

# GST for Starters

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# Topics covered

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- ❖ Current Indirect Taxes in India
- ❖ About GST
- ❖ GST Mechanism
  - I. GST Registration
  - II. Place of Supply
  - III. Time of Supply
- ❖ Input Tax Credit
- ❖ GST Compliances

# Basics of Tax

## What are Taxes?

Unilateral payments by citizens to its Government for which there is no *quid pro quo*.

Generally imposed on the basis of a rule of equity.

Rule of equity may be the principle of ability to pay taxes.

Parameters to determine 'ability to pay' is the income and consumption of a citizen.

## Types of Taxes

Direct Taxes	Indirect Taxes
For which : the incidence of tax and tax payer is the same person	For which : the tax payer (producer or trader) and the ultimate bearer of tax (consumer) are two different persons
E.g.: Income Tax, Wealth Tax, Corporation Tax, Dividend distribution tax	E.g.: Excise duty, VAT, Service Tax etc.,

# Current Indirect Tax

Various Indirect taxes levied in India at present are:

By Central Government	By State Government
Customs Duty - on products imported Central Excise Duty - on manufacturing Service Tax-on rendering taxable services	<ul style="list-style-type: none"><li>• State VAT- on sale of goods within the states;</li><li>• CST - on Interstate sale of goods collected by dispatching state;</li><li>• Entry Taxes - on movement of goods from one state to another;</li><li>• Luxury Tax, Entertainment tax etc., - on hotels, lodging houses, resorts, marriage halls etc.</li></ul>

### Drawbacks of existing Indirect tax structure:

- Tax Cascading (Tax on Tax)
- Complexity
- Taxation at Manufacturing Level
- Tax Evasion

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# GST

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# About GST



GST is a comprehensive tax levied on goods and service at a national level.

It is a destination based tax, collected on value added at each stage of sale or purchase in the supply chain.

Shall subsume many state and central level indirect taxes.

Overcomes the drawbacks in present tax system.

Seamless input tax credit throughout the supply chain.

No differentiation between goods and services as GST is levied at each stage in the supply chain.

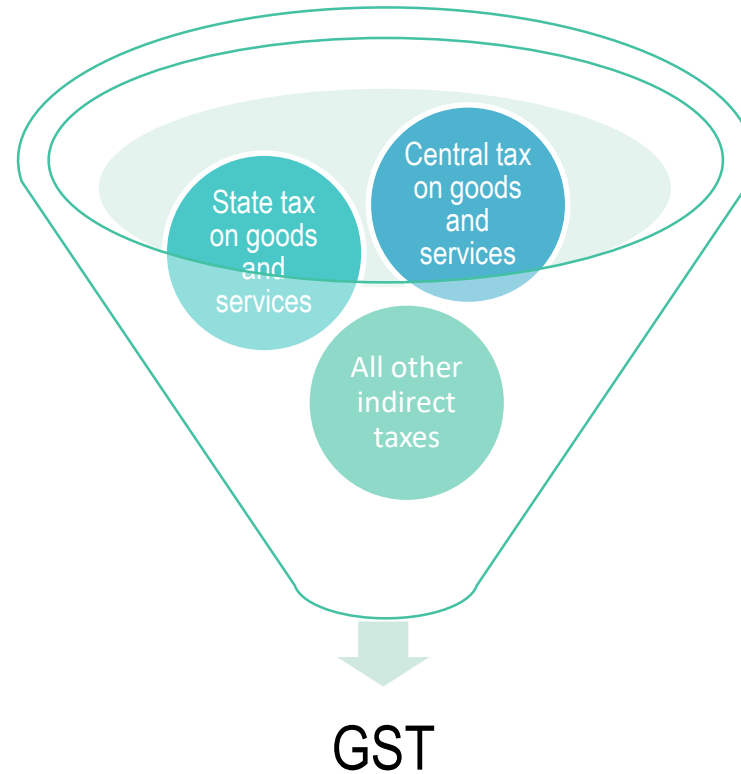
Taxes are a pass through and tax is borne by the final consumer.

All sectors are taxed with very few exceptions / exemptions.

# Taxes to be subsumed

## CENTRAL TAXES & DUTIES

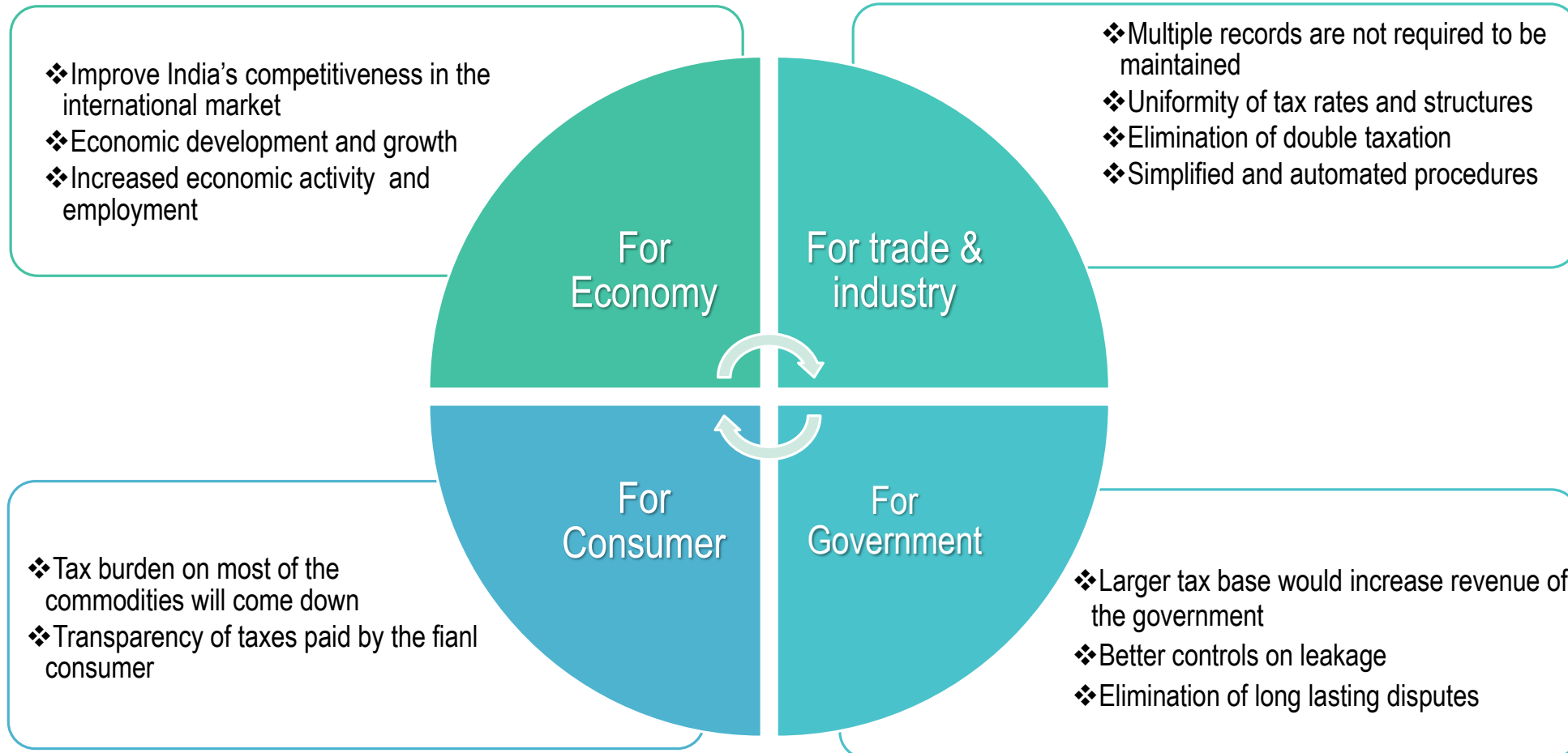
- Central Excise Duty
- Duties Of Excise
- Additional Duties Of Excise
- Additional Duties Of Custom
- Special Additional Duty Of Custom
- Service Tax
- Central Sales Tax
- Cess And Surcharge



## STATE TAXES & DUTIES

- State Vat
- Purchase Tax
- Luxury Tax
- Entry Tax
- Entertainment Tax
- Taxes On Advertisement
- Taxes On Lotteries, Betting And Gambling
- State Cesses And Surcharges

# Benefits of GST



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# Impact on the Business



## Pros

Simplification of business procedures

Opportunity to reconstitute the business & potentially consolidate the best supplier to understand their cost chain.

## Cons

Deals with multiple authorities ;  
Implementing the law will be a challenge for companies;

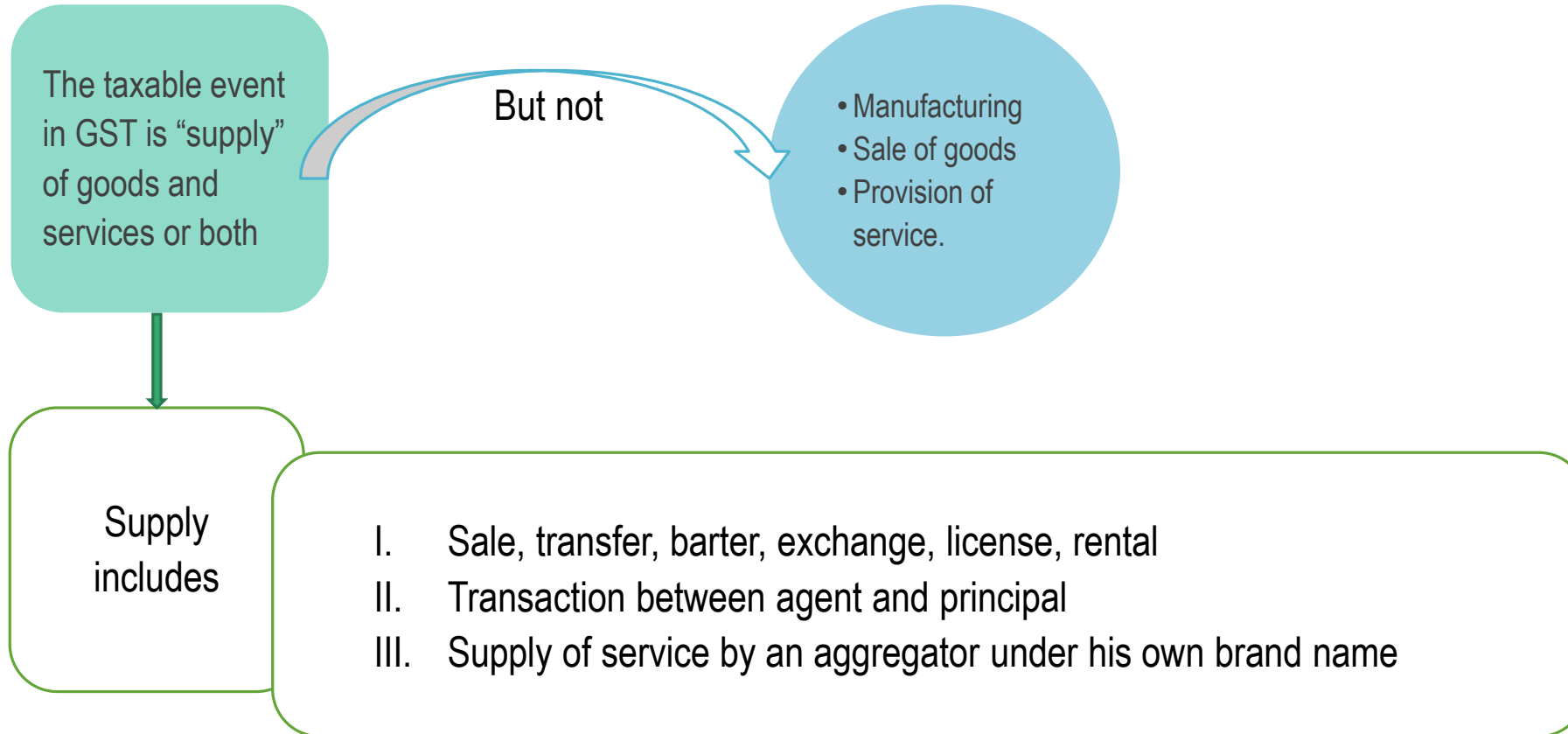
A transition to GST would also require ability to handle a huge amount of transactional level data.

Need of the hour is to leverage the pros of GST and to be on the same footing as the industry expectations !

# GST Mechanisms

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# Taxable Event



# Taxable Person

Taxable person means :  
- a person who carries on any business at a place in India;

AND

- having an aggregate turnover of Rs.20 lakh or more.

*And shall exclude*

- I. Any services provided by an employee to employer in the course of, or in relation to his employment;
- II. Supply of goods and / or services which are not liable to tax under this Act;
- III. Services taxable under reverse charge of value not exceeding the prescribed limit which are meant for personal use.

# Composition Levy

Composition Levy available if :  
Previous year's Turnover is  
**within 50 lakhs**

- For manufacturers – 1 %
- For Supplier of Food or any other article of human consumption (other than alcoholic)- 2.5%
- For trader- 0.5%

And shall  
Exclude

- Service provider
- Electronic commerce operator
- Notified manufacturers
- Interstate outward supplier

# Value of Supply



## Includes

- Transaction Value
- Taxes, duties, cesses, fees and charges levied under any statute, other than GST
- Amounts paid by supplier on behalf of recipient
- Incidental expenses such as commission and packaging
- Interest / late fee / penalty for delayed payment of consideration
- Subsidies directly linked to price excluding Govt. subsidies

## Excludes

- Discounts that are known at the time of supply and duly recorded in the invoice;
- Discounts that are given after supply but linked to specific Invoice and ITC is reversed by recipient to that extent

# Registration



A person is liable to get registered within 30 days when his aggregate turnover exceeds Rs.20 lakh (some specified it is Rs.10 lakh).

Each state of operation – **36 Registrations**

## IMPORTANT DOCUMENTS FOR REGISTRATION

- ✓ PAN ( Under Income tax)
- ✓ If the person is NRI then such documents as may be prescribed

**NO REGISTRATION IS REQUIRED IF THE TURNOVER DOES NOT EXCEED THE PRESCRIBED LIMIT.**

# Compulsory Registration



Causal taxable person.

Person making any inter-state taxable supply.

Persons who are required to pay tax under reverse charge.

Non – resident taxable persons.

Person who are required to deduct tax under section 37.

Persons who supply goods and \or services on behalf of other registered taxable persons whether as an agent or otherwise

Every electronic commerce operator.

Input service distributor.

An aggregator who supplies under his brand name or his trade name.

Such other person or class of persons as may be notified by the Government on the recommendation of the council.



# Cancellation of Registration

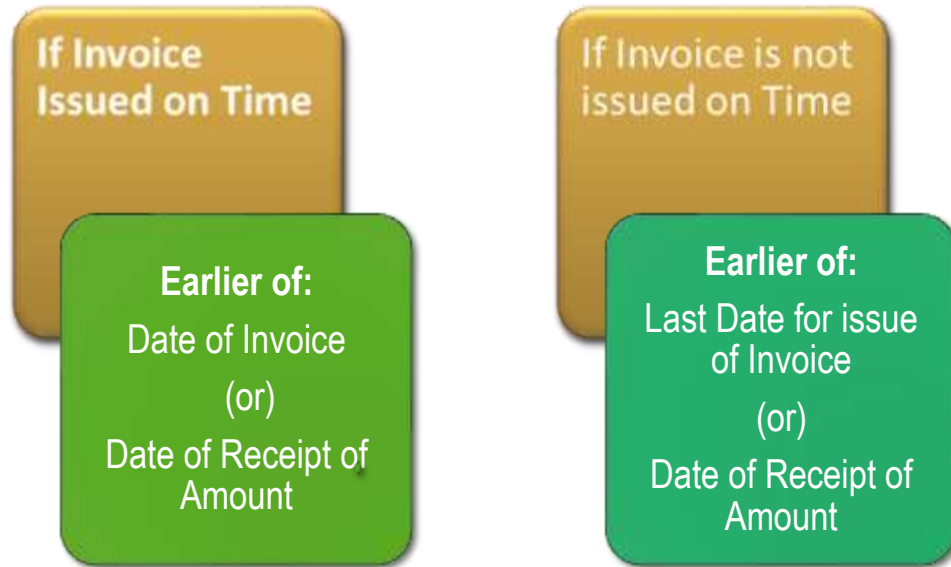


- ❖ Business discontinuous, amalgamation, demerger
- ❖ Change in the constitution of the business
- ❖ Taxable person who has obtained **voluntary registration**, is no longer liable to be registered

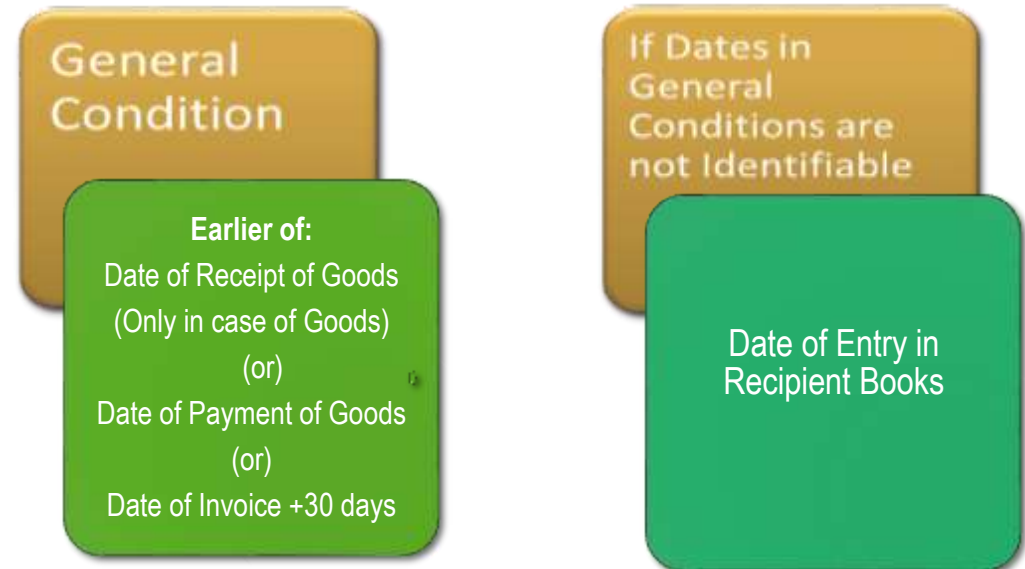
***The authorised officer may, cancel the registration of taxable person from such date , as he deems fit.***

# Time of Supply

## FORWARD CHARGE



## REVERSE CHARGE



- Upto Rs.1000/- is received in excess of amount in Tax invoice then Date of Receipt need not be considered in above case

- In case of services 30 days will be replaced by 60 days.
- In case of 'associated enterprises', where the supplier of service is located outside India, the time of supply shall be the date of entry in recipient books

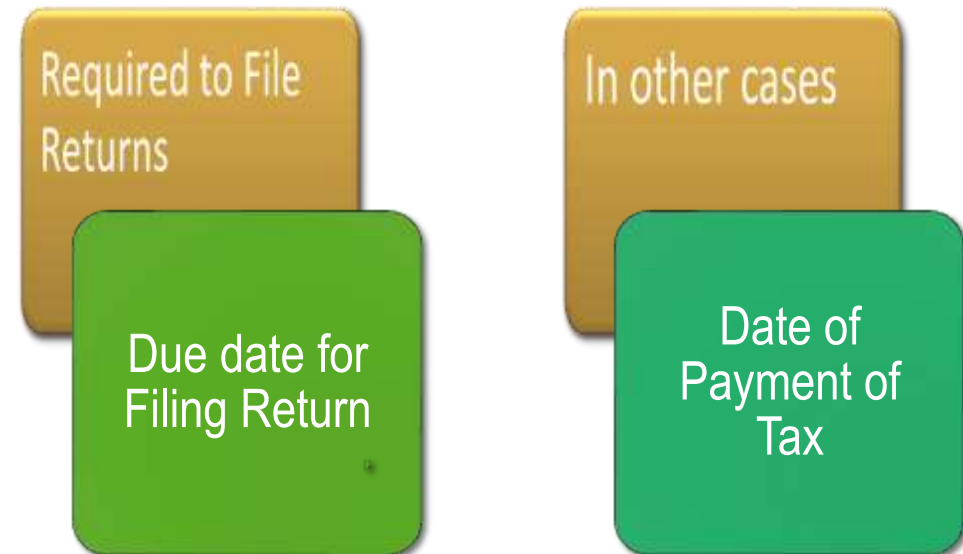
# Time of Supply...

## ISSUE OF VOUCHERS/COUPONS



- Voucher is a small printed piece of paper that entitles the holder to a discount, or that may be exchanged for goods or services.(not defined in act) e.g.: coupons, pass etc.,

## RESIDUARY PROVISION



- This is used only when it is not possible to determine under any of the Previous three rules.

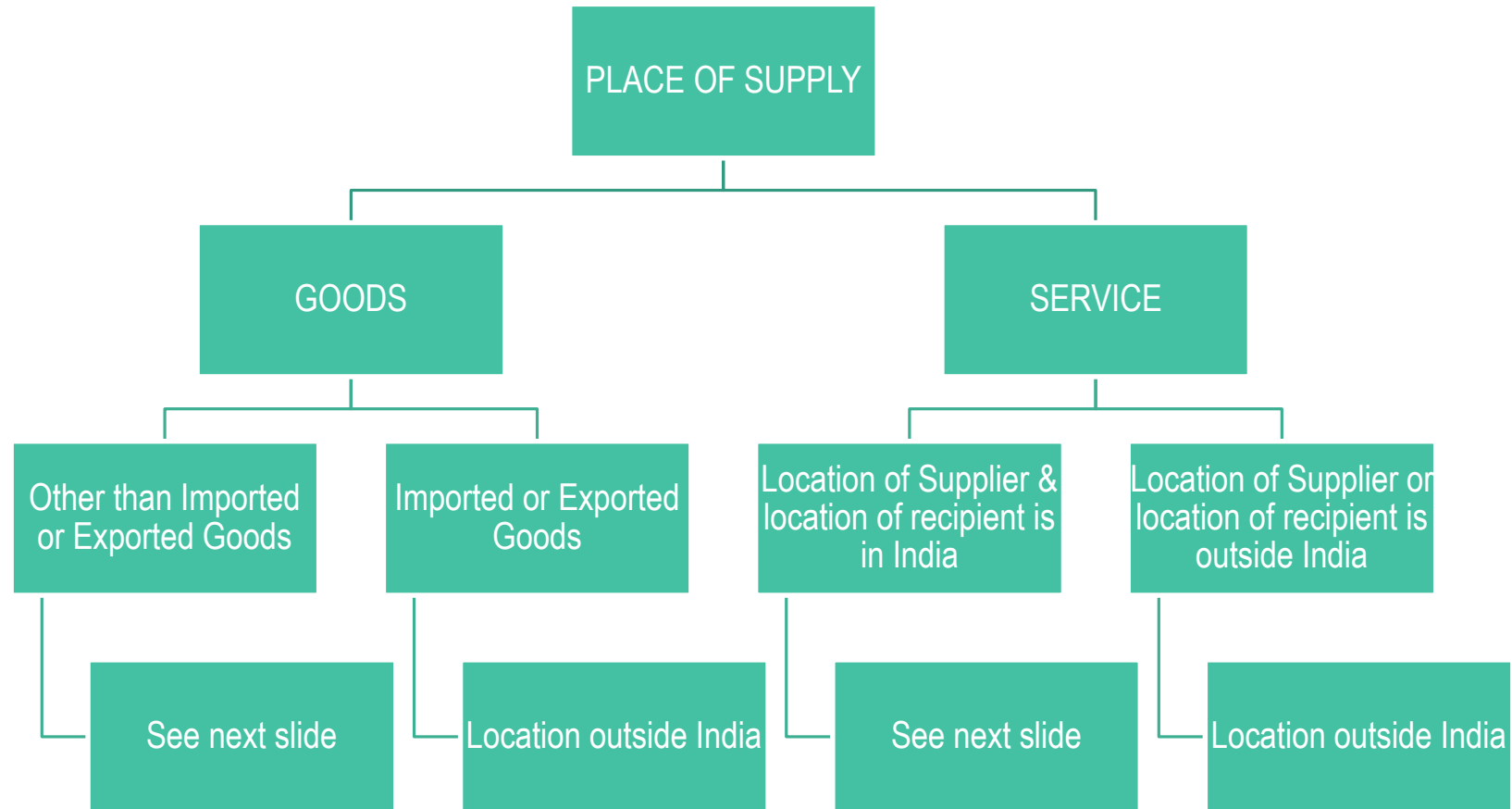
# Time of Supply when change in Tax Rates



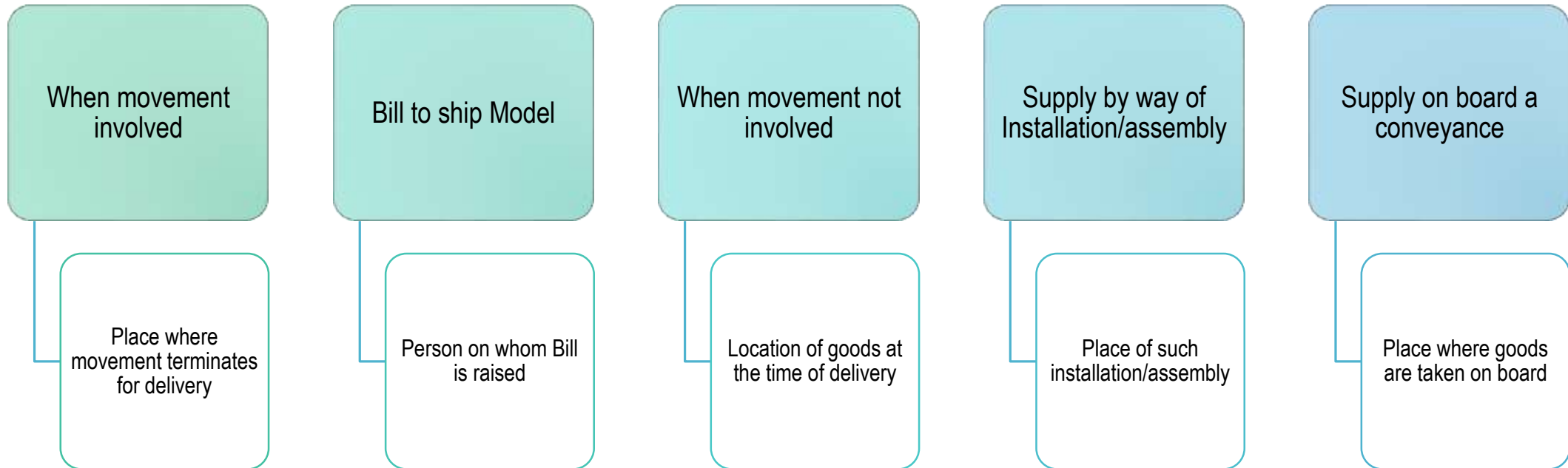
Date of Supply (Criteria 1)	Date of Invoice (Criteria 2)	Date of Payment (Criteria 3)	Time of Supply
Before	Before	After	Date of Invoice
Before	After	Before	Date of Payment
Before	After	After	Date of Invoice or Date of Payment whichever is earlier
After	Before	After	Date of Payment
After	After	Before	Date of Invoice
After	Before	Before	Date of Invoice or Date of Payment whichever is earlier

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# Place of Supply

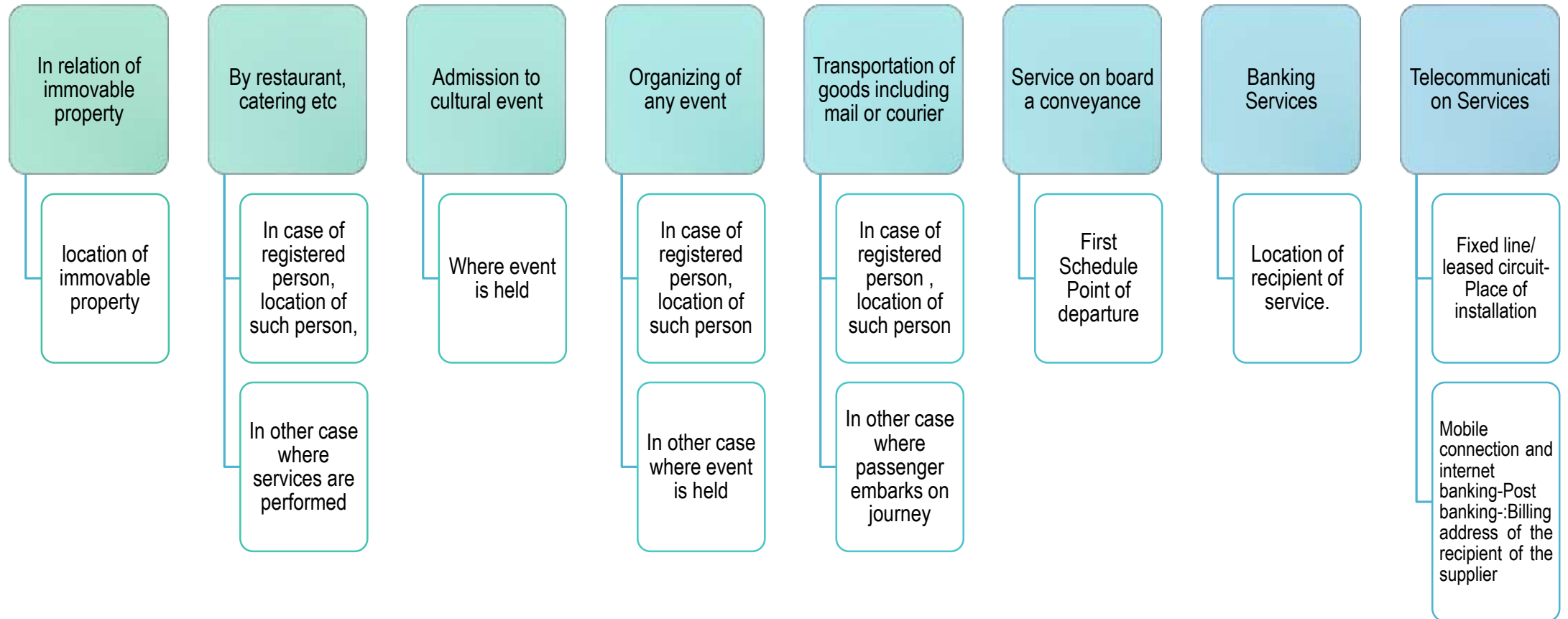


# Place of Supply of Goods...



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# Place of Supply of Services...



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# Records to be maintained

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There are 3 ledgers

- ❖ Electronic cash ledger
- ❖ Electronic credit ledger
- ❖ Electronic liability register
  
- ❖ Electronic cash ledger
  - Tax
  - Penalty
  - Fee
  - Interest
  - Any other payment
  
- ❖ Electronic credit ledger shall be utilized for payment of tax only.



# Input Tax Credit

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# Input Tax Credit Mechanism

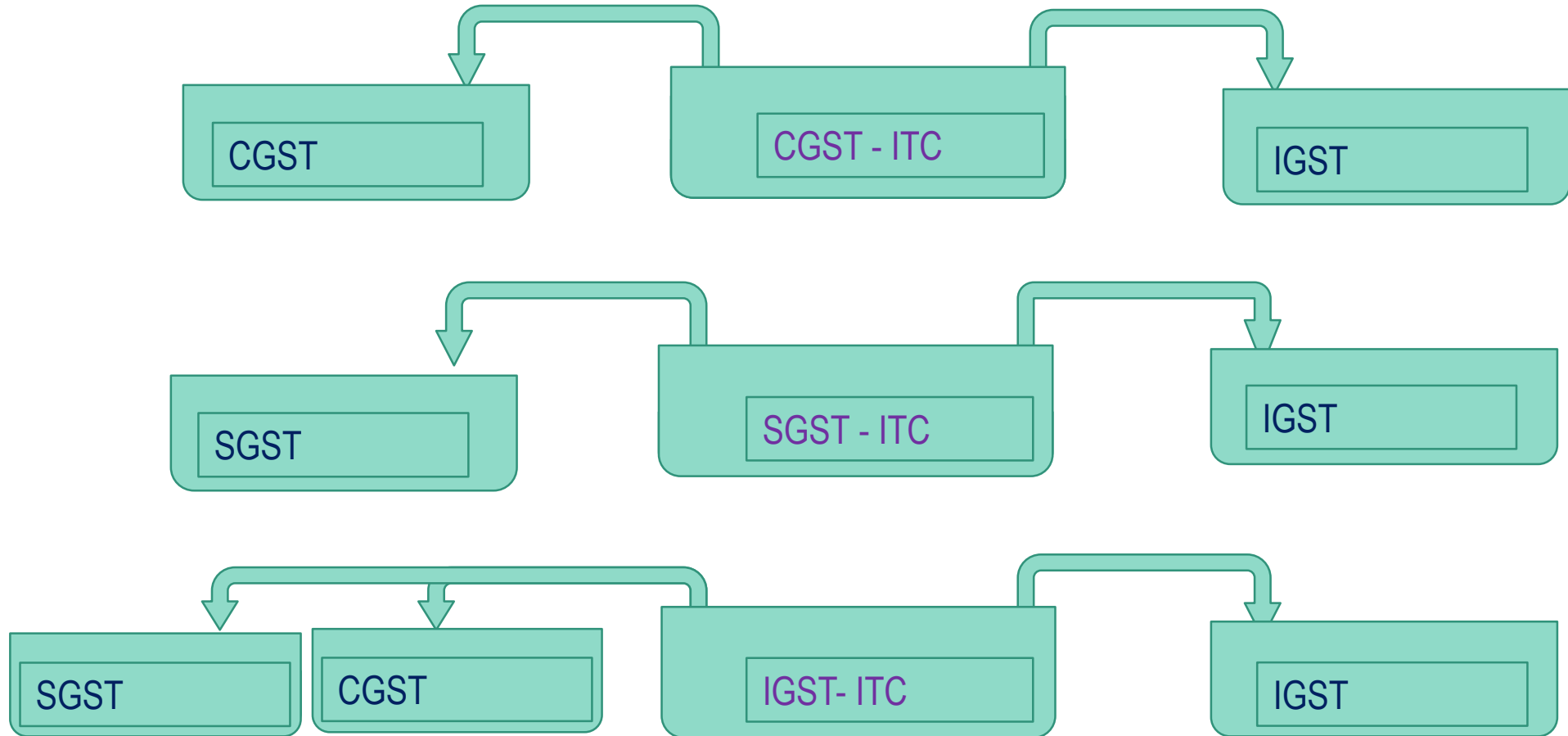
## Advantages

- GST removes cascading effect by facilitating seamless flow of credit
- Restrictions placed in the present Cenvat credit rules on availment of credit which lead to break in the credit chain will be removed.

## Conditions for availing of ITC:

- I. Taxpaying documents such as tax invoice, debit note etc.,
- II. Goods / service should have been received/deemed to be received by the taxable person
- III. Tax charged on the invoice and should have been paid to the credit of government.
- IV. Return should have been furnished by the tax payer.
- V. Credit for goods against an invoice received in lots /installments can be availed only on last lot in instalment.
- VI. The timelines for entitlement of credit against a particular invoice shall lapse on the expiry of one year from date of issue of invoice.

# Credit Mechanism



# GST Compliances

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# GST Returns



Dealer Type	Return Type	Frequency	Due Date
Regular & Casual Dealer	GSTR 1	Monthly	10 <sup>th</sup> of succeeding month
	GSTR 2	Monthly	15 <sup>th</sup> of succeeding month
	GSTR 3	Monthly	20 <sup>th</sup> of succeeding month
	GSTR 9	Annual	31 <sup>st</sup> Dec of next fiscal
Composite Tax Payer	GSTR 4	Quarterly	18 <sup>th</sup> of succeeding month
	GSTR 9A	Annual	31 <sup>st</sup> Dec of next fiscal
Foreign Non-Resident Taxpayer	GSTR 5	Monthly	20 <sup>th</sup> of succeeding month or 7 days after expiry of registration
Input Service Distributor	GSTR 6	Monthly	13 <sup>th</sup> of succeeding month
Tax Deductor	GSTR 7	Monthly	10 <sup>th</sup> of succeeding month
E Commerce Operator	GSTR 8	Monthly	10 <sup>th</sup> of succeeding month

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# Thank You

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