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BUSINESS ECONOMICS PERFORMANCE
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Goods and Service Tax (GST)

AGENDA



Transitional provisions Preparations

Job Work

Example: GST Vs Current

Returns under GST: Compliances

Input Tax Credit Rules

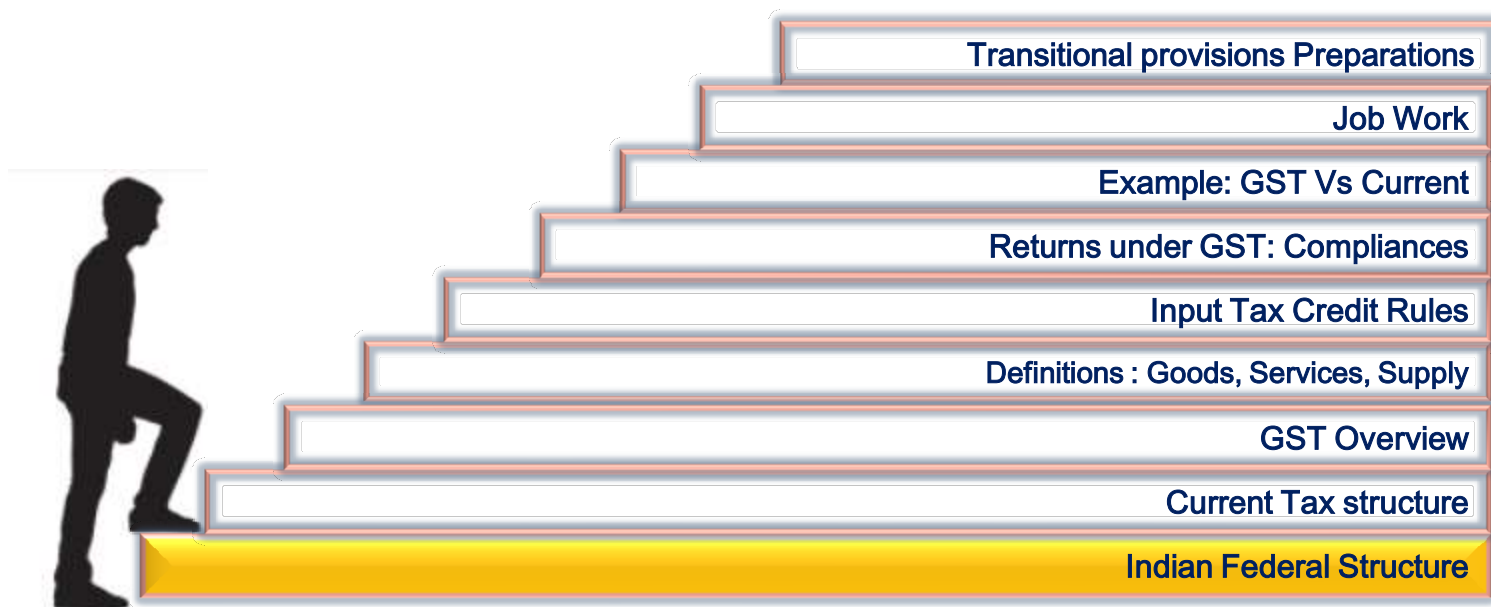
Definitions : Goods, Services, Supply

GST Overview

Current Tax structure

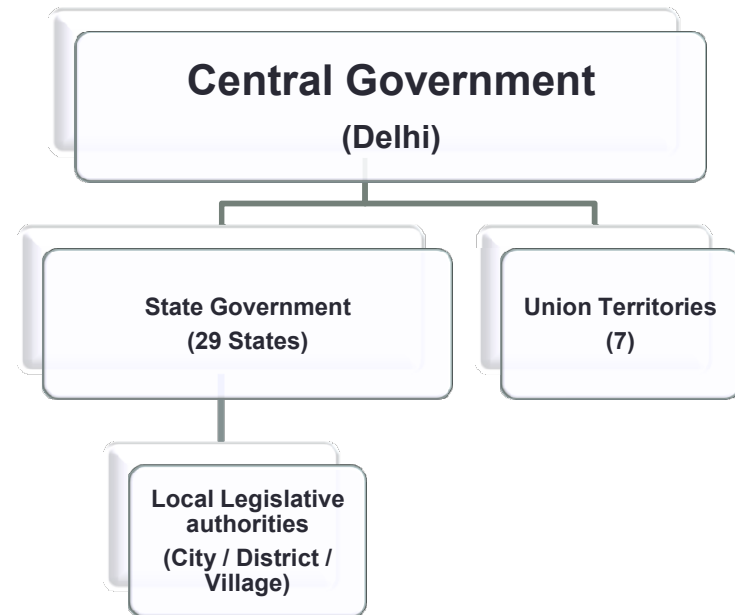
Indian Federal Structure

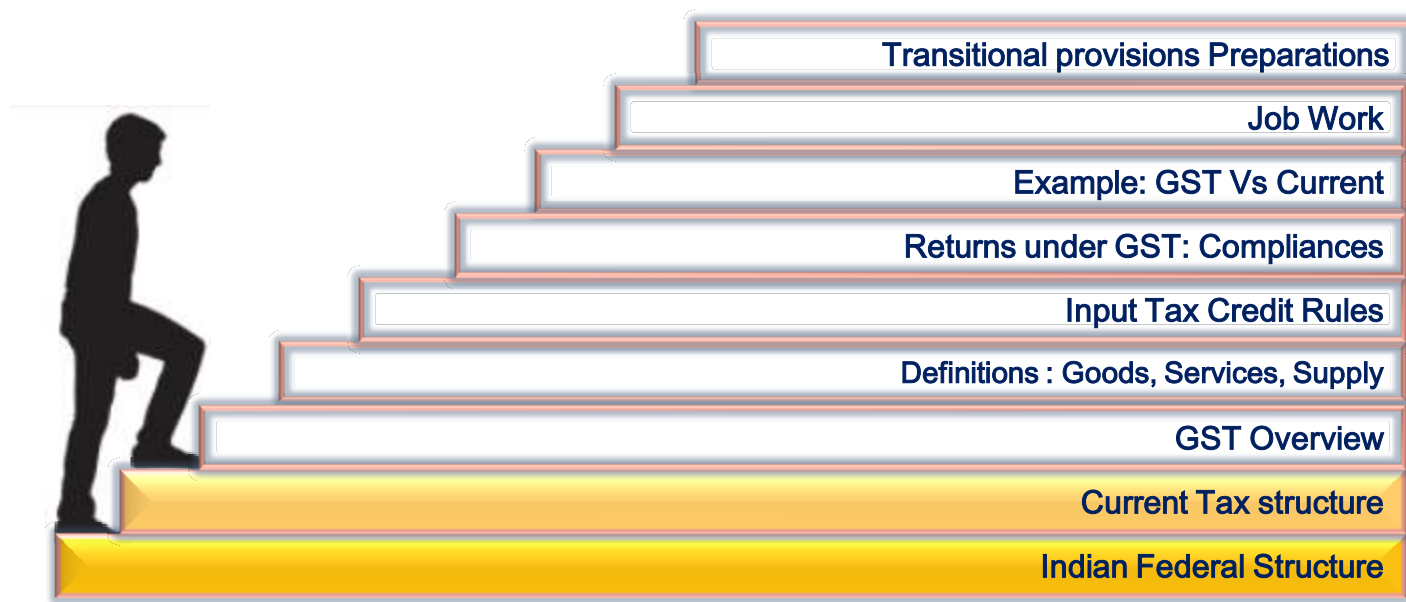






Indian Federal structure







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Indian tax structure (Manufacturing Industry)

Manufacture / Service



Tax Name– Excise Duty / Service tax

Paid to: Central Government

Set Off Available? : Yes

Import



Tax Name– BCD* / CVD* */ ACD***

Paid to: Central Government

Set Off Available? :
BCD: No
CVD /ACD: Yes

Sale



Tax Name– VAT / Central Sales Tax

Paid to: State Government

Set Off Available?
VAT : Yes
CST#: No

* BCD : Basic Customs Duty **CVD: Countervailing duty* **ACD: Additional Customs Duty # CST: Central Sales Tax

What is Excise duty ...?

Raw Material



Manufacture Process



Excise is duty on manufacture

Output



Manufacture = Input <> Output

Excise duty rate : 12.5%



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What is VAT / CST ...?

Finished
product



Sales



**VAT / CST is tax on sale
within state (Maharashtra)**

**VAT Rate : 13.5%
CST Rate 2%**



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What is Set Off?

Tax paid on inputs

RM Purchase: INR 1000
Tax Paid: INR 100

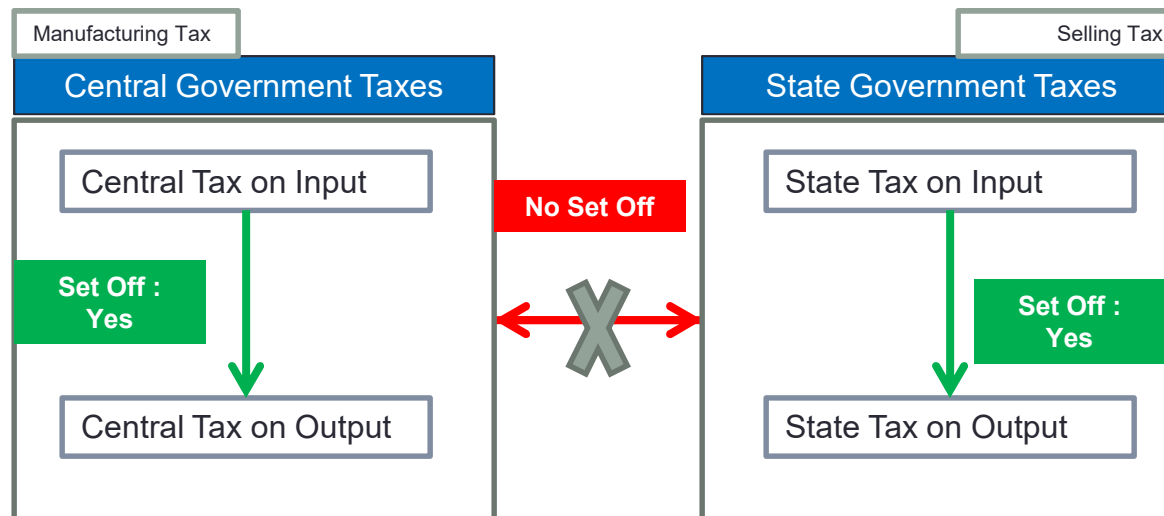
Reduced from tax to be paid on output

Finished Goods Sale : INR 1500
Tax to be paid : INR 150

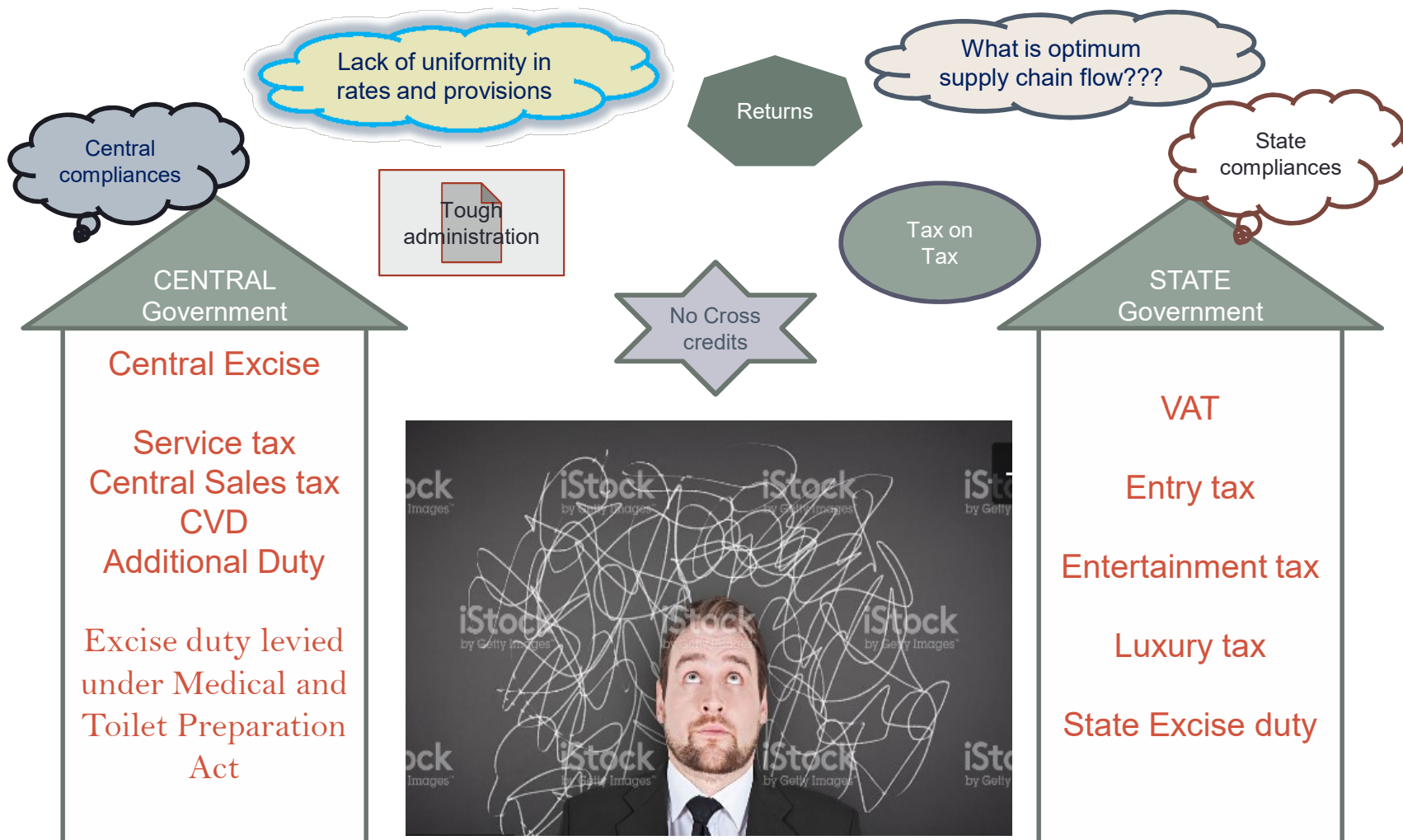
To Avoid tax on tax

Set Off Available : INR 100
Tax to be paid in cash: INR 50

Indian Peculiarities



No Cross Set off between Central and State Government





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Where to
procure from?

Where to
produce?

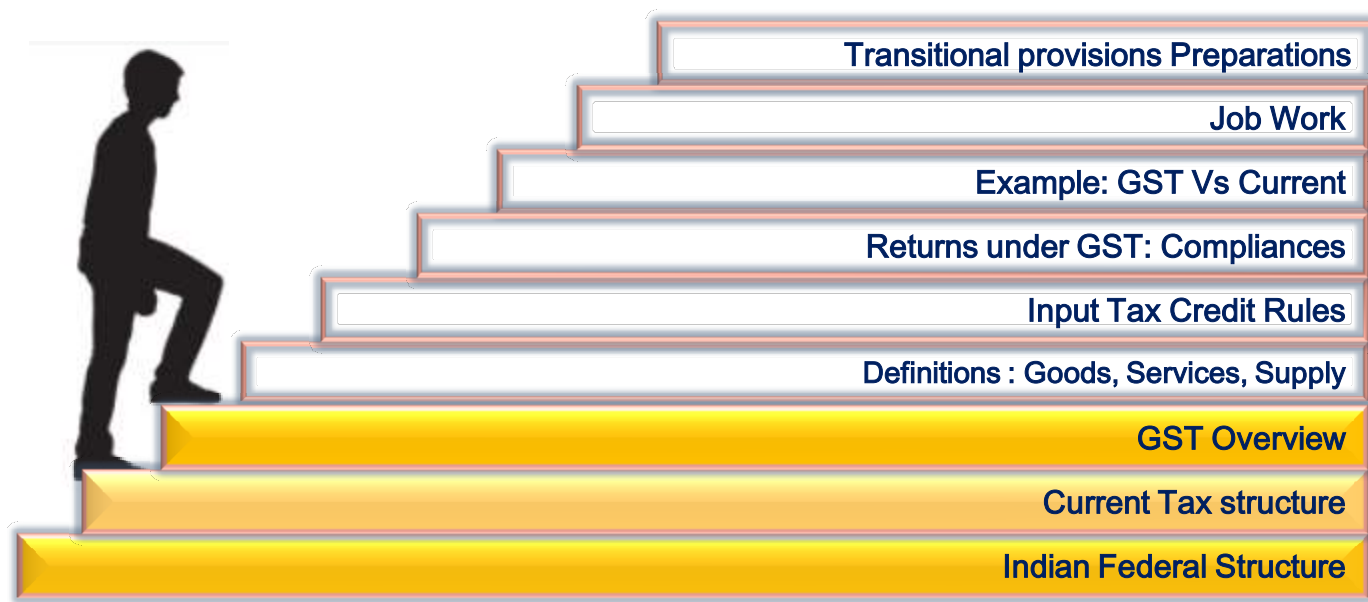
Where to
Store?

Where to
Supply?

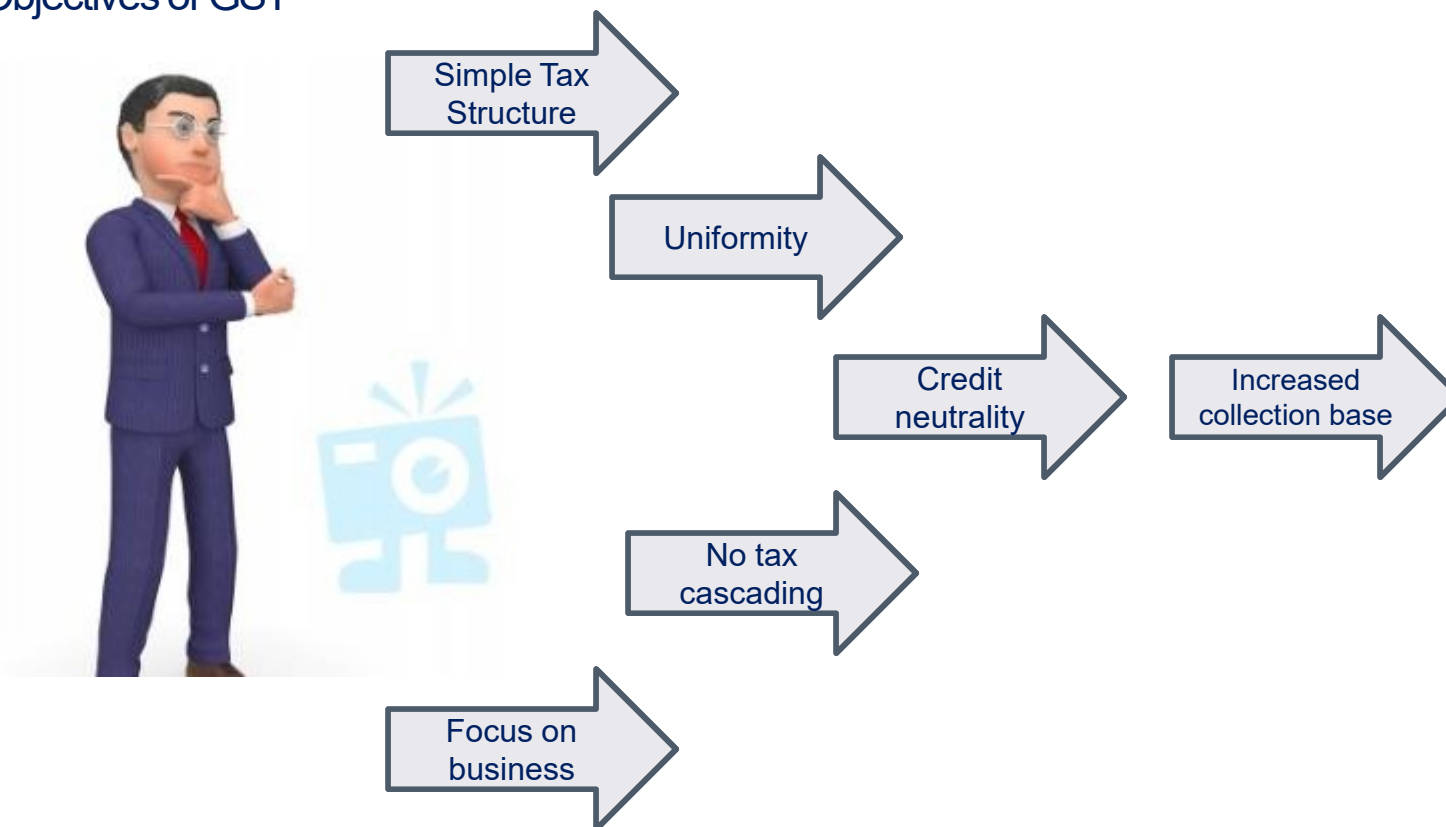
What is optimum
value chain flow???

Tax decides...





Objectives of GST





facets...

❖ GST is a path breaking and a revolutionary legislation in history of India, which will connect and unite the whole nation by a *common law called as “Goods and Service Tax”*.

❖ GST is a *single indirect tax* on the supply of goods and services, which is applicable right from the *manufacturer to the last dealer*, who sells to ultimate consumer.

❖ GST is a *neutral* to factors of production, business processes, business models, organizational structures, geographical location

❖ Value Added tax structure : Every value addition will attract GST, which makes GST a *multi- point tax system with benefit of credit flowing at each stage.*



facets...

❖ GST will bring in clarity and transparency in taxation structure.... Along with simplicity...

❖ GST is a step towards... ease of doing business initiative...

❖ GST will enable business decisions based on pure business factors than tax....

❖ ***Dual regulation of a common tax structure;*** Due to federal legislative structure of our Country, the said common law viz. GST will be regulated by Centre as well as State having uniform law but GST levy bifurcated in to ***SGST (State GST) and CGST (Central GST) and IGST (Inter State GST)***

❖ GST is destination based tax / consumption based tax...



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Journey so far.....



Constitutional Amendment Bill



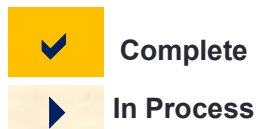
GST Law



GSTN Infrastructure



**GST
Go
Live**



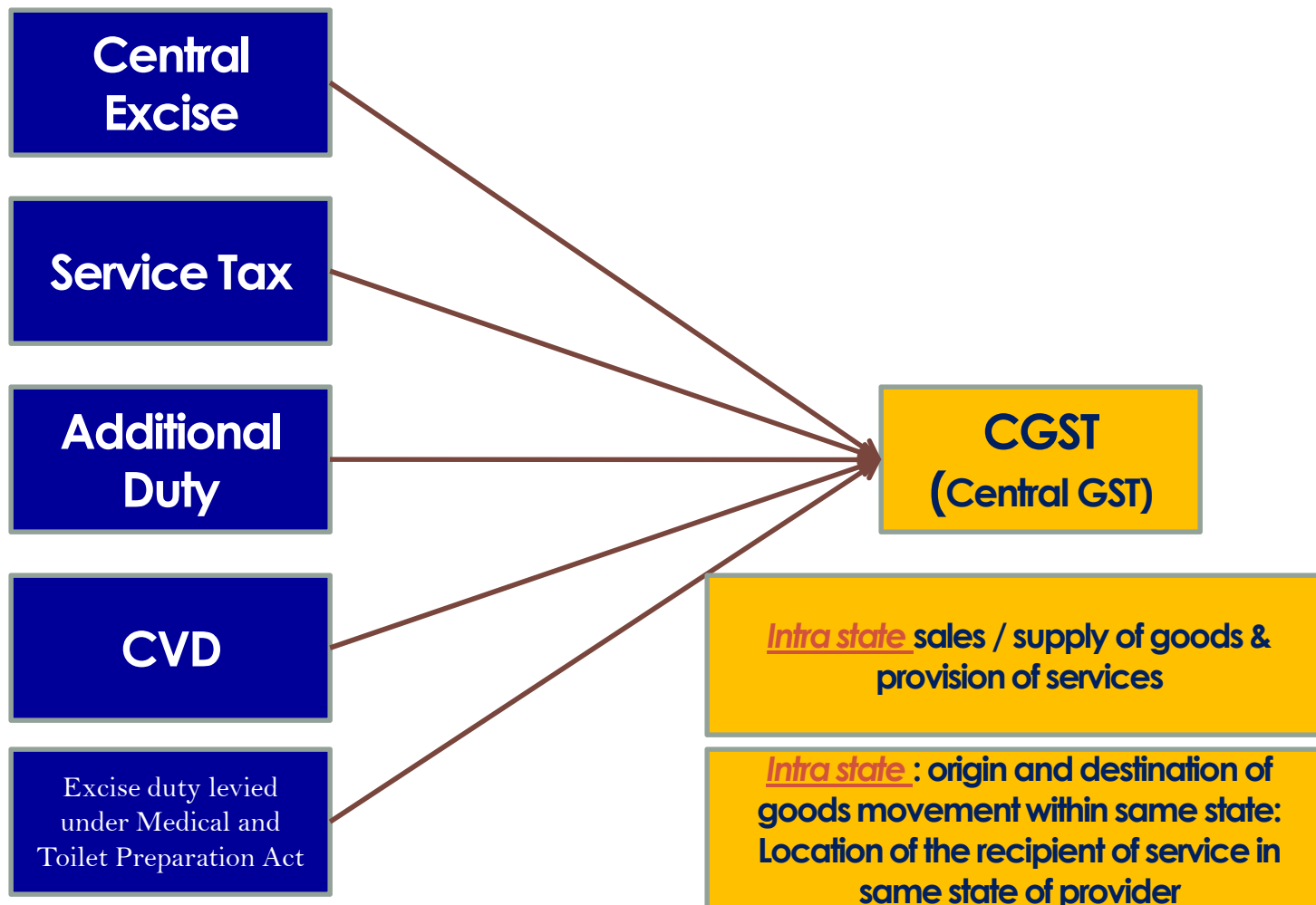
** Sources: information available on public domain*

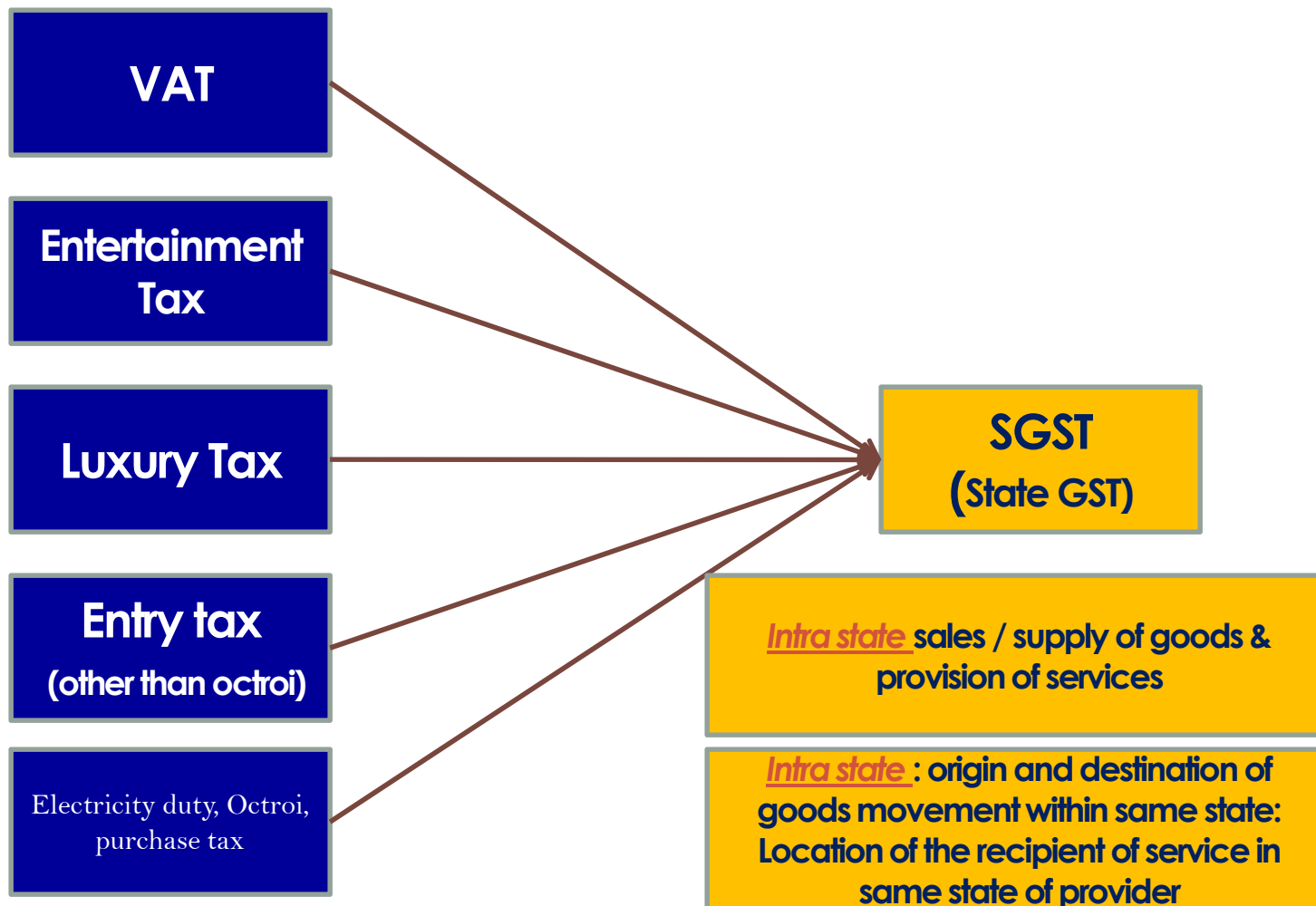
**Expected date
1st July 2017**

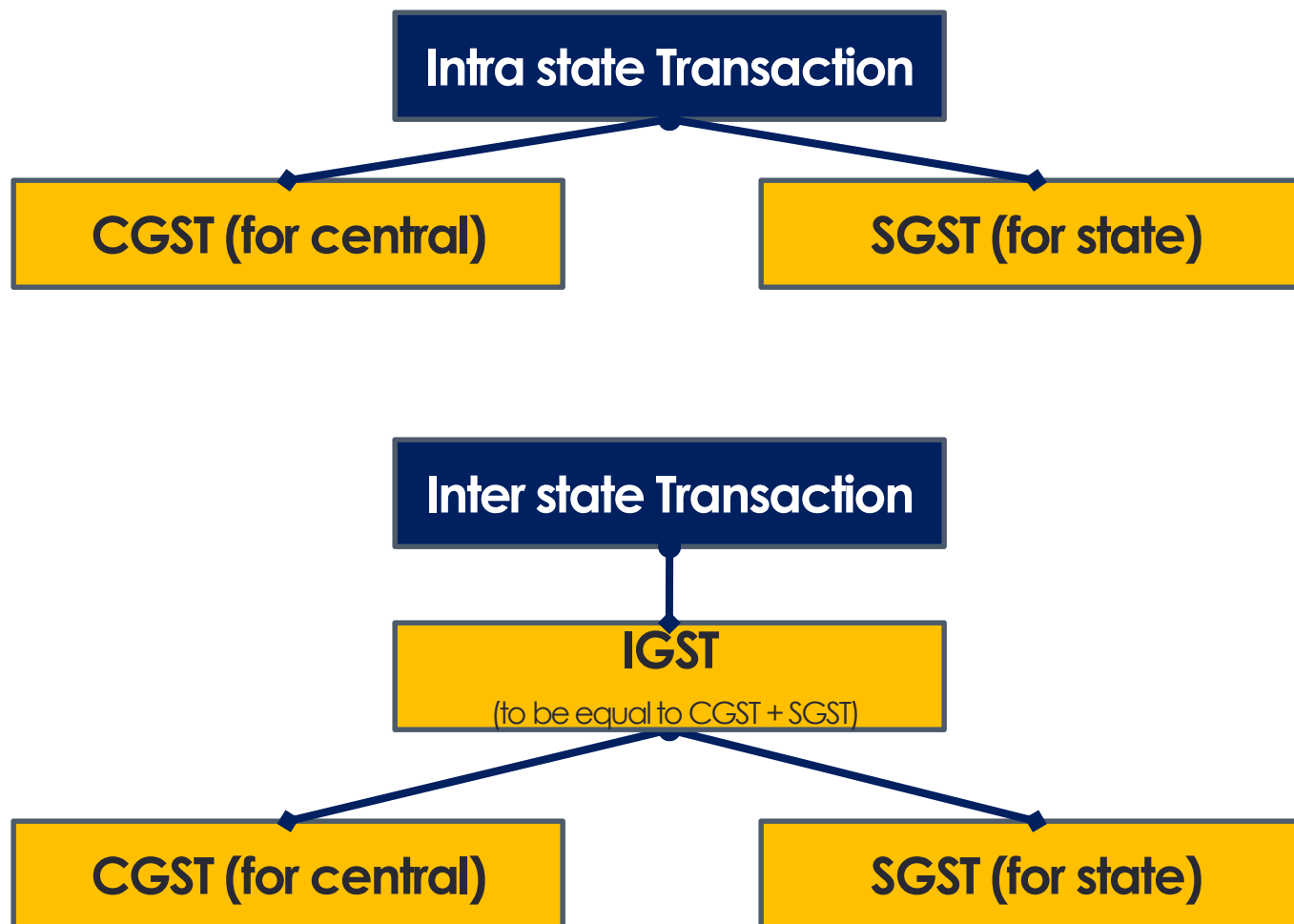


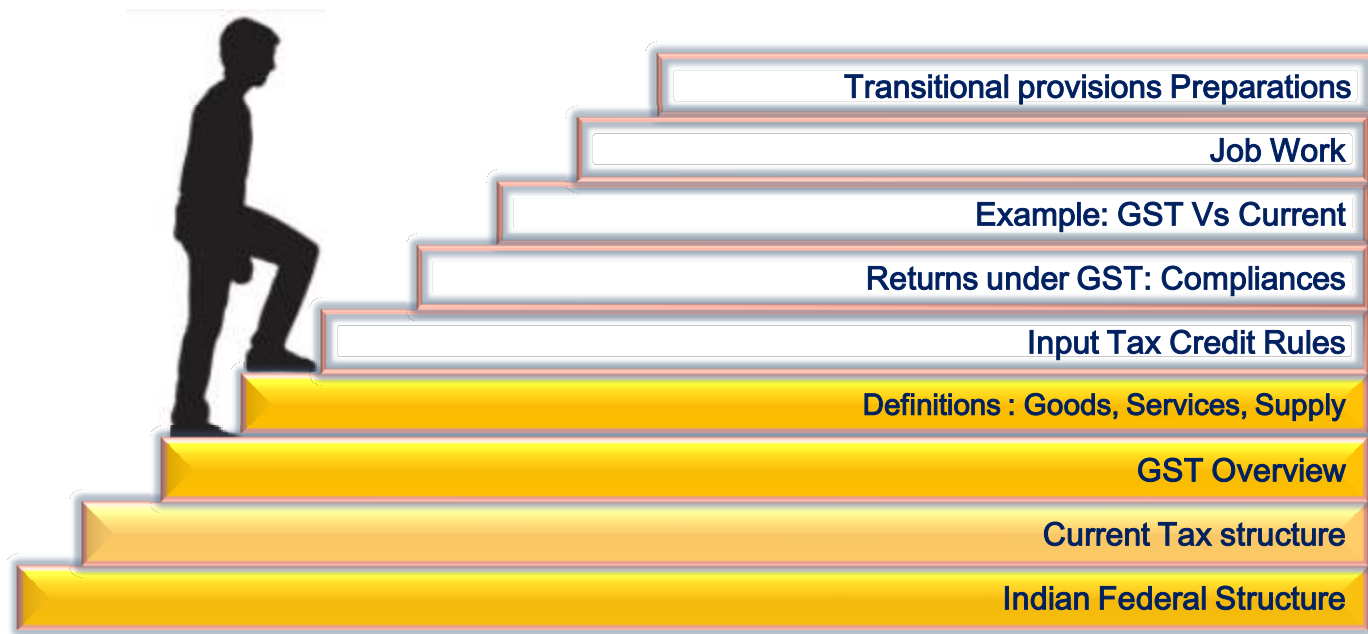
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Taxes to be Subsumed...









Section 2 (52)

“goods” means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply

Good includes everything... tangible / movable... except money and securities

Section 2 (102):

“services” means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged;

What is excluded from definition of goods is included in service....

Money is neither goods nor service

Supply

7. (1) For the purposes of this Act, the expression “supply” includes —

- (a) **all forms of supply** of goods or services or both 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;
- (b) **import of services** for a consideration whether or not in the course or furtherance of business;
- (c) the activities specified in **Schedule I**, made or agreed to be made **without a consideration**; and
- (d) the activities to be treated as supply of goods or supply of services as referred to in Schedule II.

(2) Notwithstanding anything contained in sub-section (1),—

- (a) activities or transactions specified in Schedule III; or
- (b) such activities or transactions undertaken by the Central Government, a State Government or any local authority ***in which they are engaged as public authorities***, as may be notified by the Government on the recommendations of the Council,

shall be treated **neither as a supply of goods nor a supply of services**

SCHEDULE I

[See section 7]

ACTIVITIES TO BE TREATED AS SUPPLY EVEN IF MADE WITHOUT CONSIDERATION

1. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.

2. Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business:

Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

3. Supply of goods—

(a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or

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

4. Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

SCHEDULE III

[See section 7]

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

1. Services by an employee to the employer in the course of or in relation to his employment.
2. Services by any court or Tribunal established under any law for the time being in force.
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;
(b) the duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or
(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.
4. Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
5. Sale of land and, subject to clause (b) of paragraph 5 of Schedule II, sale of building.
6. Actionable claims, other than lottery, betting and gambling.



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Let's simplify....

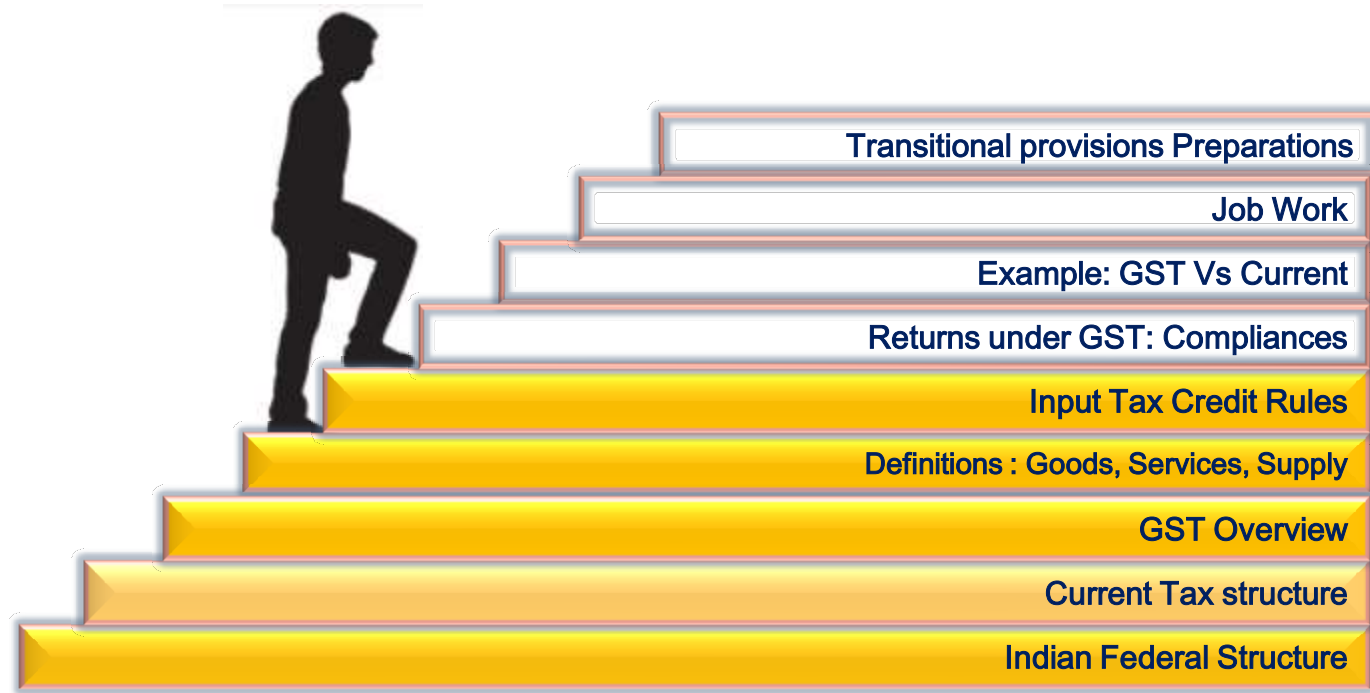
So... for a *general application* the difference between goods and service is of less importance...

Because:

What is not goods is service...

What is not supply of goods is supply of service....



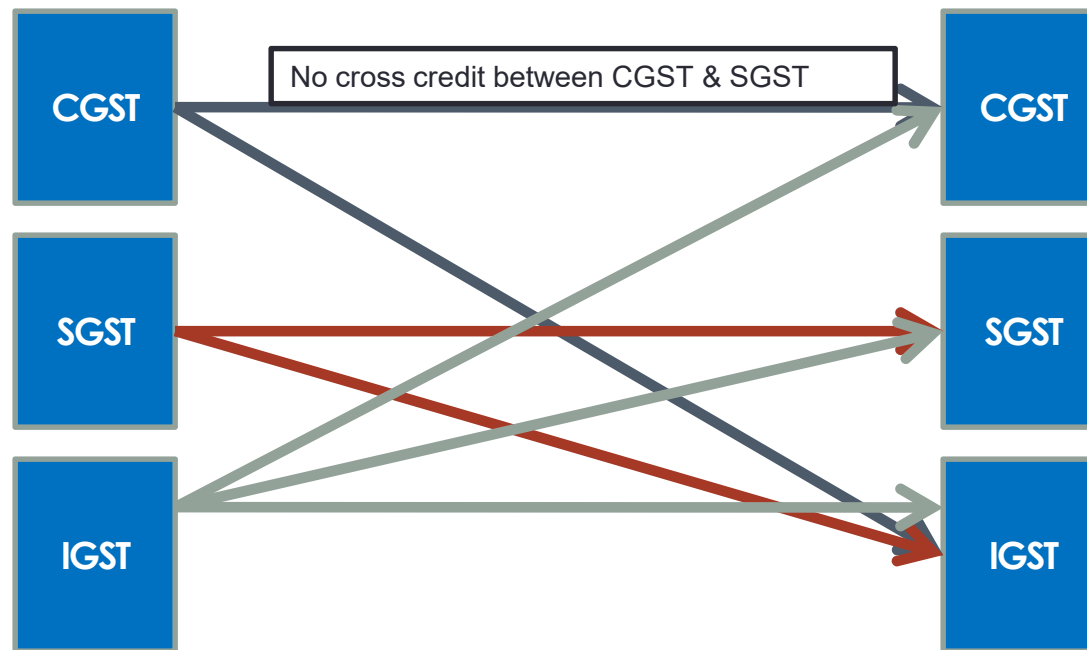




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IGST can be set off against CGST, SGST & IGST

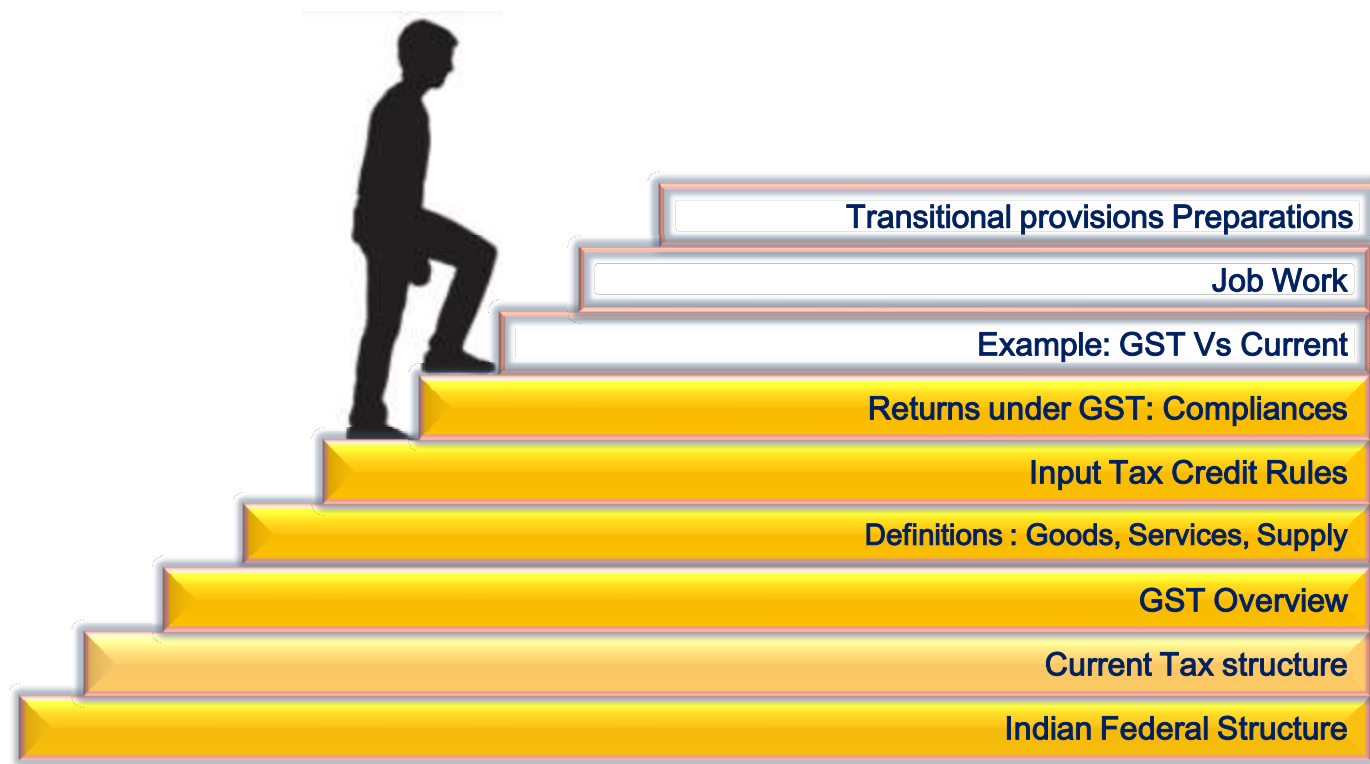
Input Credit under GST regime



**GST rate or underlying product in example is assumed to be 12 %*

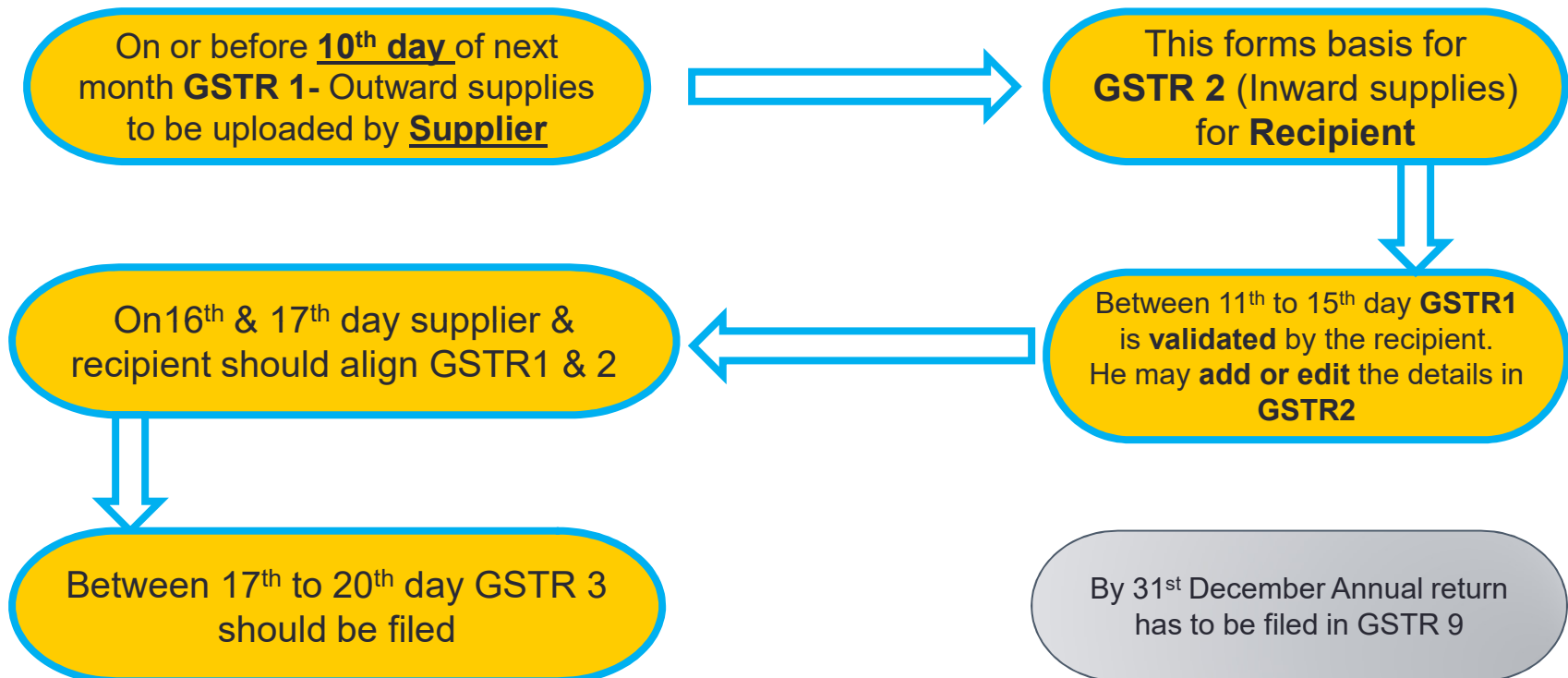
Pre-requisites for availing credits

- A registered person can avail ITC only if:
 - Such person is in possession of tax invoice or debit note, bill of entry issued by the supplier under this Act.
 - Such person has received goods or services or both.
 - Such person has paid the tax on input to government.
 - Such person has furnished the returns u/s 39 (GSTR-1/ 2/ 3/ 7(if applicable)/ 9)
- When goods / services are received in lots against one invoice, the credit of the same can be availed only after receiving the last lot.
- When a recipient fails to pay to supplier the amount of invoice within the period of 180 days from the date of issue of invoice, the amount of ITC availed along with interest thereon shall be added to the output tax liability.





Flow of Returns to be filed





Cautions

- Between 11th to 15th day supplier can't make any changes in GSTR 1
- Credits for mismatch (if any) will be available on provisional basis for 2 months. If such mismatch is not resolved then such amount of credit will be added to output tax liability of recipient
- Input tax credit can be availed only if following details of the returns of supplier and recipient are matched:-

GSTIN of supplier

GSTIN of recipient

Invoice / debit note number

Invoice / debit note date

Taxable value

Tax amount

- While filing annual return (GSTR 9) monthly returns should be verified keenly so that if there are any discrepancies it can be rectified or else credit for such amounts may get lost





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EXAMPLE

Current Tax : Intra state transaction

Basic Input Supplier within Maharashtra	
Basic Price	1,000.00
Excise @ 12.5%	125.00
VAT @ 13.5 %	151.88
Invoice	1,276.88

Manufacturer (Maharashtra)	
Input Cost	1,000.00
Value Addition	200.00
Total Assessable Value	1,200.00
Out Put Tax Liability	
Excise @ 12.5%	150.00
VAT @ 13.5 %	182.25
Invoice	1,532.25
Input Ceredit Available	
Excise @ 12.5%	125.00
VAT @ 13.5 %	151.88
Net Tax Paid	
<u>Cash Flow</u>	
Excise @ 12.5%	25.00
VAT @ 13.5 %	30.38

Dealer (Maharashtra)	
Input Cost	1,350.00
VA	100.00
Total Assessable Value	1,450.00
Out Put Tax Liability	
Excise @ 12.5%	N A
VAT @ 13.5 %	195.75
Invoice	1,645.75
Input Ceredit Available	
Excise @ 12.5%	NA
VAT @ 13.5 %	182.25
Net Tax Paid	
<u>Cash Flow</u>	
Excise @ 12.5%	NA
VAT @ 13.5 %	13.50

Customer	
Purchase Price	1,645.75



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EXAMPLE

GST :Intra state transaction

Basic Input Supplier within Maharashtra	
Invoice	
Basic Price	1,000.00
CGST @ 12%	120.00
SGST @ 12%	120.00
Invoice	1,240.00

Manufacturer (Maharashtra)	
Input Cost	1,000.00
Value Addition	200.00
Total Assessable Value	1,200.00
Out Put Tax Liability	
CGST @ 12%	144.00
SGST @ 12%	144.00
Invoice	1,488.00
Input Ceredit Available	
CGST @ 12%	120.00
SGST @ 12%	120.00
Net Tax Paid	<u>Cash Flow</u>
CGST @ 12% on VA	24.00
SGST @ 12% on VA	24.00

Dealer (Maharashtra)	
Input Cost	1,200.00
VA	100.00
Total Assessable Value	1,300.00
Out Put Tax Liability	
CGST @ 12%	156.00
SGST @ 12%	156.00
Invoice	1,612.00
Input Ceredit Available	
CGST @ 12%	144.00
SGST @ 12%	144.00
Net Tax Paid	<u>Cash Flow</u>
CGST @ 12% on VA	12.00
SGST @ 12% on VA	12.00

End Customer	
Purchase Price	1,612.00

*GST rate or underlying product in example is assumed to be 12 %



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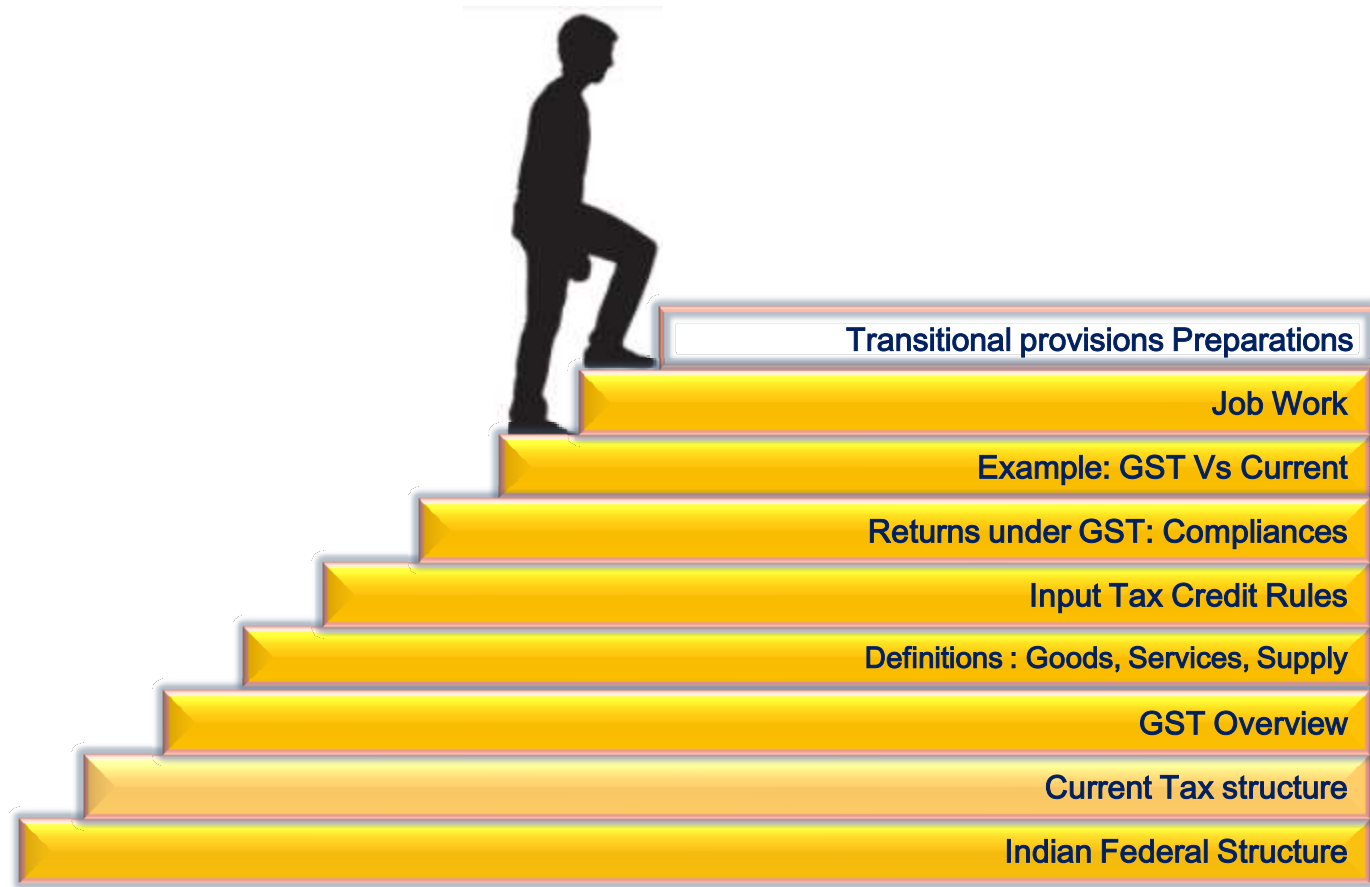
Full Value Chain Approach

Intra State : Impact and price comparison

Current Scenario	
Basic Cost	1,000.00
VA by Manufacturer	200.00
VA By Dealer	100.00
Total Landed Value Chain Cost	1,300.00
Total ED Paid	150.00
Total VAT	195.75
Landed Price	1,645.75
	345.75
	26.60%

GST Scenario	
Basic Cost	1,000.00
VA by Manufacturer	200.00
VA By Dealer	100.00
Total Landed Value Chain Cost	1,300.00
CGST @ 12%	156.00
SGST @ 12%	156.00
Landed Price	1,612.00
Total TAX Collection	312.00
Net Tax %	24.00%

**GST rate or underlying product in example is assumed to be 12 %*





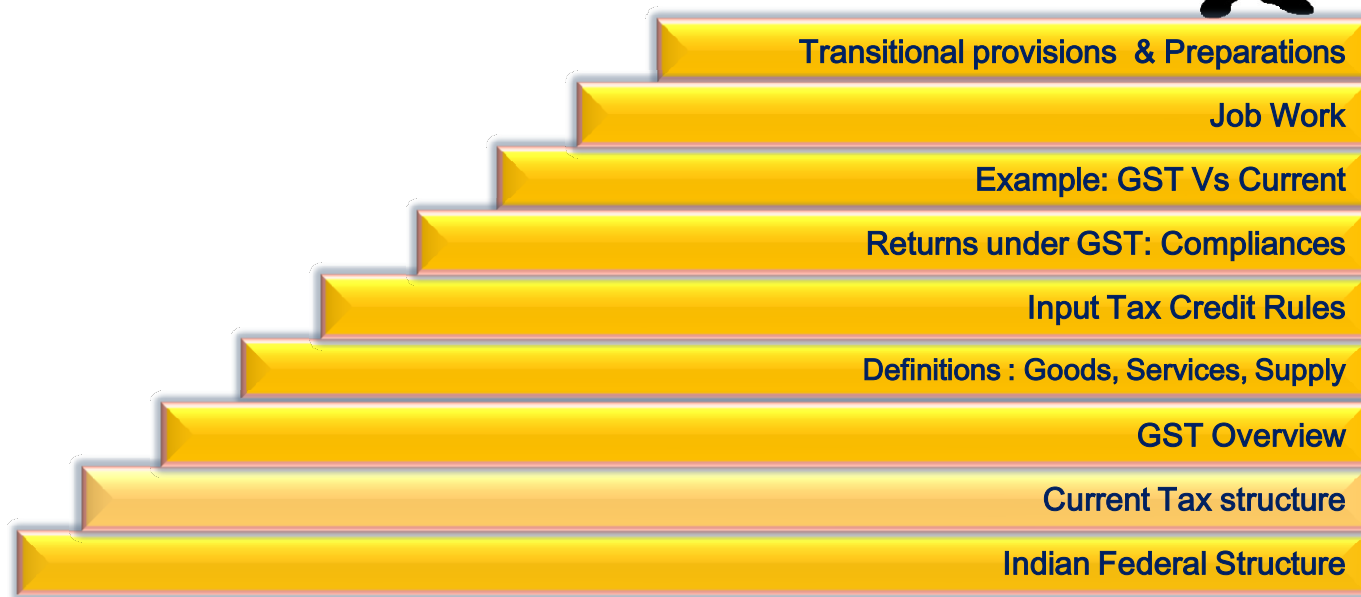
- Job workers premises to be declared as an additional place of business if job worker is not registered
- If job worker is registered, then goods can be supplied from his premises to other job workers or other recipient without bringing back to principle's premises, on payment of duty.

Goods Can be sent to supplier without payment of duty if they are returned within:

	Current	GST
Input (goods)	180 days	1 year
Capital goods	2 years	3 years



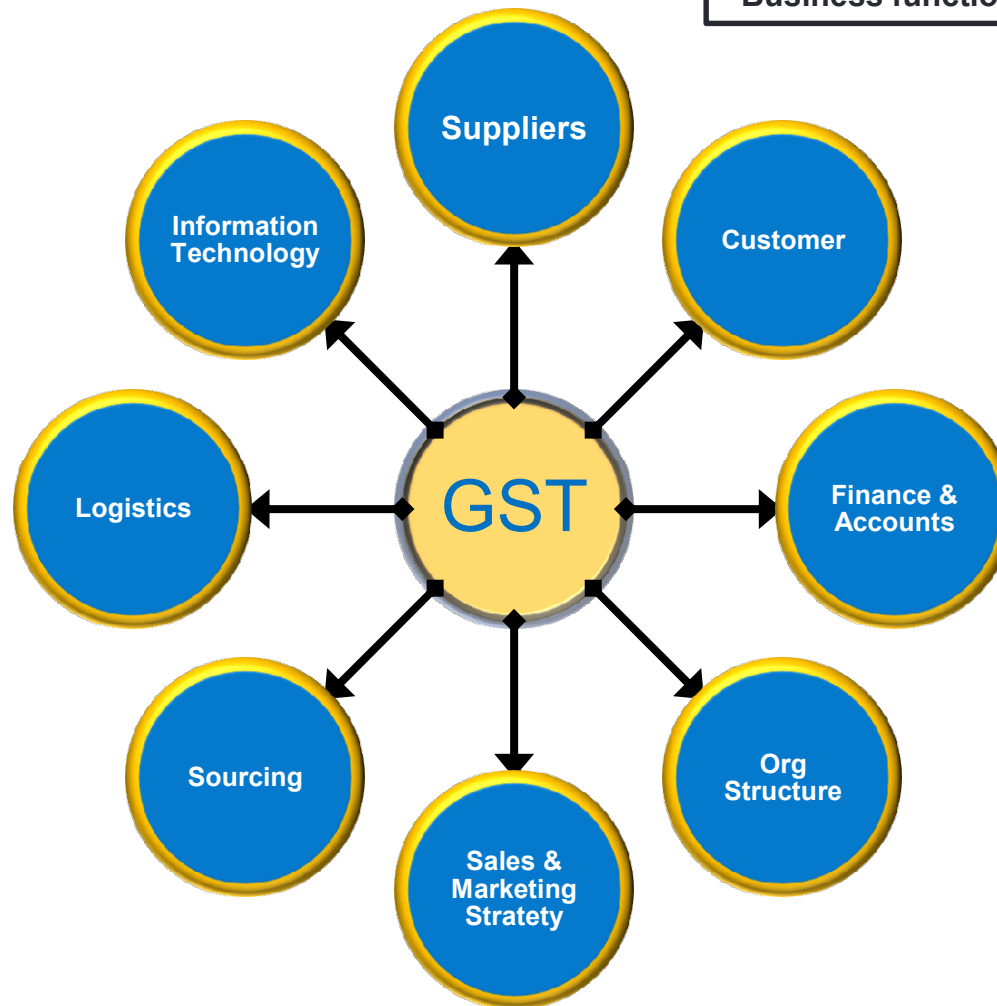
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- Credit as per last return under current tax regime can be carried forward.
- Credit can be carried forward: If all returns under current tax regime filed for all 6 preceding months.
- Goods received and taxes paid before roll out date : Credits can be availed if invoices processed within 30 days from the roll out date.
- Goods received after roll out date but taxes paid before roll out date : Credits can be availed if invoices processed within 30 days from the roll out date.
- Goods removed for job work/ rework/ repair/ testing prior to roll out date as per existing law: No taxes shall be payable if goods returned within 6 months from roll out date only if such stock is declared by both manufacturer and job worker in **GST TRAN 1**.

Business functions wide impact of GST



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Are we ready



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*Thank
You*
for your time