

Overview of GST

ONE NATION – ONE TAX



Goods & Service Tax

Journey So Far...

Indirect Tax Present vs. proposed Taxation

Central Goods and Services Tax Law

Significant Definition under CGST Act

Way Forward.....

Goods & Service Tax – Journey so far...

- GST Bill Passed in Rajya Sabha on 3rd August 2016 (03-08-2016).
- Hon'ble President has given his assent to the four key Goods and Services Tax ("GST") Bills, after they were passed by the Parliament.

The four GST Bills which are now enacted as under:

1. The Central Goods & Services Tax (CGST) Act, 2017
2. Integrated Goods & Services Tax (IGST) Act, 2017
3. Union Territory Goods & Services Tax (UTGST) Act, 2017
4. Goods and Services Tax (Compensation to States) Act, 2017

Goods & Service Tax – Journey so far...

Following GST Rules and Forms have been issued so far:

Rule Name	Rule Issued	Format Issued
Advance Ruling	Issued	Issued
Anti Profiteering Rules	Issued	Not Applicable
Appeals & Revision	Issued	Issued
Assessment and Audit	Issued	Issued
E-Way Rule	Issued	Awaited
Composition	Issued	Issued
Valuation	Issued	Not Applicable
Input Tax Credit (ITC) Rules	Issued	Issued
Invoice, Debit & Credit Note Rules	Issued	Not Applicable

Goods & Service Tax – Journey so far...

Following GST Rules and Forms have been issued so far:

Rule Name	Rule Issued	Format Issued
Payment Rules	Issued	Issued
Refund Rules	Issued	Issued
Registration Rules	Issued	Issued
Return Rules	Issued	GSTP Formats Mismatch Formats Return Formats
Transition Rules	Issued	Issued Proposed CTD Document
Accounts & Record Rules	Issued	Issued

Goods & Service Tax – Journey so far...

- GST Council has approved the schedule of GST Rates for Goods and/or Services:

- GST Rate Schedule for Goods:

The fitment of rates of goods was discussed on 18 May 2017 during the 14th GST Council meeting held at Srinagar, Jammu & Kashmir. The Council has broadly approved the GST rates for goods at nil rate, 0.25%, 3%, 5%, 12%, 18% and 28% to be levied on certain goods. It will be subject to further vetting during which the list may undergo some changes.

Goods & Service Tax – Journey so far...

GST Compensation Cess:

- The Council has broadly approved on 18 May 2017 during the 14th GST Council the rates of GST Compensation Cess to be levied on certain goods which is as follows:
 - i. Pan Masala
 - ii. Aerated Water
 - iii. Tobacco and Tobacco Products
 - iv. Cigarettes
 - v. Coal, Lignite, Peat
 - vi. Motor Vehicle

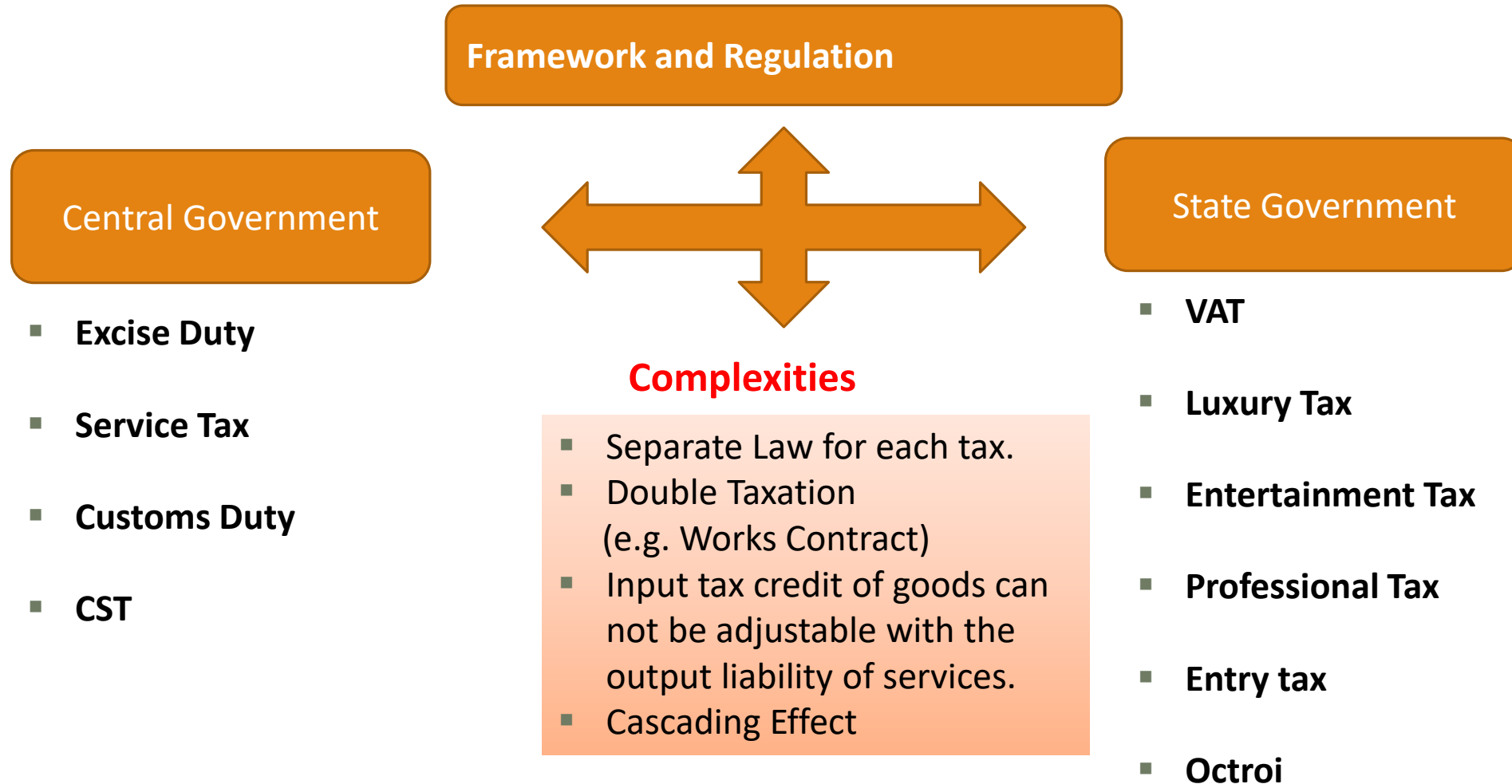
Goods & Service Tax – Journey so far...

- GST Rate schedule for Services:

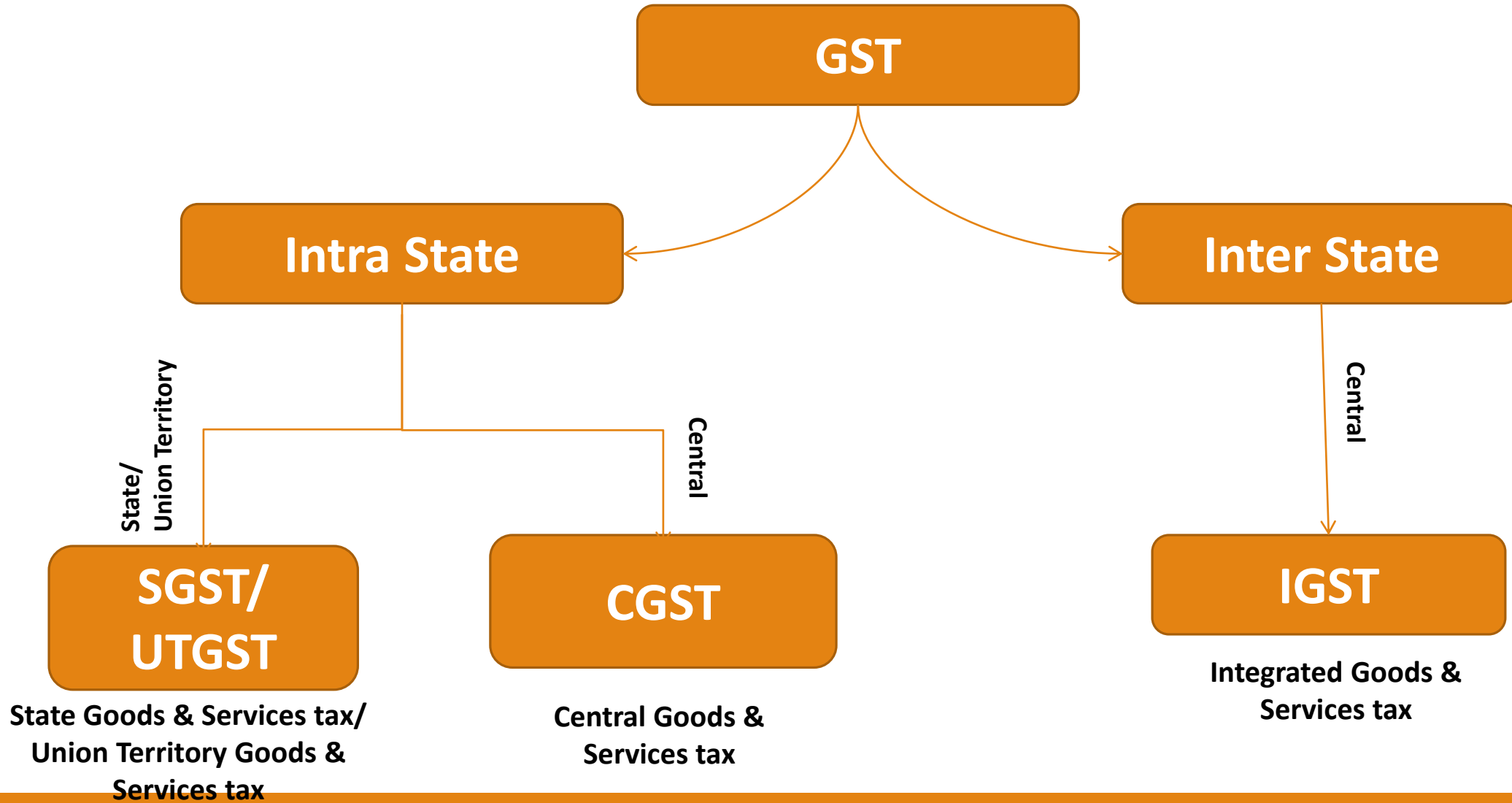
The fitment of rates of services was discussed on 19 May 2017 during the 14th GST Council meeting held at Srinagar, J & K. The Council has broadly approved the GST rates for services at **Nil, 5%, 12%, 18% and 28%**. It will be subject to further vetting during which the list may undergo some changes. The decisions of the GST Council are being communicated for general information and will be given effect to through gazette notifications which shall have force of law.

- So far, 24 States and Union territories, including Delhi, Odisha and Puducherry, have passed the SGST Act in their respective legislative assemblies.
- The Govt. is committed to roll-out the GST by 1st July 2017.

Indirect Taxes – Present System



Indirect Taxes under GST Regime



Indirect Taxes under GST Regime

- VAT/sales tax
- Entertainment Tax/Luxury Tax
- Lottery Tax
- Entry Tax
- Purchase Tax
- Goods and passenger Tax
- Tax on vehicle
- Excise Duty on Liquor
- Stamp Duty

SGST

CGST

- Central Excise
- SAD
- Additional duties of Custom (CVD)
- Service Tax
- Surcharges and all Cess

- Inter state supplies

IGST



CGST Law - Scope

- Goods and Services Tax extends to the whole of India **except the State of Jammu and Kashmir.**
- GST shall come into force on such date as the central government may, by notification in the official gazette.
- India has been defined to include territorial waters, continental shelf, exclusive economic zone or any other maritime zone, and **air space above its territory and territorial waters;**



GST Law – Chargeability

- CGST and SGST shall be levied on all **Intra-state supplies** of goods and/or services,
- IGST shall be levied on all **Intra-state supplies** of goods and/or services
- except on the supply of
 - alcoholic liquor for human consumption,
 - Petrol Diesel and some other Petro products
- on the value determined under section 15 and at such rates, as may be notified on the recommendations of GST Council



CGST Law – Taxable Person

- 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–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;

CGST–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

CGST Law – Composition Scheme

- A registered person, whose aggregate turnover in the preceding financial year did not exceed **hundred lakh** rupees, **may opt to pay**, in lieu of the tax payable by him, an amount calculated at such rate as may be prescribed, **but not exceeding,—**
 - a) **1%** of the turnover in State or turnover in Union territory in case of a **manufacturer**,
 - b) **2.5%** of the turnover in State or turnover in Union territory in case of persons engaged in making supplies referred to in clause (b) of paragraph 6 of Schedule II, (Food and Drink- Liquor)
 - c) **0.5%** of the turnover in State or turnover in Union territory in case of other suppliers,

CGST Law – Composition Scheme

- **The Following person shall be eligible to opt composition scheme:**
 - He is not engaged in supply of Services (other than food and drinks – Schedule II para 6)
 - He is not engaged in making any inter-State outward supplies of goods;
 - He is not engaged in making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52;
 - He is not engaged in making any supply of goods which are not leviable to tax under this Act;
 - He is not a manufacturer of such goods as may be notified by the Government on the recommendations of the Council.

Supplier under Composition

- Not to collect GST
- Not to take input credit
- All registration under same PAN must opt

CGST– Supply section 7

Section

Supply includes: (Widened the Scope Extremely)

- Sale, transfer, **barter**, exchange, license, rental, lease or disposal made or agreed to be made **for consideration** by a person in the course or furtherance of business.
- the activities specified in Schedule I, made or agreed to be made without a consideration (i.e. Inter-state branch transfer is now taxable since it is covered by schedule-I).
- **Importation of service for a consideration**, whether or not in the course or furtherance of business.
- the activities to be treated as supply of goods or supply of services as referred to in Schedule II.



Contd...

CGST Law – Supply

Section

- Supply specified in **Schedule I**, made or agreed to be made **without a consideration**:
 - Permanent transfer/Disposal of Business Assets on which input tax credit has been availed
 - Supply of goods or services or both between related persons or distinct persons as specified in section 25, when made in the course or furtherance of business.
 - Supply of Goods by principal to agent or agent to principal on each other behalf.
 - Import of services by taxable person from any of his other establishment outside India in the course of furtherance of business.



CGST Law – Goods Vs Service

In the present regime, several litigation were there which were leading to cascading effect (VAT on excise duty element) and double taxation (Like Restaurant food and services, Works Contract etc.)

Under the GST Regime, **Deemed supplies specified in Schedule-II of the CGST Law, has resolved various complicated issues** where double taxation is present such as works contract, restaurant food and/or services, construction Services, and lease. In the GST law, all these things have been covered by supply of services in Schedule-II. Therefore, no scope of double taxation shall left.

As the GST is, one nation, one tax therefore, It will eliminate the cascading effect which is present in our existing regime.



CGST Law – Goods Vs Service

New Definition under CGST Law:

Goods –

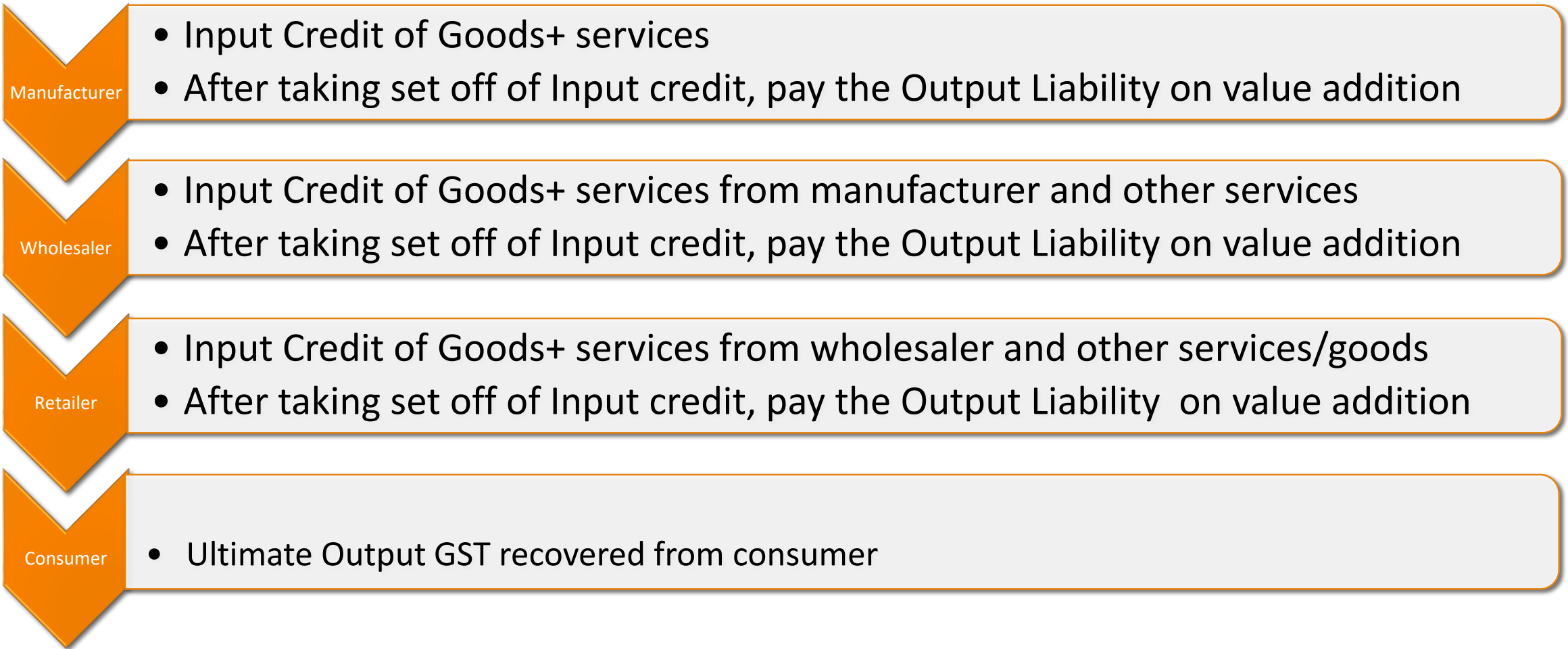
- Every kind of Movable property **other than money and security** but includes actionable claim, growing crops, grass and things attached to or forming part of land
- Excludes Money and Securities
- Includes Actionable claims. (i.e. Actionable claims within the definition of Goods).

Services –

- Means anything other than goods, money and securities **but includes activities relating to the use** of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.
- Securities are neither goods nor services under GST law. Hence not liable to GST.

Input Tax Credit

GST Set off chain :



Input Tax Credit

Electronic matching critical for credit eligibility, coupled with payment of tax by the supplier criteria

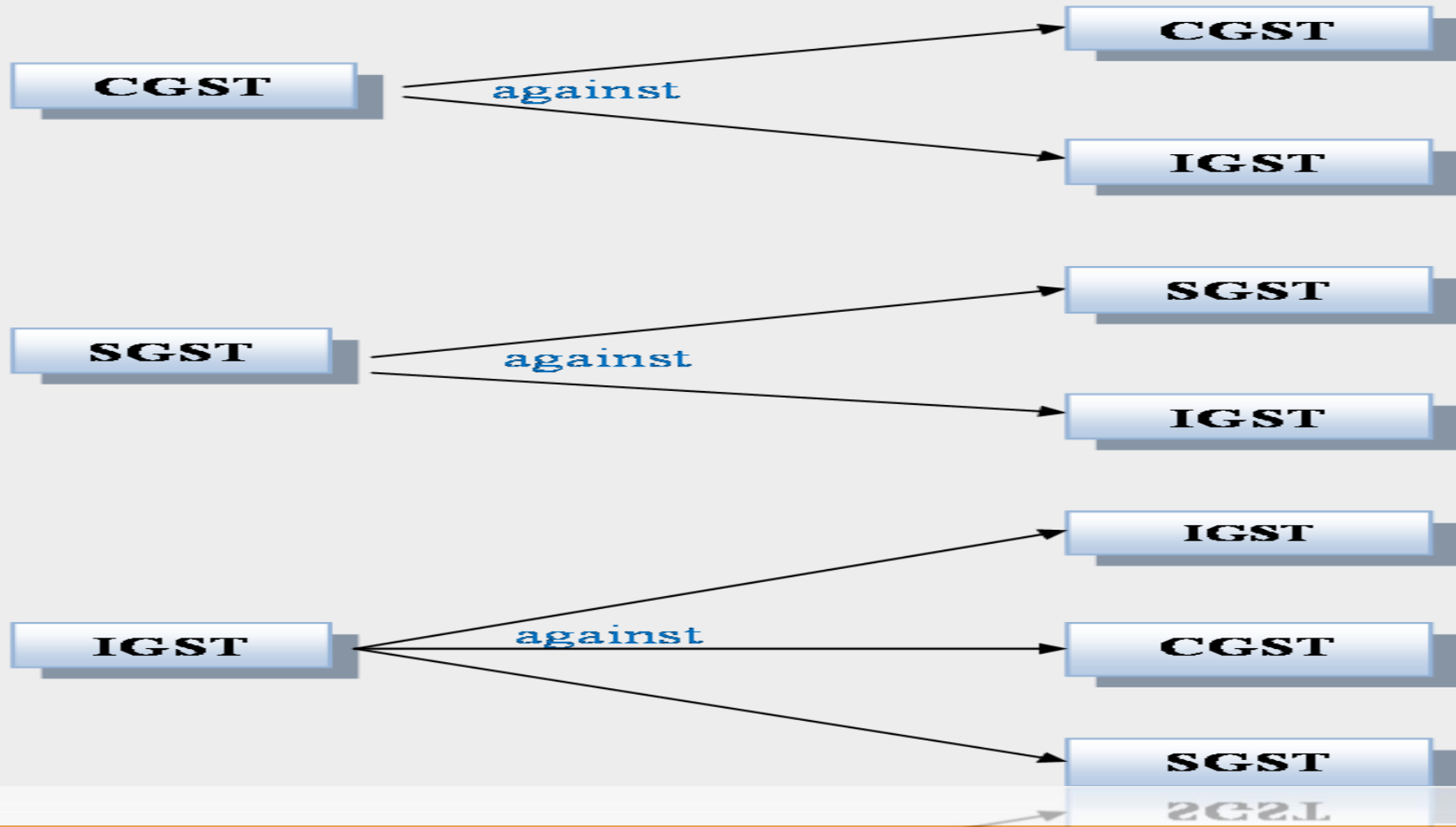
Credit not available for goods or services used for personal use or employee consumption

Credit Mechanism:

- CGST can be set off against CGST
- SGST can be set off against SGST
- IGST can be set off against IGST, CGST and SGST in that order.
- CGST can not be setoff against SGST and vice versa.

Input Tax Credit

Credit Mechanism



Significant definitions Under CGST

Agriculturist: - Sec. 2 (7)

1. Individual.
 2. HUF.
- (No Other Person)

Undertake cultivation of land.

1. By Own Labour.
2. By Labour Of Family.
3. Under Supervision of Self or Family by—
 - a. Servants on wages in cash or kind.
 - b. Hired Labour.

Associated Enterprises: - Sec. 2 (12)

Same as Section 92A for Transfer Pricing of Income Tax Act.

Significant definitions Under CGST

Capital Goods:

- Capital goods mean goods which are capitalized in books of accounts.
- Capitalization means a situation “when the costs to acquire an asset are expensed over the life of that asset rather than in period it as incurred.”
- Further, such capital goods should be used in course of business. It means goods should not be used for personal purpose.

Composite Supply:

- When supply comprising two or more supplies of goods or services, which are naturally bundles, it is called as composite supply.
- As per Sec 8 of CGST Act, a composite supply comprising two or more supplies, one of which is a principal supply shall be treated as a supply of such principal supply;

For instance:

Illustration.— Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply;

Significant definitions Under CGST

Consideration – Section 2(31).:

1. Payment made or to be made.
2. Whether in money or otherwise.
3. by the recipient or by any other Person, but shall not include any subsidy given by
 - i) Central Government.
 - ii) State Government
4. Monetary Value of
 - i) An act
 - ii) Forbearance
 - In respect of or in response to —
 - i) for the Inducement or Supply of Goods and/or services
 - ii) by the recipient / any other Person.

PROVIDED THAT—

Deposit given in respect of supply of goods or/and Services shall not be considered as payment mode for such supply unless supplier applies such deposit as consideration for said supply.

Significant definitions Under CGST

Family – Section 2(49)

1. Spouse or Children (Dependent or not).
2. Wholly or Mainly dependent on Person
 1. Parents.
 2. Grand Parents.
 3. Brothers.
 4. Sisters.

Mixed Supply-Section 2(74)

- Mixed supply is not composite supply.
- Mixed supply contains two or more individual supply not auxiliary supply.
- In mixed supply, goods/services may be supplied independently for a single price.
- As per sec 8 of the CGST Act, a mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax.

For Instance:

A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drinks and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately;

Significant definitions Under CGST

Place of Business:

place of business” includes—

- (a) a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or
- (b) a place where a taxable person maintains his books of account; or
- (c) a place where a taxable person is engaged in business through an agent, by whatever name called;

Analysis:

- All places shall be treated as place of business from where “business” is ordinarily carried on. Warehouses, Godown would be treated as place of business.
- All other place, whatever name called where taxable person stores his goods shall be treated as place of business.
- A place where books of accounts are maintained shall be treated as place of business.
- A place where agent is deputed on behalf of principal shall be treated as place of business. It may be treated as branch/agency/additional place of business.

Significant definitions Under CGST

Works Contract means-

- a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning **of any immovable property,**
- wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract;

Analysis:

1. Transfer of property of goods along-with supply of labour under a contract would be treated as works contract.
2. **Works contract would be treated as services under GST law.** Hence all the provisions applied to services shall be applicable on works contract.

.

Transitional Preparation

1. Update and finalise accounts, master, records in relation to purchases, sales, expenses, creditors, suppliers etc. upto 30.06.2017.
2. Compile detailed vendor information along with copies of their PAN & GSTIN.
3. Procure detailed information from customers along with copies of their PAN & GSTIN.
4. Apply for migration/registration in States from where supply is intended.
5. Update existing software or install new software which is GST Compliant.
6. Ensure correct mapping and updation of HSN/SAC for the goods & services along with respective GST rates in the invoicing software.
7. Analyse the expenses being incurred on which reverse charge payment shall be applicable.
8. Undertake thorough scrutiny of all major expenditure heads to ascertain any missing claims for service tax paid to service providers.
9. Transaction requiring booking of Debit/Credit notes on suppliers, if any, of major amounts should be done.
10. Non-payment to service providers within 90 days of 01.07.2017 must be attended so that reversal of credit of service tax is not involved.
11. Identify refund for the quarter ending June 2017 and make a list of received and pending forms and calculate differential tax liability for adjustment against VAT to be carried forwarded under GST.
12. Compile a list of transactions liable for TDS on or before 30.06.2017 and ensure that invoices are issued on or before 30.06.2017.

STOCK & CREDIT CARRY FORWARD RELATED

1. Complete details of stock as on 30.06.2017 along with the breakup of quantities. The same is advised to be certified by an external agency.
2. Classify stock, tax rate wise, purchased locally.
3. Classify stock purchased on invoices bearing duty payment and non-duty payments.
4. A separate file should be maintained of the unsold stock as on 30.06.2017.
5. Stock ageing be made to ascertain if any stock is more than 1 year old.
6. Arrange for statement of accounts from suppliers/creditors for the year ended 31.03.2017.
7. Rectify the mismatch in purchases, if any.
8. Proper scrutiny of eligible credits to ensure that no benefit is lost due to transition towards GST.
9. Total clean up exercise must be taken up for ascertaining optimum availment of credit.
10. Reconcile the unutilized credit as per returns filed and the books of accounts
11. Reconcile all purchase bills and the books of accounts to ensure that all are booked in the books.
12. Compile a detailed listing of goods sent on approval basis, goods sent for job work and goods in transit.
13. If capital goods are purchased before 01.07.2017, it should be ensured that they reach the premises on or before 30.06.2017 because capital goods credit becomes eligible only when goods are received in the premises. Otherwise it is advised to postpone such purchases till GST is implemented.
14. Ensure that last six month's returns pertaining to VAT, Excise and Service Tax are filed.

Way Forward...

- Implementation of GST Network and Tax administration readiness
- Passage of SGST laws by all State legislatures
- Establishment and upgradation of IT framework
- Meeting Implementation challenges
- Reorganization of field formations
- Effective coordination between Centre & State tax administrations
- Training of officials
- Outreach programs for all stakeholders including Trade & Industry

thank
you!