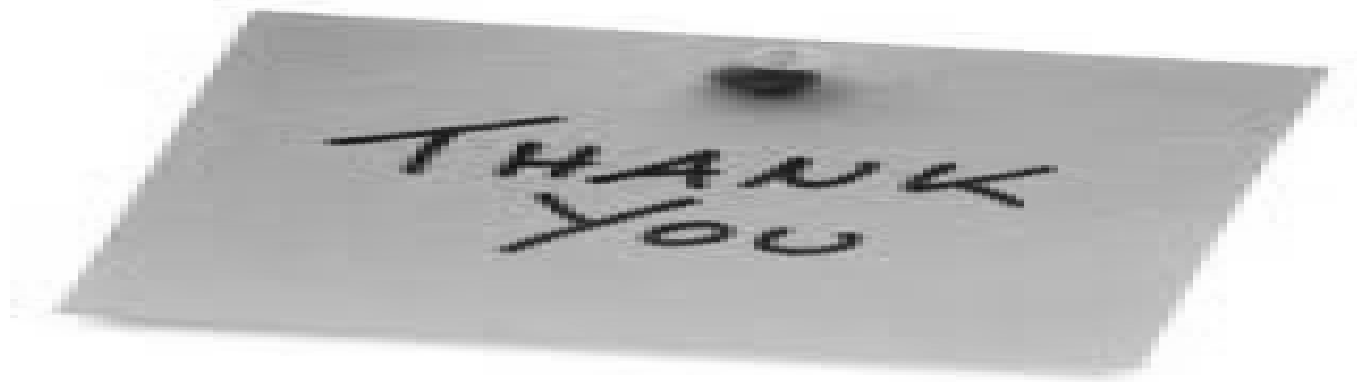
- ✓ Cost cutting/tax planning review
- ✓ Review of tax costs
- ✓ Specialised outsourcing
- ✓ Training client/staff



When professional service to be provided?

Timeline could be as under:

- ✓ Preliminary Study – Large Companies - once bill passed; Medium Sector – when States pass the bill; Others - 6 months prior to implementation.
- ✓ Impact Analysis – Could be done once the rates are in place. Maybe 9 months before GST.
- ✓ IT systems / SOP modification - 9 months before implementation.
- ✓ Training the personnel – 6 months before implementation.
- ✓ Transition Management – 6 months before implementation.



Queries???

ashish@hiregange.com