



GOODS & SERVICES TAX (GST)

READING BETWEEN THE LINES

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GST

**INDIA HAS MOVED ON TO GST
FROM JULY 1, 2017**



IMPLEMENTATION STATUS

Central laws >
Notified

State laws >
J&K now part
of GST

Rules, formats
& rates > Notified

GSTN preparedness >
Happening in a staggered
and phased manner




LEGISLATION



OLD	NEW
EXCISE	IGST
CVD / SAD	CGST
SERVICE TAX	SGST / UTGST
VAT / CST	COMPENSATION CESS
ENTRY TAX / OCTROI	RULES
ENTERTAINMENT TAX	NOTIFICATIONS/ CIRCULARS
LUXURY TAX	

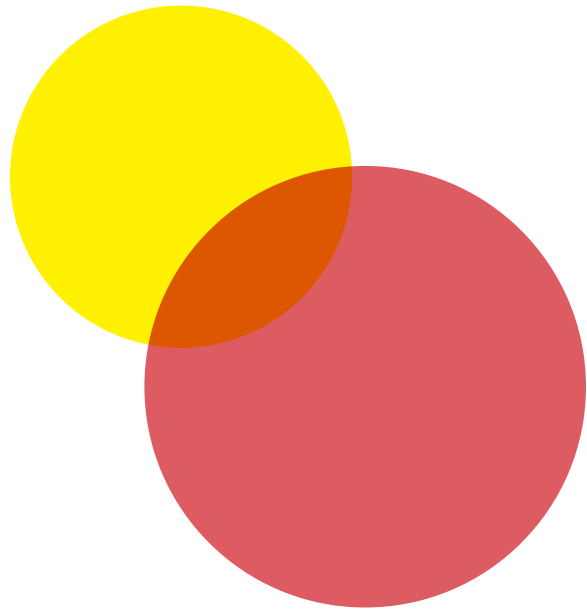


PILLARS OF GST

- 
- WHAT.....** Taxable supply and Levy*
 - WHERE.....** Place of Supply
 - WHEN.....** Time of Supply
 - HOW MUCH.....** Valuation



INPUT CREDIT



IGST can be set off against

IGST
CGST
SGST

CGST can be set off against

CGST
IGST

SGST can be set off against

SGST
IGST

- *No credit of CGST against SGST or vice versa*
- *CGST/SGST of one State may not be set-off from that of another State*
- *No credit for goods lost, stolen, destroyed, written off or disposed by way of gift or free samples*



STATEMENTS / RETURNS

RETURN	FORM	FREQUENCY	DUE DATE
Outward Supplies	GSTR-1	Monthly	10 th of following month
Inward Supplies	GSTR-2	Monthly	15 th of following month
Monthly Return	GSTR-3	Monthly	20 th of following month
Persons under Composition Levy	GSTR-4	Quarterly	18 th of the month following the quarter
Non-resident taxable person	GSTR-5	Monthly	20 th of the following month or 7 days after the expiry of registration whichever is earlier
Input Service Distributor	GSTR-6	Monthly	13 th of following month
Persons under TDS	GSTR-7	Monthly	10 th of following month
E-commerce operator	GSTR-8	Monthly	10 th of following month
Annual Return	GSTR-9	Annually	Dec 31 following end of FY
Final Return	GSTR-10	Once	Within 3 months of cancellation of registration



PRACTICAL ISSUES

Anti-Profiteering

S. 171(1) of CGST Act – any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices

- No guidelines have been issued yet
- Is this to be done on entity level or SKU level
- What is meant by ‘commensurate’
- How to determine benefit arising out of GST
- No threshold laid down for complaint by “any person”



PRACTICAL ISSUES

Casual Taxable Person & Non-Resident Taxable Person

S. 2(20) of CGST Act – a person who **occasionally** undertakes transactions involving supply of goods or services or both in the course of furtherance of business, whether as principal, agent or in any other capacity, in a State or Union territory where he has **no fixed place of business**

S. 2(77) of CGST Act – any person who **occasionally** undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has **no fixed place of business or residence in India**

- Determination whether activity falls under this category
- Conflict with reverse charge provisions on imports
- Significance of the word “**occasionally**”
- Ambiguous for service sector viz. *holding of events, installation/repair services, consulting assignments*
- Temporary registrations and compliances become onerous



PRACTICAL ISSUES

Supply without consideration

Schedule I

S. 7(1)(c) of CGST Act – the activities specified in Schedule I, made or agreed to be made without a consideration

Permanent transfer or disposal of business assets where input tax credit has been availed on such assets

- What are business assets
- Valuation – can it be NIL

Supply of goods or services of both between related persons or between distinct persons as specified in S.25, when made in the course of furtherance of business

- Identification of transactions between "distinct persons" viz. HO to branches
- Valuation methodology – open market value v. other prescribed methods
- Payment within 180 days condition between distinct persons
- Employer – employee transactions v. gifts to employee



PRACTICAL ISSUES

Reverse charge (RCM)

S. 9(3) of CGST Act and S. 5(3) of IGST Act – tax in respect of specified supply of taxable goods or services or both shall be paid by recipient of supply on a reverse charge basis

S. 9(4) of CGST Act and S. 5(4) of IGST Act – tax in respect of supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on a reverse charge basis

- Treatment of employee reimbursements
- If receiving supplies specifically covered under reverse charge u/s 9(3), registration kicks in and all other compliances become applicable, even if fully engaged in exempt supplies
- Onerous documentation requirements
- Inter-state supplies from unregistered person
- Input Service Distributor (ISD) cannot avail supplies falling under RCM



PRACTICAL ISSUES

Scheme Discounts **Promotional/Display goods** **Demonstration goods**

S. 17(h) of CGST Act – goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples

Valuation Rules in respect of post supply discounts

- Treatment of scheme discounts where additional quantities offered FoC
- Treatment of demonstration goods viz. cosmetics, perfumes
- Treatment of items put on display or used for promotion



PRACTICAL ISSUES

Transitional Issues

Chapter XX – Transitional Provisions of CGST Act

- Transitional credit in GSTR-3B – summary return – no revision permissible
- Point of taxation for invoices dated prior to July 2017 covered under reverse charge when received in July 2017
- Deemed credit provisions
 - Tax on subsequent sale to be paid first
 - GST benefit to be passed on to recipient
- Treatment of sales return of goods sold prior to July 1
 - Separate for returns from registered person and unregistered person
 - Time limit of 6 months only



PRACTICAL ISSUES

Composite Supply & Mixed Supply

S. 2(30) of CGST Act – Composite supply means supply of two or more taxable supplies, naturally bundled, one of which is a principal supply

S. 2(74) of CGST Act – Mixed supply means two or more individual supplies for a single price, not being composite supply

- Determination of supply and appropriate rate of tax
- Is proportion of different goods / services bundled together relevant for such determination
- Treatment of turnkey contracts involving supply of goods and services both
- Treatment of freight and insurance if goods sold on CIF basis



PRACTICAL ISSUES

High Sea Sales

- Not dealt with specifically in the GST laws
- Ambiguity of double taxation put to rest by government
- Documentation issues still not clear
- Whether such supplies will be treated as 'exempt supply'

AT A GLANCE

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