



# WIRC BULLETIN

Vol. 47 No. 4 April 2019 Pages 28 Price: Rs. 5/-

RNI No. 22703/72

## CAMPUS PLACEMENT - APRIL 2019

### COMPANIES PARTICIPATING



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**Appeal to members and others for participating in the Campus Placement at Mumbai and providing the CMAs an excellent Career Path**

*As per last confirmation received*

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**WESTERN INDIA REGIONAL COUNCIL**  
**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**  
*(Statutory Body under an Act of Parliament)*

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## *From the Desk of Editor*

**"A goal without a plan is just a wish" - Anonymous**

WIRC of the Institute of Cost Accountants of India has organized lot of events in the month of March, 2019.

It started with the International Women's day on 8th March, 2019 and in the same day it also organized the Women's Summit for the 1st time at WIRC Office. The Chief Guest was CMA (Ms.) H. K. Joshi, Director (Finance) of Shipping Corporation Ltd. and was also attended by CMA Bhoomalakshmi M, General Manager of IDBI Ltd. The speaker was Ms. Riti Chopra, Corporate Trainer who presented the theme of "Empowering Nation through Empowering Nation". The programme was graced by umpteen lady members who are in service as well in practice.

WIRC conducted 4 workshops and 6 CEPs during the month of March, 2019 and was well attended by members across various WIRC Offices including Thane SMFC and Borivali SMFC and also in AM Shah College of Management and Research, Ghatkopar.

WIRC organized the Student's Felicitation programme at Sydenham College of Commerce, Churchgate at Mumbai on 18th March, 2019 in which students from WIRC including students who had passed the Foundation, Intermediate and Finals examination attended along with the rank holders of various stage from the Western Region who had passed in December 2018 term. Around 250 students along with their parents attended the programme.

WIRC successfully concluded the pre-campus orientation programme which started from 9th March, 2019 and ended on 20th March, 2019. The programme was attended by 92 students across various locations of the Western Region. On 9th March, 2019 the programme was inaugurated by CMA Prashant Murkar, Head Finance of Doka Ltd.

WIRC is hosting the Campus Placement on 9th and 10th April, 2019 in the 1st Phase at AM Shah College of Management and Research, Ghatkopar. We wish all the students best of luck and wish them all success so that they are well placed and start their career at a high note.

WIRC successfully concluded the 3rd batch of GST Certificate Course on 17th March, 2019. The next batch is tentatively scheduled in the last week of April, 2019.

As the financial year ends to a close we wish all our professional friends that the next financial year ushers with a hope and wish that our profession unfolds its potential and reach the zenith.

Jai Hind

Chief Editor,

# The Institute of Cost Accountants of India

## NOTIFICATION

Kolkata, the 26th March, 2019

### **ELECTIONS TO THE COUNCIL AND THE REGIONAL COUNCILS, 2019**

The present (four-year) term of the Nineteenth Council will come to an end on July 21, 2019. For the purpose of constituting Twentieth Council on July 22, 2019 and four Regional Councils for the term 2019-2023, elections to the Council and to the four Regional Councils of the Institute will be held as per the following notifications:

#### **Dates of elections to the Council and the Regional Councils and other matters**

No. EL-2019/1.- In pursuance of clause (a) of sub-section (2) of Section 9 of the Cost and Works Accountants Act, 1959 as amended (the Act) read with Rules 3 & 4 and other applicable Rules of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended (the Rules) and Regulations 114, 115, 118 & 121 and other applicable Regulations of the Cost and Works Accountants Regulations, 1959 as amended (the Regulations), the Returning Officer of the Institute of Cost Accountants of India hereby notifies the following for the conduct of elections to the Council and the Regional Councils in the year 2019:

1.	Date of issue of Notification for the purpose of Rule 4 of the Rules	Tuesday, the 26th March, 2019
2.	In pursuance of Rule 4 read with Rules 9, 10, 11, 12, 14, 21, 28, 29, 30, 32 and 35 of the Rules and Regulations 114, 115, 118 & 121 of the Cost and Works Accountants Regulations, 1959 and other applicable Rules and Regulations, the Council has fixed the following dates for the conduct of elections, viz.	
	a) the last date and time for receipt of nominations [Rule 4 (2) (a) and 9]	Thursday, the 18th April 2019 up to 6.00 p.m.
	b) the date and place of scrutiny of nominations [Rule 4 (2)(b) and 12]	Friday, the 3rd May 2019 at the Headquarters of The Institute of Cost Accountants of India, CMA Bhawan, 12, Sudder Street, Kolkata - 700 016.
	c) the last date and time for withdrawal of nominations [Rule 4 (2) (c) and 14]	Monday, the 13 May, 2019 up to 6:00 p.m.
	d) the dates and time of polling [Rule 4 (2) (d), 21 and 29]	Friday, the 28th June 2019 (From 8.00 a.m. to 8.00 p.m. )
	e) the last date and time for receipt of applications for permission to vote by post [Rule 4 (2) (e) and 28]	Monday, 29th April 2019 up to 6.00 p.m.
	f) The last date and time for receipt by post of ballot papers back from voters [Rule 4 (2) (f)]	Friday, the 28th June, 2019, up to 6.00 p.m.
	g) the date and time of commencement of counting of Votes [Rule 4 (2) (g) and 32]	Wednesday, 3rd July 2019 onward (from 10 a.m. on each day)
	h) The date of declaration of results [Rule 4 (2) (h) and 35]	By Tuesday, 9th July 2019
3.	Fee for election fixed by the Council (Rule 10)	For Council: Rs. 25,000/- (Rupees twenty five thousand only)+ 18% GST  For Regional Council: Rs. 20,000/- (Rupees Twenty Thousand only) + 18% GST
4.	Security Deposit payable by the candidate [Rule 11]	Rs. 20,000/- (Rupees twenty thousand only)

5.	Names of the members of the panel for scrutiny of nomination papers [Rule 2]	1.	Shri Anurag Agarwal Joint Secretary, Ministry of Corporate Affairs, Government Nominee on the Council,
		2.	Ms. Mausumi Ray Bhattacharyya, Director General of Commercial Audit and Ex-officio Member, Audit Board-II, Government Nominee on the Council,
		3.	Shri L Gurumurthy Returning Officer, The Institute of Cost Accountants of India.

The relevant provisions of the Act, the Rules, the Regulations and other applicable laws shall apply to these elections.

L.GURUMURTHY,  
*Returning Officer*

## NOTIFICATION

Kolkata, the 26th March, 2019

### **Elections to the Council of the Institute of Cost Accountants of India**

**No. EL-2019/2.** In pursuance of sub-rule (1) of Rule 9 of the Cost and Works Accountants (Election to the Council) Rules, 2006, the Council of the Institute of Cost Accountants of India hereby notifies that:

- (a) Total number of members to be elected to the Council from all regional constituencies under clause (a) of sub-section (2) of Section 9 of the Cost and Works Accountants Act, 1959 15 (Fifteen)
- (b) Number of members to be elected for each regional constituency as specified in Rule 8 read with Schedule 3 and Rule 3 read with Schedule 1

Name of the Constituency	Number of members to be elected
Western India Regional Constituency	4 (Four)
Southern India Regional Constituency	5 (Five)
Eastern India Regional Constituency	3 (Three)
Northern India Regional Constituency	3 (Three)
<b>Total:</b>	<b>15 (Fifteen)</b>

The Council invites nomination of candidates who desire to stand for elections to the Twentieth Council scheduled to be held on 28th June, 2019. They should deliver their nominations in the manner specified in Rule 9 of the Cost and Works Accountants (Election to the Council) Rules, 2006 to Shri L. Gurumurthy, Returning Officer, The Institute of Cost Accountants of India (By Name) in a closed envelope superscribing on it "Nomination for Council Election 2019 - 2023" at the Headquarters of The Institute of Cost Accountants of India, CMA Bhawan, 12, Sudder Street, Kolkata- 700 016 so as to reach him not later than 6:00 P.M. on Thursday, the 18th April, 2019,

Candidates may visit the Institute's website: [www.icmai.in](http://www.icmai.in) for familiarizing themselves with the Cost and Works Accountants (Election to the Council) Rules, 2006. The nomination shall be in the form approved by the Council of the Institute under sub-rule (3) and as specified in Rule 9 of the said Rules. Nomination forms can be downloaded from the website of the Institute.

Nominations shall be accompanied by a fee of Rs. 25,000/-(Rupees twenty five thousand only) + 18% GST by Demand Draft, payable at Kolkata, drawn in favour of the Secretary, The Institute of Cost Accountants of India as provided in Rule 10. Candidates can submit maximum number of ten nominations as per sub-rule (2) of Rule 9

Every candidate standing for election in addition to fee as provided in Rule 10, shall pay, irrespective of the number of nominations filed under Rule 9, an amount of Rs.20,000/- (Rupees twenty thousand only) by Demand Draft payable at Kolkata, drawn in favour of the Secretary, The Institute of Cost Accountants of India, as security deposit as provided in Rule 11.

L. GURUMURTHY,  
*Returning Officer*

## NOTIFICATION

Kolkata, the 26th March, 2019

### **Elections to the Regional Councils of the Institute of Cost Accountants of India**

No. EL-2019/3.-In pursuance of sub-regulation (2) of Regulation 114 and Regulation 118 of the Cost and Works Accountants Regulations 1959, the Council of the Institute of Cost Accountants of India hereby notifies that the elections to the Regional Councils shall be held in the manner as specified hereunder:

<b>Name of the Regional Council</b>	<b>Number of members to be elected</b>
Western India Regional Council	8 (Eight)
Southern India Regional Council	10 (Ten)
Eastern India Regional Council	7 (Seven)
Northern India Regional Council	7 (Seven)
<b>Total:</b>	<b>32 (Thirty Two)</b>

The Council invites nomination of candidates, who desire to stand for elections to a Regional Council to be held on 28th June, 2019. The nominations shall be delivered to Shri L Gurumurthy, Returning Officer, The Institute of Cost Accountants of India (By Name), in a closed envelope superscribing on it "Nomination for Regional Council Election 2019-2023" at the Headquarters of The Institute of Cost Accountants of India, CMA Bhawan, 12, Sudder Street, Kolkata - 700 016 so as to reach him not later than 6:00 P.M. on Thursday, the 18th April, 2019. Nomination forms can be downloaded from the Institute's website: [www.icmai.in](http://www.icmai.in).

Candidates may visit the Institute's website: [www.icmai.in](http://www.icmai.in) for familiarizing themselves with the Cost and Works Accountants (Election to the Council) Rules, 2006. The nomination shall be in the form approved by the Council of the Institute under sub-rule (3) and as specified in Rule 9 of the said Rules read with Regulation 118 of the Cost and Work Accountants Regulations 1959. Nomination forms can be downloaded from the website of the Institute.

Candidates for elections to a Regional Council shall pay a fee of Rs. 20,000/- (Rupees twenty thousand only)+ 18% GST by Demand Draft, payable at Kolkata, drawn in favour of the Secretary, The Institute of Cost Accountants of India by virtual of Rule 10 of the Cost and Works Accountants (Election to the Council) Rules, 2006 read with Regulation 118 of the Cost and Works Accountants Regulations 1959.

Every candidate standing for elections to a Regional Council in addition to fee as provided above, shall pay, irrespective of the number of nominations filed under Rule 9 read with Regulation 118, an amount of Rs. 20,000/- (Rupees twenty thousand only) by Demand Draft payable at Kolkata, drawn in favour of the Secretary, The Institute of Cost Accountants of India, as security deposit as per Rule 11 of the Cost and Works Accountants (Election to the Council Rules, 2006 read with Regulation 118 of the Cost and Works Accountants Regulations 1959.

L. GURUMURTHY, *Returning Office*

## NOTIFICATION

Kolkata, the 26th March, 2019

### **Constitution of Regional Councils of the Institute of Cost Accountants of India**

No. EL-2019/4-In exercise of the powers conferred by sub-section (1) of Section 23 of the Cost and Works Accountants Act, 1959, the Council of the Institute of Cost Accountants of India, hereby notifies the constitution of Regional Councils as under in pursuance of sub-regulation (1) of Regulation 114 of the Cost and Works Accountants Regulations, 1959 for the four Regional constituencies notified by the Central Government vide Notification published in the Gazette of India Extraordinary, Part II, sub-section (ii) of Section 3 as S.O. 1331 (E) dated 20th November, 2003 under clause (a) of sub-section (2) of Section 9 of the Cost and Works Accountants Act 1959, namely:

<b>Sr.No.</b>	<b>Name of the Regional Constituency</b>
1	<b>Western India Regional Constituency:</b> Comprising the States of Chattisgarh, Goa, Gujarat, Madhya Pradesh and Maharashtra and the Union Territories of Dadra and Nagar Haveli and Daman and Diu;
2	<b>Southern India Regional Constituency:</b> Comprising the States of Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Telangana State and the Union Territories of Lakshadweep and Pondicherry;

3	<p><b>Eastern India Regional Constituency:</b> Comprising the States of Arunachal Pradesh, Assam, Bihar, Jharkhand, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Sikkim, Tripura and West Bengal and the Union Territory of Andaman and Nicobar Islands;</p>
4	<p><b>Northern India Regional Constituency:</b> Comprising the States of Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Rajasthan, Uttaranchal and Uttar Pradesh and the Union Territories of Chandigarh and Delhi.</p>

L. GURUMURTHY, *Returning Officer*

## NOTIFICATION

Kolkata, the 26th March, 2019

### **Payment of fee for elections to the Council and elections to the four Regional Councils of the Institute of Cost Accountants of India**

No. EL-2019/5.-In pursuance of sub-rule (1) of Rule 10 of the Cost and Works Accountants (Election to the Council Rules, 2006 specified under the Cost and Works Accountants Act, 1959, it is hereby notified that a candidate shall pay a fee of Rs. 25,000 (Rupees twenty five thousand only) + 18% GST for elections to the Council, irrespective of the number of nominations that may be filed by him under Rule 9. By virtue of sub-rule (1) of Rule 10 of the Cost and Works Accountants (Election to the Council) Rules, 2006 read with Regulation 118 of the Cost and Works Accountants Regulations, 1959, a candidate shall pay a fee of Rs. 20,000 (Rupees twenty thousand only) + 18% GST for elections to the Regional Councils, irrespective of the number of nominations that may be filed by him under Rule 9. The fee shall be paid by Demand Draft, drawn in favour of the Secretary, The Institute of Cost Accountants of India, payable at Kolkata

Clarification: A candidate may file any number of nominations not exceeding ten for elections to the Council and irrespective of the number of nomination(s) he has to pay a sum of Rs. 25,000 + 18% GST along with the nomination. A candidate may file any number of nominations not exceeding ten for elections to the Regional Councils and irrespective of the number of nomination(s) he has to pay a sum of Rs. 20,000 + 18% GST along with the nomination.

L. GURUMURTHY, *Returning Office*

## NOTIFICATION

Kolkata, the 26th March, 2019

### **Payment of Security Deposit for the elections to the Council and elections to the four Regional Councils of the Institute of Cost Accountants of India**

No. EL-2019/6.-In pursuance of Rule 11 of the Cost and Works Accountants (Election to the Council) Rules, 2006 specified under the Cost and Works Accountants Act, 1959, it is hereby notified that in respect of elections to the Council of the Institute for the term 2019-2023, a candidate for election, in addition to fee as provided above, shall pay irrespective of the number of nominations filed, an amount of Rs.20,000 (Rupees twenty thousand only) as security deposit, which shall be forfeited if he fails to secure not less than 2% of the original votes as defined in Rule 35 in the concerned regional constituency. By virtue of Rule 11 and Regulation 118, a candidate for elections to the Regional Councils of the Institute for the term 2019-2023, in addition to fee as provided above shall pay, irrespective of the number of nominations filed, an amount of Rs.20,000 (Rupees twenty thousand only) as security deposit, which shall be forfeited if he fails to secure not less than 2% of the original votes as defined in Rule 35 read with Regulation 118 in the concerned regional constituency. The security deposit shall be paid by Demand Draft, drawn in favour of the Secretary, The Institute of Cost Accountants of India payable at Kolkata.

L. GURUMURTHY, *Returning Officer*

## NOTIFICATION

Kolkata, the 26th March, 2019

### **Notification of Recognition of Qualifications for the purpose of Sub-rule (4) of Rule 9 read with Schedule 4**

No. EL-2019/7.-In pursuance of sub-rule (4) of the Rule 9 read with Schedule 4 of the Cost and Works Accountants (Election to the Council) Rules, 2006 and Regulation 118 of the Cost and Works Accountants Regulations 1959

relating to nominations for elections, the Council has resolved that for the purpose of sub-clause (a) of clause (2) of Schedule 4. the following qualifications have been recognized by the Council :

- i) All degrees/Diplomas awarded by the Universities recognized by Government or Council of the Institute.
- ii) Professional - Associate/Fellow Membership of The Institute of Chartered Accountants of India, Associate/Fellow Membership of The Institute of Company Secretaries of India, Associate/Fellow Membership of The Chartered Institute of Management Accountants, UK, Full/Fellow Membership of the Institute of Public Accountants, Australia and Associate/Member level Membership of the Chartered Institute for Securities & Investment, UK, Professional Membership of IPA of Institute of Cost Accountants of India, Institute of Company Secretaries of India and Institute of Chartered Accountants of India."

L. GURUMURTHY,  
Returning Officer

## **NOTIFICATION**

Kolkata, the 26th March, 2019

**No. EL-2019/8.**-In pursuance of sub-rule (1) of Rule 6 of the Cost and Works Accountants of India (Election to the Council) Rules, 2006 read with Regulation 118 of the Cost and Works Accountants Regulations, 1959, it is here notified that the list of members eligible to vote (list of voters) from the various constituencies for elections to the Nineteenth Council and the four Regional Councils of the Institute of Cost Accountants of India is available for sale with effect from 28th March, 2019.

In pursuance of sub-rule (3) of Rule 6, the list of voters is available for sale on payment of price fixed by the Council as mentioned below from the Headquarters of The Institute of Cost Accountants of India, CMA Bhawan, 12, Sudder Street, Kolkata - 700016, the respective Regional Council offices at Mumbai, Chennai, Kolkata & Delhi and the Chapter offices of the Institute of Cost Accountants of India:

Region	Price per printed Book (Rs.)	Price per CD (Rs.)+ 18% GST
Western India Regional Constituency	400.00	150.00
Southern India Regional Constituency	400.00	150.00
Eastern India Regional Constituency	400.00	150.00
Northern India Regional Constituency	400.00	150.00

L. GURUMURTHY,  
Returning Officer

## **NOTIFICATION**

Kolkata, the 26th March, 2019

**No. EL-2019/9.**-The Council in exercise of the powers vested under sub-rule (1) of Rule 41 of the Cost and Works Accountants of India (Election to the Council) Rules, 2006 read with Regulation 118 of the Cost and Works Accountants Regulations 1959 has fixed the following ceiling of expenditure to be incurred by a candidate for elections to the Council and the Regional Councils:

Election	Expense (Rs.)
Council	6,00,000/-
Regional Councils	3,50,000/-

In pursuance of sub-rule (2) of Rule 41 read with Regulation 118, every candidate for elections to the Council and the Regional Councils shall file an account of expenses incurred for the election in the format approved by the Council within fifteen days of notification issued under Rule 36. Formats as approved by the Council are printed in the Journal of the Institute and also available on the Institute's website [www.icmai.in](http://www.icmai.in).

In pursuance of sub-rule (3) of Rule 41 read with Regulation 118, a member shall be deemed to have brought disrepute to the Council under item (2) of Part IV of the First Schedule of the Cost and Works Accountants Act, 1959 as amended if, in connection with an election to the Council of the Institute, he is found to have contravened the provisions of subrule (1) or sub-rule (2).

L. GURUMURTHY,  
Returning Officer

# Key issues for finalization of GSTR-9C Certification

**CMA Ashok B. Nawal**

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All the taxpayers have got major relief from preparation of GSTR-9 i.e. Annual Return. It will be auto populated in the system and one needs to only bifurcate ITC in to capital goods, input and input services separately for:

- SEZ Suppliers
- Reverse Charge when procured from unregistered person
- Reverse Charge when procured from registered person
- ITC from other suppliers

As such, there was no need to ask such bifurcations for which, there is no provision separately for accounting ITC for capital goods, Inputs & Input Services.

While going through the format of Annual Return and GSTR-9C, each of the taxpayer will have to once again have to classify the data and analyze the same which will be too much herculean task. List of such information which needs to be differently worked out for each registration of the taxpayer, is given below:

- Transactions Prior To 30th June 2017

- Transactions After 1st July 2017 To 31st March 2018
- Transactions After 1st July 2017 But Upto 13th October 2017
- Advances Received for goods After 1st July 2017 But Prior 15th November 2017 and services for full period.
- Transactions Before and After Rate Change, If Any
- Exempted, Nil rated, Non-GST supply including adjustment through debit note & credit note.
- Inward Supplies from Unregistered Dealer from 1st July 2017 to 31st March 2018 and Composition Dealer
- Inwards supplies and outward supplies appearing in books of accounts but reported after 1st April 2018
- Inwards supplies and outward supplies appearing in books of accounts but not reported till date

Since, exercise of compilation & submission of Annual Return is ease out, we recommend uploading the same simultaneously alongwith GSTR-9C duly certified by Chartered Accountant / Cost Accountant.

It is important to recapitulate following key points while finalizing GSTR-9C Certificate:

Sr. No.	Particulars	Author's Comments
1	Drop Shipment	In the GST Amendment Act 2018, Drop Shipment is covered in Such Schedule III in section 7. However this is not having retrospective effect and therefore whether it will be considered as exempt supply for the calculation of reversal under rule 42 & 43 for the purpose of finalization of GSTR-9C certification for the year July 2017 to March 2018 and for the period April 2018 to 31st January 2019.
2	High Sea Sale	In the GST Amendment Act 2018, it is very clear that High Sea Sale will not be treated as Supply. However this is not having retrospective effect and therefore whether it will be considered as exempt supply for the calculation of reversal under rule 42 & 43 for the purpose of finalization of GSTR-9C certification for the year July 2017 to March 2018 and for the period April 2018 to 31st January 2019.
3	Bus Transport	Non-AC bus transport on fixed route falls is exempted and should be considered for calculation of reversal under rule 42 & 43. However, some of the service provider are charging GST and no ITC is required to be taken. However, if it is provided on chargeable basis, whether subsidized rate or otherwise then tax liability needs to be suitably worked out.
4	Calculation of reversal of ITC under Rule 42 & 43, since there is no ITC track for exclusive inward supplies of exempted or non-taxable supplies	Most of the companies have not kept the separate tax for ITC not availed on exclusive inward supplies for exempted or non-taxable supplies and in accordance with Rule 42 & 43, it may have to be given separately.
5	Schedule III to Section 7 whether will be considered as non taxable supply (even though it is not supply) for the purpose of Rule 42	In the GST Amendment Act 2018, it is very clear that such supplies will not be treated as Supply for the purpose of reversal of ITC. However, explanation has been inserted vide Notification No. 03/2018 C. Tax dtd 23.01.2018 and any explanation to the provision is having a retrospective effect and hence not to be considered for reversal of ITC under rule 42 & 43.



Sr. No.	Particulars	Author's Comments
		E.g. Interest is out of purview of GST and can be considered as a No Supply, but such income should not be considered as exempted service for the purpose of ITC reversal under Rule 42 & 43.
6	Reversal of ITC for by product or scrap - Loss / destroyed / free samples / gift	It may be always disputed about the quantum of reversal of ITC on scrap or by product which has been lost, destroyed, given free.
7	<p>Reconciliation between GSTR 2A and ITC receivables on account of</p> <p>a. Mismatch in Invoice no.</p> <p>b. Wrong tax head of GST</p> <p>c. Wrong GSTN No.</p> <p>d. Invoices not uploaded by supplier</p> <p>e. ITC as per GSTR-2A is more than ITC availed in books (detected after September of subsequent year)</p> <p>f. Suppliers paid the GST through their GSTR-3B and GSTR-1 but shown such supplies as B2C</p>	<p>Since, GSTR-1A, GSTR-3 and mismatch report is not incorporated, provisions of Section 39 and 41 is as such ineffective and hence, ITC may be allowed even on any reasons of mismatch.</p> <p>However, suitable note for safeguarding to interest of auditor to be made in the observation sheet.</p>
8	100% amount not paid on account of retention	It can be termed as full payment has not been received and if it is not paid within 180 days ITC reversal will be disputed
9	ITC on CSR activities done when it is shown as business expenditure	As per Section 16(1) of CGST Act, Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.
10	ITC on Motor Vehicle insurance, motor vehicle repairs, building repair,	<p>As per Section 17(5)(a) of CGST Act, ITC shall not be available in respect of the following namely;</p> <p>a) motor vehicles and other conveyances except when they are used--</p> <p>i) for making the following taxable supplies, namely:-</p> <p>A) further supply of such vehicles or conveyances ; or</p> <p>B) transportation of passengers; or</p> <p>C) imparting training on driving, flying, navigating such vehicles or conveyances;</p> <p>ii) for transportation of goods;</p> <p>d) goods or services or both received by a taxable person for construction of an immovable property (other than plant or machinery) on his own account including when such goods or services or both are used in the course or furtherance of business.</p> <p>Explanation-For the purposes of clauses (c) and (d), the expression "construction" includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalization, to the said immovable property;</p> <p>However, the CGST Amendment Act 2018 amends Section 17(5) of CGST Act for disallowance on the ITC on the subject matter. This provision is implemented w.e.f. 1st Feb 2018. Therefore, ITC may be allowed.</p>
11	ITC on CSR activities done when it is shown below the line as a part of CSR compliance	Since it is not in the course of business or furtherance of business and it is appropriation of profit, no ITC is allowed.
12.	Value of free goods supplied / Amortization when specific clause is absent in PO	As per circular no. 47/21/2018-GST dated 8th Jun 2018 issued by the CBIC, the value of dies / tools / moulds supplied FOC need not be added in the value of the goods supplied by manufacturer. Considering the clarification in the circular, every person needs to be ensured that absolute clarity while raising the purchase order when such part / components are going to be sourced from the manufacturers

Sr. No.	Particulars	Author's Comments
		and for which dies / tools / moulds are supplied by the recipient of the component. The purchase order should clearly specify that the consideration of parts / components with the separate clause that dies / moulds / tools will be supplied on "FOC basis" till the time such goods are sourced from the manufacturer.
13	Rate of interest on ITC reversal / ITC wrongly availed	Interest at the rate of 24% has been specified only on the ITC not reversed on information of mismatch report and mismatches are not removed within the period of 6 months. However, provisions of removing mismatch has not been introduced. Therefore, interest rate to be considered @18%.
14	Income from Dividend, Mutual Funds, Securities etc. or sale of petroleum products.	These are non- taxable supplies and therefore it should be considered for the purpose of reversal of ITC in terms of Rule 42 and Rule 43 of CGST Rules 2017.
15	Exports on FOC basis - ITC reversal?	<p>As per Section 17(5)(h) of CGST Act, ITC shall not be available in respect of the following namely; goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples</p> <p>As per CGST Rules 42 Manner of determination of input tax credit in respect of inputs or input services and reversal thereof.-(1) The input tax credit in respect of inputs or input services, which attract the provisions of sub-section (1) or sub-section (2) of section 17, being partly used for the purposes of business and partly for other purposes, or partly used for effecting taxable supplies including zero rated supplies and partly for effecting exempt supplies, shall be attributed to the purposes of business or for effecting taxable supplies in the following manner, namely,-</p> <p>16. (1) "zero rated supply" means any of the following supplies of goods or services or both, namely:-</p> <p>(a) export of goods or services or both; or</p> <p>(b) supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.</p> <p>(2) Subject to the provisions of sub-section (5) of section 17 of the Central Goods and Services Tax Act, credit of input tax may be availed for making zero-rated supplies, notwithstanding that such supply may be an exempt supply.</p>
16	<p>Issues of Tran-1</p> <p>Carry forward of Cenvat Credit on capital goods, inputs &amp; Input Services</p> <p>Material received prior to 30.06.2017 but no GRN prepared and no accounting done upto 30.06.2017</p> <p>Material received prior to 30.06.2017 but GRN prepared and no accounting done upto 30.06.2017 or no application made for extension</p> <p>Stock declared - Supported with duty paying documents not directly in the name of tax payer / registered person</p> <p>Invoice with registered person prior to 12 months</p> <p>Stock declared without duty paying documents. Provision made in the books of accounts based on Tran-1 but not sold before due date</p> <p>Stock declared without duty paying documents. Provision made in the books of accounts based on Tran-1 but sold before due date Tran-2 not filed or not updated</p>	<p>Detailed analysis needs to be done and also considering the retrospective amendment in Section 139 and Section 140 of CGST Act 2017, which is been made effective from 01.07.2017 will have to be considered and therefore, if any credit on account of balance of education cess, higher &amp; secondary education cess and Krishi Kalyan Cess is taken then that will have to be reversed.</p> <p>Further, while doing the amendment, eligible duties do not include service tax and therefore such credit which has been transferred in TRAn-1 will be unnecessarily litigated even though department have issued the clarification that it is not intended.</p>

Sr. No.	Particulars	Author's Comments
17	Partial written off value of goods	"As per Section 17(5)(h) of CGST Act, ITC shall not be available in respect of the following namely; goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; Since there is a partial written off and stocks are kept in the books of account, no ITC reversal is required.
18	ITC on Assets discarded / written off/ given free on which ITC / Cenvat / VAT set off has not been availed	As per Section 17(5)(h) of CGST Act, ITC shall not be available in respect of the following namely; goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples;
19	ITC on Assets discarded / written off/ given free on which ITC / Cenvat / VAT set off has been availed	As per Section 17(5)(h) of CGST Act, ITC shall not be available in respect of the following namely; goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples;
20	Removal of inputs as such which were procured prior to 30.06.2017 and given FOC / lost / destroyed - What amount to be reversed	Whether to reverse CGST (w.r.t Excise Cenvat availed at that time) and SGST (w.r.t. VAT set off availed at that time) or to reverse GST on the said items at prevailing GST rates? It will depend on one to one co-relationship, otherwise GST will be payable on transactions value.
21	Removal of inputs as such which were procured prior to 30.06.2017 and given FOC / lost / destroyed - What amount to be reversed by EOU	Whether to reverse only SGST (to the extent of VAT set off)? It will depend on one to one co-relationship, otherwise GST will be payable on transactions value.
22	Allocation and apportionment value is different for the purpose of valuation of WIP and finished goods in the books of accounts vis-à-vis tax invoice prepared on distinct person	If such apportionment has been accounted in the books of accounts and debited / credited to distinct person, in that case only tax liability will arise, otherwise if it used only for the purpose of costing / MIS then in our opinion, cross charge will not prevail in spite of the facts of decision of advance ruling authority in the case of M/s Cummins India Pvt. Ltd.
23	Whether apportionment of expenses to other entities (distinct entity) tax is payable?	COLUMBIA ASIA HOSPITALS PRIVATE LIMITED Advance Ruling No. KAR ADRG 15 / 2018 dtd. 27.07.2018 Kindly refer my article on the subject published in last month.
24	Supply to SEZ by unregistered supplier without payment of GST	Whether SEZ needs to pay GST under reverse charge mechanism till 13.10.2017 There is exemption on payment of any tax to SEZ Units and Developer for authorized operations on the reverse charge basis vide Notification No. 18/2017 IGST Rates dtd. 05.07.2017 and hence no tax is required to be paid.
25	Supply to SEZ by registered supplier without payment of GST but without execution of LUT	Whether SEZ is require to paythe GST in such case? Supplier will have to discharge the GST liabilities as LUT is not executed.
26	Supply to SEZ unit / developer located at non-processing zone for operation and maintenance	Whether the supplier can avail the benefit of exemption of IGST when goods / services are supplied to be used in non-processing zone for operation and maintenance of SEZ? In our opinion, since it is not covered under authorized operations, it will not be zero rated supply. It will not be treated as supply to SEZ.
27	Supply to SEZ unit / developer located at non-processing zone for developing infrastructure	If it is for authorized operations, then only such supply will be treated as zero rated supply.
28	Receipt of goods from unregistered person prior to 13.10.2017 but accounted after 13.10.2017	Whether GST is payable under reverse charge? In our opinion GST will be payable on reverse charge.
29	Receipt of goods at prevailing rate of tax and subsequently tax rate is reduced. Return of goods against invoice - Rate of Tax ? Vis-a -vis return of goods against credit note	Since rates are different and return can be made through either credit note or tax invoice what should be the applicable & what should be the tax rate? In our opinion, in accordance with time of supply, preparation of invoice / credit note is the relevant date and tax rate is applicable on such date to be applied.

Sr. No.	Particulars	Author's Comments
30	Credit note issued with GST - for various reasons	Credit note issued for volume Discount, commission discount after sales, whether tax to charge on credit note? In our opinion, Issuance of the credit note with GST i.e. reducing the tax liability will have to satisfy the following conditions: 1. It should be known before time of supply. 2. Recipient should reverse the ITC Further, credit note can be issued with tax on or before 30th Sept of the subsequent year, which is extended now for this year upto 31st March 2019. Otherwise, credit note to be issued without GST i.e. without reducing the tax liability.
31	At the time advance GST rate was higher which was subsequently reduced at the time of supply - Refund voucher	Time of Supply is the date of invoice on which goods or services are supplied and the tax will have to be paid at applicable rate. If advance is received prior and tax is paid more, then it will be adjusted through refund voucher.
32	When invoice value is higher as reflected in GSTR-2A but booked less in the books of accounts on account of certain deduction - Taxability thereof	Recipient will be entitled to the proportionate credit of the amount booked in the books of account.
33	Payment / facilities to employee which is not considered as part of Form 16- Treatment of gift and tracking thereof	What will be taxability of facilities/ gifts given to employees which are not covered under Form-16? In our opinion, GST will be payable on Open Market Value.
34	ITC on billing of banquet hall when separate value are available for foods and others / not available	Input tax credit on the banquet hall charges paid is allowed where no separate value of food & other is mentioned.
35	Determination of Composite supply vis-à-vis mixed supply and rate thereof	It will be important to determine composite supply & mix-supply base don the facts and correct rate of tax will be applied accordingly.
36	Quantity received is higher than that of Quantity mentioned on Invoice without mentioning additional quantity as free gift. No Debit note / credit note received for same	If the quantity does not have the supporting document, the goods can be confiscated as per section 130(1). 1. How such quantities can be tracked in GST audit as these will not be reflected in GSTR 2A, Invoice, etc.? 2. Do we have to match the stock as there will be difference in the physical quantities stock and quantity of stock as per books?
37	Quantity dispatched is higher than that of Quantity mentioned on Invoice without mentioning additional quantity as free gift. No Debit note / credit note received for same	If the quantity issued is not mentioned on the invoice then that will be treated as free supply or disposal as gift, thus attracting section 17(5) and reversal of ITC has to be made. 1. How such quantities can be tracked as these will not be PO, Sales Invoice, Delivery Challan, etc.? 2. Do we have to match the stock?
38	Determination of place of supply w.r.t. billing outside India in foreign currency in the matter of Research & Development where goods are also required but output is detailed analysis	It is important to determine place of supply and work Tax liability accordingly. Further, it should be also ensure, if the place of supply is outside India, whether it will be considered as export of service and tax liability to be worked out accordingly.
39	ITC on material not required for production like uniform, tissue paper, stationery	U/s section 17(5) tax credit related to following will not be allowed:- (g) goods or services or both used for personal consumption; Thus will a. the credit of expenses incurred on the Uniform used by the employees of the company will available to the company? How do you bifurcate that the uniform has been given to the factory workers of admin staff? If the uniform is taken by the employees to his home will it be treated as gift? b. Will the credit related to stationery and tissue papers, etc. will be available to the company? Eligibility of ITC will be determined after understanding the facts of the case.

Sr. No.	Particulars	Author's Comments
40	Cost of rework done on imported goods and such cost is debited to foreign supplier. GST impact on same	Place of Supply has to be ascertained and liability has to be calculated accordingly.
41	ITC on Expenses related to furniture, Electricity & fire extinguisher which can be treated as immovable property allowable or not	<p>1. ITC related to Furniture expenditure as below. How can we determine for which purpose the ply has been issued:-a. ITC of ply and other related material used by the client for creation of cabin, partition, etc., which is connecting the flooring and ceiling.</p> <p>B. Glass partition created c. Chairs and tables made d. Cupboards made for storage</p> <p>2. Fire Extinguisher - form part of building and is immovable property whether credit will be available??</p> <p>How can we decide if the value is for the system or the hand pumps? The answer will depend on the facts, whether such goods can be disassembled in the original form. If yes, it is the movable goods and ITC will be allowed. If no, then it is immovable property and no ITC will be allowed. Needles to say, wherever ITC is availed and the said amount should not be included in capitalization of such assets.</p>
42	Anti-profiteering clause compliance if any?	As such there is no provision in GSTR-9C and therefore this aspect need not to be looked into while finalizing GSTR-9C.
43	Car sale and Disclosure in Returns and if margin value negative, reversal of 42 & 43 to be done and valuation has to be checked	<p>If the company has sold the used motor vehicle</p> <ol style="list-style-type: none"> <li>1. what will be the value on which the company has to pay the tax?</li> <li>2. What will be the rate on which tax is to be paid?</li> <li>3. What will be the case if no tax is paid?</li> <li>4. What if the motor vehicle is sold at less than book value, should amount be reversed as per rule 42 &amp; 43?</li> </ol> <p>Tax liability will be determined based on the facts of the case.</p>
44	Destruction of goods acquired prior to GST regime and destroyed?	The goods destroyed to be linked to the invoice of purchase and tax credit availed on the basis of the invoice to be reversed. If the company has reversed excess no need to comment on Audit Report. However, If, reversal / payment is short, then tax payable to be reported.
45	What %age to be applied for the removal of capital goods acquired prior to GST regime?	<p>For Capital goods pertaining to earlier regime and credit is availed of earlier tax on the same identified then 5% per quarter to be identified. The amount identified to be compared with GST applicable on such goods on transaction value and higher amount has to be paid.</p> <p>If above method is not followed necessary comments to be given in the report.</p>
46	Who should pay GST under RCM on ocean freight in case goods are imported by A and stored in bonded warehouse and later clearance is made by B for home consumption?	<p>(26) "importer", in relation to any goods at any time between their importation and the time when they are cleared for home consumption, includes any owner or any person holding himself out to be the importer;</p> <p>From the definition of importer, both A &amp; B can be treated as importer in case A has not paid GST on ocean freight, then B has to pay on reverse charge basis.</p> <p>If not paid, the liability to be reported in GST Audit.</p>
47	Whether ITC is required to be reversed on impairment of asset made in the books of accounts?	As per Section 17(5)(h) of CGST Act, ITC shall not be available in respect of the following namely; goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples. However, it is the impairment of asset keeping in the books of account, no ITC reversal is required.
48	Whether ITC is required to be reversed on reimbursement towards sharing of exempt supplies viz; water, electricity	Being exempt supply ITC is required to be reversed. If not reversed necessary action to be taken in the audit report.
49	In case where the Company has paid IGST on export and obtained a refund. The Company's supplier had availed the benefit of Notifications referred in Rule 96 (10) of CGST Rules. Whether refund claimed is to be shown as erroneously claimed in audit report	Yes, audit report should be qualified, and appropriate disclosure should be given.

Sr. No.	Particulars	Author's Comments
50	Whether ITC to be availed on the supply received in a place which is not registered as additional place of business.	Yes, ITC to be availed, since it is in the course of business and furtherance of business and appropriate comment should be made in audit report.
51	Interest on debit note / supplementary invoice:	<ul style="list-style-type: none"> <li>• Interest on debit note issued on clearance of goods or services provided or agreed to be provided prior to 1st July 2017</li> <li>• When debit note / supplementary invoices are issued in GST Era on account of price revision, it will be deemed to be issued within 30 days from the date of fixation of price revision and hence tax will be applicable at the rate applicable in GST Era and relevant date will be 30 days of finalizing the rate of differential and interest to be calculated accordingly in accordance with Section 142(2) of CGST Act 2017</li> <li>• When debit note / supplementary invoices are issued in GST Era on account of any other reason for clearance of goods / services agreed or agreed to be provided prior to 1st July 2017 for any reason other than price revision, excise duty / service tax as the case may be will be payable in accordance with Section 11A of Central Excise Act 1944 / Section 78 of Finance Act 1994 as amended alongwith the interest in accordance with Section 11B of Central Excise Act 1944?</li> <li>• When debit notes are raised for interest, late fees or penalty for delayed payment for any consideration, since, time of supply is on the date of receiving the amount against such debit notes, tax will be payable in accordance with time of supply and interest will be calculated accordingly from such relevant date?</li> </ul>
52	Interest in any other cases other than specific provisions above in general	There are no specific provisions in the CGST Act 2017 other than specific provisions mentioned above. Interest will be applicable from the relevant date of payment of tax and relevant date for tax determination is to be worked out from the date of time of supply in accordance with Section 12 & 13 of CGST Act 2017
53	Whether ISD Registration in compulsory? Cross Charge?	<ul style="list-style-type: none"> <li>• In our opinion there is no separate registration is required under ISD if covered under Normal Registration and tax invoice is raised for services rendered. Our stand as mentioned above is correct in spite of the advance ruling in the case of M/s Cummins.</li> <li>• As far as cross charge is concerned, when all the entities are providing taxable supply only, they are entitled for full ITC and hence whatever value is shown on invoice, will be treated as Open Market Value. However, if any distinct entity is providing taxable supply as well as exempted supply, then valuation should be based on Rule 30 i.e. Cost + 10%.</li> </ul>
54	Whether ITC needs to be reversed, in case the same is considered as per revised VAT Return in TRAN-1?	Section 142 very clearly provides to avail ITC only as per original return and any differential liability / refund on account of filing revised VAT Return, even within time limit, will not have any impact on TRAN-1 Return of GST and it has to be dealt with the provisions of earlier Law i.e. MVAT Act 2002 read with CST Act 1956.
55	ITC eligibility on Bus Transport after 1st Feb 2019	<ul style="list-style-type: none"> <li>• ITC on procurement of Motor vehicle / leasing, hiring or renting of motor vehicle having capacity more than 13 seats will be allowed, if used in the course of business or furtherance of business.</li> </ul>
55	ITC to be availed in March 2019 for items, which are subsequently covered in 17(5)? For prior to 1st Feb 2019	<ul style="list-style-type: none"> <li>• ITC is allowed on Input &amp; Input Services, Capital goods subject to eligibility criteria not covered under Section 17(5) of CGST Act 2017. ITC also can be taken on the strength of the following               <ol style="list-style-type: none"> <li>a) Goods or services are received</li> <li>b) Tax invoice is in possession</li> </ol> </li> </ul> <p>It is undoubtedly that, since invoice is raised prior to date 1st Feb 2019 and invoice can be raised only at the time of supply of goods or services, ITC is eligible subject to having tax invoice in possession. Further, ITC can be availed max upto 12 months from the date of invoice but not later than 30th Sept 2018 or date extended i.e. 31st March 2019. Mere late booking of tax invoice will not change basic criteria of eligibility on the date of receiving the services.</p> <p>In our opinion, if invoices are received against the goods &amp; services received prior to 1st Feb 2019, even if booking is done subsequently, ITC will be allowed. However, ITC will be disputed and litigated by the department.</p>

Further, there was a lot of confusion on reversal of ITC on schemes (like buy one get two) or quantitative schemes and credit note on discount. Fortunately, CBIC have issued the detailed circular clarifying the position which has been simplified in the following table.

Cases	Outward Supply	Taxable Value	ITC	Remarks
Free Samples and Gifts given to other than distinct entity and related person	No Supply	Nil	No ITC to be availed and reversal 42, 43 needs to be made	Being considered as free supply
Free Samples and Gifts given to distinct entity and related person	Supply	Valuation in accordance to Rule 28 of CGST Rules 2017	ITC to be availed on all the inputs, input services and capital goods	Appropriate tax to be paid
Buy one get one free offer when goods or services are different or same	One Supply / Mixed Supply / Composite Supply as the case may be	Taxable value to be ascertained in accordance to Section 15 read with Valuation provisions. It means the price will be for composite / mix quantity.	ITC to be availed on all the inputs, input services and capital goods	Appropriate tax rate to be applied considering composit / mix supply (Highest rate applicable)
Discounts (if shown on invoice itself) including 'Buy more, save more' offers	Supply	Valuation will be after discounts	ITC to be availed on all the inputs, input services and capital goods	Appropriate tax to be paid
Staggered Discount determined established before or at the time of supply	Supply	Valuation will be after discounts	ITC to be availed on all the inputs, input services and capital goods	Appropriate tax to be paid
Discount offered by way of Credit note after time of supply	Original Supply	Tax liability can be reduced only after ensuring recipient has reversed the ITC	–	–
Secondary Discounts offered subsequently even if not known prior to supply	Original Supplies	Value to be considered without discount and such discount offered subsequently will not reduce the tax liability	–	–

There are lot of confusion on applicability of tax on canteen and Input Tax Rate Charge by the supplier and ITC thereon. Following table will explicitly simplify the position:

Period	Applicable Notifications and wordings thereof	From Taxpayer point of view	Bizsol Comments	From canteen food provider (Outward Caterer) point of view	Bizsol Comments
July 2017 to 14th November 2017	Notification 11/2017-CT Rate	During this period, Taxpayer has two entries which were applicable. a) Having AC facility - 18% (Sr. no. [iv]) b) Having Non-AC facility - 12% (Sr.no. [i]) Input tax credit was allowed	On the basis of this provision we suggested to avail the input tax credit and pay outward tax as applicable to facility.	The service provider used to charge the tax at rate 18% under entry number V of the Sr 7 of the same notification.	Although there was confusion whether the service providers falls under Sr. (i) or Sr no (v), the service providers may have opted for Sr no (V) and charged GST @ 18%.

Period	Applicable Notifications and wordings thereof	From Taxpayer point of view	Bizsol Comments	From canteen food provider (Outward Caterer) point of view	Bizsol Comments
15th November 2017 to 26th July 2018	Notification 11/2017-CT Rate as amended by 46/2017-CT	Only one entry for taxation is made wherein the tax to be charged @ 5% without ITC made.	In the same notification, explanation was added to mention that it is compulsory for restaurants / canteens to charge the tax rate @ 5% without ITC. Therefore, from this date tax to be charged @ 5% without ITC on service providers bill.	Post this amendment, some service providers started charging 5% without they availing ITC and some kept charging 18% under the outdoor catering category as it was not amended.	In our opinion, the services provider can charge tax @ 5% for this period by not availing ITC. However, if in your case they have availed ITC and charged 18% then it will be difficult for the service provider to accept revision.
From 27th July 2018 till date	Notification 11/2017-CT Rate as amended by 46/2017-CT & Notification 13/2018	Same as above	Same as above	Clear explanation has been added to Sr (i) that the service providers will be part of this category and tax to be charged @ 5% without they availing ITC.	From this day onward, the service provider should compulsorily charge GST @ 5% and in case of excess charged the same can be recovered from them.

Fortunately, due to non-readiness of the system and parliamentary Election, last date of filing GSTR-9C is extended to 30th June 2019 based on the books of account for the period July 2017 to March 2018 and reconciliation with GSTR-9.

All Chartered Accountants & Cost Accountants and Taxpayers have to take the proper precaution while finalizing GSTR-9C.

**Disclaimer:**

Our comments have been summarized with respect to Provisions of CGST Act, 2017, and rules made thereunder,

and Notification and Circulars issued by CBIC from time to time.

We have no responsibility to update these comments for events, transactions, circumstances or changes in any of the facts, or regulations occurring after this date.

Our comments are not binding on any regulators and there can be no assurance that the regulators will not take a position contrary to our comments.

**Happy Auditing!!!**

## WIRC CEP REPORT

- CEP on "Strategic Cost Management Tools & Techniques in Chemical Companies" was organised by WIRC on 10th March 2019 at Aruna Manharlal Shah Institute of Management & Research, Ghatkopar (W), Mumbai 400 086.
- CEP on "Recent Developments in Companies Act, 2013" was organised by WIRC on 15th March 2019 at Aruna Manharlal Shah Institute of Management & Research, Ghatkopar (W), Mumbai 400 086. CS Avinash Godse, Deputy Manager - Legal & Secretarial, Reliance Naval & Engineering Ltd. was the speaker.
- CEP on "Activity Based Costing" was organised by WIRC on 22nd March 2019 at WIRC Office. CMA Rashmi Mudgal was the speaker.
- CEP on "Wealth Management and Individual Tax Planning" was organized by WIRC on 23rd March 2019 at Borivli SMFC. CMA Sushant Parakh, Corporate Trainer was the speaker.
- CEP on "Recent Developments in Companies Act, 2013" was organised by WIRC on 29th March 2019 at WIRC Office. CS Avinash Godse, Deputy Manager - Legal & Secretarial, Reliance Naval & Engineering Ltd. was the speaker.
- CEP on FEMA 1999 and latest amendments was organized by WIRC on 30th March 2019 at Borivli SMFC. CMA Nijay Gupta, Consultants & Trainers on Forex was the speaker.



# Taxability and Valuation of free supplies under GST Act

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*Taxability and Valuation of Free Supplies is subject matter of Dispute. Term "Free Supply" is not defined under GST Act, however in general sense Free Supplies means supply of goods or services or both without any consideration.*

## A) Free Gifts and Free Samples to Customers

- Pharmaceutical Companies often provide drug samples to medical practitioners, dealers for free ie without any consideration.
- As per Section 7 of the said act, Expression Supply includes all forms of Supply of goods or services or both such as Sale, Transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in course or furtherance of business.
- Hence Goods supplied free of cost shall not be treated as Supply under GST (Except in cases of activities mentioned in Schedule 1 of said act).
- However as per clause h of subsection 5 of Section 17 of the said act, Input Tax Credit shall not be available in respect of Goods lost, stolen, destroyed, written off or disposed of by way of Gift or Free Samples.
- Thus it is clarified that Input Tax Credit shall not be available to supplier on the Inputs, Input Services and Capital Goods to the extent they are used in relation to Free Samples or Gifts (Except in cases of activities mentioned in Schedule 1 of said act) ie without any consideration.

## B) Gifts to Incentivise Distributors

- Many companies provide free gifts to its distributors as a marketing strategy. It includes a) Goods which are manufactured by company itself or b) Goods purchased from other vendors.
- Assuming on procurement of such goods or on manufacturing of such goods company must have availed Input Tax Credit as these are business assets.
- Hence as per Clause a) of Schedule 1 of said act ie Permanent Transfer or disposal of business assets on which ITC has been availed shall be treated as Deemed Supply under said act even if there is no consideration. Company is not required to reverse credit under Section 17(5)(h) of CGST Act as company have paid GST on Supply of such goods or services.
- However if company reverses credit under Section 17(5)(h) of said act than company is not required to treat such supply as Deemed Supply under Clause a of Schedule I of said act.

## C) Buy one Get One Free



- Many enterprises announce offers like "Buy 1 Get 1 Free". It may appear at first glance that in case of such offers, one item is being supplied free of cost ie without any consideration. However it is not an individual supply of free goods but a case of two or more individual supplies where a single price is being charged for entire supply.
- Taxability of such supply shall be dependent upon as to whether supply is composite or mixed supply and rate of tax shall be determined as per provisions of Section 8 of said Act.
- Hence it is clarified that ITC shall be available to the supplier for Inputs, Input Services and Capital Goods used in relation to supply of such goods or services.

## D) Discounts including "Buy More, Save More Offers"



- Supplier (Eg : Shopping) offers various discount to its customers to increase their sales and to attract more customers. Eg: Get 15% Discount on purchases above Rs 10,000/-
- Such Discounts are shown in Invoice itself as reduction from value before charging GST.
- It is clarified here that such discounts shall be excluded to determine Value of Supply provided they satisfy parameters laid down in Section 15 of said act.
- It is further clarified that supplier shall be entitled to avail ITC for such inputs, input services and capital goods used in relation to supply of such goods or services or both.

## E) Post Supply Discounts offered as per terms of Agreement

- Supplier sometimes offer periodic or year ending discounts to their stockists, etc. Eg. Get additional discount of 5% if you purchase 1000 pieces in a year

or get additional discount of 10% if you purchase 1500 pieces in a year.

- Such discounts are established in terms of an agreement entered into at or before the time of supply even though it is not shown on the invoice. Actual quantum of such discounts are determined after the supply has been effected and generally at the end of the year.
- Such discounts are known as "Volume Discounts"
- Supplier pass such discount through issue of Credit Notes.
- It is clarified here that such discounts shall be excluded to determine Value of Supply provided they satisfy parameters laid down in Section 15 of said act.
- It is further clarified that supplier shall be entitled to avail ITC for such inputs, input services and capital goods used in relation to supply of such goods or services or both.

#### F) Secondary Discounts

- Some Suppliers offer discounts after supply is already over. Such discounts are not known at time of Supply.
- Eg: Mr P supply 1,000 packets of Maggie Noodles to Mr B for Rs 25 per packet. Later Mr A revalues it to Rs 20 per packet and issue a financial credit note to Mr B for Rs 5 per packet.
- Representation have been received from various trades and industries whether credit notes under Sub Section 1 of Section 34 of said act can be issued in such cases?
- It is clarified that Financial / Commercial Credit Notes (ie without having impact of GST) can be issued by the supplier.

- Value of Supply shall not be reduced by Secondary discounts as such discount is not known at Time of Supply.
- There is no impact of reversal or availability of ITC in hands of supplier or receiver.

#### G) Distribution of Free Samples through Branches

- There can be a scenario where company distributes free samples through its branches. In such case transfer of free samples to its own branch being related person shall be liable to pay GST (Concept of Distinct Person). Also branch shall be eligible for GST Set Off. Later if branch distribute such free samples to customers that branch shall be required to reverse the credit so availed as per Section 17(5)(h) of such act.

#### • Example:

Co A (Maharashtra) supplied 100 quantity of samples to its branch in Delhi State. Cost of such free samples was Rs 60 + Rs 3 per sample. However applying provisions of Rule 4 or Rule 5 of IGST Act., Co. A transferred the goods to its branch at Open Market Value ie Rs. 100 + Rs. 5 per sample.

Co. A (Maharashtra) paid GST on such supply. And Branch (Delhi) availed Input Tax Credit for receipt of goods.

Later Branch (Delhi) gave free samples to its customers without any consideration. Here Branch (Delhi) shall be required to reverse credit under Section 17(5)(h) of CGST Act or if company does not want to reverse the credit than such free supplies shall be considered as Deemed supply as per Clause a) of Schedule I of said act and branch shall be liable to pay GST on such free supplies.

## WIRC ACTIVITIES

### Women's Summit 2019 - 8th March 2019

WIRC celebrated International Women's Day on 8th March 2019. CMA (Mrs.) H.K. Joshi, Director (Finance), Shipping Corporation of India was the Chief Guest and CMA (Ms.) Bhoomalakshmi Sanjeevi, General Manager, IDBI Bank Ltd. was the Guest of Honour for the programme. On the occasion WIRC organised CEP on "Empowering Nation through Empowering Women". Ms. Riti Chopra, Corporate Trainer was the Faculty for the programme. On the occasion all the WIRC ladies staff were felicitated by dignitaries.

### Workshops

- Workshop on "Introduction: FEMA 1999 & International Trade" was organised by WIRC on 9th March 2019 at WIRC Office. CMA Nijay Gupta, Consultants & Trainers on Forex was the speaker.
- Workshop on "GST Audit" was organized by WIRC on 9th March 2019 at Borivli SMFC. Shri Arvind Kumar Sinha, Inspector, CGST was the speaker.
- Workshop on "Insolvency, Valuation, GST and External Commercial Borrowings" was organised by WIRC on 16th March 2019 at WIRC office.
- Workshop on "GST Audit and Returns (including proposed new returns)" was organised by WIRC on 31st March 2019 at Thane SMFC. Mr. Pratik Shah, Practising Chartered Accountant was the speaker.

# World's most valuable resource is not Oil, but Data

CMA (Dr.) Subir Kumar Banerjee

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Once upon a time, oil companies ruled the globe. An immense, untapped valuable asset of the 18th century — oil, was the world's most valuable resource. Without it, progress would halt and economies would shrink. Oil creates empires and causes global commerce to hinge on every turn of the market.

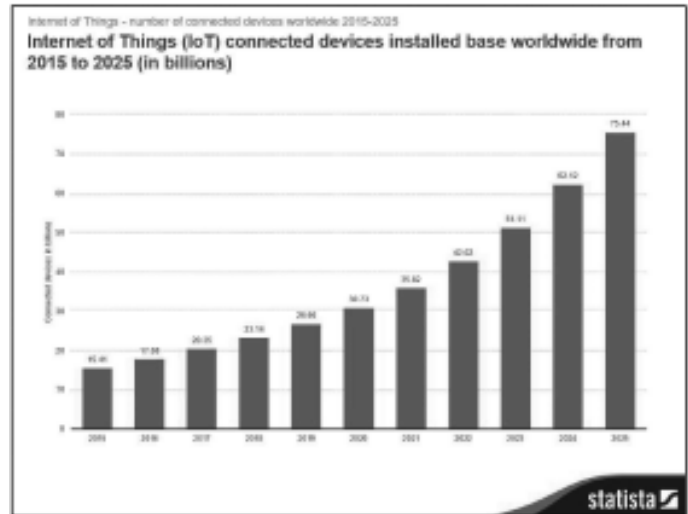
Oil, along with electricity created modern global road, air, sea and space travel, refrigeration, elevators, pharmaceuticals, plastics, fabrics, cosmetics, the chemicals that clean the water we drink and fertilize the fields where our food grows, and much more besides. It helped to spawn the great icons of modern capitalism - GE, Ford, General Motors, Toyota, Volkswagen, Boeing, Airbus, Nasa, Otis, Bayer, Shell, BP, Exxon Mobil, GSK, Astra Zeneca and on and on.

**Sometimes from now, the following things are going to happen in our lives day to day**

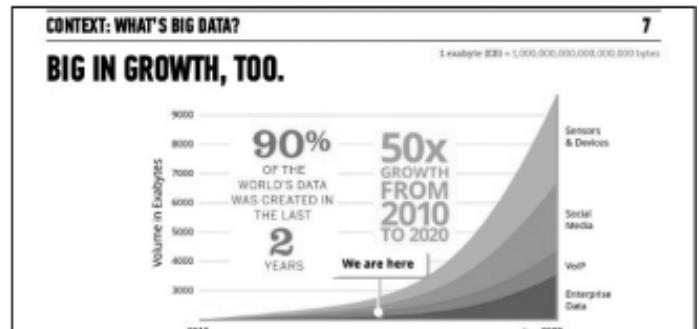
1. Not too long from now, you or I will wake up a few minutes earlier than normal because Alexa(Amazon developed it), our voice-controlled home help, will already know it's raining and that the traffic will be heavy.
2. As we step outside, our smartphone will direct us to the nearest Uber or, if we prefer, a Tesla electric car that is part of a shared on-demand fleet to which we subscribe.
3. When we approach the office, 'our' car will guide itself to the nearest parking space. At lunchtime, we will book a weekend break on Airbnb and order some new summer clothes from Farfetch to be delivered to our destination, by drone, on the day we arrive.
4. After work, we will stop at the new Amazon supermarket to pick up dinner. There are no cashiers. Sensors monitor what we pick and our Amazon Primeaccount, activated by our smartphone as we enter, is charged. When we finally get home, we will catch up on our favorite Netflix drama.

A century ago, the resource in question was oil. Now similar concerns are being raised by the giants that deal in data, the oil of the digital era. These titans-Alphabet (Google's parent company), Amazon, Apple, Facebook and Microsoft-look unstoppable. They are the five most valuable listed firms in the world. Their profits are surging. Amazon captures half of all dollars spent online in America. Google and Facebook accounted for almost all the revenue growth in digital advertising in America last year.

The giants' success has benefited consumers. Few want to live without Google's search engine, Amazon's one-day delivery or Facebook's newsfeed. Far from gouging consumers, many of their services are free (users pay, in effect, by handing over yet more data).Robots will soon bring you to the world, and at the speed of thought. This here, is the power of the most useful resource of the 21st century?-?DATA. Machines and Robotics are products of data thus validating the rapidly growing universal truth in the emerging digitopia today that all roads lead to data.Therefore, data is to the digital economy what oil is to the industrial economy.



As we use their platforms, these corporate giants collect information about every aspect of our lives, our behavior and our decision making. All that data gives them tremendous power, and more profit.

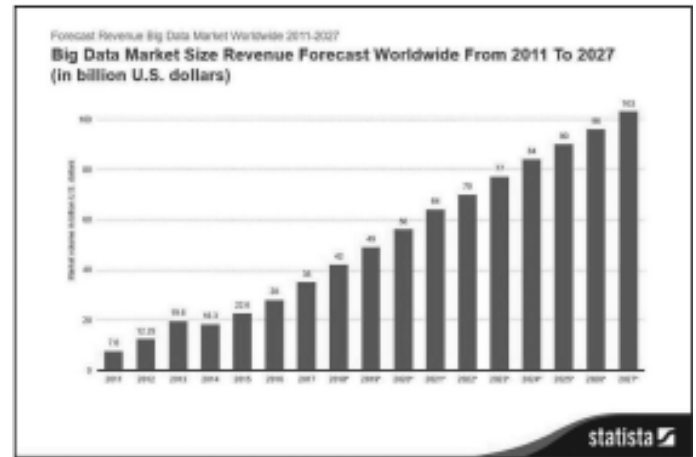


## Similarities & Otherwise between Oil and Data -

1. **Raw Input** - In some ways, comparing data to a commodity, such as oil or rice, makes sense. After all, it is the "raw input" for Artificial Intelligence, machine learning, analytics, and data science. Without data, algorithms aren't that useful.
2. **Refining Required** - Data is the new oil. It's valuable, but if unrefined it cannot really be used. Oil has to be changed into gas, plastic, chemicals, etc. to create a valuable entity that drives profitable activity; so must data is broken down, analyzed for it to have value. Although inherently valuable, data needs processing, just as oil needs refining before its true value can be unlocked.
3. **Finite & Infinite** - For a start, while oil is a finite resource, data is effectively infinitely durable and reusable. This means that treating it like oil - hoarding it and storing it in siloes, has little benefit and reduces its usefulness. Nevertheless, due to the conception that it is similar to oil (scarce), this is often what is done with it.

4. **Transportation** - Oil requires huge amounts of resources (including oil itself) to be transported to where it is needed. Data, on the other hand, can be replicated indefinitely and moved around the world at the speed of light, at very low cost, through fiber optic networks.
5. **Limited & Unlimited Application** - Data also becomes more useful the more it is used. When oil is used, its energy being lost as heat or light, or permanently converted into another form such as plastic. Once processed, data often reveals further applications.
6. **Cost & Ease of Extraction** - As the world's oil reserves dwindle, extracting it becomes increasingly difficult and expensive. Conversely, data is becoming increasingly available as computer technology advances, more of our business and leisure activity moves online, and sensors become more sophisticated.
7. **Concentration of Power** - Of course, data, like oil is a source of power. And those who control it (think of Amazon, Alibaba, Facebook or Google) are establishing themselves as masters of the universe, just as oil barons did 100 years ago. The data-mining giants have a responsibility to ensure that their resources are put to work for the benefit of humanity as a whole, rather than simply being allowed to enrich themselves unlike oil drilling.
8. **Other Issues** - Unregulated data-mining causes a whole different set of problems - privacy issues as well as the concentration of information in the hands of the few, rather than the many. Treating or thinking about data like oil only serves to encourage this discrimination between the haves and the have-nots in the digital age.

which use data to make new markets that they dominate, instead of making things. Uber is now more valuable than many traditional carmakers, even though it does not make cars. Airbnb, which is scarcely a decade old, is already finding more of us holiday accommodation each year than Hyatt, even though it owns no hotels. Netflix, Apple and Amazon are gnawing at the big broadcasters and Hollywood even though they do not own huge studios and cable companies.



As the new start-ups grow, a new cadre of billionaires is emerging, replacing the oil-dependent industrial barons of the past. Jeff Bezos of Amazon, Facebook founder Mark Zuckerberg, Google's Sergey Brin and Larry Page, Bill Gates at Microsoft, Elon Musk of Tesla and Alibaba's Jack Ma now top the Forbes and Fortune lists of the wealthiest business leaders on the planet.

Five \$100 Billion Plus Market Cap Companies in the World are Data Companies

1. Apple , 2. Google (Alphabets), 3. Microsoft, 4. Amazon, 5. Facebook

Characteristic	Commodity	Data
Usable Upon Delivery	Yes	Yes
Variable Price	Yes	Yes
Standardized	Yes	No
Fungible*	Yes	No
Finite Supply	Yes	No
Expendable	Yes	No
Transport Cost	Yes	Min.
Storage Cost	Yes	Min.

Artificial Intelligence is going to revolutionize our world, habits, professions, and religions, everything that we can touch, see or feel. The global focus in recent times has since moved from a focus on Oil, to a focus on Data. This provides us so many opportunities than ever before.

All the while we will be monitored as never before. The amount of our personal data that the tech giants harvest will reach 180 zettabytes - 180 followed by 21 zeros - in just a few years' time, predicts IDC, a market-research firm.

Now big data are replacing the old order and those old icons. It is fast replacing finance as the driver of business and market behavior. The big, well-capitalized companies of today and yesterday risk being replaced by smaller start-ups, many of

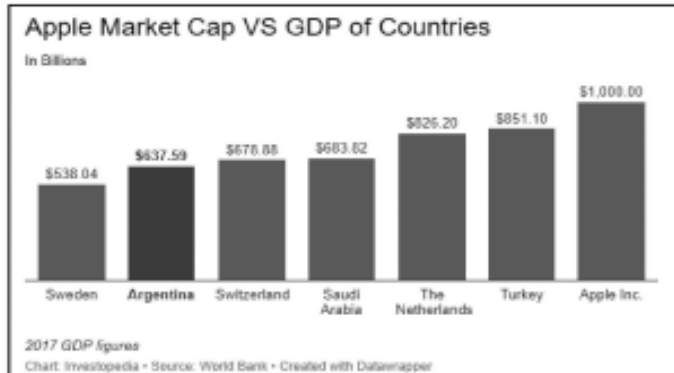
### RACE TO ONE TRILLION

Company	Market Cap
APPLE INC. HQ: Cupertino CEO: Tim Cook Founded: 1976 Closing price: \$192.28	\$947.41B
AMAZON HQ: Seattle CEO: Jeff Bezos Founded: 1994 Closing price: \$1,698.75	\$821.78B
ALPHABET INC. HQ: Mountain View CEO: Larry Page Founded: 1995 Closing price: \$1,145.19	\$787.59B
MICROSOFT CORP HQ: Redmond, Wash. CEO: Satya Nadella Founded: 1975 Closing price: \$101.31	\$782.83B
FACEBOOK INC. HQ: Menlo Park CEO: Mark Zuckerberg Founded: 2004 Closing price: \$192.40	\$549.83B

## Power of Data Economy

Apple becomes At \$1 Trillion on 2nd August,2018 (Market Capitalization), and is Equal/Bigger Than GDP of Economies as follows -

1. Apple is worth over 1% of the world's GDP according to the latest estimates from the World Bank that peg the world's output at \$80.6 trillion.
2. That also means the company is valued at over 5% of America's \$19.3 trillion GDP.
3. Apple's market cap makes it larger than the GDP of each of 183 out of the 199 countries for which the World Bank has GDP data. Some of the notable ones include Turkey, The Netherlands, Saudi Arabia, Argentina and Sweden.



What makes the data that we generate more valuable than black gold (Crude oil) is that it is unique, personal, live, and accurate and thanks to the plummeting cost of storing and transporting it, can be traded cheaply. Most of them time we sign up. Anyone can find out who we are, where we are, what we like and offer us tailored new products and services as and when we might want them. The more the Data, the better prediction of our behavior and more serving of new products.

At a simple level, the more bytes we generate and companies collect, the more vulnerable it makes us to theft. Most thefts occur from company websites. The more advanced data services become, the greater the risk of hacks. Data-driven automated cars that rely on car-to-car data sharing have been hacked and the hackers have taken control of the brakes and the steering.

## 10 Biggest Data theft and hacking of 2018

1. Aadhar - 1.1 billion - March 2018 (Private information on India residents)
2. Marriott Starwood hotels - 500 million -September2018 (Guest personal information)
3. Exactis - 340 million -June 2018(Detailed information compiled on millions of people and businesses)
4. MyFitnessPal - 150 million - February, 2018 (Usernames, email addresses, and encrypted passwords)
5. Quora - 100 million -November, 2018 (Account info data from user accounts linked to Quora).
6. MyHeritage - 92 million - October, 2018(user's personal information who has signed up for the service).

7. Cambridge Analytica - 87 million - 20 (Facebook profiles and data identifying users' preferences and interests).
8. Google+ - 52.5 million -2013,2015 and 2018 (Private information on Google+ profiles).
9. Chegg - 40 million -April to September,2018 (Personal data)
10. Facebook - 29 million - July 2017 - September 2018 (Highly sensitive data, including locations, contact details, relationship status)

## Conclusion

It is not the analogy how Data resembles Oil.The analogy is that oil had a revolutionary influence on the economies worldover and so does data contemporarily. One clear difference between the Data(digital revolution) and the oil revolutions is the speed at which the data technology is being diffused across countries. Data is certainly new oil and more and its disruption on the economies worldover is huge.

Digital platforms are recasting the relationships between customers, workers, and employers as the silicon chip's reach permeates almost everything we do-from buying groceries online to finding a partner on a dating website. As computing power improves dramatically and more and more people around the world participate in the digital economy, we should think carefully about how to devise policies that will allow us to fully exploit the digital revolution's benefits while minimizing job dislocation and misuse. Digital technology will spread further, and efforts to ignore it or legislate against it will likely fail. The question is "not whether you are 'for' or 'against' artificial intelligence-that's like asking our ancestors if they were for or against fire".

## Reference :

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- <https://networkingnerd.net/2017/12/20/data-is-not-the-new-oil-its-nuclear-power/>
- <https://www.standard.co.uk/lifestyle/esmagazine/is-data-the-new-oil-how-information-became-the-fuel-of-the-future-a3740481.html>
- <https://www.continentaltelegraph.com/tech-2/no-seriously-folks-data-is-not-the-new-oil/>
- <https://www.forbes.com/sites/louiscolombus/2018/05/23/10-charts-that-will-change-your-perspective-of-big-datas-growth/#1be2543a2926>
- [https://www.progressivepolicy.org/wp-content/uploads/2017/07/PowerofData-Report\\_2017.pdf](https://www.progressivepolicy.org/wp-content/uploads/2017/07/PowerofData-Report_2017.pdf)
- <https://www.imf.org/external/pubs/ft/fandd/2018/06/impact-of-digital-technology-on-economic-growth/muhleisen.html>
- <https://www.investopedia.com/news/apple-now-bigger-these-5-things/>

# Building sustainable business through strategic cost considerations

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## The perspective

Modern global businesses are built on two fundamental principles. One is that profit is the key measure of success and growth, and the second is that all investments made by the business must have a positive return within a definable time frame. So, if the business decides to change to a Sustainable Value Business Model, then the effort and investment required must provide a measurable return on the balance sheet and have a positive impact on all stakeholders reflecting a fundamental shift towards real sustainability.

## Sustainability and Business strategy

In today's dynamic and uncertain business world importance of building Sustainable Value into the strategy of a business cannot be underestimated. Business strategy is most simply defined as the set of actions and activities a company invests in to gain competitive advantage and to maximize long-term value. A clear and defined strategy provides the necessary focus for effective executive decisions, management actions and business investments. Making sustainability a part of the formal business strategy, and measuring results in terms of improved financial and non-financial business value, is critical for developing a Sustainable Value Business Model.

Consumer confidence, shareholder value, brand equity and the very sustainability of today's global businesses, and the planet, rely on a major shift towards new business models that focus on the intentional creation of enduring social and economic value for all stakeholders. Enduring business and social value is created when an organization conducts its operations such that commercial and social goals are inextricably linked, and social and financial impacts are equally represented in their strategic planning, operating budgets, balance sheet and corporate culture.

## The Development of Sustainable Competitive Advantage

An organization in a free-market economy, especially one that is becoming increasingly global, aims to achieve its strategic goals on the basis of a competitive advantage in which the company implements a value-creating strategy that remains unique despite attempts at imitation by current and future competitors. This means that the organization is capable of offering greater value to buyers in its industry that have a choice from several alternatives. We must emphasize that the value offered

to customers by products or services is determined by the customers themselves.

As such it may include:

- Better quality, i.e. increased functionality, reliability, safety, etc.
- Lower price for comparable quality level
- Faster delivery when quality and cost are the same
- Easier use
- Greater customer satisfaction
- Provision of good after sale support.

The most recurrent mistake made by successful organizations is the failure to assess the impact of ongoing changes on their customers and stay with the same strategy assuming continuity in environmental conditions. In what seems the rational thing to do, considering the cost structure with big overheads imposed by their large size, they keep making products that offer, even though temporarily, the most attractive profit margins, by investing in incremental improvements that satisfy their most demanding customers. As a result they often pay little or no attention to the moves made by new competitors operating with a new strategy based on some disruptive innovation that gradually eats away their market share

In a relatively stable environment most organizations can develop a strategic plan with a clear focus and direction. Its successful execution can achieve strategic goals mainly through operational excellence. However, when change in the external environment is volatile and rapid and when outcomes cannot be anticipated, leadership must shift its priority to the exploration of new value opportunities and systematically experiment to see what works and what does not. Under such conditions what matters most is the capability to experiment efficiently, to test and to adapt to an environmental context undergoing significant change

In periods of rapid change the focus for most business firms must shift from meeting profitability targets to the need for survival in the face of intense competition at a global scale. The conventional approach of cutting costs through extensive employee layoffs, plant closures, outsourcing to low-cost countries or increasing productivity with new technologies, does not address the fundamental challenges posed in the era of globalization through networked economies. What is primarily needed

is the development of new capabilities that enhance the continual development of innovations that offer maximum value to customers and other stakeholders. Such a new strategic response demands the significant improvement of the quality of an organization's value-innovation process.

### **Leveraging Strategic cost considerations for building a sustainable business**

Strategic Cost Management is a term used to describe the strategic planning, restructuring and re-alignment of a company's costs to an operating model that will deliver their revised strategy and strategic ambitions. Such programs undergo a grassroots diagnostic that allows organizations to focus on operating costs, that are either no longer aligned to the strategy (destroy value), or integral to supporting the underlying growth, or maintaining positions in markets, businesses and functions (create value). The importance of managing costs and aligning them with the business strategy of an entity is critical especially in the midst of challenging economic times faced by businesses today. By attacking costs comprehensively and strategically, companies are able to buy time for growth measures to work.

To achieve high performance with strategic cost management, it is recommended that companies create maximum impact sustainable development by using a timely combination of :

**Tactical Cost Reduction :** seek rapid cost reduction of non-strategic expenses, the low hanging fruit, to fund ongoing strategic cost management initiatives.

**Proactive Cost Governance:** Create, implement and manage a proactive cost governance model to sustain cost reductions using an organizational mindset that is focused on Kaizen - continuous improvement.

**Strategic Cost Management / Operational Transformation:** Implement structural changes using new technologies and digital interventions to the operating model and business processes to maximize value, sustain cost reductions and move to a more variable (vs. fixed) cost structure.

**Cost Management as a Core Value :** Every business has its own challenges, risks, and ways of doing things - but through it all, cost management remains a core value that can drive success. The differentiation and competitive advantage for a high growth business emanates from its ability to innovate. Effective cost management supports and supplements business innovation. Embracing a cost management framework is a key step towards building a sustainable business

Cost management as business design :Companies and entrepreneurs typically believe cost management implies a restructuring of business - this simply isn't the case.

The idea is to make it an integral part of the business design that indicates the company's aspiration for achieving all round operational efficiency.

**Measuring and monitoring ROI on all spends :** Effective cost management is a business philosophy and it starts with fostering a culture of questioning and evaluating every rupee spent. The entire organization should be oriented towards measuring and monitoring the return on investment (ROI) on all costs and investments. Every spend decision should be driven by the expected outcome or ROI it will generate.

**Unitizing Costs:** High growth businesses are structured in such a way that they can very quickly operate at much larger scale. This requires 'investing' in operating infrastructure well in advance of achieving the targeted scale. Adopting a high fixed cost model in the growth phase typically results in 'unproductive' cash expense, since the firm is spending on capacity and resources it cannot currently fully utilize. This model also leaves the business exposed to negative operating leverage, i.e. volatility in monthly revenues directly transmitting into volatility in monthly cash flows. For most firms adopting a high fixed cost model, this risk remains elevated until they achieve operating break-even.

A smart approach which deals with inflexibility associated with a high fixed cost model is to tie in these costs to business activity or production volumes (i.e. converting fixed costs into variable) wherever possible. This 'unitization' of costs or linking the expense outflow to business activity or revenues enables firms to spend as needed, and to save on operating expenditure during lean months.

Focusing on cash flow and not just EBITDA :The hyped funding and the subsequent distress observed in some cases led the industry to place emphasis on EBITDA improvement along with revenue growth. However, an effective cost management framework should be more comprehensive in its approach and therefore, focus on cash flows. Working capital can be a significant cash expense for a growing business, especially in the B2B segment. Many a company has struggled to sustain, despite being EBITDA break-even, because it couldn't meet working capital requirements.

### **Conclusion**

It is critical for companies today to find the right balance between painful but sometimes necessary cost cuts and the more strategic efforts to streamline processes, rationalize systems, outsource non-core activities and improve the operating model making best use of IT Revolution and strategic cost considerations. With disruption having arrived in full force companies are duly recognizing that strategic cost management is vital to building a sustainable business. ■

# GST effect on Gold Jewellery

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## I. HSN and SAC Codes

Before going into the details, it is important to make a note of relevant tax rates as notified by the CBEC.

S.No.	Particulars	HSN/SAC Code	GST Rate
1.	Rough and un-worked diamonds, precious and semi-precious stones	7102, 7103, 7104	0.25%
2.	Pearls, Gold, Silver, Articles of jewellery of gold, silver, etc	7106, 7108, 7113, 7118	3%
3.	Job work in relation to cut and polished Diamonds, plain or studded jewellery of gold, silver, etc	9988	5%
4.	Other professional, technical and business services (residuary clause)	9983	18%

## II. Taxability of Different Transactions

For the sake of simplicity and clarity, all the possible transactions between a Jeweller and a customer and their tax implications under the GST regime are listed below.

1. Customers walks into a Jeweller showroom and buys a Gold ornament worth Rs. 1,00,000

The Jeweller will charge GST @ 3% on Rs. 1,00,000. It is important to note that this supply is a composite supply as defined under section 2(30) comprising of supply of Gold ornament along with supply of ornament making services. Gold ornament being the principal supply, the entire value of taxable supply shall be charged @ 3% as per section 8 of the CGST Act.

2. Customers walks in to a Jeweller showroom and buys a Gold ornament worth Rs. 1,00,000 and the Jeweller charges separately for Gold and making charges

In this case, since the consideration for both Gold and making charges have been disclosed separately in the invoice by the Jeweller, the supplies will be taxable at their respective applicable rates, i.e. Gold @ 3% and making charges @ 18%.

It is important to note that the making charges should not be confused with the Job work in relation to Gold. 5% rate of Job work charges shall be applicable on the charges paid by the Jeweller to the Karigar (Job worker).

3. Customer gives old jewellery and in return buys a Gold ornament worth Rs. 1,00,000

The old jewellery given by the Customer does not constitute supply under GST law. As per section 7 of the CGST Act, one of the essential elements of supply is furtherance of business of the person making the

supply. In the instant case, sale of personal jewellery by a customer does not constitute furtherance of business by the customer.

Further, as per notification no. 10/2017 (CT and UT Act), dated 28 June 2017, local purchase of second hand goods by a registered dealer (Jeweller in this case) is exempt from tax provided the dealer pays tax at the time of resale on the value determined as per Valuation rules.

As regards the tax on the sale of new jewellery in return for the old jewellery, same principles as discussed in cases 1 and 2 would apply.

4. Customer sells old jewellery to the Jeweller and does not buy anything in exchange

The subject transaction does not constitute supply for the reasons discussed in case 3. Accordingly, there will be no tax implications in this case.

It is important to note that in cases 3 & 4, it is desirable for the Jewellers to obtain suitable KYC documents, declaration from the customers in order to substantiate the fact that the sale of old jewellery by the customers is not in the course of business.

5. Customer owns 20 gm gold and gets a gold bangle made from the Jeweller. The Jeweller charges Rs. 5,000 as making charges from the customer and pays Rs. 2,000 to the Karigar

The supply of gold by the customer to the Jeweller for the purpose of making bangles will not fall under the definition of "Job work" under the GST Act due to the fact that the customer will be an individual who is not a registered person under the GST Act.

As per section 2(68) of the CGST Act, job work means any treatment or process undertaken by a person on goods belonging to another registered person and the expression "job work" shall be construed accordingly.

Therefore, the concessional rate of 5% of Job work in relation to gold shall not apply in the instant case and the Jeweller shall charge GST @ 18% on the making charges.

It is to be noted that the making charges paid by the Jeweller to the Karigar (job worker) will attract GST @ 5% under reverse charge (assuming that the Karigar is not a registered person).

## III. Valuation of Old Jewellery on Sale as per Rule 32(5) of the Valuation Rules

As per Rule 32(5) of CGST Rules, 2017, the value of supply in case of a person dealing in buying and selling of second hand goods, shall be the difference between the selling



price and the purchase price. However, the following conditions need to be fulfilled:

- a. used goods are sold as such or after minor processing which does not change the nature of the goods
- b. no input tax credit has been availed on the purchase of such goods

Therefore, in view of the above provisions, a Jeweller need not charge tax on the entire value of second hand goods. GST should be charged only on the differential value. This is based on the fundamental concept of GST that tax should be levied only on the value addition since the purchase price of the second hand goods has already suffered tax at the time of its original sale.

It must be noted that one needs to ensure that suitable documentation is maintained by the Jeweller to show that the conditions prescribed under rule 32(5) have been duly complied with. However, in cases where the old jewellery is completely remade after melting or it is not possible to substantiate that only minor processing has been done, it is advisable that the Jewellers charge GST on the entire value of old jewellery being sold.

#### IV. Job work procedure

There are provisions under the GST law which permit

transfer of goods to the job worker on a challan (as per rule 55 of the CGST Rules) without payment of taxes. The details of the same are to be filed on a quarterly basis.

The Jewellers need to ensure that the movement of goods to/ from the job worker is strictly in accordance with the provisions of Rule 45 and 55 of the CGST Rules, 2017.

Further, in case the job-workers have a turnover of more than Rs. 20 lacs or are involved in inter-state supplies, it is mandatory for them to obtain registration under the Act. In other cases, Jewellers will be required to discharge the GST liability under reverse charge mechanism. The GST paid will be available as ITC to the Jewellers irrespective of the fact whether the GST is paid under reverse charge or collected by the job-workers.

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Statement about Ownership and other particulars about Newspaper "WIRC BULLETIN" as required to be published in the first issue of every year after the last day of February.

#### FORM IV (See Rule 8)

1. Place of Publication : Mumbai
2. Periodicity of Publication : Monthly
3. Printer's Name : Mr. Kailash Ratanlal Gandhi
4. Nationality : Indian
5. Address : Western Indian Regional Council of  
The Institute of Cost Accountants of  
India, Rohit Chambers, 4th Floor,  
Janmabhoomi Marg, Fort,  
Mumbai 400 001.
6. Publisher's Name : Mr. Kailash Ratanlal Gandhi  
Nationality : Indian  
Address : Same as above
7. Editor's Name : Mr. Kailash Ratanlal Gandhi  
Nationality : Indian  
Address : Same as above
8. Name & Address of individuals who own the Newspaper and Partners or Shareholders holding more than 1% of the total capital. : The newspaper is wholly owned by the Western India Regional Council of The Institute of Cost Accountants of India. (Address as above)

I hereby declare that the particulars given above are true to the best of my knowledge and belief.

30th March 2019

Sd/-  
Kailash Ratanlal Gandhi

## Quiz Competition

- WIRC organised Quiz Competition on Costing and GST at Thane SMFC on 24th March 2019. **CMA Krishnan N. Iyer, Sr. Manager - Finance, Godavari Biorefineries Ltd.** was the Speaker.

- ❖ Power is of two kinds. One is obtained by the fear of punishment and the other by acts of love. Power based on love is a thousand times more effective and permanent than the one derived from fear of punishment.
- ❖ Non-violence is the greatest force at the disposal of mankind. It is mightier than the mightiest weapon of destruction devised by the ingenuity of man.

— Mahatma Gandhi

# MIS report to monitor and optimise product wise production

**CMA Rajesh Kapadia**

CMA Department should prepare and submit following Report on Monthly Basis to the Management.

SR NO	PRODUCTS	INSTALLED CAPACITY	PRODUCTION AS PER BUDGET	PRODUCTION OF PREVIOUS YEAR	PRODUCTION OF CURRENT YEAR
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
TOTAL					

### Contents of this Report :

- 1) It serves the purpose if it is prepared for Products having 70 % to 75 % of Sales Value.
- 2) It provides comparison of Product wise Production of Key Products for Current Year as compared to Installed Capacity, Production as per Budget for Current Year & Production of Previous Year.

### Utility of this Report :

- 1) It provides Production Scenario of all Key Products at a glance.
- 2) For Products having substantial profits or substantial contribution, it is desirable that 100 % Capacity Utilisation is achieved.
- 3) For Products having substantial profits or contribution, it is desirable that actual Product wise Production does not fall short of Budget.
- 4) 100 % Capacity Utilisation will result in optimum utilisation of available resources and thereby least Per Unit Fixed Cost of Production.
- 5) To achieve 100 % Capacity Utilisation, it calls for proper coordination between following departments :
  - Production
  - Marketing (To ensure sustained demand )
  - Purchase (To ensure availability of all Key Raw Materials )
  - Maintenance (To keep Plant & Machinery in Proper Conditions )
  - Utility (To ensure availability of all required Utilities )
  - Human Resource (To ensure availability of required Man Power )
  - R & D (To enhance usefulness of Products to improve market share )

Above Report when prepared every month and circulated and discussed with all concerned HODs will enable the management to Monitor and Optimise Product wise Production of all Key Products.

# Journey of CMA

**CMA Dilip Yadav**

*Fresh Cost Accountant (December 2018 Batch)*

*"Dream, Dream Dream Dreams transform into thoughts And thoughts result in action."*

**— Dr. A. P. J. Abdul Kalam,**  
*Former President of India*

While working in the fields of Uttar Pradesh in the fierce summer the pain and anguish as a kid I felt in sowing the fields I felt that the easiest thing in the world is to dream and carry the objective of achieving in life to break free from the drudgery of working as a farmer of a farmer's son. I feel that education is the only panacea of poverty and with this premise in mind I started my journey of pursuing the course of CMA when I was in my degree course in 2015.

I feel that to kickstart my family from the poverty and difficulty I had to move ahead in thinking and bring a cheer of hope to my parents and my younger brother and sister.

With this zeal and hope I started the journey and arrived at the city of opportunities in Mumbai and took admission at the CMA course in Sydenham College in Oral Coaching conducted by WIRC.

To sustain in the big city my father took the vocation of a vegetable vendor and to supplement his work I used to support him daily so that I can balance both the hearth and my goal in equal elan. The reality of life has taught me that I cannot bear the high cost of MBA or other courses which had huge course fees and a considerable period of study as I had felt that to support my family urgently I had to complete the course very fast and start my work life on an urgent basis. These reasons enabled me to join the course with the hope of completing the course in very less time with my utmost sincerity and accomplish the course to the best of my ability.

In order to a good Cost Accountant you have to be good in finance and as I had to sustain myself with my meagre income of my family I understood the premise of the course and starting working hard on it. I also took admission in a private study centre but due to lack of funds I was compelled to leave the coaching centre in the midway due to inability of paying such hefty fees.

I completed my foundation in the fray when I finished my 2nd year of my college. The success instilled in me a ray of hope for pursuing the Intermediate and thereafter the finals. I started the same and completed my Intermediate in my 3rd year of my degree college and completed in a single attempt. Thereafter, I pursued my finals after passing my degree course.

During my course I had to face lot of hurdles like I had to study in night in street light. I also had to study in English which was not my first language as I did my basic education from Hindi Medium. Further I could not afford

expensive books so had to resort to the Institute's study material and Oral Coaching faculties for my studies. During my course in the finals I always used to feel self-doubts as my friends had the liberty to study in fancy coaching centres and lot of supplementary books and materials but still I hoped that I can and with this burning passion and belief I started my finals preparation. I always felt that with sincerity and proper support from family and friends nothing is impossible.



I was also a cost trainee with CMA Kailash R Gandhi, Immediate Past Chairman of WIRC and with his guidance and support I took deep interest in costing and pricing and understood the realities of the profession under his tutelage.

With examination looming large I had to balance my studies, support to family and thereafter work as a trainee and under such huge pressure I believed that when the going is tough the tough gets going.

I appeared the finals first in December 2017 and could not succeed in the first attempt but still never believed failures could stop me and thereafter in June 2018 I cleared a group of final examination and the other group I cleared in December 2018.

I believed success is a journey and not a destination and with that spirit I hope I will be successful in the upcoming Campus Placement which is to be organized by the Institute in April 2019. I believed that it can only bring happiness and hope to my parents and all my well-wishers. I wish with a good job my family will get the financial support and my younger siblings the liberty to study as per their interest.

The purpose of me writing this article is that with all hurdles comes a hope, a possibility and a person undergoing all adversity can be successful if he/she feels he/she can overcome the battle and be successful. A person like me can overcome such challenges with dint of hard work and determination so I hope all my friends who are pursuing the course can do it with belief in themselves and zeal to excel in life.

I hope all CMA students that it is not bad to be born to an impoverished family but it is very bad to be such and curse your luck. The luck is defined as a Labour under Careful Knowledge (LUCK) and all will be blessed with such if they hope and sincerely work towards it for a better future. ■

# APPEAL TO MEMBERS

**The last date for admission for December 2019 term is 31st July 2019.**

**www.icmai.in**  
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**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**  
Statutory Body under an Act of Parliament

**CMA LEADS**

**Last Date for Admission**  
June Exam  
31<sup>st</sup> January  
of Same Calendar Year  
December Exam  
31<sup>st</sup> July  
of Same Calendar Year

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The Institute of Cost Accountants of India is a premier professional institute and a statutory body constituted under an Act of Parliament under the administrative control of **Ministry of Corporate Affairs (MCA), Govt. of India** to regulate and develop the profession of Cost and Management Accountancy (CMA) in the country. The Institute established in 1944, is celebrating the **Platinum Jubilee (75<sup>th</sup>)** year of its glorious presence in 2018.

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1. Sydenham College of Commerce & Economics, Churchgate,
2. N.M. College of Commerce & Economics, Vile Parle (West),
3. St. Francis Institute of Management, Borivali, SMF Centre,
4. Ramniranjan Jhunjhunwala College, Ghatkopar,
5. Mulund College of Commerce, Mulund
6. SMF Centre at Thane

We ardently appeal to all the members to kindly facilitate in garnering more enrolments for the course for the holistic development of the Institute. With your support we can become the largest CMA body in the globe which we are now 2nd for that we need more numbers and collectively we can reach the zenith.

**For Admission Contact: 93721 67164 / 93720 36890 / 93720 71120**

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