# Goods & Services Tax

A Game Changer for the Indian Economy



# **GST-A BIRD'S EYEVIEW**



# WHY GST



# Earlier Taxes (subsumed from July 1 2017)

#### Central taxes

- Excise duty
- Additional Excise Duty
- Service tax
- CVD (Counter Veiling Duty)
- SAD (Special Additional Duty)
- Central Cesses & Surcharges

#### State taxes

- > VAT
- > CST
- Entertainment Tax.
- Luxury tax.
- Tax on Lottery, betting, gambling.
- Entry tax.
- Purchase tax
- State Surcharges & Cesses.

#### **BENEFITS OF GST**

- > A single tax replaces **multiple** taxes.
- Set-off of prior-stage taxes would mitigate the ill effects of cascading.
- Tax burden on goods and services would decrease, benefiting common man.
- Implementation of GST would make our products competitive in domestic and international markets.
- > It would **boost economic** activity and create more jobs.
- The GDP would grow though the estimates in this regard vary.

# **GST - Salient Features**

- Destination-based consumption tax
- Present concepts of "sale", "manufacture", "provision of service" will be replaced by the concept of "supply"
- Applicable on supply of all goods or services, *barring a few*
- "Supply" includes sale, transfer, barter, exchange, licence, rental, lease or disposal for a consideration in the course or furtherance of business; all import of services; the activities specified in Schedule I & II
- Tax liability depends on:
  - Time of Supply
  - Place of Supply
  - Location of Supplier and Location of Receiver

# Coverage

#### Traders



## Manufacturers



## Service Providers



### Neither Supply of Goods nor Services [Schedule III]

- Services by an employee to employer
- Services by any Court or Tribunal
- Functions performed by MPs/MLAs/Members of local bodies
- > Duties performed by Constitutional functionaries
- Duties performed by Chairperson / Member / Director in a body of CG/SG/local authority

## Neither Supply of Goods nor Services [Schedule III] ...

Funeral, burial, crematorium/mortuary service, including transportation of the dead

Sale of land

Actionable claims, other than lottery, betting and gambling

## **Commodities not covered by GST**

Alcohol for human consumption

**Five Petroleum Products** 





**Electricity** 



# **Central GST**

Levied by Parliament on intra-State Supply of Goods & Services

- Revenue accrues to Central Govt.
- CGST Act, 2017 enacted
- Referred as "Central Tax" in the Act



# On intra-State Supply of Goods & Services

Revenue accrues to consuming
State

SGST Acts passed by almost all states so far

Referred as "State Tax"

# **Integrated GST**

>On Inter-State Supply of Goods & Services

Rate is a combination of CGST & SGST

Apportionment of Tax & Settlement of funds between Centre and States

≻IGST Act, 2017 enacted

Referred to as "Integrated Tax"

# Liability to be registered

## All registered persons under Existing Laws

If aggregate turnover in a financial year exceeds Rs. 20 lakhs

➤The threshold turnover is Rs. 10 Lakhs in case of special category states

# Who need not register...

any person making supplies not liable to tax or wholly exempt under the Acts

an agriculturist, to the extent of supply of produce out of cultivation of land

# Liability to be registered irrespective of threshold

- Persons making inter-State taxable supply
- Persons required to pay tax under reverse charge
- **E-Commerce** operators
- Persons who supply goods through e-commerce operator
- Persons who supply goods and/or services on behalf of a registered taxable person
- Input Service Distributor (ISD)
- Persons required to deduct tax at source (TDS)
- Casual taxable persons
- Non-resident taxable persons

## **Registration - Key features**

- PAN is mandatory statutory requirement for GST Registration
- A person, though not liable to be registered, may take registration voluntarily
  - Registration is to be granted State-wise.
- Person having multiple "business verticals" in a State may obtain separate registration
  - Time-bound grant of Registration (within 3 working days)

## Composition Scheme [Optional]

- Simpler option given to small taxpayers engaged in supply of GOODS but not SERVICES (except Hoteliers not supplying Liquor)
- Aggregate turnover LESS THAN 75 lakh rupees in the preceding financial year
- <u>Amount</u> payable in lieu of tax (as per draft Composition Rules):
  - (a) 2 per cent of turnover manufacturers
  - (b) 5 per cent of turnover- restaurants
  - (c) 1 per cent of turnover for other suppliers

Composition Scheme not applicable to

- Suppliers making Inter-state supplies
- E-Commerce operators
- Payers on Reverse Charge
- All service providers [except restaurants]
- Supplies through e-commerce operators
- Casual or non-resident taxable persons

# **GST Returns for normal taxpayer**

Return	Nature	Periodicity	Remarks
GSTR 1	Details of outward	Monthly by	Data to be filled
	supplies	10th	by user
GSTR 2	Details of inward	Monthly by	Most Data will be
	supplies	15th	auto-populated
GSTR 3	Monthly return	Monthly by 20th	Most Data will be auto-populated
GSTR 9	Consolidated details in	Annual by 31 <sup>st</sup>	Data to be filled
	a financial year	December	by user

# **GST Returns for other categories**

Return	Nature	Periodicity	
GSTR 4	Quarterly Return for compounding Taxable persons	18th of the month succeeding Quarter Many data will be auto-populated	
GSTR 5	Return for Non-Resident foreign taxable person	20th of the Month succeeding the tax period and 7 days from expiry of registration	
GSTR 6	Return by ISD	13th of the Month succeeding the tax period	
GSTR 7	Return by TDS	10th of succeeding Month	
GSTR 8	Return by TCS	10th of succeeding Month	
GSTR 10	Final Return by RTP on winding up of business	Within 3 months from date of cancellation of registration	
GSTR 11	Details of Inward supply be a person having UIN	28th of the month following the month for which statement is filed	

# **More about RETURNS**

 Single and consolidated summary of the transactions in a whole in the form of GSTR 3B for the first two months.(July & August)

Aug 20th	GSTR-3B for July 2017	Sep 20th	GSTR-3B for August 2017
Sep 5th	GSTR-1 for July 2017	Sep 10th	GSTR-2 for July 2017
Sep 20th	GSTR-1 for August 2017	Sep 25th	GSTR-2 for August 2017
Oct	Normal Schedule for Return Filing		

# **OFFLINE UTILITY SOFTWARE**

- To facilitate BULK UPLOADING of INVOICE DETAILS
- Excel and .CSV files to be converted into JSON files
- Available on the GST portal (Taxpayer's LOGIN)
- One time installation

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## **GST Returns – Key features**

Valid return": Return valid only if selfassessed tax is paid in full

Return once filed cannot be revised.
Rectification/amendment can be effected in subsequent return

Separate returns for composition tax payer, TDS, TCS, ISD <u>which are not</u> <u>relevant to normal taxpayer.</u>

# **Refunds in GST**

Can be claimed within 2 years

Refund of Input tax Credit allowed

- in case of exports or
- where the input credit accumulation is on

account of *inverted duty structure* 

Refund shall be granted within 60 days from the date of receipt of application and Interest payable thereafter

## Refunds...

In case of refund claim on exports, 90% of the claim can be given immediately within 7 days, on provisional basis.

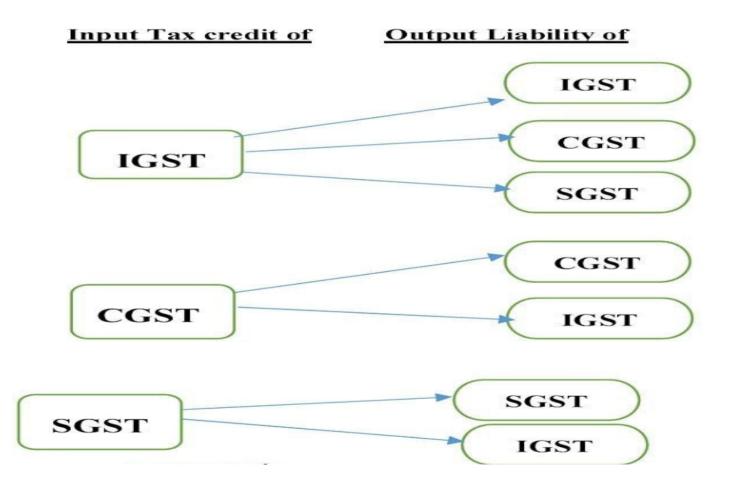
No need to furnish evidence against unjust enrichment, if claim is less than Rs. 2 lakhs. Self-certification would suffice.

## **ITC - Input Tax Credit**

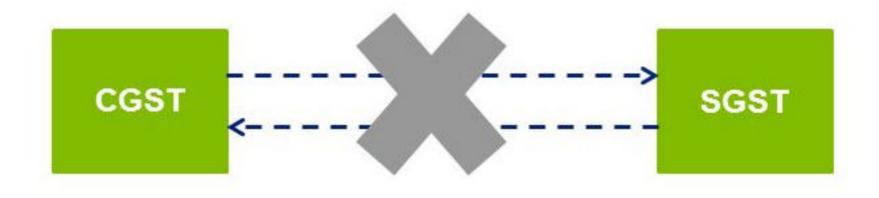
Credit of entire taxes paid on inputs, Capital Goods and Input Services <u>used in the course or furtherance of</u> <u>business</u> can be utilised for payment of output tax

➢ Few exceptions on which ITC can't be availed such as Motor Vehicles (except in certain cases), food and beverages, outdoor catering, personal grooming services, health services, execution of works contract resulting in immovable property, Composition Levy supplies, Goods lost, stolen, destroyed, written off, gift or free samples <u>etc.</u>

## USAGE OF INPUT TAX CREDIT



## Input Tax Credit – Key restriction



## Valuation in GST

Value of taxable supply will normally be the 'transaction value' which is the actual price paid or payable <u>where:</u>

supplier and the recipient are not related &

 price is the sole consideration for the supply

## **Invoice under GST**

Tax Invoice	For taxable supplies - to be issued by regular taxpayers
Bill of Supply	To be issued by suppliers of exempted goods and Composition taxpayers



- For movement of goods of consignment value exceeding Rs. 50,000/-:
  - (i) in relation to a supply; or
  - (ii) for reasons other than supply; or
  - (iii) due to inward supply from an unregistered person

*before commencement of movement,* **furnish information relating to the said goods electronically, on the common portal OR** Facilitation Centres or by SMS

- Same procedure for cancellation also

- Can be generated by consignor, consignee or transporter

## **Payments**

- Through Credit Cards, Debit Cards, Internet Banking (NEFT/RTGS)
- Over the Counter [Upto Rs. 10000/-

per tax period]

- Single Challan for all types of payment
- Real Time entry into Cash Ledgers

# **Assessment and Audit**

- "Self-assessment" to continue
- Audit only for full financial year or multiples of
   FY
- Time-bound completion of Audit within 3
   months
- Minimum 15 days advance intimation to

auditees about proposed audit

## **Job Work**

- "Job work" means any treatment or process undertaken by a person on goods belonging to another registered person
- Value of goods after completion of job work is not includable in the job worker's turnover but includable in the Principal's turnover

 Job worker is deemed as supplier of "service"

# **Transitional Provisions**

- All Existing Registered Traders, Manufacturers, Service Providers to be migrated automatically to GST
- ITC claimed in returns both CENVAT and KVAT will be transferred based on GST TRAN 1
- ITC also available on existing stock, inputs, semifinished goods and raw material (60% on Central tax payable if rate equal to or more than 9% and 40% if less than 9% (on excise suffered goods)
- ITC also available on capital goods if not claimed in returns

# GST Rates (0 / 5 / 12 / 18 / 28)

- <u>0%</u>: On essential items
- <u>5%</u>: On items of mass consumption
- 12% & 18%: Covering majority of manufactured items and Services
- <u>28%:</u> Certain Luxury goods and services
- 3% on Gold and silver

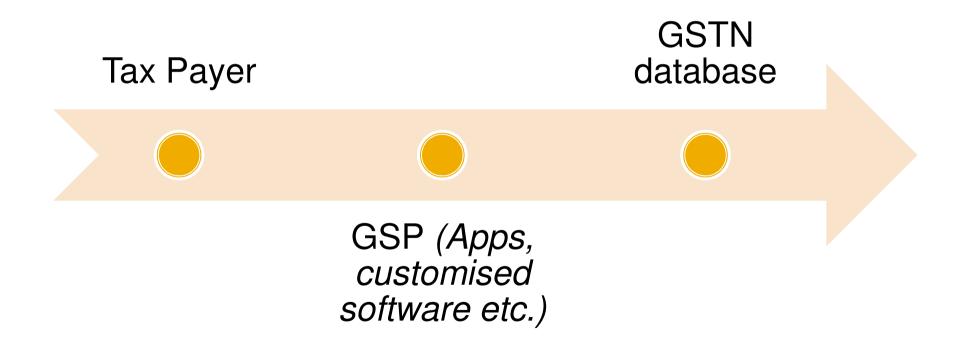
# GST Suvidha Provider (GSP)

- GSTN website is not the only way to access the GST system
- Taxpayer via his choice of third party mobile apps, customised softwares etc. can interact with GST system

# **GST Suvidha Provider...**



# **GST Suvidha Provider**



# Preparedness of CTD towards GST rollout

- Karnataka VAT Dept. conducted/conducting extensive outreach and awareness programs for stakeholders and practicing community
- FAQs in Kannada on GST available on dept portal ctax.kar.nic.in
- HELP DESKS at HO, DIVISIONAL level and ALL LVO/VSOs
- TOLL FREE number to be made available shortly

# **Preparedness**

- Extensive training and research programs for officials and stakeholders at FPI, B'luru
- CTD is shortly releasing an hassle-free accounting software free of cost for the benefit of small taxpayers
- GST offline utility software similar to EuPaSS already used by Karnataka taxpayers
- ALL OFFICERS & OFFICIALS prepared and equipped for the roll out at the midnight hour today



# Let's welcome

# GST

# THANK YOU