

GST -Some Basic Concepts

Presented By:

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Necessity for GST

- Present system of indirect tax has multiplicity of taxes levied by Centre & State
- Tax on tax, increases cost - Cascading
- No uniformity of tax rates – Confusion when to pay, on what to pay
- Increase in compliance & administration costs
- Credit blockage due to restrictions under various laws – Luxury tax, VAT, ST

Example:

- i. A Service provider cannot claim VAT , Luxury tax, SAD Credit...
- ii. A VAT dealer cannot claim CST , luxury tax, Service tax Credit...
- iii. A manufacturer cannot claim CST, Luxury tax ...Credit.

Does GST help India progress?

- GDP Growth go Up by about 2-3% over 2 years
- International Competitiveness by about 5-8% over 2 years
- Increased FDI- Already seen
- Common Market- Tax distorted locations and check post delays would not be there.
- All those who gain by doing business to be part of tax payment
- Lower transaction cost – reduced corruption
- Increased IDT + Direct Tax Revenue

What is GST (Goods and Service Tax)?

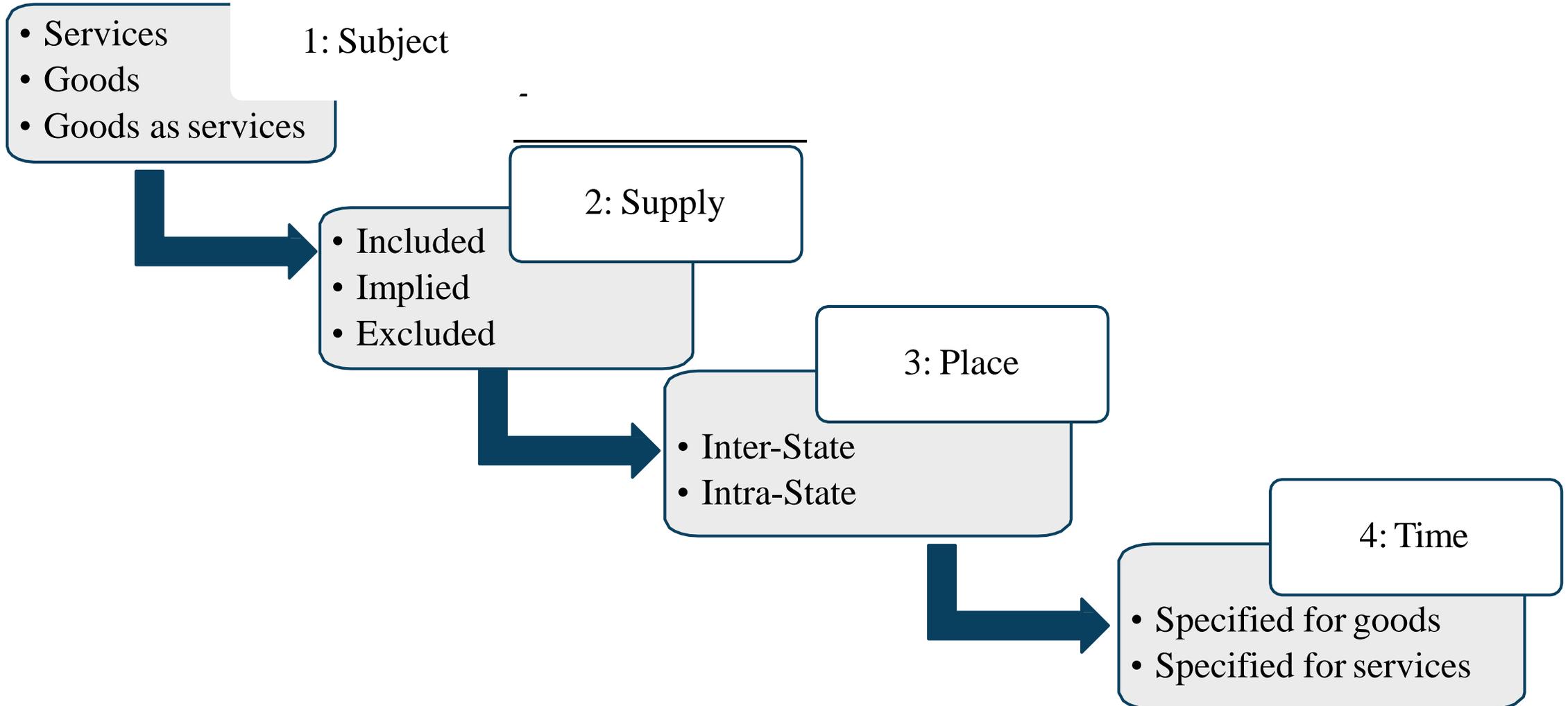
- Tax on “Supply” of Goods & Services
- Destination based tax – Global Integration
- Goods – Every kind of movable property other than money and securities.
- Services – Anything other than goods
- Thus, GST has a wider coverage, and merges 11 Taxes.
- India proposes dual GST model – Federal Structure - CGST & SGST.
- Internationally, GST was first introduced in France and now more than 160 countries have introduced GST

Levy

- **CGST/SGST** - shall be levied on all **intra-State supplies** of goods and/or services
- **IGST** - shall be levied on all **inter-State supplies** of goods
- **Composition Levy – Not applicable to services (Incl. WCT)** - pay 0.5% for traders Restaurants – 2.5% - More later
- **Reverse Charge** – Goods (URD) & Services (Unregistered, Unorganised, Import) – Even those in Threshold as they will not be registered.



Levy & Collection





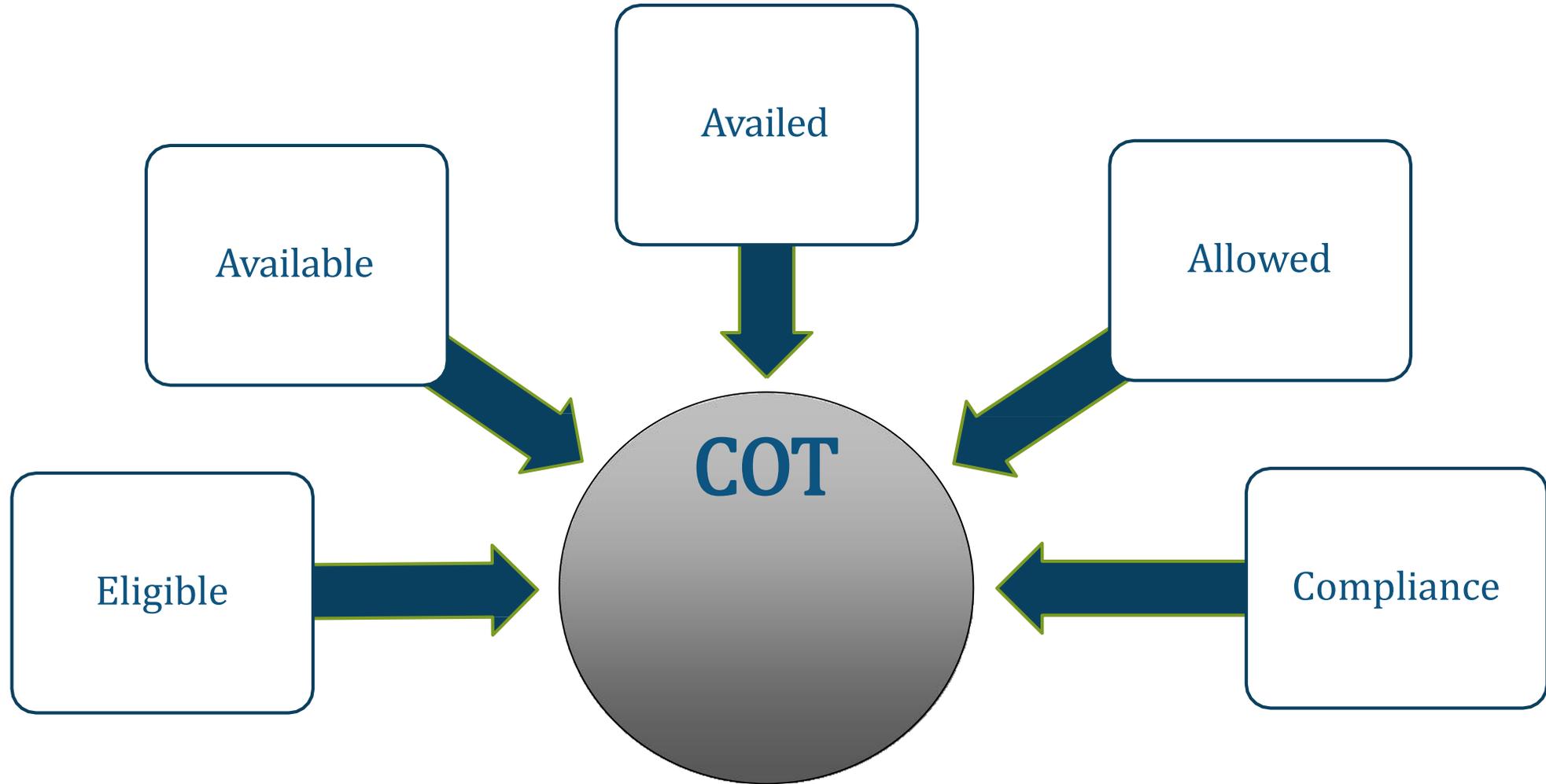
Levy & Collection

| Description | Composite Supply | Mixed Supply |
|--|------------------|--------------|
| Naturally bundled | Yes | No |
| Supplied together | Yes | Yes |
| | | |
| Can be supplied separately | No | Yes |
| One is predominant supply for recipient | Yes | No |
| Other supply is not 'aim in itself' of recipient | Yes | No |
| Each supply priced separately | No | No |
| | | |
| All supplies are goods | Yes | Yes |
| All supplies are services | Yes | Yes |
| One supply is goods and other supply is services | Yes | Yes |

While, the above tests could be guiding principles in determining as to whether a supply is composite or mixed supply the end user test could be adopted as one of the criteria; Every supply will have to be independently analysed.



Composition Levy – Sec. 10 of CGST Act-2017



- ✓ For the person who has AGGREGATE TURNOVER equal or less than 50 lakhs IN PR. YR AND CURRENT YEAR
- ✓ Rates – $[1+1] = 2\%$ in case of a manufacturer (other than notified)
- ✓ - $[0.5+0.5] = 1\%$ for Traders
- ✓ - $[2.5+2.5]= 5\%$ for Small suppliers of food & beverages*
- Note: Not available for service providers other than food related.
- If not eligible then very very difficult.
- Quarterly return- Upload of purchases?



- Optional Scheme: Not suitable for B2 B suppliers
- Taxable person who affects any inter-state supplies of G & / S - **not** entitled for composition scheme.
- No stock of goods procured interstate or Import
- Person having business in different places and separately registered all of them should opt for composition scheme.
- Person cannot be in composition in one registration and outside in another registration.
- A taxable person who pays tax under composition levy **shall not** collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit.
- **Industry representation needed made to ease some of these conditions to enable the survival of small business man without breaking the chain of credit.**

Exemption

- Rs. 20 Lakhs Aggregate T.O. (Rs. 10 Lakhs for Special smaller States)
- No credit without registration
- Transactions by CG/ SG/ Local Body – not a supply
- Goods/ Services exempted by CG/ SG to be notified.
- Very Few Exemption: Primary Health/ education, specific cereals..
- Tax Rates pending: Textiles, Jewelry, ... 83 long list for Exempted services... RCM, still to be finalised ++

Challenges for Trade / Industry

- Continuation of business
- Safeguard their margins
- Safeguard / enhance their business by being GST ready
- Not lose/ plan for advantages available
- C/f of credit
- Comply with the complex electronic returns
- Limit exposure under the earlier laws

Role of CA
Pre-GST Period
Post-GST Period

Role of Chartered Accountant

Pre -
GST



Post
- GST

Pre-GST Period

Role as pre GST Act

2. Overview
3. Operational Consultancy
4. Network support & Infra.
5. Accounting & Taxation
6. Transitional Support Sr.
7. Centre/State Support Sr.
8. Global Opportunities

Role as per Model
GST Act, 2016

Overview

Operational
Consultancy

Network support &
Infra.

Accounting &
Taxation

Compliance
requirement

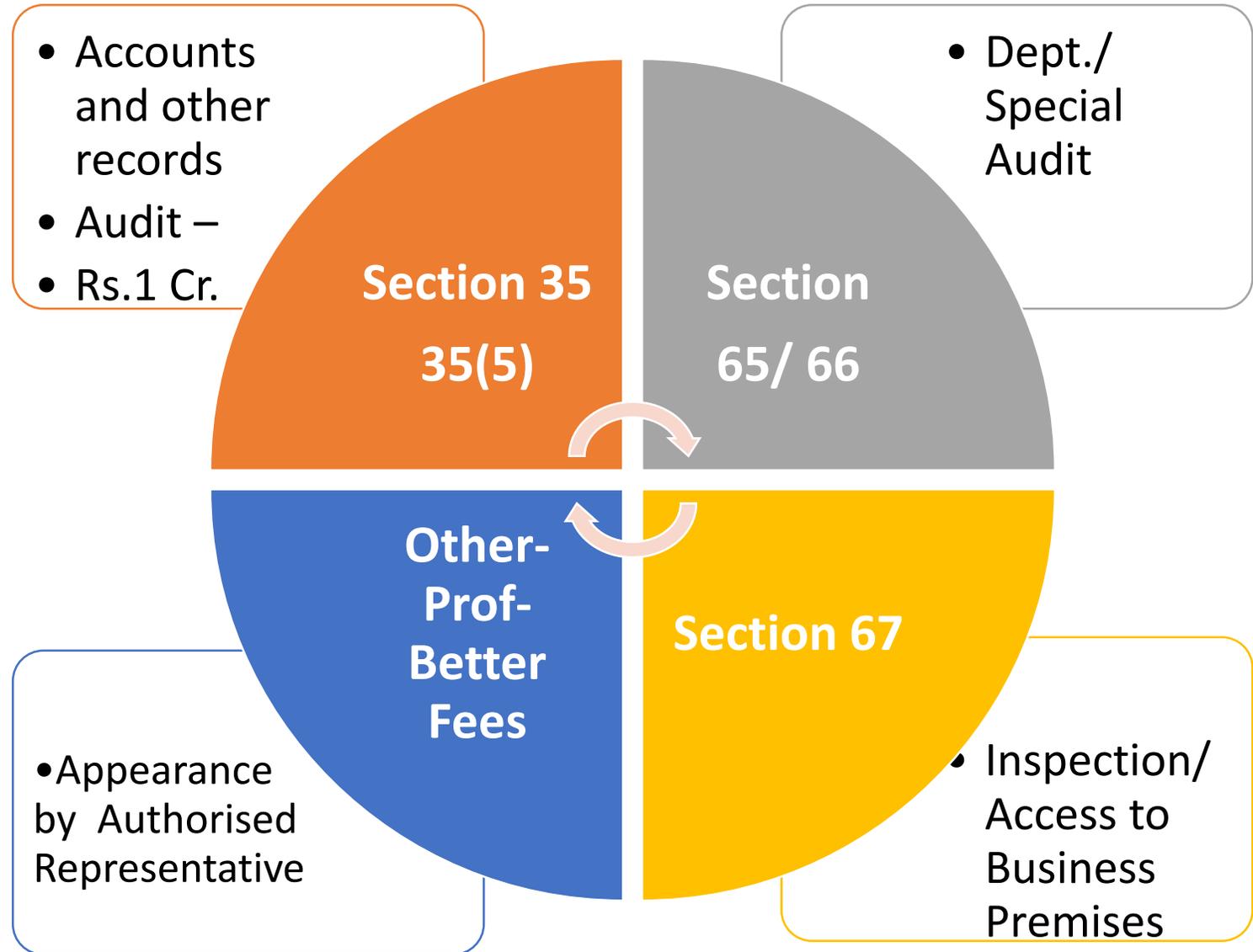
Transitional Support
Sr.

Centre/State
Support Sr.

Audit & Assurance

Pre-GST Period

1. Role - pre -GST Act
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Section 152 – Disclosure of Information by Public Servant

Pre-GST Period

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2. Overview – Key Areas
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Being in a position to **analyse the industry impact** considering the global and Indian situation of the product / service;

In case of unintended hardship to some sectors- **representation to the drafter** would be in order as the level of listening presently is high; Akin to Companies Act

The **clarity on the major impact on the client under GST** due to in-depth understanding of the business; This presently service offering would provide the client with important information to plan the way forward under GST. This could be done as GST law is in place;

Being part of the core team of client for analysing, transiting into GST smoothly without business disruption & safeguarding of margins or as a knowledge advisor for s/w developers;

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Understanding legacy tax

- Systems at client workplaces so as to provide appropriate advise on migrating to better systems/ ERP or suggest modification to make the existing systems GST compliant;

Assisting in preparation of a strategic plan for procurement and marketing systems of clients needed under GST.

- For example supporting in decisions on: Closure/ reduction in godowns and branches; direct sale through e-commerce; evaluation of the working with C&F agents; in house/ outsourcing the distribution function to logistic companies; sourcing inputs at lowest cost within shorter time; linking to the ERP of the customer etc.;

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Changes in accounting software and internal control systems to suit GST. Test and guide & confirm the robustness;

GST awareness at initial stages and training for management, staff, vendors of clients.

Vetting and suggestion to modify agreements/ contracts/ major purchase orders overlapping or supplies to be made in GST regime;

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Ensuring that the **claim of credit on stock in hand** is maximized by ensuring purchasing with excise duty paying documents as well as proper stock recording especially with job workers and agents and ensuring well thought of stocking policy;

Reviewing the various business transactions to examine whether closing out the transaction in the **pre GST or post GST period is advantageous**;

The students of CA- the future CAs would also require to be taught the new law to enable them do the GST work today + contribute in future;

Many CAs have good HR skills and have been in accounts outsourcing- Maybe time to ramp up substantially with increased continuous training in GST and use of IT tools;

Pre-GST Period

3. Operational Consultancy

Pricing

- Revisit the pricing strategies with the distributors
- Renegotiate (if any) the pricing with suppliers

Review of contracts

- Alignment of all major contract terms and tax clauses with GST
- Discounts terms to be specifically brought out in the contracts executed with distributors

Representations

- Making representation for lower rate of GST, taxability of promo products issued free

Compliance and documentation

- Maintaining detailed registers of supply and procurements, input credits
- Timely filing of monthly and annual returns

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GST developments – Sharing

- Tracking GST developments and creating awareness on GST

Impact on supply chain – Function wise

- Mapping impact of GST on current supply chain and suggesting modifications from GST perspective

Imp.on bus./finance – Focus on SOP + controls

- Identifying impact on financials, working capital, credit chain, concessions, and suggesting controls/ Short proc + planning options

Post implementation compliances

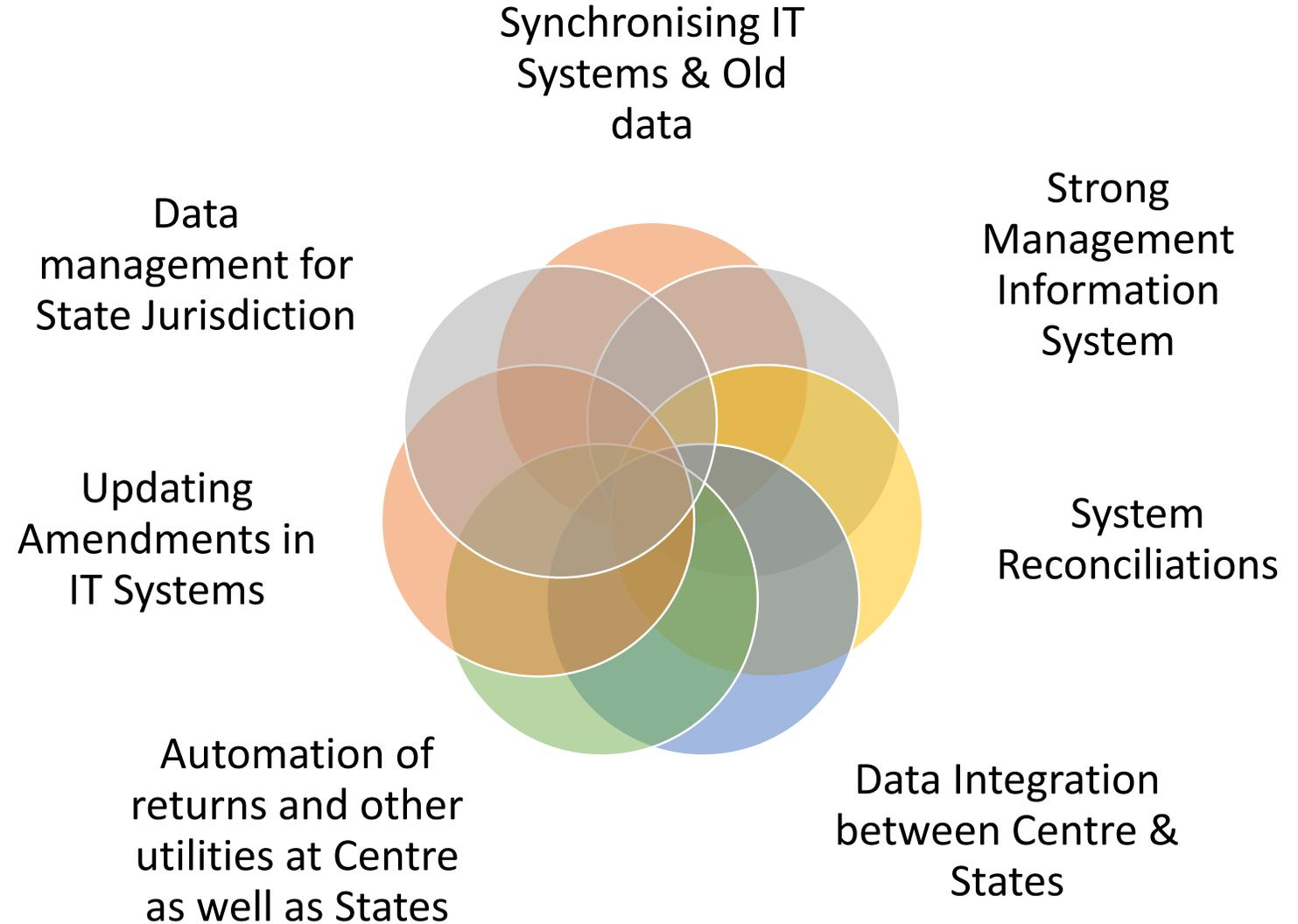
- GST awareness trainings, review of compliances, creation of manuals and access to GST updates/resolution to queries

ERP Updation - Validation

- Changes to ERP modules, MIS reports, statutory compliance support, and ongoing trouble shooting support

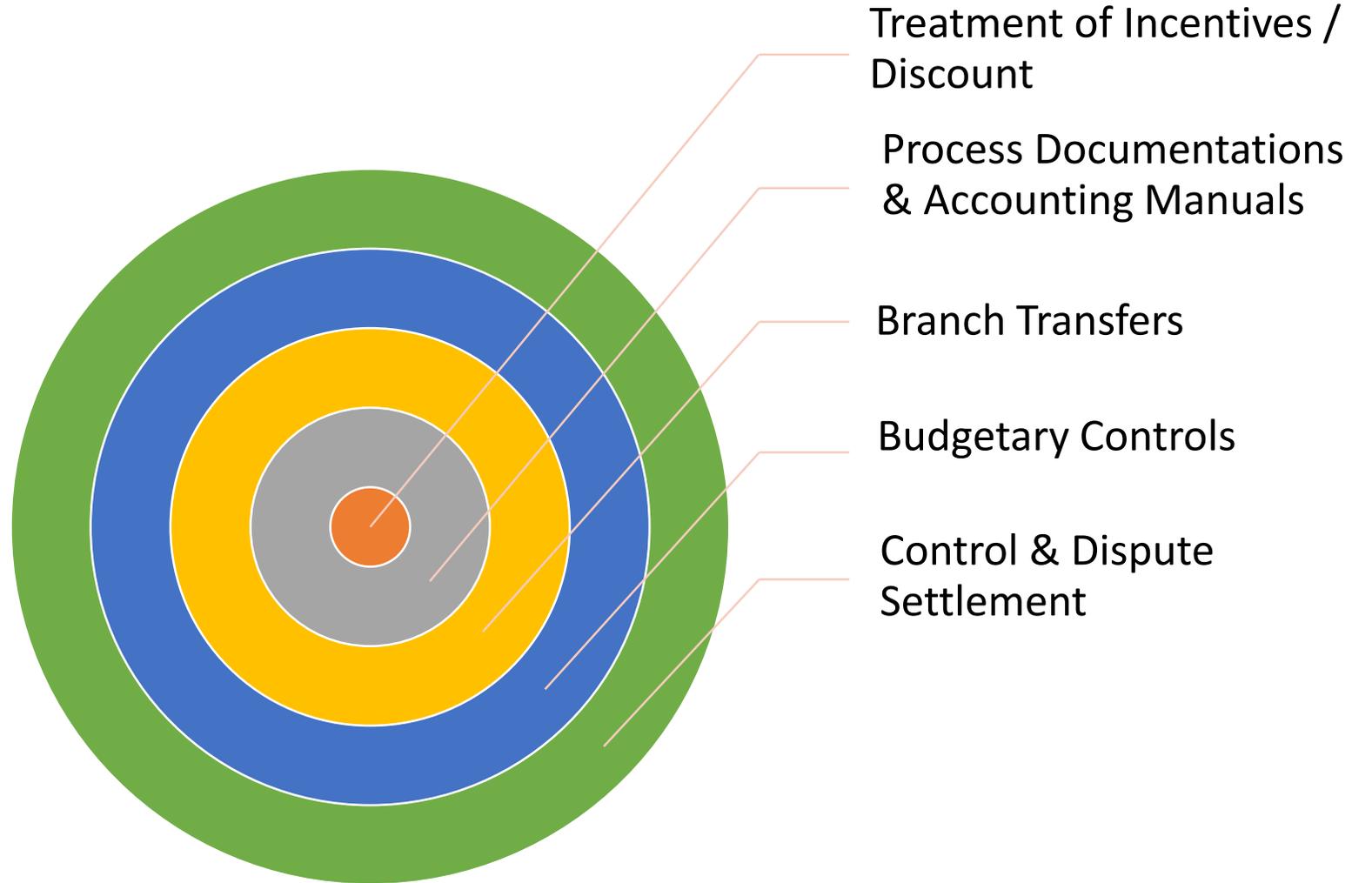
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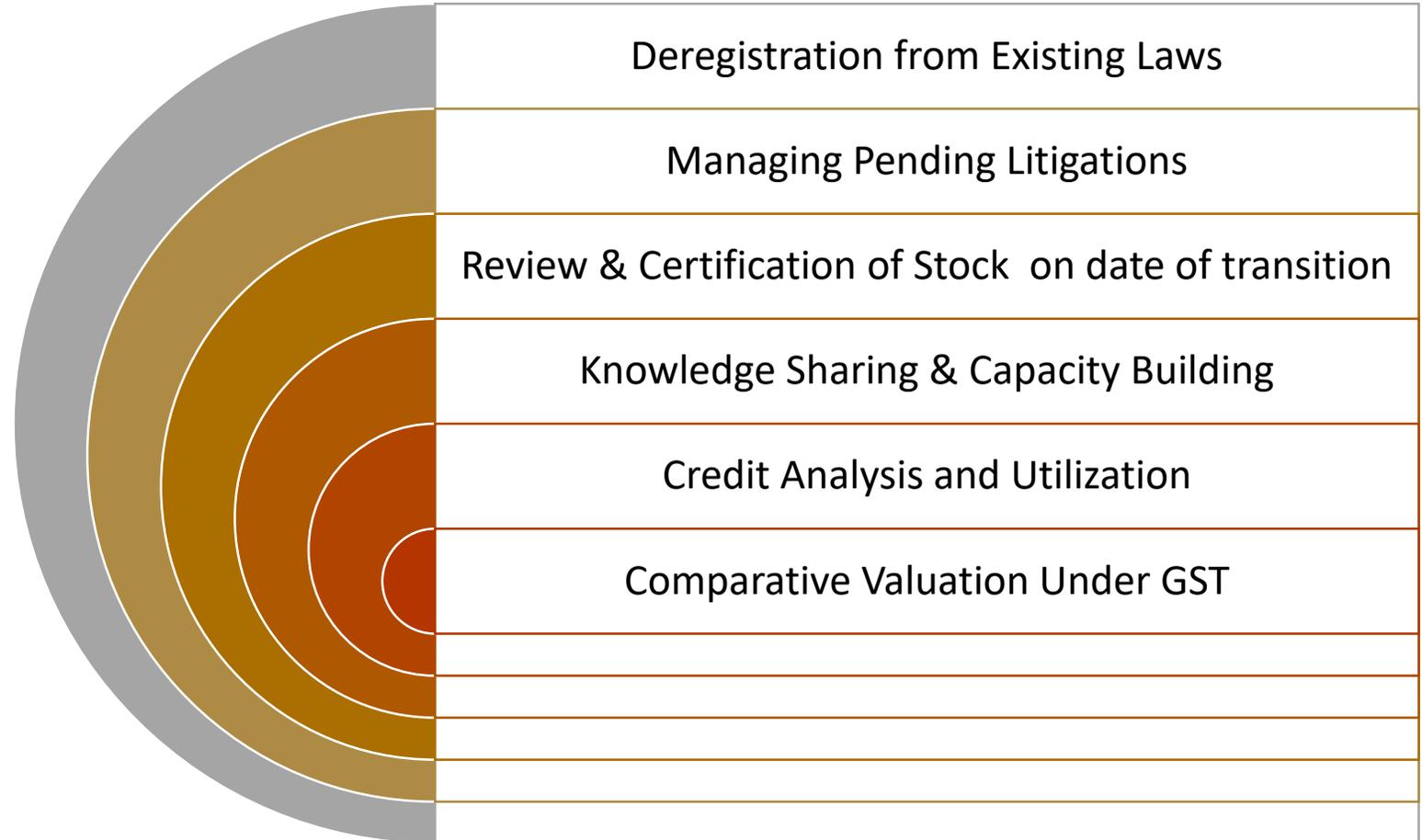
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Representation - unintended hardship to sectors

Conscripting Legislation & Rules/ Procedures

Monitoring Transactions & Revenues

Cross –verification with Other Acts

Training & Education

Fixing Rate Based on RNR and Review

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Tax Advisory
Services

International
Research Issues

Knowledge Process
Outsourcing

Information &
Knowledge Sharing

Capacity Building
Services

Technology
Support Services

How to get awareness in GST?

- Start focused reading/practice in VAT, Central Excise or Service Tax till 1 July or 1st September 2017 + Update on CGST / IGST/ UTGST + State Laws – Now
- Use online resources – idtc@icai.org , [gstclub](#), [caclubindia](#), [linkedin](#) & others.
- Form a small group for GST updates in your office
- Attend GST Cert. Course + focused workshops.
- Read books/ write articles for internal use...

How to get Expertise in GST?

- Write Articles – start with 1 small topic
- Do One Impact study for free or nominal fee
- Be part of future expert group – Mainly CA + 1/2 experienced advocates- meet 2 days a week with a paper presenter.
- Attend the weekly study circle in local branch/ RC.
- Analyse all the suggestions made to Govt by various authorities (ICAI)
- Write a topics GST book on a sector or areas of concern
- Answer online forums with care/ in depth reading

Thank You
Questions???

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