

GST ROADMAP, OVERVIEW & TRANSITIONAL PROVISIONS

GST is Coming.....

01.07.17???



GST ROADMAP, OVERVIEW & TRANSITIONAL PROVISIONS



- How are we placed World wide as far as GST Implementation is concerned?
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GST ROADMAP, OVERVIEW & TRANSITIONAL PROVISIONS



- **PRESENT TAX STRUCTURE**

- **Cascading Tax Effect**

- **Administrative Difficulties**

- **Chances of Leakage of Revenue**









GST ROADMAP, OVERVIEW & TRANSITIONAL PROVISIONS



- **PRESENT TAX STRUCTURE**

- **Certain Goods or Services being taxed both by State as well as Centre**
 - **More Procedural Compliances under Different Acts**
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GST OBJECTIVES









GST ROADMAP, OVERVIEW & TRANSITIONAL PROVISIONS



GST OBJECTIVES

- **ONE NATION ONE TAX**
 - **SEAMLESS FLOW OF CREDIT**
 - **MITIGATION OF CASCADING / DOUBLE TAXATION**
 - **DEVELOPMENT OF ONE NATION – ONE MARKET**
 - **SIMPLE TAX REGIME**
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TUG OF WAR



CENTRAL

STATE



REVENUE SHARING





GST PRINCIPLES

Vis-à-vis

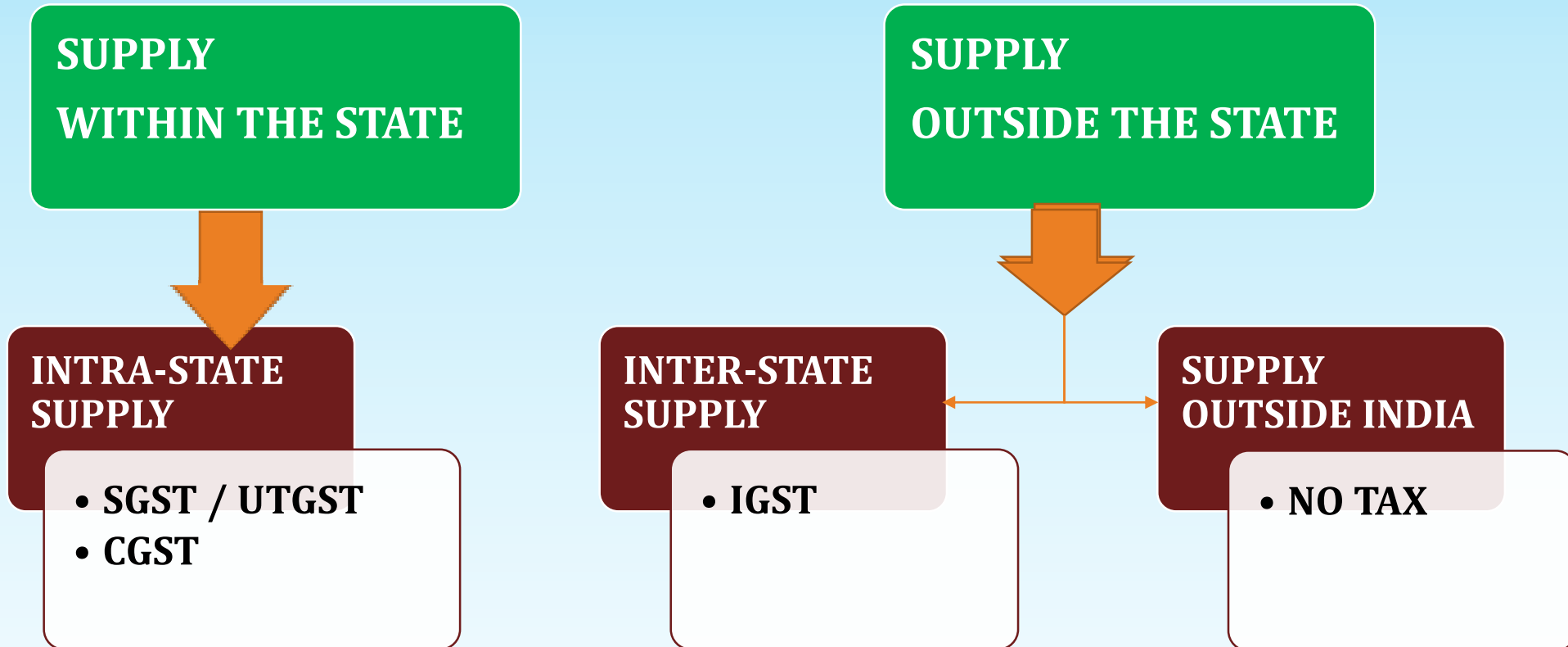
REALITY



GST PROMISES Vs. REALITY

- **IS IT ONE NATION ONE TAX? => NO**
 - **SEAMLESS FLOW OF CREDIT => NO**
 - **MITIGATION OF DOUBLE TAXATION => To some extent**
 - **DEVELOPMENT OF ONE NATION – ONE MARKET => ??**
 - **SIMPLE TAX REGIME => ??**
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DUAL TAX SYSTEM UNDER GST REGIME



EXISTING TAXES SUBSUMED UNDER GST REGIME

SGST

- VAT
- PURCHASE TAX
- ENTRY TAX
- LUXURY TAX
- SURCHARGE & CESS

CGST





- EXCISE DUTY
- SERVICE TAX
- SURCHARGE & CESS
- ADE
(Additional Duty of Excise)

IGST

- CST
- CVD & SAD



EXISTING TAXES NOT SUBSUMED **UNDER GST REGIME**

- **PROFESSION TAX**
 - **CUSTOM DUTY**
 - **EXCISE ON ALCOHOLIC BEVERAGES & LIQUOR**
 - **ROAD TAX**
 - **STAMP DUTY**
 - **PROPERTY TAX**
 - **TAX ON SALE OF ELECTRICITY**
 - **SAFE GUARD DUTY ON STEEL IMPORT**
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TAXABLE EVENT UNDER GST

- MEANING OF SUPPLY :

Supply - Against Consideration		Supply - Consideration is not must
Furtherance of Business	Furtherance of Business not must	
Sale Transfer Barter Exchange License Rental Lease Disposal Importation of Services	Importation of Services	<ol style="list-style-type: none">1. Permanent Transfer / Disposal of Business Assets where ITC availed on such Assets.2. Supply between Related person or distinct person in the course of F/B.3. Supply of Goods by Principal to Agent or Vice versa4. Importation of Services by a Taxable Person from –<ol style="list-style-type: none">a. Related Personb. Any of his establishment outside India

TRANSITIONAL PROVISIONS UNDER GST

MEANING OF SUPPLY

ISSUES :

1. Is it Required to Identify whether the said supply is Goods or Services? => YES

- For ascertaining Time of Supply and of Place of Supply, there are different set of Rules for Goods and Services.

- Further, the rate of tax applicable to supply of goods and supply of services may be different.

TRANSITIONAL PROVISIONS UNDER GST

MEANING OF SUPPLY

ISSUES :

2. Gifts given by employer to employee will also qualify as supply? => YES

- employer and employee will be deemed to be related persons. Accordingly, gift by an employer to employee will be a supply and will be liable to GST.

- However, any gifts for a value not exceeding Rs. 50,000 in a financial year will not qualify as supply and as such will not be liable to tax.

TRANSITIONAL PROVISIONS UNDER GST

MEANING OF SUPPLY

COMPOSITE SUPPLY :

- Means means supply consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business => Charged @ Principal Supply

- e.g. Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance together is a composite supply => Charged @ Principal Supply i.e. Goods

One Night Stay with Free Breakfast => Taxed @ Principal Service i.e. Night Stay

TRANSITIONAL PROVISIONS UNDER GST

MEANING OF SUPPLY

MIXED SUPPLY :

- Means means two or more individual supplies of goods or services or any **combination** thereof, made in conjunction with each other for a single price => Charged @ **Higher Rate** under GST.
- e.g. Tea & Conversations Restaurant is serving Pizza + Pepsi as a combo offer => now if Pizza is liable @ say 18% & Pepsi @ 28% => GST would be charged @ 28%

TRANSITIONAL PROVISIONS UNDER GST

Migration of Existing Taxpayers to GST

Every registered person under the earlier law has to compulsorily get Registered under GST and shall be granted a Provisional / Temporary registration Number (PRN) of 15 digit.

Such PRN will be valid for 3 months (??) or for such extended period as may be notified.

Submit Registration Application in Form GST REG -1 Electronically along with Required Documents. After verification, if found in order, Final RC will be Granted (Form GST REG - 2). If not (Incomplete or Incorrect Application), PRN shall be Cancelled after giving an opportunity of being heard.

TRANSITIONAL PROVISIONS UNDER GST

Migration of Existing Taxpayers to GST

One Registration for all the Locations within the State / UT

However, in case of Multiple Business Verticals (Business Segment), Option to apply for Separate Registration

In case of any Amendment in Registration Details, Application to be made within 15 Days.

In case of Change in Constitution, Apply for Fresh Registration as there would be change in PAN and GSTIN is linked with PAN

TRANSITIONAL PROVISIONS UNDER GST

Migration of Existing Taxpayers to GST

What if Provisional Registration Number is cancelled?

Whether Retrospective or Prospective?

What about Payment already being made by such Person and ITC already claimed by other recipients? **Need further Clarity**

Person registered under GST but not required to get registered under GST shall Apply for Cancellation within 30 Days of appointed date.

TRANSITIONAL PROVISIONS UNDER GST

CARRY FORWARD OF CREDIT

EXCESS CENVAT (Excise & Service Tax) & ITC (VAT) CREDIT AS PER RETURNS

TRANSITIONAL PROVISIONS UNDER GST

CARRY FORWARD OF CENVAT CREDIT

Manufacturer & Service Provider can take Credit of the excess amount showing in their last return =>

Yes, but

Subject to Certain Conditions to be fulfilled....

TRANSITIONAL PROVISIONS UNDER GST

CARRY FORWARD OF CENVAT CREDIT

EXCESS CENVAT (EXCISE & SERVICE TAX) CREDIT AS PER RETURNS

140 (1) & (2) Conditions to avail Excess Cenvat Credit =>

- i. Registered Person under GST**
- ii. ITC should be admissible under present law as well as GST. (like - Food & Beverages / Outdoor Catering)**
- iii. Not Opted for Composition Scheme in GST**
- iv. Furnished all the returns for the past 6 months**
- v. Refund not claimed in Return**
- vi. Credit does not relate to goods manufactured and cleared (CENVAT) under exemption notification.**

TRANSITIONAL PROVISIONS UNDER GST

CARRY FORWARD OF CENVAT CREDIT

e.g. M/s. Raj Industries - Registered under Excise / Service Tax and has Excess Cenvat Credit in its Excise / Service Tax Return of Rs. 1.50 Lacs for the period ended 30.06.2017 => Entitled to take credit of Rs. 1.50 Lacs to its ECL.

TRANSITIONAL PROVISIONS UNDER GST

CARRY FORWARD OF CENVAT CREDIT

ISSUES :

1. Credit to be C/f. as SGST / CGST or IGST? => CGST
2. Whether Excess Credit for KKC, Education Cess & S&H Edu. Cess can be C/f as CGST? => YES. All components will get merged as single credit to CGST.
However, KKC is allowable only in respect of service providers.
3. Any time limit for C/f. => No Time Limit
4. What if Credit remained to be B/f. from Past Period in the Last Return => Credit will not be available and the Assesse will have to claim it back by way of REFUND under the existing law.

TRANSITIONAL PROVISIONS UNDER GST

CARRY FORWARD OF CENVAT CREDIT

ISSUES :

5. M/s. HCL – having Multiple Registration within the State but now Only Single Registration under GST => Credit will be clubbed together from all such returns and Credited to ECL as CGST credit.

6. What if credit wrongly claimed in the Returns gets disallowed subsequently in an Assessment => to be Recovered as an Arrears of Tax under GST along with Interest.

7. If there is a discrepancy in Excess Credit as per Books and as per Return => Which amount to be C/f. => Amount as per Books is Irrelevant

TRANSITIONAL PROVISIONS UNDER GST

CARRY FORWARD OF CENVAT CREDIT

ISSUES :

8. Dealer is a Service Provider and has PAN India presence but having only Centralised Registration => may need to get registered under GST in each such state => Excess Credit to be apportioned State-wise ?

There is no mechanism being provided as such the dealer is allowed to transfer Credit to any person having same PAN (any state).

TRANSITIONAL PROVISIONS UNDER GST

CARRY FORWARD OF CENVAT CREDIT

ISSUES :

9. What if after filing Original Return, Dealer revises the Excise / Service Tax Return due to some error or omission =>

If Excess Credit Reduces => Credit as per ECL to be Reduced Accordingly

If Excess Credit Increases => Original Credit as per ECL (not to be Enhanced)

10. What if Credit yet to be availed and not reflected in Return as at appointed day? => Sec. 140(2) of CGST

TRANSITIONAL PROVISIONS UNDER GST

CARRY FORWARD OF CENVAT CREDIT NOT IN RETURN

140 (2) Unavailed CENVAT Credit on Capital Goods not reflected as C/f. in Return => entitled to take credit in ECL (Electronic Credit Ledger) on the appointed day only when credit is otherwise allowable under present law.

In case of capital goods whose part credit was availed in current period and part credit is to be availed under GST, he will have to submit the E-declaration in Form GST TRAN-1 within 90 Days specifying:

- a. Amount of credit already availed in the current law**
- b. Amount of credit yet to be availed under the existing law and which he intends to avail under GST period**

TRANSITIONAL PROVISIONS UNDER GST

CARRY FORWARD OF CENVAT CREDIT NOT IN RETURN

e.g. M/s. Shamvik Glasstech P. Ltd. has purchased Capital Assets on which 50% credit of Excise Duty has been availed in the Return in the year of purchase. The balance 50% to be allowed next year, is yet to be claimed in Excise Return.

Such credit even if not reflected in Excise Return, filed for the period immediately preceding the appointment date, will be allowed to the Credit of ECL.

TRANSITIONAL PROVISIONS UNDER GST

CARRY FORWARD OF ITC (VAT)

EXCESS VAT CREDIT AS PER RETURNS :

Similar provisions like those for claiming Cenvat Credit except for :

- 1. Excess VAT Credit as per return dated 30.06.2017 need to be reduced to the Extent of Claims on Account of Pending Declaration Forms / Compliance.**
- 2. The credit would be allowed if the said Forms have been received within the stipulated time (3 months?)**

TRANSITIONAL PROVISIONS UNDER GST

CARRY FORWARD OF ITC (VAT)

EXCESS VAT CREDIT AS PER RETURNS :

e.g. - M/s. UK Vet Chem has excess credit of Rs. 4.00 Lacs in its last VAT return.

Now what would be the amount to be C/f. to ECL, if differential tax Liability pertaining to pending Declaration Forms (as at 30.09.17?) is say -

- i. Rs. 2.00 Lacs => 2.00 Lacs (4.00 - 2.00)
- ii. Rs. 5.00 Lacs => NIL (4.00 - 5.00)

TRANSITIONAL PROVISIONS UNDER GST

CARRY FORWARD OF ITC (VAT)

EXCESS VAT CREDIT AS PER RETURNS :

- Whether Choice is with the Dealer either to C/f. Or Claim REFUND => YES.
- What if Excess Credit > Rs. 5 Lacs => Choice is available
- However, it is advisable to claim Refund under VAT, if there is no possibility of the Excess Credit C/f. getting adjusted under GST Regime in the near future => as there is nothing like REFUND Mechanism under GST except for few exceptions - like SEZ Units, Direct Exporters.

TRANSITIONAL PROVISIONS UNDER GST

CENVAT CREDIT ON STOCKS

Other than Manufacturer and Service Provider, who else is eligible for CENVAT Credit on Goods held in Stock as at 30.06.2017 => 140 (3) Eligible Persons :

- 1. Not Liable to be Registered under Excise / Service Tax (due to turnover below threshold limit)**
- 2. I Stage / II Stage Dealer under Excise**
- 3. Registered Importer**
- 4. Depot of Manufacturer**
- 5. Works Contract Service Provider paying Service Tax @ abated value of 30%
=> entitled to take credit of ELIGIBLE DUTIES of Inputs, Semi-finished & Finished Goods held in Stock as at 30.06.17, subject to following conditions :**

TRANSITIONAL PROVISIONS UNDER GST

CENVAT CREDIT ON STOCKS

140 (3) - Conditions :

- i. Inputs used / intended to be used for Taxable Supplies under GST**
- ii. Eligible for ITC under GST Act**
- iii. Possession of Tax Invoice / Prescribed Documents evidencing payment of Duties**
- iv. Date of Tax Invoice / Documents < 12 months of Appointed Day
i.e. on or after 01.07.2016**
- v. Not eligible for any abatement under GST Act**
- vi. Not opted for Composition Scheme under GST Act.**

TRANSITIONAL PROVISIONS UNDER GST

CENVAT CREDIT ON STOCKS

M/s. Yogesh Switchgears is registered as First Stage Dealer under Excise and has goods lying in stock as at 30.06.2017 and having Excise Invoices / Documents =>

- 1. Eligible for Cenvat Credit if it satisfies all the conditions? => Yes**
- 2. If Yes, how much Credit? => 100%**
- 3. Credit to taken in which Form => CGST**

CENVAT CREDIT OF STOCK

(if Excise paid Invoice / Document not available)

Issue :

What if, the said Dealer is not in Possession of an Excise Paid Invoices / Documents evidencing payment of Excise Duty, but satisfying other conditions =>

1. Credit will still be available (for persons other than Manufacturer or Service Provider) in the following proportions

CENVAT CREDIT OF STOCK

(if Excise paid Invoice / Document not available)

GST %	SGST	CGST	CENVAT (% of CGST)	CREDIT	NOTE
5%	2.5%	2.5%	40% of 2.5%	1.00%	Even if IGST charged @ Full rate => Credit Available would still be the same
12%	6.00%	6.00%	40% of 6.0%	2.40%	
18%	9.00%	9.00%	60% of 9.0%	5.40%	
28%	14.00%	14.00%	60% of 14.0%	8.40%	

CENVAT CREDIT OF STOCK

(if Excise paid Invoice / Document not available)

Issues / Conditions :

1. When Credit Would be available => Cash Back System => Only after making Payment of Taxes as and when the Goods lying as stock are being sold.
2. Stock need to be sold within a period of 6 Months
3. Monthly Stock Statement showing such disposal of Stocks to be submitted in Form GST TRAN – 2 for each 6 tax period.
4. **The Dealer has to pass on the benefit of such credit to the recipient => Anti Profiteering Mechanism? => GP Margin before GST Regime and under GST Regime should remain the same.**
5. The stock of goods on which the credit is availed is so stored that it can be easily identified by the registered person
6. Supplier of Service whether eligible for Cenvat => No

MISCELLANEOUS TRANSITIONAL PROVISIONS

in - Transit :

- 1. Whether Credit of Excise, VAT, Entry Tax, etc. would be available on Goods which were purchased under existing act but the same was in transit as at the appointed date => YES, but the Registered Person need to account the said invoice in its books within 30 Days (+ 30 days of extended time) and furnish the required details in prescribed form.**
- 2. Whether Credit of Service Tax allowable of Services Invoiced under Existing Law but services received on or after the appointed date => Yes, provided payment of tax is being made under existing act and the invoice is recorded in the books of accounts within 30 days.**

MISCELLANEOUS TRANSITIONAL PROVISIONS

in - Transit :

1. Goods Removed and sold on 25.06.17 after making payment of Excise duty received back on 10.07.2017 => whether Refund of Excise would be available?

=> Yes, only if Sales is made to Unregistered Buyer

=> Goods are received back within 6 months from the Appointed Date

MISCELLANEOUS TRANSITIONAL PROVISIONS

Upward / Downward Revision of Contract :

If any upward / downward revision of contract entered prior to Appointed Date is being amended under GST Regime, the Registered Person must issue a Supplementary Debit Note / Credit Note acknowledging the same and the same shall be treated as Supply made under GST.

=> Upward Revision => Additional GST

=> Downward Revision => Reduction in GST Liability to be allowed only if corresponding ITC has been reduced by the recipient.

SALIENT FEATURES & TO DO LIST

- **1. Persons entitled to take transition credit will have to submit a declaration within 90 days (upto 30th Sept) specifying the credit he wants to take on stocks lying with him on 30th June.**
- **2. Declaration will have to be submitted in from GST Tran-1**
- **3. Commissioner can extend this timeline by another 90 days**
- **4. In case of capital goods whose part credit was availed in current period and part credit is to be availed under GST, he will have to submit the declaration specifying:**
 - **a. Amount of credit already availed in the current law**
 - **b. Amount of credit yet to be availed under the existing law and which he intends to avail under GST period**

SALIENT FEATURES & TO DO LIST

- **5. Persons having excise invoices for stocks lying as on 30th June will be entitled to take full credit of excise mentioned in invoices**
- **6. Deemed Credit:**
- **Persons who do not have excise invoice, will be eligible to take credit in the following manner:**
- **a. For goods taxable @ 18% or above - Credit shall be allowed at the rate of 60% of CGST payable on that goods – so if the rate is 18% then credit will be available @ 8.4% (60% of 9% CGST)**
- **b. For goods other than above - Credit shall be allowed at the rate of 40% of CGST payable on that goods – so if the rate is 12% then credit will be available @ 2.4% (40% of 6% CGST)**

SALIENT FEATURES & TO DO LIST

- **7. Credit in the above Deemed Credit scheme will be available only once the said goods are sold and GST is paid. It's like a cash back scheme.**
- **8. To take the credit in this scheme following conditions will have to be fulfilled:**
 - **a. such goods were not unconditionally exempt from excise**
 - **b. the document for procurement of such goods is available**
 - **c. the stock of goods on which the credit is availed is so stored that it can be easily identified by the registered person.**

SALIENT FEATURES & TO DO LIST

- **9. Deemed credit scheme will go on for 6 months from GST date, so stocks lying as on 30th June have to be sold maximum upto 31st December, 2017. No credit will be available if these goods are sold after December 2017.**
- **10. Separate return under for GST TRAN-2 will have to be filed.**
- **11. Every person to whom the provision of section 142 (11) (c) applies, shall submit a declaration within 90 days of GST date in form GST TRAN-1 furnishing the proportion of supply on which VAT or service tax has been paid before the GST day but the supply is made after the GST day, and the ITC admissible thereon.**

SALIENT FEATURES & TO DO LIST

- **12. Every person to whom the provisions of section 141 (Jobworker) apply shall, within 90 days of the GST day, submit a declaration electronically in form GST TRAN-1, specifying therein, the stock held by him on the appointed day.**
- **13. Every person having sent goods on approval under the existing law and to whom section 142 (12) applies shall, within 90 days of the appointed day, submit details of**
- **such goods sent on approval in form GST TRAN-1.**
- **It is very important to submit *correct form* in order to get all credit. The details could be matched or cross checked.**

SALIENT FEATURES & TO DO LIST

- A brief to do list for GST implementation :
- **1. Get Complete your working for Closing Stock for the period 31.3.2017 / 30.6.2017 before GST Implementation date .**
- **2. Allocate your such stock into quantitative mode. - If goods can't be identified with corresponding purchase invoice, should follow FIFO Basis.**
- **3. Get the A/c Statement from your Suppliers / Creditors for the year ended 31/3/2017 & verify with your books.**
- **4. Rectify Mismatch Reports of Purchases, if persists.**

SALIENT FEATURES & TO DO LIST

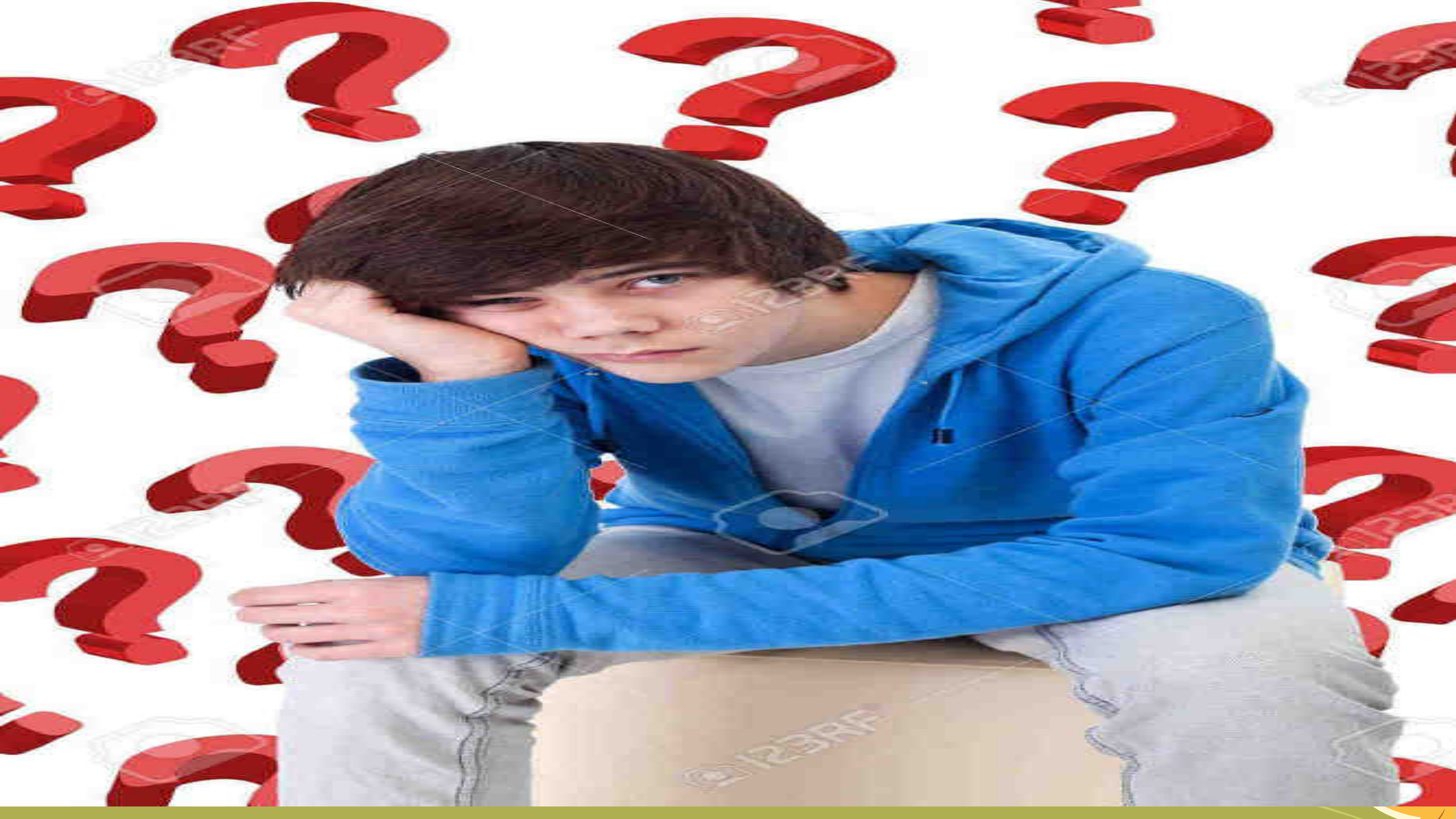
- **5. Revise your Vat Returns if point no.4 applies to you.**
- **6. Make strict follow-up to Collect all the C forms/H Form/ I forms**
- **7. Get your Books Finalise for FY 2016-17**
- **8. Make a separate file of those items which are shown in your Unsold stock as on 30.6.2017 e.g. Purchase Bills/ Bill of Entry/ Excise Paying Documents etc.**
- **9. Stock ageing be made to ascertain if any stock is more than 1yr old. If yes then dispose it off immediately or sell it to your sister concern against Tax Invoice locally.**


SALIENT FEATURES & TO DO LIST

- **10. Classify stock tax rate wise, purchased locally to get ITC into SGST.**
- **11. Classify stock purchased on invoices bearing Duty Payment & non duty payments to get ITC transferred to CGST.**
- **12. Inform your GSTIN / ARN to all suppliers of Goods & Services.**
- **13. Obtain GSTIN of all Suppliers & Buyers.**
- **14. Apply for migration in all states if you have centralised registration under Service Tax.**
- **15. Train your accountants for GST accounting and returns formats.**

SALIENT FEATURES & TO DO LIST

- **16. Make Chart of HSN CODES & GST Rates on your goods & services to be purchased & Sold.**
- **17. Check whether any stock of one year old is lying with you .**
- **18. Analyze P&L and see which expenses are liable to RCM.**
- **19. No Scope for Error / Omission =>**



A wooden sign with the words "Thank you!" written in black cursive. The sign is placed on a bed of brown mulch. In the background, there are several bright yellow and green leaves, possibly from a tree or shrub, which are slightly out of focus. The overall scene is outdoors and bright.

Thank
you!