

Overview of Transition to GST, Supply, Export & Import of Goods, Input Tax Credit



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TRANSITION PROVISIONS

An Overview of The Big Change



A person with short dark hair, wearing a grey and black striped sweater, is seen from behind, looking at a wall covered in various design sketches, photos, and notes. The wall is cluttered with papers, some featuring diagrams, flowcharts, and images of people and objects. A blue arrow graphic points towards the top left corner of the image.

**Are you Ready
for GST ?**



Are you Ready for Transition to GST ?

Preparedness

- Educate and train the employees about GST
- Form a project team to address all matters in relation to GST
- Conduct pre-GST implementation study
- Conduct transaction analysis and impact studies
- Conduct operational and business review
- Review past and current contracts and documentation
- Review of strategic issues
- Conduct gap analysis
- Propose implementation plan and strategy

Need to Get these things ready

- System modification
 - Internal controls
 - Common errors
 - System features
- Contracts and Documentation Modifications
- GST Manual
- Price Setting
- Implement Systems Trial Run
- GST registration
- Transitional issues
- Submission of GST returns





Broad Coverage – Transitional Provisions

Migration of Existing
Assessee

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



Broad Coverage – Transitional Provisions

Credit in last return ER1/ST3/Vat Return	30 th June'2017 Return closing balance will be opening balance for GST. CENVAT ED & ST = CGST VAT=SGST.
Capital goods purchased on 30 th June'17 ?	Material received on 5 th July credit allowed Sec-144(1)
Cr eligible for when Not available in earlier law ?	No credit in GST
Will ITC allowed to a service provider on VAT paid inputs held as stock on the appointed day?	No, VAT does not cover services.
Sales return under GST	Check if GST Covered Goods, Returned after 6 months – GST applicable. Within 6 months no tax. Sec 149
Stock held at Job Worker on 30 th June – GST applicable	No – Cleared under earlier law, material returned within 6 months.
Material returned after 6 months	Principle has to reverse GST for inputs, Job-worker has to avail, and return with GST. Sec 152
Time limit for price increases debit note/credit note	30 days from the date of revision of price.
Fate of any appeal/ cases etc ?	Will be disposed as per earlier law only. Sec 155/156
Goods lying with agent whether ITC eligible?	Yes

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SUPPLY

The Mega shift from Sale of Goods or
Provision of Services



CGST– Supply section 7

- 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.

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CGST Law – Supply

- 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

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- 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.

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.

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 with in 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.

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EXPORT & IMPORT

GST Impact on Cross Border
Transactions





What is Export ?

Export

- Under Section 2 (5) of IGST Act “export of goods” with its grammatical variations and cognate expressions, means **taking** goods **out of** India to a place outside India;
- Under Section 2 (6) of IGST Act “export of services” means the supply of any service when,—
 - (i) the supplier of service is located **in India**;
 - (ii) the recipient of service is located **outside India**;
 - (iii) the place of supply of service is **outside India**;
 - (iv) the payment for such service has been received by the supplier of service in convertible foreign exchange; and**
 - (v) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8;**



What is Import ?

Import

- Under Section 2 (10) of IGST Act “import of goods” with its grammatical variations and cognate expressions, means **bringing** goods **into** India to a place outside India;
- Under Section 2 (11) of IGST Act “import of services” means the supply of any service, where—
 - (i) the supplier of service is located **outside India**;
 - (ii) the recipient of service is located **in India**; and
 - (iii) the place of supply of service is **in India**;



Impact of GST on Imports

Below are some of the implications for imports and importers by virtue of GST implementation in India:

Import as Inter-State Supply – Import into India will be considered as Inter-State supply under GST Law and accordingly will attract Integrated Goods and Services Tax (IGST) along with BCD and other surcharges. – **Saving Cess on CVD**

Import of Services – GST law accord liability of payment of tax on the service receiver, if such services are provided by a person residing outside India. This is similar to the current provision of reverse charge, wherein service receiver is required to pay tax and file return.

Transaction Value based Valuation Principal – GST law has borrowed the concept of transaction value based valuation principal from current customs law for charging GST. This will have implication at the time of tax liability determination as currently CVD is charged on MRP valuation principle. Under the new regime IGST which subsumes CVD will be charged on transaction value.

Refund of Duty – Under the new law, tax paid during import will be available as a credit under “Import and Sale” model, whereas no such credit is available presently. Also refund of SAD which is available now, after doing specific compliance, no such restrictions are placed under GST.

Withdrawal of Current Exemptions – The current customs import tariff is loaded with multiple exemption notifications which are likely to reviewed and possibly withdrawn or converted into a refund mechanism. This could mean change in the structure of export-linked duty exemption schemes under the FTP where the duty exemptions may get limited to exemption from payment of BCD, while IGST may not be exempted. Withdrawal of exemptions or changing them to refund mechanism could fundamentally change the attractiveness and viability of some of the key schemes under the FTP like EOU, STP, Advance authorization etc.

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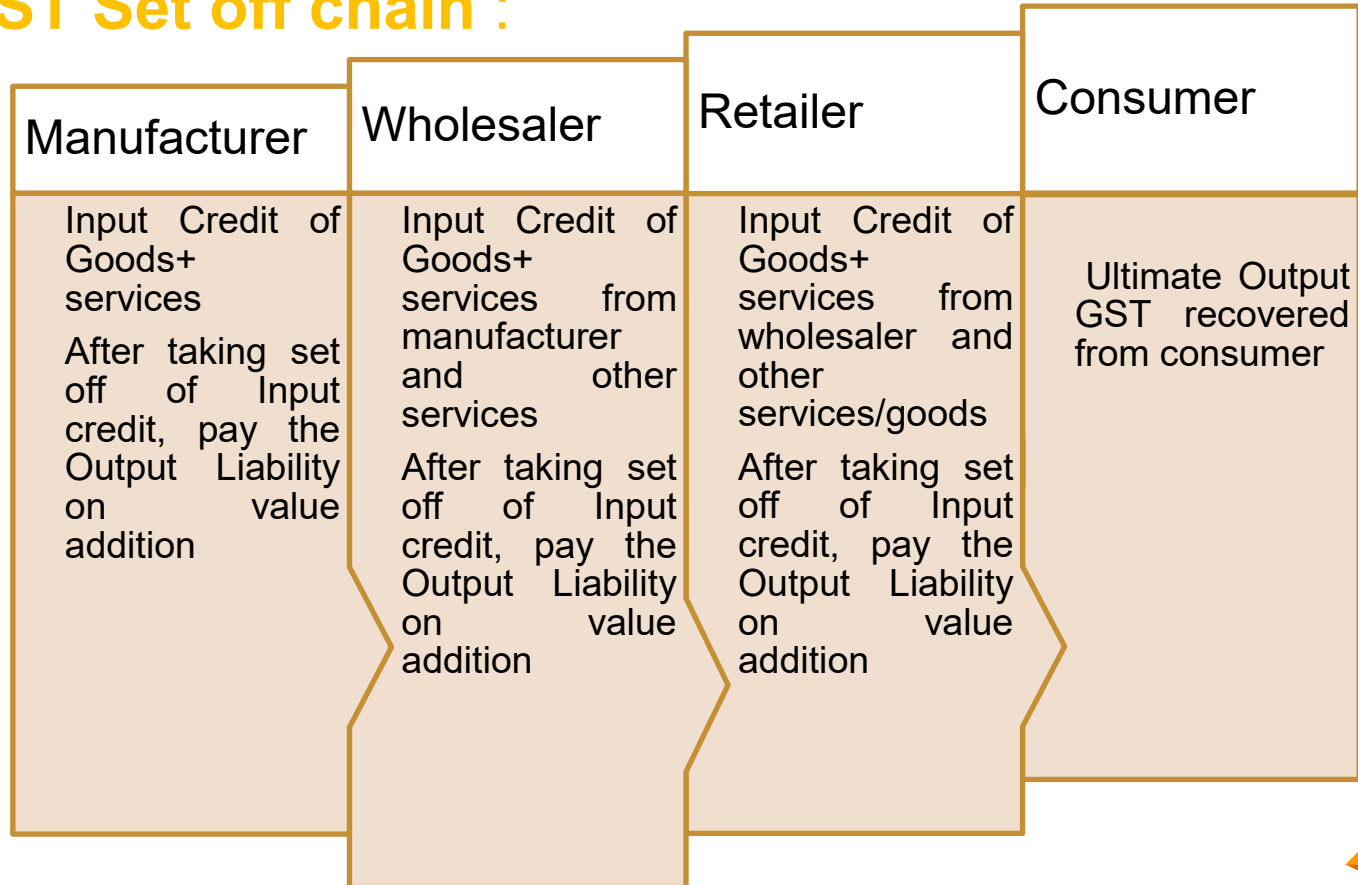
Input Tax Credit (ITC)

The Big Benefits of 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

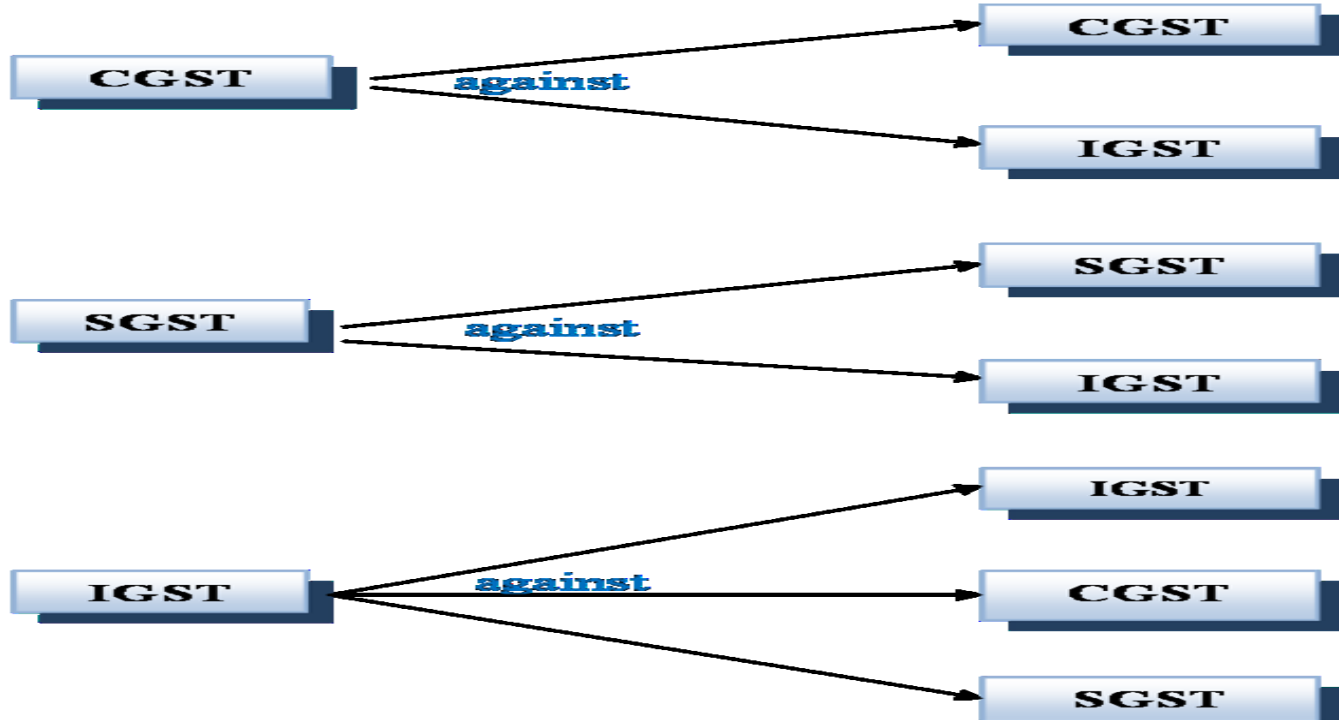
Credit not available for goods or services used for personal use or employee consumption

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





THANKS!

Any questions?

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