

Goods & Service Tax Act

(Based on Acts Passed by Parliament)

**UNDERSTANDING BASICS
CONFIDENTIAL**

Contents

- Background & Overview of GST
- Important Concepts & Definitions
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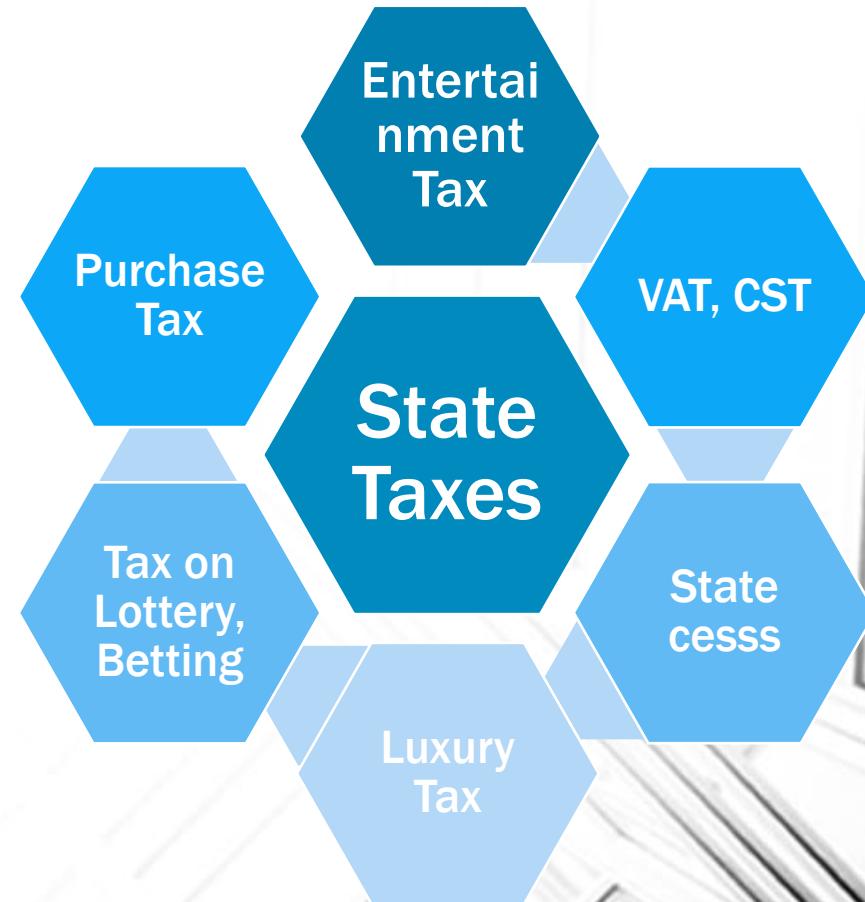
Background & Overview of GST

- Philosophy – One GST rate on goods and services services collected collected by one agency across India. Following Taxes are subsumed in GST

Central Taxes



State Taxes



Background & Overview of GST

- Principle of 'consumption-based taxation', Uniform Tax Across Country, Reduce Cascading Effects of Taxes
- Components of GST are as follows

Central GST (CGST) - *Levy on supply of all goods and/ or services within a particular State, by the Central Government.*



State GST (SGST) - *Levy on supply of all goods and/ or services within a particular State, by the respective State Government.*



Integrated GST (IGST) - *Levy on all inter-State supplies of goods and/ or services, by the Central Government.*

Important Concepts & Definitions

- **Mixed Supply Sec 2(74) of CGST**, “*mixed supply*” means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply;
- **Composite Supply Sec 2(30) of CGST**, “*composite supply*” means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;
- **Exempt Supply Sec 2(47) of CGST**, “*exempt supply*” means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply;

Important Concepts & Definitions

- **Works Contract Sec 2(119) of CGST**, means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract;
- **Reverse Charge Sec 2(98) of CGST**, means the liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under sub-section (3) or sub-section (4) of section 9, or under sub-section (3) or subsection (4) of section 5 of the Integrated Goods and Services Tax Act;

Administration

- Principle Chief Commissioner
- Chief Commissioner
- Principle Commissioner
- Commissioner
- Additional Commissioner
- Joint Commissioner
- Deputy Commissioner / Assistant Commissioner
- Any Other Class of officer as it may deem fit

Levy & Collection of Tax

What is Supply

Sec 7(1) Supply Includes,				Sec 7(2) Excluded
Section 7(1)(a)	Section 7(1)(b)	Section 7(1)(c)	Section 7(1)(d)	Activities as specified in
<p>All forms of supply of goods and/ or services, - for consideration - in the course or furtherance of business</p> <p>such as: sale, transfer, barter, Exchange, license, rental, lease or disposal</p>	<p>Import of service for a consideration whether or not in course of business.</p>	<p>Supplies specified* - To be treated as supplies made without a consideration As per Schedule I</p>	<p>Activities to be treated as supply of goods or supply of services referred to in Schedule II</p>	<ul style="list-style-type: none"> - Schedule III, or - Activities by CG, SG, Local Authority, as notified.
				<p>Sec 7(3) Specified to be goods or service</p> <p>CG by notification, the transactions to be</p> <ul style="list-style-type: none"> - Supply of Goods and not as service, - Supply of service and not as goods

Levy & Collection of Tax

Composite Supply / Mix Supply

Section 8(a)	Section 8(b)	Tests for Composite Supply / Mix Supply Determination		
Composite Supply	Mix Supply	Description	Composite	Mix
Comprising two or more supplies, • One of which is a principal supply, • shall be treated as a supply of such principal supply	Comprising two or more supplies, • Supply of that particular supply which attracts the highest rate of tax.	Naturally Bundled	Yes	No
		Supplied To-gather	Yes	Yes
		Can be supplied Separately	No	Yes
		One is predominant supply for recipient	Yes	No
		Other supply is not 'aim in itself' of recipient	Yes	No
		Each supply priced separately	No	No

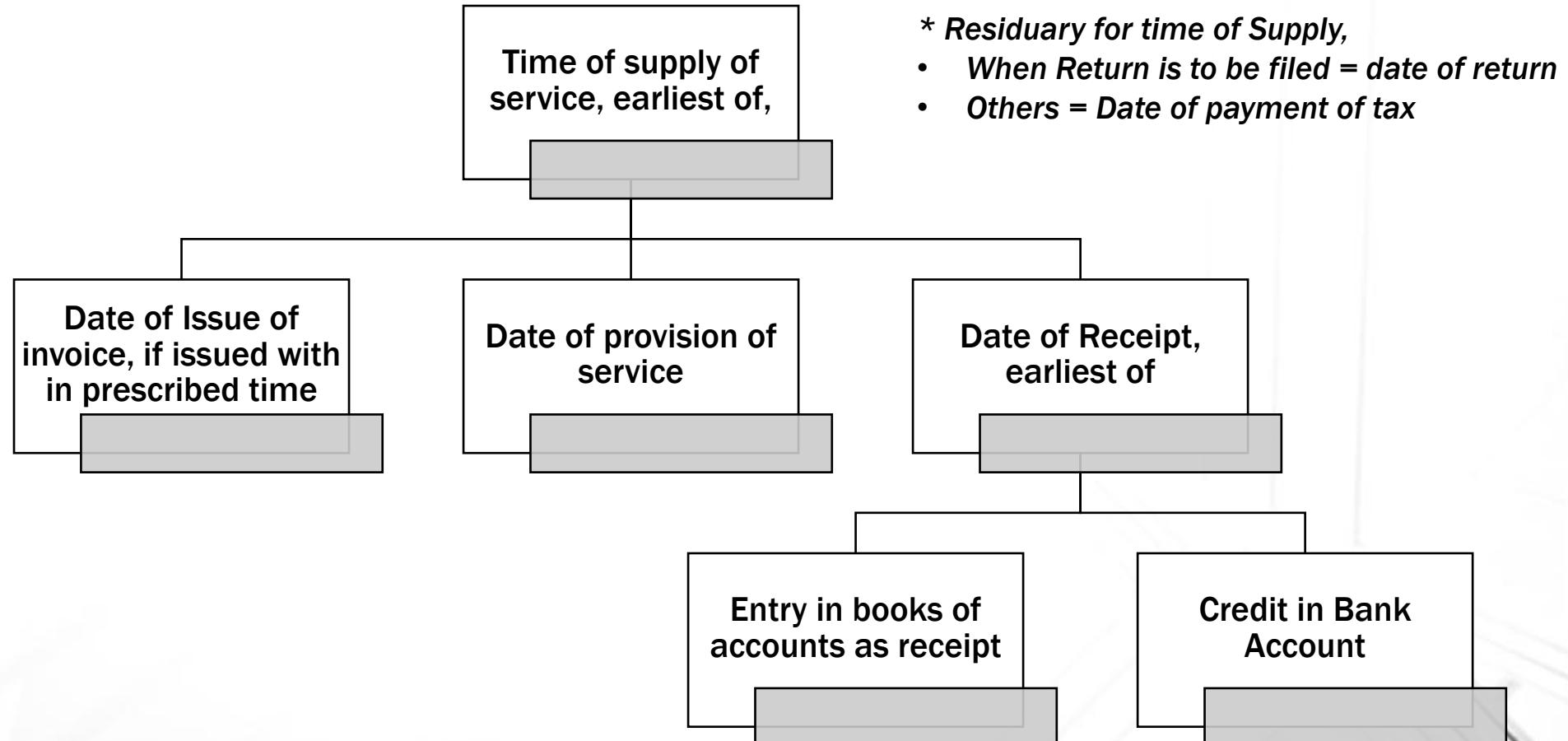
Levy & Collection of Tax

Composition Levy

- Turnover to be less than 75.00 lacs (*all-India basis for taxable persons having same PAN – who shall also opt for composition*)
- Since you are primarily in the Service Sector Compositions scheme is not applicable to you.
- If there are any inward supply of Goods or services from Taxable person covered by Composition Dealer you are not eligible to claim the ITC from such supplies

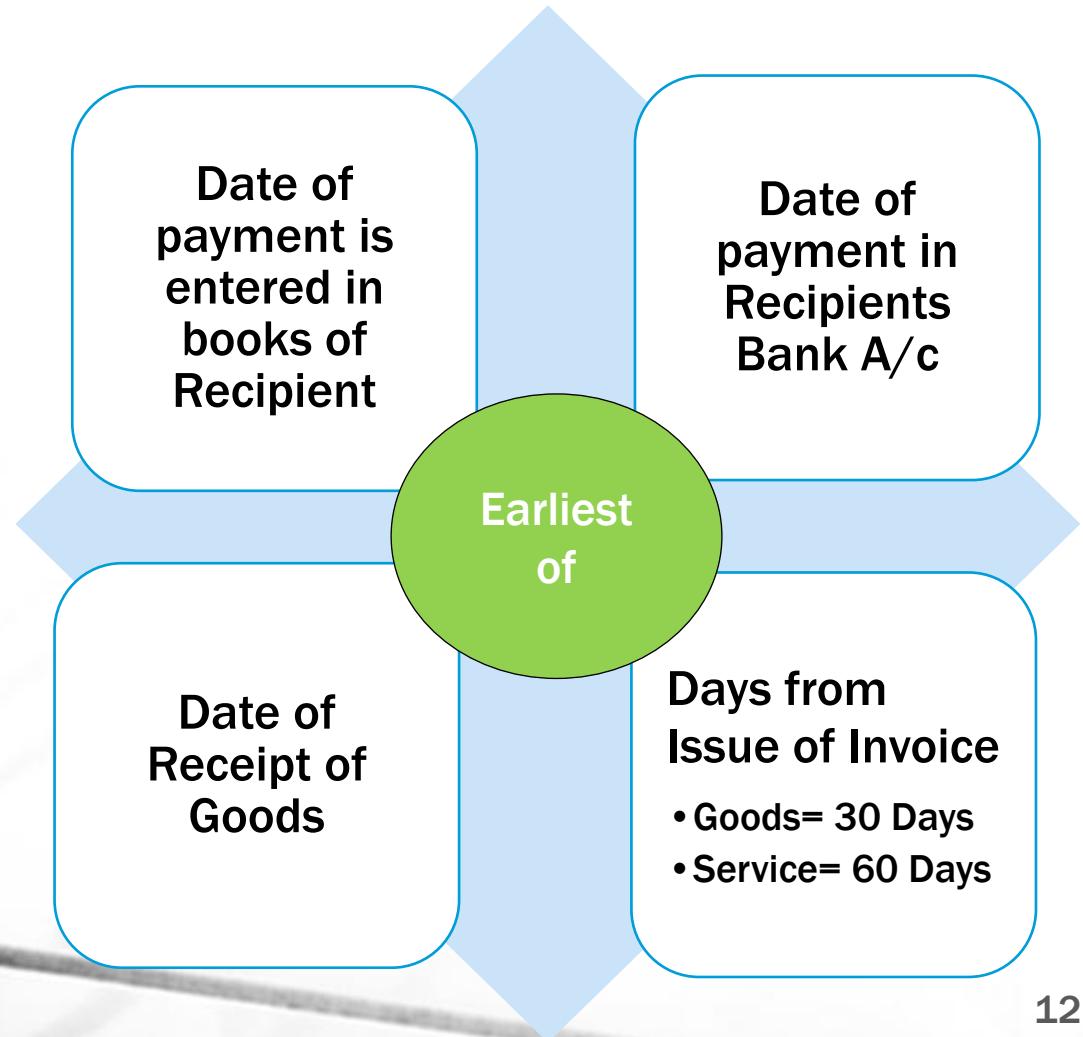
Time of Supply

Time of Supply of Service

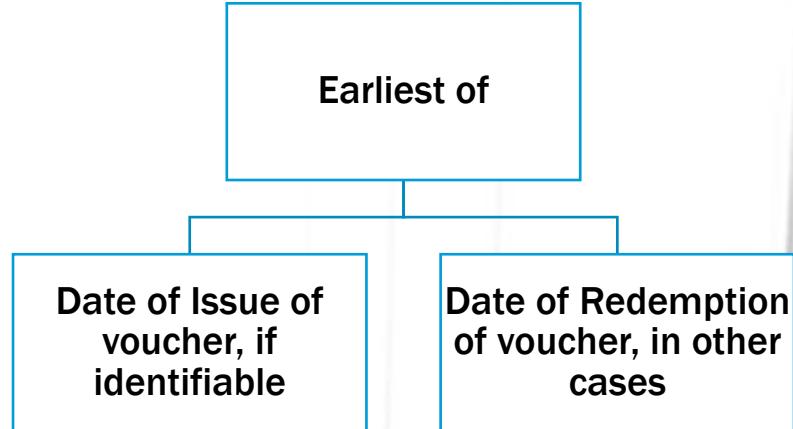


Time of Supply

Time of Supply of Service & Goods Reverse Charge



Supply by Voucher (Goods + Services)



In case of supply from outside India from AE,

- ✓ Date of Invoice
- ✓ Date of Payment

Which ever is earlier

Value of Supply

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

Value of Supply

Value of Taxable Supply

Transaction Value Includes,	Transaction Value Excludes,
<ul style="list-style-type: none"> ▪ Amounts charged by supplier to recipient in respect of any taxes, duties, cesses, fees and charges levied under any statute, other than taxes paid under GST regime; ▪ Amount incurred by Recipient which is liable to be paid by the Supplier; ▪ Charges by Supplier to Recipient being: <ul style="list-style-type: none"> ○ Incidental expenses (e.g.: packing, commission) ○ Charges for anything done by the Supplier at the time or before the supply, in respect thereof ○ Interest/ late fee/ penalty for delayed payment of consideration ○ Subsidies directly linked to price – for supplier receiving the subsidy (excluding Central and State Govt subsidies; i.e., Government subsidies will not be included in transaction value) 	<p><u>Discount:</u></p> <ul style="list-style-type: none"> ▪ Before/ at the time of supply <ul style="list-style-type: none"> ○ Single condition: Such discount is duly recorded in the invoice ▪ After the supply: Cumulative conditions: <ul style="list-style-type: none"> ○ Agreement establishing discount entered into before/ at the time of supply ○ Discount specifically linked to relevant invoices ○ ITC reversed by the recipient to the extent of discount

Input Tax Credit

Concept of Input Tax Credit

- “Input tax” means IGST (including that on import of goods), CGST and SGST. 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 represents the order of utilization.

Input Tax Credit

Conditions for ITC by Registered Dealer

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

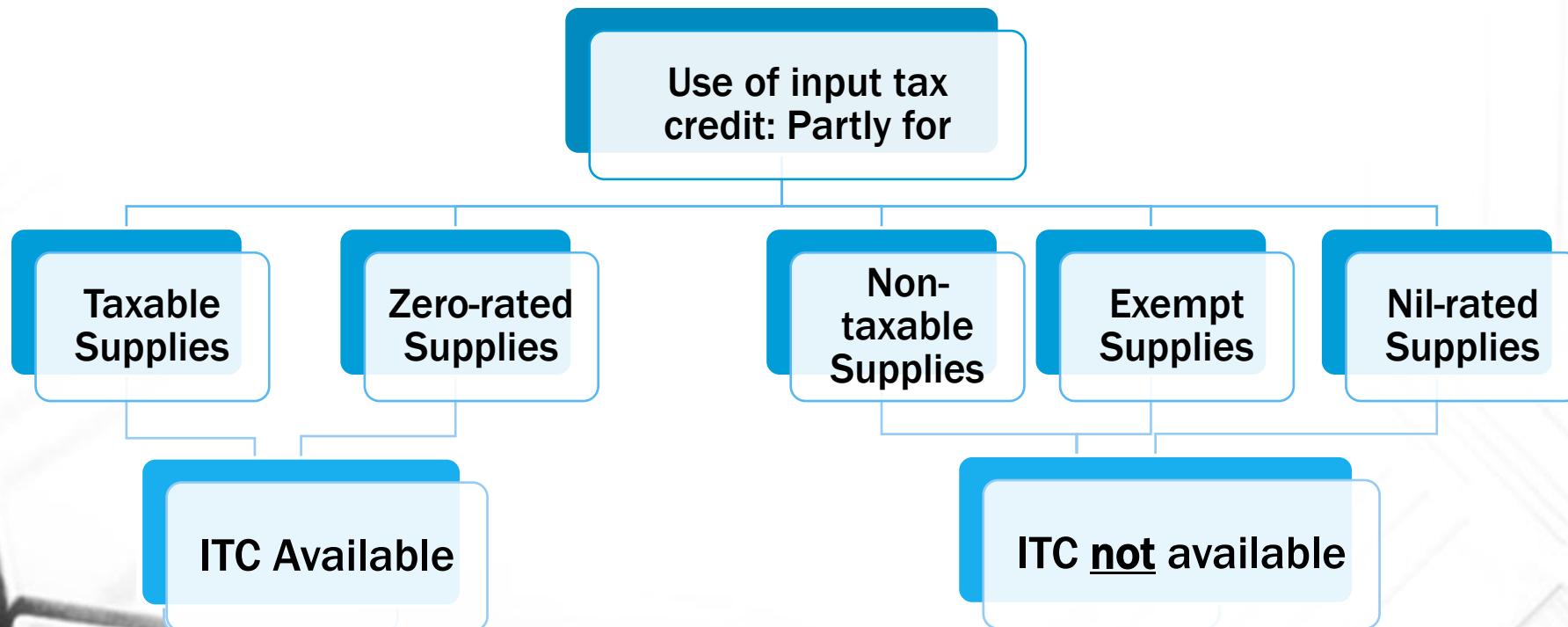
He has furnished the monthly return in Form GSTR-3 under Section 39

- Credit only upon receipt of the last lot/ instalment in case of goods received in lots/ instalments.
- Where a recipient fails to pay the supplier within 180 days from date of invoice, so much credit will have to be added, along-with interest thereon in the output liability.
- Where Depreciation has been claimed on the Tax component (Under IT Act), ITC on the said component will not be allowed.

Input Tax Credit

Apportionment of Credit

- Where supply is used partly for business purpose and partly for other purpose, credit shall be restricted to so much of ITC attributable to business purpose.
- When credit used partly for exempt – Taxable supplies, following ratio to be follows



Input Tax Credit

Blocked Credits

1) Motor Car

Motor Car ITC Not available



Except when used for



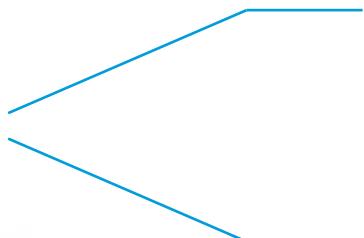
Transportation of Goods

In use of following services

- Further supply of vehicles
- Transportation of passengers
- Training for driving /flying of such vehicle/conveyance

2) Immovable Property

Construction of Immovable Property (Other than P&M)



Works contract services, except where it is an input service for further supply of works contract service

Goods or services received by a taxable person for construction of an immovable property on his own account even when used in course or furtherance of business;

ITC Not available

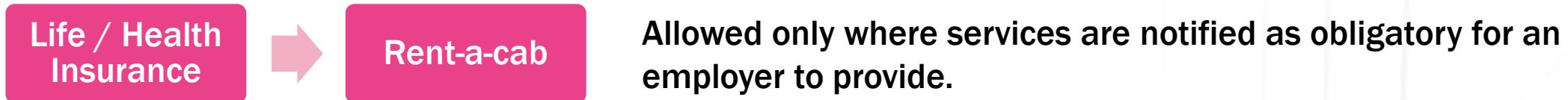
Input Tax Credit

Blocked Credits

3) Specified Supply of Goods & Service:



Allowed only if goods / services of particular category are used towards making taxable outward supplies of the same category.



Allowed only where services are notified as obligatory for an employer to provide.

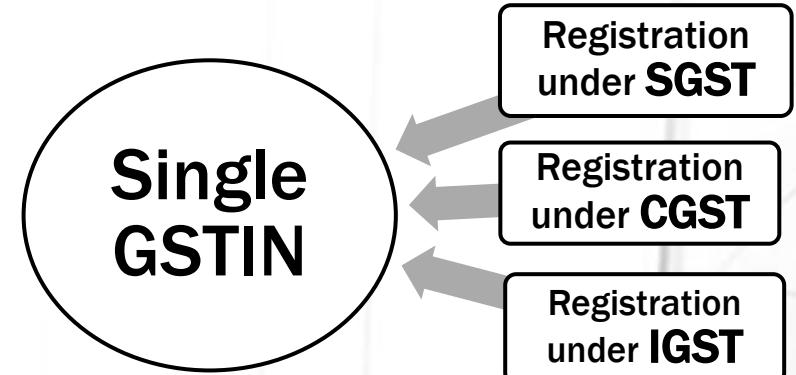


Never Allowed

Registration

Registration

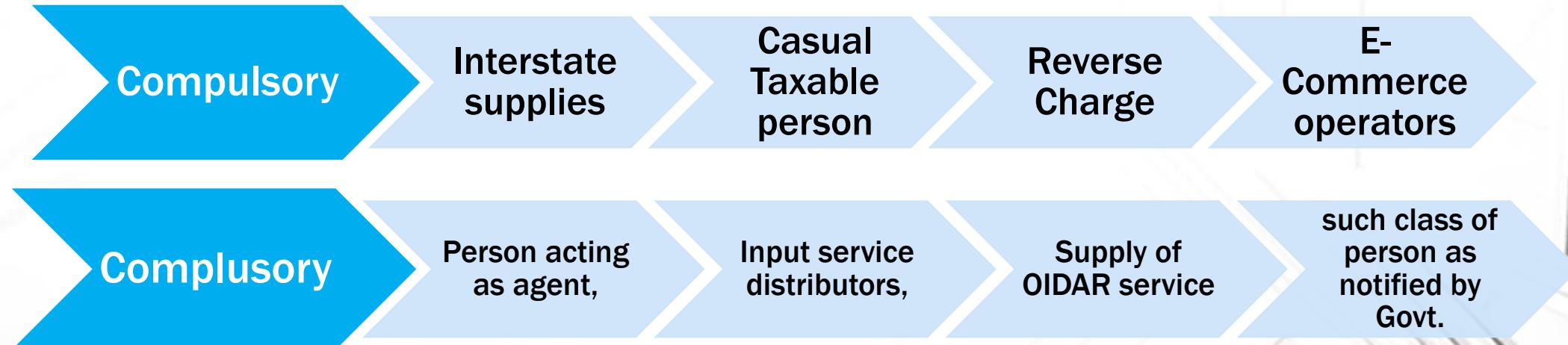
- Three Acts applicable on every Person under GST – Central GST Act, (State) GST Act, Integrated GST Act.
- Registrations required by every person:
Simultaneous registration under CGST, SGST & IGST
- Separate registration required for each State
- Possible separate registrations for each ***business vertical*** within a State as defined u/s 2(18)
- “Aggregate Turnover” of 20.00 Lacs for, 10.00 Lacs for North eastern states.



Registration

Registration

- PAN based Registration, PAN will be mandatory (except for Non-Resident)
- Place of Registration - “from where” Supplier makes a taxable supply of goods and/ or services
- Central/State Government specify persons exempted from obtaining registration
- Proper officer has powers for *suo moto* registrations in case of unregistered persons
- Compulsory Registration in following cases (Irrespective of Turnover Limit)



Registration

Cancellation of Registration

- Transfer of business or discontinuation of business
- Change in the constitution of business. (Partnership Firm may be changed to Sole Proprietorship due to death of one of the two partners, leading to change in PAN)
- Persons no longer liable to be registered under Schedule V (Except when he is voluntarily registered)
- Where registered taxable person has contravened provisions of the Act
- A composition supplier has not furnished returns for 3 consecutive tax periods/ any other person has not furnished returns for a continuous period of 6 months
- Non-commencement of business within 6 months from date of registration by a person who has registered voluntarily.
- Where registration has been obtained by means of fraud, willful statement or suppression of facts, the registration may be cancelled with retrospective effect.

Registration

Cancellation of Registration

- Cancellation can be done by Proper Officer *suo motu* or on application made by the registered taxable person
- Retrospective cancellation in case of fraud, wilful misstatement or suppression of fact
- Liability to pay tax before the date of cancellation will not be affected
- Cancellation under CGST Act will be deemed cancellation under SGST Act and vice-versa
- Substantial penalty in case registration obtained with fraudulent intentions
- Notice of hearing and opportunity of being heard is a MUST before cancellation.
- Application for revocation or cancellation of registration shall be made within 30 days of date of service of cancellation order. (Sec 27)

Tax Invoice, Credit / Debit Note

Tax Invoice



- Revised invoices may be issued against the invoice already issued during the period starting from the effective date of registration till the date of issuance of certificate of registration **within one month from date of issuance of certificate of registration.**
- Composition dealers / Exempt supply to issue a **Bill of supply** instead of tax invoice
- Tax invoice is deemed to include a document issued by an ISD u/s 21 and a revised invoice
- Amount of tax to be prominently indicated in all documents relating to assessment, tax invoice and other like documents (Sec 30)

Tax Invoice, Credit / Debit Note

Tax Invoice

- For receipts of advances on supply of goods/ services: **Receipt voucher/ other prescribed document**
- In case of RCM, if goods/ services are received from an unregistered person, the registered taxable person shall issue an **invoice**
- In case of continuous supply of goods where successive statements of accounts/ payments are involved, **invoice shall be issued before or at the time of each such statements/ payment.**
- In case of continuous supply of services

Due date ascertainable	Invoice to be issued before/ after payment is liable to be made by recipient but within prescribed period (whether or not payment received)
Due date not ascertainable	Invoice to be issued before/ after each such time supplier receives payment but within prescribed period
Completion of Event	Invoice to be issued before/ after time of completion of that event but within prescribed period

Nature of Supply (Inter State / Intra State)

Principles to Determine – Inter State

Determination of supply of goods and/ or services as Inter-State supply

➤ CRITICAL factors: Where the below 2 are in DIFFERENT STATES

- a) Location of the supplier and
- b) Place of supply determined u/s 7,8, 9 or 10 of IGST Act

➤ Specific INCLUSIONS:

- Supply of goods in the course of import, till they cross the customs frontiers of India
- Supply of services in the course of import
- Supply when place of supply is outside India but supplier is in India
- Supply to or by a SEZ developer or an SEZ unit
- Residuary supply: Any supply in the taxable territory and which is not an intra-State supply
(E.g.: Supply of goods from within a Union Territory ("UT") without Legislature)

Nature of Supply (Inter State / Intra State)

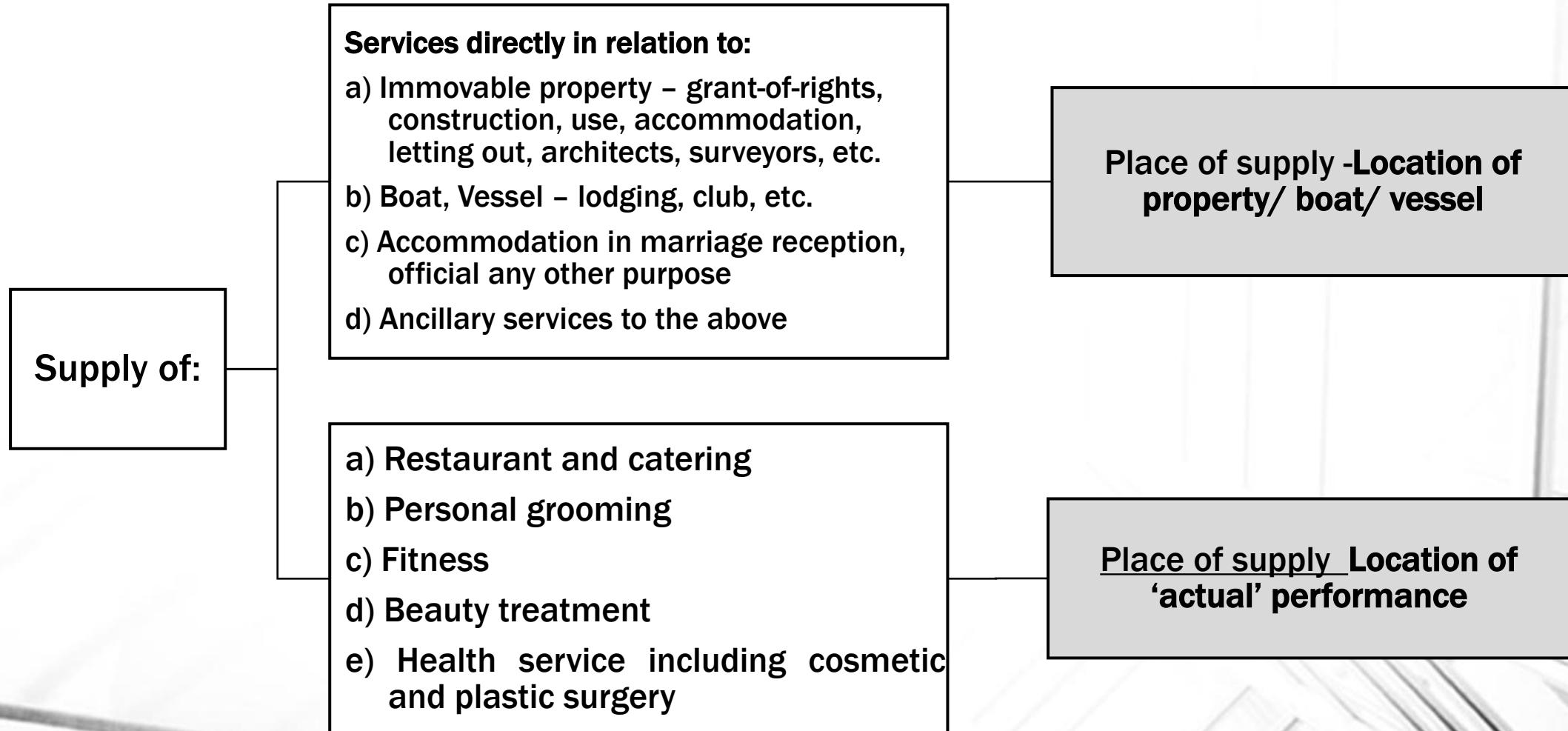
Principles to Determine – Intra State

Determination of supply of goods and/ or services as Intra-State supply

- CRITICAL factors: Where the below 2 are in the SAME STATE
 - a) Location of the supplier and
 - b) Place of supply determined u/s 7,8, 9 or 10 of IGST Act
- Specific EXCLUSIONS:
 - Supplies to or by a SEZ developer/ SEZ unit;
 - Importation of goods till they cross the customs frontiers of India.

Place of Supply of Goods/ Service

Place of Supply of Service (Supplier & Recipient- India)



Place of Supply of Goods/ Service

Place of Supply of Service (Supplier & Recipient- India)

Supply of Services of
Training and
Performance Appraisal

Registered
recipient:

**Location of
recipient**

Unregistered
recipient:

**Place of 'actual'
performance**

Supply of Services for
Admission to:

- a) Cultural & artistic
- b) Sporting
- c) Scientific & educational
- d) Entertainment event
- e) Amusement Park
- f) Services ancillary to above

**Venue of event/
park**

Supply of:

- a) Organising cultural, arts, sports, educational, scientific, entertainment, conference, fair exhibition or similar events
- b) Services ancillary to above

Registered
recipient:

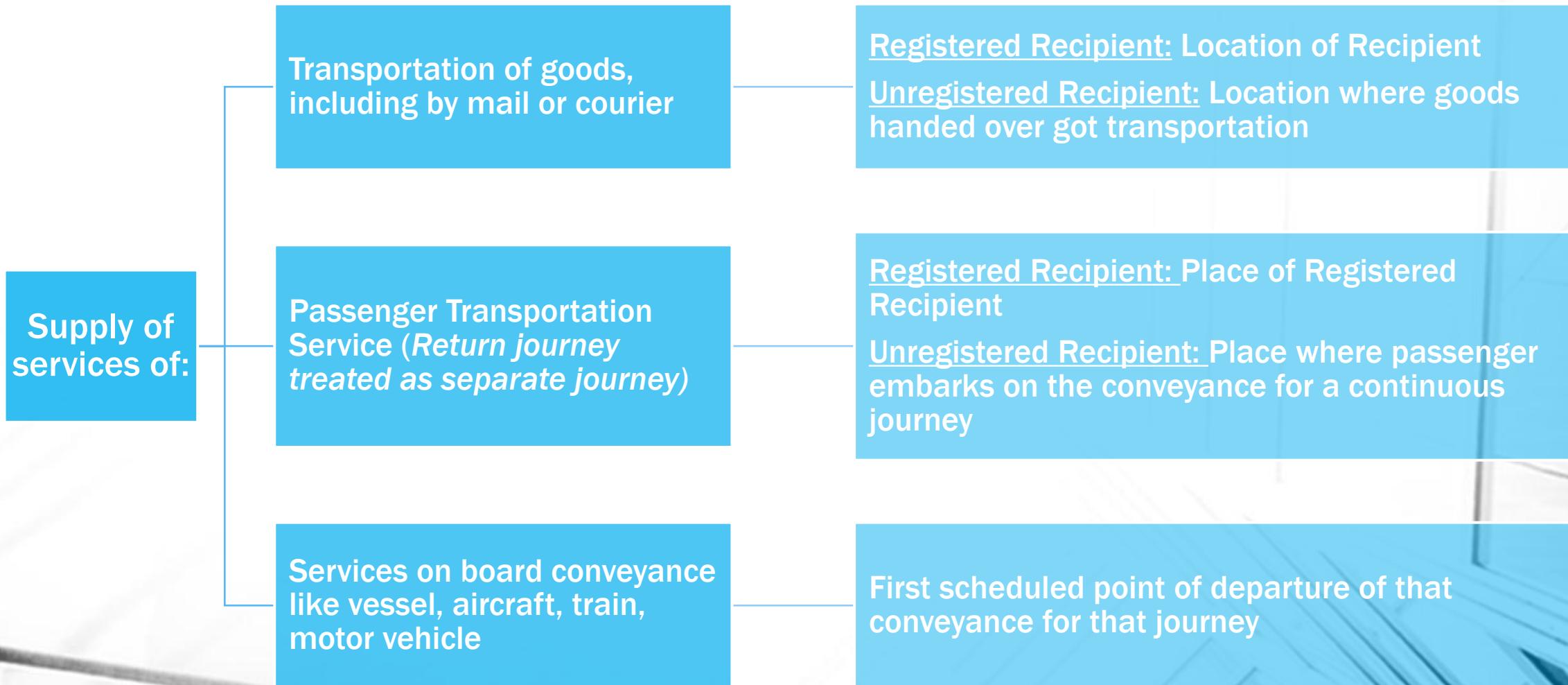
**Location of
recipient**

Unregistered
recipient:

Venue of event

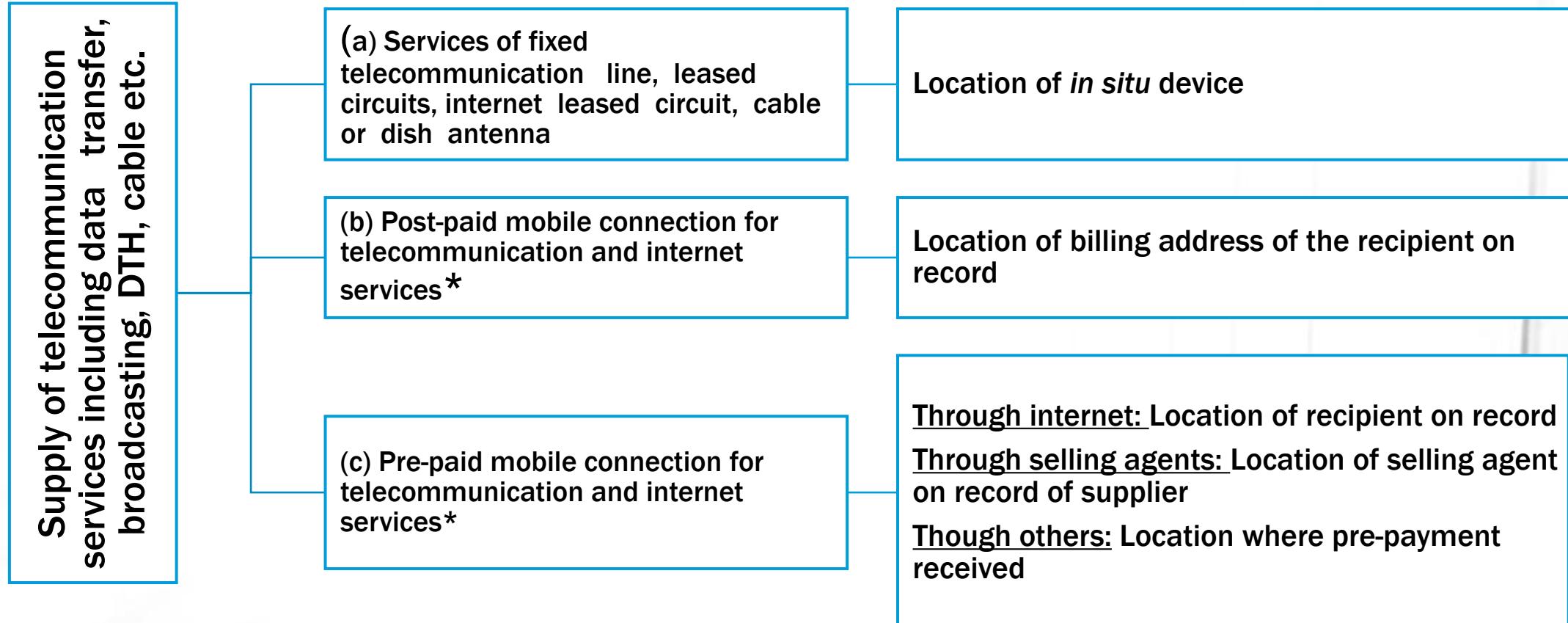
Place of Supply of Goods/ Service

Place of Supply of Service (Supplier & Recipient- India)



Place of Supply of Goods/ Service

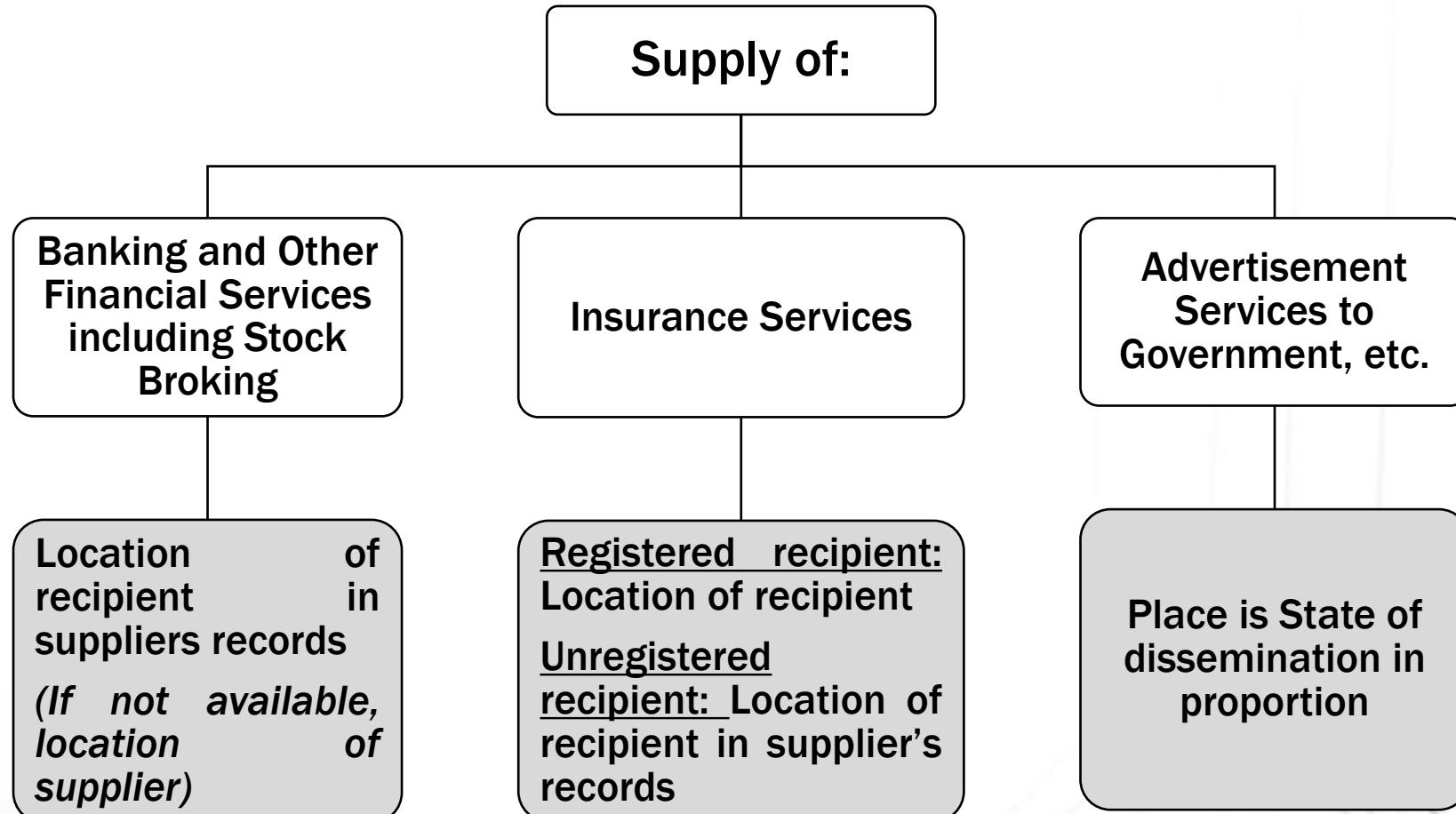
Place of Supply of Service (Supplier & Recipient- India)



- In cases not covered in (b) and (c), address of recipient on records shall be the place of supply;
- Where no address of the recipient available in records, location of the supplier shall be the place of supply

Place of Supply of Goods/ Service

Place of Supply of Service (Supplier & Recipient- India)



Place of Supply of Goods/ Service

Place of Supply of Service (Supplier & Recipient- India)

For Supply of any
other Service,
Place of supply is:

Registered recipient: Location of
recipient

Unregistered recipient: Address in
supplier's records

Unregistered recipient: Location of
supplier if address not available

Place of Supply of Goods/ Service

Place of Supply of Service (Supplier or Recipient- Out of India)

Services i.r.o goods required to be made physically available by recipient &

Services requiring physical presence of receiver/ person acting on his behalf

Location where services actually performed

Services supplied directly in relation to immovable property

Location of such immovable property (or where it is intended to be located)

Service by way of admission to/ organising an event, etc. and ancillary services

Place where the event is actually held

Banking services to account holders, intermediary services, hiring of means of transport (other than aircraft & vessels) up-to 1 month

Location of supplier

Transportation of goods (other than by way of mail/courier)

Destination of the goods

Place of Supply of Goods/ Service

Place of Supply of Service (Supplier or Recipient- Out of India)

Passenger transportation service

Place where passenger embarks on the conveyance for a continuous journey

Service provided on board a conveyance

First scheduled point of departure of that conveyance for that journey

Online information and database access or retrieval services

Location of recipient

Residuary

Location of the recipient;
If not available in the ordinary course of business, location of supplier

To prevent double taxation/ non-taxation, or for the uniform application of rules, CG has power to notify services/ circumstances

Place of effective use and enjoyment of a service

Zero Rated Supply

Zero Rated Supply



Person making **ZERO** Rated Supply can claim Refund of ITC,

1. Supply goods or services under Bond Or Letter of Undertaking, without payment of IGST & Claim Refund of unutilised ITC.
2. Supply goods or services on payment of IGST and claim refund of such tax paid on goods or services.

Returns

Returns to be Filed

Return Form	Particulars	Due Date	Applicable for
GSTR1	Outward Supplies	10 th of the next month	Normal/ Regular Taxpayer
GSTR2	Inward Supplies	15 th of the next month	Normal/ Regular Taxpayer
GSTR3	Monthly return [periodic]	20 th of the next month	Normal/ Regular Taxpayer
GSTR4	Return by composition tax payers	18 th of the month next to the quarter	Composition Taxpayer
GSTR5	Return by non resident tax payers [foreigners]	Within 7 days of the last day of registration	Foreign Non-Resident Taxpayer
GSTR6	Return by Input service distributors	13 th of the next month	Input Service Distributor
GSTR7	TDS return	10 th of the next month	Tax Deductor

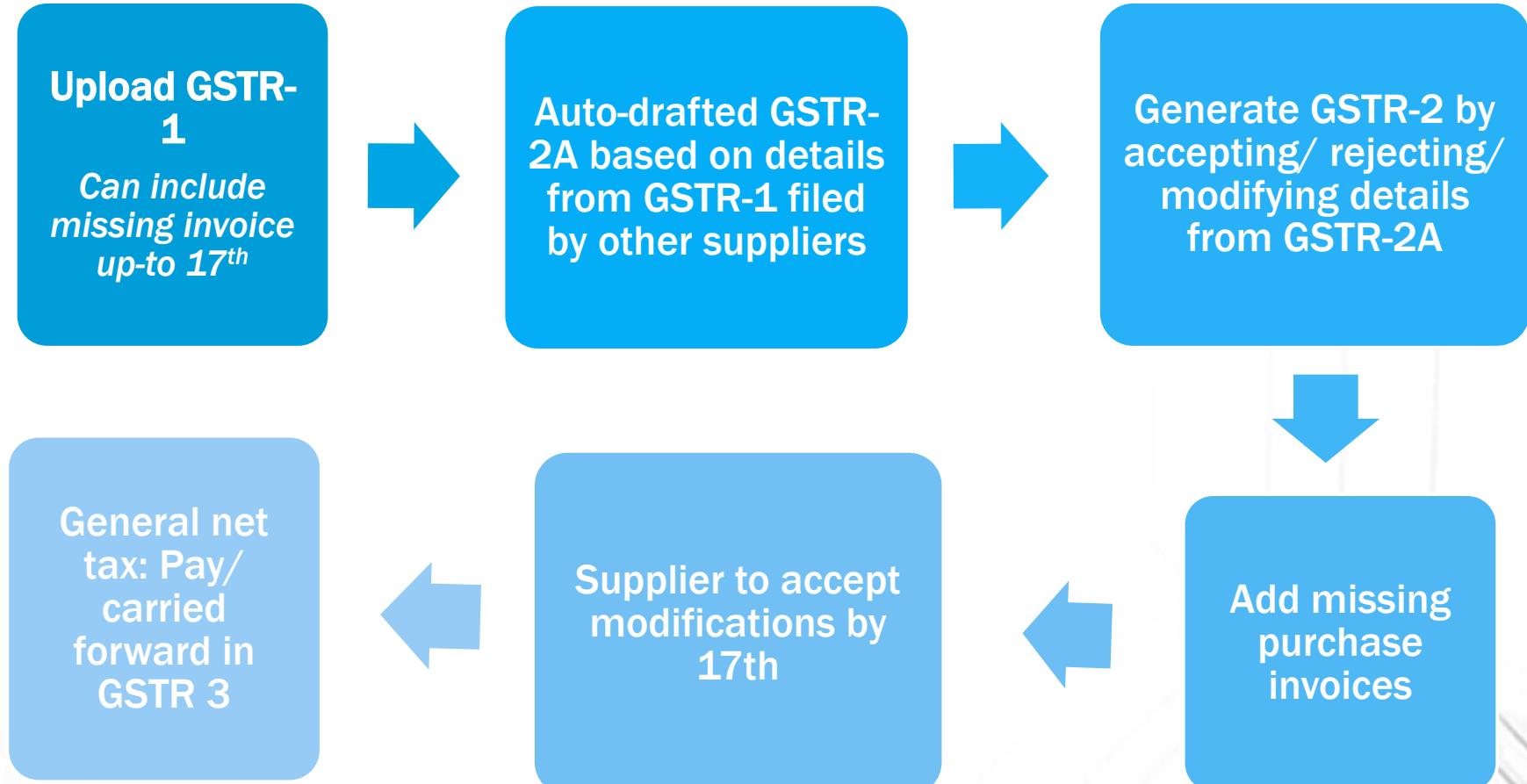
Returns

Returns to be Filed

Return Form	Particulars	Due Date	Applicable for
GSTR8	Annual return	31 st December next FY	Normal/ Regular Taxpayer, Compounding Taxpayer
Ledgers	ITC ledger, cash ledger, tax ledger	On a continuous basis	All

Returns

Returns Process



Returns

Returns Special Points

- Every registered taxable person to furnish returns (Even if it's a NIL Return)
- Submission of return - Through online mode, Monthly Returns (Except for Composition)
- Error or omission may be rectified - No specific provision for revision prescribed
- There would be Three Returns
 - Outward Supplies on or Before 10th of Next Month
 - Inward Supply on or Before 15th of the Next Month
 - Consolidated Return along with Payment of Tax on or Before 21st of Next Month
- HSN Codes – Goods and Accounting Codes - Services
- Separate Tables for Debit / Credit Notes / Input Service Distributor Credit / TDS etc.
- Common e-Return for CGST, SGST & IGST
- Matching Concept

Returns

Returns Special Points

Matching

Details of inward supply furnished by a receiver to be matched with details of output supplies furnished by corresponding supplier

Credit details of matching supplies only to be accepted - manner to be prescribed

Reversal

Details not matching resulting in excess to be communicated to both supplier & receiver

Details communicated but not rectified by supplier to be added to the output tax liability of recipient

Duplication resulting in excess also to be added to output tax liability of recipient

Reclaim

Recipient entitled to reduce output tax liability if supplier rectifies the return within prescribed timelines

Returns

Returns Special Points

First Return

Every registered taxable person who has made outward supplies between date of liability to register to date of grant of registration

Filed after grant of registration

Annual Return

Every registered dealer to furnish annual return by 31st December except:

- ISD
- casual taxable person
- Person deducting tax
- Non-resident taxable person

Reconciliation statement to be furnished along with the statutory audited report and annual return

Final Return

Every registered dealer opting for cancellation to furnish a final return To be furnished within 3 months from date of cancellation or date of cancellation order, whichever is later

Returns

Returns Special Points

RECTIFICATION

Rectification allowed till September 30 or date of filing of annual return

NON FILLING

Cancellation of registration for non filing of returns for 3 consecutive tax periods

BLACK LISTING OF DEALERS

Compliance rating to be introduced. Fall below the prescribed level would lead to blacklisting

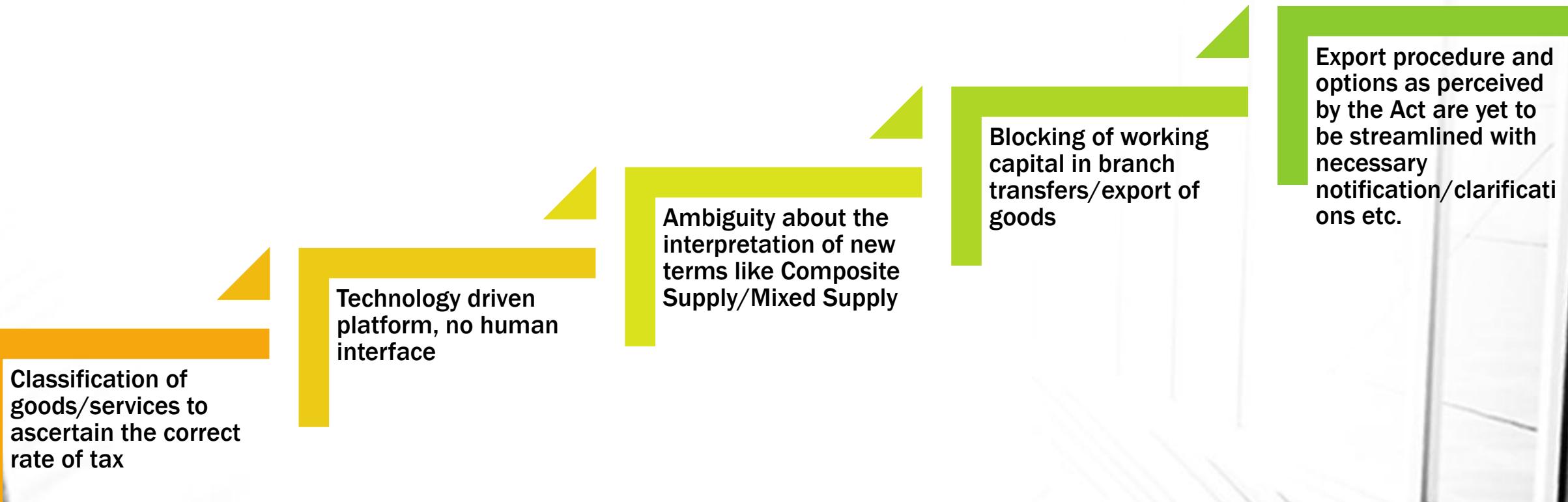
PENALTY- NON FILING OF RETURN

Late Fees: INR 100 per day subject to a maximum of INR 5,000

Late Fee - Annual Return INR 100 per day subject to a maximum of 0.25 % of the aggregate turnover of the defaulter

Challenges

Challenges for Business Community



Challenges

Check Point for Business Entity

- Identifying Supply Side & Fixing Rate Applicable with HSN
- Identifying Purchases from URD / URP
 - Goods or services liable for Reverse Charge
 - Goods or services supplied by Vendors not registered under GST
 - Process of preparing invoices & payment of Tax on such purchases
- Changing Formats of invoices
- Post follow ups as to Evaluation of various decisions/stands taken
 - System changes
 - Flow of information/data as required in the formats for ease of filing returns.
 - Adding one of the important point as GSTN registered person in vendor selection process
 - Generation of Invoices adhering to formats as laid down in the act,
 - Normal Invoice,
 - Reverse Charge
 - ISD Invoice
 - Receipt Voucher for receipt of advance
 - Refund Voucher
 - Payment voucher
 - Revised Tax Invoice/Debit/Credit Note
 - Transportation of Goods, - E Way Bills

Services Offered by us....

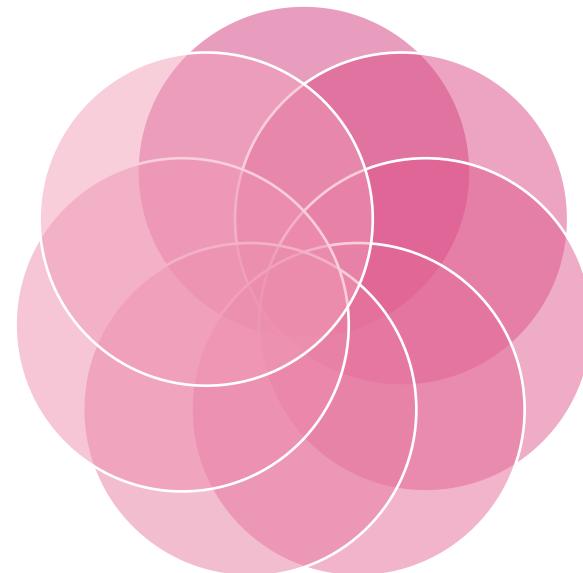
Spectrum of Services

Providing necessary understanding
of the Acts and rules at
Management level

Audit as prescribed under
GST

Providing necessary assistance
for the various business
transactions

Providing training to the staff for
filing of returns etc.



Assistance for fixing the rate of tax
applicable For Supply of Goods or
Services dealt by you

Identifying the HSN Code of
goods/services

Providing necessary assistance in
compiling & filing return along
necessary guidance for payment of
tax, matching of invoices etc.

Identifying the Services/Goods liable for
reverse charge mechanism

Disclaimer

Disclaimer

We have taken best efforts to compile the necessary details however it has following limitations

1. Perceptions

What we have presented is our perception of the act with our best efforts. However it could be subject to challenge by the authorities and some other perception is always a possibility

2. Authentication of material

We have taken reasonable care to source the material from the authenticated sites but official version may be subject to finality of the material

3. Frequent changes as announced

You must have noticed that there are changes made in rates/rules after the first announcements made For example rate of GST on garments/Agarbatti etc Change in the limit of composition. As such latest announcement/clarification may affect the presentation.

4. Missing information/Links

It is quite probable that a particular clarification/information might not have come to our notice which may have serious impact on the presentation

5. Presentation is prepared strictly for educating the client and you are advised to obtain the expert advice before taking any steps/business decision.

6. Our liability is restricted to the amount of bill raised and paid for professional charges if any.

Thank You !

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