



R C Jain & Associates LLP

Since 1986

Good & Service Tax Law, 2017

Broad analysis of GST Law

- CGST and SGST Law to be put in place along with Rules.
- Separate SGST Law for each state and single CGST and IGST Law across the country.
- Custom on Import shall be continued (BCD)
- Extend to whole of India excluding J&K
- Uniform IT platform expected
- Each Transaction to be subjected to either CGST+SGST or IGST
- GST Exemption Threshold
 - Threshold limit to be set at Rs. 20 lakh p.a. In respect of north eastern and hilly state the limit to be set at Rs. 10 lakh p.a.
 - The threshold for availing the composition scheme would be Rs. 75 lakhs.
- Rate of GST would be Nil%, 5%, 12%, 18%, 28% along with Exemption list for specified services.

Broad analysis of GST Law

Taxes to be subsumed in GST

Central Taxes

Excise Duty

Surcharges

Cesses

Additional custom duty

Service Tax

Special additional duty of custom

Additional Duty of Excise

Central Sales Tax

State Taxes

Tax on Lottery, betting & Gambling

Value Added Tax

State Cess and Surcharge

Entertainment Tax

Purchase Tax

Luxury Tax

Octroi

Entry Tax

Person and other definitions

- ❑ **Persons (Sec 2(84))** : Person (i.e. individual, HUF, Company, Firm, LLP, AOP or BOI (whether incorporated in India or outside India), Government Company, Body Corporate incorporated outside India, Registered Cooperative Society, Local Authority, Central Govt. or State Govt., Registered Society, Trust and Every Artificial Juridical person not stated above)
- ❑ **Goods (Sec 2(52))** : Goods means every kind of movable property.
- ❑ **Service (Sec 2(102))** : Service means anything other than goods,
- ❑ **Works Contract (Sec 2(119))** : Works Contract means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any **immovable property** wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract;

Supply

□ **Supply (See Sec 7) :** The expression “Supply” includes

– **Sub-Section (1) -**

- a) All form of supply for a consideration by a person in the course or furtherance of business
- b) Importation of service, for a consideration and whether or not in the course or furtherance of business
- c) Activities specified in “**Schedule I**” made or agreed to be made without a consideration
- d) Activities to be treated as supply of goods or supply of services as referred to in “**Schedule II**”

– **Sub-Section (2) -**

- (a) Notwithstanding anything contained in sub-section (1), shall be treated neither as a supply of goods nor a supply of service

Supply

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

– **Sub-Section (3) -**

- (a) Subject to the provision of Sub-Sections (1) and (2), the Govt. may, on the recommendations of the Council, specify, by notification, the transactions that are to a supply of goods and not as a supply of service;
- (b) A supply of services and not as a supply of goods.

Supply

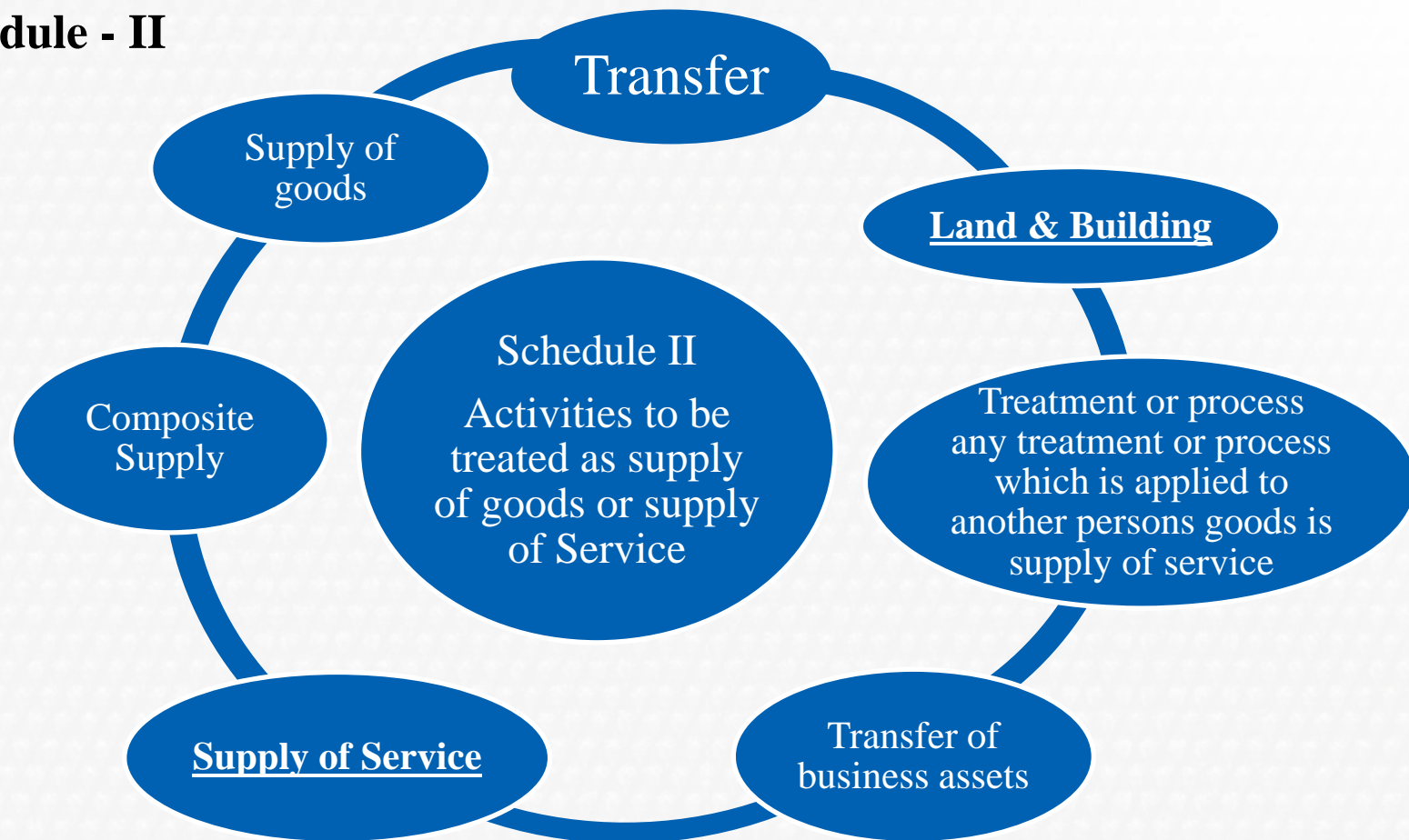
Schedule - I

MATTERS TO BE TREATED AS SUPPLY EVEN IF MADE WITHOUT CONSIDERATION

<p>1. Permanent transfer/disposal of business assets where input tax credit has been availed on such assets</p>	<p>2. Supply of goods or service between related persons, or between distinct persons as specified in section 25, when made in the course or furtherance of business</p> <p>Provided that gifts not exceeding Rs. 50,000/- in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both</p>	<p><u>3. Supply of goods-</u> (a) <u>By a principal to his agent where the agent undertakes to supply such goods on behalf of the principal, or</u> (b) <u>By an agent to his principal where the agent undertakes to receive such goods on behalf of the principal</u></p>	<p>4. Importation of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business</p>
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Supply

Schedule - II



Composite Supply Vs. Mixed Supply

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

Reverse Charge Mechanism

Service/Goods	Provided by	Received by
Any taxable service	Persons residing in non taxable territory	Persons residing in taxable territory
Goods Transport Agency	Goods Transport Agency (GTA)	Factory, Society, Registered person, BOI, Firm
Legal Service	Advocates	Any business entity.
Arbitral Tribunal	Arbitral Tribunal	Any business entity.
Sponsorship	Any person	Any corporate or Firm
Directors Service	Director	A Company or Any Corporate
Supply from URD	URD	Any registered person

Reverse Charge Mechanism

Service/Goods	Provided by	Received by
Provided to Government or local authority	Govt.or local authority	Any business entity
Transportation of Goods from outside India up to the customs station of clearance.	Persons residing in non taxable territory	Importer
Radio taxi or Passenger Transport Service provided through e-commerce operator	Taxi driver or a car operator	Any business entity.

Note : - 100% GST is to be payable by the person who “receives the service”

Time of Supply

Time of Supply for goods:

Date of Issue of Invoice

OR

Last date on which to issue invoice

OR

Date on which supplier receives payment



**Whichever is
earlier**

Time of Supply

Time of Supply for goods (RCM):

Date of receipt of Goods

OR

Date of payment entered in BOA-

Of recipient

OR

Date of bank account debit

OR

Date immediately after 30 Days from invoice or

Other documents issued by supplier



Whichever is
earlier

Note: If no date is ascertainable from above then date of entry in books of account of recipient

Time of Supply

Time of Supply for Service :

If Invoice is issued :

Date of Invoice

or

Date of receipt of payment



If Invoice is not issued :

Date of provision of services

or

Date of receipt of payment



Note: If no date is ascertainable from above then date of entry in books of account of recipient

Time of Supply

Time of Supply for Service (RCM):

Date of payment entered in BOA-
Of recipient

OR

Date of Bank account debit

OR

Date immediately after 60 Days from invoice or

Other documents issued by supplier



Whichever is
earlier

Note: If no date is ascertainable from above then date of entry in books of account of recipient

Time of Supply

Time of Supply of goods/Service at the time of change in tax Rate

(a) If goods/Service provided before change

Before	After	Time of Supply
	Invoice Payment	Date of receipt of payment or; Date of Invoice } Whichever is earlier
Invoice	Payment	Date of Issue of Invoice
Payment	Invoice	Date of receipt of payment

Time of Supply

(b) If goods/Service provided after change

Before	After	Time of Supply
Invoice Payment		Date of receipt of payment or; Date of Invoice } Whichever is earlier
Invoice	Payment	Date of receipt of payment
Payment	Invoice	Date of Issue of Invoice

Place of Supply

Supply of Goods:

Situation	Place of Supply
When supply involves movement of goods	Place from where the goods terminates for delivery
Delivered to the recipient or any other person on the direction of the third person	Principal place of business of such person
When supply does not involve movement of goods	Location at the time of delivery
Assembled or installed at site	Place of installation or assembly
Supplied on board a conveyance	Location at which the goods are taken on board
Imported	Location of Importer
Exported	Location outside India

Place of Supply of Services

Situation	Place of Supply
In relation to an immovable property	Location of such property
Supply of restaurant, personal grooming, health service	Location where services are actually performed
In case of an event	Place where the event is held
Services on board	Location of the first scheduled point of departure of that conveyance for the journey

Place of Supply of Services

Situation	Registered Person	Not registered person
In relation to training and performance appraisal	Location of person	Location where services are actually performed
Services ancillary to organization of events	Location of person	Location where event is actually held
Transportation of goods, including by mail or courier	Location of person	Location at which goods are handed over for transportation
Passenger transportation service	Location of person	Place where passenger embarks for continuous journey
Insurance service	Location of person	Location of recipient on record of supplier

Value Of Supply

Transaction Value is-

Price paid or payable for supply where:

Supplier and recipient are
not related

Price is sole
consideration

It includes:

- Tax, duties, cesses, fees and charges levied under any law OTHER THAN SGST, UGST and GST (Compensation to States) Act
- Amount which supplier is liable to pay but has been paid by the recipient on his behalf
- Incidental expenses, including commission and packaging, charged by supplier to recipient
- Amount charged by the supplier for supply both at the time of, or before delivery of goods or services or both

Value Of Supply

It includes:

- Interest, late fee or penalty for delayed payment of consideration

It does not include discount given:

Before or at the time
of supply
If discount has been
recorded in invoice
issued

After the supply

- Such discount has been established by way of an agreement before or at the time of supply
- ITC as is attributable to the discount on the basis of document issued by supplier has been reversed by the recipient

Composition levy

Composition Levy (Sec. 10)

Turnover below Rs. 75 lacs

Turnover above Rs.
75 lacs

Conditions:

1. Should be engaged only in the business of Restaurants service.
2. Not engaged in making any supply of goods which are not leviable to tax.
3. Outward supply should be made within the State/UT.
4. Can not supply goods to electronic commerce operator who collect tax at source
5. Not manufacturer of goods which are notified by Govt.

Manufacturer – 1% and Others – 0.5%
Supply of food for human consumption – 2.5%
(SGST + CGST)

Not Eligible for
Composition levy

Rate

The GST council has fixed the rate on goods & services at meeting held on 18th /19th May & 03rd June 2017. The rates are given below:

Sr. No	Rate of Goods	Example
1	Nil	Cereal grains, Salt, Jaggery etc.
2	3%	Gold, Silver and processed diamonds except rough diamond
3	5%	Cashew Nut, Raisin, Ice & Snow, Biogas, Insulin etc.
4	12%	Plastic beads, Spoons, Forks etc.
5	18%	Recorder, CCTV, Set top Box for TV etc.
6	28%	Plywood, cement and all luxury items etc.

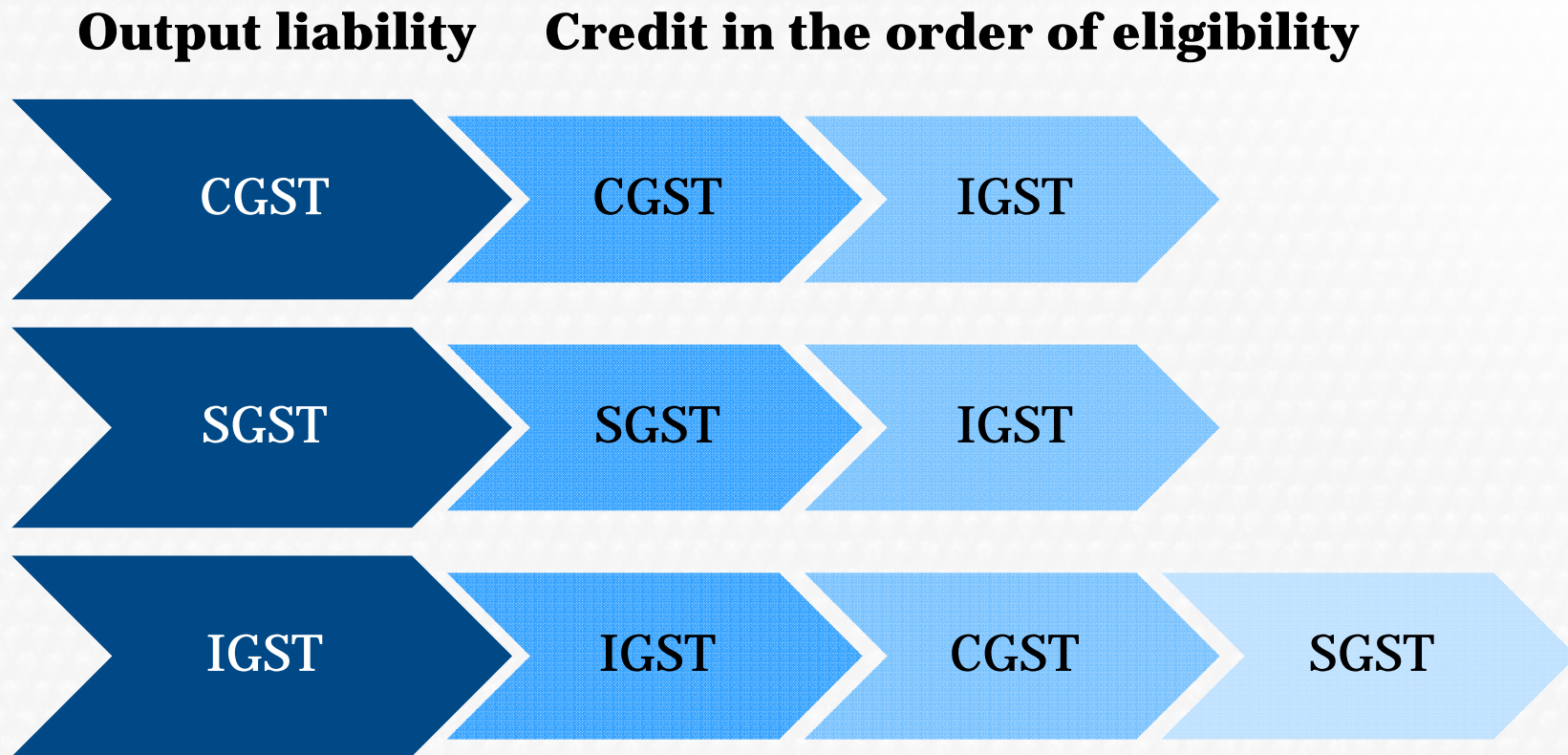
Input Tax Credit

- Any goods, capital goods or services used in course or furtherance of business – ITC allowed – credit pool expanded.
- No ITC credit to recipient, unless:
 - Supplier has paid tax
 - Supplier has uploaded invoice details in GSTR1 (Statement of outward suppliers & monthly return (GSTR3)
 - Recipient has received goods/services
 - Recipient is in possession of Tax Invoice
 - Recipient has paid consideration within Six months – If not paid, ITC to be reversed with interest and when paid, Credit can be re-taken.
- ITC provisionally available for unmatched invoices for a max. Period of 2 months.

Input Tax Credit

- Full credit of capital goods available in a year
- No ITC of GST paid on :
 - . Purchase of office building, factory, godown used for business or for renting purpose
 - Goods and services used for construction of above
 - Motor Vehicles – Except to dealers of such vehicles, transporters and driving school.
 - Food, beverages, outdoor catering, beauty treatment, health services, cosmetic & plastic surgery – except to those who supplies such outdoor services
 - Membership of club, health and fitness center,
 - Rent a cab, Life insurance and health insurance except those notified.
 - Travel benefits to employees, e.g. LTC

Utilization of Input Tax Credit



Invoices under GST

Tax Invoice

Supplementary
Tax Invoice

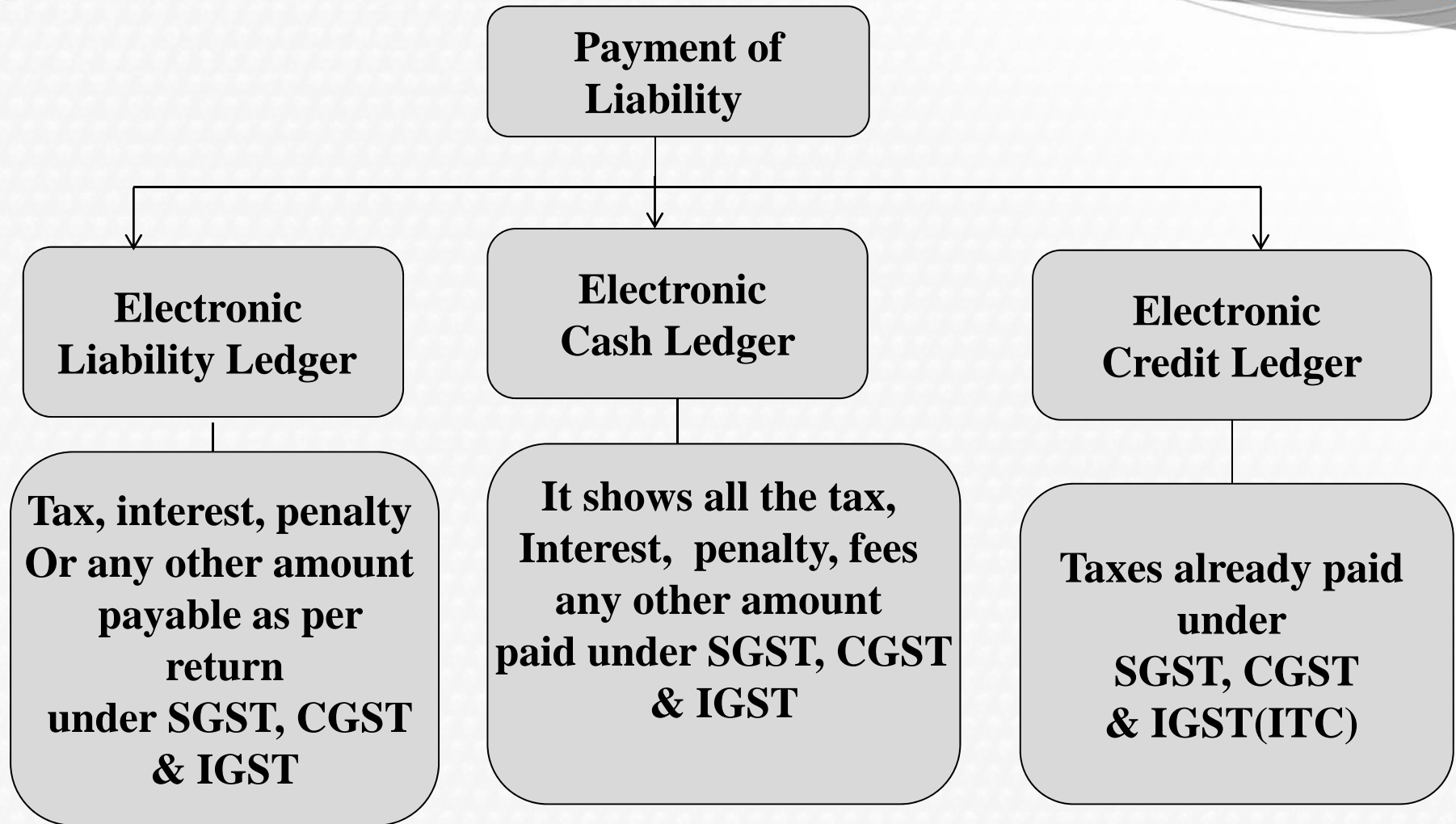
Export Invoice

Bill of supply

Delivery
Challan

Receipt
Voucher

Payment under GST



Payment under GST

- Interest on account of non-payment or late payment of GST shall be charged. The rate for such interest **shall not exceed 18 %** from the date succeeding the due date of payment till the period it is unpaid.
- Where a person has claimed **undue or excess credit of input or has excessively reduced output tax liability** (in case mismatch is not addressed in the next month's return) then the rate of interest shall not exceed **24%**.

GST Compliance - Return


Return	For	Periodicity
GSTR1	Outward supplier	10 th of next month
GSTR2	Inward supplier	15 th of next month
GSTR3	Monthly Return	20 th of next month
GSTR4	Composition dealer	18 th of the next month following the end of quarter
GSTR5	Periodic Return by Non Resident	20 th of next month
GSTR6	Input Service Distributor	13 th of next Month
GSTR7	Tax Deductors	10 th of next month

GST Compliance - Return

Return	For	Periodicity
GSTR8	E-commerce operator	10 th of next month
GSTR9	Annual Return	31 st December of Next Financial Year
GSTR10	Final Return (Before Surrender of registration)	Within three months of the date of cancellation or date of cancellation order, whichever is later.
GSTR11	Person having UIN and claiming refund	28th of the month following the month for which statement is filed

Transitional Provisions

1. Persons entitled to take transition credit will have to submit a declaration within 90 days (upto 30th September) 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. In case of capital goods whose part credit was availed in current period and part credit is to be availed in 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
4. Persons having excise invoices for stocks lying as on 30th June will be entitled to take full credit of excise mentioned in the invoices
5. Deemed Credit: Persons who do not have excise invoices, 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 @ 4% (60% of 9% CGST)

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- b) For goods other than above – Credit shall be allowed at 40% of CGST payable on that goods – so if the rate is 12% then credit will be available @ 2.4% (40% of 6% CGST)
 - 6) Credit in the above Deemed Credit Scheme will be available only once the said goods are sold and GST is paid. Its like a cash back scheme.
 - 7) 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 stored so that it can be easily identified by the registered person
 - 8) 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.
 - 9) Separate return under for GST TRAN – 2 will have to be filed.

10. Every person to whom the provision of section 142 (11) (C) applies, shall submit a declaration within 90 days of Appointed Date in form GST TRAN – 1 furnishing the proportion of supply on which VAT or service tax has been paid before the Appointed day but the supply is made after the Appointed day, and the ITC admissible thereon.
11. Every person having sent goods on approval under the existing law and to whom sec 142 (12) applies shall, within 90 days of the appointment date, submit details of such goods sent on approval in form GST TRAN - 1

Practical Implementation

Particulars (Balance Sheet items)	Whether goods or services	Whether taxable	ITC available	RCM applicable
Share Capital & Reserves and surplus	No	No	No	No
Long term borrowings	No	No	No	No
Short term borrowings	No	No	No	No
Trade Payable	No	No	No	No
Other Current Liabilities	No	No	No	No
Advance	Yes	Yes	No	No

Practical Implementation

Particulars (Balance Sheet items)	Whether goods or services	Whether taxable	ITC available	RCM applicable
Fixed Assets	Yes	Yes	Yes	No
Investments (FD, Accrued Interest, etc.)	No	No	No	No
Cash & cash equivalent	No	No	No	No
Other current assets	No	No	No	No

Note: If business assets are transferred or disposed, whether or not for consideration, such transfer or disposal is a supply of goods.

Practical Implementation

Particulars (P/L items)	Whether goods or services	Whether taxable	ITC available	RCM applicable
Income	Yes	Yes	No	No
Operating Expenses	Yes	Yes	Yes	Yes
Admin & General expenses	Yes	Yes	Yes	Yes
Preliminary Expenses	Yes	Yes	Yes	Yes
Other Expenses (Legal & Professional fees)	Yes	Yes	Yes	Yes

Preparatory Steps

➤ What heads to be looked into

Get complete your working for closing stock before GST implementation.

- a) Get the A/c statement from your Suppliers/ Creditors for the year ended 31/03/2017.
- b) Rectify *Mismatch Reports of Purchases* , if persists.
- c) Revise your VAT Returns if mismatch persists.
- d) Make strict follow up to collect all the C forms/ H forms/ I forms.
- e) Get your Books Finalize as on 30/06/2017.
- f) Make a separate file of those items which are shown in your Unsold stock as on 30/06/2017 e.g. Purchase Bills/ Bill of Entry/ Excise Paying Documents, etc.
- g) Stock ageing be made to ascertain if any stock is more than 1 year. If yes, then dispose it off immediately.

Preparatory Steps Continues.....

- i) Obtain GSTIN/ARN of all Suppliers & Buyers.
- j) Analyses P&L and see which expenses are liable to RCM.
- k) Apply for migration in all states if you have centralised registration under Service Tax.
- l) Proper Invoicing.
- m) Anti profiteering measures.

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Thank
you

