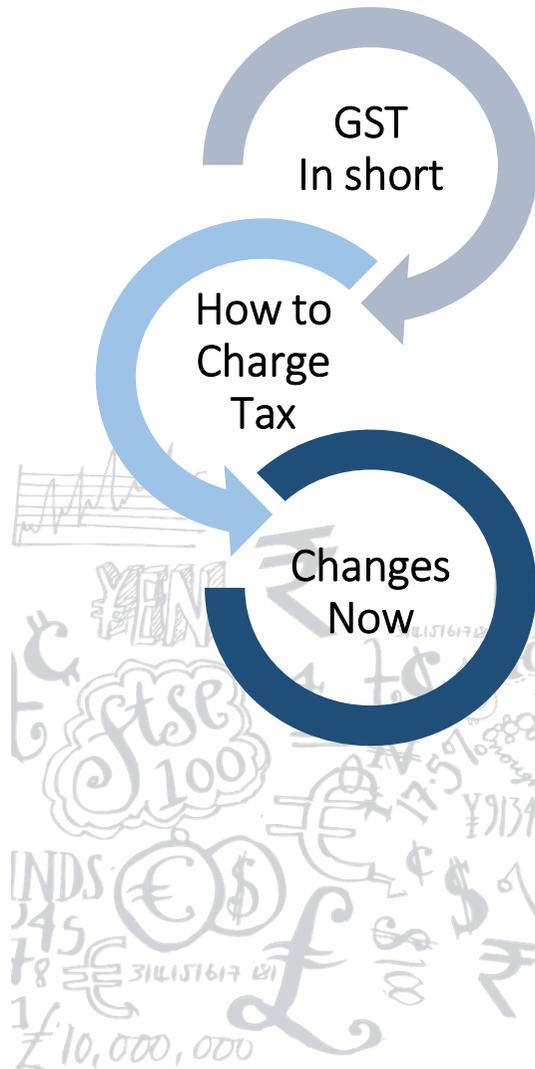


GST

Overview



- Tax on both goods and services when supplied
- **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**

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
<ul style="list-style-type: none">• SGST• CGST

Sale of goods within Union Territory
<ul style="list-style-type: none">• UTGST• CGST

Sale of goods between 2 states
<ul style="list-style-type: none">• 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

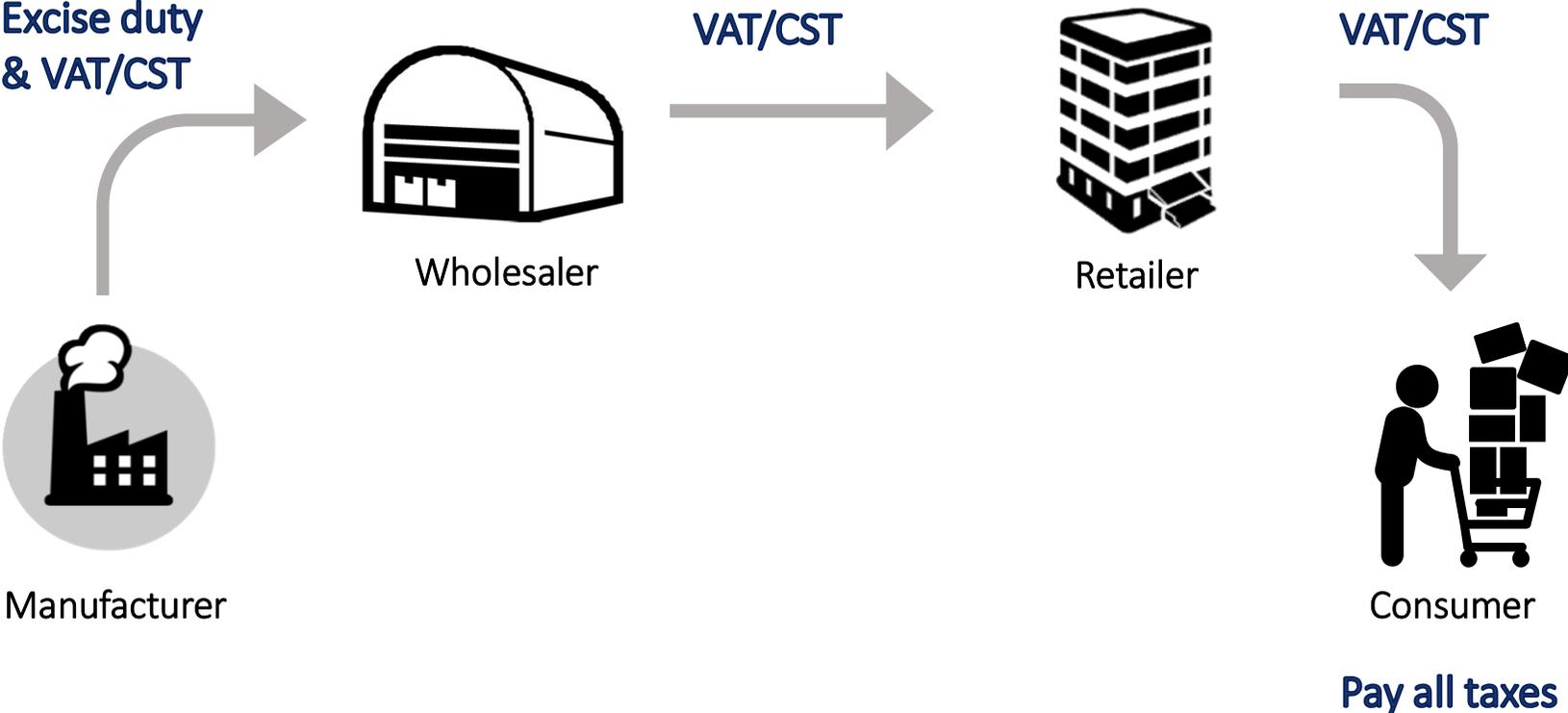
Central Taxes:

- Basic Custom Duty
- Export Duties
- Clean Energy Cess
- Customs Cess

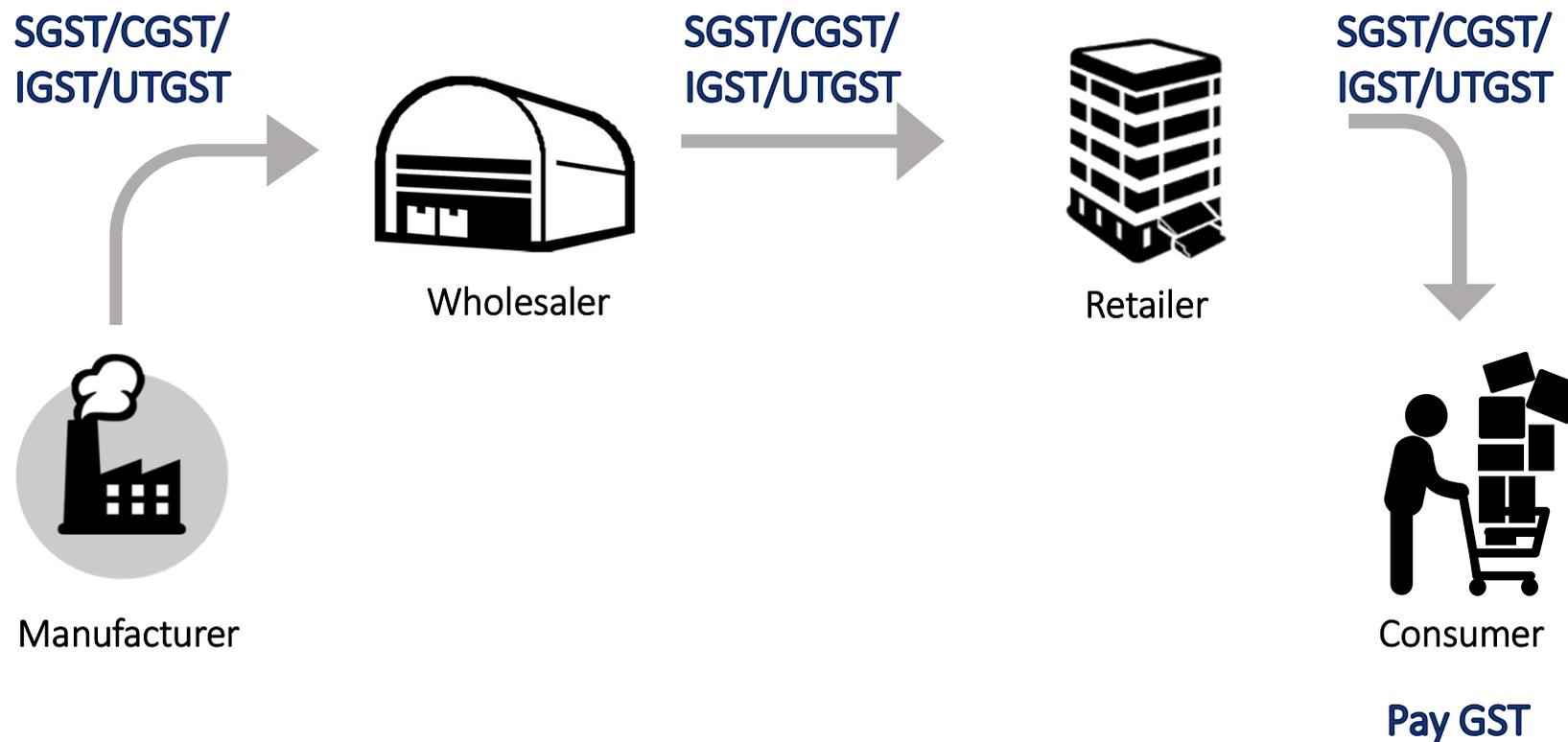
State Taxes:

- Stamp Duty
- Property Tax
- Tax on liquor and petroleum products

Present Tax Structure



Tax Structure under GST



Supply



Supply

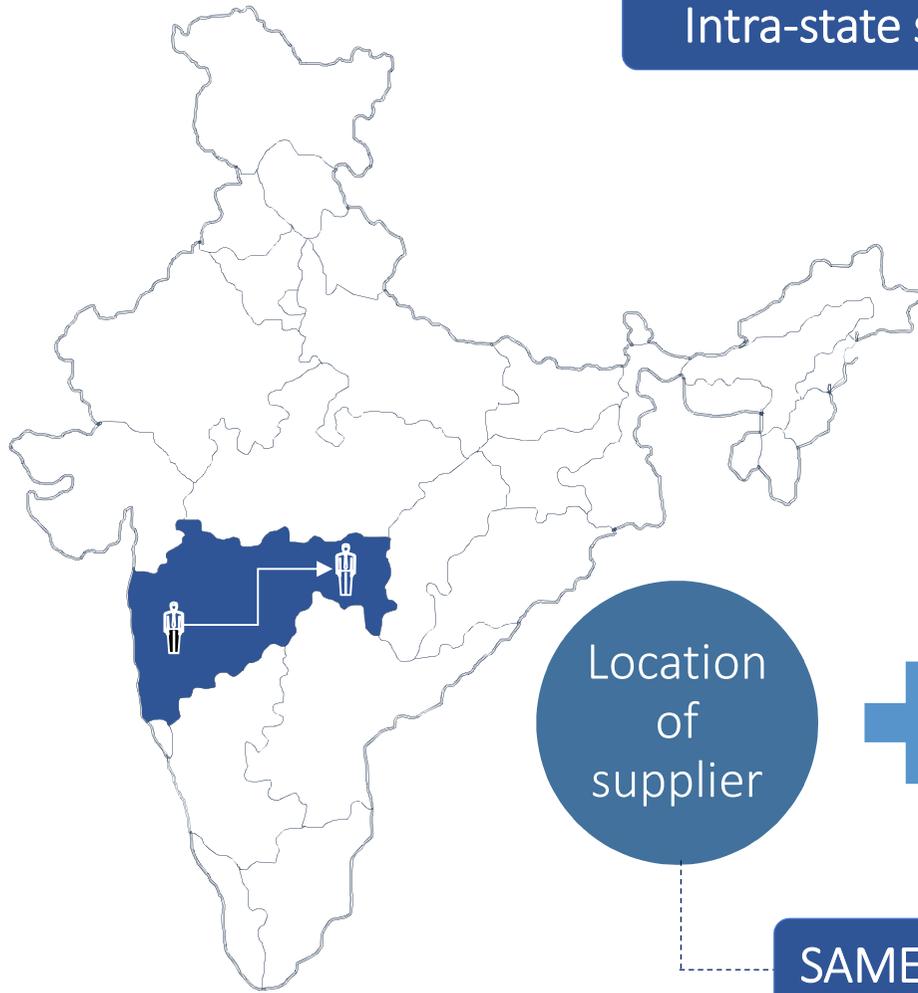


**Supply includes*

Sale, Transfer, Barter, Exchange, Lease, Disposal

Types of Supply

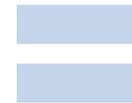
Intra-state supply



Location of supplier



Place of supply



SGST +
CGST

SAME STATE

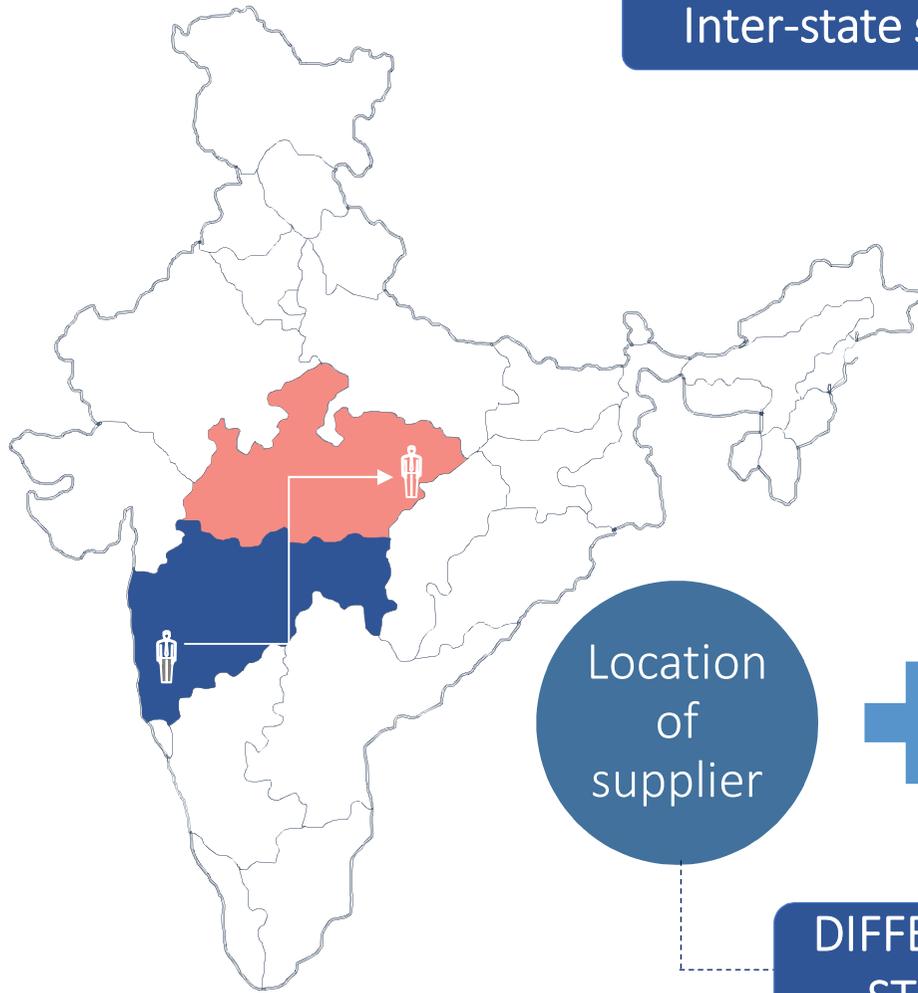
Example: (Intra-state supply)

'A' sold to 'B' of <u>Mumbai</u>	
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 <u>Mumbai</u>	
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

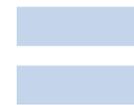
Inter-state supply



Location of supplier



Place of supply



IGST

DIFFERENT STATE

Example: Inter-state supply

'A' of <u>Goa</u> sold to 'B' of <u>Mumbai</u>	
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 <u>Indore</u>	
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



GST Registration

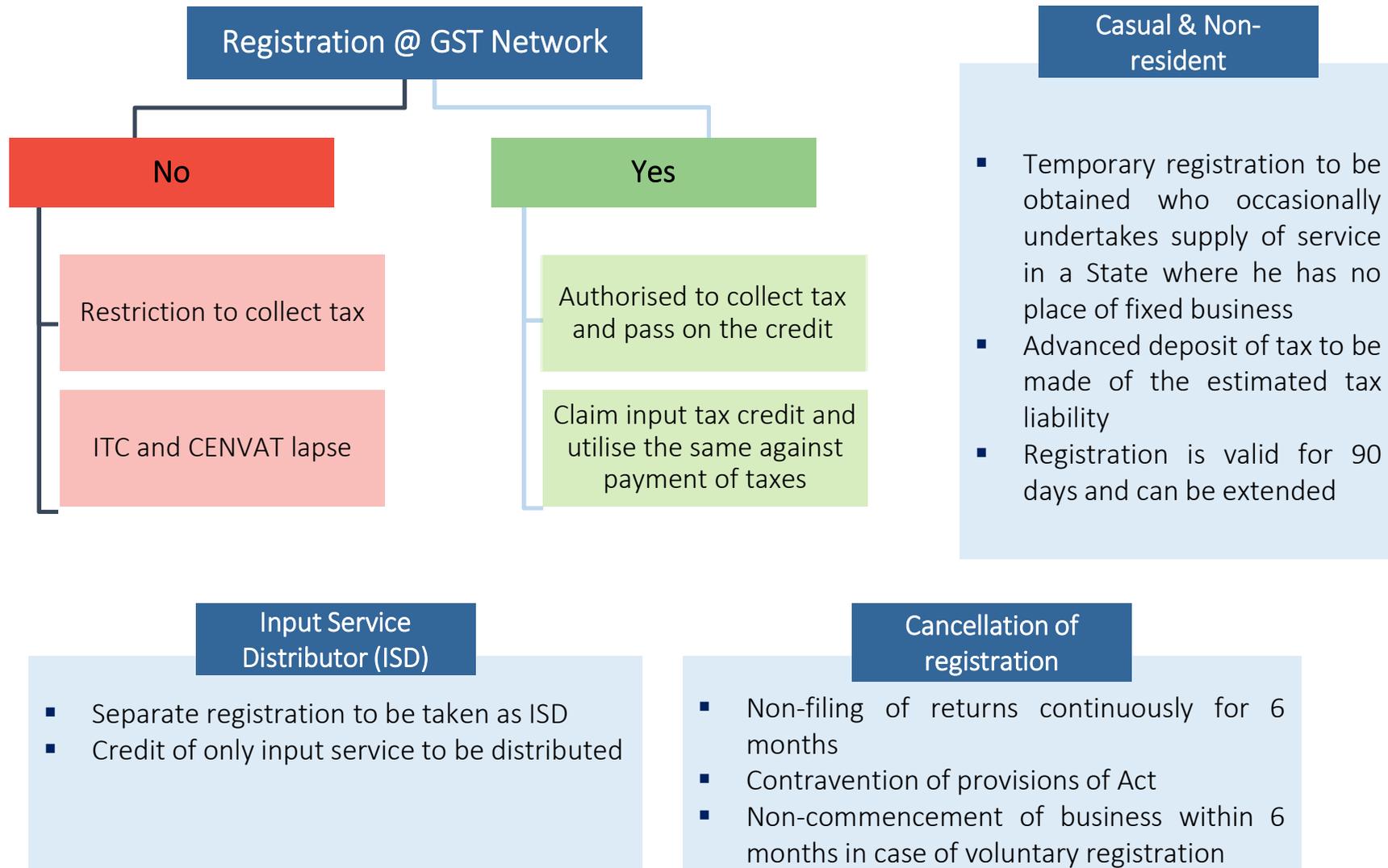
Every person is required to take a registration in every state of supply if

Total turnover > 20 Lakhs*

* 10 lakhs for north eastern states



GST 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
1%



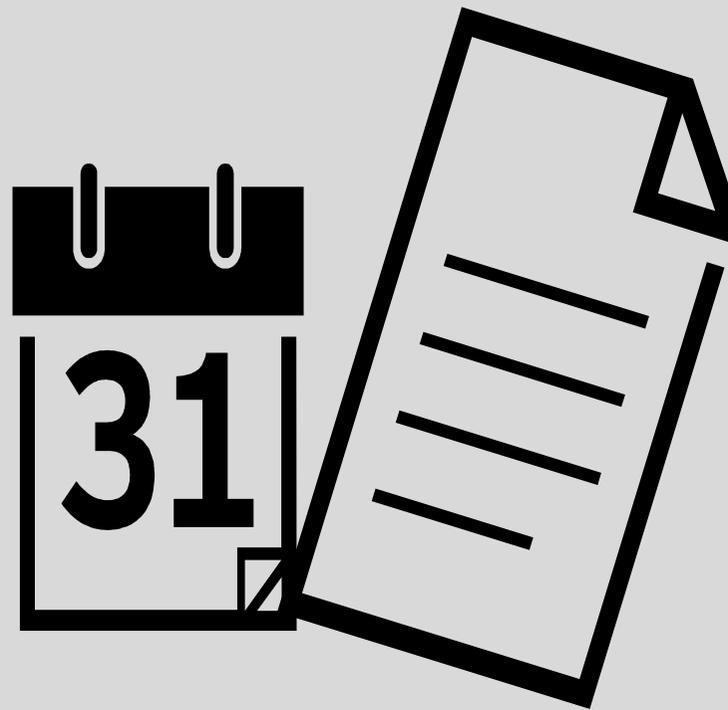
Trader
0.5%



Restaurants
2.5%

- Composition scheme not applicable to the reverse charge segment

Return Filing

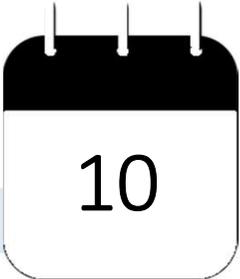


Returns under GST

GSTR - 1

Details of Sales

10th of the next month

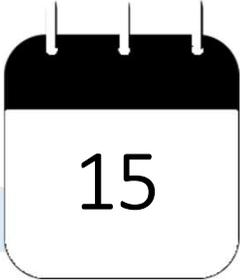


10

GSTR - 2

Details of Purchase

15th of the next month

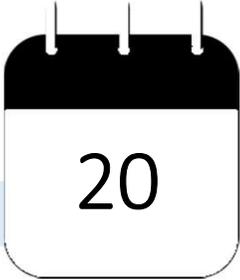


15

GSTR - 3

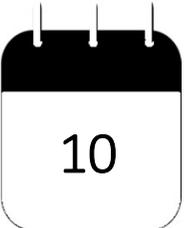
Monthly return

20th of the next month

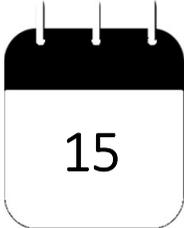


20

Return Flow (GSTR 1 – GSTR 3)



10th of next month



15th of next month



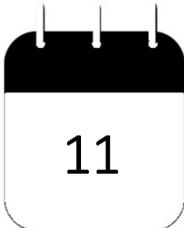
20th of next month

GSTR-1

GSTR-2

GSTR-3

GSTR-2A



Auto-populated
11th of next month
(Cross check of purchases)

GSTR-1A



Auto-populated
17th of next month
(Cross check of sales)

GSTR - 4

Quarterly return
(For composition dealers only)

18th of the next month following the quarter



18

GSTR - 6

Input Service Distributor (ISD)

13th of the next month

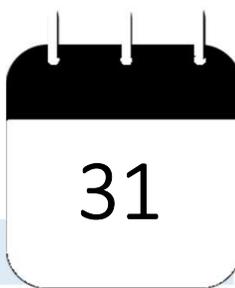


13

GSTR - 9

Annual return

31st December of next year



31

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

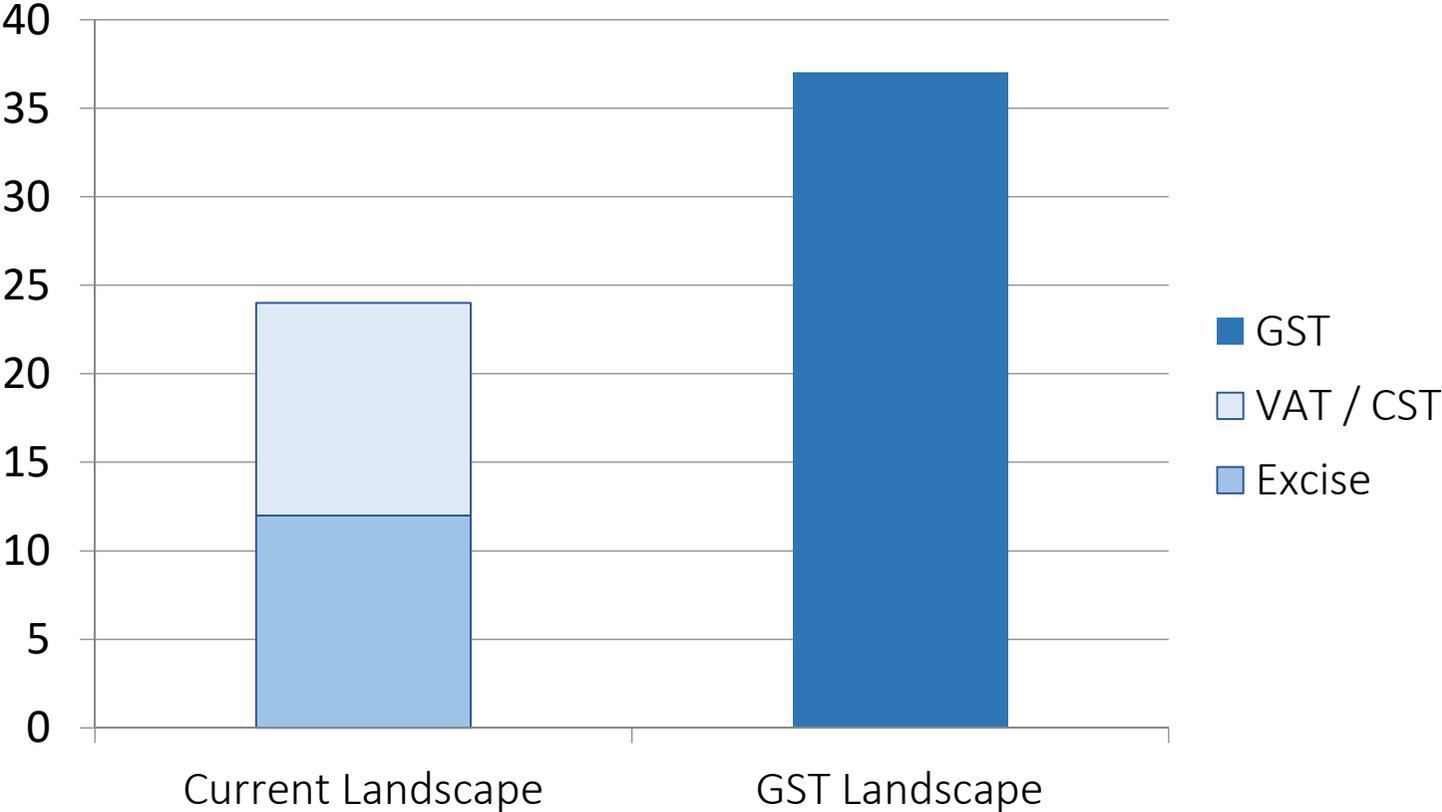
Periodicity of returns - comparison

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

Time limit for issue of invoice –

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

Details of Consignee (Shipped to)

Name
Address
State
State Code

GSTIN/Unique ID							GSTIN/Unique ID							
Sr. No.	Description of Goods	HS N	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

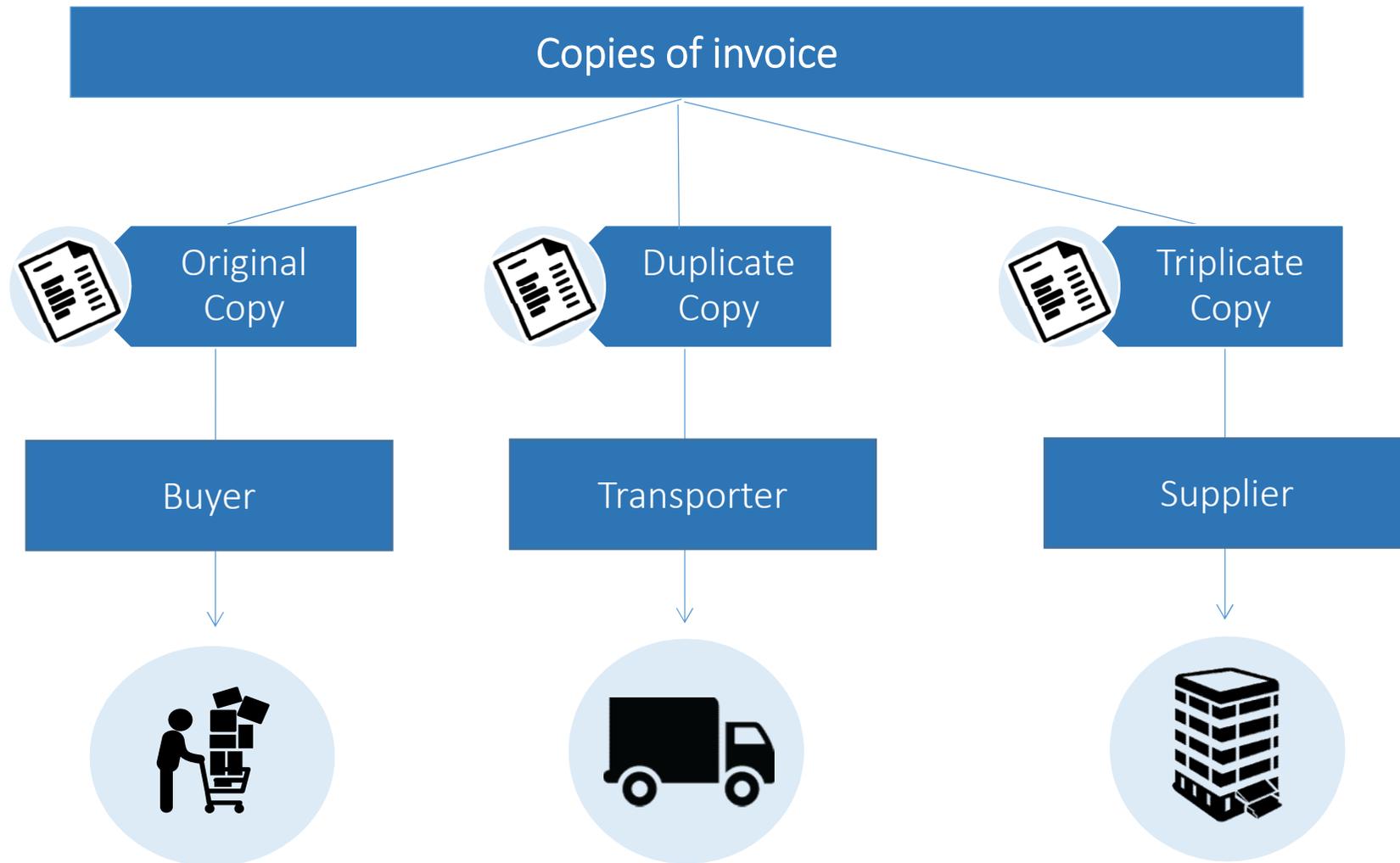
Declaration:

Signature:

Name of the Signatory:

Designation / Status

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
<p>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</p>	<p>Manufacturer can send goods to job worker without payment of GST on following conditions –</p> <ul style="list-style-type: none">• 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)

Transitional provisions

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

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