

GST - Discussion on specific issues

Capital Market Operations



CA Vaibhav Jain

vaibhav@vinodjainca.com | 97113 10004

Vinod Kumar
& ASSOCIATES
Chartered Accountants



GST Planning & Compliance

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& ASSOCIATES
Chartered Accountants

S. No.	GST Planning & Compliance
1	Identifying Supplies covered under GST
2	Registration Requirements
3	Classification of supplies
4	Identifying HSN/ SAC Codes with GST Rates
5	Identifying Place of Supply (Inter State/ Intra State/ Export/ Import)
6	Identifying Invoicing Requirements
7	Input Tax Credit (Availability & Utilisation)
8	Identify GST liability on specified inward supplier under Reverse Charge
9	Accounting/ Transaction Record requirements under GST
10	Software Installation/ Upgradation Requirements
11	Valuations for GST
12	Payment of Tax
13	Transition of available/ eligible credit from present regime to GST regime
14	Returns
15	GST Audit

How do we do Transition?



Migration of Existing Assesseees

Carry Forward of Unutilized/ Unavailed Tax Credits

Taxability on Goods Returned after Appointed Date

Refund

Pending Proceedings

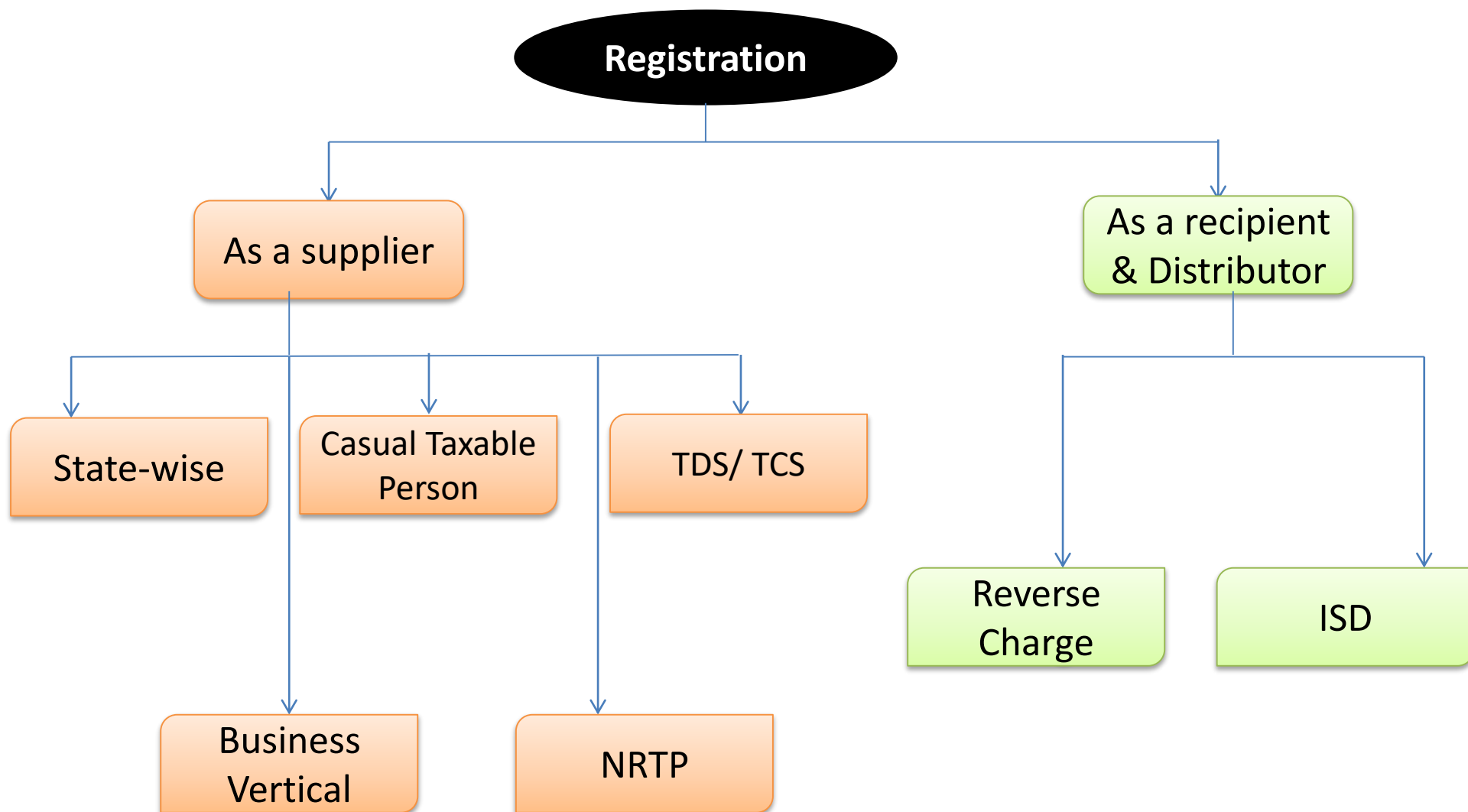
Treatment of long term construction/ works contracts

Treatment for prices revision- upwards or downwards after appointed date

Identified Issues

- Decentralization in registration
- Working Capital Management
- Cost effective management
- Changes in IT infrastructure and system
- Changes in Centralized purchase order system
- Identification or selection of Vendors
- Compliance Challenges

When does Law require registration?



Decentralization in registration

Centralised Registration:

In the Service tax scenario, the Stock Broker company were taking their registration on the centralised basis and added their branches in centralised registration. These company basically billing their client from its centralised office for which they had taken centralised registration.

In the GST Regime, the concept of centralised Registration is not present. Therefore, the stock broker company has to take their registration in each and state where they are having their dealing office or branch office.

Place of Supply:

In the existing regime, Place of supply is not so much relevant for that stock broking company if stock brokering services has been rendered to person resident in India.

In GST regime, Place of supply plays a vital role in determining the transaction whether it is Intra-state transaction or Inter-state transaction. Accordingly, SGST/CGST/IGST shall apply.

CGST Law-Registration Requirement

- Any person who makes taxable supply of goods and/or services, and whose **Aggregate turnover** in a financial year exceeds Rs. 20 lakhs / **Rs. 10 Lakhs** (in case of special category states).
- Every person who, on the day immediately preceding the appointed day, is registered or holds a licence under an existing law, shall be liable to be registered under this Act with effect from the appointed day.
- The following persons shall not be liable to registration, namely:-
 - (a) any person engaged exclusively in the business of supplying goods or services or both that are **not liable to tax or wholly exempt** from tax under this Act or under the Integrated Goods and Services Tax Act;
 - (b) **an agriculturist**, to the extent of supply of produce out of cultivation of land.

CGST Law-Mandatory Registration

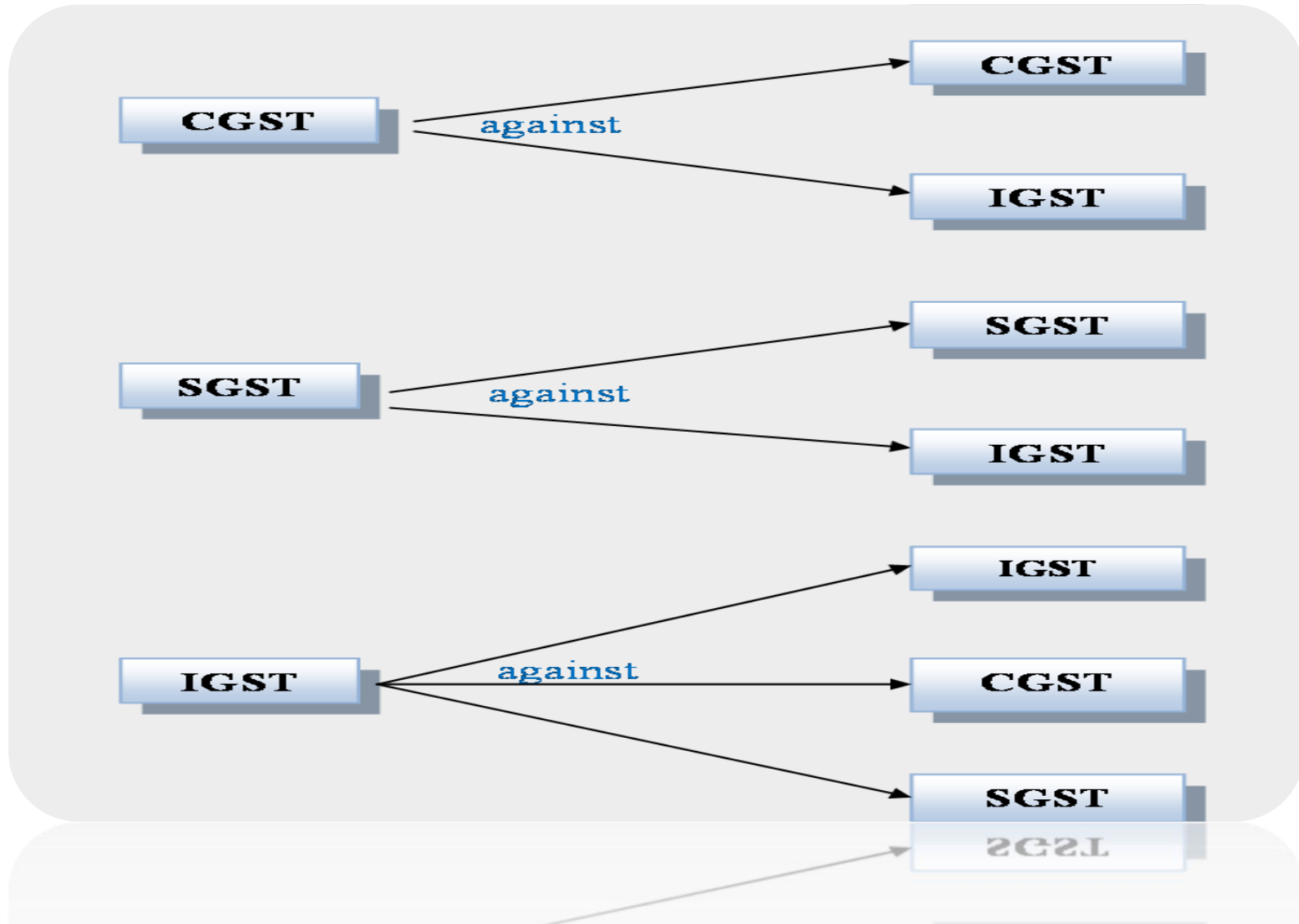
- **Mandatory Registration Required, irrespective of threshold limit:**
 - Inter-State Taxable Supplies;
 - Casual taxable persons making taxable supply;
 - Persons who are required to pay tax under reverse charge;
 - Non-resident taxable persons making taxable supply;
 - persons who are required to deduct tax under section 51, whether or not separately registered under this Act;
 - Input Service Distributor, whether or not separately registered under this Act;
 - Every electronic commerce operator;
 - persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise;

CGST Law-Mandatory Registration

- **Mandatory Registration Required, irrespective of threshold limit:**
 - persons who make taxable supply of goods or services or both on behalf of other taxable persons **whether as an agent or otherwise;**
 - every person supplying **online information and database access or retrieval services** *(OIDAR) from a place outside India to a person in India*, other than a registered person;
 - As Notified by the Central Government

Input Tax Credit

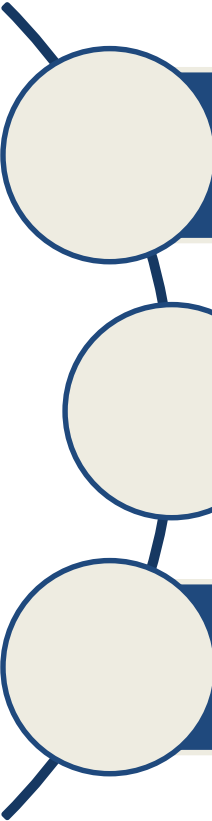
Credit Mechanism



Changes in IT infrastructure and system

- Formats to be prepared as per Rules for:-
 - Outward Supply – Retail Invoice (Tax Invoice in few cases)
 - Inward Supply
 - Receipt Voucher
 - Refund Voucher
 - Supplementary Invoice
 - Debit / Credit Note
 - Delivery Challan
- Configuration of Service Accounting Codes in ERP system for Output and HSN & SAC for Inputs & Capital Goods

Changes in IT infrastructure and system



Understanding limits of existing software

Requirement of New Software – GSP/ASP

Upgrading the existing software

Upgrading the existing software



Accounting/ Transaction Record requirements under GST	• Recording • Classification • Summarising • Analysing • Reporting
Vendor Master	• Location of Supplier • HSN / SAC Code • GSTIN No. (Complex)
Client Master	• Location of Customer • Location of Supplier • Our Relevant GSTIN • GSTIN of Customer

Changes in Centralized Purchase Order System

In the GST Regime, there is concept of

- outward and inward supply correlation, which states that input tax credit on goods and/or services will be allowed only when there is matching between the outward supply of supplier and inward supply of buyer.
- In case, where figures of outward supply and inward supply are not in agreement with each other, then input tax credit will not be allowed to the buyer. So, it requires proper co-ordination with supplier and buyer.
- In case if you will purchase any goods and/or services from unregistered supplier, then buyer shall have to pay the GST on 'value of procurement of goods/services from unregistered supplier' under reverse charge mechanism. Therefore, Sound relationship between supplier and buyer become important under the GST

Changes in Centralized purchase order system

In the Present Regime, the company is issuing their purchase order from their centralised office and supplier is billing to the company on its centralised office address. Company is accumulating their Cenvat credit in their centralised office.

In the GST Regime, Centralised procurement system has been disturbed.

For example:

Company has issued a purchase order to Haryana based supplier from its centralised office Delhi. In this purchase order, 'Bill to address' is Delhi and 'Ship to address' is address of branch which is located at Haryana.

In that Situation, supplier will billed to Delhi office and charge IGST on procurement value, and Delhi office shall also billed to Haryana Branch with the same amount and charge IGST on it.



Returns

SN	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
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 /Monthly
6	GSTR 6	Return for Input Service Distributor (ISD)	13th of the next month
7	GSTR 7	Return for Tax Deducted at Source	10th of the next month
8	GSTR 8	Statement for E-commerce operators	10 th of the next month
9	GSTR 9	Annual Return	By 31st December of next FY

Additional Audits under GST

- Compulsory Audit by Chartered Accountants

- Audit by Tax Authorities

- Special Audit by CA's appointed by Departmental Authorities

Valuations under GST

Supplies without Consideration (FOC)

Transactions between Related / Distinct Persons

Supplies for Consideration

IMPORTANT ASPECTS

Section 24 provides that the category of persons are required to have compulsory registration without any threshold limit under GST, under which point no. vii is reproduced as follows;

(vii) Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an **agent** or otherwise;

Whereas Section 2 (5) have defined agent as follows;

“agent” means a person, including a factor, broker, commission agent, arhatia, del credere agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another;

Query 1: As per our understanding of the definition of agent it seems that our Sub-broker and /or Authorised Persons are covered under the definition of agent. So whether they are required to have compulsory registration under the GST Act?

Response: The Authorised Person is not an agent as per definition of Section 2 (5) as he does not supply services on behalf of another. The supply of Services is done by main broker directly as he raises the invoice, contract notes, makes and receives payments directly from Client. Secondly, AP is also not covered by Section 24 (vii) as he does not supply services on behalf of another.

It may also be noted that The Supply of Services by AP to Main Broker is Principal to Principal transaction and hence if AP raises an invoice to branch of main broker within the state in which he is located, he may not get registered till he reaches the limits specified in Section 22 (20 Lacs / 10 Lacs).

Query 2: If the Sub-broker and /or Authorised Persons issue invoice as Intrastate, whether they are exempt to have compulsory registration? (as per explanation of query 1) If they did not take registration under the Act what are the obligations on our part? Whether we have to deposit the tax under Reverse Charge mechanism and take Input tax Credit?

Response: The Supply of Services by AP to Main Broker is Principal to Principal transaction and hence if AP raises an invoice to branch of main broker within the state in which he is located, he may not get registered till he reaches the limits specified in Section 22 (20 Lacs / 10 Lacs).

The non-registration of AP is not a non-compliance of Main Broker under GST. Tax under Reverse Charge is payable for payments to unregistered persons and also it is mandatory to generate purchase invoice, hence the same will have to be done for AP. The Input Credit of Tax Paid Under Reverse Charge shall be available in the next month.

Query 3: As per the reverse charge schedule given the sub-broker/authorized person/stock broking service is not given under the RCM, so why we have to deposit tax under RCM on Sub-broker /APs?

Tax under Reverse Charge is payable for payments to unregistered persons apart from the list of specified payments, and also it is mandatory to generate purchase invoice, hence the same will have to be done for AP. The Input Credit of Tax Paid Under Reverse Charge shall be available in the next month.

Query 4: What transactions are covered under RCM other than the schedule provided in notification (we have not able to find final Gazette list) ? Should we follow RCM schedule for services for depositing reverse charge and how the threshold limit of Rs. 5000/- per day is applicable and on which cases? (In our view we have to deposit reverse charge only on the services mentioned in RCM list and other than that we will not deposit anything else in reverse charge so what is the use of this Rs 5000 limit)

The Limit of Rs. 5,000 may be utilised for petty expenses done on day to day basis. This has been done to avoid unnecessary hassle. Also this limit is applied on payments made in a particular day and not on accruals.

Situations

- Own Office:
 - 4 States
 - 1 State Marketing Office
- Authorised Persons
 - 10 States (including 5 above)
- Orders
 - Punched at Own Office
 - Punched in AP Location
- Register all States
 - One Principal Place of Business
 - All other Own Offices and AP Location as APOB

Place of raising bills & Contract Notes is not of primary importance. The actual provision of service as a broker shall be critical for place of supply. Order placement and execution of contracts are to be made from where the counters are located. Hence, Register in GST in all states where AP is Located

Situations

- Interest
 - Charged from Client
 - Paid to Client
- Advance Payment
 - Credit Balance of Client A/c ?
- Inter-Office Billing
 - HO to Branch
 - Common Expenses
 - Internet
 - Online Trading
 - Accounting
 - Management Costs
 - Branch to HO
 - Possible if Situations Exist
 - ISD – Input Service Distributor

Situations

- Limit of 2.5 Lacs for Disclosure of Invoices in Return
 - How to Apply
- Invoice
 - To be issued Separately ?
- GST
 - Staff Reimbursement
 - Reverse Charge
 - Special Cases – 12
 - Unregistered Person

Situations

SEBI FEE	SEBI Charge GST and Invoice will be in HO.	To be Transferred to Location of Turnover and then onward billing to Client with GST.
Stamp Duty	No GST	No GST as Pure Agent
Transaction Charges	NSE Charge GST and Invoice will be in HO.	To be Transferred to Location of Turnover and then onward billing to Client with GST.
STT	NSE Bills – No GST	No GST as Pure Agent

Pro-Trade

- How to deal with Credit Reversal ?
 - Alternative 1
 - Separate Books
 - Separate GSTIN
 - Alternative 2
 - The Input Credit on direct expenses related to Proprietary Trading shall be disallowed since they do not form an input for output services.
 - The Input Credit on all expenses related directly to Client business shall be fully allowed.
 - The Input Credit on indirect expenses which cannot be related to Proprietary or Client business shall be bifurcated on a reasonable basis. Generally gross turnover can be a basis though in specific circumstances where the same is not suitable, other basis may be developed.



Case Study: Interstate & Intra State

The Transaction of Brokerage involves multiple parties and complex situation which may be required to be understood with help of following combinations:

Facts						Conclusions		
Registered Office	Place of Signing Contract Notes / Head Office	Dealing Branch Office	Client (Location of Recipient of Service)	AP	Server	CGST & SGST / IGST	State raising Brokerage Invoice	Whether AP require to be registered if his aggregate turnover less than 20 Lacs / 10 Lacs?
Delhi	Noida	Kolkata	Patna	Patna	Mumbai	CGST& SGST	Bihar	Choice – Interstate or Intra State
Delhi	Noida	Patna	Patna	Patna	Mumbai	CGST& SGST	Bihar	No – Intrastate
Delhi	Noida	Not Defined	Patna	Patna	Mumbai	CGST& SGST	Bihar	Choice – Interstate or Intra State
Delhi	Noida	Not Defined	Patna	No AP	Mumbai	IGST	Uttar Pradesh	Not Applicable
Delhi	Noida	Not Defined	Lucknow	No AP	Mumbai	CGST& SGST	Uttar Pradesh	Not Applicable

In case of NRI Clients, the Indian Communication Address shall be taken as Location of Client.



Authorised Persons (APs)

Authorised Persons (APs) earlier known as Sub Broker are major inputs for broking firms having a large AP Network:

Compliance

It may be noteworthy that Authorised Persons (APs) are mostly unorganised and may not have the infrastructure for filing returns in a timely basis and it may be recommendatory to

- Centrally file returns of all APs and
- Even GST Output payments can be made directly by Main Broker net off credits (if any)
- This amount can be adjusted from commissions

Summary: Registration of Authorised Person

- If Broker has a dealing office in the state and AP raises an invoice to that office then he may not register if his Commission Income is lower than 20 Lacs (10 Lacs for Hilly and North eastern states)
- If Broker does not have a dealing office every AP needs to be registered as the supply of services by AP are Inter-state and basic exemption limit do not apply.



Debit Note / Credit Note

Debit Note

If output tax liability increased then supplier is liable to issued Debit note or supplementary invoice and declare the same in the return for the month during which such debit note has been issued.

Credit Note

If output tax liability decreased then supplier is liable to issued Credit note and declare the same in the return for the month during which such credit note has been issued but not later then September return of successive year or filing of relevant annual return.

Please note that no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to the buyer or any other person.

List of GST Returns to be furnished by Registered Persons

S. No	Form No.	Frequency	Due Date (Next Month)	Details to be furnished
1	Form GSTR-1	Monthly	10 th	Details of outward supplies of goods and/or services effected.
2	Form GSTR-2A	Monthly	11 th	Auto Populated details of input tax and inward supplies made available to the buyer on the basis of Form GSTR-1 of the supplier.
3	Form GSTR-2	Monthly	15 th	Details of inward supplies of goods and/or services effected to a buyer.
4	Form GSTR-1A	Monthly	17 th	Auto Populated details of input tax and inwards supplies as modified, corrected, accepted or deleted by the buyer.
5	Form GSTR-3	Monthly	20 th	Monthly return of outward supplies and inward supplies along with tax liability, ITC credit, TDS/TCS credited, tax payable, tax paid or refund claimed details of a taxable person.
6	Form GSTR-6	Monthly	15 th	Input service distributor return
7	Form GSTR-9	Annually	31 st Dec	Annual Return by taxable person.



Rectification of Mistake

Note: All Dates assuming Financial Year under question is 2018-19

- Return cannot be revised under GST Act. Mistake can be rectified by showing transaction in the month in which such mistake is noticed by the dealer. Limitation period is earlier of the period on which next year September return is filed or annual return is filed.
- If mistake relates to April-2018 then mistake can be corrected up to 10/10/2019(Sales) or 15/10/2019 (Purchase) if return and annual return are filed in due date. (Around 18 months). If September return filed late then mistake can be corrected up to 31/12/2019 (Around 21 months)
- If mistake relates to March-2019 then mistake can be corrected up to 10/10/2019(Sales) or 15/10/2019 (Purchase) if return and annual return are filed in due date. (Around 6 months). If September return filed late then mistake can be corrected up to 31/12/2019 (Around 9 months)
- Means as close as to the end of financial year lesser is the time permitted for rectification of Mistake.
- In case Annual return filed earlier say in June-2019 then correction can be made up to June-2019 only for all the monthly returns for the financial year 2018-19 thus reduced the time of limitation for rectification of mistake.



Ask following questions to know if you are GST Ready ?

- What is or are the rates of GST applicable to my products and services?
- Which of the current indirect taxes such as customs duty, excise duty, VAT, CST, service tax, etc. will cease to be applicable to me on introduction of GST?
- What tax credits would I be able to claim against my GST liability?
- What is CGST, IGST and SGST and is there a seamless credit available across these taxes?
- On which date will the GST replace the present indirect taxes?
- What is the last date for registration and migration of existing registration under the GST law? Is it already overdue?
- What will happen to my credit balances and refunds against the present indirect tax laws such as CENVAT credit, VAT refunds and set offs and tax holidays?
- Is there any reverse charge applicable for my input goods and services and import?
- Will the branch transfers continue to be exempt?
- Will there be any additional input cost due to vendors charging a higher GST rate? will I be able to claim set off?
- Do I have to file a single tax return or there are multiple tax returns and state wise tax returns?
- Do I need to rework my prices and costs?
- Do I need to rework my customer and vendor contract to ensure recovery of GST and grant/receipt of input credit?
- Do I need to relook at my supply chain, warehousing and distribution system?
- Is there any additional working capital or blockage of funds?
- Are there any credits for which I need to claim refunds from the government and if so, what is the time line and certainty of refund?
- What is the GST treatment of my on-line sales and e-commerce business?
- Is my IT and ERP system ready to ensure GST compliances and tax credits?
- Can I improve my bottom line by optimizing GST taxes, set offs and operating costs?

Way Forward

Mapping transactions/Business model with Pre-GST scenario Indirect Taxes



Understanding impact on transactions/Business model with provisions & rates under GST



Identifying key aspects – Rates applicable on outward supplies and major inward supplies, set off related eligibility, additional compliance requirements under GST Law



Understanding changes required to be made in the existing ERPs used



Making a to-do list of actions to be taken for transition in GST without missing on eligible set offs, impact of dual taxation, proper intimation to departments, wherever required

thank
you!

Vinod Kumar
& ASSOCIATES
Chartered Accountants

Vaibhav Jain

B.Com .(Hons.), FCA, ACS, LLB, MBF(ICAI)
9711310004 | vaibhav@vinodjainca.com

101, Global Business Square, Building No. 32,
Sector 44, Institutional Area,
Gurgaon 122002, Haryana