



Seminar
On
Goods and Service Tax (GST)
for
Indian Railways

Conducted by
Agarwal Sanjiv & Company
Chartered Accountants

21st September, 2016

@ New Delhi

Presented by

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SEMINAR ON GOODS & SERVICES TAX



Session - I

Overview and Fundamentals of GST

Session - II

Understanding GST for Implementation



SEMINAR ON GOODS & SERVICES TAX

SESSION -I

OVERVIEW

AND

FUNDAMENTALS

OF

GOODS AND SERVICE TAX (GST)

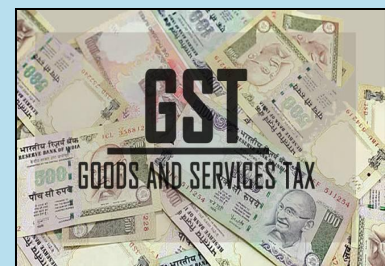




OVERVIEW AND FUNDAMENTALS OF GST

This presentation covers :

- Economic / Indirect Tax Overview
- GST : An Overview
- Moving Towards GST – Need / Objectives
- Salient Features of Constitutional Amendment Bill
- Complexities in introduction of GST
- Recent developments on GST
- Challenges in GST
- Meaning and scope of Goods & Services
- Important terms to understand in GST Regime





INDIAN ECONOMY – AN OVERVIEW

- India's economy is the 7th largest economy in the world and fastest growing even in today's global recession.
- Growth rate @ 7.6% in 2015-16; growth expected > 7.6% in 2016-17
- May grow > 7 percent in Financial Year 2017
 - 7.3% as per IMF
 - 7.5% as per Moody's
 - 7.4% as per OECD
- Global economy had a slower growth @ 3.1% in 2015
- Service sector growth @ 9%
- Tax – GDP ratio at 10.7% in 2016 and pegged at 10.8% in 2017 ; almost flat in last 5 years
- GST will only help boost GDP





INDIAN ECONOMY – AN OVERVIEW

- Growth driven by domestic demand
- Disposable incomes, food, lifestyle – growth triggers
- Central Excise(40%), Customs(30%) and Service tax(30%) are major contributors of Indirect Taxes
- Agriculture, services and industry are 3 major sectors
- Services play a major role in GDP with manufacturing sector still at 25% despite Make in India
- Sectors where growth is faster than the economy itself – financial services, communication, hospitality, professional services etc.

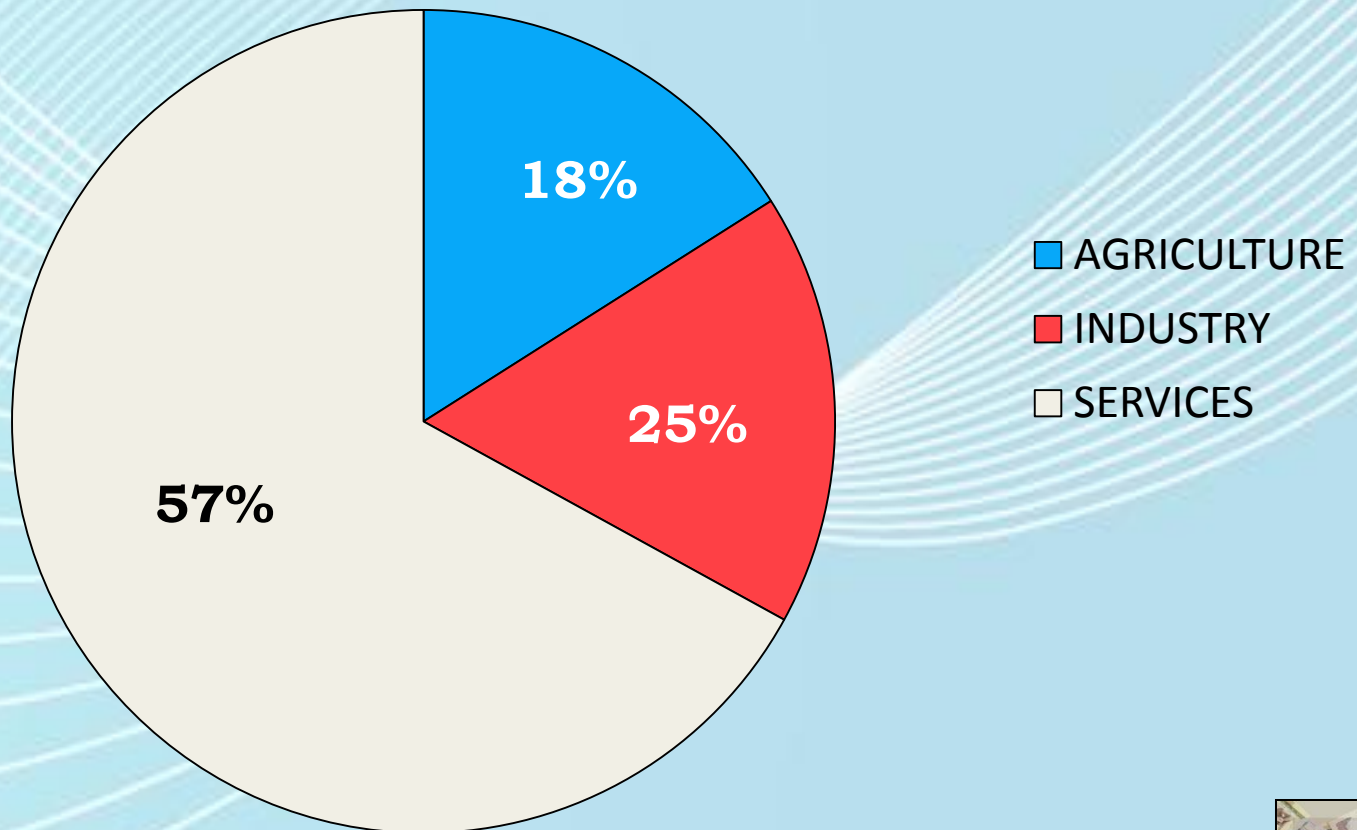




GDP COMPOSITION



GDP Composition as on 31ST March 2016





TAXATION IN INDIA - POWER TO TAX

- Taxation governed by Schedule VII of Constitution of India
- India has a three-tier federal structure to levy and collect taxes –
 - the Union Government,
 - the State Governments *including* urban/rural local bodies
 - Concurrent List
- Presently goods are liable to VAT/ Excise / Customs duty while taxable services attract service tax.
- Certain transactions subject to both - VAT and Service tax
- Efforts being made to revamp the direct tax structure - (Wealth Tax Act, 1957 scrapped, Committee working on the same)
- Efforts to bring in a single indirect tax – **GST proposed**





TAXONOMY OF INDIAN TAXATION



TAXATION POWERS OF UNION

- Income Tax (1961) – on income, except agricultural income
- Excise Duty (1944) – on goods manufactured
- Custom Duty (1962) – on imports
- Service Tax(1994) – on specified services
- Central Sales Tax(1956) – on inter-state sale of goods
- Stamp Duty – on 10 specified instruments
- Specified Cesses – on specified items





TAXONOMY OF INDIAN TAXATION

TAXATION POWERS OF STATES

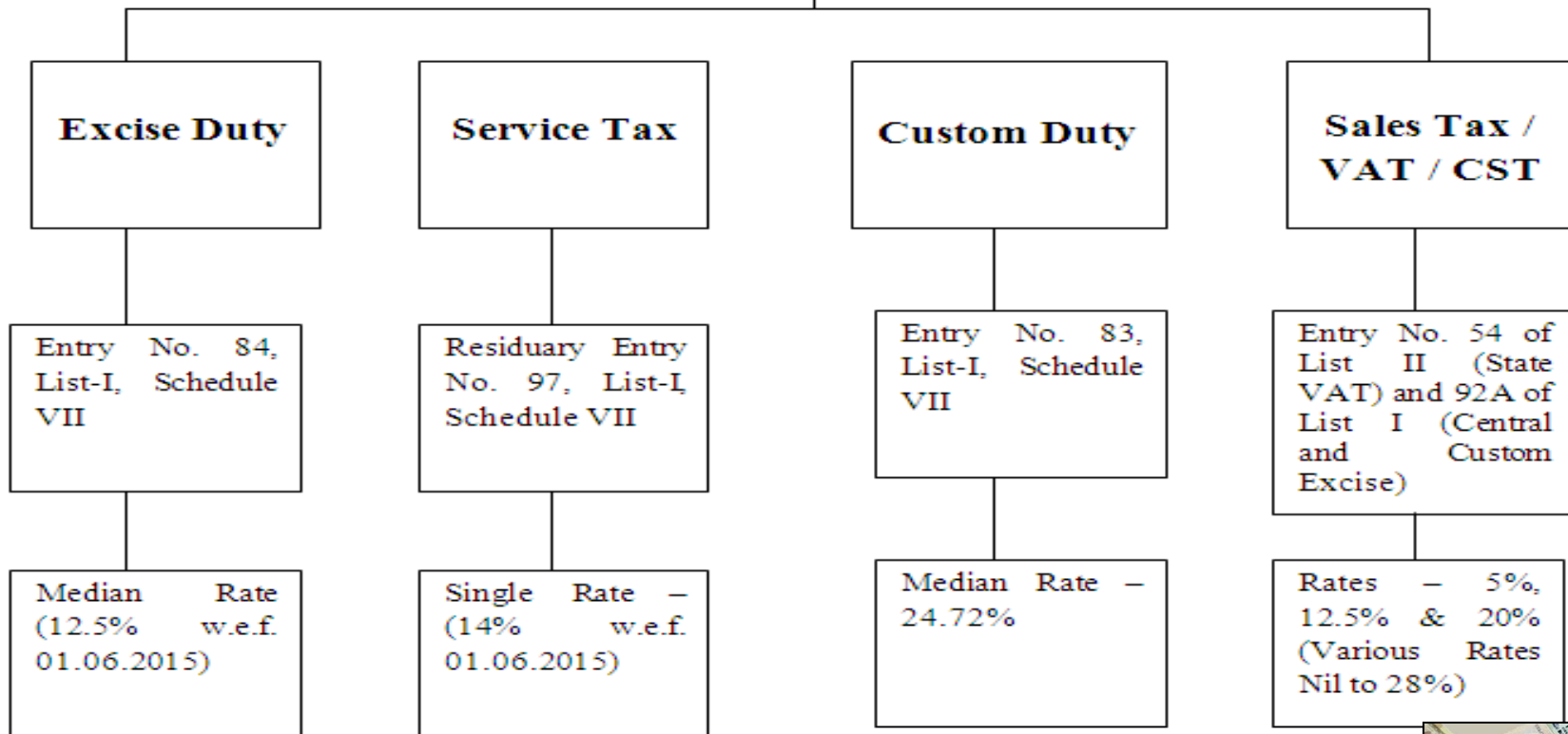
- VAT / Sales Tax - on sale of goods, other than newspapers
- Stamp Duty - on other than 10 specified instruments
- Tax - on agricultural income
- Toll Tax - on utilities
- Specified Cesses - on specified items
- Other Taxes - on
 - Land and buildings
 - Entry of goods in local Area (Entry Tax or Octroi)
 - Consumption or sale of electricity, Vehicles
 - Luxuries including taxes on entertainment, Betting and gambling, Alcoholic Liquor, Narcotic Drugs and Opium





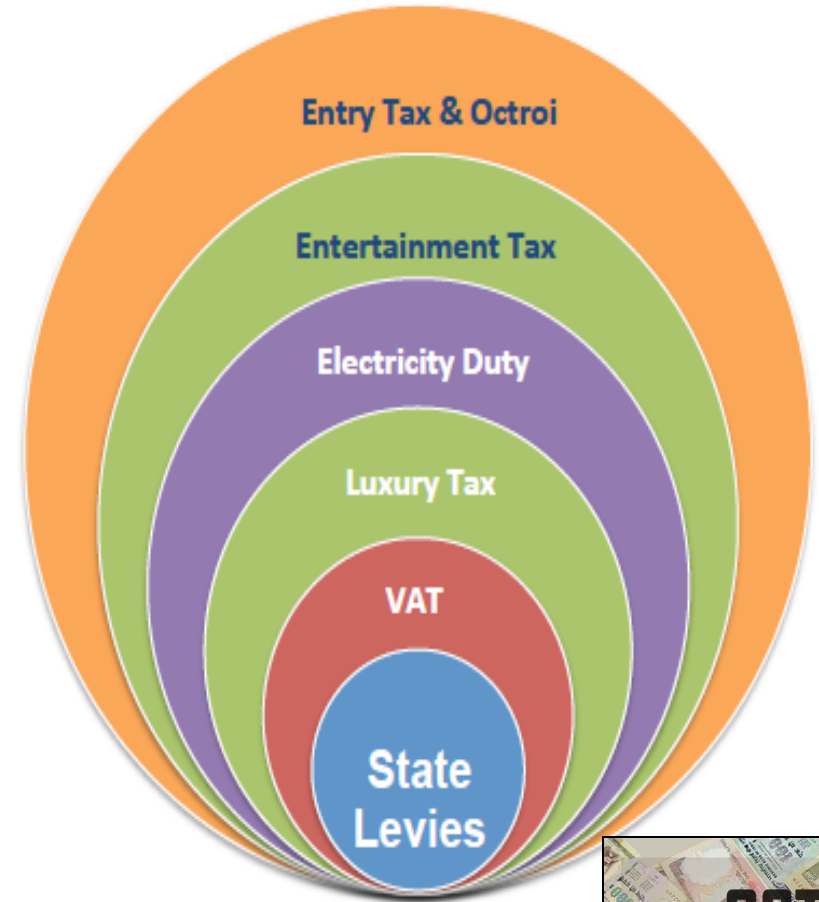
PRESENT INDIRECT TAX STRUCTURE IN INDIA

Present Indirect Tax Structure [Four Important Constituents]





PRESENT INDIRECT TAX STRUCTURE IN INDIA





DRAWBACKS OF CURRENT TAXATION SYSTEM

- Confusion / lack of clarity / interpretational issues
- Lack of trust between assessee and revenue – Valuation/ Classification/ Exemption
- Complexity and lack of consistency in provisions
- Hidden tax on exports, no state tax on imports
- Cascading effect
- Narrow assessee base
- High transaction costs
- High compliance costs
- Too much of litigation and disputes
- Lack of harmony and varying inter-state practices :Turnover/Exemption





RECENT IMPROVEMENTS IN TAX STRUCTURE

- Replacement of the single-point State sales taxes by the VAT in all of the States and Union Territories.
- Gradual reduction in the Central Sales Tax rate (will be scrapped in GST regime)
- Introduction of service tax by the Centre and substantial expansion of its base over the years.
- Rationalization of the Cenvat credit system
- Electronic platform
- Self regulatory tax regime-Self Assessment
- Dispute resolution measures (VCES,2013; IDRS,2016)



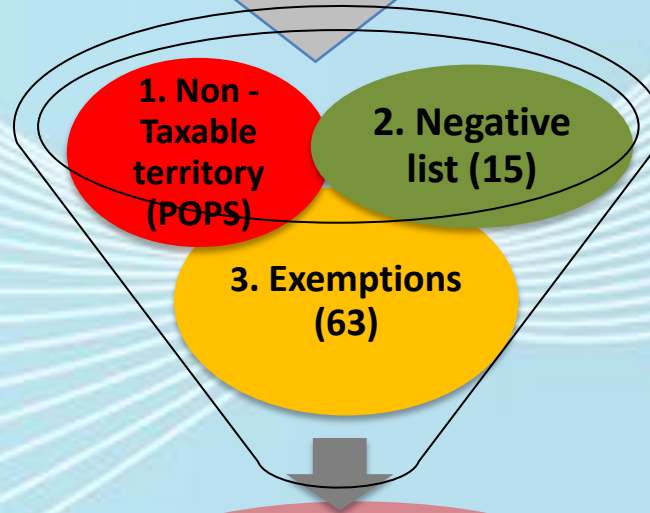


CONCEPT OF TAXABILITY OF SERVICE

SERVICE FOR A CONSIDERATION



E - MAGIC TEST



- E:** Employee
- M:** Money
- A:** Actionable claim
- G:** Goods
- I:** Immovable property
- C:** Court Fee

10 DECLARED SERVICES

Taxable





GOODS AND SERVICES TAX

Goods



What ?

Services



Why ?

Tax



When ?





WHAT IS GST ?

A common tax

Goods



- *Integrating Taxes*
- *Unleashing Growth*

on

Services



- *Creating National Market*
- *Easing Compliance*





GOODS AND SERVICES TAX



ONE NATION **ONE MARKET** ONE TAX



MIGRATION FROM ORIGIN BASED TAX TO CONSUMPTION (DESTINATION) BASED TAX



TRANSACTION BASED TAX (SHIFT FROM ACTIVITY BASED TAX)





WHAT IS GST ?



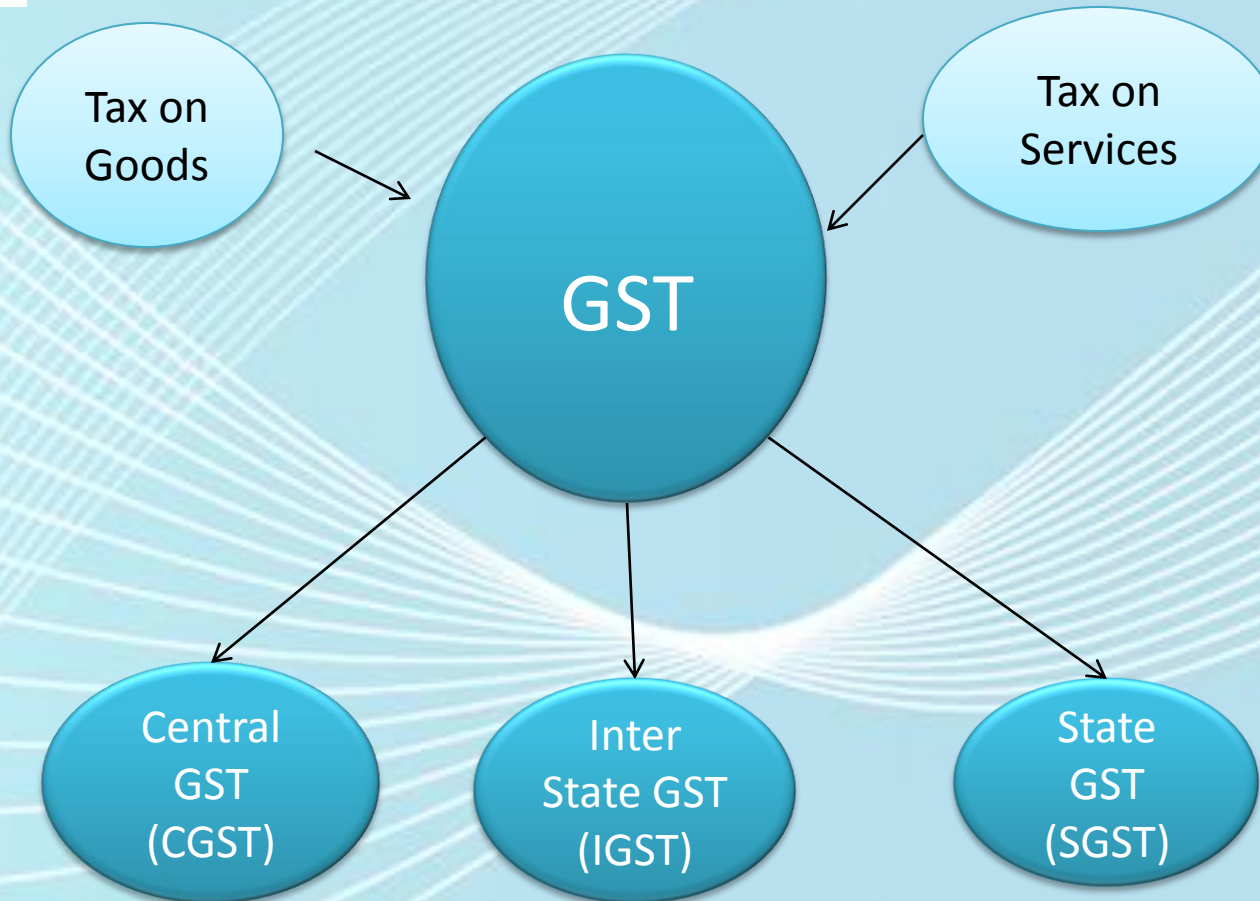
'G' – Goods
'S' – Services
'T' – Tax

- Goods and Service Tax (GST) is a comprehensive tax.
- GST will be a **national level** value added tax applicable on goods and services.
- GST is an indirect tax in lieu of tax on goods (excise) , tax on service (service tax) and VAT / CST.
- GST is just like State level VAT which is levied as tax on sale of goods.
- GST is a tax on goods and services with **value addition** at each **stage** having comprehensive and **continuous chain** of set-of benefits from the **origin** (producer's/ service provider's) point up to the **destination** (retailer's level)where only the final consumer should bear the tax."





THE GENESIS OF GST





WHY DOES INDIA NEED GST



- To have ease of doing business
- Making exports competitive
- Protection from cheaper imports
- No free Inter- state trade & commerce
- Suffers from discriminatory taxes , undue preferences , trade and non - trade barriers , entry tax , octroi and check posts .
- A complex tax structure with **multiple rates of taxes** and **multiple taxes** across the supply chain
- As a developing country, India needs a transparent & progressive tax policy / tax structure





WHY DOES INDIA NEED GST



- Fewer and lower taxes to yield more revenue rather than having stiff taxes
- Broadening of tax base
- GST will operate on a negative list i.e. all goods and services will be subject to GST unless specifically exempted (to have few exemptions)
- GST encourages an unbiased tax structure that is neutral to business processes, business models, organization structure, product substitutes and geographical locations
- To have lower transaction cost in the hands of the tax payers
- Increased tax collections due to wider tax base, better compliance and reduced tax evasion
- Improvement in international cost competitiveness of indigenous goods and services.
- Enhancement in efficiency in manufacture and distribution due to economies of scale





WHY DOES INDIA NEED GST



To Mitigate Cascading Effect Substantially

- Multiple taxes
- No inter-tax set off
- Even no set-off in some taxes
- Tax on Tax
- Increased cost of products / services
- Higher compliance costs
- In GST, many taxes will get subsumed and tax cascading will be eliminated on credit of inward / input taxes





WHY DOES INDIA NEED GST



Cascading Effect

- Central Sales Tax (CST) on inter-state sales, collected by the origin state for which no credit is allowed by any level of Government – will be phased out now
- Real estate transactions kept outside the scope of both VAT and CENVAT
- Exempt sectors are not allowed to claim any credit for the CENVAT or the service tax paid on their inputs
- Petroleum , liquor , electricity to be out of GST Net





INVOICE
SMOKE HOUSE DELI

impresario Ent & Hosp Pvt Ltd.
320, Madhu Milan Bldg, Dr. Ambedkar Road
Pali Hill, Bandra (w), Mumbai - 50.
Tel : 02265287800 - 02226487800

B.No : F-36062 Dt : 08-Mar-2015 19:43

Tb : 5 Px : 2

Wt : AMAR Op : BISHNU

Description	Qty	Amount
TOMATO SOUP	1	240.00
GREEN ROOIBOS	1	170.00

Sub Total :	410.00
Service Charge @10% :	41.00
Sale Price :	451.00
Service Tax 4.94% :	22.28
Vat 12.5% :	56.38
Bill Total :	530.00

➤ At present the Restaurants are charging both Central Tax (Service Tax) and State Tax (VAT)

After introduction of GST
single tax will be applicable





WHAT IS GST ?

Definitions as per Model GST Law

- (48) **Goods** means every kind of movable property other than actionable claim and money but **includes securities**, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under the contract of supply;

Explanation.— For the purpose of this clause, the term ‘moveable property’ shall not include **any intangible property**.

- (88) **Services** means anything other than goods;

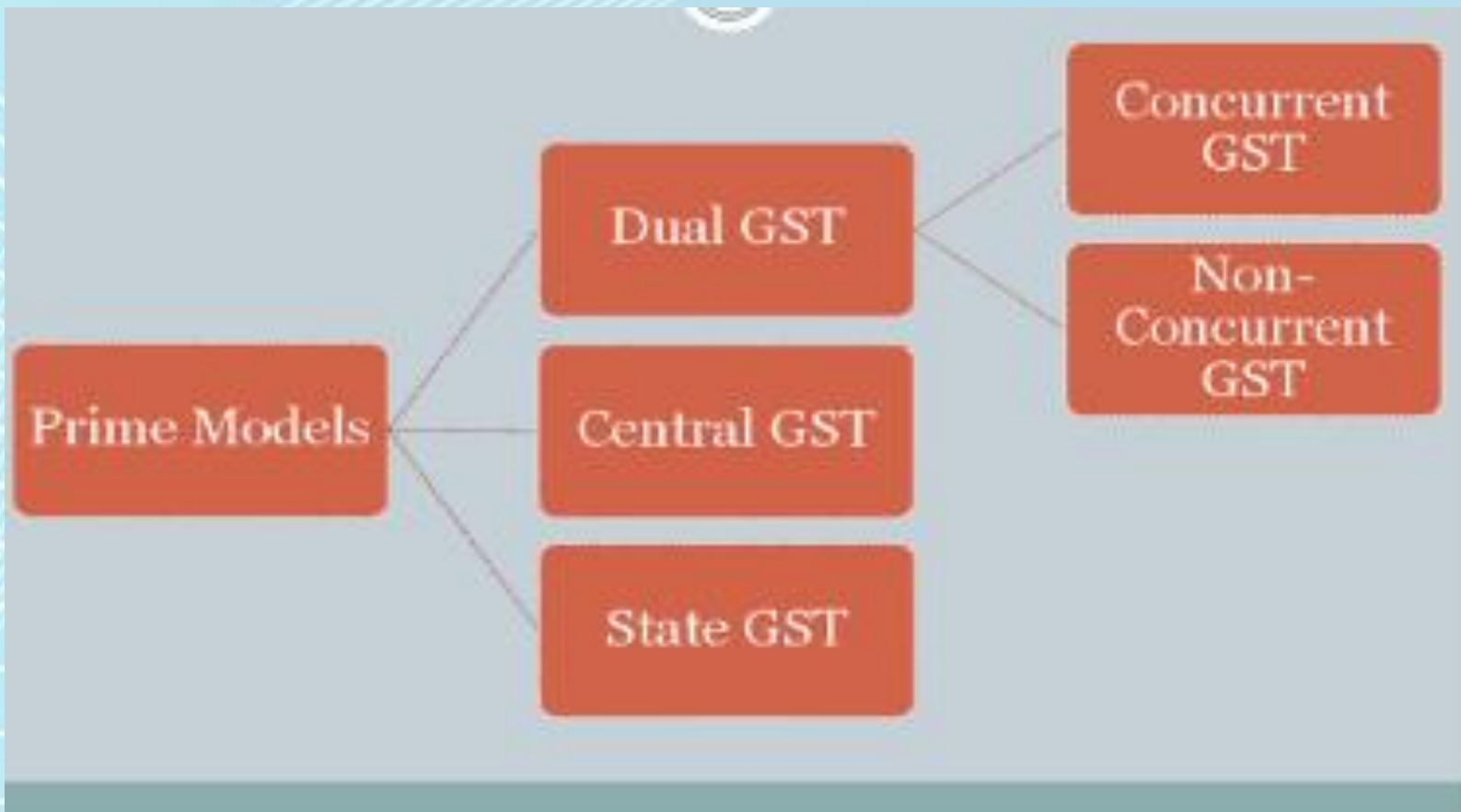
Explanation: Services include intangible property and actionable claim but **does not include money**.

- (94) **Tax** means goods and services tax levied on the supply of goods and/or services under the Act and includes any amount payable under section 8 (Composition levy)





PROPOSED MODEL OF GST





FEATURES OF GST

- Dual GST will comprise –
 - The Central GST and the State GST
 - Central GST and State GST, in themselves, would comprise both the goods tax and the services tax
 - Both taxes to operate in parallel and to apply on every transaction
 - Supply of goods/services to be the taxable event (not on manufacture/sale/provision)
 - Rules for determining the place and time of supply of goods and services proposed in Model law
- Both Central GST and State GST leviable on intra-State supply of goods and services
- Integrated GST or IGST (an aggregate of Central GST and State GST) leviable **on inter-State supply** of goods and services and Imports





FEATURES OF GST

- Exports to be zero rated, with benefit of refund of input taxes
- Integrated GST (IGST) mechanism proposed for cross border transactions (imports)
- Basic Customs Duty to continue in the existing form
- Counter-veiling Duty (CVD) and the Additional Duty of Customs (ACD) currently levied on imports as part of customs duties to be replaced by Integrated GST





FORMS OF PROPOSED GST

Multiple Statutes

- One for CGST at Centre (1)
- One in each State for SGST (31)
- One for IGST at Centre (1)

Intra State Supply

- Dual GST: Centre (CGST) and the States (SGST) concurrently levying and collecting the tax

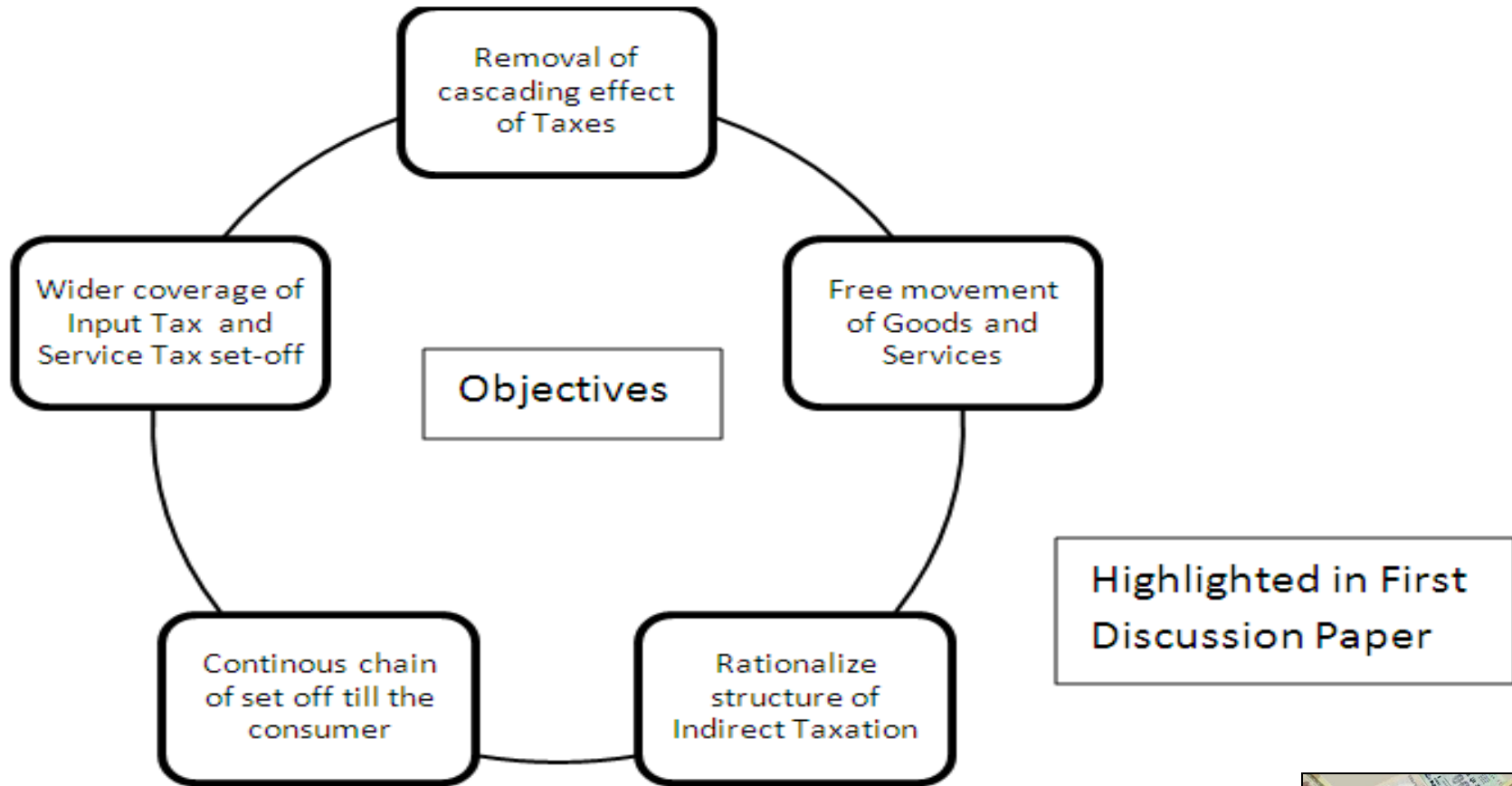
Inter State Supply

- Integrated GST i.e. IGST (CGST+SGST) on supplies in the course of inter-state trade or commerce to be levied and collected by the centre
- 1% additional tax by centre (for originating state for 2 years (dropped))
- Imports deemed to be supply in the course of inter-state trade or commerce





OBJECTIVES OF GST





OBJECTIVES / ADVANTAGES OF GST

- To create a unified common national market for India, giving a boost to foreign investment and 'Make in India' campaign (*Common market - common tax*)
- Simplified tax structure (Simpler tax regime, fewer exemptions)
- Streamlining and consolidating indirect tax regime
- Uniformity of tax rates
- Simplified and automated procedures for various processes such as registration, returns, refunds, tax payments etc.
- Borderless market – no inter-state barriers
- Fully automated and easy compliances
- Reduction in compliance costs – multiple records not required to be maintained for variety to taxes
- No tax cascading across chain
- Seamless input credit





OBJECTIVES / ADVANTAGES OF GST

- Operational and functional efficiency
- Average tax burden on supplies of goods or services likely to come down leading to more consumption.
- Transparency to eliminate corruption
- Greater use of IT will reduce human interface between taxpayer and tax administration
- Improved competitiveness –
 - ease of doing business
 - reduced transaction costs
- Increased economic activity to generate more employment.
- Benefit of exemption / compounding scheme for a large segment of small retailers will make their products cheaper for the consumers
- Faster litigation redressal of existing cases



Benefits of Goods & Service Taxes (GST)

ONE NATION, ONE MARKET

Low compliance cost

One Common Market

Brings down logistics and inventory costs

Giving e-commerce sector a boost

Boosting Revenue through low evasion & input tax credit

Manufactured goods become cheaper

Boosting Investment

Replacing multiplicity of taxes

Growth in GDP

Lifting up less developed States





ILLUSTRATION OF GST

Stage of supply chain	Purchase value of Input	Value addition	Value at which supply of goods and services made to next stage	Rate of GST	GST on output	Input tax credit	Net GST = GST on output – Input tax credit
Manufacturer	100	30	130	10%	13	10	13-10=3
Whole Seller	130	20	150	10%	15	13	15-13=2
Retailer	150	10	160	10%	16	15	16-15=1





THE CONSTITUTIONAL (101st) AMENDMENT ACT, 2016 (as passed by Parliament in August , 2016 and assented on 08.09.2016)

Salient Features

- Enacted on 08.09.2016
- Provisions enforced w.e.f 12.09.2016 / 16.09.2016
- Enables introduction of GST
- GST defined
- Goods / Service defined
- Integrated GST
- Import of goods / services
- Alcohol for human consumption
- Petroleum products and tobacco
- Role of GST Council
- Compensation to States





THE CONSTITUTIONAL AMENDMENT ACT, 2016



Goods and Services Tax Council (GSTC) - Article 279A

- Cabinet approved the creation of GSTC on 12.09.2016
- To be constituted by the President within 60 days i.e., by 11.11.2016
- Consists of Union FM and Union MOS (Rev)
- Consists of all State Ministers of Finance
- Quorum is 50% of total members
- Decisions by majority of 75% of weighted votes of members present and voting
- 1/3rd weighted votes for Centre and 2/3rd for all States together





THE CONSTITUTIONAL AMENDMENT ACT, 2016

Functions of Goods and Services Tax Council (GSTC)

- Council to make recommendations on
 - Taxes, etc. to be subsumed in GST
 - Exemptions & thresholds
 - GST rates
 - Band of GST rates
 - Model GST Law & procedures
 - Date from which GST would be levied on petroleum products
 - Changes in entries in List – I & II
 - Compensation for loss of revenue to States for five years
- Council to determine the procedure in performance of its functions
- Council to decide modalities for dispute resolution arising out of its recommendations





THE CONSTITUTIONAL AMENDMENT ACT, 2016

NEW DEFINITIONS

- **“Goods and services tax”** means any tax on **supply** of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption. [Proposed Article 366(12A)]
- To be extended to crude, diesel, petrol, natural gas and ATF from a date to be notified on recommendation of the GST Council
- **“Goods”** includes all materials, commodities, and articles. [Existing Article 366(12)]....inclusive definition
- (Concept of ‘excisable goods’ to go)
- **“Services”** means anything other than goods. [Proposed Article 366(26A)]...depends upon definition of goods
- **Supply** defined in Section 3 of Model GST Law





THE CONSTITUTIONAL AMENDMENT ACT, 2016

Further Amendments made by Rajya Sabha while approving

- Compensation to states for revenue ('may' replaced by 'shall') loss for 5 years on account of introduction of GST
- 1 percent additional inter-state tax withdrawn
- Dispute resolution forum to adjudicate disputes between
 - Centre and states
 - Two or more states
 - Centre + states and other states
- Taxes collected by Union shall be distributed between Union and States





INDIRECT TAXES PROPOSED TO BE SUBSUMED IN GST

Dual GST

Central Taxes▶ CGST

- Central Excise
- Various additional excise duties
- Additional duty of customs (CVD)
- Special Additional duty of Customs (ADC)
- Service Tax
- Surcharges and Cess
- Central Sales Tax

State Taxes▶ SGST

- VAT
- Purchase tax
- Entertainment tax
- Luxury tax
- Lottery taxes
- State cesses and surcharges
- Entry tax and Octroi

Petroleum Products and Electricity to be outside GST Net

Local body taxes not being subsumed (eg. Entertainment Tax)





TAXES WHICH MAY NOT BE SUBSUMED IN GST

<i>Central Taxes/Levies</i>	<i>State Taxes/Levies</i>
Basic Customs Duty	Taxes on Liquors
Excise Duty on Tobacco products	Toll Tax/ Road Tax
Export Duty	Environment Tax
Specific Central Cesses (eg, Oil Cess)	Property Tax
Taxes on petroleum products	Tax on Consumption or Sale of Electricity - Not certain
Stamp Duties	Stamp Duty - Not certain
	Purchase tax on food grains
	Taxes on motor spirit & high speed diesel



GST WAY FORWARD : WHEN GST WILL COME ???



✓ Passage of Constitution (122nd Amendment) Bill

Rajya Sabha 3 August, 2016

Lok Sabha 8 August, 2016

✓ Ratification of Bill by atleast 50% states by two - third majority

✓ President's assent – 08th September , 2016

✓ Constitution of GST Council

- Decisions on critical issues by GST Council
- Draft of Final GST Bills – CGST / IGST / SGST
- Bills to be legislated – CGST / IGST by Parliament , SGST- by State Legislatures
- GST rules to be drafted / approved / notified
- IT software – development / testing
- GST awareness / training
- Date of implementation of GST in India (common date)





GST WAY FORWARD



GST : Immediate Challenges ahead

- Calculation of Revenue Base of Centre and States, along with compensation requirements of Centre
- GST Rates structure
- Deciding the precise nature of CGST / SGST / IGST Act.
- Settling of disputes and how to prevent taxpayers having to interact with multiple levels of Government in order to comply with the tax
- List of Exemptions
- Finalizing the CGST law
- Additional 1 % tax on interstate sales has sensibly been dropped , some states are lobbying to retain that tax on consignment transfers across state boundaries
- Compounding limits
- Cross Empowerment to mitigate ill-effects of Dual Control
- CBIT in offing





IT PLATFORM FOR GST

GSTN and its Objectives

- GSTN is a special purpose vehicle to set up IT backbone for GST
- GOI holds 24.5% , State Governments holds 24.5% and 51% held by non-Government Institutions
- Integration of the common GST Portal with the existing tax administration systems of the Central/State governments and other stakeholders.
- Provide common PAN based registration, enable returns filing and payment processing for all states on a shared platform.
- Facilitation, implementation and set standards for providing services to the taxpayer through common GST portal to State Governments and other stake holders;
- Build efficient and convenient interfaces between with tax payers to increase tax compliance;
- Carry out research, study best practices and provide training to the stakeholders.





REVENUE NEUTRAL RATES (RNR)

Recommendation of GST Rates Committee

- Revenue Neutral Rate (RNR) refers to that single rate, which preserves revenue at desired (current) levels.
- No revenue loss to exchequer
- Rate which will give at-least the same level of revenue, which the Centre and States are presently earning from Indirect taxes.
- It is a given single rate that gets converted into a whole rate structure.
- Committee has chosen to recommend a range for the RNR rather than a specific rate.





REVENUE NEUTRAL RATES (RNR)

Recommendation of GST Rates Committee

- Recommended the Revenue Neutral Rate (RNR) in the range of 15 percent to 15.5 percent (combined rates for centre and states)
- Committee recommends a two-rate structure –
 - Lower rates - around 12 per cent (Centre plus states)
 - Standard rates - between 17 and 18 per cent
- States want higher RNR but it may not be desirable





REVENUE NEUTRAL RATES (RNR)

Summary of Recommended Rate Options (in percent)

<i>RNR</i>	<i>Rate on precious metals</i>	<i>"Low" rate (goods)</i>		<i>"Standard" rate (goods and services)</i>	<i>"High/Demerit" rate or Non-GST excise (goods)</i>
Preferred	15	6	12	16.9	40
		4		17.3	
		2		17.7	
Alternative	15.5	6	12	18.0	40
		4		18.4	
		2		18.9	





LIKELY RATE OF GST

18%	13 th Finance Commission
18%	RNR as suggested by Congress / Chambers
27%	RNR as suggested by NIPFP
16-18%	Ideal rate as per Industry
17-18%	Rate suggested by GST Rate Committee
10-25%	Four slab rates 10%,12%,16%,25% being talked about
??	Actual Rate to be decided by GST Council (Select Committee has recommended a band)





STATUS OF INDIAN RAILWAYS

- IR is owned and operated by Government of India through the Ministry of Railways
- Manufactures its rolling stock and heavy engineering components at its own six manufacturing plants (production units)
- Exports rolling stocks to other countries
- Production units are managed directly by the Ministry of Railways
- Railways is divided into seventeen zones, which are further sub-divided into sixty eight divisions
- **14 public sector undertakings are under the administrative control of Ministry of Railways (BWEL, CRIS, CONCOR, IRCTC, RITES etc.)**
- Major revenue sources of railways – freight, passenger fares, advertisement and publicity, land & other lease etc.





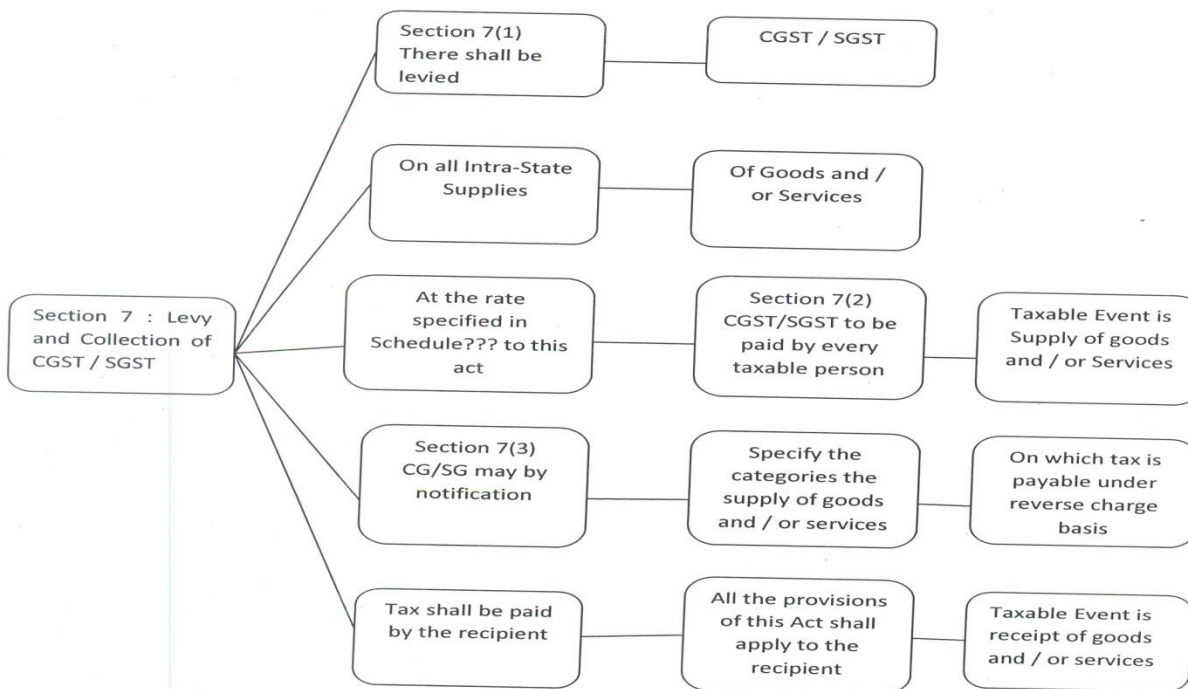
STATUS OF INDIAN RAILWAYS

- Railways itself not covered under the scope of body corporate being Government
- Production units of Railways are the part / unit of railways and are not independent organizations; not covered under body corporate (CLW /DLW/ Rail Coach Factory)
- Public sector undertakings of Railways covered under definition of body corporate (IRCTC, RITES, CRIS CONCOR etc. being juristic persons)
- All these are independent organizations but under administrative control of Ministry of Railways / Railway Board
- GST to impact Railways , all production units / service providing units .





LEVY & COLLECTION OF CENTRAL/STATE GST (SECTION 7)





TAXABLE PERSON (SECTION 9)

- Taxable person in a person who carries on any business.
- Taxable person may carry such business at any place in India or any state in case of SGST
- Taxable person should be registered or required to be registered under Section 15 read with Schedule-III of the Act.
- An agriculturist [defined in section 2(8)] is not considered as a taxable person
- A person should be considered as a taxable person only if his aggregate turnover exceeds Rs. 10 lakh in a financial year [Rs. 5 lakh in case of North East States including Sikkim)
- *Central Government, State Government or local authority shall be considered as taxable person in respect of activities / transactions (other than as specified in Schedule-IV) where they are engaged as public authority*





TAXABLE PERSON (SECTION 9)

- Schedule-IV of the Act contains list of activities or transactions in respect of which the Central Government, a State Government or any local authority shall not be regarded as a taxable person.
- Examples of such services are services in relation to statutory functions (pass port, visa, driving license, birth or death certificate; functions under article 243W or 243G of Constitution; health care, education, tax, right to use natural resources, merchant overtime charges, registration under any law; services in relation to diplomatic / consular / emigration / currency / import or export / public order etc.
- Following persons shall not be considered as taxable persons –
 - person providing services as an employee to his employer in terms of employment or under any legal tie creating employee –employer relationship.
 - person in business of exclusively supplying goods or services not liable to tax
 - person liable to pay tax under reverse charge [section 7(3)] receiving services of value not exceeding a specified limit in a year for personal use (not for use in course of or furtherance of his business).





PERSON

'Person' includes—

- an individual;
- a Hindu undivided family;
- a company;.....
- **government;**
- every artificial juridical person, not falling within any of the preceding sub-clauses;





PLACE OF BUSINESS

- 'Place of business' includes-
 - a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, provides or receives goods and/or services; or
 - a place where a taxable person maintains his books of account; or
 - a place where a taxable person is engaged in business through an agent, by whatever name called;

(To be contd.)





PLACE OF BUSINESS

- The place of business would thus include the following places –
 - ❖ place from where business is ordinarily carried on,
 - ❖ warehouse,
 - ❖ godown,
 - ❖ any other place used for storing goods or place to provide or receive goods or services by taxable person,
 - ❖ place where books of accounts are maintained by taxable person (it may be place of business of agency or any professional),
 - ❖ place from where a taxable person is engaged in business through agent by whatever name called.(like commission agent, C&F agent, consignment agent etc)
- The definition given is an inclusive definition and not a comprehensive one. It will include any one or more or all of the aforementioned places.





AGGREGATE TURNOVER

- **“Aggregate turnover”** means the aggregate value of
 - All taxable and non-taxable supplies, exempt supplies and exports of goods and/or services of a person
 - Having the same PAN, to be computed on all India basis and excludes taxes, if any, charged under the CGST Act, SGST Act and the IGST Act, as the case may be;
 - Aggregate turnover does not include the value of supplies on which tax is levied on reverse charge basis and the value of inward supplies.





GST DRAFT LAW-MEANING OF SUPPLY

Supply of goods or services shall include :

- All forms of supply of goods / services
- Includes sale, transfer, barter, exchange, license, rental, lease or disposal, and
- Importation of services
- Supply shall include supply as per Schedule-I made without a consideration , supply as per Schedule II and supply between principal and agent





GST DRAFT LAW-MEANING OF SUPPLY

- In relation to 'supply' for the purpose of GST -
 - supply shall be goods and / or services
 - supply should be made or agreed to be made
 - supply should be for a consideration but also includes without consideration
 - supply should be made by person
 - supply should be made in the course of or furtherance of business
 - supply shall include importation of service, irrespective of whether for consideration or not and whether in the course of or furtherance of business or not.





GST DRAFT LAW-MEANING OF SUPPLY

Matters to be treated as supply without consideration (Schedule I)

- Permanent transfer/disposal of business assets.
- Temporary application of business assets to a private or non-business use.
- Services put to a private or non-business use.
- Self supply of goods and/or services.
- Assets retained after deregistration.
- Supply of goods / services by a taxable person to another taxable or non-taxable person in the course or furtherance of business.





SEMINAR ON GOODS & SERVICES TAX

SESSION -II

UNDERSTANDING GST FOR IMPLEMENTATION





UNDERSTANDING GST FOR IMPLEMENTATION

This presentation covers :

- NEW CONCEPTS IN GST
- POINT OF TAXATION (TIME OF SUPPLY)
- IGST PROVISIONS
- PLACE OF SUPPLY
- VALUATION NORMS
- PAYMENTS(RCM /TDS/TCS)
- THRESHOLD LIMITS
- REGISTRATION
- TAX INVOICE, CREDIT AND DEBIT NOTES
- RETURNS
- INPUT TAX CREDIT
- SPECIFIC ISSUES RELATED TO RAILWAYS





New Concepts in GST

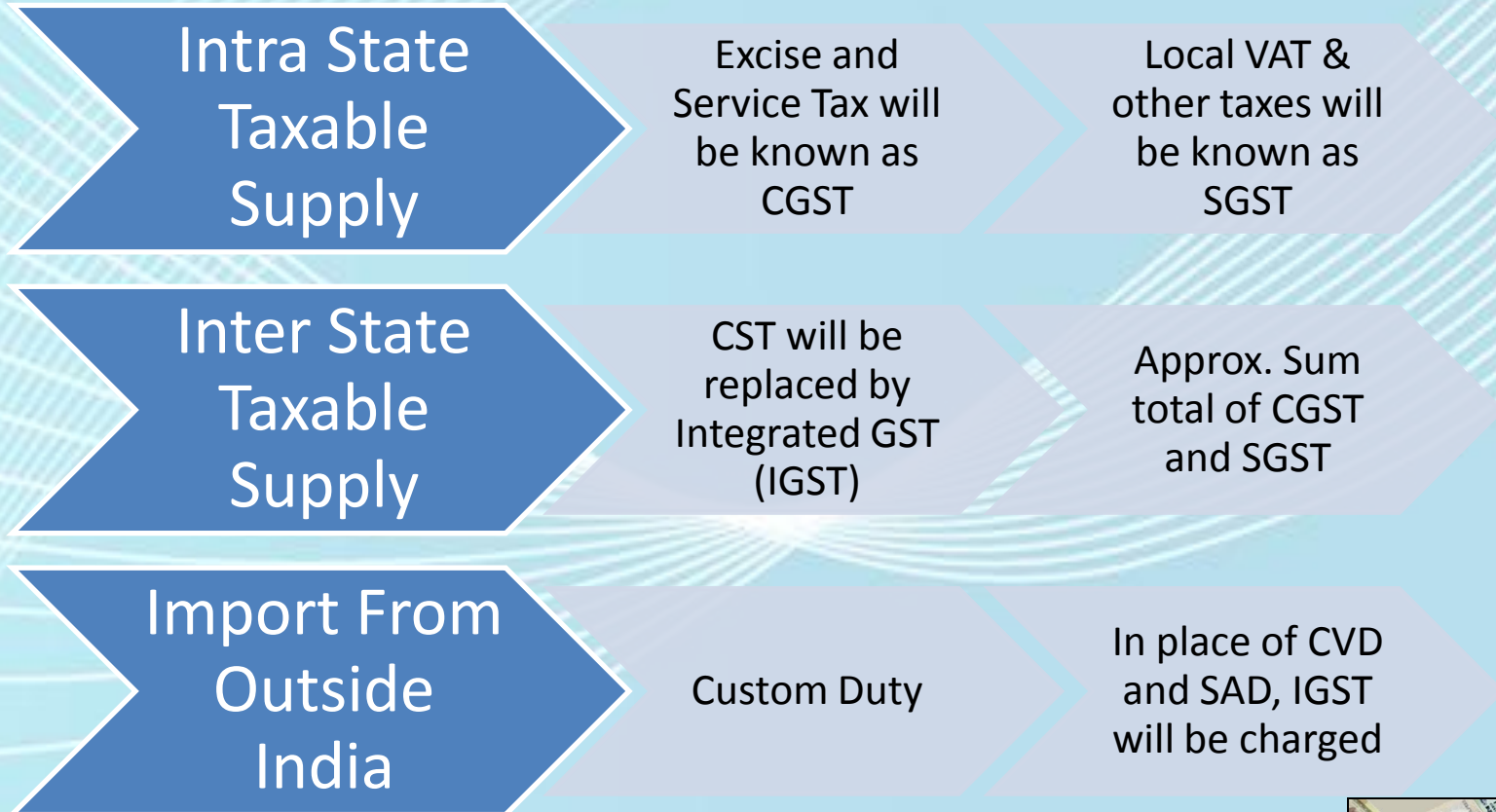
(CGST, SGST & IGST)





NEW CONCEPTS IN GST

Proposed Indirect Tax Structure





CENTRAL GST (CGST)

- CGST on both , goods and services
- To be levied , controlled and administered by Union .
- Levied by the Centre through a separate statute on all transactions of goods and services made for a consideration.
- Exceptions would be exempted goods and services, goods kept out of GST and transactions below prescribed threshold limits.
- CGST would be levied across the value chain.
- Rates for CGST would be prescribed appropriately reflecting revenue considerations and acceptability.
- Two Governments will combine their various levies into single GST.
- Proceeds to be shared between Centre and States .





STATE GST (SGST)

- Levied by the States through a statute on all transactions of goods and services made for or without a consideration.
- State GST would be paid to the accounts of the respective State.
- Exceptions would be exempted goods and services, goods kept out of GST and transactions below prescribed threshold limits.
- Basic features of law such as chargeability, taxable event, measure, valuation, classification would be uniform across these Statutes / States as far as practicable.





INTEGRATED GST (IGST)

- On inter-state supply of goods and services
- Includes Cross border transactions (only imports)
- Centre would levy and collect IGST in lieu of *CGST* and *SGST*.
- To be shared between Centre / States
- Single IGST rate
- IGST would be levied on all inter-State transactions of taxable goods and services **with appropriate provision for consignment or stock transfer of goods and services.**
- Inter-State dealer will pay IGST after adjusting available, input IGST, *CGST* and *SGST* on purchases.

Contd....





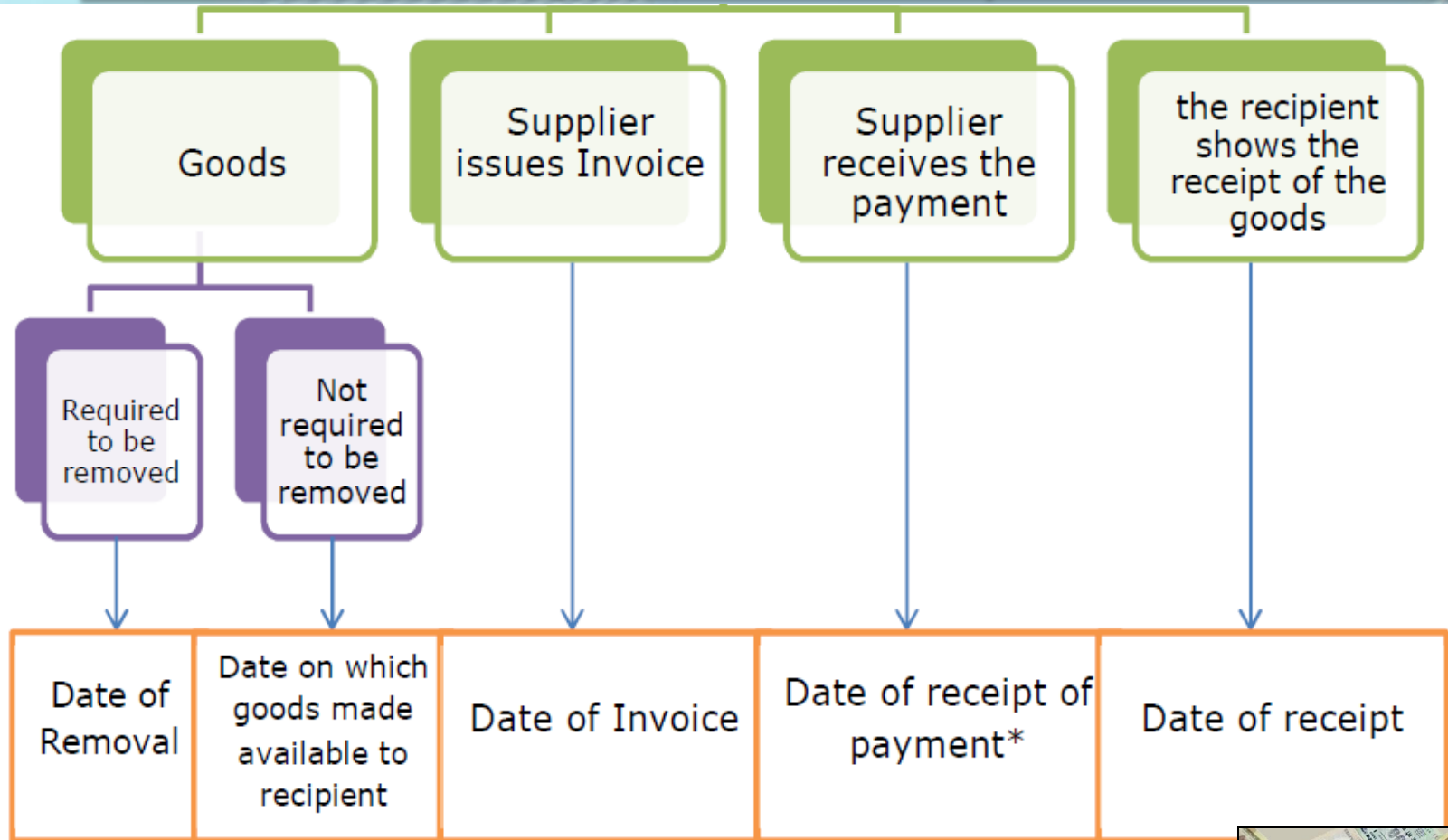
IGST – ILLUSTRATION

- Maharashtra seller selling to Delhi buyer for Rs.1,00,000/-.
- IGST payable assuming an 8% rate is Rs.8,000/-.
- Rs.8,000/- can be paid by adjusting
 - Inter-State purchases (IGST) Rs.3,000/-
 - Local purchases (CGST) Rs.1,500/-
 - Local purchases (SGST) Rs.1,500/-
- Paying Rs. 2000 in cash
- Since dealer has used SGST of Maharashtra to the extent of Rs.1,500/-, Centre has to transfer Rs.1,500/- to Maharashtra Government.
- IGST of Rs.8,000/- is availed as credit by Delhi buyer.
- Delhi dealer sells the goods at Rs.2,00,000/- attracting CGST of say Rs.16,000/- and SGST of Rs.16,000/-.
- If IGST of Rs.8,000/- is used to pay the SGST then Delhi Government has to transfer Rs.8,000/- to the Centre.

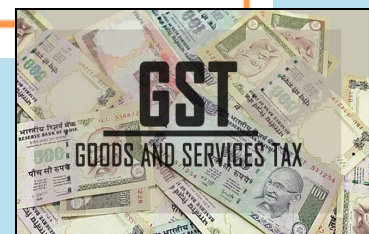




TIME OF SUPPLY OF GOODS (Section 12)

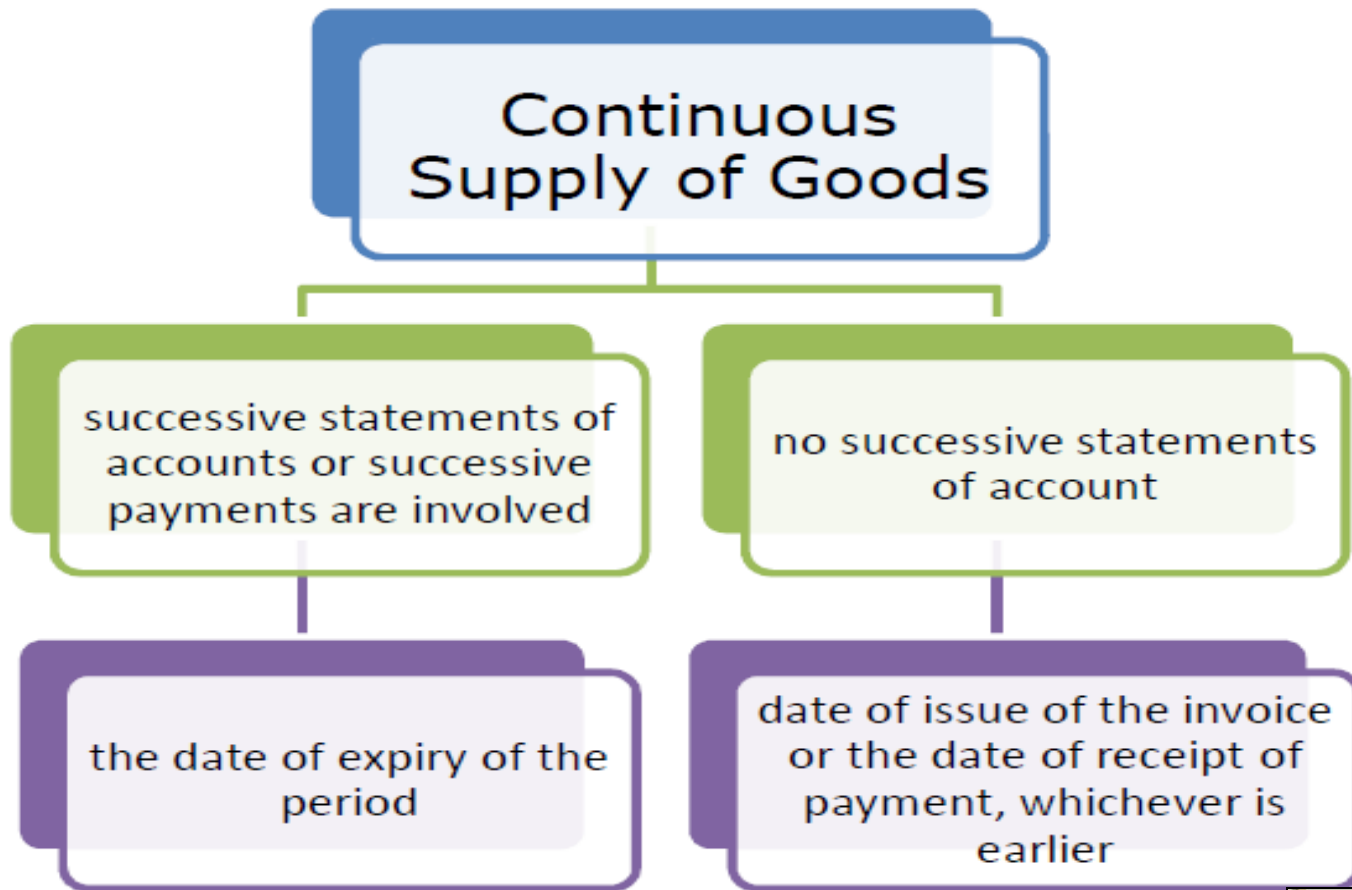


Whichever is earlier



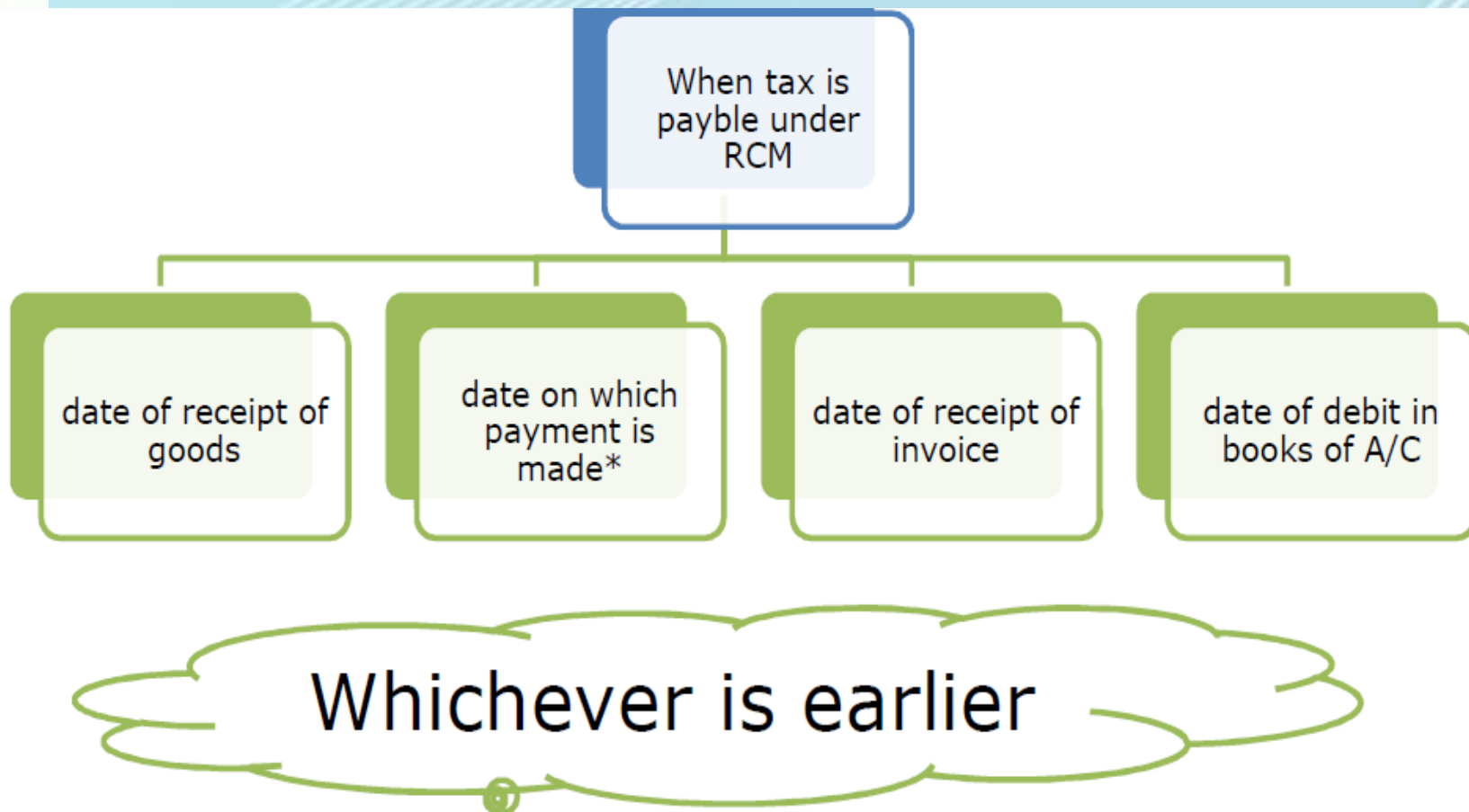


TIME OF SUPPLY OF GOODS





TIME OF SUPPLY OF GOODS

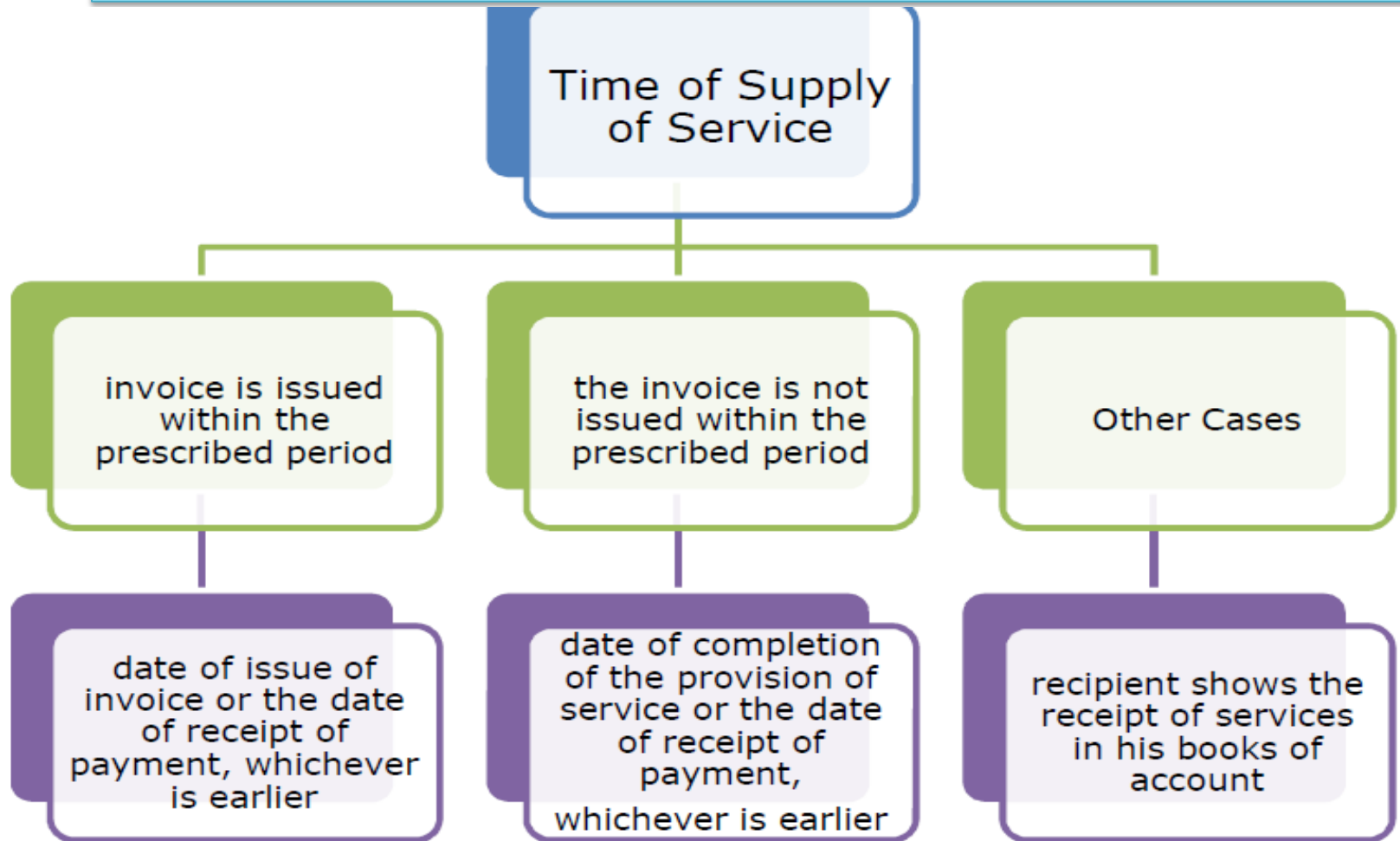


* Date of debit from bank account or date of record of payment in books of accounts whichever is earlier.



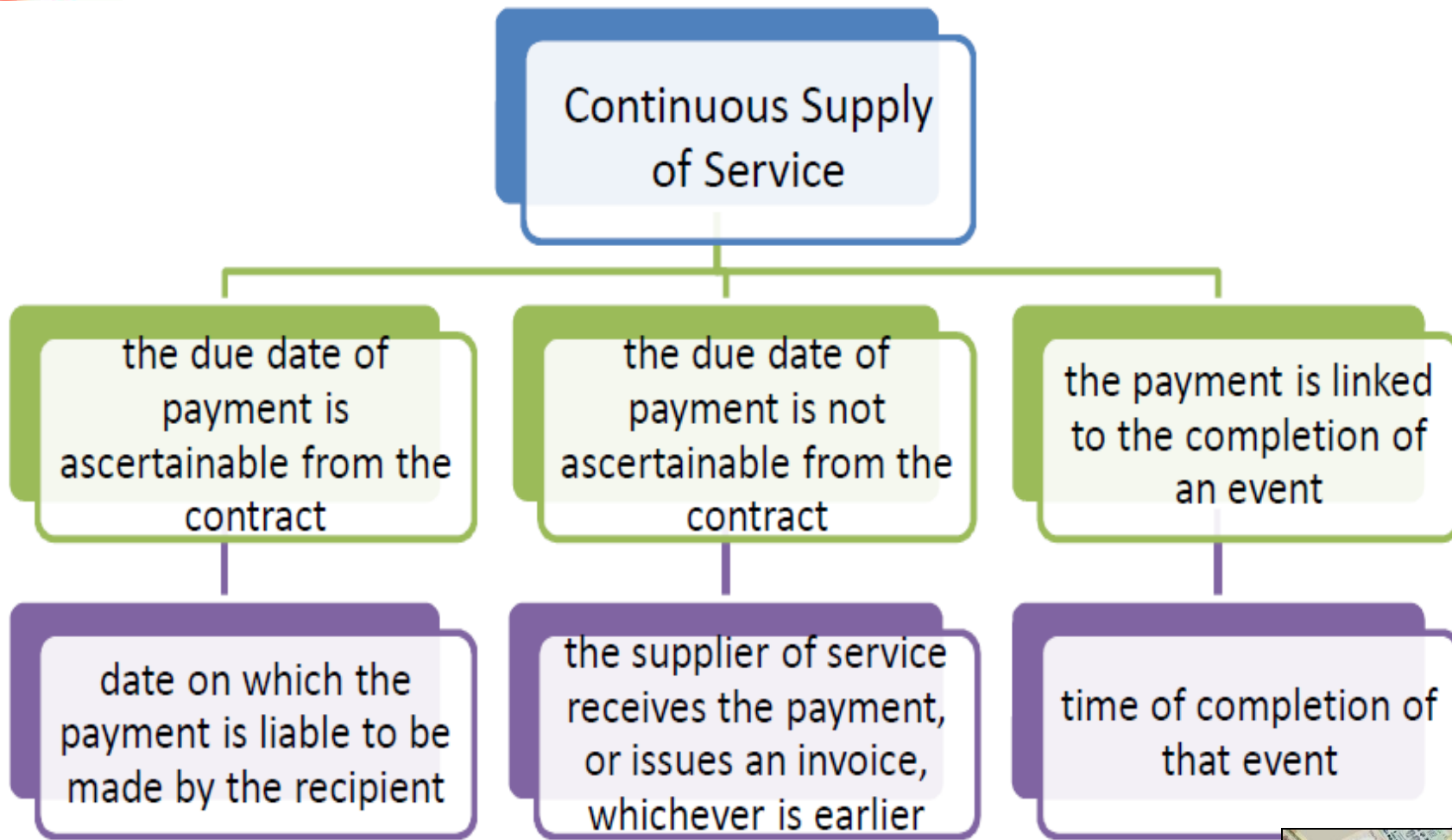


TIME OF SUPPLY OF SERVICES





TIME OF SUPPLY OF SERVICES





TIME OF SUPPLY OF SERVICES

When tax is payable under RCM

date of receipt of service

date on which payment is made*

date of receipt of invoice

date of debit in books of A/C

Whichever is earlier





PLACE OF SUPPLY OF GOODS

Sub-section of Section 5	<i>Situation</i>	<i>Place of Supply</i>
2	Where supply involves movement of goods	Location of goods when movement of goods terminate for delivery to recipient
2A	Where goods are delivered on directions of third person (transfer of documents)	Principal place of business of third person who shall be deemed to have received the goods
3	Where no movement of goods is involved	Location of goods at the time of delivery to the recipient
4	Where goods are assembled / installed at site	Place of installation or assembly
5	Where goods are supplied on board a conveyance	Location at which goods are taken on board.
6	Residual situation not falling in above specified ones	To be determined by law on recommendation of the Council



PLACE OF SUPPLY OF SERVICES (General Rule)

<i>Sub-section of section 6</i>	<i>Supply of service to</i>	<i>Place of supply</i>	<i>Except</i>
2	Registered person	Location of recipient (i.e. registered person)	Services listed in sub-section 4 to 15 of section 6
3	Any person, other than registered person	Location of recipient where address on record exists ; In other cases, location of supplier	Services listed in sub-sections 4 to 15 of section 6





PLACE OF SUPPLY OF SERVICES

- **Location of Service Receiver (Section 2 (64) of GST Act)**
 - *Supply is received at registered place of business:* - the location of such place of business.
 - *Supply is received at other place (fixed establishment):* - the location of such fixed establishment.
 - *Supply is received at more than one establishment:* the location most directly concerned with supply;
 - *In absence of such places:* - the location of the place of residence of recipient;





PLACE OF SUPPLY OF SERVICES

- **Location of Supplier of Service (Section 2 (65) of GST Act)**
 - *Supply is made from registered place of business:* - the location of such place of business.
 - *Supply is made from other place (fixed establishment):* - the location of such fixed establishment.
 - *Supply is made from more than one establishment:* - the location most directly concerned with supply;
 - *In absence of such places:* - the location of the place of residence of supplier;





PLACE OF SUPPLY OF SERVICES

- *Service in relation to immovable property:* the location of such immovable property.
- *Service by way of lodging accommodation:* the location of such property (hotel, house boat, etc.)
- *Accommodation of immovable property for functions:* the location of such immovable property.
- *Any services ancillary to above services:* the location of such property, hotel, houseboat, etc.





PLACE OF SUPPLY OF SERVICES

- *Restaurant and catering Services & personal grooming, fitness, beauty treatment, and healthcare services* the location where the services are actually performed.
- *Training and performance appraisal*
 - To registered person- the location of recipient
 - other cases - location where services are performed.
- *Admission to any event, amusement park, other places:* the location of place where event is actually held or where such park or place is located





PLACE OF SUPPLY OF SERVICES

- *Event organizing and ancillary services:*
 - To registered person- the location of recipient
 - other cases - location where event is held.

- *Transportation of goods including courier:*
 - To registered person- the location of recipient
 - others - where goods are handed for transportation

- *Transportation of passengers:*
 - To registered person- the location of recipient
 - others - where passenger embarks for transportation





PLACE OF SUPPLY OF SERVICES

- *Services on board a conveyance:* The location of first scheduled point of departure.
- *Telecommunication by Fixed line, leased circuit, antenna, etc:* location where fixed line is installed for recipient.
- *Post-paid Mobile and Internet services:* Location of on record Billing Address of recipient
- *Pre-paid Mobile and Internet services:*
 - Location of receipt of payment or sell of vouchers
 - E Payment - on record location of recipient





PLACE OF SUPPLY OF SERVICES

- *Banking and Financial services including stock broking:*
 - Linked to Account- On record location of recipient.
 - Others- Location of supplier of service.

- *Insurance services:*
 - To registered person- the location of recipient
 - Other cases - On record location of recipient

- *Advertisement services to Government / Local authority:*
Location of each such state of dissemination.





VALUATION OF SUPPLY NORMS

(Section 15 read with Schedule IV)

- **Transaction Value:** The value of goods and/or services shall be the transaction value.
- **Transaction value of goods or services of like kind (Comparison Method):** Where value of supply cannot be determined under previous method [i.e. point a], the value shall be determined on the basis of transaction value of goods and/or services of like kind and quality supplied at or about the same time to customers.
- **Computed Value Method:** Where value cannot be determined under previous method [i.e., point b], it shall be based on computed value which shall include cost of production, manufacture or processing of the goods or, the cost of the provision of services, the charges, if any, for design and brand and amount towards profit and general expenses.
- **Residual Method:** Where the value cannot be determined under the computed value method, the value shall be determined using reasonable means consistent with the principles and general provisions of these Rules.





VALUATION OF SUPPLY NORMS

- **Transaction Value (Paid or Payable) where supplier & recipient are not related**
- **Transaction Value includes :**
 - Amount paid by recipient w.r.t. supply on behalf of supplier
 - Value of goods and/or services supplied by recipient for use in connection with supply
 - Royalties & license fees related to supply which recipient must pay
 - Any taxes, duties, fees and charges levied under any other statute other than
 - CGST Act, SGST Act & IGST Act
 - Incidental Expenses
 - Value of subsidies linked to supply
 - Expenses incurred by supplier w.r.t. supplies which are reimbursable
 - Any discount or incentive allowed after supply
- **Transaction Value shall not include any discount allowed after or at the time of supply**





REGISTRATION

- Person registered under earlier law not to apply for fresh registration.
- Person whose aggregate turnover exceeds Rs.9 lakhs shall apply within 30 days in such state.
- Separate registration for each business vertical (business segment as per AS 17) may be obtained in each state.
- Every person (except NRI) shall have PAN at the time of grant of registration.
- Unique Identity Number shall be obtain/granted by/to specified persons for the purpose notified including refund of taxes paid





REGISTRATION

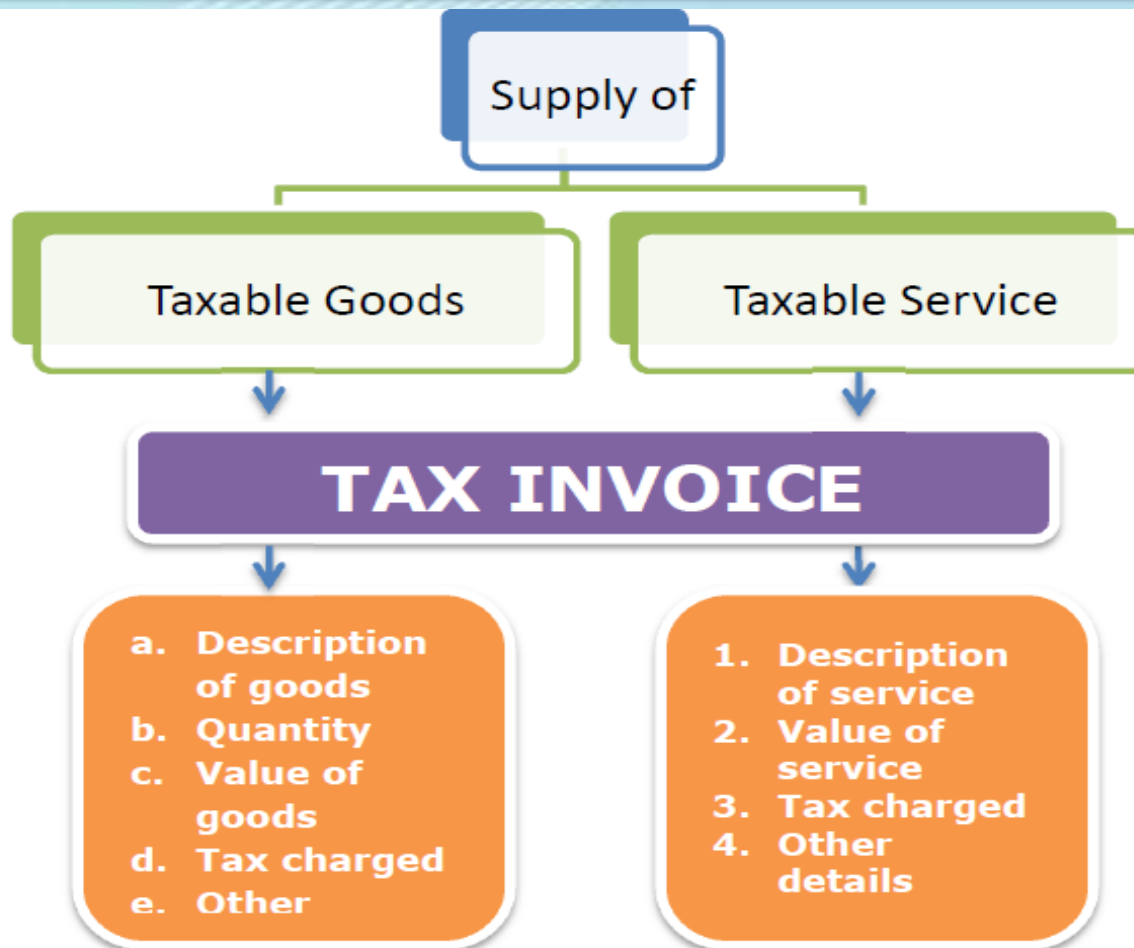
(SECTION 19 read with Schedule III)

- Mandatory registration for following persons irrespective of the threshold limit :
 - Casual Taxable Persons
 - Non-resident taxable persons
 - Person paying tax under RCM
 - Inter-state supplies
 - Person liable to deduct TDS under GST provisions
 - Input service distributor
 - E-commerce operators / aggregators
 - An agent of a registered taxable person
 - Such other persons as may be notified .





TAX INVOICE (Section 23)





TAX INVOICE

- For supply of non-taxable goods and/or service a bill of supply shall be issue. Also for supply by a person under composition levy a bill of supply shall issue.
- Tax invoice deemed to include document issued by IDS, supplementary invoice, revised invoice.
- Credit or debit notes may be issued , as the case may be .





PAYMENTS

- Manner of payment
 - Internet Banking
 - Debit or credit card
 - NEFT
 - RTGS
 - TDS
 - TCS : In case of e-commerce operators
 - RCM
 - By any other mode subject to condition & restrictions
- The amount paid shall be credited to electronic cash ledger of taxable person
- Date of deposit to be date of credit to the account of appropriate Government.





PAYMENTS



Payment through credit

- Tax paid by utilizing ITC shall be credited to electronic credit ledger of taxable person.
- The amount available in the electronic cash ledger may be used for making any payment towards tax, interest, penalty, fees or any other amount payable.
- The amount available in the electronic credit ledger may be used for making any payment towards tax payable.

TDS (in Government cases)

- Required to deduct TDS @1% from the payment made or credited to the supplier of taxable supply of goods/services, where supply exceeds Rs.10 lakhs.
- Due date of payment of TDS to appropriate Government is 10th of succeeding month in which deduction is made.
- The deductor is required to furnish TDS certificate by mentioning prescribed details.





PAYMENTS



- ***TCS (for E-commerce)***

Every *E-commerce operator* engaged in facilitating the supply of any goods and/or services (like Amazon, Flipkart, etc.) shall collect tax at source at the time of credit or at the time of payment whichever is earlier.





RETURNS

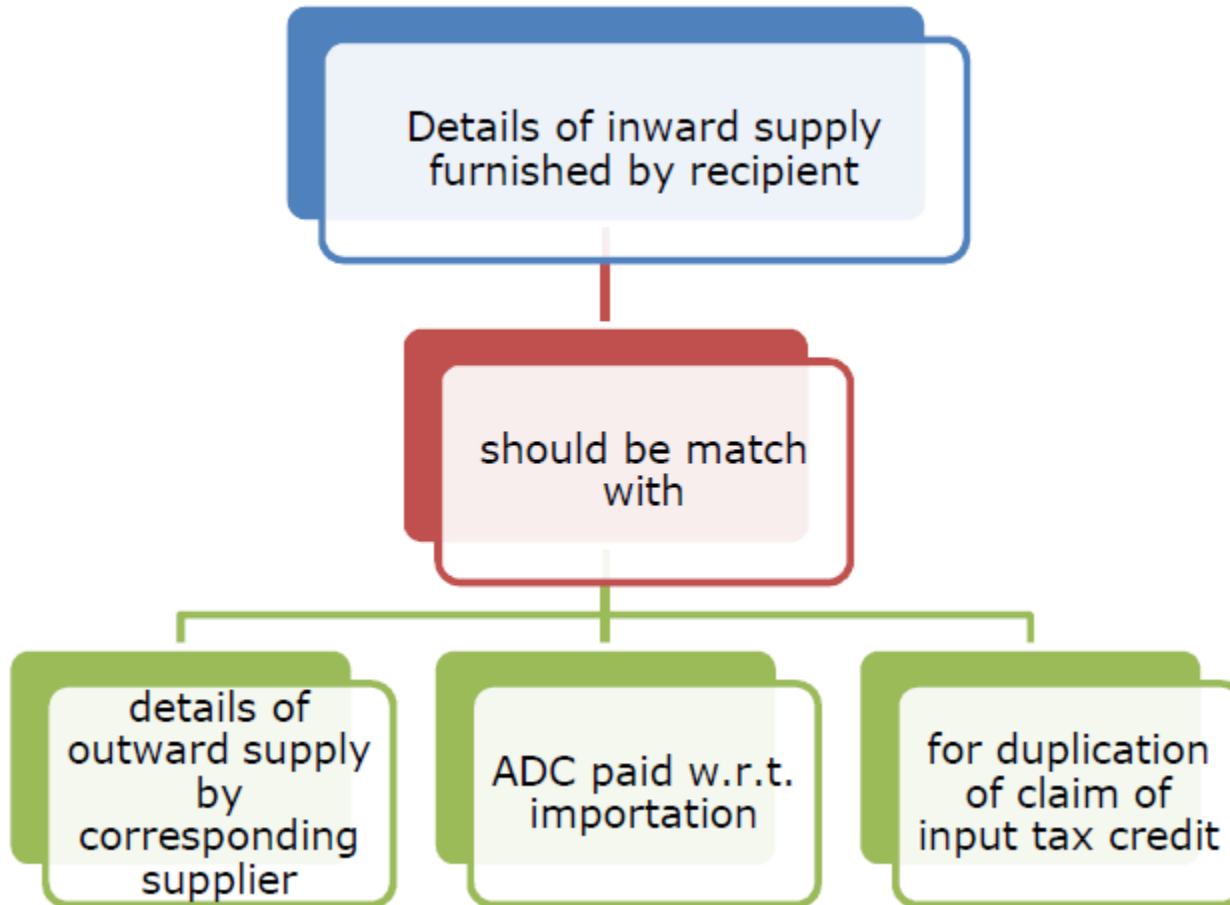
Returns under GST

Particular	Forms	Periodicity	Late filing fees/penalty
Outward supplies Return sec-25	GSTR-1	10 th day of succeeding month	Rs. 100 per day (max-Rs5000)
Inward supplies Return Sec-26	GSTR-2	15 th day of succeeding month	
Return under sec-27 (common return)	GSTR-3	20 th day of succeeding month	
Return for person opted for composition scheme under sec-8 (sec-27)	GSTR-4	18 th day of succeeding quarter.	
Return under sec-35 for tax deduction at source (sec-27)	GSTR-7	10 th day of succeeding month	
Input service distributor shall furnish return (sec- 27)	GSTR-6	13 th day of succeeding month.	
Every taxable person (other than ISD, casual, NR and deductor u/s -37)	GSTR-8	31 st day of December month of succeeding Year.	Rs. 100 per day (max 0.25 % of turnover)
Notes- Each State where the Business is carried out will have to obtain separate registration and separate annual return to be filed, but delay will cause huge late fees to be extend of 0.5% of aggregate turnover of irrespective of turnover in a particular state.			



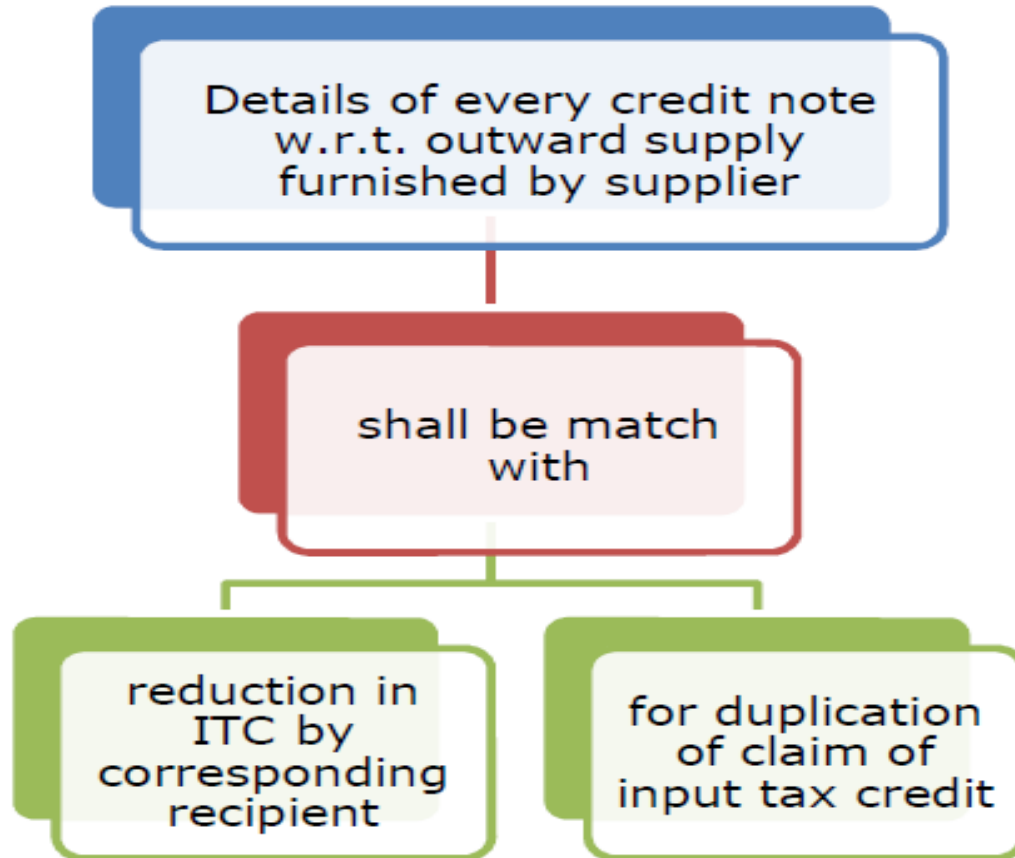


MATCHING CONCEPT





MATCHING CONCEPT





CREDIT CHAIN UNDER GST

**TO BE
OFFSET IN
SAME
ORDER**

**CENTRAL GST
CREDIT**

**STATE GST
CREDIT**

**INTEGRATED GST
CREDIT**

1	Central GST Liability	State GST Liability	Integrated GST Liability
2	Integrated GST Liability	Integrated GST Liability	Central GST Liability
3		-	State GST Liability

Entities may need to maintain Separate IGST Credit Chain for each State individually





CENVAT CREDIT MATRIX

TAX TYPE (INPUT)	TAX TYPE (OUTPUT)	WHETHER POSSIBLE	RANKING
CGST	CGST	YES	1
CGST	SGST	NO	N.A
CGST	IGST	YES	2
SGST	CGST	NO	N.A
SGST	SGST	YES	1
SGST	IGST	YES	2
IGST	IGST	YES	1
IGST	CGST	YES	2
IGST	SGST	YES	3





TRANSITIONAL PROVISIONS (SECTIONS 141-162E)



- To facilitate migration from present tax system to GST regime.
- Provisional registration for 6 months suo moto
- Carry forward of unutilized input tax credit –
 - to be reflected in earlier return
 - eligible under both regimes
 - un availed credit of capital goods can be taken, if also allowed under GST regime
 - inputs to be shown as stock on appointed day
 - no credit if opted for composition scheme





TRANSITIONAL PROVISIONS (SECTIONS 141-162E)



- Pending refund claims to be decided under earlier law
- Returns can be revised
- Recovery under new law
- Earlier works contracts being executed now to be taxed as per new law
- Supply in GST period for consideration already received and taxed in present regime will not be taxed again
- Supply in earlier period for which consideration received in GST regime will not be taxed again.





ISSUES CONCERNING RAILWAYS

- Supplies in J&K
- More investment / FDI likely which may improve infrastructure
- Works contract
- Cleaning / sanitation services
- Invoicing by railways
- Diesel / petrol and Electricity out of GST scope – No Input credit on these items
- Taxability of long term lease arrangements





ISSUES CONCERNING RAILWAYS

- Imports would be subject to both BCD and IGST
- Considering In-housing the facilities instead of outsourcing all the facilities
- Training to man-power for GST preparedness
- Forced to use IT resources
- Works contract could be taxed on gross value with ITC on goods and services being available.
- Internal supplies under the scope of GST
- Services (both input and output) may become costly





ISSUES CONCERNING RAILWAYS

- Strong accounting system to avail seamless credit
- Data flow system to be in place (could be separate / dedicated IT or MIS Department)
- Multiple returns to be filed
- TCS on booking tickets through YTSK
- *Registration :*
 - May be required for each unit/workshop/station/office.
 - Need not to get fresh registration.
 - No concept of centralized registration.
 - May take separate registration for business verticals.
 - Required to get registration for TDS,TCS, Reverse charge etc.





ACTION POINTS FOR SMOOTH GST IMPLEMENTATION

Initial Ground work before GST constitutional amendment

Comparison of current taxes on initial GST design

- Identifying sources of procurement and capturing of all tax cost in the present system

Identifying areas for filing representations/ clarification for changes in model legislation

- Based on analysis of current and future taxes based on initial GST design



STEP 1





ACTION POINTS FOR SMOOTH GST IMPLEMENTATION

Post Release of Draft Legislation

Detailed study of GST impact on the company business based on model legislation

- Devising new business models for more efficient shift to GST regime

Devising transition strategy

- Based on initial analysis and detailed study of GST legislation, devising strategy to ensure smooth transition into GST



STEP 2





ACTION POINTS FOR SMOOTH GST IMPLEMENTATION

Implementation

Implementation of GST Models through out the company considering changes made in final legislation

- Train company professionals for proper implementation of GST

Proper guidance and supervision of GST implementation process

- Routine hand holding to ensure smooth implementation of GST

STEP 3





*“Absorb what is useful ,
discard what is not ,
add what is uniquely your own .”*

-Bruce Lee





**THANK YOU
FOR
YOUR
PRECIOUS TIME
AND
ATTENTION**

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**For all about GST , visit
[@www.gstcounsellor.com](http://www.gstcounsellor.com)**

