CHAPTER 1: INTRODUCTION TO GST

1.1 BASICS OF GST

1.1.1 What is GST?

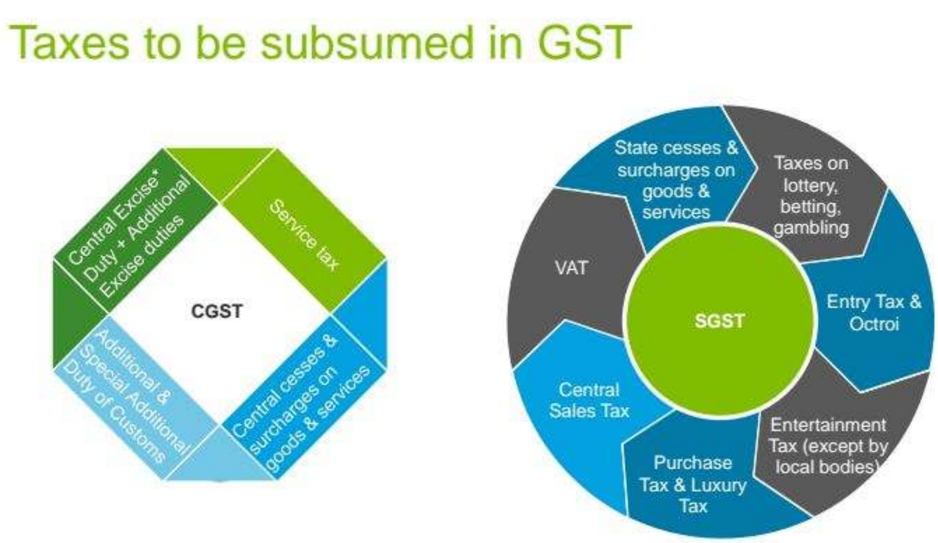
Goods and Services Tax (GST) is a value-added indirect tax at each stage of the supply of goods and services precisely on the amount of value addition achieved. It seeks to eliminate inefficiencies in the tax system that result in 'tax on tax', known as cascading of taxes. GST is a destination-based tax on consumption, as per which the state's share of taxes on inter-state commerce goes to the one that is home to the final consumer, rather than to the exporting state. GST has two equal components of central and state GST.

1.1.2 Who is liable to pay GST?

Businesses and traders with annual sales above Rs20 lakh are liable to pay GST. The threshold for paying GST is Rs. 10 lakh in the case of northeastern and special category states. GST is applicable on inter-state trade irrespective of this threshold.

1.1.3 Which taxes will be included in GST?

GST will be substitute all indirect taxes levied by the state and central government. GST would apply to all goods other than crude petroleum, motor spirit, diesel, aviation turbine fuel and natural gas and alcoholic liquor for human consumption. Indirect Taxes that are going to subsume under GST are given below:



1.1.4 TYPES OF GST

UTGST : If transaction is related to any Union Territory (At present : Andaman & Nikobar Island, Lakshadweep, Dadra & Nagar Haveli, Daman & Diu and Chandigarh), then in place of SGST, UTGST will be charge.

Transaction	Old Regime	New Regime
Intra state (Sale within the state)	VAT + Central Excise/Service tax	CGST + SGST
Inter State (Sale to another State)	Central Sales Tax + Excise/Service Tax	IGST

Example 1: *Company A in UP sold goods to a Company B in UP worth Rs. 10,000.*
The GST rate is 18% comprising (9% CGST + 9% SGST). In this case Company A charges Rs. 1800 GST. From this amount, Rs. 900 will go to the central government and Rs. 900 will go to the UP government.

Example 2: *Company A in UP sold goods to a Company C in Gujarat worth Rs. 10,000.*
The GST rate is 18% comprising (18% IGST). In this case Company A charges Rs. 1800 IGST and this entire amount will go to the central government.

1.1.5 What is the anti-profiteering mechanism?

To prevent the possibility of prices going up and to make sure that the reduced tax burden on products and services are passed on to consumers, the government has introduced an anti-profiteering clause in the GST law. The anti-profiteering authority to be set up will act on complaints of profiteering and direct a profiteering supplier to cut price, return the benefit of reduced tax burden to the buyer with 18% interest, or recover such amount if the buyer cannot be identified or doesn't make a claim. A profiteering business could lose its GST registration, too.

1.1.6 How are decisions taken at the GST Council?

No decision can be taken in the Council without the concurrence of both the Union and the state governments. Decisions will be taken by a 75% majority of the weighted votes of members present and voting. The Union government's vote has a weightage of one-third of the votes cast, while all states together will have a weightage of two-thirds of the votes cast.

CHAPTER 2: MAJOR DIFFERENCES IN PRE & POST GST RULES

2.1 REGISTRATION

Old Regime	Single registration PAN India
GST Regime	Each state from where business is done would be required to get registration under GST

2.2 RETURN FILING

Old Regime	VAT Laws: Depends upon state to state Service Tax: Return is filed every six months i.e. for the period of April to September and October to March
GST Regime	Returns have to be filed every month

2.3 TAX RATE

Old Regime	Rates have been changed
GST Regime	

2.4 INPUT TAX CREDIT

Input credit means at the time of paying tax on output, you can reduce the tax you have already paid on inputs.

Say, you are a manufacturer –

tax payable on output (FINAL PRODUCT) is Rs 450

tax paid on input (PURCHASES) is Rs 300

You can claim INPUT CREDIT of Rs 300 and you only need to deposit Rs 150 in taxes.

Old Regime	Credit of all taxes were not available seamlessly (excise, VAT, service tax, etc)
GST Regime	Available (subject to certain condition)

2.5 MATCHING OF GST RETURNS OF SELLER & BUYER

In GST if the invoice of the supplier does not match with the details of invoice of the recipient, the credit shall not be allowed to that person.

Example: Company A purchases computers from Company B for Rs.2 Lakhs and Rs. 36000 GST been charged. However if Company B in its GST return, states that goods provided are of Rs.1 Lac only and GST on it is Rs.18000, then Company A will get credit worth only Rs.18000 and not Rs 36000. Hence both supplier & recipient should file returns properly.

2.6 REVERSE CHARGE

Reverse charge means the liability to pay tax is by the recipient (customer) of goods/services instead of the supplier (service provider or seller).

Normally, the supplier (service provider) pays the tax on supply. In certain cases, the receiver (customer) becomes liable to pay the tax, i.e., the chargeability gets reversed which is why it is called reverse charge.

In India, this is a partly new concept introduced under GST. The purpose of this charge is to increase tax compliance and tax revenues. Earlier, the government was unable to collect service tax from various unorganized sectors like goods transport. Compliances and tax collections will therefore be increased through reverse charge mechanism.

2.7 Working with Unregistered Supplier/Vendors

Reverse charge will be applicable in case CCIC is purchasing goods or taking services (greater than Rs 5000 in a single day) from unregistered person. In such a case, the registered dealer has to pay GST on the supply under reverse charge.

Old Regime	No reverse charge was there on purchasing goods or taking services from unregister supplier (person not registered under service/ VAT tax)
GST Regime	In case CCIC is taking services or purchasing goods from unregistered supplier (for value greater than Rs 5000, in a single day), than following would be the impact on CCIC : 1. Raise tax invoice on yourself and pay GST on it. Also issue payment voucher to the unregistered supplier. For e.g. – for even tea/ pen/ pencil purchased from local vendor (not registered under GST), tax invoice would be required to be raised and GST would be required to be paid 2. This transaction would be required to be shown in the GST return

2.8 Compliance rating

Old Regime	No such concept
GST Regime	In GST compliance rating will be given to every taxpayer. Compliance rating will be based on timely filling of return and payment of taxes and will be shown on GSTN network. So, doing business might become difficult if the compliance rating goes down

IMPACT	If returns are not filed properly or in time, rating will be poor and will be difficult to do business.

2.9 Invoice / documents

Old Regime	In GST regime, invoice format are different from the one we are making in current regime. New invoice format has been made. So from 1st july old formats should not be used
GST Regime	
IMPACT	Change in formats to be issued to the client

CHAPTER3: Documents to be maintain GST regime

2.1 Tax Invoice – a tax invoice is required to be issued for making taxable supplies of goods or services to B2B as well as B2C supplies and in case of reverse charge where you as the recipient is liable to discharge the tax liability. Tax invoice is also required to be issued at the time of making inter state stock transfers.

2.2 Bill of Supply- a bill of supply is required to be issued at the time of making exempt supplies of goods or services i.e. or to be issued by a composition dealer

2.3 Receipt Voucher: a receipt voucher is required to be issued on receipt of advance payment with respect to any supply of goods or services or both.

2.4 Refund Voucher: Where a receipt voucher has been issued for advance received in relation to supply of goods or services but subsequently no supply is made and no tax invoice is issued in pursuance thereof, then the registered person may issue to the person who had made the advance payment, a refund voucher against such payment;

2.5 Payment Voucher: A recipient liable to pay tax under reverse charge shall issue a payment voucher at the time of making payment to the supplier.

2.6 Debit and credit notes:

- Debit Note: A debit note is required to be issued in the following situations:

  Where a tax invoice has been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to be less than the taxable value or tax payable in respect of such supply,

- Credit Note: A credit note is required to be issued in the following situations:

  - ✓ Where a tax invoice has been issued for supply of any goods or services or both and the taxable value or tax charged in that tax invoice is found to exceed the taxable value or tax payable in respect of such supply, or
  - ✓ Where the goods supplied are returned by the recipient, or
  - ✓ Where goods or services or both supplied are found to be deficient.

2.7 ISD invoice: An ISD invoice is required to be issued to distribute the credit amongst the branches of the entity having same PAN.

2.8 Delivery Challan: A delivery challan Is required to be issued at the time of transporting goods without the issue of tax invoice. A delivery challan may be issued for the purpose of:

- ✓ supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known,
- ✓ transportation of goods for job work,
- ✓ transportation of goods for reasons other than by way of supply like goods sent on approval, stock transfer within the state etc.

2.9 Other relevant provisions

- Time-limit for issuance of Invoice in case of supply of service have been kept similar to the existing provisions under Service Tax Law i.e. within 30 days from the date of supply of services and for banking and financial institution, it would be 45 days.

- The rules also provide for issue of tax invoice with minimum details in special cases for ISD, Banking company or a financial institution including a non-banking financial company, goods transport agency and passenger transportation service.

CHAPTER 4: Responsibilities of a GST registered person

4.1 Decide if the product/ service you are buying or selling is subject to levy of GST. Check the list of goods and services exempted from GST. On the rest, the GST is leviable. The overarching principle is GST is applicable on all made in India supplies of Goods or Services by a taxable person for business purpose and imports.

4.2 Know who will pay the GST in a transaction? Generally, the supplier is liable to pay the tax. But many exceptions to this rule exist. So, if you are buying from a firm not registered (condition apply) with GST, you have to raise a self-invoice and pay tax under the reverse charge mechanism.

4.3 Charge GST on supplies: As a GST registered firm, you must charge GST on all taxable supplies at the prevailing rate. Use Harmonised System (HS) of nomenclature along with the description for classifying the goods.

4.4 File returns on time: The submission of correct and timely return is the most crucial responsibility of a GST registered firm. A GST registered firm will have to provide information to GSTN in electronic format at regular intervals. As a GST-registered business, you must submit your GST returns one month after the month in which supplies took place. You need to file monthly, quarterly and annual returns. Any wrong filing of return would result in blocking of money and possible loss of business. Annual return is to be filed by December 31 of the following financial year. Incomplete returns are considered invalid returns.

4.5 Pay tax and claim input tax credits: The GST charged and collected at the time of supplies is known as the output tax which must be paid to the government through the GSTN. The GST paid by you on business purchases is known as input tax. You can claim input tax credit on such purchases if your firm satisfies the conditions for doing so.

4.6 Keep proper business and accounting records: You need to keep all business and accounting records for at least five years. This requirement remains even if your business ceased or is de-registered from GST. The accounts and records must be maintained in electronic form.

4.7 Inform GST authority of changes: You need to inform the GST authority within 30 days after any change in your business circumstances. These changes include: Change in business registered address or mailing address, Change in business name, Change in business constitution or ownership etc.

4.8 Reconcile account at time of de-registration: When your GST registration is cancelled, you need to account for GST on business assets held on the last day of registration. These assets include inventories, fixed assets, non-residential properties and goods imported under the various GST schemes.

4.9 You must ensure that not only you but firms involved in the business transactions with you file returns and pay tax on time.

CHAPTER 5: Checklist - GST to be paid in reverse charge

5.1 Taxable services provided or agreed to be provided by any person who is located in a non-taxable territory and received by any person located in the taxable territory other than non-assessee online recipient

5.2 Service provided by GTA in respect of transportation of goods.

5.3 Legal services provided by an individual advocate or a form if advocates or an arbitral tribunal

5.4 Sponsorship service

5.5 Service provided by a govt or local authority

5.6 Service provided by a director of the co or body corporate to said co. or body corporate

5.7 Services by an insurance agent to any person carrying on insurance business

5.8 Services provided or agreed to be provided by a recovery agent to a banking company or a

5.9 financial institution or a non-banking financial company

5.10 Services by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India

5.11 Transfer or permitting the use or enjoyment of a copyright

5.12 Radio taxi or Passenger Transport Services provided through electronic commerce operator

CHAPTER 6: Checklist - Items on which Input tax credit is not allowed

6.1 Taxable services provided or agreed to be provided by any person who is located in a non-taxable territory and received by any person located in the taxable territory other than non-assessee online recipient

6.2 Motor vehicles and conveyances except the below cases

6.3 Such motor vehicles and conveyances are further supplied i.e. sold

6.4 Transport of passengers

6.5 used for imparting training on driving, flying, navigating such vehicle or conveyances

6.6 Transportation of goods

6.7 food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery

But if the goods and/or services are taken to deliver the same category of services or as a part of a composite supply, credit will be available

Example: Mr. Dev purchases cosmetic creams to supply it to a customer, then credit of ITC paid on purchases will be allowed.

6.8 Sale of membership in a club, health, fitness centre.

6.9 rent-a-cab, health insurance and life insurance except the following:

- Government makes it obligatory for employers to provide it to its employees
- goods and/or services are taken to deliver the same category of services or as a part of a composite supply, credit will be available

Example: Mr. Dev takes the service of rent-a-cab to supply to Mr. Manoj, a customer, then credit of ITC paid on purchases will be allowed.

6.10 travel benefits extended to employees on vacation such as leave or home travel concession.

6.11 Works contract service for construction of an immovable property (except plant & machinery or for providing further supply of works contract service)

6.12 Goods and/or services for construction of an immovable property whether to be used for personal or business use

6.13 Goods and/or services where tax have been paid under composition scheme

6.14 Goods and/or services used for personal use

6.15 Goods or services or both received by a non-resident taxable person except for any of the goods imported by him.

6.16 Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples

6.17 ITC will not be available in the case of any tax paid due to non -payment or short tax payment, excessive refund or ITC utilized or availed by the reason of fraud or willful misstatements or suppression of facts or confiscation and seizure of goods.

Chapter 6: GST Checklist

7.1 Registration

- ✓ Have you done the Migration to GST in all States and submitted requisite documents
- ✓ Have you identified locations for which fresh registration is to be sought.

7.2 Transition

- ✓ Have you identified the services on which service tax is payable under reverse charge, to ensure its payment by June 30
- ✓ Have you initiated the process to collate all vendor invoices to capture correct credit in the last return

7.3 DOCUMENTATION & COMPLIANCES

- ✓ Have you obtained vendors and customer's GSTN numbers
- ✓ Have you sent communications to your vendors and customers and discussed the related changes to their business
- ✓ Have you discussed the clause relating to GST withholding till the time you get the credit and incorporated the relevant clause in agreements/purchase orders
- ✓ Have you incorporated tax change clauses in your customer contracts and vendor contracts
- ✓ Have you finalized formats for invoices and other documents such as delivery challan, debit credit notes etc
- ✓ Have you communication the situation types for issue of various documents to users [such Tax invoice for supply with GST including transfer to other state warehouse etc.
- ✓ Have you done IT changes to capture credits in appropriate codes
- ✓ Have you communicated the blocked credits [items on which no credit is available under GST] to users

7.4 Transactions

- ✓ Have you identified the HSN and SAC for your outward supplies [both goods and services]
- ✓ Have you identified the GST rates applicable on your supplies
- ✓ Have you communicated the process and requirements to users for regular transactions [such as supply of goods services with GST, stock transfers, FOC supplies etc]
- ✓ Have you communicated the valuation methodology to related and unrelated parties
- ✓ Have you communicated the process and methodology to issue debit/credit notes to users
- ✓ Have you communicated the mechanics of set off of credits to users