

A nighttime aerial view of Singapore, showing the illuminated skyline of the city with several prominent skyscrapers. The lights from the buildings and streets create a vibrant contrast against the dark blue sky. In the foreground, a large green field is visible, surrounded by more buildings and infrastructure.

# GST-Pre and Post Preparation

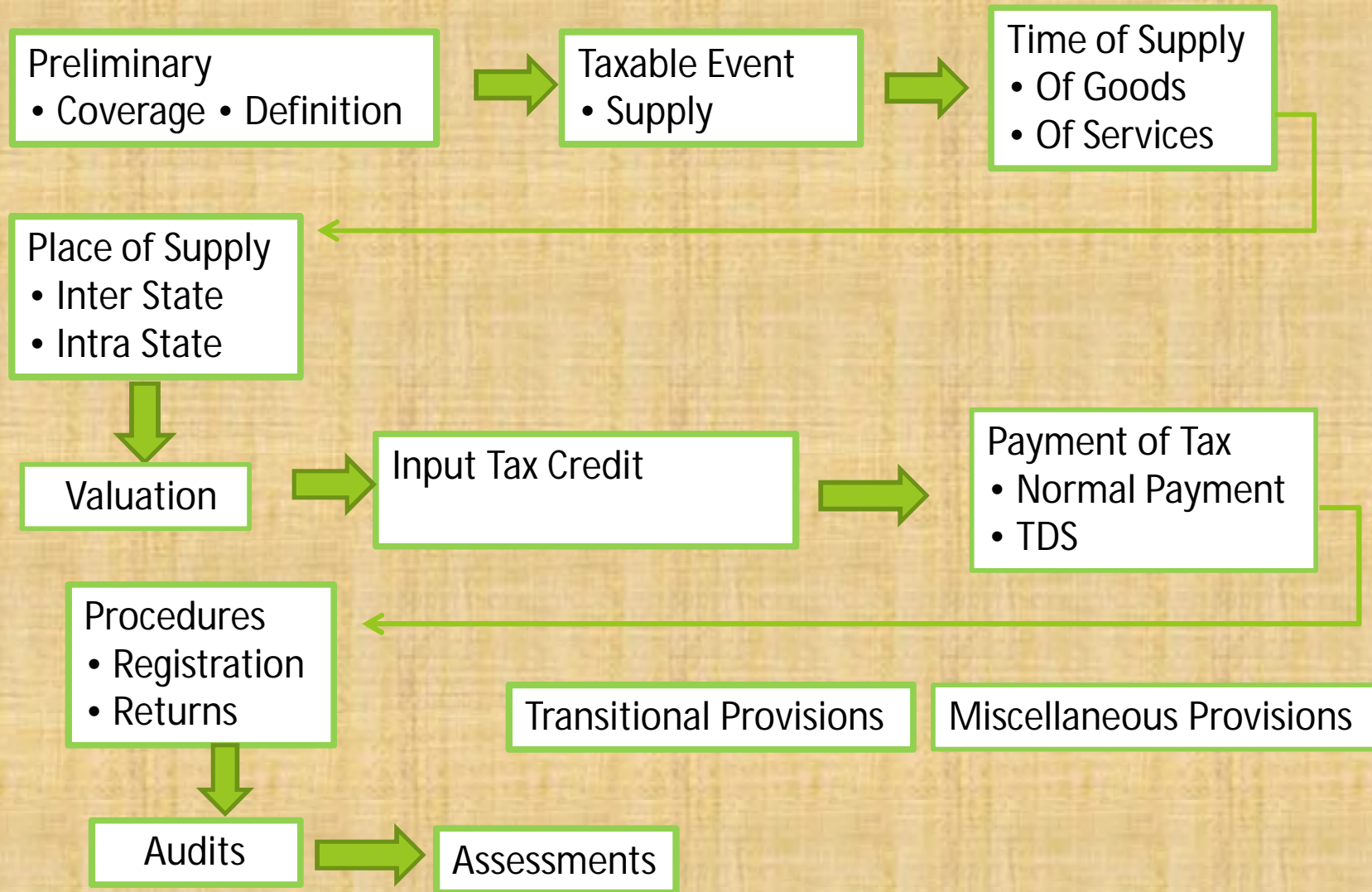
-CA Sushant Suniel Karbhari  
Shyamala Suniel & Associates LLP  
Chartered Accountants

# AGENDA

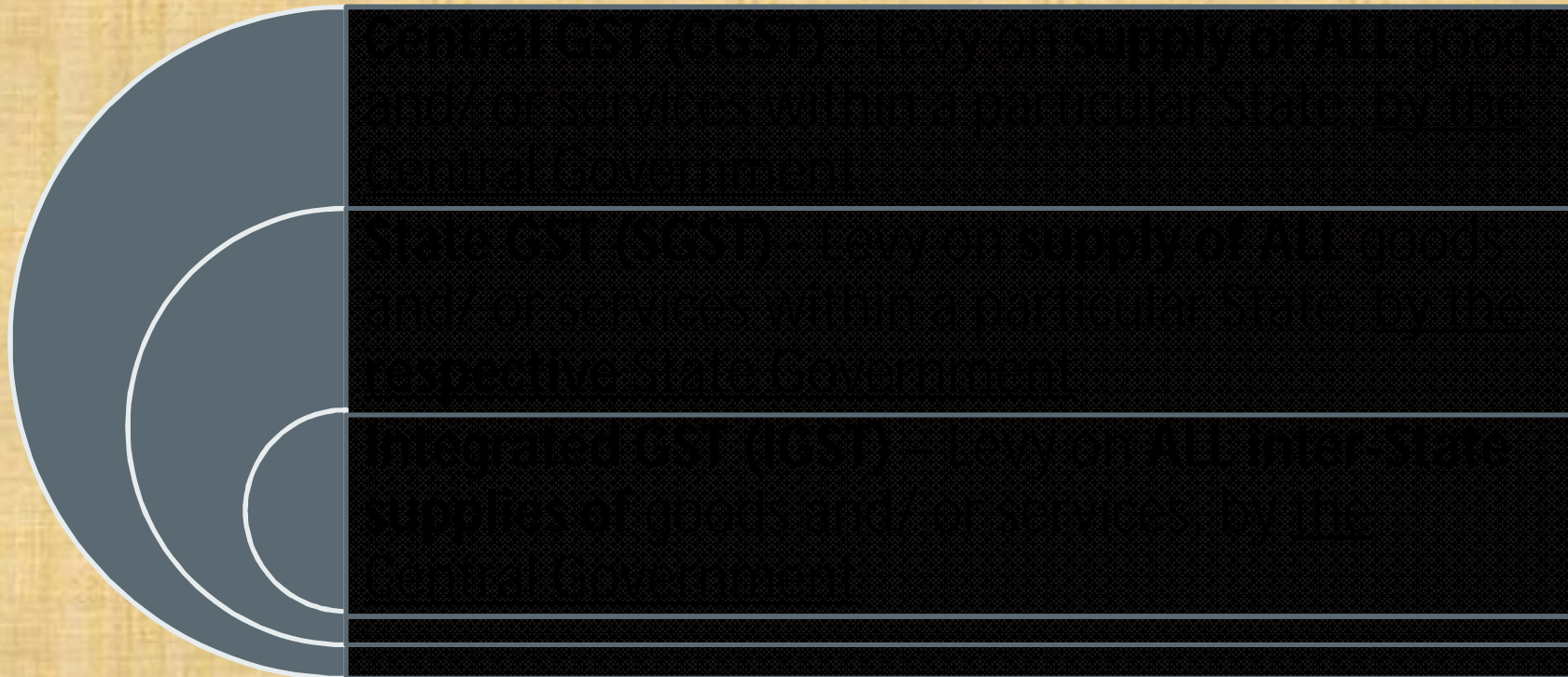
25/06/2017

1. GST Overview.
2. Components/Rates of GST
3. GST Overview- Taxes to be subsumed
4. Input Tax Credit
5. Time of Supply
6. Value of Supply
7. GST Impact Assessment.
8. Tax Invoice, Payments Returns
9. Transitional provisions- How entities/Businesses need to be ready?
10. Accounts/Audit/Assessments.
11. Suggestions/Points to be kept in mind while moving into GST.

# GST Overview



# Components/Rates of GST



GST Rates Classification : 0%- Items of Basic Necessity, Foodgrains

5%- Items of Mass consumption

12%, 18%- Standard Rates- Products for Lower Middle Class

28%- Other Products

28% plus Cess- Luxury Cars, Aerated Drinks, Pan Masala & Tobacco Products.

# GST Overview- Taxes to be subsumed

## Central Taxes

1. Central Excise Duty
2. Additional Excise Duty
3. Service tax
4. Countervailing Duty(CVD)
5. Additional CVD
6. Surcharge, Edu cess, Higher Edu

## State Taxes

1. VAT/Sales Tax
2. Purchase Tax(LBT)
3. Entertainment Tax
4. Luxury Tax
5. Lottery tax
6. State Surcharge & cess levialble on above.



## Concept of Input Tax Credit

What do Entities need to Ensure to avail maximum Benefit of this Cenvat Credit/Input tax Credit?

# Principles on Input Tax Credit

- System for a seamless flow of credit
- Extends to inter-State supplies
- Credit utilization would be as follows:

Credit of:	Allowed for Payment of		
	IGST	CGST	SGST
IGST	✓ (1)	✓ (2)	✓ (3)
CGST	✓ (2)	✓ (1)	
SGST	✓ (2)		✓ (1)

*\*The numbers represent the order of utilization of credit*

- Expectation: Accumulation of unutilized GST credits would be avoided except in cases of exports

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# Input Credit- Its Nuances and Availment



IGST Credit



CGST Credit



SGST Credit

- **What Businesses must check for Full benefit of Input Credit:**

1. Availment of Credit on **Receipt** of Tax paying documents.
2. There has been **receipt of Goods/Services** of which Cenvat is claimed.
3. **None** of Input Credit is **Ineligible** as per Definitions in Input Credit Rules.
4. Correct/**Accurate returns are being filed** u/s 27.
5. Credit is **taken before Annual Return is filed** or before 30<sup>th</sup> Sept of next year after FY.
6. Set off of credit taken is made In correct manner as per rules.

**Seamless Credit:** As seen- Registration limit is 20 lakhs: Surely Seamless credit as most businesses will be in tax bracket. Also Seamless if:

**Supplier** Discloses Sales correctly → Pays Liability Correctly → Files Return

**Customer** Discloses Purchases Correctly → Avails Credit as per Rule → Files Return



# Conditions for Availment of ITC by a Registered Taxable Person

Basis - **tax invoice/ debit note issued by a registered supplier**, or other prescribed taxpaying document

Goods and/or services have been received\*

Tax actually paid by the supplier to the credit of the appropriate Government, either in cash or by utilization of ITC

He has furnished the monthly return in Form GSTR-3 under Section 34

## \*Note:

- Credit only upon receipt of the last lot/ instalment in case of goods received in lots/ instalments against an invoice.
- Goods deemed to be received by a taxable person when the supplier delivers the goods to the recipient/ any other person, on the direction provided by the taxable person to the supplier.

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# ITC in case of Capital Goods

Depreciation claimed on Tax component of the cost of capital goods under IT Act

ITC not Available

Example:

Cost of asset	=	Rs. 100
Tax-10%(say)	=	<u>Rs. 10</u>
Total Cost	=	<u>Rs. 110</u>

If Depreciation charged on Rs.100  
**ITC Available**

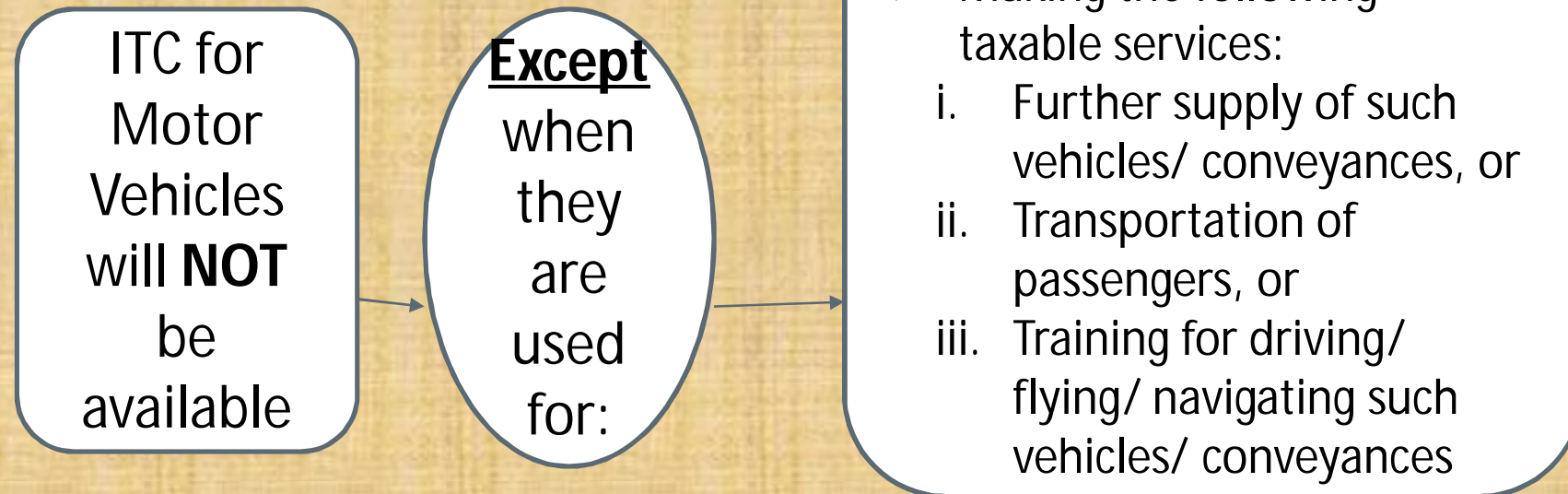
If Depreciation charged on Rs.110  
**ITC not Available**

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# Restrictions on ITC : Sec 17(4)

## Blocked credits

### a) Motor Vehicles



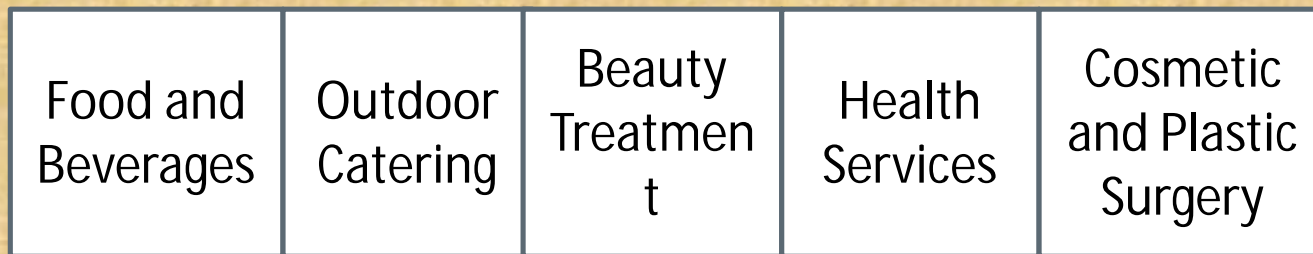
Note: Where any amount has been paid on goods and/or services, in lieu of tax, under composition scheme, no credit on such amount would be allowed.

b) **Works Contract**-Works contract services when supplied for construction of an immovable property.

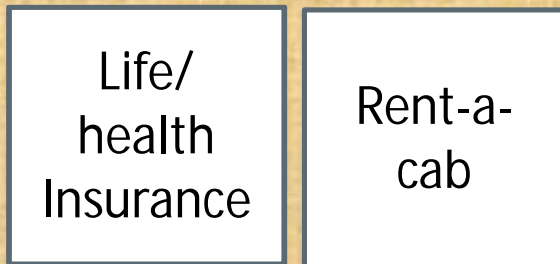
# Restrictions on ITC : Sec 17(4)

## Blocked credits

### b) Supply of goods and services being:



**Allowed ONLY if goods/ services of a particular category are used towards making taxable outward supplies of the same category**



**Allowed ONLY if where the services are notified as obligatory for an employer to provide an employee**



**NEVER allowed**

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# Time of Supply of Goods(When will invoice be issued?)

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As per Section 12(2) of CGST ACT, time of supply of goods shall be **earlier of invoice/payment, i.e., –**

Actual **date of issue of invoice** by the supplier

**Due date for issue of invoice** by the supplier [Section 28\*]:

- **Supply involves movement:** Time of removal of goods for supply (Exact time when goods are about to be removed)
- **Sale on approval basis:** Earlier of time at which it becomes known that the supply has taken place OR 6 months from date of removal
- **Other cases:** Delivery of goods/ making available to the recipient
- **Notified categories of supplies:** Time to be specified by Rules

Date on which **payment is entered in the books of supplier**

Date on which **payment is credited** to the supplier's bank a/c

*\*Where payment is received in advance, the Supplier shall issue a receipt voucher, and NOT a tax invoice*

# Sec.13(2): Time of Supply of Services

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As per Section 13(2) of CGST ACT, time of supply of services shall be **earlier of invoice/ payment, i.e., –**

Actual **date of issue of invoice** by the supplier

**Due date for issue of invoice** by the supplier [Section 28\*]:

- Before/ after the supply of service, but within 30 days
- **Notified categories of supplies:** Any other prescribed document shall be deemed to be the tax invoice

Date on which **payment is entered in the books of supplier**

Date on which **payment is credited** to the supplier's bank a/c

*\*Where payment is received in advance, the Supplier shall issue a receipt voucher, and NOT a tax invoice*

# Time of Supply of Goods / Services- Reverse Charge –S-12(3)/S- 13(3):

Date on which **payment is entered in the books of recipient**

Date on which **payment is debited** to the recipient's bank a/c

Where tax liable to be paid on reverse charge basis, the time of supply of goods/services shall be **earliest** of–

31<sup>st</sup> day (in case of goods, and 61<sup>st</sup> day in case of services) from the date of issue of invoice by supplier

Where it is not possible to determine time of supply in the **3 other cases: Date of entry in the books of account of the recipient**

**Note:** On the date of receipt of goods (or services) from a supplier being an unregistered person, the **recipient shall issue an invoice** [Section 28]



# Value of Supply



# GST IMPACT AREAS



# Detailed Effect on Transaction- PRE and POST GST.

Parameter's Considered: Purchases : Excise 12.5% and VAT 6%

Sales: Excise 12.5% and VAT 12.5%

Profit Margin of 20% Considered.

Particulars	PRE-GST	POST-GST
Purchase Price	Rs 100	Rs 100
-Excise Duty	12.5	
-VAT	6.75	
-CGST		9
-SGST		9
<b>Total Tax on Purchase:</b>	<b>19.25</b>	<b>*18</b>
Sales price	Rs 120	Rs 120
Excise Duty-	15	
VAT-	16.875	
CGST		10.8
SGST		10.8
<b>Total Tax on Sale:</b>	<b>31.875</b>	<b>21.60</b>

# Detailed Effect on Transaction- PRE and POST GST(Contd)

Particulars	PRE-GST	POST-GST
<b>Input Tax Credit:</b>		
-Excise Duty (Cenvat)	12.5	
-VAT Credit	6.75	
-SGST Credit		9
-CGST Credit		9
<b>Total Credit Available:</b>	<b>19.25</b>	<b>*18</b>
<b>Net Tax Payment by Manufacturer:</b>	<b>12.625</b>	<b>3.40</b>

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# Types of Sale transactions

## SALE OF GOODS

### 1. Direct Supply to Customer with Movement of Goods (Within MH)



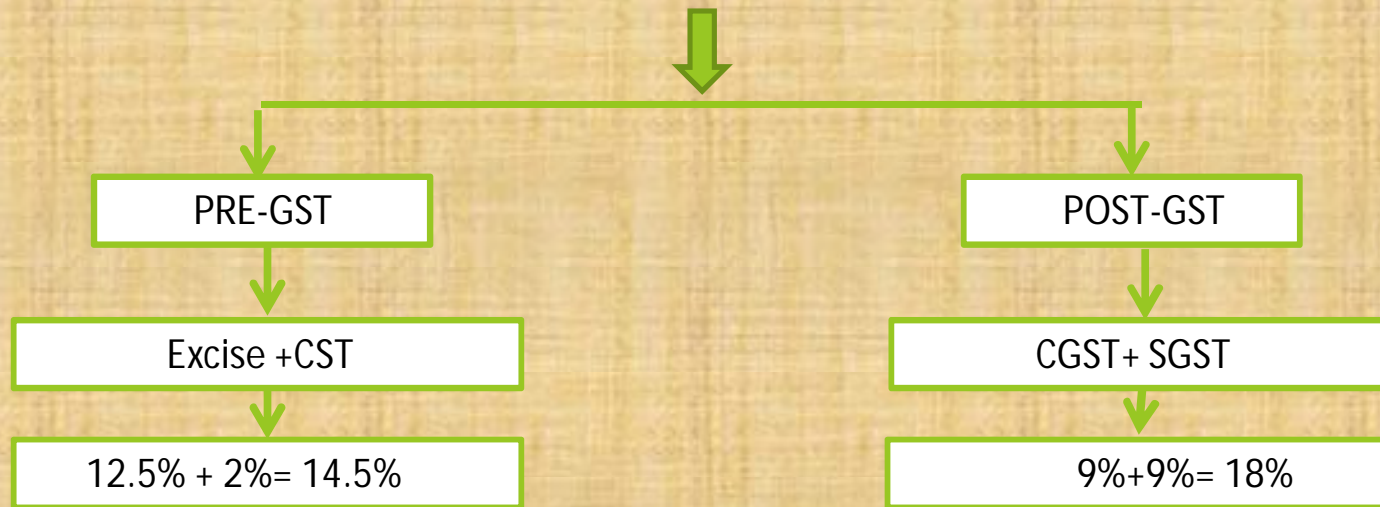
### 2. Direct Supply to Customer with Movement of Goods (Outside MH)



**Note:** Important to see which State movement of goods **terminates** for Delivery to recipient. **(Except in Bill to Ship To cases)**

# Types of Sale transactions(Contd)

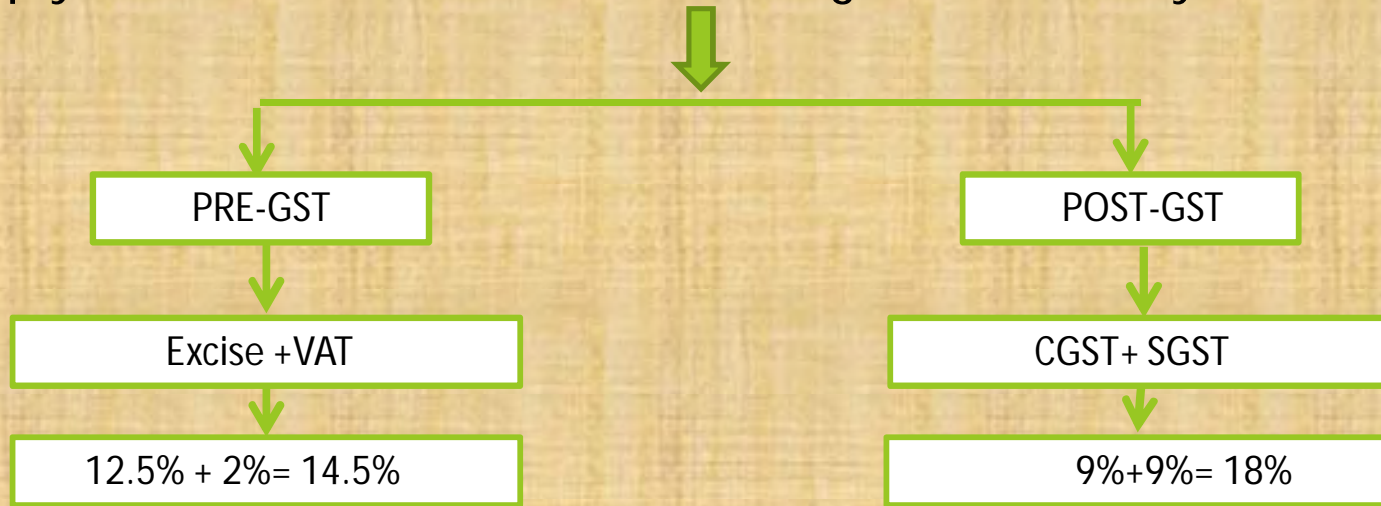
## 3. Goods supplied on direction of the Third Person.



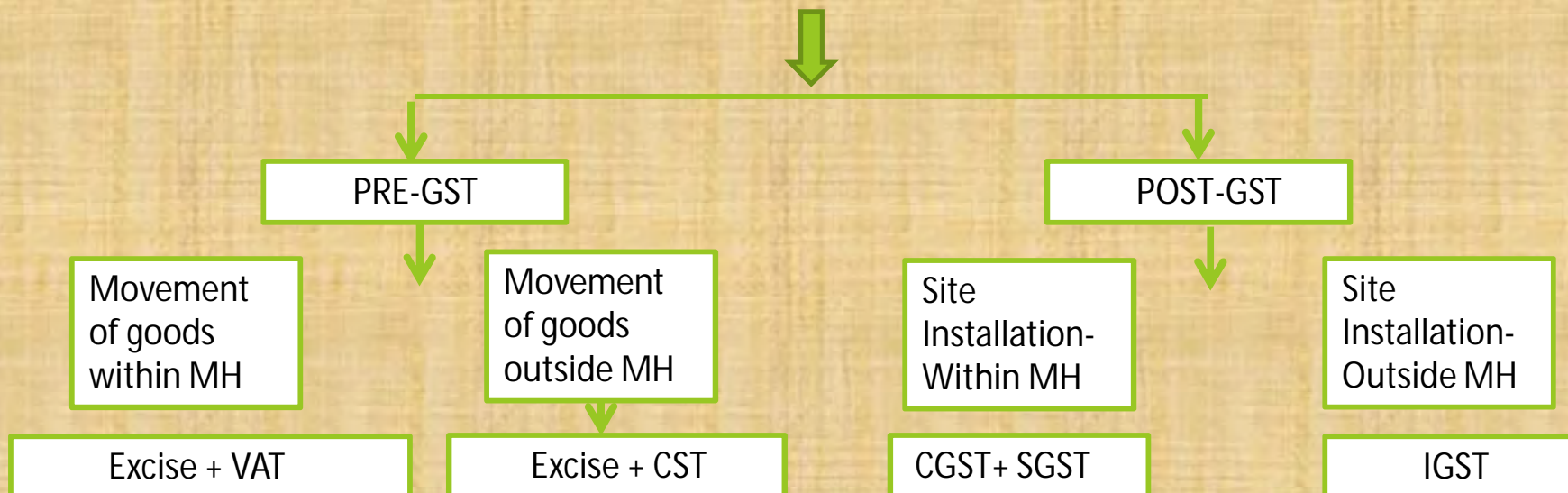
**Note:** Important to see in which State is Address of Principal Place of business of purchaser and not In which state goods are delivered.

# Types of Sale transactions(Contd)

4. Supply does not involve movement of goods- Delivery at Gate.

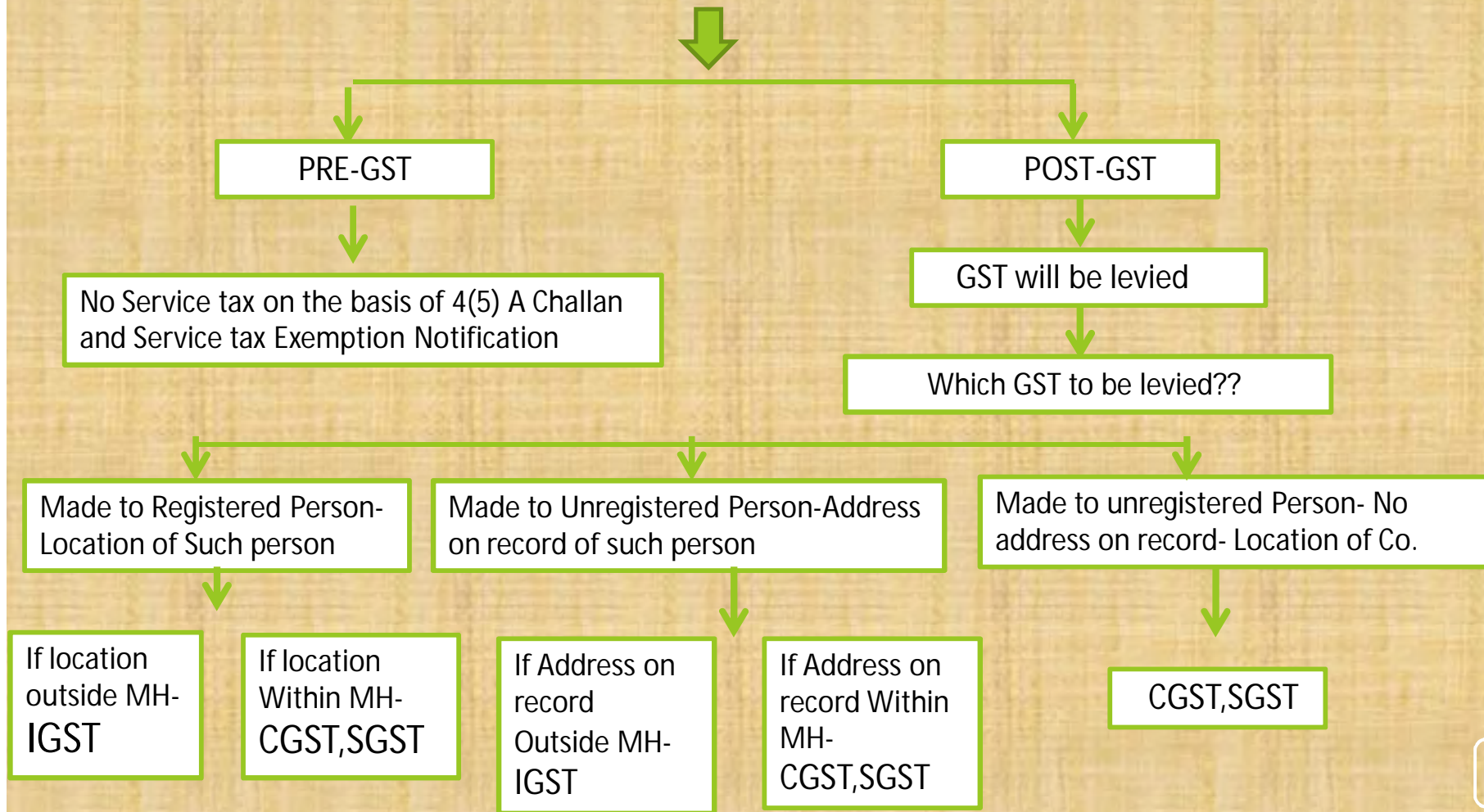


5. Goods are assembled or installed at site:



# Types of Sale transactions(Contd)

## Labour/Job Work Charges

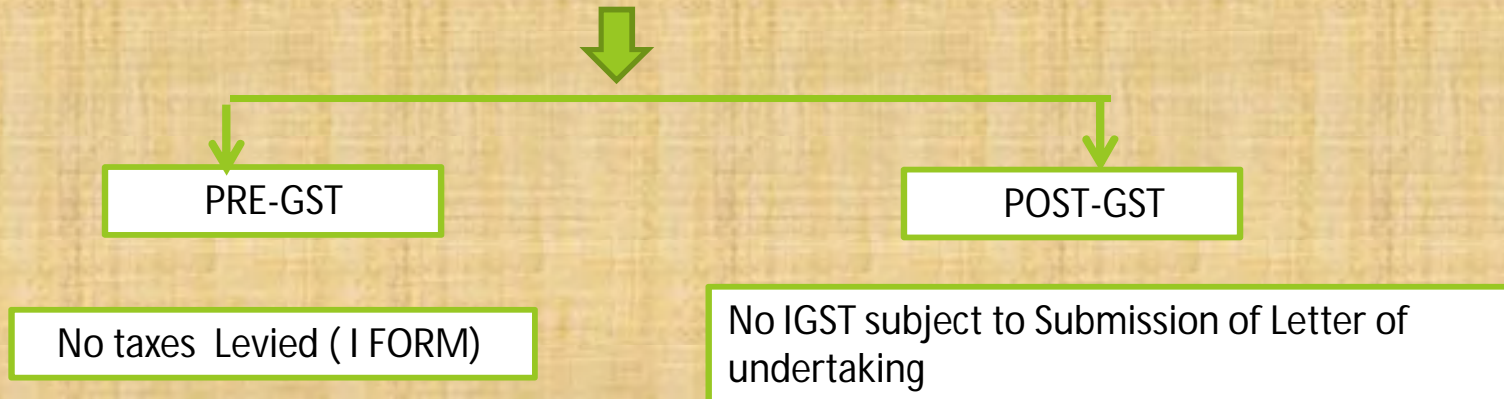


# Types of Sale transactions(Contd)

## Export Sale



## SEZ Sale:





# Value of Taxable Supply: Sec 15

## Value of Taxable Supply

Value of supply of goods and/or services on which CGST/SGST is to be discharged shall be the 'Transaction Value', where

- Supplier and recipient of supply are unrelated
- Price is actually paid/ payable – AND price is the sole consideration for the supply

**Section 2(84) of the CGST Act deems the persons below to be “related persons”:**

- Officers / Directors of one another's business
- Partners in business
- Employer – employee
- A person directly/ indirectly owns/ controls/ holds 25 of shares of both the persons
- One directly/ indirectly controls the other
- Both are directly/ indirectly controlled by a third person
- Together, they directly/ indirectly control a third person
- Members of the same family
- Sole agent / distributor of the other

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# Transaction value: Inclusions & exclusions

## Inclusions

- Amounts charged by supplier to Customer
- Taxes, duties, cesses, fees and charges charged to Supplier (Other than GST taxes)
- Amount incurred by Recipient which is liable to be paid by the Supplier.
- Incidental expenses to Sales charged to Customer.
- Interest/ late fee/ penalty for delayed payment charged by Supplier.
- Subsidies directly linked to price (Except Govt Subsidies)

## Exclusions

- Discount Recorded in the invoice.
- Turnover Discount etc Given after Supply (Not recorded in Invoice).



Conditions:

1. Agreement entered before Supply should specify such discount can be given.
2. Such discount should be specifically linked to relevant invoices.
3. Input Tax Credit should be reversed by the recipient to the extent of discount

# Contents of a Tax Invoice-Rule 7

## Top Portion of the Invoice

- 1.Name, address and **GSTIN of the supplier**
- 2. A consecutive serial number
- 3. Date of its issue
- 4. Name, address and **GSTIN**, if registered, of the **recipient**
- 5. Name and address of the recipient and the address of delivery, Name of State and its code, if such recipient is un-registered and where the value of taxable supply is fifty thousand rupees or more

## Middle Portion of the Invoice- Details of Product Supplied, etc

- 6. **HSN** code of goods or Accounting Code of services;
- 7. description of goods or services
- 8. quantity in case of goods.
- 9. total value of supply of goods or services or both

## GST Tax related Details and Address of the recipient

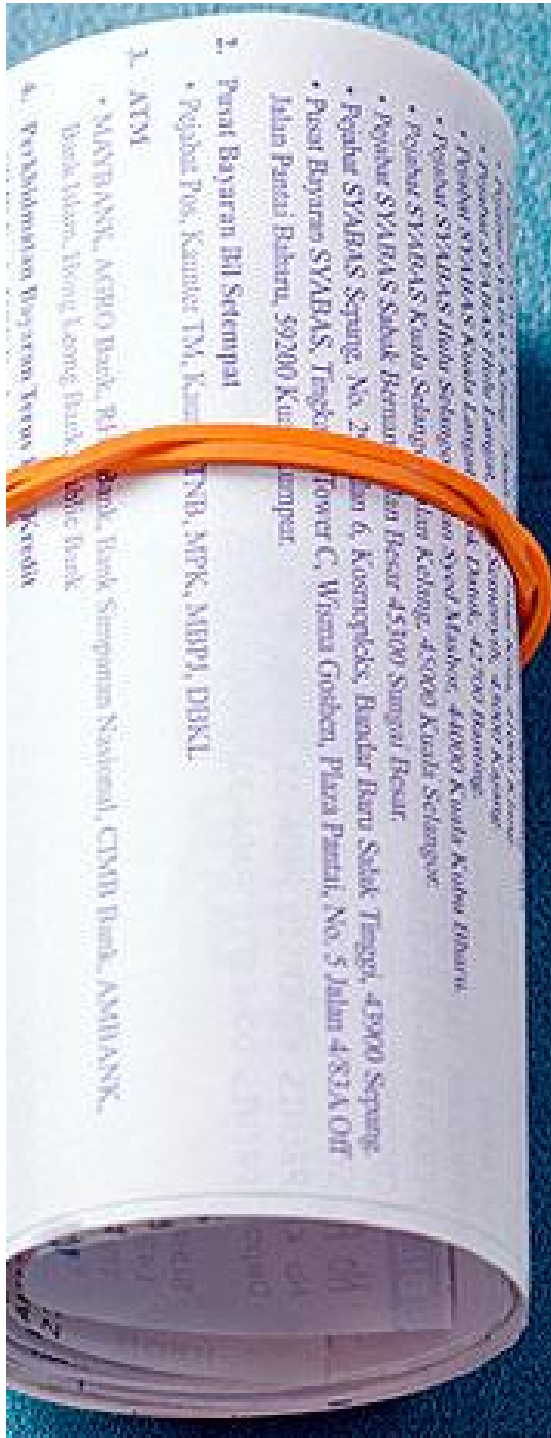
- 10. rate of tax(CGST,SGST,IGST,UTGST)
- 11. amount of tax charged
- 12. **Place of supply along with the name of State**, in case of a supply in the course of inter-State trade or commerce;
- **13.Address of delivery where the same is different** from the place of supply;
- 14.Whether the tax is payable on reverse charge basis; and
- 15.Signature of the supplier or his authorized representative

# Payment of GST Liabilities

Changes as compared to Pre - GST era!

What Businesses are Required to do?

G S T



# Types of Payments that would have to be Made under GST



IGST



CGST



SGST



GST TDS



TCS

Changes as compared to previous Laws:

1. **Within State Transactions:** CGST and SGST to be levied on basic Amount separately Vis a vis – Excise/VAT Levied on basic+Excise amount- **No Tax on Tax.**
2. Interstate transactions- IGST Only vis a vis: CST earlier.
3. TDS Deductions and Payments to be made **vis a vis**- Not in Excise- Was in VAT(WCT TDS)- **Additional Compliance** for Some assessee's.
4. TCS Provisions- No such provision under earlier law- **For E-commerce Companies**
5. GST Payments can be made by-Credit/Debit Cards- No such provision earlier.
6. **Monthly payments**-Irrespective of Turnover- Quarterly payments in earlier law



# When is GST to be Paid? Measures to be taken by Businesses.

GST Liability to be paid :**Earliest** of the following.



Receiving payment



Issuance of Invoice



Completion of Supply.

- Payment of taxes to be **done on monthly basis by the 20th of the succeeding month.**

## ❖ Measures Businesses should take care about:

- Manage and plan **their Cash flows Efficiently** to provide for Payments each month.
- Accounting Discipline also has to be Accurate,  
As :



# Returns under GST

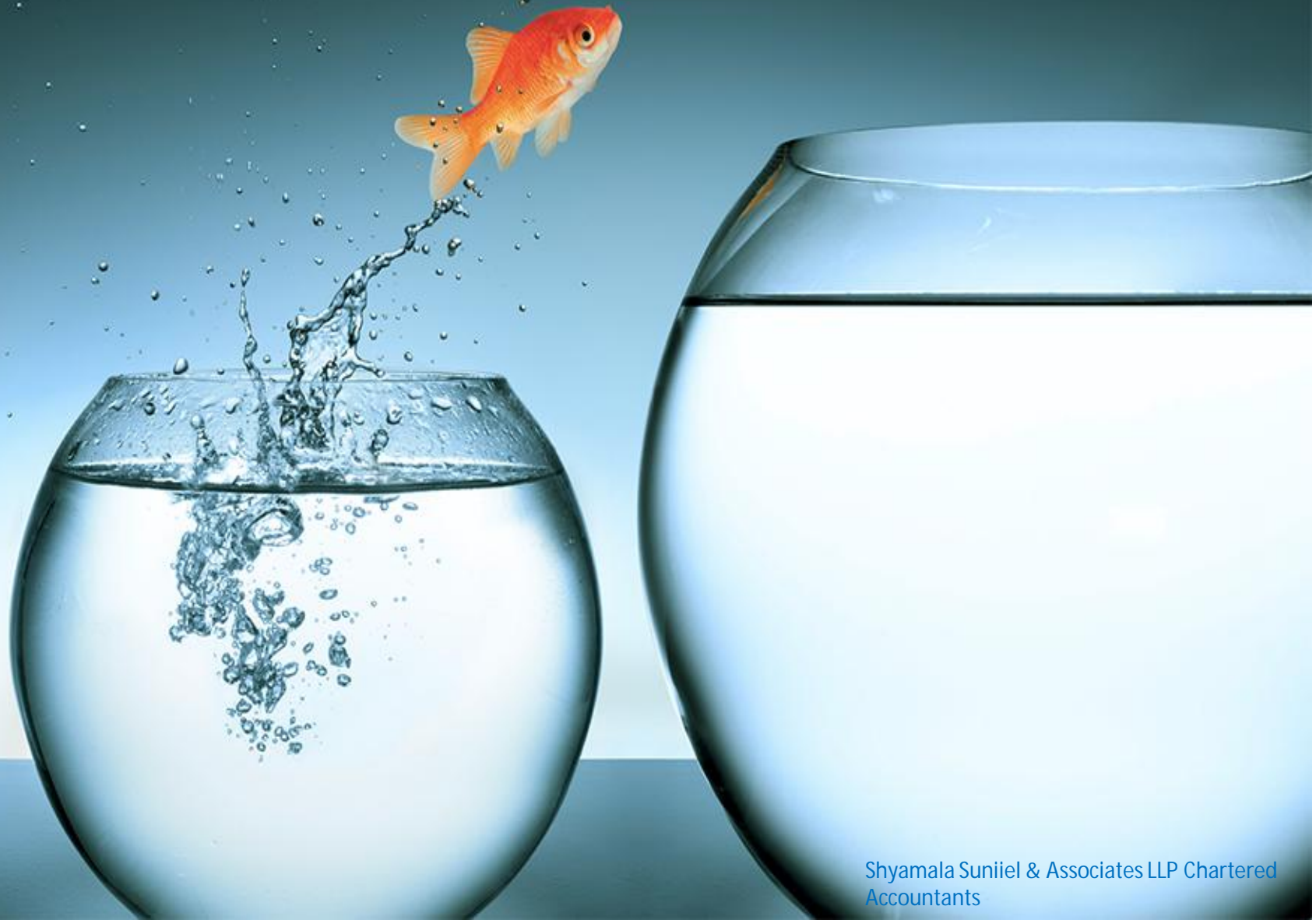
RETURN FORM	PARTICULARS	DUE DATE	APPLICABLE FOR
GSTR1	Outward Supplies	10 <sup>th</sup> of the next month	Normal/ Regular Taxpayer
GSTR2	Inward Supplies	15 <sup>th</sup> of the next month	Normal/ Regular Taxpayer
GSTR3	Monthly return [periodic]	20 <sup>th</sup> of the next month	Normal/ Regular Taxpayer
GSTR8	Annual return	31 <sup>st</sup> December next FY	Normal/ Regular Taxpayer, Compounding Taxpayer
Ledgers	ITC ledger, cash ledger, tax ledger	On a continuous basis	

❖ **Measures Businesses should take care about:**

- 1 Correct and timely accounting of all outward supply's for every month.
- 2 Monthly Reconciliations with the returns for completeness of transactions.
- 3 Correct application of GST Provisions/Rules while filing GSTR 1 return.
4. Scrutiny of Expenses transactions for the month for Reverse charge liability.

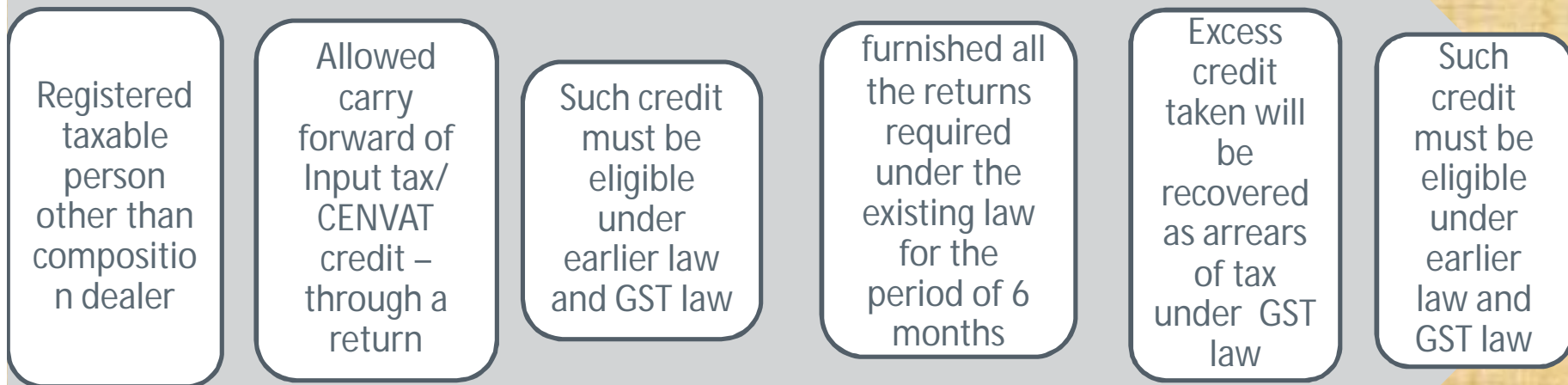
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# Transitional provisions- How entities/Businesses need to be ready?





# Carry forward of CENVAT Credit S: 140(1)



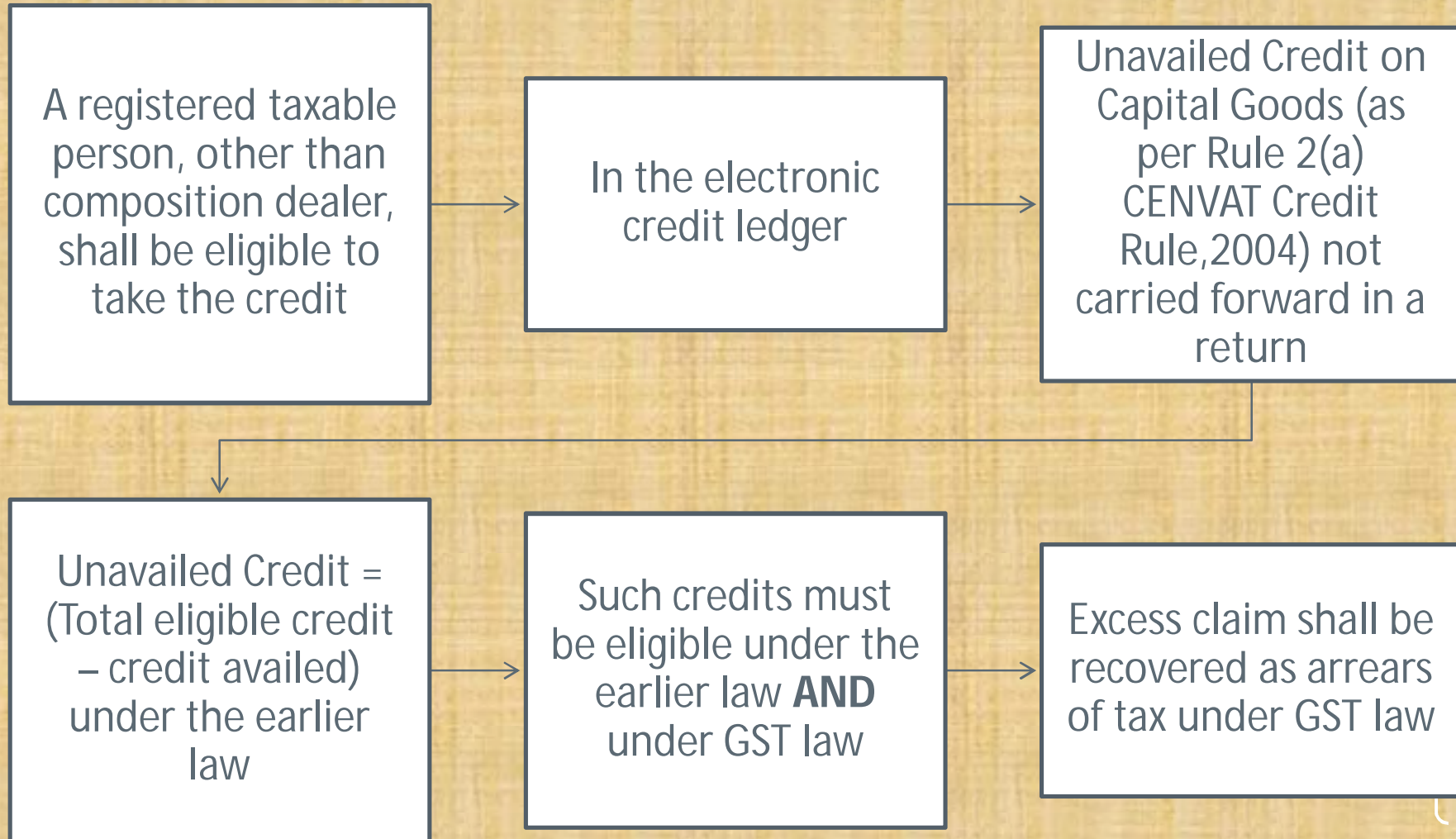
## Measures Businesses Should Consider and be careful About:


1. File their VAT, Excise, Service Tax returns accurately ending June 2017.
2. Input Credit should be availed and shown in the respective Returns Pertaining to last Return ending 1<sup>st</sup> July 2017.
3. Credit of from 30<sup>th</sup> June '16 to 30<sup>th</sup> June '17 If missed out- May result into Loss of Credit Forever= Increase in Cost to Company.

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# Unavailed CENVAT Credit on Capital goods

## S: 140(2)





Accounts/  
Audit/  
Assessment  
Relating to GST

# Accounts/Audit/Assessments

## ❖ Records to be maintained by every entity:



Listing of Production or manufacture of goods



Listing of Inward Supply



Listing of Outward Supply



Stock of goods



Listing of Input tax credit Availed



Output tax payable and paid

## ❖ Audit:

Every registered taxable person whose turnover during a financial year exceeds the prescribed limit (**Yet to be Notified**) shall get his **accounts audited by a chartered accountant or a cost accountant** .

## Submission with the Audit Report :

1. A copy of the audited statement of accounts
2. The reconciliation statement

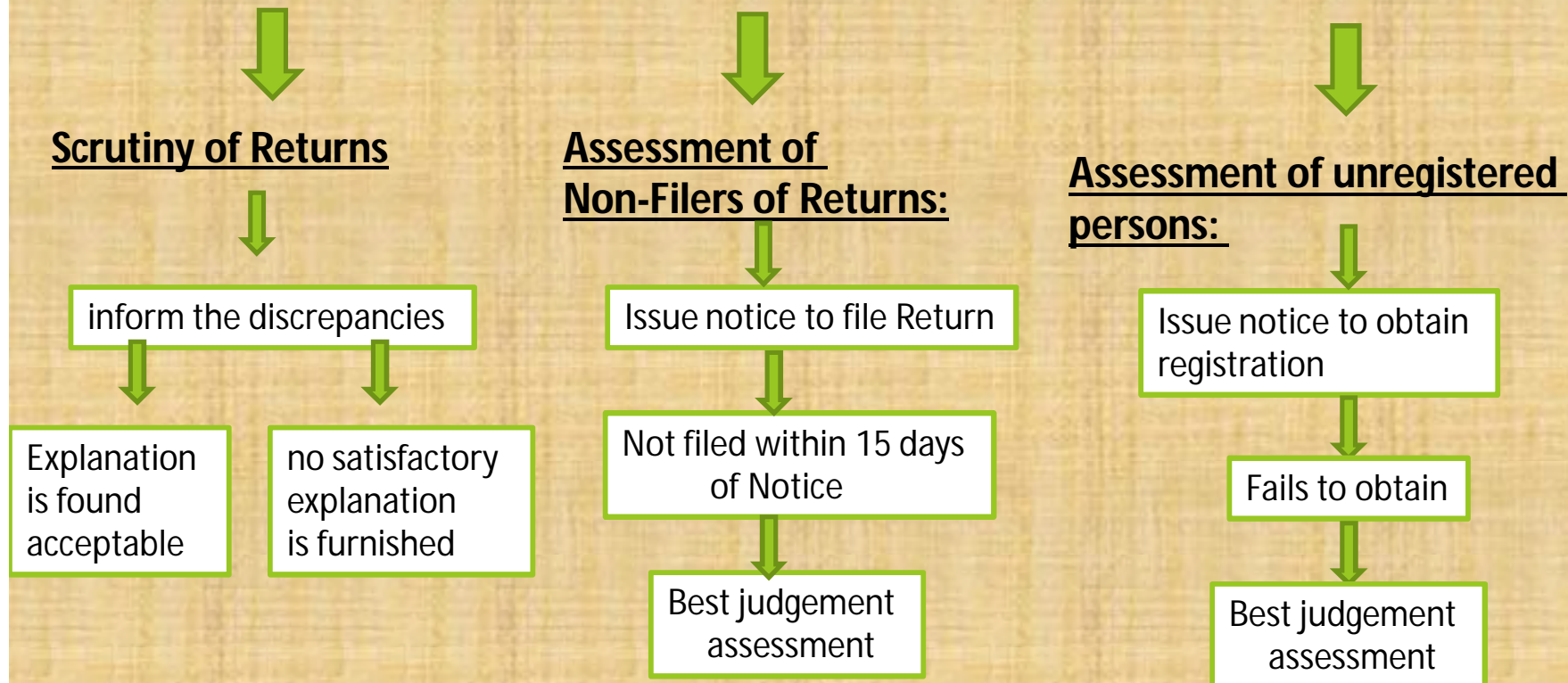
## Comparison with the previous Laws:

1. There was no Mandatory Audit under Excise/Service tax laws.
2. Mandatory Turnover limit audit will facilitate better functioning of the Business's, Government and the economy as a whole.

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# Accounts/Audit/Assessments

❖ Assessments to be carried out by Govt officials:



# Points to be considered Before GST Implementation Date

- Revision of Agreements/ contracts:
  - ✓ Tax clause especially **cum-tax contracts** - reference of GST
  - ✓ All contracts with Customers/Suppliers to be relooked for adding/modifying the Liability of Taxes clause in case of Higher GST rate and such other aspects.
- ✓ **Assess impact on incentives/ discounts-** Contracts should be relooked at with Customers/Suppliers by adding the Discount clause, as Section 15 excludes GST on discounts if already **specified in the agreements.**
- ✓ Reconsidering the **price of the supplies** considering the impact of GST on cost.
- ✓ Relooking at the **pricing of the related party transactions** vis a vis fair market value

28-04-2018

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# Points to be considered Before GST Implementation Date

- **Vendor Master Updation.:**

1. All the **GST ID's of Suppliers must be obtained**, so as to know whether they are registered under GST.

2. Tax Compliance and Readiness of Supplier should be analysed

**Cost Benefit Analysis** should be done of costs **related to Compliant Supplier vs Non compliant Supplier.**

Analysing New Suppliers all over the country should be undertaken.

3. It is recommended **to avoid Purchases from Unregistered dealers** to avoid more Compliances and Cash Outflow and Reverse Charge liability.

4. **GST Compliance Rating** should be checked before dealing with New Supplier.

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# Points to be considered Before GST Implementation Date

- **Keep a list of record of Pending Stock at Job Worker end** and inform the Job Worker to keep list of Your stock as on 30<sup>th</sup> June 2017.
- All Substantial rate Forms under Existing Act–C Form/E-1/F Form etc should be procured before 30<sup>th</sup> June , or else the recovery of Differential taxes would be done under GST if form not received post GST.
- **Advances** from customers for Goods sales should be received before 1<sup>st</sup> July 2017, as advances for goods received after 1<sup>st</sup> July will attract GST.
- **Reconciliation exercise** between books, computations and returns will be useful to understand Missed out credits/Wrong credits taken.
- **Obtaining proper cenvatable invoice**, supplementary invoice for the Period close to the date of transition to GST.



## Points to be considered Before GST Implementation Date

- 1) In case of **services**, where **90 days are not completed** from bill date as of 30<sup>th</sup> June 2017 and **credit is not availed** – **Avail credit** irrespective of payments made to supplier.
- 2) All pending credits of services where payment is not made within 90 days of invoice and credit is also not availed. All these **payments to vendors should be made before 30-JUNE and credit should be availed**. If such credit is not availed that would be cost / loss and cannot be recovered.
- 3) Service Invoices on which **Reverse Charge is applicable**, **Invoices should be booked and Service Tax liability to be paid before 30-June-2017** and avail credit wherever eligible in June 2017 return.

## General Aspects for Successful Compliances and Cost Reduction Post GST.

- In case of Capital goods, Ensure that there are no Capital goods in transit as on GST implementation date: (1st July 2017).
- Proper **Working Capital Management**.
- Returns are not uploaded unless Payment is Made.
- 1. Customers will not deal with non-Compliant Suppliers for Risk of Losing Credit.
- 2. Compliance Rating Publicly Available. Customers might analyse the Same.
- Added Advantage in comparison to Competitors.
- **Accounting has to be regular Every month to Avoid Loss of Cenvat Credit and Correct Output Sales recording.**



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References: Indirect  
Taxes committee  
ICAI.

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