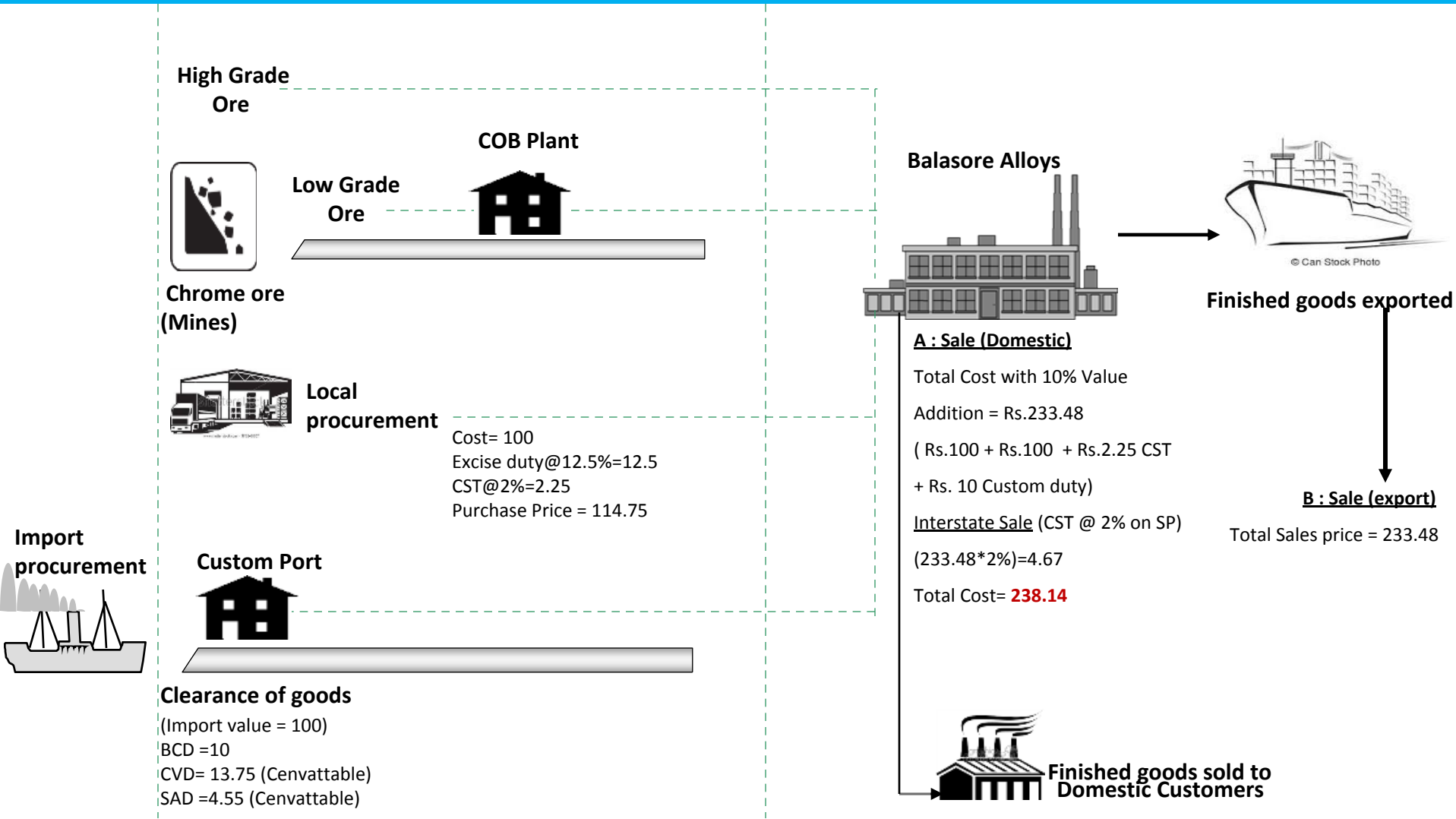

GOODS AND SERVICES TAX

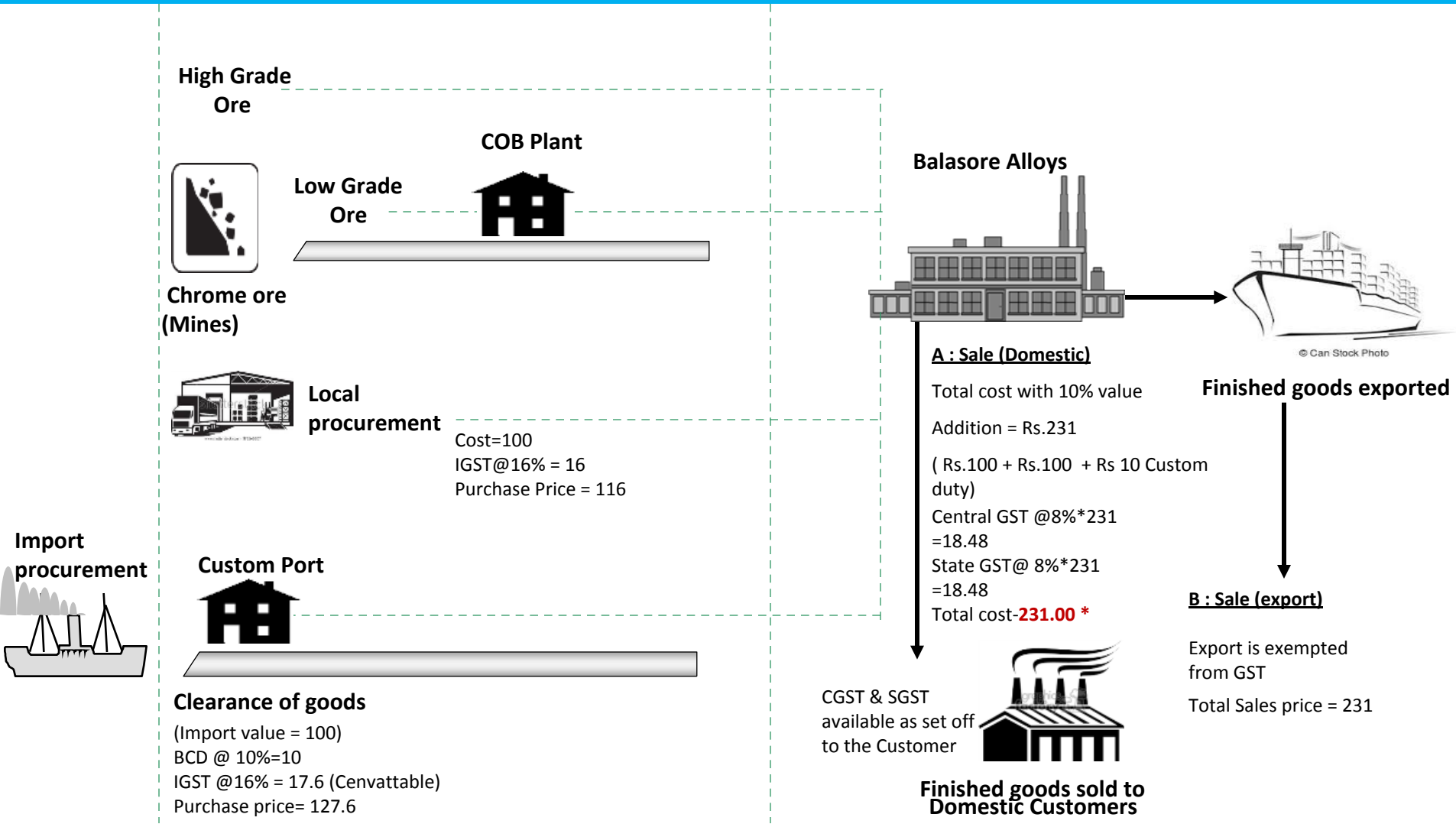
IMPACT ANALYSIS



PROCESS MAP-CURRENT REGIME

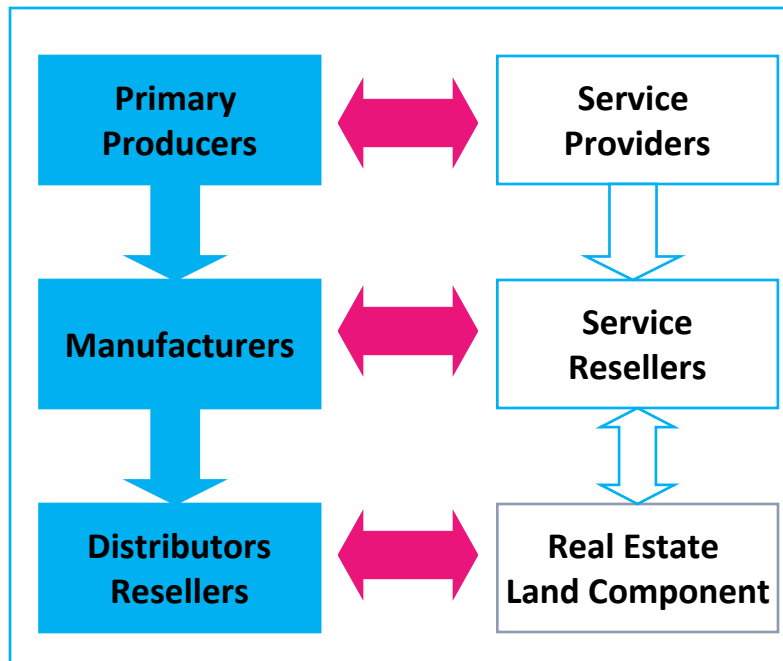


PROCESS MAP-GST REGIME

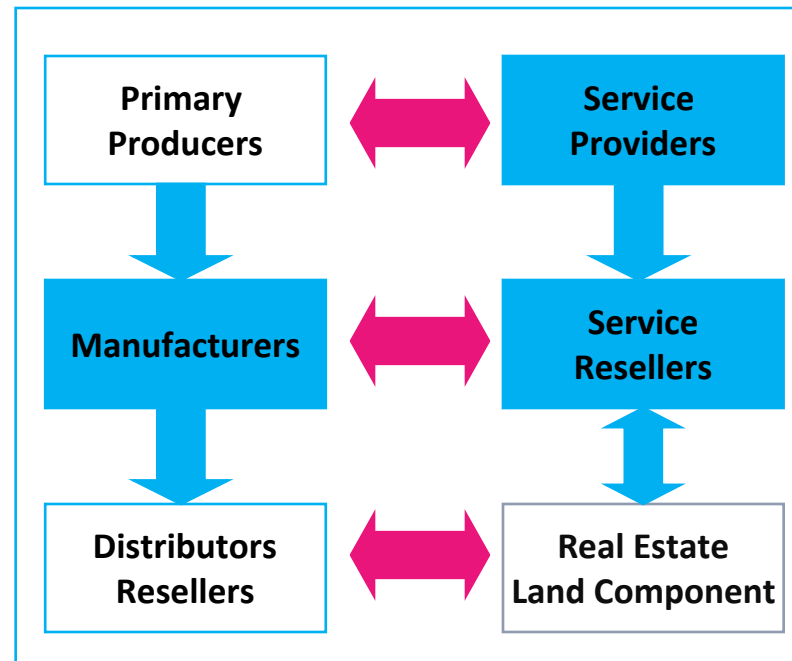


CURRENT PATCHWORK

State VAT



CENVAT/Service Tax



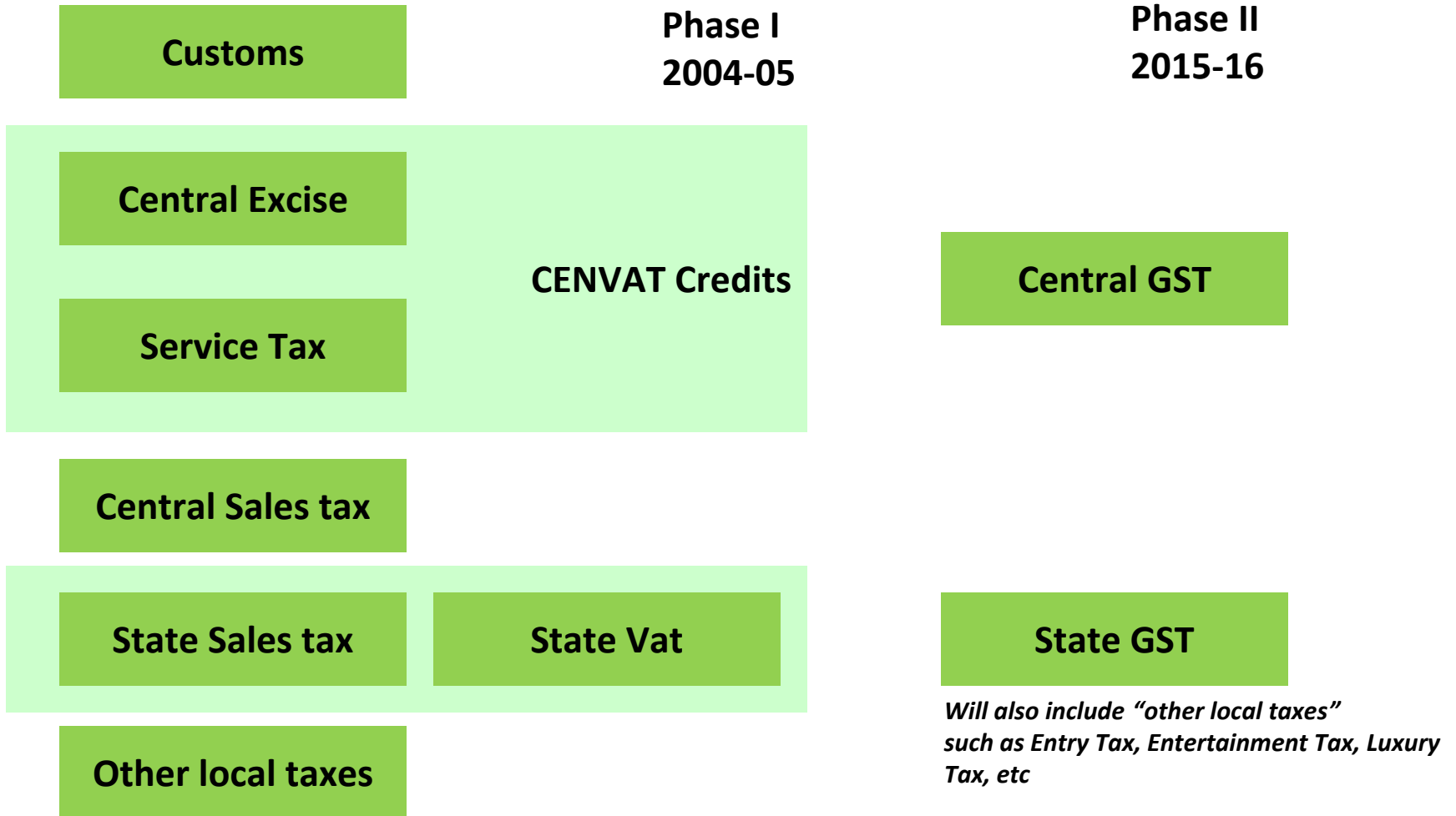
The Constitution 115th Amendment Bill 2011 introduced in March, 2011.

The Constitution 122nd Amendment Bill 2014 introduced in Dec, 2014.

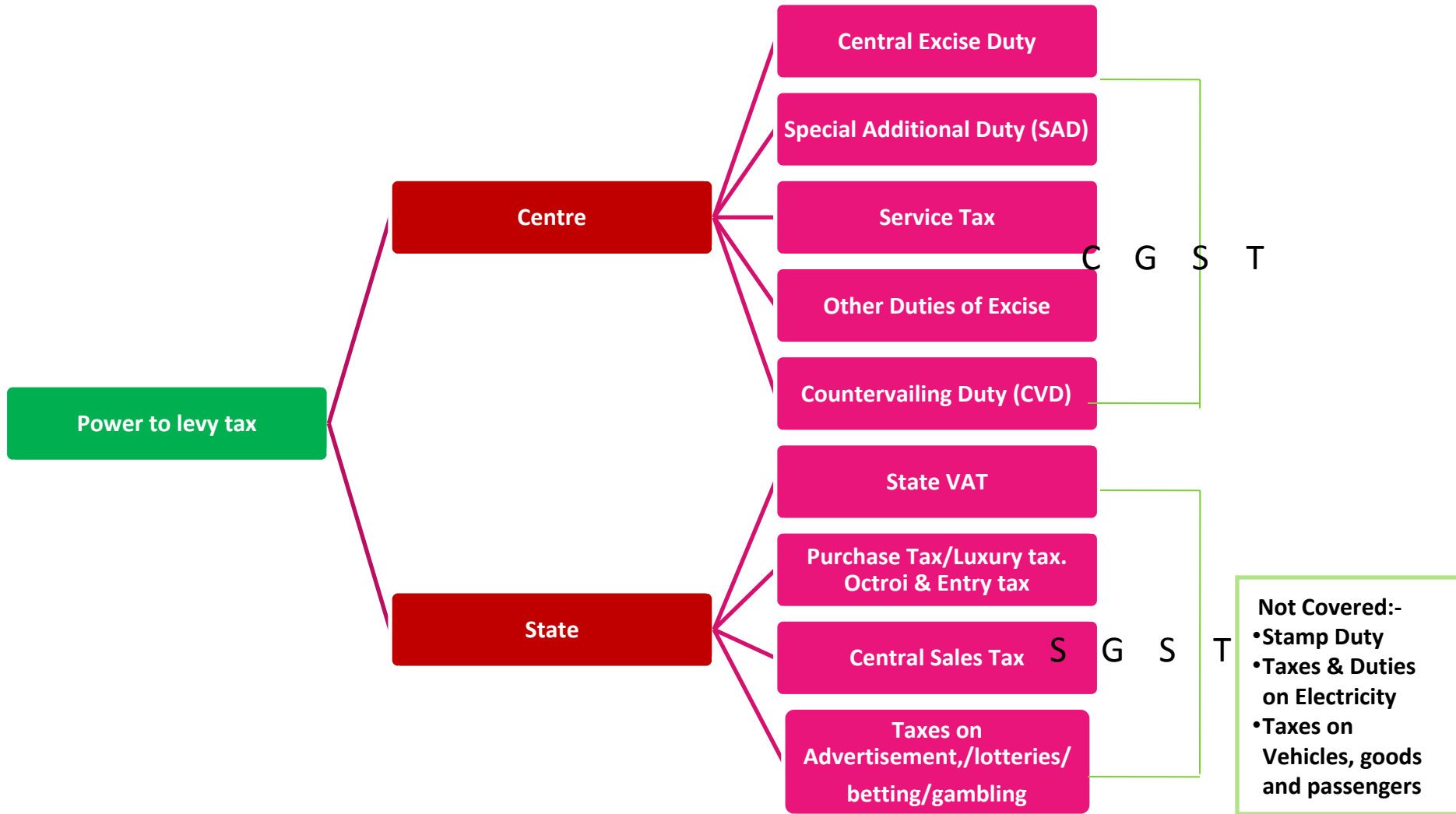
Discussion report by Joint committee on Business Processes of GST, 2015.

Model GST Law by the empowered Committee introduced in June, 2016.

CURRENT PATCHWORK



TAXES SUBSUMED



Central Levy (Entry 84, List 1, Union List)

- ▶ Petroleum
- ▶ Tobacco & tobacco products

State Levy (Entry 54, List 1, State List)

- ▶ Alcohol for human consumption
- ▶ Petroleum

Not within GST framework

- ▶ Land Component in Real State
- ▶ Power & Energy

PROPOSED REVENUE NEUTRAL RATE

Particulars	RNR (Revenue Neutral Rate)	Rate on precious metals	"Low" rate (goods)	"Standard" rate (goods and services)	"High/Demerit" rate or Non-GST excise (goods)
Preferred	15	6	12	16.9	40
		4		17.3	
		2		17.7	
Alternative	15.5	6	12	18.0	40
		4		18.4	
		2		18.9	

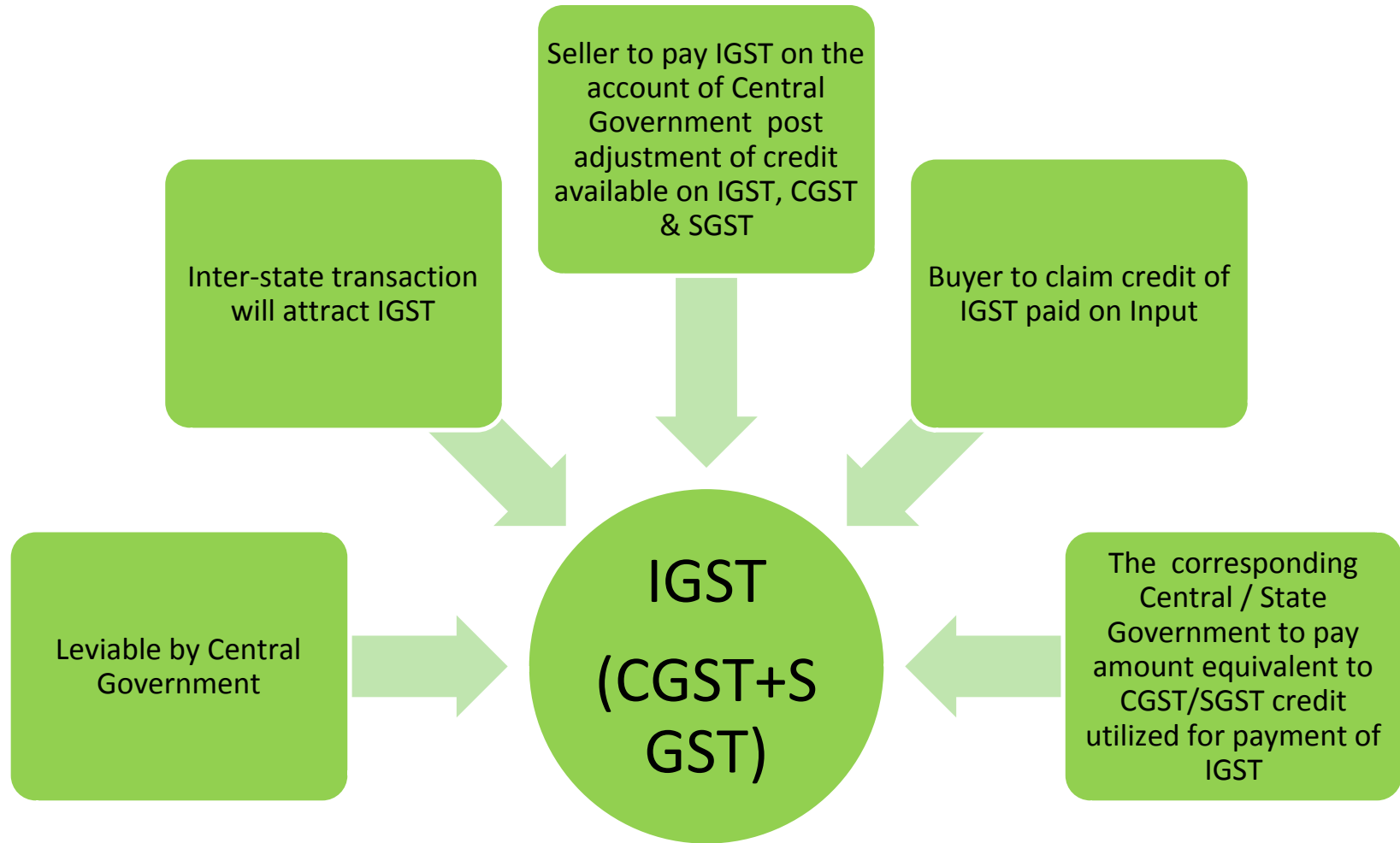
Electricity, Petroleum, Alcohol & real estate excluded while computing RNR

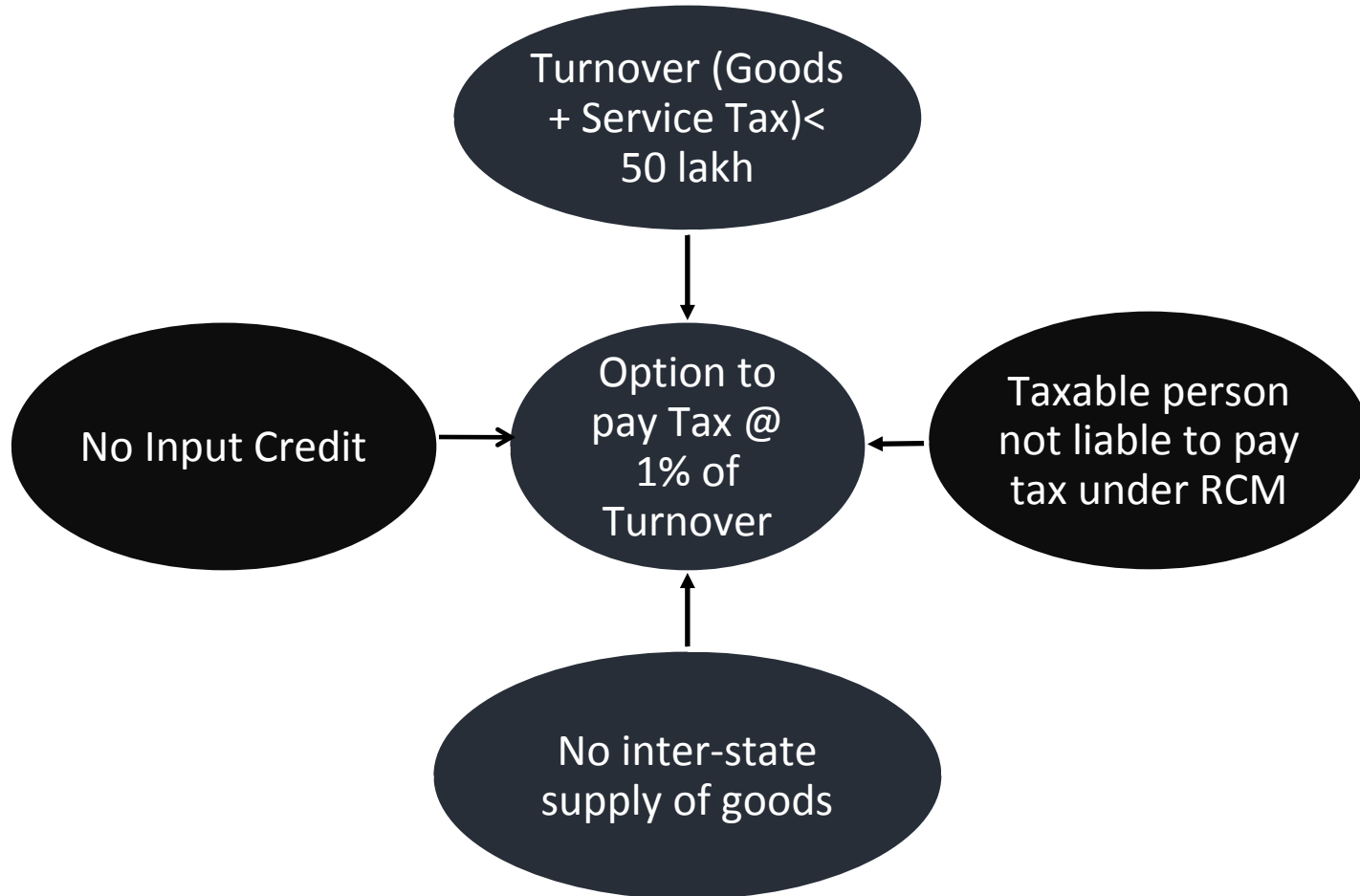
THRESHOLDS LIMIT

Particulars	Current				
	Goods	Services	Compounding	Goods plus Services	Compounding
Centre	Turnover to the extent of Rs.150 lakhs	Service value to the extent of Rs.10 lakhs	NA	* Rs. 9/4lakh for goods and services combined	Turnover to the extent of Rs.50 lakhs
State	5-10 lakh	NA	permissible in Some of the States for some items and at varying rates	*Rs.9/4 lakh for goods and services combined	Turnover to the extent of Rs.50 lakhs

*Turnover for north East state is Rs. 4 Lakhs

* Export & Exempted goods is included in threshold limit.





TAXABLE EVENT IN GST REGIME

- Taxable event in GST is **supply** of Goods & Services.
- Hence, the present taxable events of manufacture, for central excise, and for sale of goods for State VAT, will have no relevance.
- CGST/SGST would be chargeable only when the supplier and the recipient are both located within the State.
- Inter state Supply of goods and services will attract IGST.

GST- SUPPLY-MEANING & SCOPE

- All forms of supply of goods and/or service that includes the following which are made or agreed to be made for a consideration in the course or furtherance of business.
 - Sale
 - Transfer
 - Barter
 - Exchange
 - Licence
 - Rental
 - Lease
 - Disposal

- Importation of service, whether or not for a consideration and whether or not in the course or furtherance of business.

- Any supply specified in Schedule I, made or agreed to be made **without a consideration**.

DEEMED SUPPLY

- In the GST regime following transaction **without consideration** shall also be considered as supply i.e. **deemed supply**:
 - Permanent transfer/disposal of business assets.
 - Temporary use of business assets for private or non- business use.
 - Services utilised for private or non-business use.
 - Assets retained after deregistration.
 - Goods/ services supplied to taxable or non-taxable person in the course of business.

- Goods supplied to **job work** is **exception** to deemed supply.

- Accordingly goods supplied on **sample** basis will be covered under GST as deemed supply.

SUPPLY – Vs – SERVICE

TRANSFER

- Transfer of title in goods is a supply of goods
- Transfer of goods, right in goods without transfer of title is a supply of services
- Transfer of title in goods at a future date upon payment of full consideration (i.e finance transaction) is a supply of goods.

LAND AND BUILDING

- Lease, tenancy, easement, licence to occupy land is a supply of services.

JOB WORK

- Any treatment or process which is being applied to another person's goods is not a supply of services

SUPPLY FROM MINES TO FACTORY PREMISES

- BAL has a captive mines wherein chrome ore fines is extracted.
- Two types of chrome ore are extracted from mines:
 - High grade chrome ore fines.
 - Low grade chrome ore fines.
- High grade chrome ore fines directly sent to the factory premises.
- Low grade ores are not ready to put into the furnace for manufacture of HCFC, so these ores are sent to the COB plant for beneficiation and thereafter removed to the factory.
- Under GST the concept of premises is not there but like VAT it is an entity concept. However chrome ore fines transferred from mines to COB plant and COB plant to factory is not a supply since the supply is taking place within state of Orissa.

Central Excise

Point of Taxation for a manufacturer under Central Excise Act:

➤ Removal of goods from factory.

The removal may be for:

- Sale
- Transfer to depot
- Captive consumption
- Transfer to another unit
- Free distribution

This indicates that levy of Central Excise duty will trigger at the point when goods are removed from factory of the manufacturer.

GST

Point of Taxation for a supplier under GST will trigger at earlier of the following event:

➤ Date of issue of Invoice

➤ Date of removal of goods from factory

➤ Date on which goods are made available to the recipient

➤ Date of Receipt of payment

➤ Date on which recipient shows receipt of goods in his books of account

Service Tax

Point of Taxation for a Service provider under Service Tax is earlier of the following:

- Date of issue of Invoice issued for service provided or to be provided
- Date of completion of service, if invoice is not issued within prescribed time period
- Date of receipt of payment, if received before issue of invoice or completion of service

GST

Point of Taxation for a supplier under GST will earlier of the following event:

- Date of issuance of Invoice
- Date of receipt of payment,
- Date of completion of service (If invoice is not issued within prescribed time period)
- Date on which recipient reflects the receipt of services in his books of accounts.

Service Tax (Reverse Charge Mechanism)

Point of Taxation for a Service receiver under purview of Service Tax in case of reverse charge (RCM):

- In case advance payment is made, date of advance payment

- In case payment is made, within 6 months of invoice date, date of payment

- In case payment is made, after 6 months of invoice date:
 - Date of Invoice , if such is issued within 30 days from completion of provision of service
 - Date of completion of provision of service , if invoice is not issued within 30 days from completion of provision of service

GST

Point of Taxation for reverse charge under GST Act has been made & will be earlier of the following event:

- Date of receipt of services

- Date on which the payment is made

- Date of receipt of invoice

- Date of debit in the books of accounts.

Point of Taxation under the current vis-à-vis GST regime



Central Sales Tax

Central sales tax (CST) is levied on inter-state a sales of goods.

The rate of CST is 2% or VAT rate, which ever is lower if Form C is duly submitted.

GST

IGST shall be charged on all Goods and Services under a single banner. IGST is a compound of CGST and SGST.

The rate of IGST, in case of a assessee, will preferably stands at the rate of 16%.

The rate of tax in case of GST will be higher than CST, although credit of tax will be available to the assessee. This will adversely impact working capital of the Company as rate of tax will be high.

State VAT

VAT is intended to tax every stage of sale where some value is added to raw materials.

Thus Point of taxation in case of state VAT will trigger at every stage of sale where some value is added to raw materials

GST

Point of Taxation for a supplier under GST will trigger at earlier of the following event:

- Date of issue of Invoice
- Date of removal of goods from factory
- Date on which goods are made available to the recipient
- Date of Receipt of payment
- Date on which recipient shows receipt of goods in his books of account

Under the provision of GST, the computation of customs duty will have two components, i.e. Basic customs duty and IGST

- Basic Customs duty will not be subsumed under GST system.
- Countervailing duties (CVD) and Special Additional Duty (SAD) will be subsumed in IGST
- The import of services will be subject to Central GST and State GST on a reverse charge mechanism

Exports will be zero rated, exporters of goods and services need not pay GST on their exports

VALUE OF TAXABLE SUPPLY

- Value of a supply of goods and/or service shall be the transaction value i.e., price actually paid or payable where:-
 - Supplier and recipient are unrelated and
 - Price is the sole consideration

- Inclusions in Transaction Value **if not already included:**
 - Amount **incurred by the recipient** on behalf of the **supplier**
 - Free of Charge Supplies **provided by the recipient** directly or indirectly
 - **Royalties** and **License fee** payable by the recipient as a **condition of such supply**
 - Any **taxes, duties, fee** and **charges** other than those under SCGST Act, CGST Act or IGST Act
 - **Incidental expenses** or **any other amount** charged by the supplier for anything done on or before delivery of the supply
 - **Subsidies** linked to the supply
 - **Any discount** or **incentive** that may be allowed **after supply** has been affected.

VALUE OF TAXABLE SUPPLY

- Exclusions in Transaction Value:
 - Any **discount** allowed **on or before the time of supply** if allowed in normal trade practice and duly recorded in the invoice
 - Value of Supply of goods involving B2C transaction shall be made at RSP less GST taxes.
- Following situation where Transaction value will not apply, valuation shall be done as per rules:
 - The consideration is partly in money.
 - Supplier and recipient are related.
 - Transaction value is reason to doubt.
 - Transaction done by pure agent, money changer, insurer, air travel agent and distributor or selling agent of lottery.
 - Such other supply as may be notified by the Central or State Government.

JOB WORK IN GST REGIME

➤ Goods can be sent to a job worker for job work subject to the approval of the **Commissioner** by way of special order and subject to conditions as may be specified.

➤ The goods sent for job-work may be sent to another job worker and after completion of job-work, the Commissioner may allow to

- Bring back such goods to any place of business of the principal without payment of tax for supply there from within India or with/without payment of taxes for export
- Supply such goods from place of business of a job worker on payment of tax within India or with/without payment of taxes for export

➤ It has also been provided that in order to supply goods from the premises of job worker, the principal has to declare the place of business of job worker as his additional place of business unless the job worker is himself registered in terms of Section 19 or the principal is engaged in supply of goods as may be notified.

GST- INPUT TAX CREDIT- MANNER OF SET OFF



INPUT TAX CREDIT

- Input tax credit of inputs, capital goods and input services attributable to **his taxable business supplies** will be allowed.
- No input tax credit will be allowed **after the expiry of one year** from the date of issue of tax invoice.
- No input tax credit will be allowed after the filing of following return, whichever is earlier :
 - Return for the month of September, following the end of financial year to which such invoice pertains, or
 - Relevant annual return.
- No input tax credit will be allowed for the goods / services used for private use or personal use.
- No input tax credit will be allowed for the non-taxable supplies including exempt supplies.

INPUT TAX CREDIT

- **Input tax credit will be allowed for zero-rated supplies.**
- **No input tax credit will be allowed on capital goods if depreciation is claimed on the tax component of the cost of capital goods.**
- In case of supply of capital goods on which credit has been taken, the registered taxable person will be required to pay an amount equal to the higher of the following :
 - Input tax credit taken on the said capital goods reduced by the percentage points as may be specified; or
 - Tax on the transaction value of such capital goods.

INPUT TAX CREDIT

- **No input tax credit is allowed in respect of the following goods and/or services :**
 - Motor vehicles, except when supplied in usual course of business or used for providing taxable services of transportation of passengers or goods or for imparting training on motor driving skills.
 - primarily for personal use or consumption of any employee.
 - Acquired by the principal in the execution of works contract of immovable property, other than plant and machinery.
 - Acquired by the principal which are used in the construction of immovable property, other than plant and machinery.
 - On which tax has been paid under Composition levy scheme.
 - Used for private or personal consumption, to the extent they are so consumed.

INPUT TAX CREDIT

- Input tax credit is allowed to registered taxable person on the fulfillment of the following conditions :
- He is in possession of a tax invoice, debit note, or supplementary invoice.
- He has received the goods and/or services.
- **The tax has been actually paid to the credit of the appropriate Government, either in cash or through utilization of input tax credit.**
- He has furnished the return.
- In case goods are received in installments against a single invoice, the credit will be taken upon receipt of the last installments.
- In case of merger, amalgamation, etc the amalgamated company can carry forward the unutilized input tax credit of the amalgamating company.

INPUT TAX CREDIT

- In GST law except with respect to negative list such as construction, employee etc. most credit in respect of business shall be allowed. Further the criteria for allowance of credit shall be refined in the rules which are not yet being published.
- On publication of above rules credit allowed under both CGST/SGST needs to be analyzed.
- Interstate purchase will attract IGST & approximate rate of IGST is expected to be around 16%-18 % in comparison to present CST rate of 2%. This will entail an increase in working capital requirement thus will increase the cost of financing in the GST regime.

TRANSITIONAL PROVISIONS-TRANSFER OF CENVAT/ITC OF VAT

- Cenvat credit as per Central Excise and Service Tax Return for the period immediately preceding the appointed date shall be transferred to their electronic input tax credit ledger.
- Cenvat Credit shall be admissible only if it is eligible as input tax credit under GST law.
- Credit recovered as a result of any proceeding instituted under earlier law shall be recovered as an arrear of tax under GST law.
- Similar provision will apply to VAT as per SGST law.

- Unavailed cenvat credit of capital goods not carried forward under the earlier law shall be allowed as input tax credit under GST law.
- Unavailed cenvat credit means the amount that remains after subtracting the amount of cenvat credit already availed in respect of capital goods by the taxable person under the earlier law from the aggregate amount of cenvat credit to which the said person was entitled in respect of the said capital goods under the earlier law.
- The amount of credit shall be admissible only if it is eligible as input tax credit under GST law.
- Amount of credit recovered as a result of any proceeding instituted under earlier law shall be recovered as an arrear of tax under GST law.
- This provision is also applicable to unavailed input tax credit on capital goods under VAT law as per SGST law.

TRANSITIONAL PROVISIONS

- If a contract have been entered prior to enactment of GST Law.
- And their is upward or downward price revision of goods cleared or service rendered on or after the day of enactment of GST Law, the taxable person needs to issue a supplementary invoice/debit note and invoice /credit note respectively within 30 days of the price revision.
- The credit note/debit note/invoice issued as mentioned above will be deemed to be issued under the GST Act.
- In case of downward revision, reduction of tax liability is subject to reduction of input tax credit by the recipient.

TRANSITIONAL PROVISIONS

ISD credit can be distributed even after appointed day for the invoices dated prior to appointed day but received after appointed day.

When goods are removed on approval basis and such goods are returned within the period of six months from the appointed date or extended period then no tax is payable. The same applies in case of return of goods.

No TDS is required to be deducted when invoice is raised prior to the appointed day and payment is received subsequent to appointed day.

STOCK TRANSFER IN GST REGIME

➤The charging section of the IGST Act provides for the levy of IGST on the supply of goods made in the course of inter-state trade or commerce. Further, as per the Model GST Law, the term 'supply' includes transactions between a principal and an agent. Schedule 1 of the Model GST Law deems any supply between two persons without consideration as a 'supply'.

➤It is expected that there would be State-wise registrations for CGST, SGST and IGST. It seems that each registration in a State would be treated as different persons, **though presently there is no enabling provision in the Model law for the same** .

➤Based on the above provisions, stock transfers outside the State will be subject to GST. It is unclear whether stock transfers within the State would also be subject to GST. It is to be noted that the GST framework was intended to tax only inter-state stock transfers, and not intra-state stock transfers.

➤Additionally, with respect to valuation of stock transfers, the GST Valuation Rules provides that the value of goods shall be the transaction value. Transaction value is the price paid or payable for the supply of goods. As stock transfers do not have a consideration, this provision cannot be implemented.

STOCK TRANSFER IN GST REGIME

➤ However, the GST Valuation Rules provides that if the transaction value is not available, then the transaction value of goods of like kind and quality should be considered. Further, if goods of like kind and quality are not available, then the computed value i.e. the cost of production, general expenses and profit should be adopted.

➤ Hence, for stock transfers, where a supply for consideration of goods of like kind and quality is available, such transaction value is to be adopted; and if there is no such supply, then the cost of sales would have to be adopted.

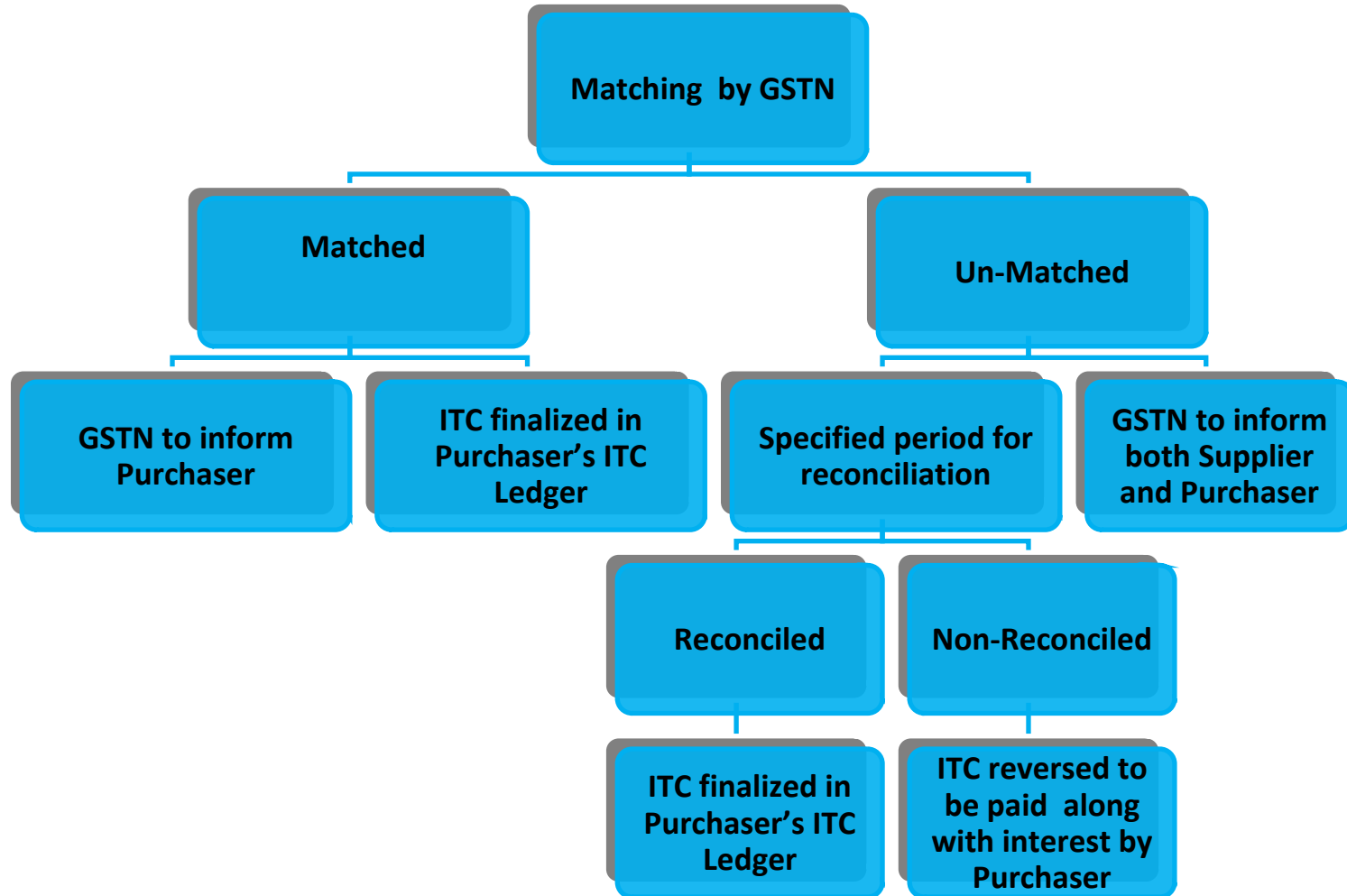
REGISTRATION SCENARIO UNDER GST REGIME

- Presently the company is registered under Central Excise, Service Tax, VAT, CST, Entry Tax.
- Provisional Registration shall be done on the appointed date for the existing taxpayers.
- Furnishing additional set of information within 6 months from the date of provisional registration.
- On submission of all information, provisional registration shall be made final.
- Registration of Importer Exporter Code obtained under the Foreign Trade will continued and shall be governed by Foreign trade Policy.
- ISD under current regime, have to apply fresh.

RETURNS UNDER GST REGIME

SI No.	Return Name	Return For	Time for filing return
1	GSTR1	Outward Supply	10 th Day of succeeding month
2	GSTR2	Inward Supply	15 th Day of succeeding month
3	GSTR3	Monthly Return for both inward & outward Supply	20 th Day of succeeding month
4	GSTR6	Return for Input Service Distributor (ISD)	13 th Day of succeeding month
5	GSTR7	Return For TDS	10 th Day of succeeding month
6	GSTR8	Annual return	31 st December of next Financial Year.
7	NA	Final return	3 months of the date of cancellation of registration or date of cancellation order, whichever is later

GST RETURNS-PROCESS FLOW (MATCHING CONCEPT)



REFUND OF TAX UNDER GST REGIME

- Refund under GST can be claimed within a period of 2 years from relevant date unlike 1 year in current Excise Law.
- However if GST is paid under protest, there is no time limit.
- Refund will be applicable in case of exports of goods/services having inverted duty structure.
- Refund application should accompany prescribed documents inter-alia, tax invoice, BRC, evidence of tax not collected from recipient. However, if amount is less than Rs 5,00,000/- then self declaration would suffice.
- In case of refund application arising out of exports, 80% of the refund claim excluding amount of input tax credit provisionally accepted is to be paid on provisional basis and remaining 20% after due verification of documents within 90 days of the receipt of application.
- If refund is not made within 3 months from the date of receipt of application, interest will be payable at the prescribed rate from the date of expiry of due date till the day on which refund is made.

ACCOUNTS & RECORDS

- Every Registered person is required to maintain the accounts of:
 - Production or manufacture of goods,
 - Inward or outward supply of goods and/or services,
 - Stock of goods,
 - Input tax credit availed,
 - Output tax payable and paid, and
 - Such other particulars as may be prescribed.

ACCOUNTS & RECORDS

- The accounts are to be kept at principal place of business, as mentioned in the registration certificate.

- In case more than one place of business is specified in the registration certificate, the accounts relating to each place of business shall be kept at such places of business concerned.

- Option to maintain accounts in electronic form is also available.

- Audit of accounts is mandatory to be carried by a Chartered Accountant or a Cost Accountant when total turnover crosses the prescribed limit.

ACCOUNTS & RECORDS

- Such accounts and records are to be maintained till the expiry of 60 months from the last date of filing Annual Return for the year pertaining to such accounts and records.

- In case, the taxable person is a party to an appeal or revision or any other proceeding, then such accounts and records are to be maintained for the later of the following period :
 - One year after the final disposal of such appeal or revision or proceeding, or
 - Sixty months from the last date of filing of Annual Return for the year pertaining to such accounts and records.

GST- COMPLIANCE RATING

- GST compliance rating score based on the record of compliance.
- The GST compliance rating score shall be determined on the basis of parameters to be prescribed.
- The GST compliance rating score shall be updated and intimated at periodic intervals and also placed in the public domain in the manner prescribed.



 **THANK
YOU**