

Overview of GST

Moving to

GST



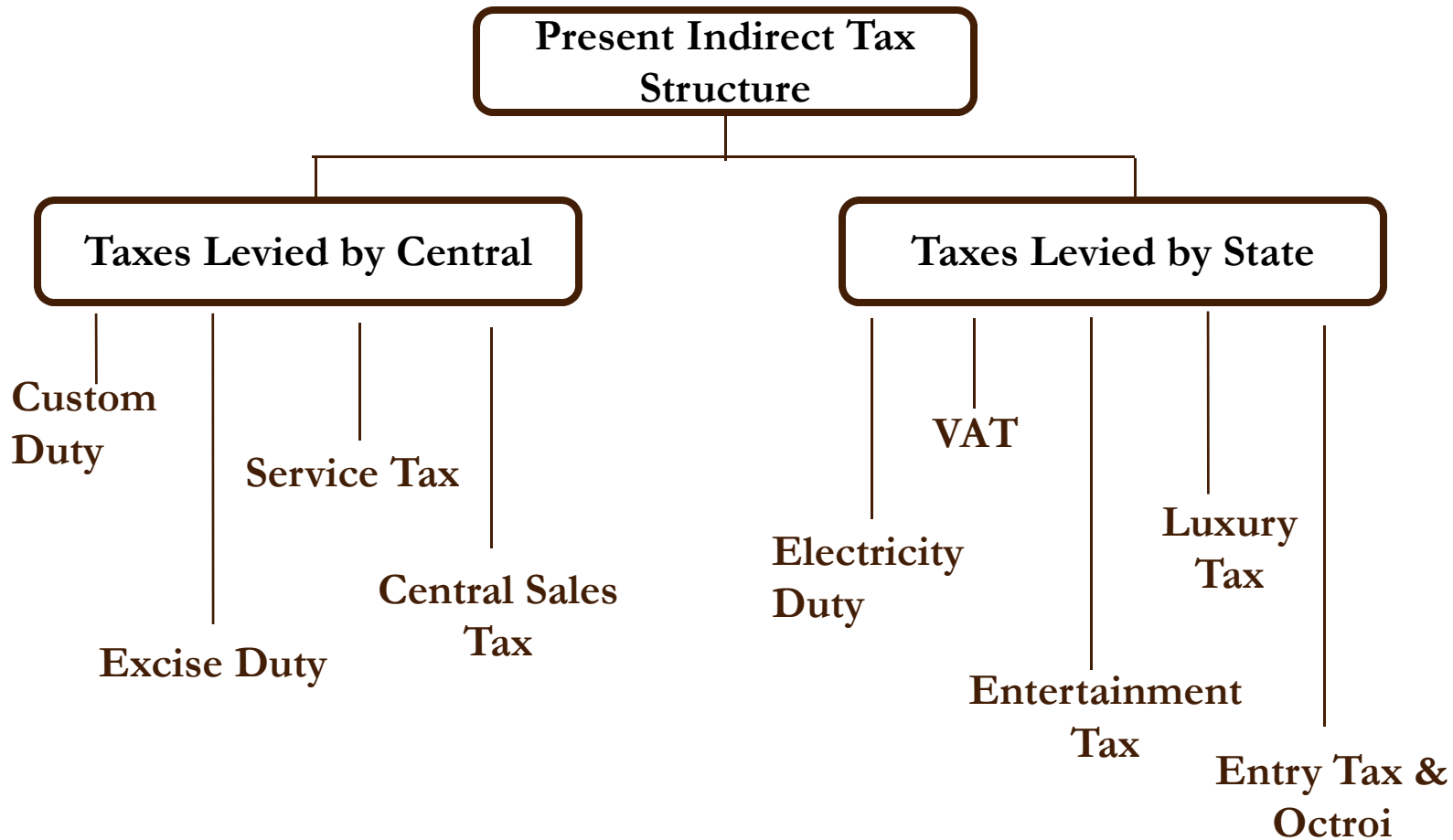
AGM & AFFILIATES
YOUR GST FRIEND



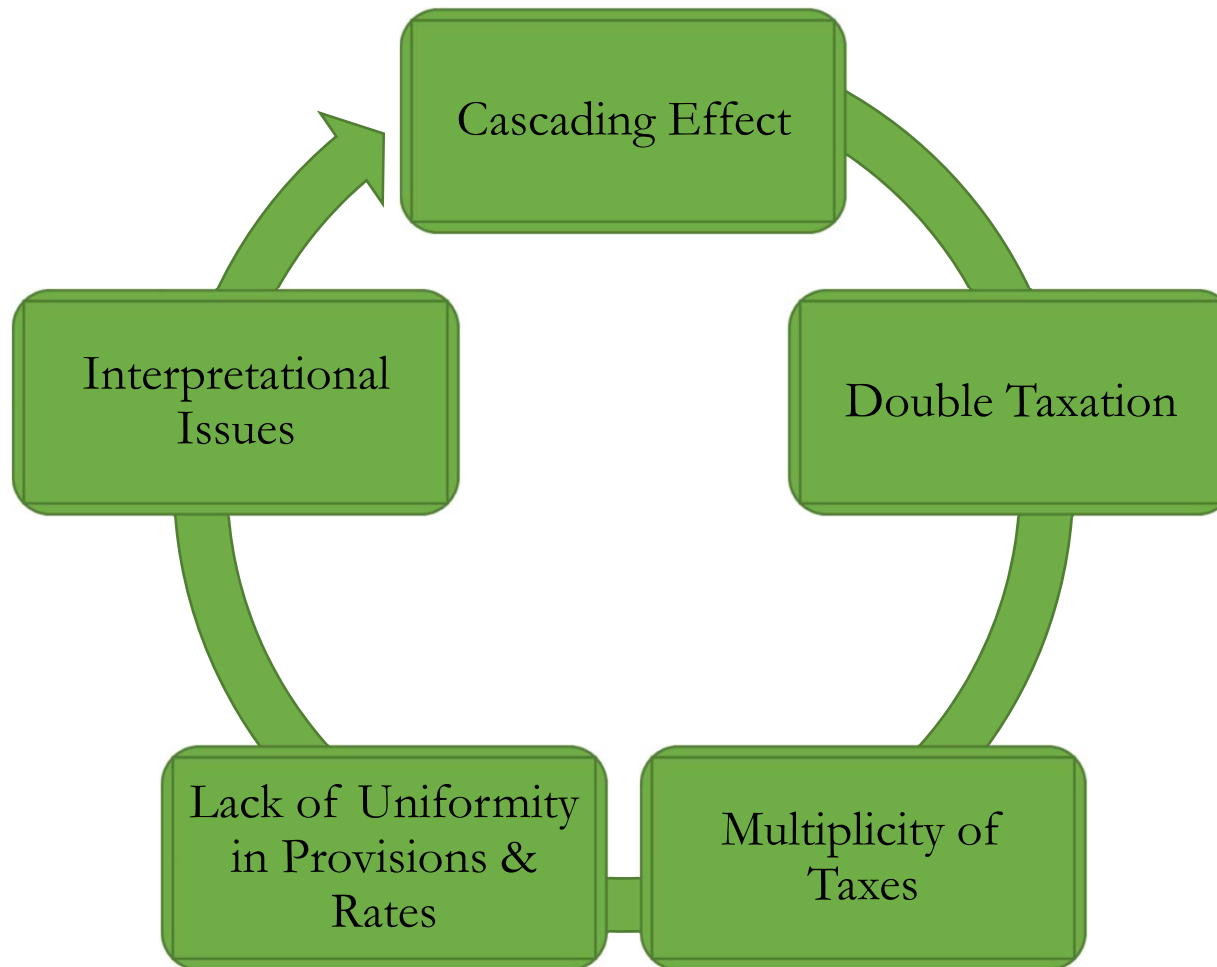
History of GST

More than 150 countries have already introduced GST. France was the first country to introduce GST system in 1954. Typically it is a single rate system but two/three rate systems are also prevalent. Canada and Brazil alone have a dual GST. Standard GST rate in most countries ranges between 15-20%. Malaysia is the latest country to implement GST.

Current Tax Structure in India



Shortcomings in Present the Indirect Tax Structure



Tax to be Subsumed

Central Indirect Taxes	State Indirect Taxes
Central Excise Duty	Sales Tax
Additional Excise Duty	Entertainment Tax
Excise Duty Under MTP Act 1955	Central Sales Tax
Service Tax	Octroi Duty
CVD	Entry Tax
Special Additional Duty of Custom	Purchase Tax
Central Surcharge	Luxury Tax
Central Cesses	Lottery Tax
	Betting & Gambling Tax
	State Surcharges
	State Cesses

Taxes Not To Be Subsumed

Centre Taxes

Basic Custom Duty

Other Custom duty Like
Anti-Dumping Duty etc

Export Duty

State Taxes

Property Tax

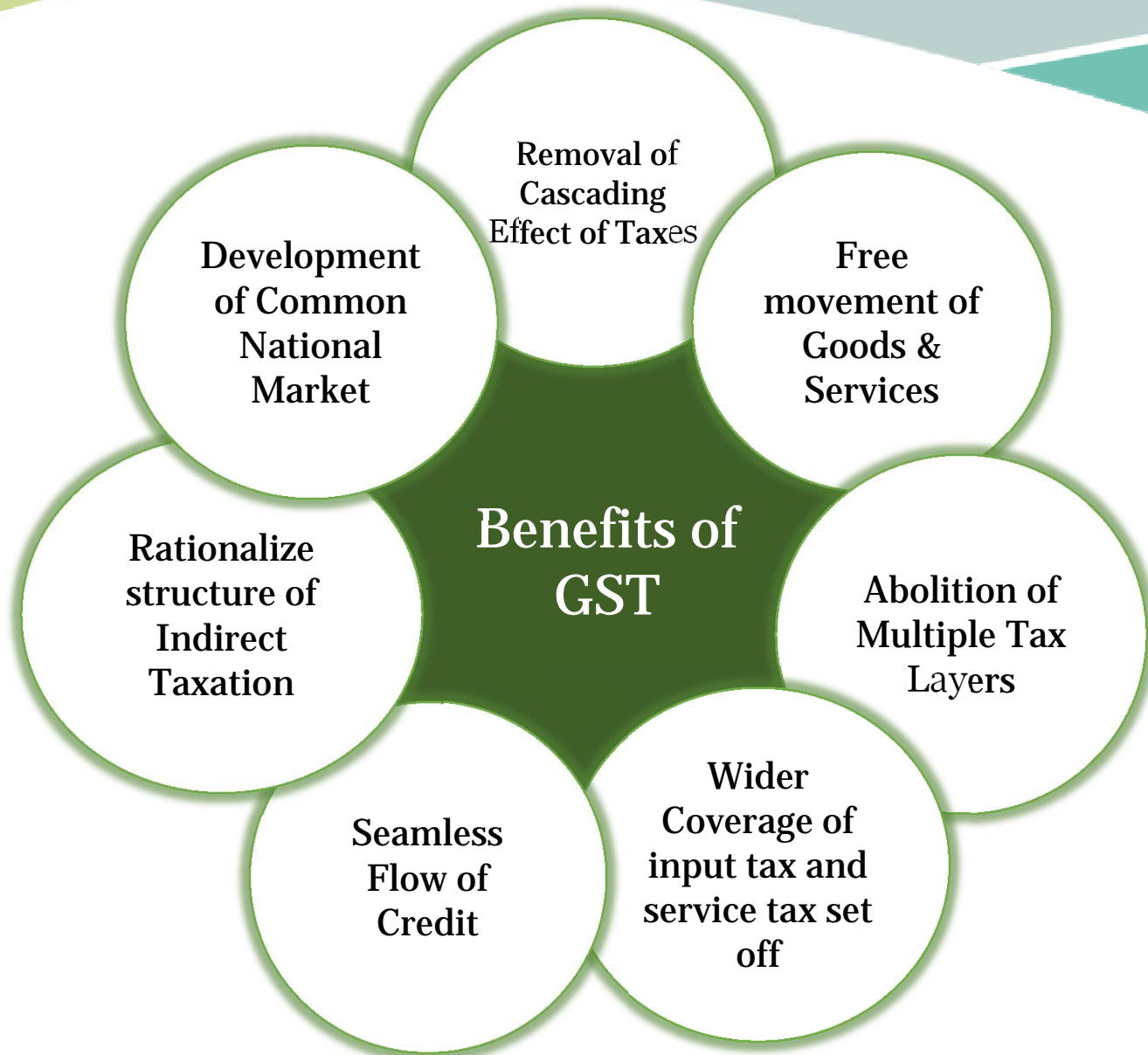
Stamp Duty

Electricity Duty

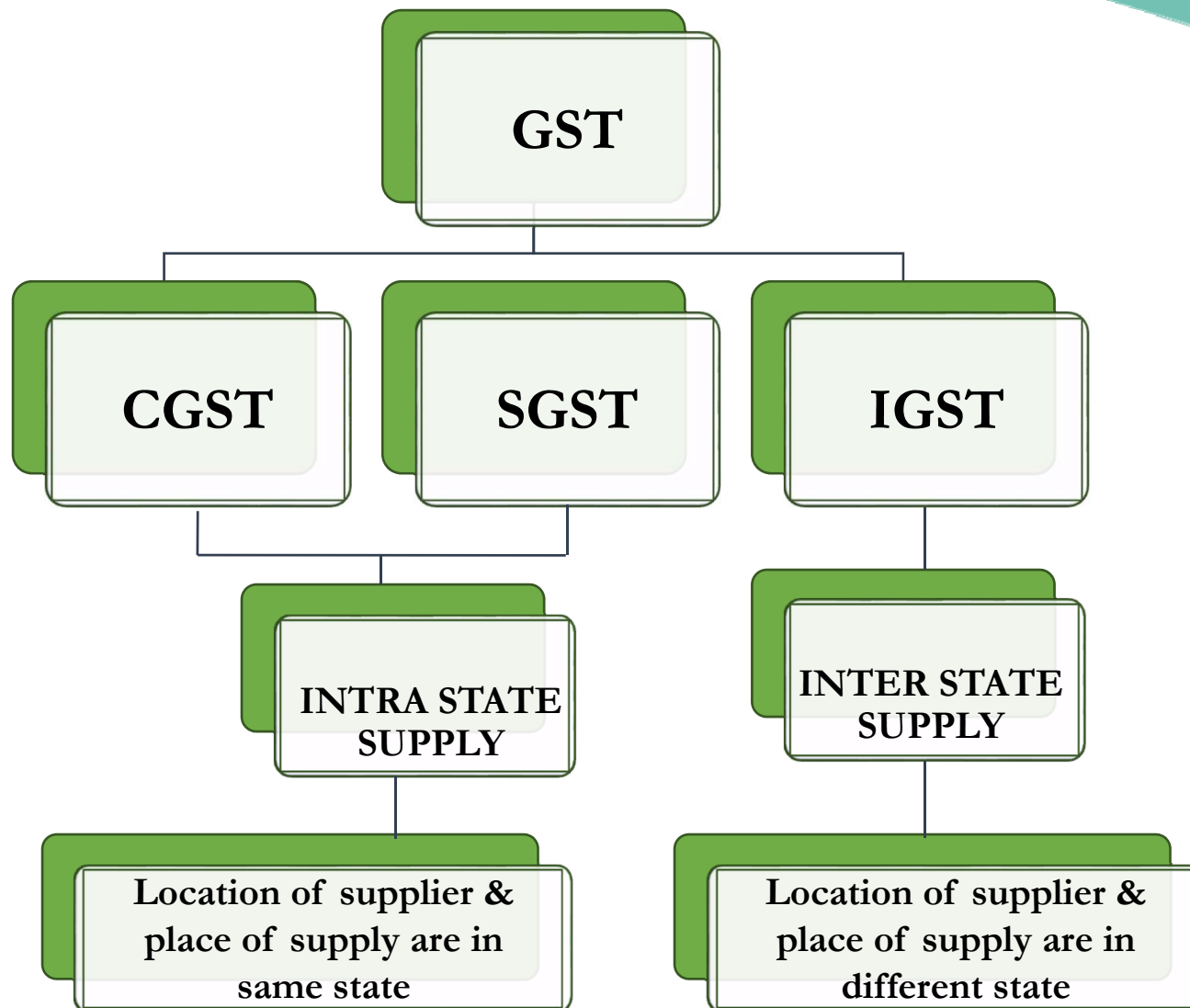
What is GST ?



- GST stands for “Goods & Services Tax”
- GST means any tax on supply of goods or services or both except taxes on the supply of alcoholic liquor for human consumption
- Comprehensive indirect tax levy on goods as well as services.
- GST is a destination based taxation.
- The basic principle is to tax the value addition at each business stage having comprehensive & continuous chain of set off benefits from the producer/service provider’s point upto retailer’s level where only the final consumer bear the tax.
- GST paid on procurement of goods & services can be set off against tax payable on supply of goods & services.



Indirect Tax Structure In GST Regime



What Is Taxable Event?



Any event or transaction that results in a tax consequence for the party who executes the event.

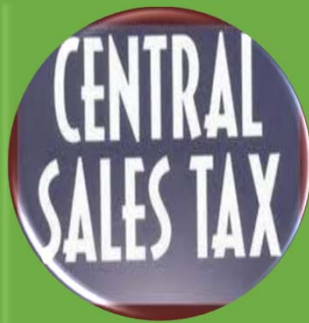
Determination of the taxable event in any tax law is the utmost significance as the levy of tax is based on occurrence of that event.



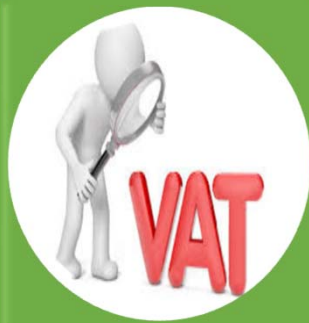
Taxable Event Under Current Scenario



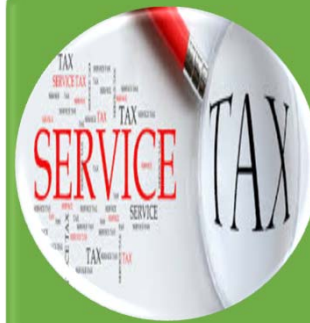
Produced or
Manufactured



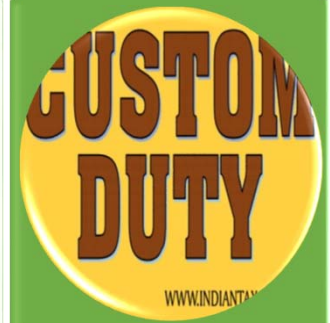
All sales of
goods other
than electrical
energy effected
by him in the
course of inter
state trade or
commerce



Every sales
of goods
effected by
him in the
course of
intra state
trade



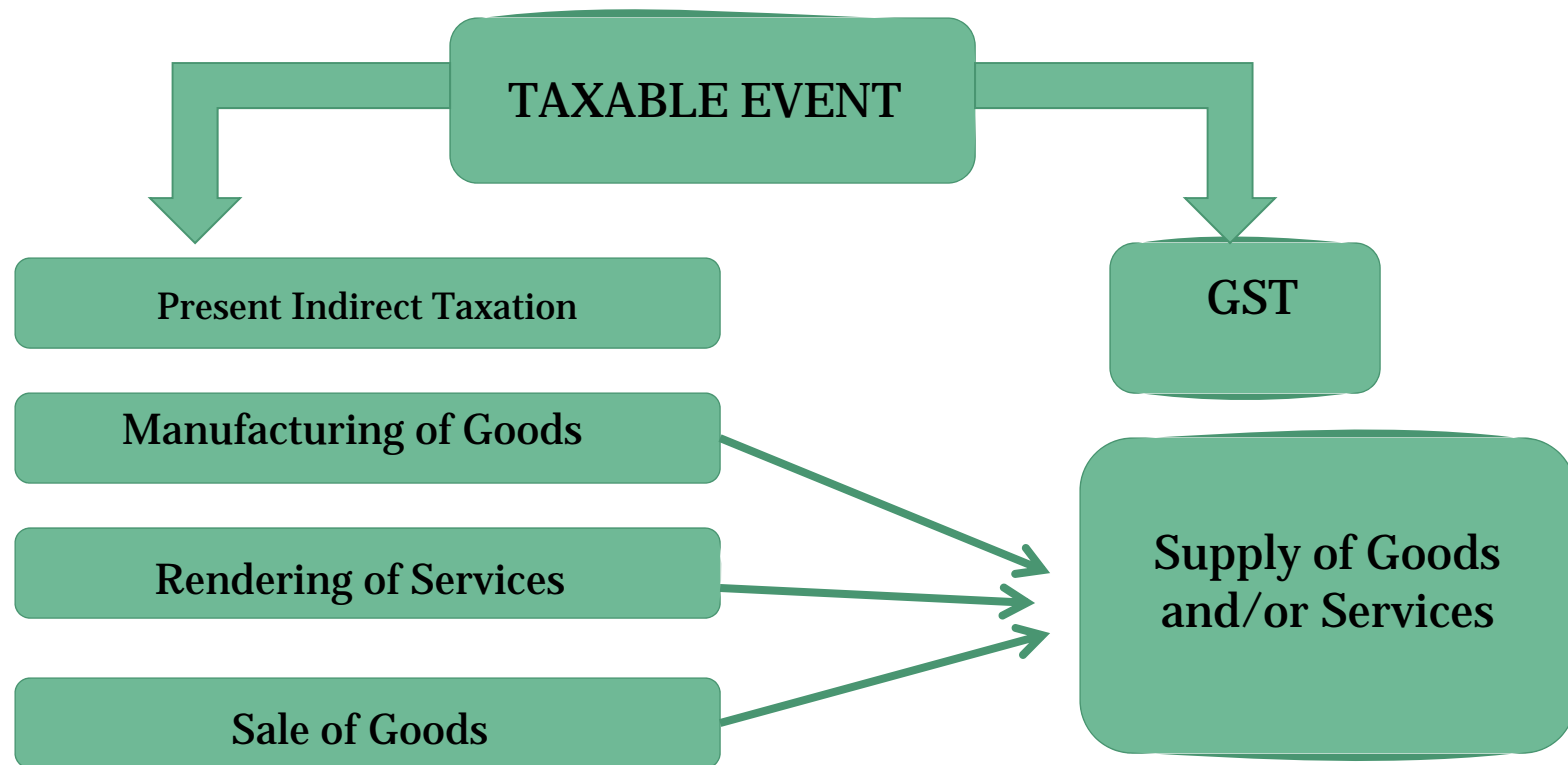
Service
provided or
agreed to be
provided by
one person to
another person
in the taxable
territory other
than those
specified in
negative list



Goods
imported
into or
exported
outside the
India.

Proposed Scenario

Under the proposed GST regime, all the major taxes levied under the indirect taxation i.e. Central excise, Service tax, VAT/CST etc. Would be subsumed under the ambit of GST. They all will lose their relevance.



Supply At Glance



Meaning Of Supply

Supply includes—

All forms of **Supply Of GOODS And/or SERVICES** such as

- Sale,
- Transfer,
- Barter,
- Exchange,
- License,
- Rental,
- Lease or
- Disposal

made or agreed to be made for a **CONSIDERATION** by a **PERSON** in the **course or furtherance** of **BUSINESS.**

Supply without consideration As Mentioned In Schedule I

Gifts >
Rs.50000 {
Employer –
Employee}

Supply of goods or
services between
related or between
distinct person made
when made in course
or furtherance of
business

Supply of goods by a
principal to his agent
where the agent
undertakes to supply
such goods on behalf
of the principal,

Supply of goods by an
agent to his principal
where the agent
undertakes to receive
such goods on behalf
of the principal.

Permanent transfer or
disposal of business
assets where ITC
availed

**Matters to be
treated as
supply
without
consideration**

Importation by a
taxable person from a
related person or from
other establishment
outside the India in the
course or furtherance
of business

Impact Of GST on

Municipal Office



Definition as per Sec 2 of CGST Act

Business includes:

(i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities

Local Authority means:

(b) a “Municipality” as defined in clause (e) of article 243P of the Constitution;

(c) a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund;

Person includes:

(j) a local authority

Taxability

Under GST

- As per section 7 of CGST Act: **Activities or transactions undertaken by** central government, state government or **local authority in which they are engaged as public authorities: shall be treated neither as a supply of goods nor a supply of services.**



Hence not taxable

- So the activities undertaken by local authority other than as public authority shall be treated as supply subject to exemptions discussed later.



Hence taxable

Registration

Section 22 of CGST Act:

As activities undertaken by local authority are supply.
And if the aggregate turnover exceeds Rs 20 lakhs.



**Shall be liable
to get
registered**

Section 24 of CGST Act:

(vi) persons who are required to deduct tax under section 51, whether or not separately registered under this Act. (Government may mandate Local authority to deduct tax U/S 51)



**Compulsory
registration**

Reverse Charge

Section 9(3) of CGST Act: Pay tax under reverse charge (Specific RCM)

The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

Note: Reverse Charge in this category will be applicable if the recipient of services is a “Business Entity”. It will not be applicable to Local Authorities

Section 9(4) of CGST Act: Pay tax under reverse charge (URD Purchase)

If supply of taxable goods or services is received by a registered person from a person who is not registered, the recipient shall pay tax to the government under reverse charge.

Section 31(3)(f) of CGST Act: Issue invoice under reverse charge

Person who is liable to pay tax under reverse charge, shall issue a tax invoice on the date of receipt of goods or services or both.

Section 31(3)(g) of CGST Act: Issue payment voucher at time of payment

Person who is liable to pay tax under reverse charge, shall issue a payment voucher at the time of making payment to the supplier.

Return

Sec 39 (3) of CGST Act: MONTHLY RETURN

Every registered person required to deduct tax at source under the provisions of section 51 shall furnish, in such form and manner as may be prescribed, a return, electronically, for the month in which such deductions have been made within ten days after the end of such month.

Required to deduct tax at source

Sec 51 of CGST Act: TDS

Notwithstanding anything to the contrary contained in this Act, the **Government may mandate,—**

(b) local authority;

(hereafter in this section referred to as “the deductor”), **to deduct tax at the rate of 1%** from the payment made or credited to the supplier (hereafter in this section referred to as “the deductee”) of taxable goods or services or both, **where the total value of such supply**, under a contract, **exceeds Rs 2,50,000.**

NO TDS IF place of supply and location of supplier in different State or UT

Payment of tax

Sec 51 (2) of CGST Act: TDS

The amount deducted as tax under this section shall be paid to the Government by the deductor within ten days after the end of the month in which such deduction is made, in such manner as may be prescribed

Issue of TDS certificate

Sec 51 (3) of CGST Act: TDS

The deductor (Local Authority) shall furnish to the deductee a certificate mentioning therein the contract value, rate of deduction, amount deducted, amount paid to the Government and such other particulars in such manner as may be prescribed.

Schedule III of Supply

ACTIVITIES OR TRANSACTIONS WHICH SHALL BE TREATED NEITHER AS A SUPPLY OF GOODS NOR A SUPPLY OF SERVICES

3. (a) **the functions performed by** the Members of Parliament, Members of State Legislature, Members of Panchayats, **Members of Municipalities and Members of other local authorities.**

(c) **the duties performed by any person as a Chairperson or a Member or a Director in a body established by** the Central Government or a State Government or **local authority** and who is not deemed as an employee before the commencement of this clause.



Service Tax Exemptions as decided by GST Council....

Services by government or local authority excluding the following services:-

- i. postal services (speed post, parcel post etc.)**
- ii. services in relation to aircraft or vessel,**
- iii. transportation of goods or passengers.**
- iv. any service, other than services covered under clauses (i) to (iii) above, provided to business entities .**

Services received from a provider of service located in a non- taxable territory by –

- (a) Government, a local authority, a governmental authority or an individual in relation to any purpose other than commerce, industry or any other business or profession;**

Provided that the exemption shall not apply to –

- (i) online information and database access or retrieval services received by persons specified in clause (a) or clause (b).**

....Service Tax Exemptions as decided by GST Council....

Services by government, local authority or governmental authority by way of any activity in relation to any function entrusted to a municipality under Article 243 W of the Constitution.

Services provided by Government or a local authority to a business entity with a turnover up to rupees twenty lakh (ten lakh rupees in a special category state) in the preceding financial year.

It is hereby clarified that the provisions of this entry shall not be applicable to

- (a) services at S. No. 1 (i), (ii) and (iii); and**
- (b) services by way of renting of immovable property;**

Services provided by Government or a local authority to another Government or local authority.

Provided that nothing contained in this entry shall apply to services at S. No. 1 (i), (ii) and (iii) above.

....Service Tax Exemptions as decided by GST Council....

Services provided by Government or a local authority by way of issuance of passport, visa, driving license, birth certificate or death certificate.

Services provided by Government or a local authority by way of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to the Government or the local authority under such contract.

Services provided by Government or a local authority by way of- (a) registration required under any law for the time being in force; (b) testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, including fire license, required under any law for the time being in force.

....Service Tax Exemptions as decided by GST Council....

Services provided by Government or a local authority by way of assignment of right to use natural resources to an individual farmer for cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products.

**Services by Government, a local authority or a governmental authority by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution:
this shall be continued by way of notification under section 7(2)(b) of CGST/SGST Acts.**

**Services provided by Government or a local authority by way of assignment of right to use any natural resource where such right to use was assigned by the Government or the local authority before the 1st April, 2016.
Provided that the exemption shall apply only to service tax payable on one time charge payable, in full upfront or in installments, for assignment of right to use such natural resource.**

....Service Tax Exemptions as decided by GST Council....

Services provided by Government or a local authority by way of allowing a business entity to operate as a telecom service provider or use radiofrequency spectrum during the period prior to 1st April, 2016, on payment of license fee or spectrum user charges, as the case may be.

Services provided by Government or a local authority where the gross amount charged for such services does not exceed Rs.5000/.

Provided that nothing contained in this entry shall apply to services S. No. 1 (i), (ii) and (iii) above:

Provided further that in case where continuous supply of service, as defined in sub-section (33) of section 2 of the CGST Act, 2017, is provided by the Government or a local authority, the exemption shall apply only where the gross amount charged for such service does not exceed Rs. 5000/- in a financial year; [This may be continued by way of an omnibus threshold exemption from payment of GST under section 9 (4) of CGST/SGST Act in respect of supplies upto Rs 10,000/-].

.....Service Tax Exemptions as decided by GST Council

Pure services (excluding works contract service or other composite supplies involving supply of any goods) provided to Government, a local authority or a Governmental authority by way of any activity in relation to any function entrusted to a Panchayat under Article 243G of the Constitution or to any function entrusted to a Municipality under Article 243W of the Constitution.

Time of Supply

Time of Supply is the event which determines the time when the tax on the transaction of taxable supply becomes payable. It determines the precise time when the liability for payment of tax becomes due.

Liability to pay IGST
/CGST/SGST



At the Time of Supply

Current Scenario

Manufacturing of Goods

Incidence of Excise Duty arises on manufacture/production of goods in India but liability to pay excise duty is on accrual basis and arises at the time of removal of excisable goods from factory

Rendering of Services

Payment of tax is generally earliest of following i.e. receipt of money or issuance of invoice, if invoice raised within stipulated time period, otherwise, completion of service.

Sale of Goods

VAT/CST, as the case may be on Intra State or Inter state sale of goods, arises on transfers of title/property in goods including Deemed Sale in terms of Article 366(29A) of the Constitution and to be paid on accrual basis.

Time of Supply of Goods (Sec. 12)

Scenario

Time of Supply

General Provision

Date of issue of Invoice

OR

Last Date on which Invoice is required
to be issued as per section 31

OR

Date of Receipt of Payment



Whichever
earlier

Reverse Charge

Date of Receipt of Goods

OR

Date of Payment

OR

Date immediately after **30 Days**
from Date issue of Invoice

OR

Date of Debit in Books of Account



Whichever
earlier

...Time of Supply of Goods

Scenario

Time of Supply

Supply of Voucher

Date of issue of Voucher, if Supply is Identifiable
OR
Date of Redemption of Voucher in other cases

Residual

In case of periodical return, the date of return file
OR
Date of Payment of CGST/SGST

Time of Supply Of Services (Sec. 13)

Scenario

Time of Supply

General Provision

Date of Invoice

OR

Last Date on which invoice is required to be issued as per section 31

OR

Date of Receipt of Payment

OR

Date on which recipient shows the receipt of services



Whichever earlier

Reverse Charge

Date of Payment

OR

Date immediately after **60 Days** from Date issue of Invoice

OR

Date of Debit in Books of Account



Whichever earlier

...Time of Supply Of Services

Scenario

Time of Supply

Supply of Voucher

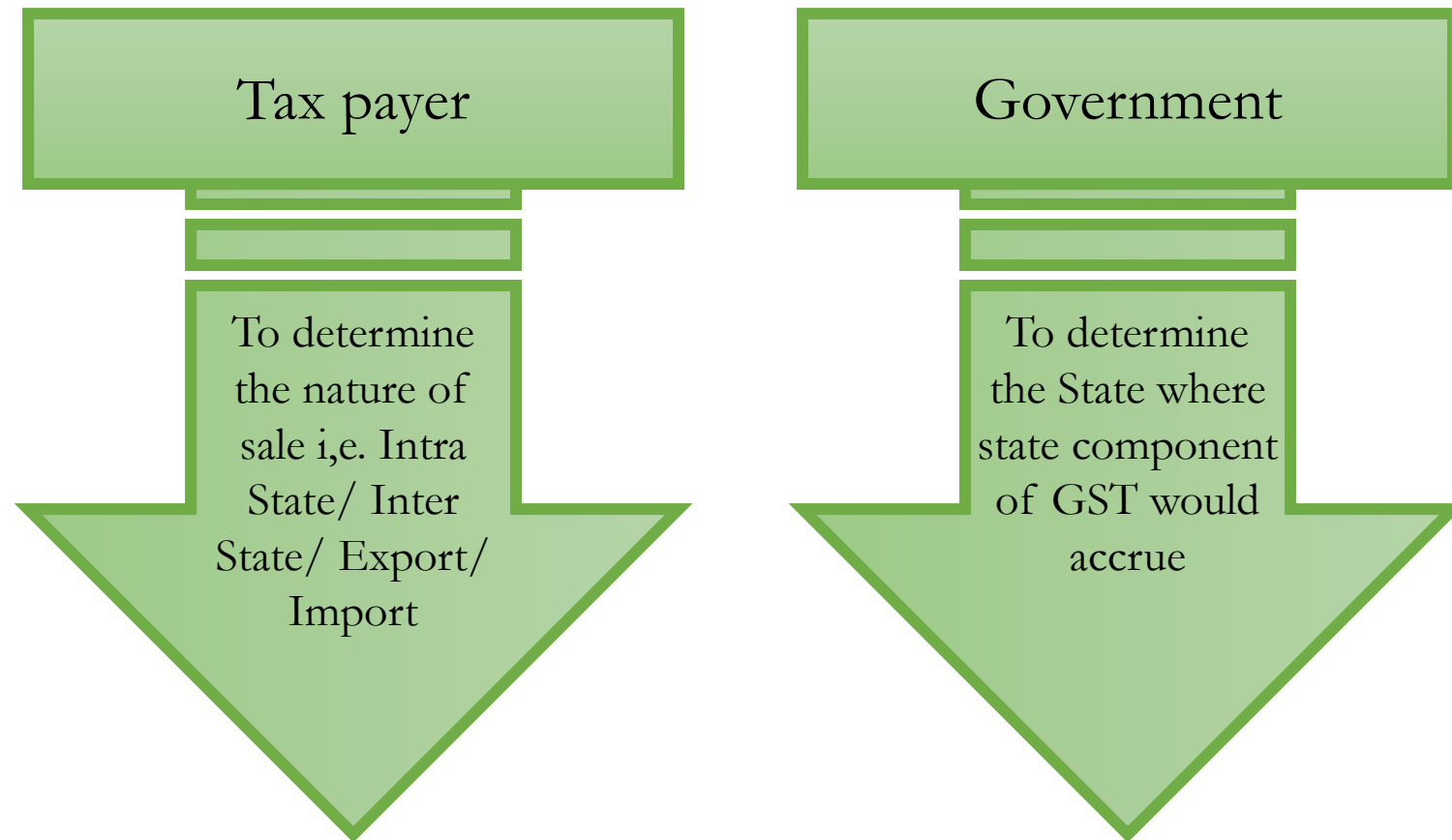
Date of issue of Voucher, if Supply is Identifiable
OR
Date of Redemption of Voucher in other cases

Residual

In case of periodical return, the date of return file
OR
Date of Payment of CGST/SGST

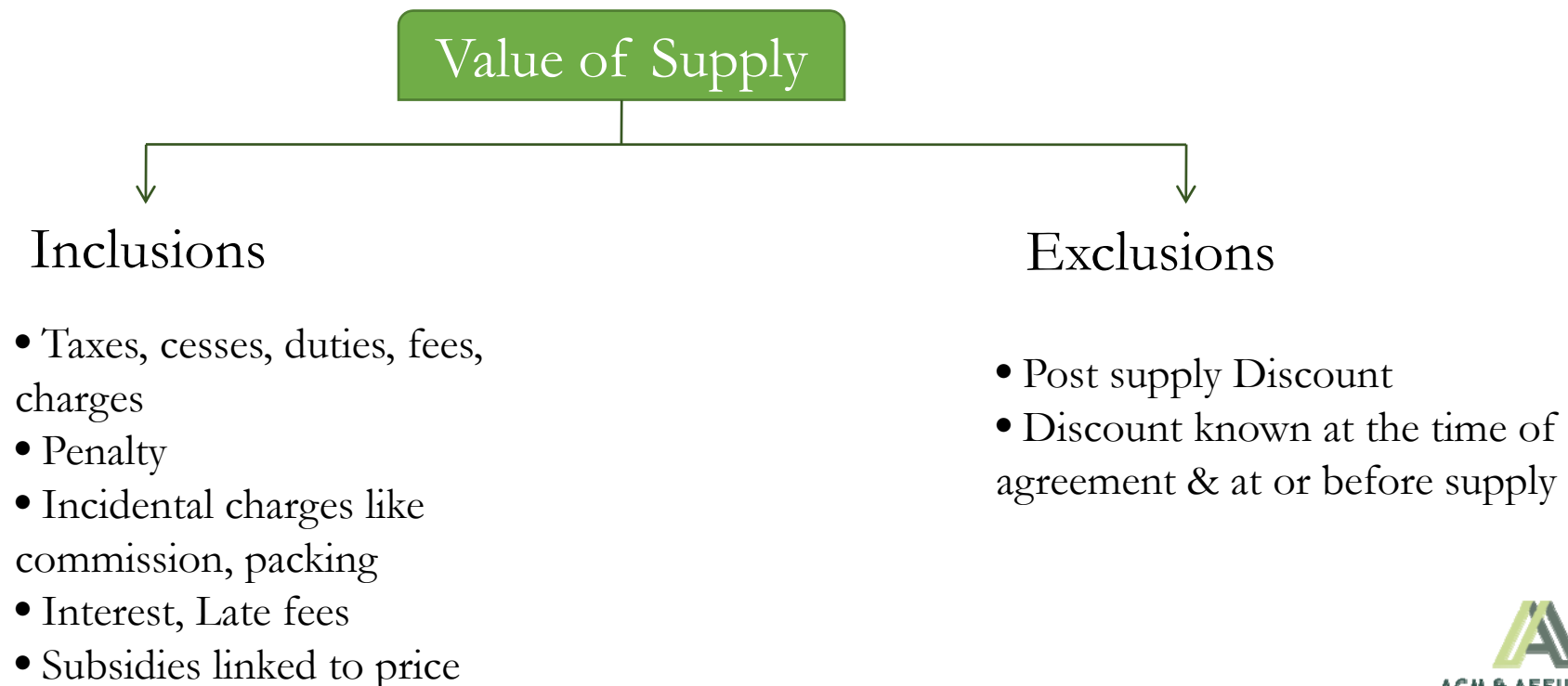
Place of Supply

The importance of determination of place of supply lies in identification of nature of supply as “intra-state” or “inter-state”, based on which CGST & SGST/IGST would be applicable. Need of place of supply is different for tax payer and government.

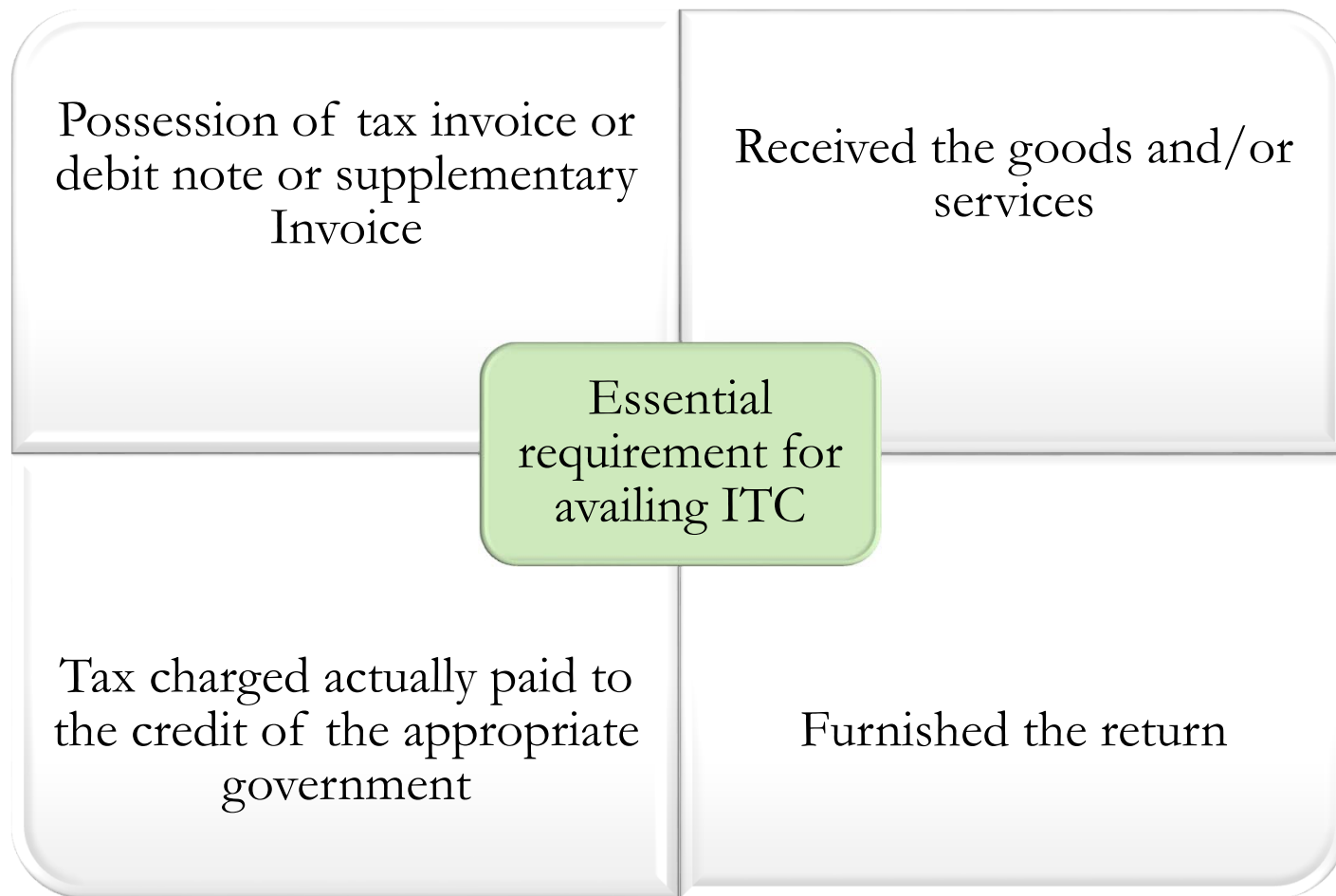


Value Of Taxable Supply

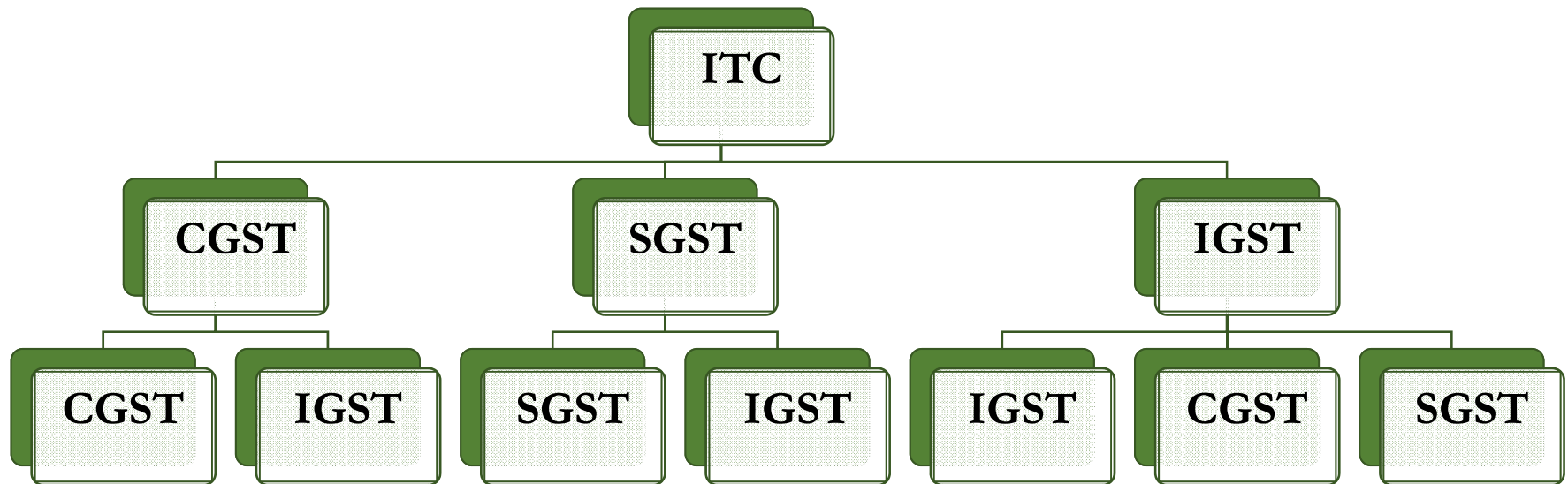
- ✓ The value of a supply of goods and/or services shall be the transaction value
- ✓ Transaction value is the price paid or payable for the supply of goods &/or services
- ✓ The supplier & the recipient of the supply are not related
- ✓ The price is the sole consideration for the supply.



Input Tax Credit



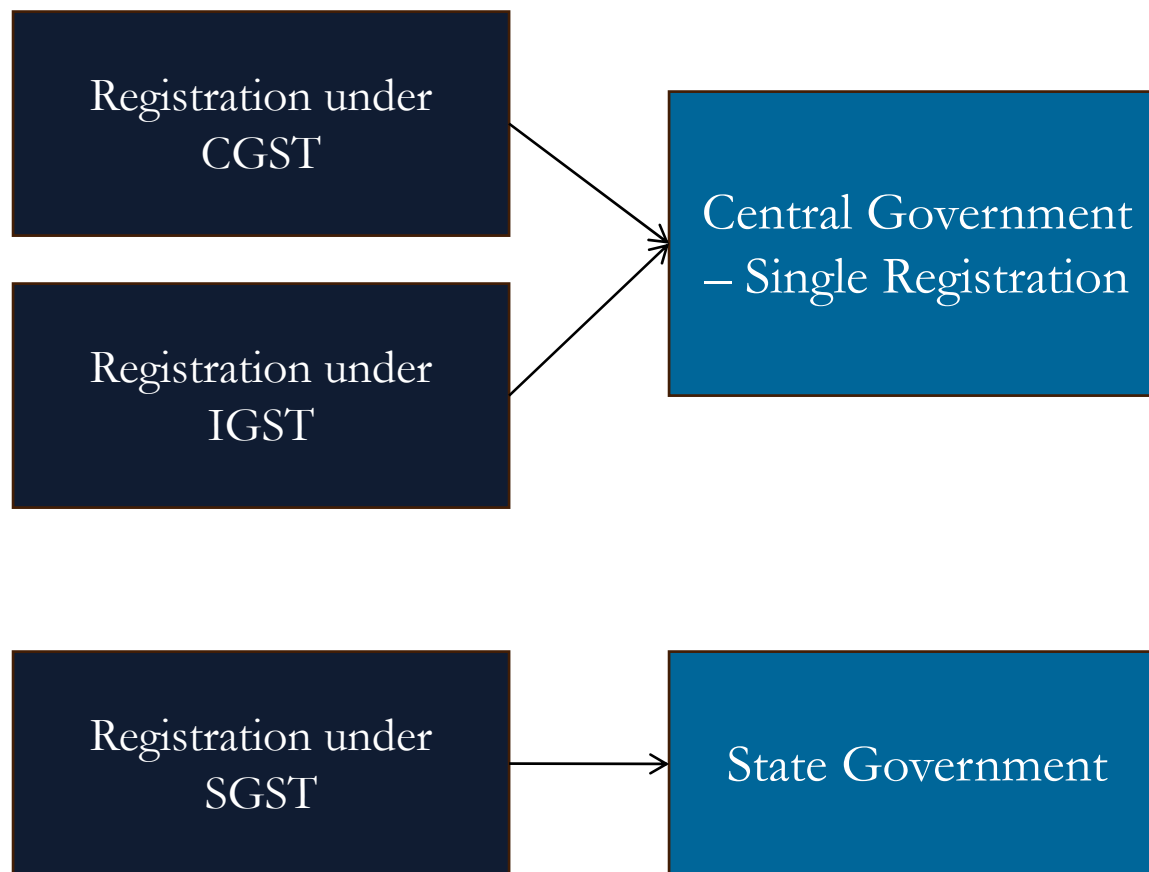
Utilization Of Input Tax Credit



Composition Levy (Section 10)

- Aggregate Turnover Does Not Exceed INR 50 Lakh
- Not Less Than 1% In Case Of Manufacturer
- Not Less Than 2.5% In case of person referred in clause b of paragraph 6 of Schedule II
- Not Less Than 0.5% In any other case
- Not Liable To Collect Tax From Recipient
- Not Entitle To Take Credit Of Input Tax
- **Exclusions :**
- Supply Of Services excluding person referred in clause b of paragraph 6 of Schedule II
- Supply Of Goods Not Leviable To Tax
- Inter State Outward Supply Of Goods
- Supply Of Goods Through An Electronic Commerce Operator

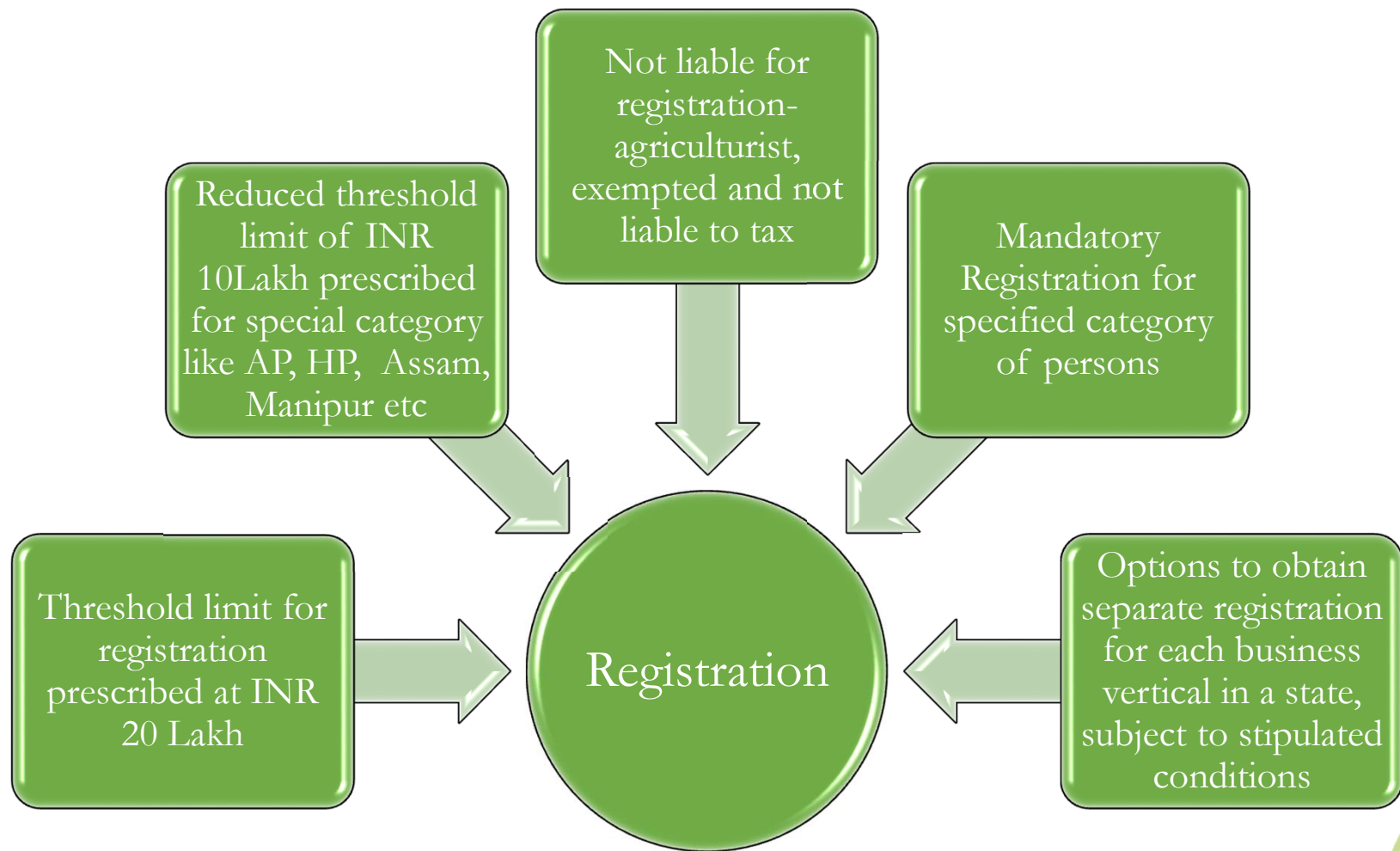
Registration



-Separate registration required for each State

-Option given for separate registration for each business vertical

General Provision for Registration



General Provision
Regarding Returns

Outward Supplies

- By 10th of the following month

Exclusion of Outward Supplies

- Between 11th to 15th of the month following the respective quarter

Modification, deletion or inclusion of outward supplies

- Between 16th to 17th of the following month

Inward Supplies

- Between 10th to 15th of the following month

Furnishing of return

- By 20th of following month

No rectification of error or omission

- After September or furnishing of annual return whichever is earlier

Annual Return

- On or before 31st December following the end of such FY

Offences & Penalties: Sec. 122

Nature of Offence	Prescribed Penalty
<ul style="list-style-type: none"> • Supplies any goods without invoice • Issues invoice without supply of goods • Collects tax amount but does not pay the same into the appropriate government treasury • Collects tax in contravention of the Act • Fails to deduct or collect tax and also fails to pay it to the appropriate governments • Takes input tax credit without receipt of goods • Obtains refund by fraud • Manipulates financial records • Fails to get registered 	<p><u>Higher of following:</u></p> <ol style="list-style-type: none"> 1. Rs. 10,000/-; <u>or</u> 2. An amount equivalent to the amount of tax evaded/not deducted/collected or input tax credit availed or distributed or refund claimed in the matter

... Offences & Penalties: Sec 122

Nature of Offence	Prescribed Penalty
<ul style="list-style-type: none">• Gives false information• Transports taxable goods without documents• Fails to maintain books of accounts.• Fails to provide information and required documents.• Takes or distributes credit in violation• Obstructs or prevents a officer in discharge of duty• Suppresses turnover• Tamperes or destroys evidence• Disposes or tampers goods detailed or seized etc	<p><u>Higher of following:</u></p> <ol style="list-style-type: none">1. Rs. 10,000/-; <u>or</u>2. An amount equivalent to the amount of tax evaded/not deducted/collected or input tax credit availed or distributed or refund claimed in the matter

Failure to furnish Information Return: Sec 123

Nature of Offence	Prescribed Penalty
<ul style="list-style-type: none"> • Gives false information • Transports taxable goods without documents • Fails to maintain books of accounts. • Fails to provide information and required documents. • Takes or distributes credit in violation • Obstructs or prevents a officer in discharge of duty • Suppresses turnover • Tamperes or destroys evidence • Disposes or tamperes goods detailed or seized etc 	<p><u>Higher of following:</u></p> <ol style="list-style-type: none"> 1. Rs. 10,000/-; <u>or</u> 2. An amount equivalent to the amount of tax evaded/not deducted/collected or input tax credit availed or distributed or refund claimed in the matter



AGM & AFFILIATES

Your GST Friend

THANK YOU

CA Sunil Kumar Gupta
Member of AGM & Affiliates