Goods and Services Tax

Overview of GST Bill

Apr 2017

Overview of GST

- Dual-tax in GST
- IGST not a tax
- Every supply yields tax
- Every removal not supply
- No GST on:
  - Non-GST goods
  - Non-supply transactions
  - Supply outside taxable territory
- Fiction of *distinct persons*
- *Right-duty-authority* to collect tax
- Ingredients of supply from contract law or not
- Destination based tax
- Place of business or place of supply
- Multi-State or single-State registration / compliance
- Export or just zero-rated

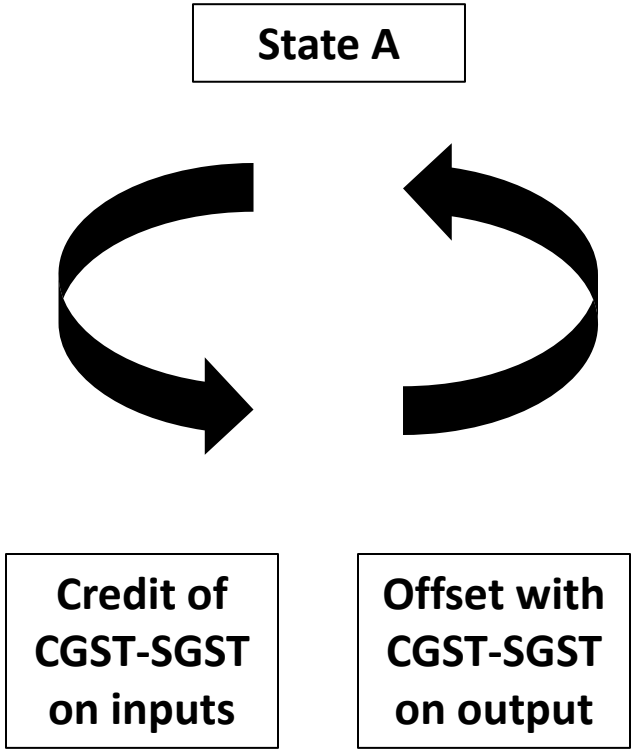
Levy of GST

- Taxable event
- Business or business-like
- Consideration
  - Money or monetary
  - Free or non-monetary
- Types of reverse charge:
  - Imports and notified
  - Unregistered supplier
- Effect of lateral charge
- Newly taxed supplies:
  - Inter-branch transactions
  - Agency or agency-like
  - Employer-employee
  - Functions by sovereign (not functions of sovereign)
- Exemptions in GST
- ISD – multiplicity
- Role of Customs Act

Levy of GST

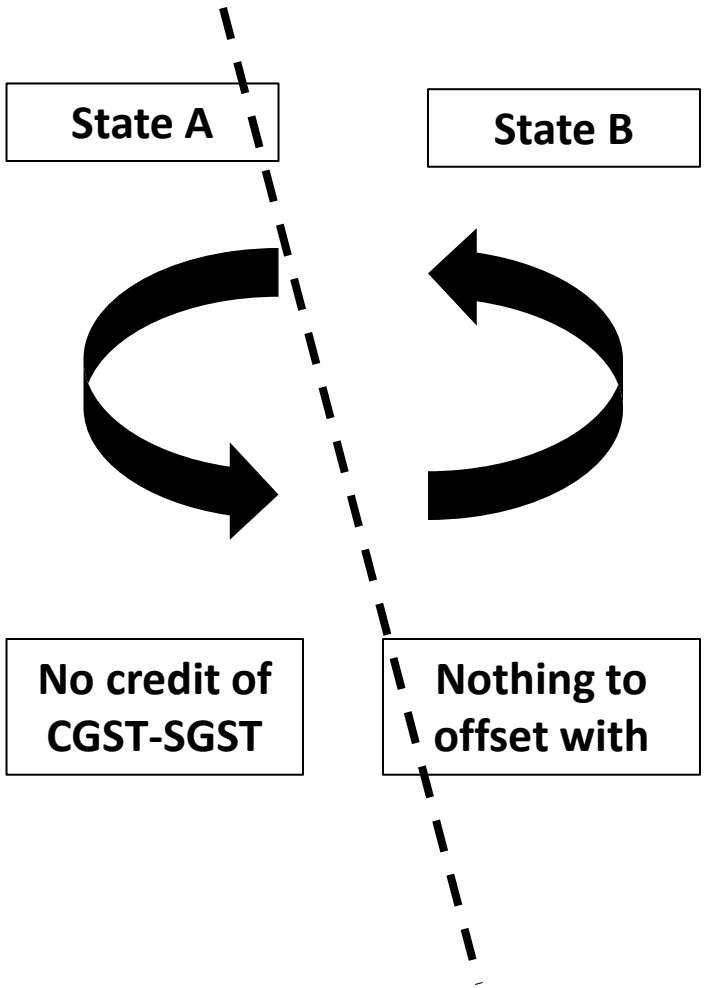
- Goods or services or both
- Nature of supply:
  - Common understanding
  - Statutory meaning
  - Statutory fiction
- Intra-State supply:
  - Location of goods or
  - Location of supplier of goods
- Inter-State supply:
  - *Non-specific* but different States
  - 'Till' goods cross.....
  - Import of services
  - Export of goods
  - Merchanting trade
- SEZ supplies:
  - Entity or undertaking
  - 100% SEZ possible?

Intra-State Trade



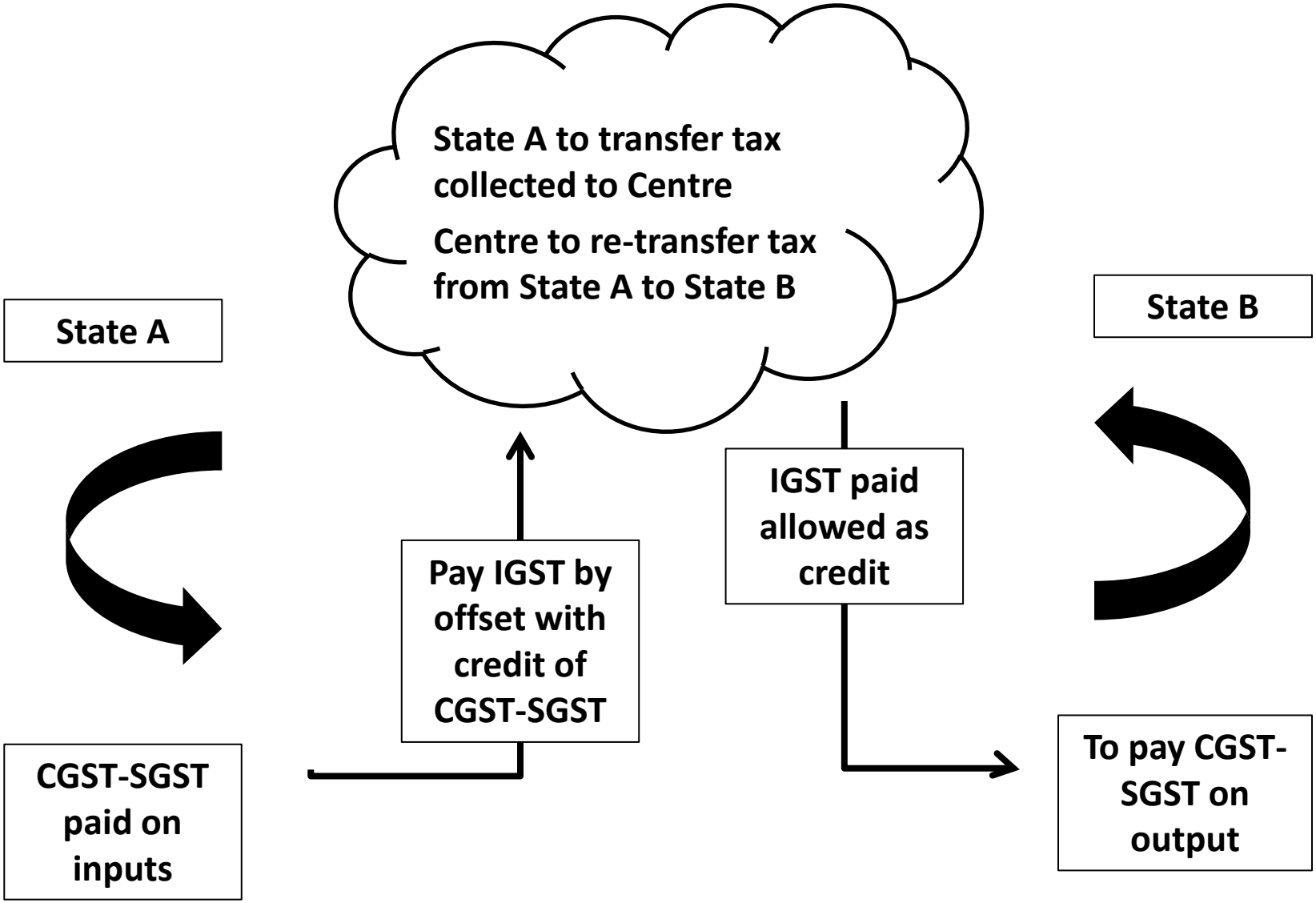
- Procure in State A
- CGST-SGST paid on input in State A allowed as credit
- Consume also in State A
- Offset with CGST-SGST also payable in State A on output

Inter-State Trade



- Procure in State A
- Consume in State B
- CGST-SGST paid on input in State A not allowed as credit
- Nothing to offset CGST-SGST payable in State B on output

Integrated Credit Transfer in IGST



Exemption

- Conditional exemption:
  - Qualifying condition
  - Continuing condition
- Absolute exemption:
  - Compulsory or optional
  - Omission by inadvertence
- Exemption by order:
  - From levy of GST
  - From payment of levy
- Exemption *inter se*
- Laying before Parliament
- Retroactive explanation
- Effect of exemption on input tax credit
- Recover credit loss
- Doubt about exemption
- Defense of *neutrality*

Composition

- Eligibility:
  - Eligible supplies
  - Eligible suppliers
  - Eligibility conditions
  - Excluded supplies
  - Excluded suppliers
- Available:
  - Apply or Opt
  - Approved or Informed
- Availed:
  - One-time conditions
  - Continuing conditions
- Allowed:
  - Returns and compliance
  - Manner of verification
  - Disqualifications
- Utilized:
  - 2017-18 (July onwards)
  - After 2018-19

Purchase from a manufacturer

Current Tax Regime

INVOICE

Name of Buyer: **ABC (P) Ltd.** Invoice no.:
Address: Invoice date:

Description	**Amount (Rs.)**
ANYTHING TAXABLE	100,000
Sub-total	***100,000***
Excise duty @ 12.5%	12,500
VAT @ 14%	15,750
Total	**128,250**

GST Regime

INVOICE

Name of Buyer: **ABC (P) Ltd.** Invoice no.:
Address: Invoice date:

Description	**Amount (Rs.)**
ANYTHING TAXABLE	100,000
Sub-total	***100,000***
CGST @ 9%	9,000
SGST @ 11%	11,000
Total	**120,000**

Purchase from a reseller

Current Tax Regime

INVOICE

Name of Buyer: **ABC (P) Ltd.** Invoice no.:
Address: Invoice date:

Description	**Amount (Rs.)**
ANYTHING TAXABLE	112,500
Sub-total	***112,500***
-	-
VAT @ 14%	15,750
Total	**128,250**

GST Regime

INVOICE

Name of Buyer: **ABC (P) Ltd.** Invoice no.:
Address: Invoice date:

Description	**Amount (Rs.)**
ANYTHING TAXABLE	100,000
Sub-total	***100,000***
CGST @ 9%	9,000
SGST @ 11%	11,000
Total	**120,000**

Purchase of services

Current Tax Regime

INVOICE

Name of Buyer: **ABC (P) Ltd.** Invoice no.:
Address: Invoice date:

Description	**Amount (Rs.)**
ANYTHING TAXABLE	100,000
Sub-total	***100,000***
ST @ 14%	14,000
SBC @ 0.5%	500
KKC @ 0.5%	500
Total	**115,000**

GST Regime

INVOICE

Name of Buyer: **ABC (P) Ltd.** Invoice no.:
Address: Invoice date:

Description	**Amount (Rs.)**
ANYTHING TAXABLE	100,000
Sub-total	***100,000***
CGST @ 9%	9,000
SGST @ 11%	11,000
Total	**120,000**

Purchase from contractor

Current Tax Regime

INVOICE

Name of Buyer: **ABC (P) Ltd.** Invoice no.:
Address: Invoice date:

Description	**Amount (Rs.)**
ANYTHING TAXABLE:	
➢ Material portion*	112,500
➢ Service portion	50,000
** includes ED @ 12.5%*	
Sub-total	***162,500***
VAT @ 14%	15,750
ST @ 14%	7,000
SBC @ 0.5%	250
KKC @ 0.5%	250
Total	**185,750**

GST Regime

INVOICE

Name of Buyer: **ABC (P) Ltd.** Invoice no.:
Address: Invoice date:

Description	**Amount (Rs.)**
ANYTHING TAXABLE:	
➢ Material portion*	100,000
➢ Service portion	50,000
** no ED on materials*	
Sub-total	***150,000***
-	-
-	-
CGST @ 9%	13,500
SGST @ 11%	16,500
Total	**180,000**

Costing v. Valuation

- Every transaction has two limbs:
  - Sell-side
  - Buy-side
- As a customer to a supplier:
  - First, restate the ‘sell-side invoice’ to know impact
  - Then, do the same exercise at supplier-level:
    - to know the savings earned by supplier
    - and take steps to recover (or share) his savings
- Assessable value and cost of goods not related

GST Opportunity

- Upgrade approach to business
  - Choose between COT and Regular
  - Embrace use of IT tools for GST compliance
  - Be transparent with customers
  - Understand cost savings expected by customers
- Small and medium enterprise required in GST
- Professionals to demystify GST to industry

Thank You