

Goods and Service Tax in India

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CHARTERED ACCOUNTANTS

01 Why & Salient features of Indian GST



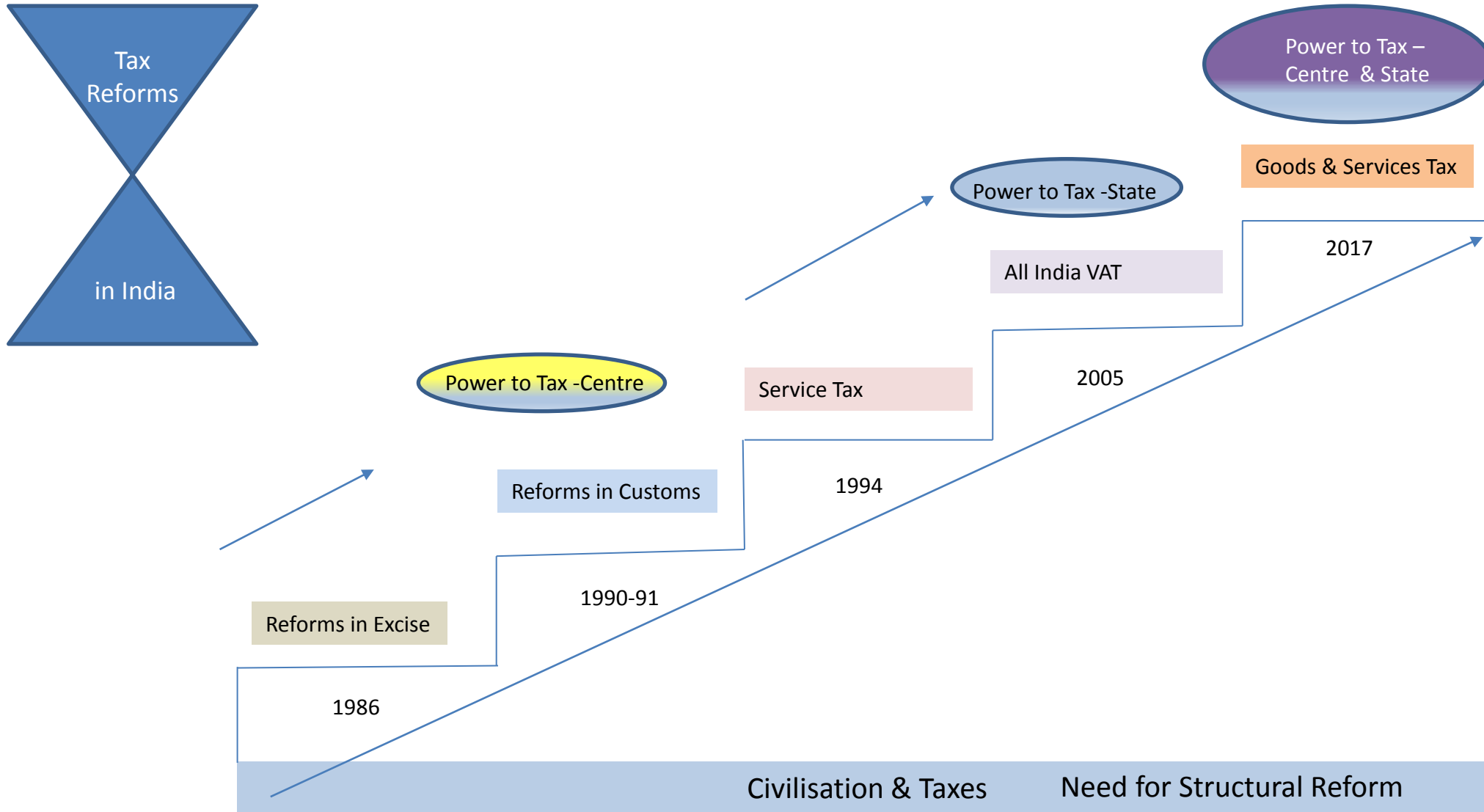
02 Key Concept of GST



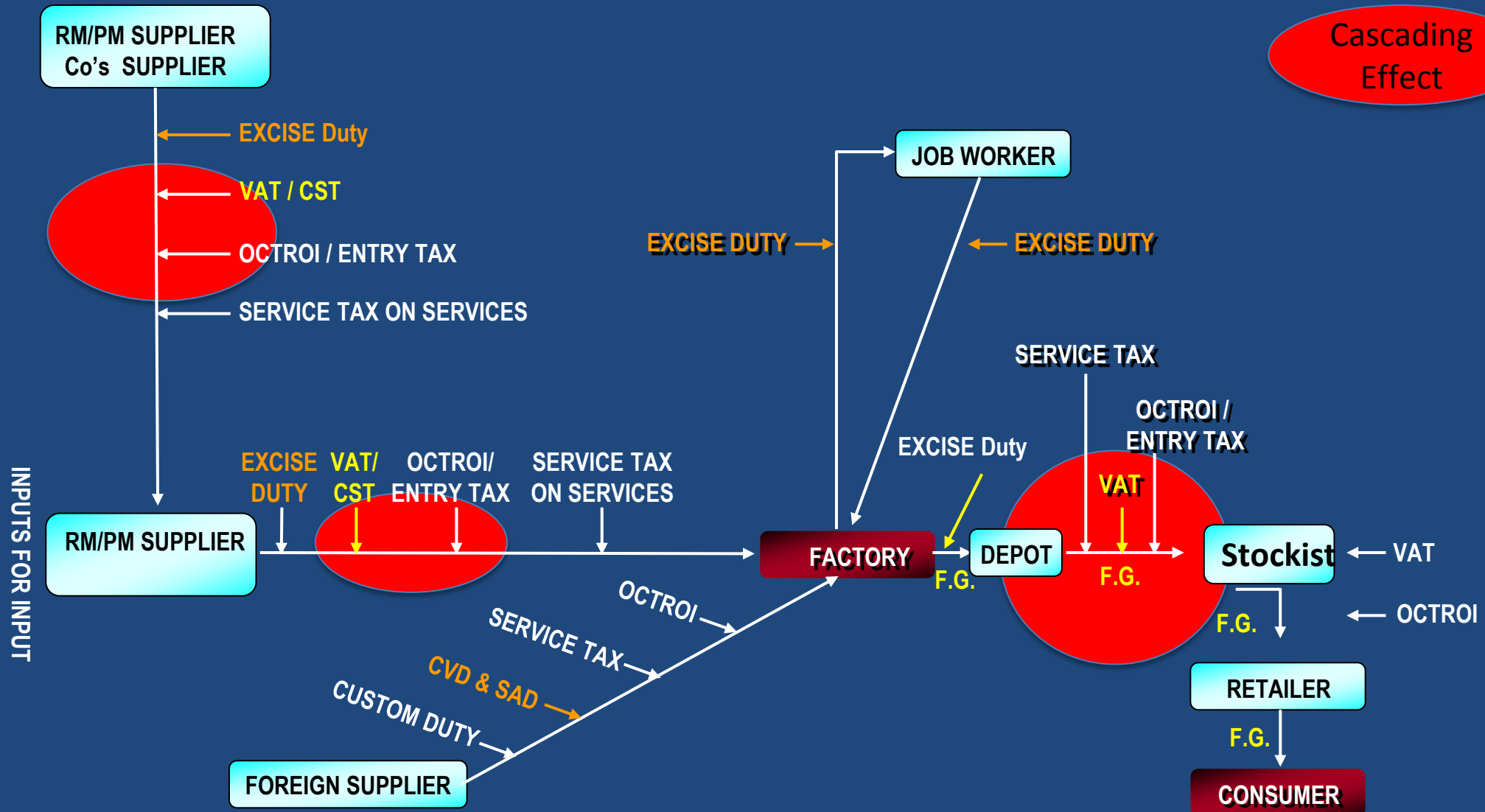
03 What should be of concern



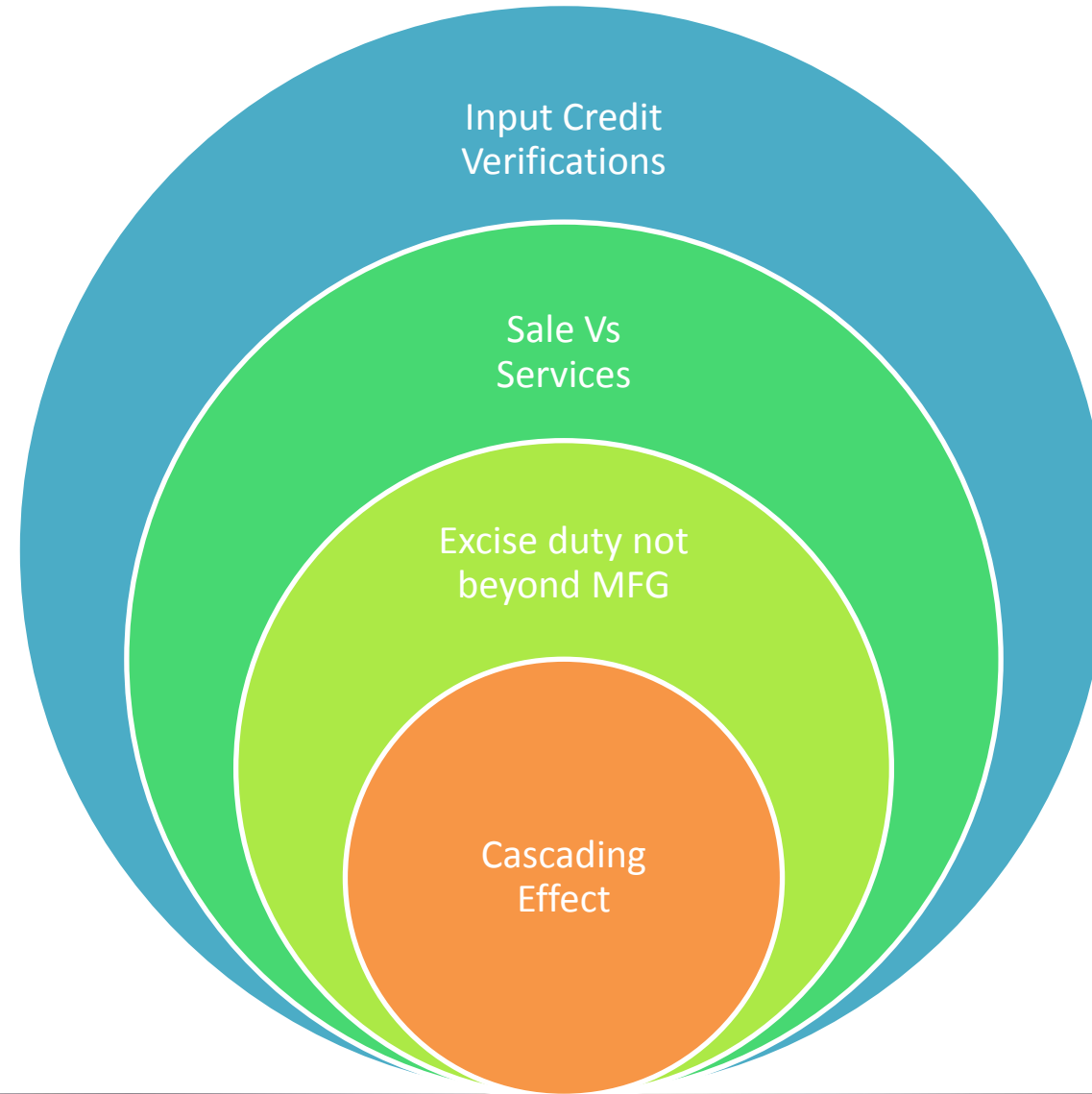
Central Govt. & State Govt. Taxes



Supply Chain & Indirect Taxes



Short Comings of Existing Indirect Taxes



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Core features of VAT

CORE Features of VAT

- Broad based taxes on Final Consumption
- Collection from, but in principle not borne by, businesses through staged collection process
- Indirect tax is a general turnover tax, from economic perspective it is a tax on final consumer
- Who is a final consumer- the person is not entitled to deduct input tax
- Categories of Final Consumers
 - Private Individuals
 - Organisation not engaged in economic activities
 - Taxable person engaged in exempt activities
 - Taxable person engaged in taxable activities, channelling their private consumption thorough business

GST Mechanism – Standard Rated



Value Added Tax

Stage of Supply Chain	Purchase Value Of Input	Value Addition	Value at Which Supply Goods and Services Made to Next Stage	Rate of GST	GST on Output	Input Tax Credit	Net GST=GST on output-Input Tax Credit
Manufacturer	100	30	130	10%	13	10	$13 - 10 = 3$
Whole Seller	130	20	150	10%	15	13	$15 - 13 = 2$
Retailer	150	10	160	10%	16	15	$16 - 15 = 1$

Destination Based Tax

GST is a Destination based tax on Consumption

Maharashtra

Person 1 - Supplier

Gujarat

Person 2 - Receiver

Goods and Services

Taxing Authority
Jurisdiction

Place of Consumption :
also termed as -
Place of Supply

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Goods and Services Tax in India

Salient Features of Indian GST

GST Constitutional Bill & Objective

- **Statement of Objects & Reasons**

Conferring concurrent taxing powers on the Union as well as the states including Union territory

Remove cascading effect of taxes

Common national market for goods and services

The proposed Central and State goods and services tax will be levied on all transactions involving supply of goods and services,

except those which are kept out of the purview of the goods and services tax.

Integration of Indirect Taxes

- Central Excise Duty
- Additional Excise Duties
- Excise Duty under Medicinal and Toilet preparations (Excise Duties) Act, 1955,
- Service Tax
- Additional Customs Duty (CVD)
- Special Additional Duty of Customs (SAD); and
- Central Surcharges, and
- Cesses

CGST



- State Value Added Tax/ Sales Tax
- Entertainment Tax (other than those levied by local bodies)
- Octroi and Entry Tax
- Purchase Tax
- Luxury Tax, taxes on lottery, betting and gambling; and
- State Cesses and Surcharges

S/UTGST

- Central Sales Tax

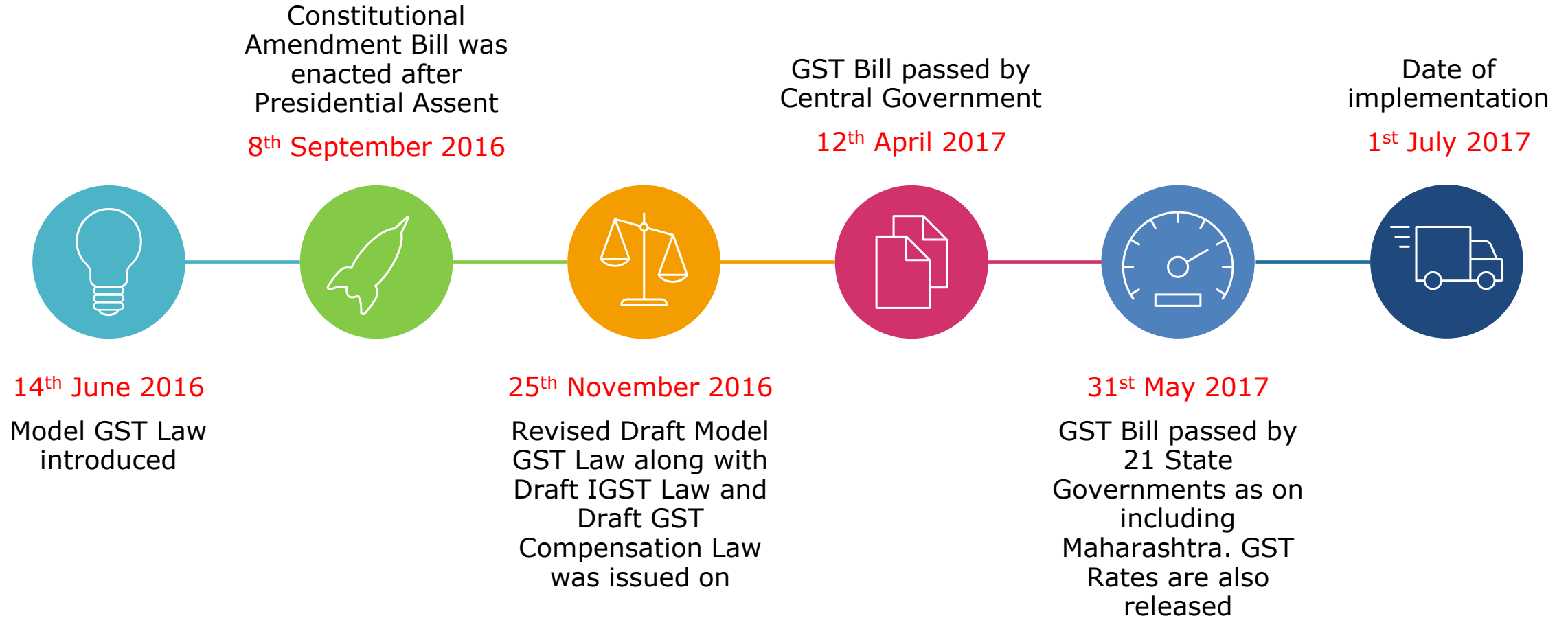
IGST

- Profession Tax
- Property Tax

- Stamp Duty
- Entertainment tax levied by local bodies

- Petroleum Sector
- State Excise on Liquor for Human consumption

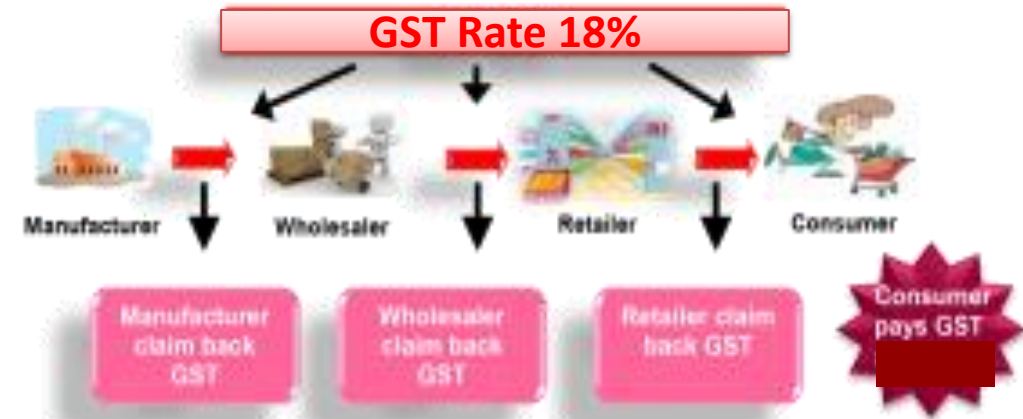
Taxes Not Subsumed



Who is an Assessee under GST

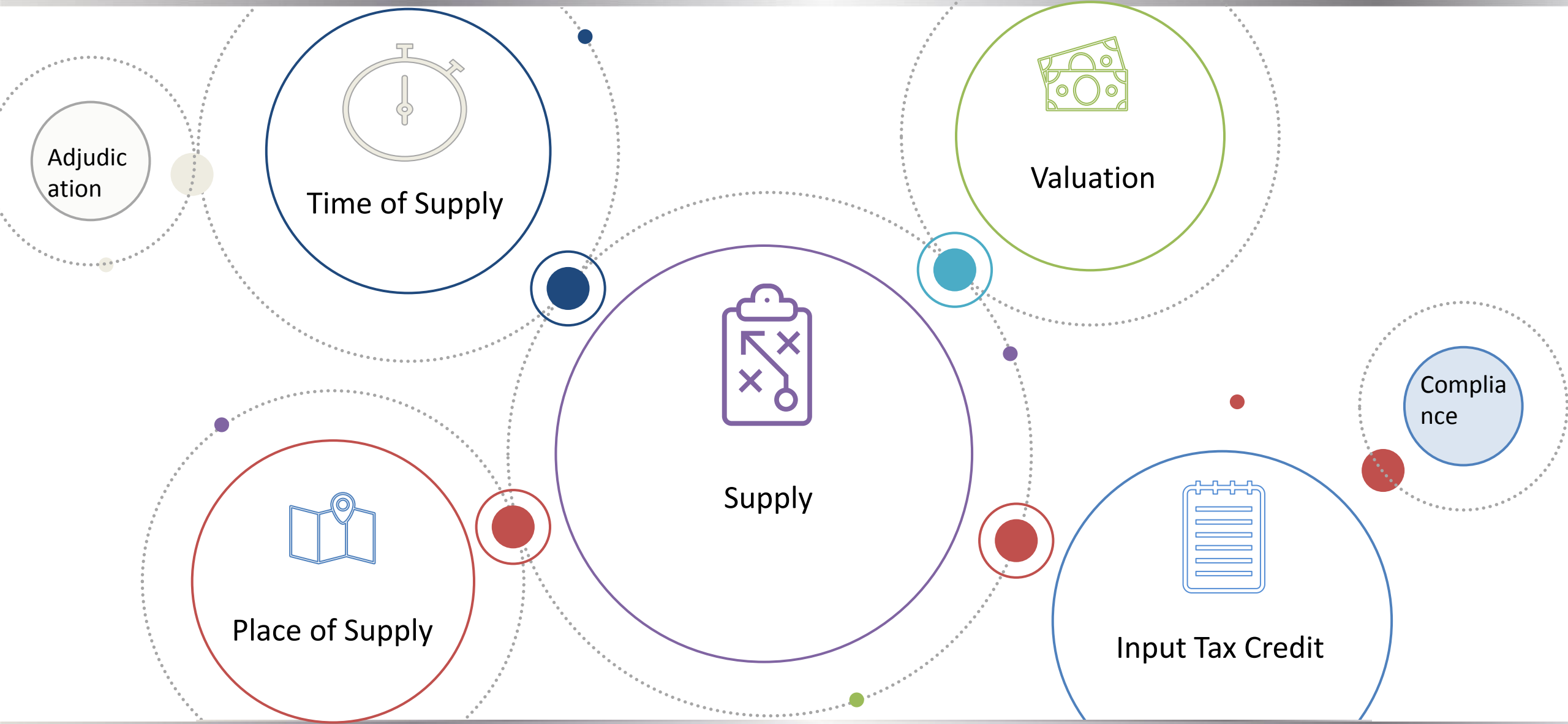
- GST applicable to persons having PAN India Annual Turnover **> INR 20 Lakhs**
- **Voluntary Registration** for Turnover < INR 20 Lacs available
- No threshold exemption for inter-state supplies
- Annual Turnover to include **GST + Non GST Supplies** for the purpose of registration
- Option to pay GST at composite rate of 1%/2% for PAN India Annual Turnover **< INR 75 Lakhs – for traders, manufacturer and restaurants**

GST Mechanism – Standard Rated



%	Rate Bands
0	Essential Goods
5	Common Use Items
12	Standard Rate
18	Standard Rate
28	Luxury Goods
28 + Cess	SIN + Luxury Goods

Key Components of GST



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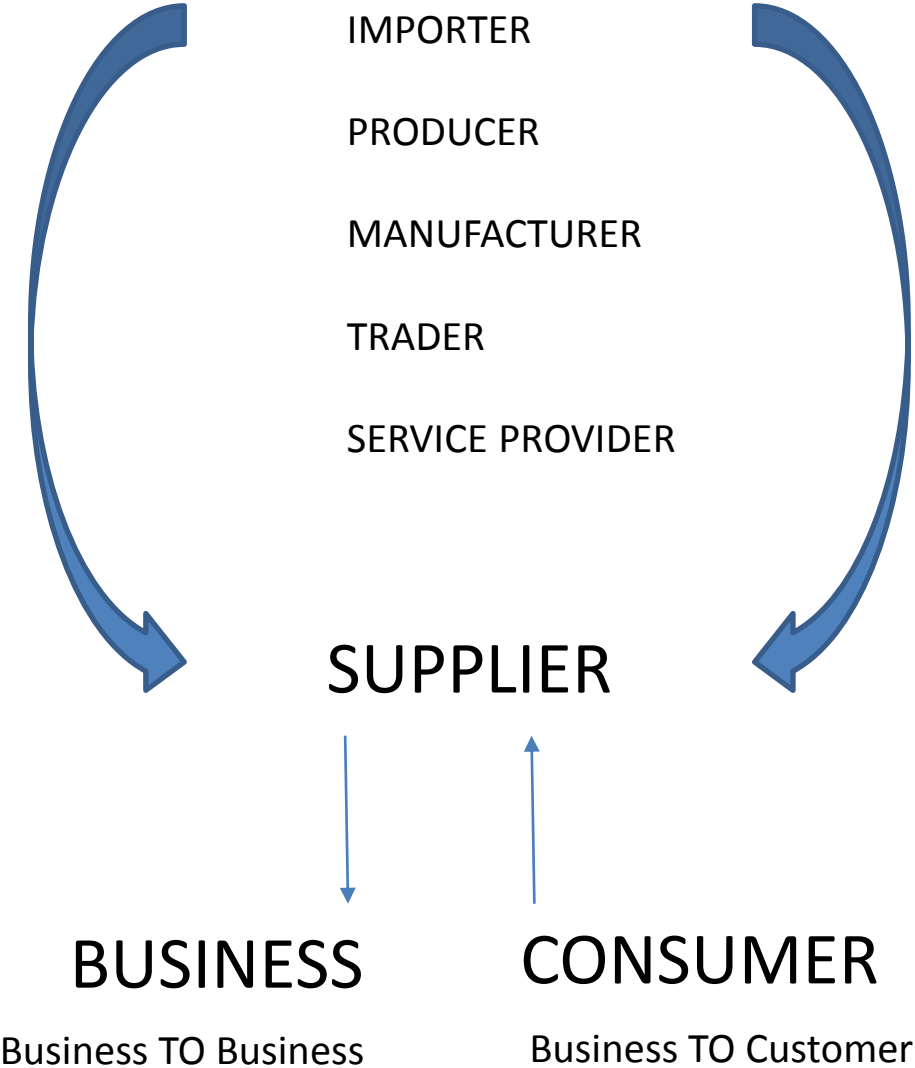
Concept of Supply of Goods and Services

What Supply Is:

Economists describe supply as the **relationship between the quantity of a good or service will be offered for sale and the price charged** for that good.

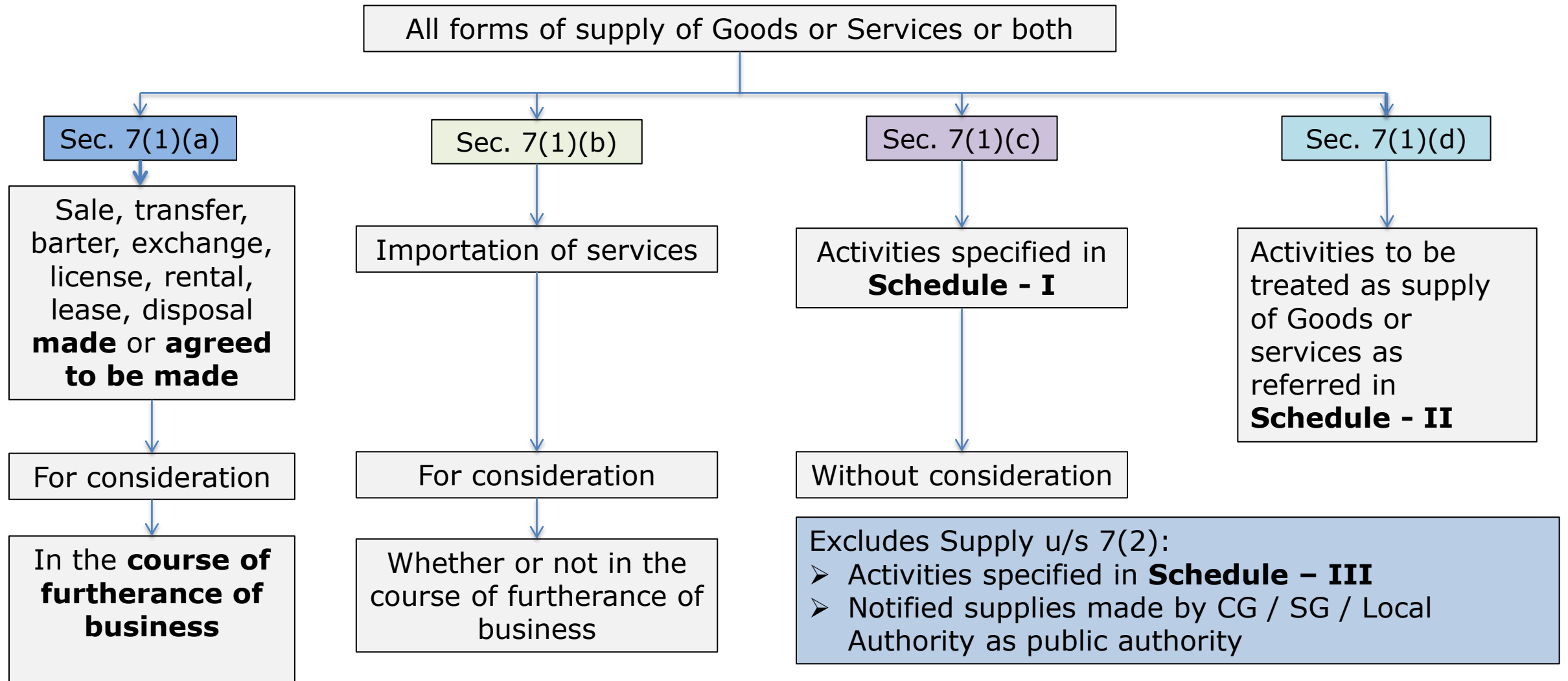
More precisely and formally supply can be thought of as "the total **quantity of a good or service** that **is available** for purchase at a **given price** at a particular."





This would include
transfer of goods or services by way of sale,
for use in conversion contracts,
product promotional activities or
stock transfers [to self] in the course of an interstate
movement

Supply u/s 7(1) of CGST Act



Ingredients of definition of “**goods**”

“**goods**”

(a) means every kind of **movable property**

(b) other than **money** and **securities**

(c) but **includes** actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply;

Ingredient of “Services”

- Means anything other than goods
- Includes transaction in money but does not include money and securities
- Does not include transaction in money other than an activity relating to the use/conversion.

Single Vs Multiple Supply



Single Vs Multiple Supply

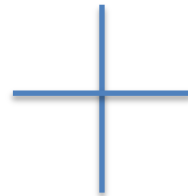
Maharashtra

Person 1 –
Supplier

Services

Maharashtra

Person 2 –
Receiver



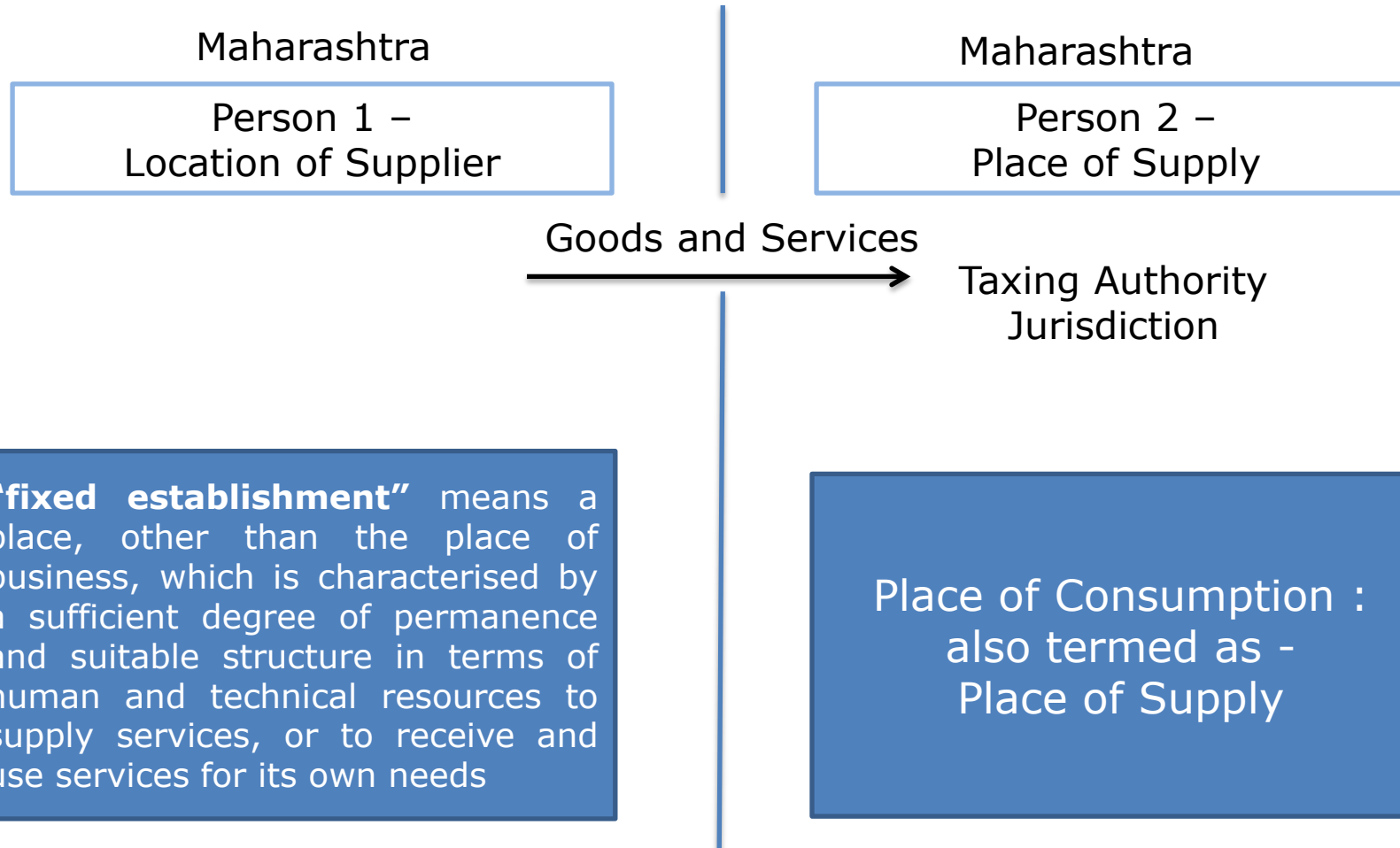
SUPPLY

Essentials ingredients of Supply :

- ✓ Supply of Goods
- ✓ Supply of services
- ✓ Supply of goods and/as services both
- ✓ Supply of Composite nature
- ✓ Supply of Mixed Nature
- ✓ Supply for consideration
- ✓ Supply without consideration (Schedule I- Supplies)
- ✓ Supply- What is goods and/or services and when treated as supply (Schedule II)
- ✓ Supply –Intrastate
- ✓ Supply -Interstate
- ✓ Supply -Exports
- ✓ Supply –Imports of Services
- ✓ Supply – Imports of Goods (Customs Act)

Place of Supply – Intrastate Supply

GST is a Destination based tax on Consumption



“fixed establishment” means a place, other than the place of business, which is characterised by a sufficient degree of permanence and suitable structure in terms of human and technical resources to supply services, or to receive and use services for its own needs

Place of Consumption :
also termed as -
Place of Supply

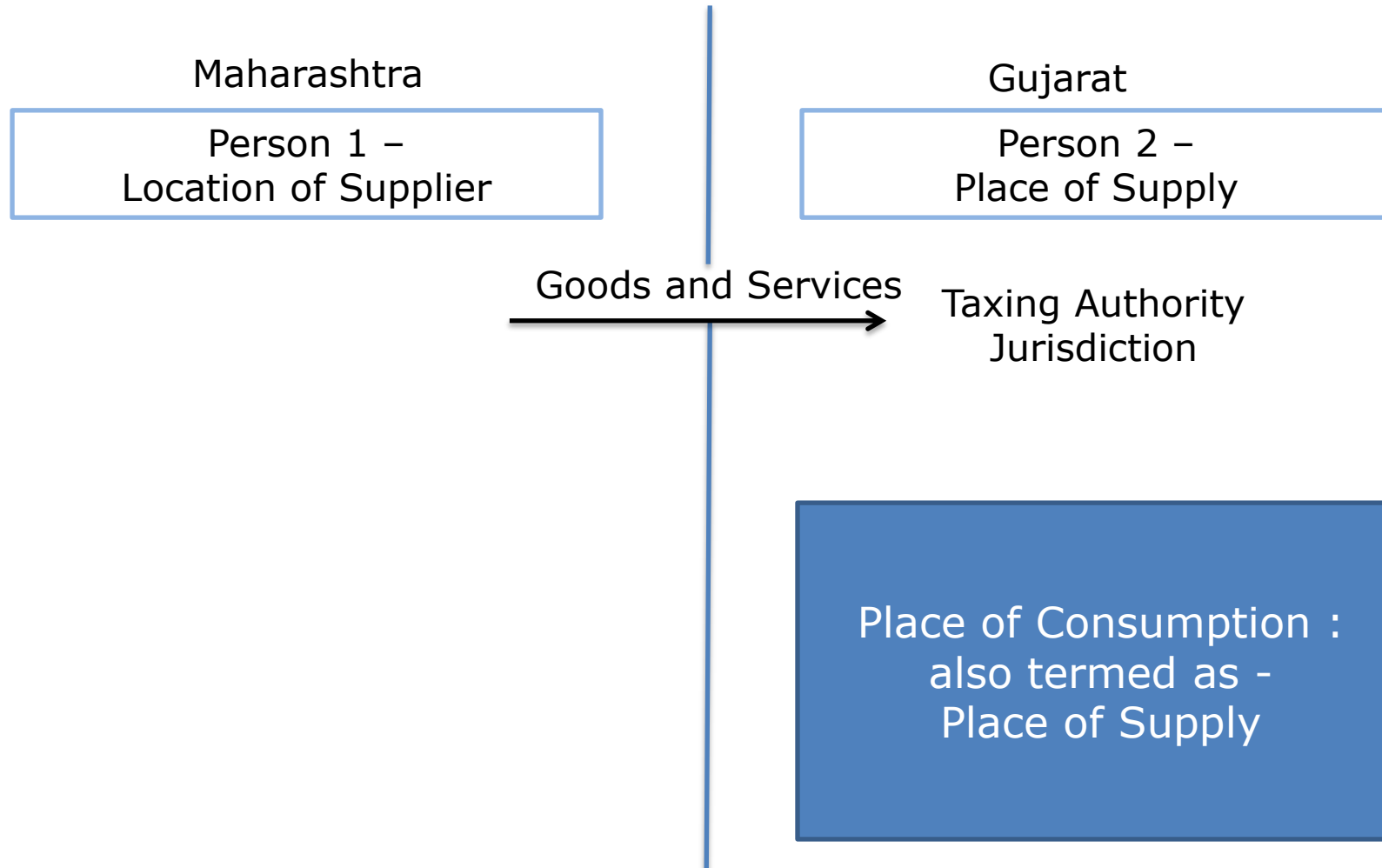


WHAT IS CONSUMPTION BASED TAX ?

<u>GST Scenario</u> Intrastate	
Transaction Value	10,000
CGST 9%	900
SGST 9%	900
Total Value	11,800
Total Tax	1,800

Place of Supply – Interstate Supply

GST is a Destination based tax on Consumption

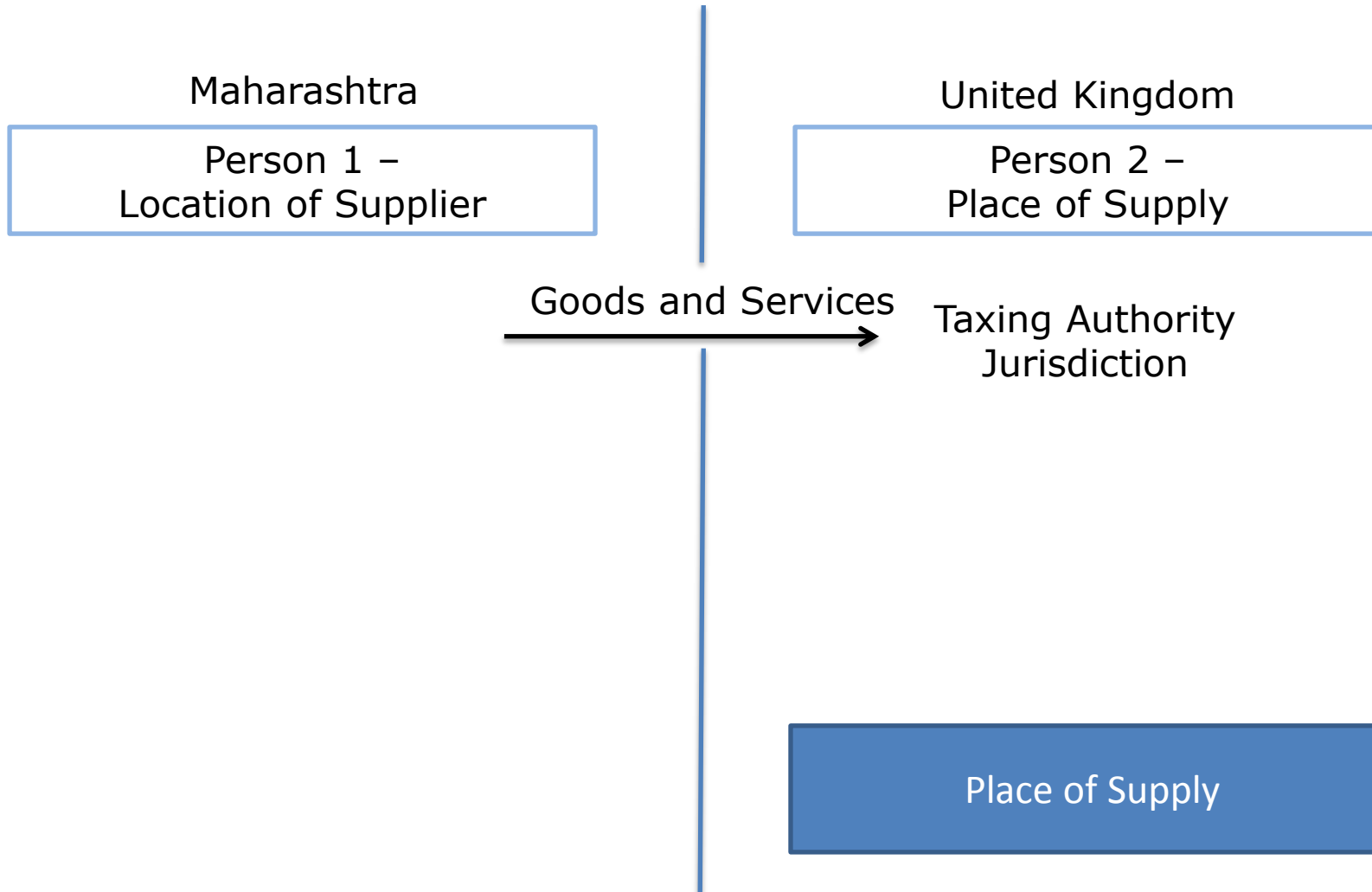


WHAT IS CONSUMPTION BASED TAX ?

GST Scenario Interstate	
Transaction Value	10,000
IGST 18%	1,800
Value	11,800
Total Value	11800
Total Tax	1,800

Place of Supply - Export

GST is a Destination based tax on Consumption



WHAT IS CONSUMPTION BASED TAX ?

GST Scenario Export	
Transaction Value	10,000
Zero Rated	
Value	10,000
Total Value	10,000
Total Tax	Zero rated

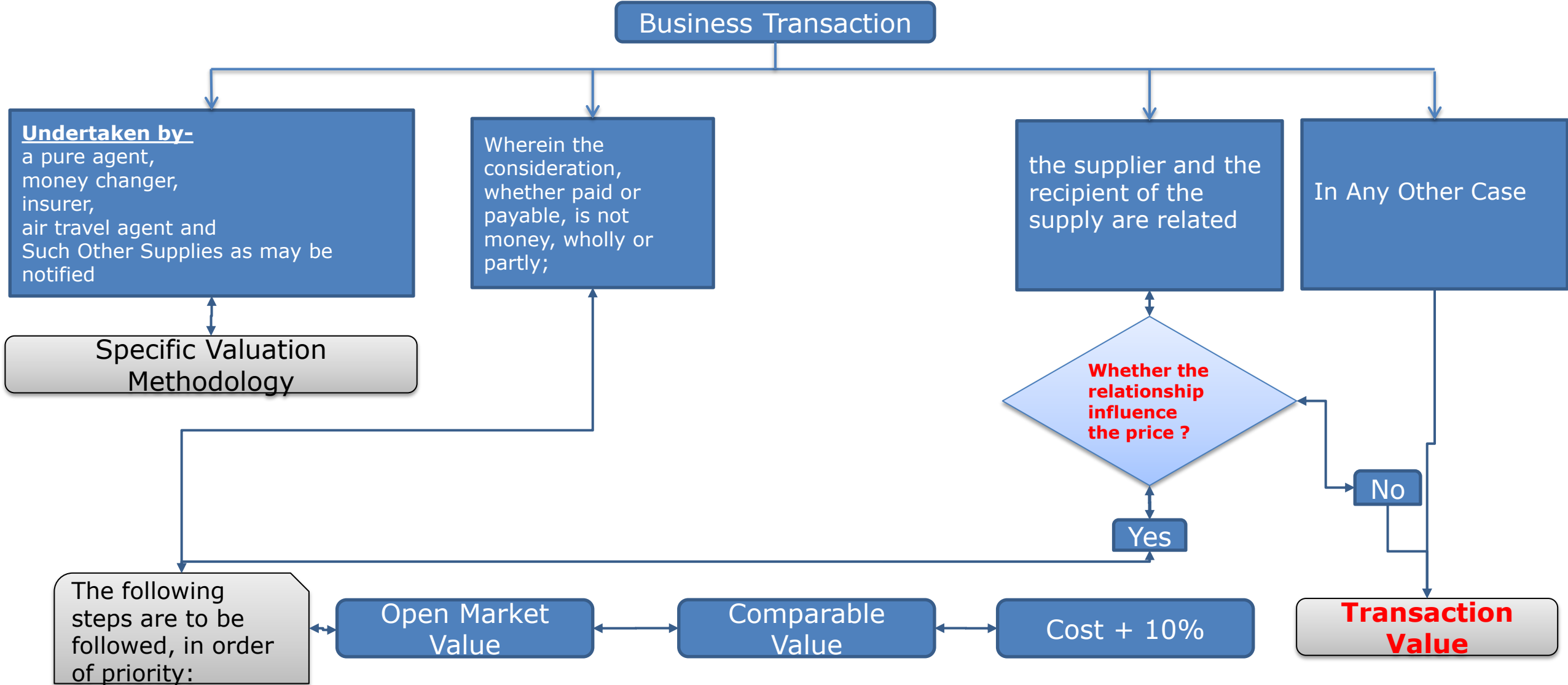
Time of Supply

Forward Charge	
Events	Remarks
<p><u>If invoice is issued in a Prescribed time then,</u></p> <p>Time of Supply will be earliest of-</p> <ul style="list-style-type: none">• Date of Invoice or• Date of Payment	<ul style="list-style-type: none">• Invoice Timing (within 30 Days)• Continuous Supply<ul style="list-style-type: none">• Time Based• Event Based
<p><u>Delay in Invoicing then,</u></p> <p>Time of Supply will be earliest of-</p> <ul style="list-style-type: none">• Date of Payment or• Date of Completion of Service	

Time of Supply

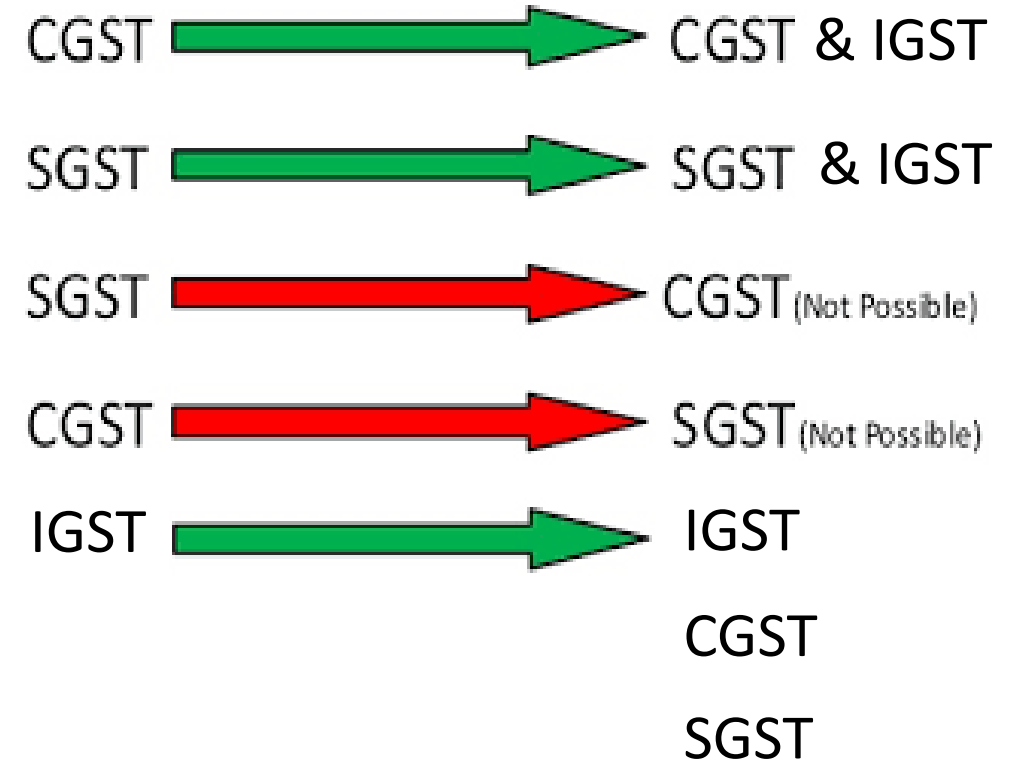
Reverse Charge	
Events- Earliest of	Remarks
The date on which the payment is made	<ul style="list-style-type: none">• Old Concept
61 st day from the date of issuance of invoice by service provider	<ul style="list-style-type: none">• Deemed Due date
<p>Where it is not possible to determine the time of supply under above clauses then the time of supply shall be - Date of entry <u>in the books of accounts of the recipient.</u></p> <p>Same provision is applicable in case of import of service where the service provider is an associate enterprise.</p>	

Valuation



Input Tax Credit Mechanism

Type of tax	Set off availability	Against which Tax	Can not be set off against
CGST	Yes	CGST IGST	X-SGST
X-SGST	Yes	X-SGST IGST	CGST
IGST	Yes	IGST CGST X-SGST	-



X-used a proxy for State of registration

Employee Related

Rent a cab, Motor Vehicles and other conveyances

Food and beverages & outdoor catering

Health services

Membership of a club, health and fitness centre

Beauty treatment & cosmetic and plastic surgery

Life insurance and health insurance

Travel benefits extended to employees on vacation such as leave or home travel concession

Goods or services or both used for personal consumption

Other Disallowances

Goods or services for construction of an immovable property

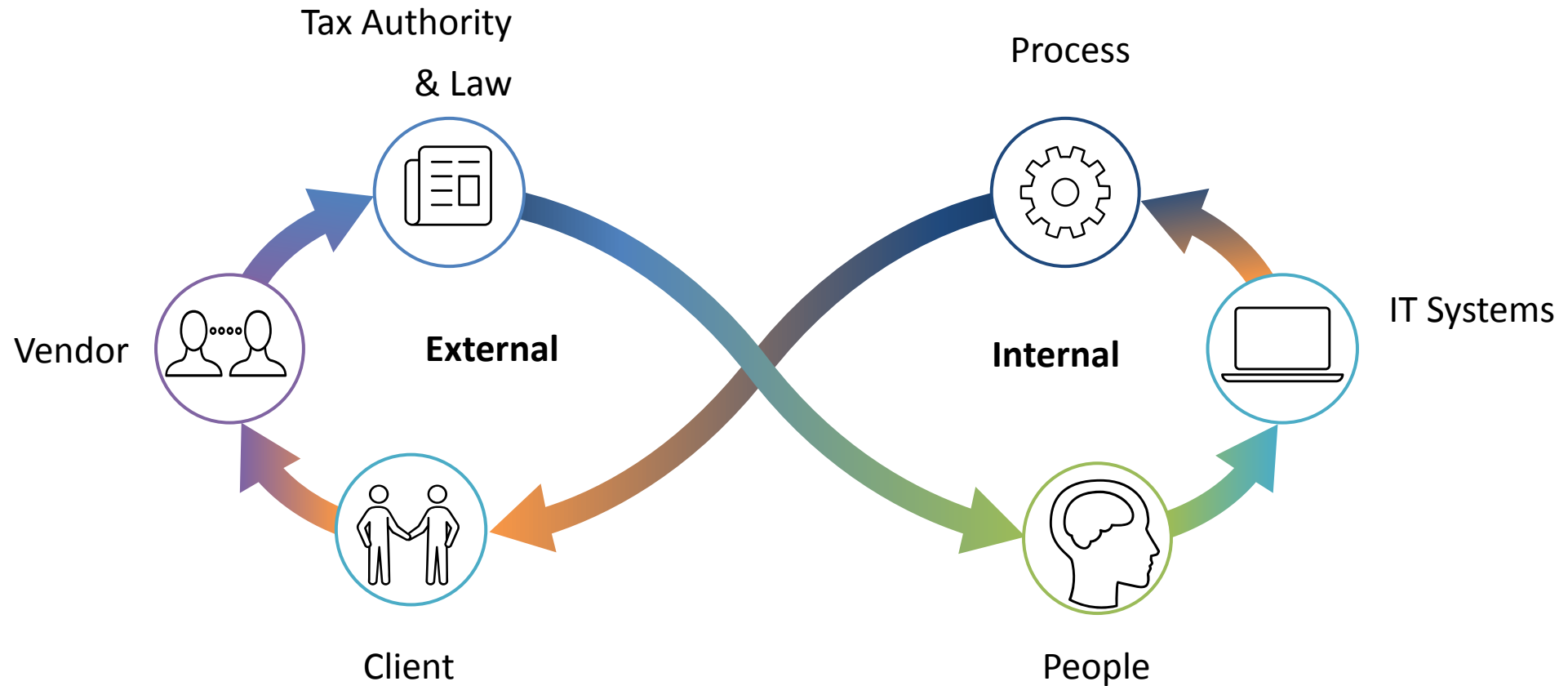
Works contract services in relation to construction of an immovable property

Composition

Goods lost
Stolen
Destroyed
Written off
Disposed of by way of gift
Free samples

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Business Process Challenges





Key Impact Areas

- **Transactions**

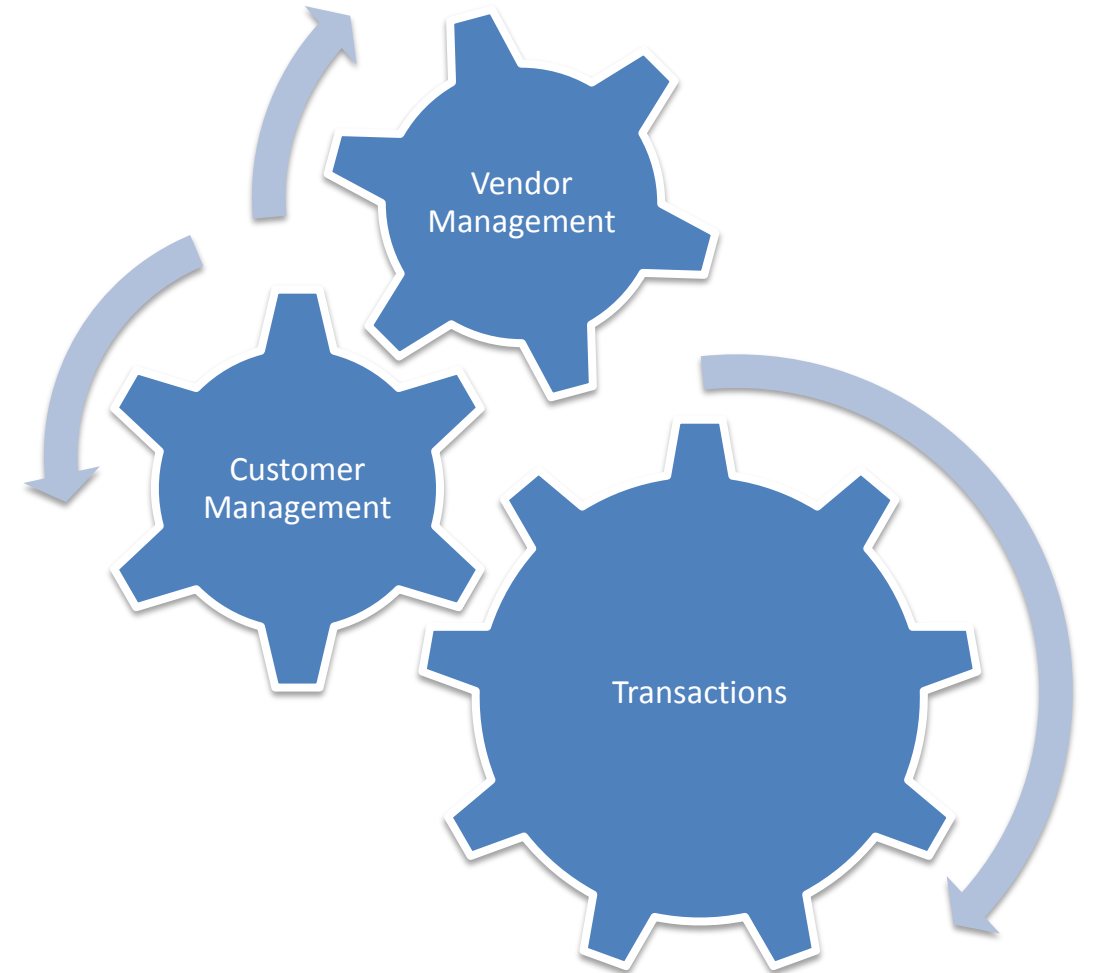
- Change in Tax Points
- Change in processes
- Business Models for Supply Chain to be analyzed (Principal to Principal vs Principal to Agent)

- **Customer Management**

- Customer Contract
- Invoicing Process
- Valuation and Charges
- Debit Note/Credit Note

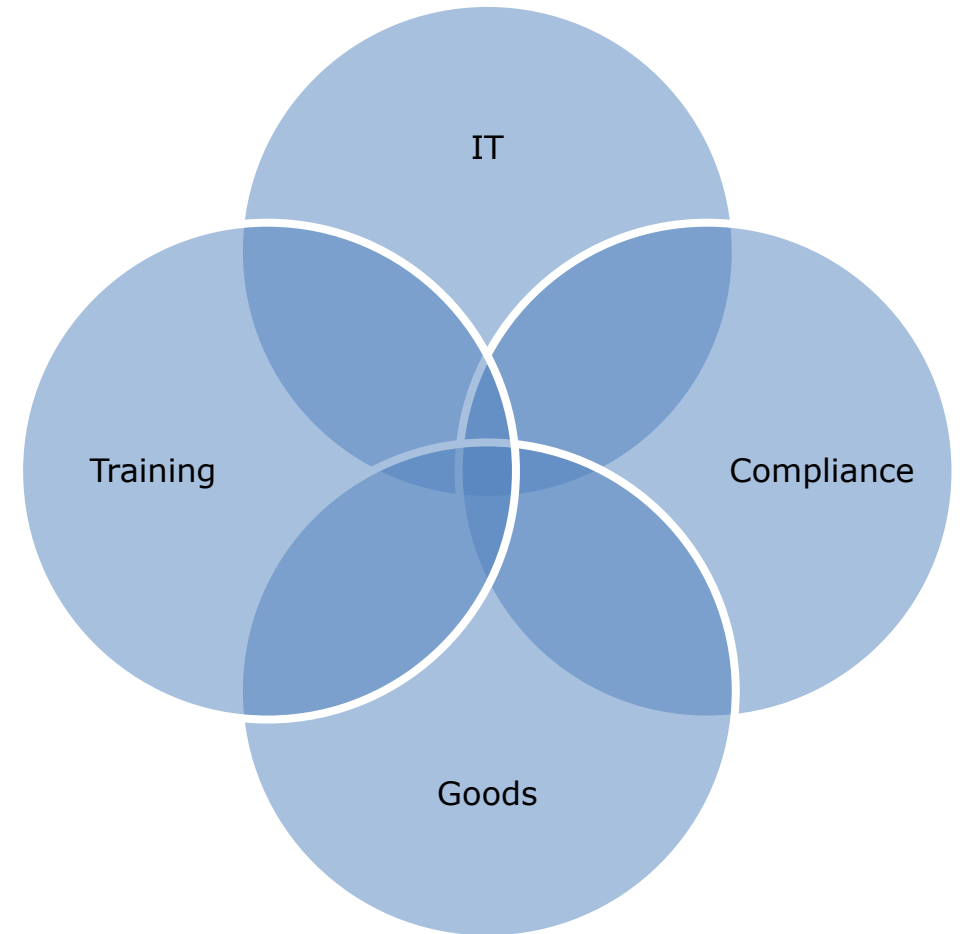
- **Vendor Management**

- Vendor Agreements KYC to Invoice
- Volume Discount transactions to be analysed
- Procurement Centralized or Decentralized
- Engage with GST compliant vendors



Key Impact Areas

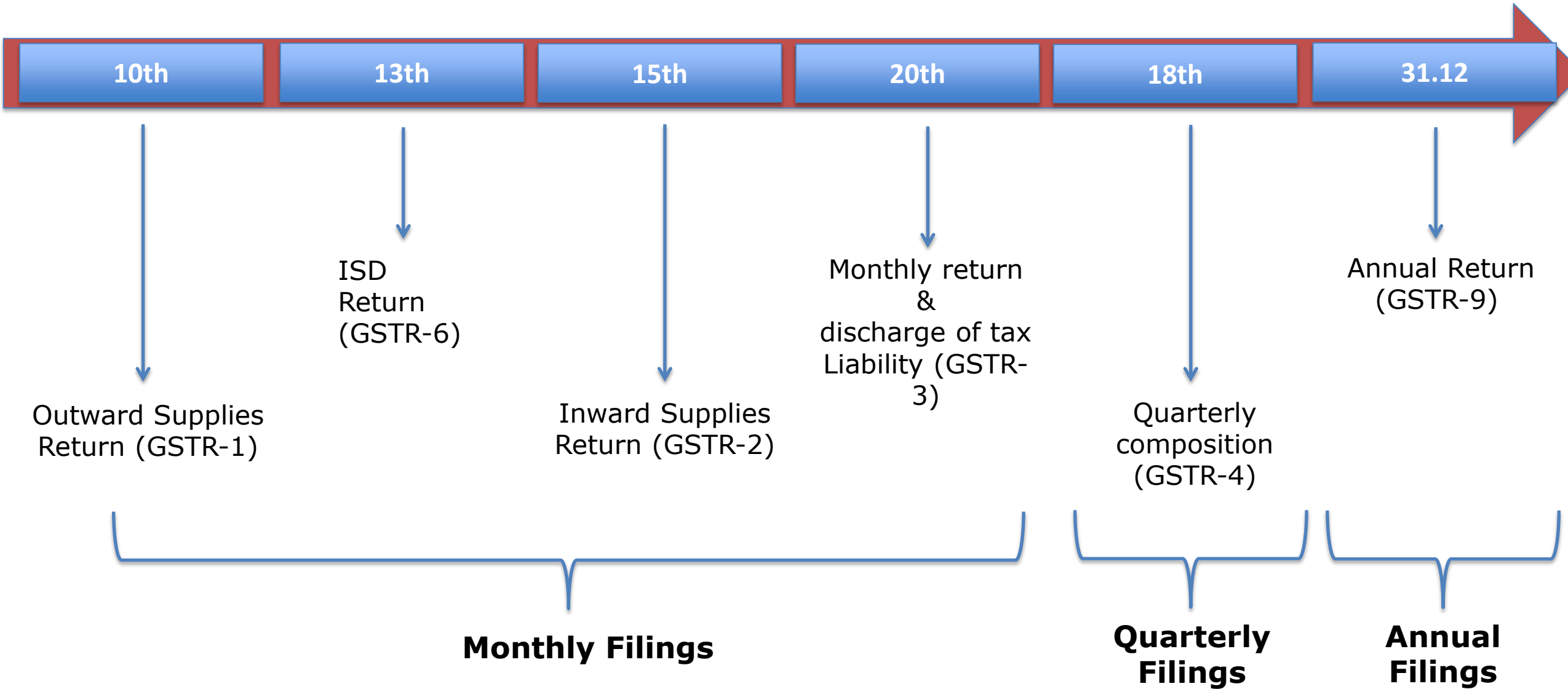
- **Changes in IT**
 - Front end
 - Data Fields
 - Data Check Points
 - Reporting formats
- **Change in Compliance from Centralized to State level**
 - State level Invoicing
 - State Level Compliance
 - Compliance related to sale of goods
- **Dealing in Goods**
 - Procurement to utilization
 - Transfer of goods/Assets between branches
- **Training**
 - Awareness and Education at all levels
 - Training on implementation plan



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Return

Types of Returns & Due Dates:



Penalty

Fraud

100% penalty, subject to a minimum of Rs. 10,000

In addition to the penalty, the following are details of prosecution

Tax amount involved	100-200 lakhs	200-500 lakhs	Above 500 lakhs
Jail term	Upto 1 year	Upto 3 years	Upto 5 year

Penalty extending upto **Rs. 25,000**

Not only the taxable person but any person who

- Helps to commit fraud under GST
- Receives any supply with full knowledge that it is in violation of GST rules
- Fails to appear before the tax authority on receiving a summons
- Fails to issue an invoice as per GST rules
- Fails to account any invoice appearing in the books

Other than Fraud

10% of tax amount due as Penalty subject to a minimum of Rs.10,000 for an offender not paying tax or making short-payments

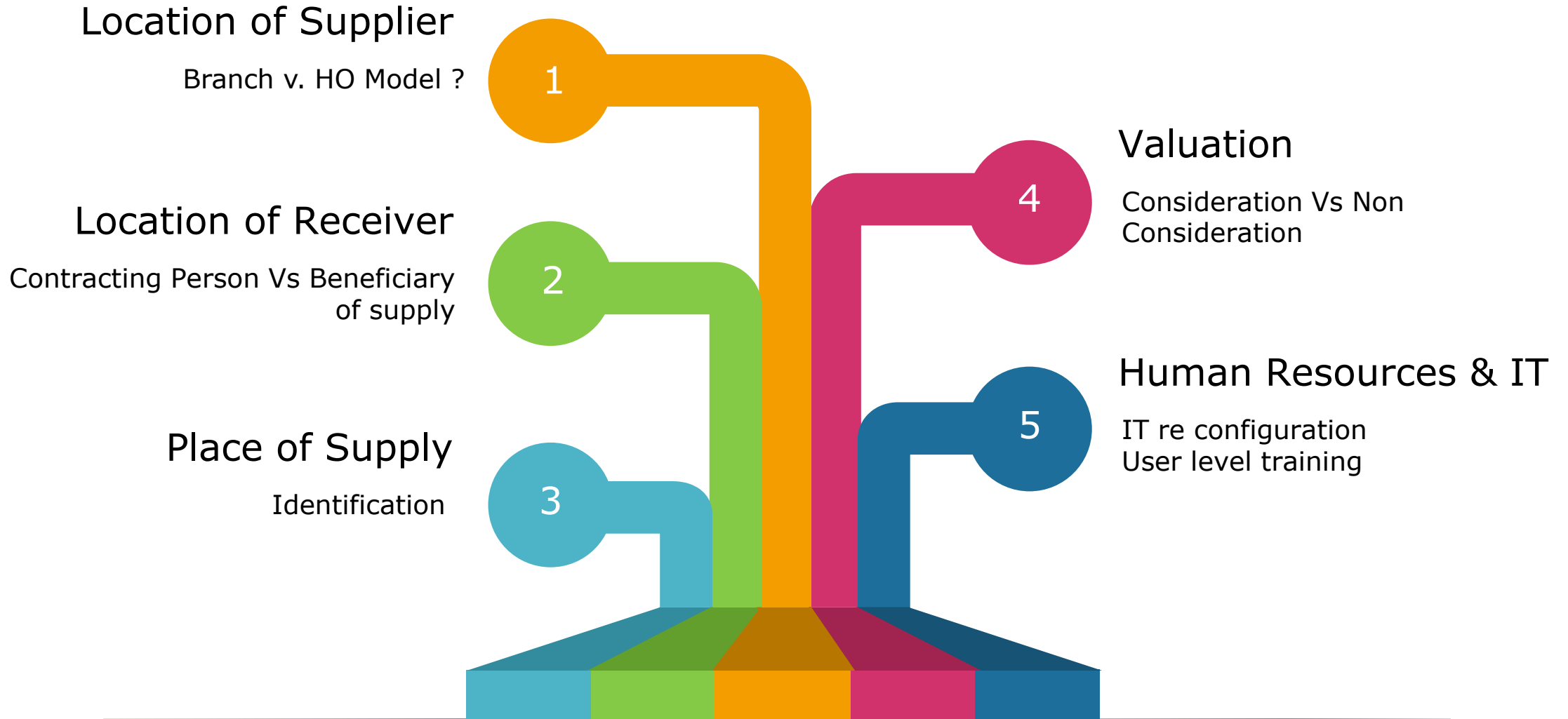
General Penalty

Penalty extending to **Rs. 25,000** for any offense under GST for which penalty is not specifically mentioned

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What should be the Concerns

Key Challenges



- **Whether it's a Supply**
- **Business Competitiveness**
- **Valuations & Classification & Rate of Tax**
- **Total Collection of GST from Customers**
- **Total Input Set off available**
- **Cash Flow Impact**

Thank you

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