DIWALI SPECIAL
WIRC E-BULLETIN

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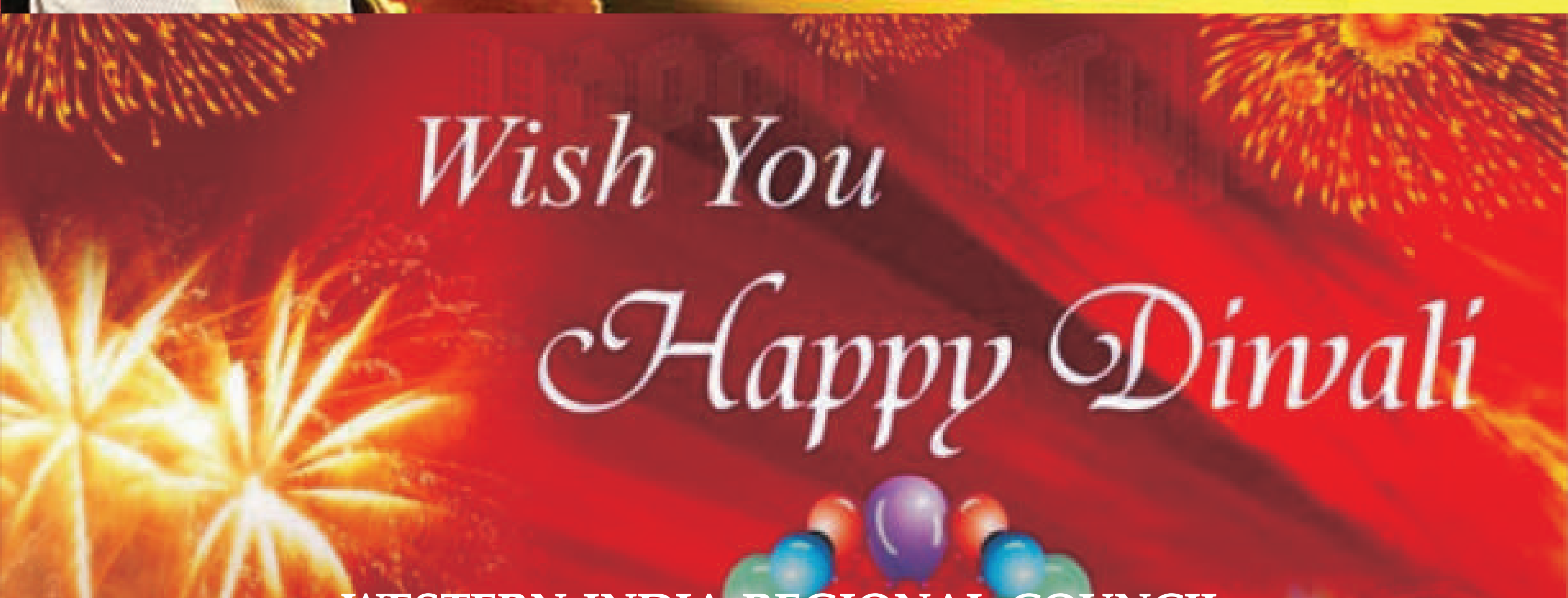

WESTERN INDIA REGIONAL COUNCIL
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)
Rohit Chambers, Janmabhoomi Marg, Fort, Mumbai 400 001.
Tel.: 2204 3406 / 2204 3416 / 2284 1138 • Fax : 2287 0763 E-mail : wirc@icmai.in • **Website : www.icmai-wirc.in**

In this Issue....

MESSAGE

By **CMA Harshad Deshpande**
Chief Editor, WIRC Bulletin, ICAI

SHUBH DIPAWALI !!! *Wishing you and your family very Happy, Prosperous Diwali and New Year !*

It is indeed my pleasure to interact you on the auspicious occasion of Diwali. This Diwali we will celebrate not only with sweets, crackers & lights but added with deep drive for knowledge, intellectual and positivity.

The biggest reform in the indirect tax in knocking our doors in the form of GST. WIRC is proud to release this Diwali special edition of its proud publication "WIRC Bulletin". This reform will provide huge opportunity to CMAs to perform role of facilitator between the Policy makers, Industry & Trade organization and consumers. Let this "Diwali" will be "GST wali Diwali".

This "GST Special Edition" is our response to the narrow minded people who had reported concerns with respect to our abilities few days back. On this occasion, I am mindful to my predecessor who have done this great job and ensured the continuity and quality content in this bulletin.

"Change is only permanent thing in life."

After I took over this baton in July 2015, we changed the look of this bulletin to make it more attractive. The appeals were made to members to contribute the articles. With the good response from members today we have reached this moment when we can release this special edition in additional to our monthly publication. I am thankful to my Council colleagues CMA Laxman Pawar, CMA Kailash Gandhi, CMA Shriram Mahankaliwar who supported in form of contributing articles and also inviting experts to exchange their knowledge through this bulletin. I am extremely thankful to Immediate Past Chairman WIRC, CMA Debashish Mitra who had given me full freedom to implement new ideas and current Chairman CMA Pradip Desai who is continuing the same trend. CMA Ashok Nawal has been one of the regular and quality contributors to this Bulletin for more than last 4 years and the support from CMA Amit Apte and CMA P.V. Bhattad is been driving force.

The world in becoming more dynamic and fast changing. We will give our best to respond with this rapid changes to make our bulletin more vibrant. We have started with the mobile edition which ensures easy accessibility. Still new ideas are in pipeline to make bulletin even better, after all improvement is the continuous process.

From bottom of my heart, I thank all members / readers who have appreciated our efforts through out the year. Your feedbacks have helped us improve the Bulletin. On behalf of Editorial Board consisting of CMA Soumen Dutta, CMA Shailendra Saxena, CMA N.P. Vishwanathan and CMA Shrenik Shah, I express my gratitude to WIRC staff Mr Unnikrishan and Mrs Gauri Phadke for their support.

Thanking you and again wishing you SHUBH DIPAWALI

GST: A Tax Revolution of 21st Century

CMA Brijmohan Sharma
President,2010-2011, ICAI.
Chairman, GST Advisory Board ,ICAI

GST will be a game changing reform for Indian economy by developing a common Indian market and reducing the cascading effect of tax on the cost of goods and services. It will impact the Tax Structure, Tax Incidence, Tax Computation, Tax Payment, Compliance, Credit Utilization and Reporting leading to a complete overhaul of the current indirect tax system. GST will have a far reaching impact on almost all the aspects of the business operations in the country. Industry experts call it more as business reform rather than the Tax Reform.

GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

For business and industry Easy compliance, A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.

GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business. Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry and give boost to Indian exports.GST will bring efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.

We CMA being a professionals have duel responsibility ,one as partnering with nation in successful implementation of GST across country by organising various Training Programmes and seminar and secondly providing service to trade and industry for better tax compliance as well to act as an Auditor in this new regime of GST.

In light of this the WIRC -ICAI is bringing this special edition on GST which will be useful to entire CMA fraternity who in turn can impart the knowledge on GST to industry and society at large.

I wish Everyone Happy Diwali and New Year

MESSAGE

By **CMA Ashok B Nawal**
Chairman - Taxation Committee, The Institute of Cost Accountants of India

Dear Team WIRC,

It is indeed the great initiative of Team WIRC for continuously updating the members on latest subject including that of Goods & Service Tax. I congratulate Team WIRC and Editor CMA Harshad Deshpande for coming with the innovative ideas and publishing WIRC Bulletin on eve of Diwali and enlightening the members about GST. This special publication on GST is achieving one of the major benchmark on the journey of "tamasoma jyotir gamaya".

Tax research department has already taken number of steps including publishing "An Insight on GST" in two volumes. No sooner, Model GST Law was put on the public domain, our institute have circulated clause by clause analysis to each member. Thereafter "Train the Trainers" programs were arranged across India and I am happy to inform you that 800+ members have been trained and it is really satisfying to know that most of the members have already conducted the training program on GST.

Our Institute is publishing the "GST Training Manual".

The role of CMA is very vital for implementation of GST and therefore each member will have to not only understand the legal provisions. The Taxation Committee of the Institute express gratitude to all the well-wishers for their valuable suggestions in the process of making and development of this title. The Institute and its esteemed members pledge to raise to the need of the economy and the Nation at large in smooth implementation of GST in India and to make India the 'destination-country for investment'. Let us all join hands together to introduce the simplified and transparent tax structure through the proposed GST law which would promote and motivate investors to Make in India, the prime mission set by our Honorable Prime Minister, Shri Narendra Modiji.

I once again congratulate Team WIRC for their initiative of educating members through their seminars and articles in WIRC Bulletin and now b ringing out Diwali Special GST Bulletin.

I wish Team WIRC and all the members, a Very Happy & Prosperous New Year, which will light new tax regime and one of the most desired economic reforms…

Let us join hand for building the nation.

Thank You.

From the Chairman's Desk ....✍

CMA Pradip H. Desai

Dear Members,

It is our immense pleasure to put before You a knowledge pack on GST in E-Bulletin form with an intention to add to the knowledge of the members and equip our members to perform their functions efficiently and effectively when our government is committed to Make GST effective from 1st April,2017.

I very much appreciate the initiative of publishing E-Bulletin on GST by CMA Harshad Deshpande- Editor -WIRC Bulletin and Website committee of WIRC. We are planning to have such another E-Bulltein before ensuing Christmas.

We wish you and your family "A very Happy Diwali" and Healthy and Wealthy coming year.

With Warm Regards.

Pradip H. Desai

Chairman

A Word from the Hon. Secretary

CMA Laxman Pawar

Dear Members and Students ,

Let Me Congratulate Chief Editor CMA Harshad Deshpande and Editorial Team for bringing this GST Diwali Edition.

Change is inevitable and is the only thing that is constant. But it is the sheer pace of change that makes it a big challenge in the present GST era

Let me recall the saying: Success is a journey, not a destination. So let's continue with our journey with GST panache.

GST execution is highly IT oriented and every process is to be done online like Registration, Returns, Payments, Refunds etc.. However, it will not be drastically different from existing VAT/Excise/ST as the law is being drafted by experts from these fields only.

CMAs with their knowledge on manufacturing, costing and pricing will be best suited to assist the industry in determining the correct cost of manufacturing goods / rendering services, post introduction of GST. The same will be vital as final prices of goods / services and the profit margins thereto would need to be re-determined. The GST impact assessment should also highlight key impact points of GST on various functions of the Company such as procurement, distribution, marketing, accounting and taxation functions.

GST will be new world of opportunity for CMAs as one new compliances for business. CMAs who are IT savvy and having experience are stands to benefit most. As they have seen basics of service tax, excise and VAT also. Now they are ready to expose new world. They would be in better position as they can invest time in learning new things. Very good opportunity to CMAs.

I am also happy to note our members as trainers have started training programs on GST.

May this light of happiness, light up your life. May this Diwali be the most sparkling and lightening . The sights and sounds filling up your heart with joy and happiness.

Wishing You And Your Family A Very Happy Diwali .

Preparedness towards GST

By **CMA A. B. Nawal**
Contact: +91 98901 65001 • E-mail : nawal@bizsolindia.com

No sooner political hurdles were out and consensus amongst the political party reach in the Rajya Sabha, 122nd Constitutional Amendment Bill,16 states have immediately ratified 122nd Constitutional Amendment Bill and thereafter subsequent steps and actions, which has been taken by the Central Govt. really shows the seriousness and commitments to implement GST on the committed day, which can be seen from the following sequence of events:

- Assent by Hon. President of India
- Constitution (101st) Amendment Act, 2016 (incorporating provisions of 122nd Constitution amendment Bill) already notified on 8th September 2016
- GST Council already notified w.e.f. 12th September 2016
- Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17, 18, 19 and 20 of the Constitution (101st) Amendment Act, 2016 has come into the force w.e.f. 16.09.2016
- First meeting of GST Council on 21st& 22nd Sept 2016, wherein threshold limit & issues of dual control has been finalised
- Second Meeting scheduled on 30th September 2016 and subsequent meeting is scheduled on 16th& 17th October 2016.
- Draft Rules for registration, invoicing, payment, refund and Returns put on public domain
- Draft provisions for Tax Return Preparer put on the public domain

The sequence is on the legal framework and Central Govt., Department of Revenue and Empowered Committee of Finance Ministers have already completed their rounds of their discussions with all the stake holders from 16th August to 30th Sept. 2016 and all states are also following the same foot-steps. Further Department of Revenue have trained 350 master trainers and such 350 mastertrainers are continuously giving the training to Central Govt. and State Govt. officers.

As far as infrastructure is concerned, there is a continuous monitoring from Hon. Finance Minister Arun Jaitelyand PMO for creating the infrastructure through GSTN and Infosys. Further, Hon. Minister Nitin Gadkari have already announced to invest Rs. 4000/- Cr for revamping the check post for installation of scanners to avoid the transit delay and checking.

The commitment and schedule given by GSTN is as follows:

" Development of GST Frontend and Backend for 17 States by GSTN: **End December 2016**

" CBEC's Backend systems: **End November 2016**

" Backend systems of 14 States: **End November 2016**

" Backend systems of Pr. CCA, Banks, RBI & State accounting authorities: **End November 2016**

" Testing and integration of GST Front end and backend of all stakeholders : **Jan - March 2017**

In other words, as far as preparedness in concerned from the Central Govt. and State Govt., they are committed to implement GST w.e.f. **1st April 2017**. Now,time has come to introspect whether Trade and Industries are getting ready / prepared to implement most awaited Tax reforms after freedom.However, it seems that now trade & industries will have to make up the speed and get prepared for welcoming new tax reform, which is called as "Game Changer".

Why "Game Changer"?

- Single Tax with the same provisions as against Multiple Acts &Compliances and Returns
- Different Valuation basis
- Different Adjudications
- No ambiguity under GST as against prevailing Service Tax & VAT in case of
  - ✔ Restaurant Services
  - ✔ Works Contract
  - ✔ Right to use of Movable goods
  - ✔ Software
  - o IPR
- No ambiguity under GST as against prevailing Excise& Service tax for
  - ✔ Drawings and Designs
  - ✔ Software
  - ✔ Commissioning & Installation
- Change in Taxable Event in case of Excise:Taxable Event is Manufacture/ Deemed Manufacture now will be "SUPPLY"
- Different Valuation Mechanism:Production Capacity/ Transaction Value/ MRPin Excise and now same Valuation for CGST & SGST or IGST
- Same Exemptionsfor CGST & SGST or IGST as against different exemptions in Absolute &Conditional in VAT and Excise
- No Duty Exemption Zone - Uttaranchal/ Himachal Pradesh / J&K/ N&E

- Change in definition of services, place of supply, time of supply and valuation
- One Nation, One Tax.

In the GST regime, there will be no tax on tax or cascading effect and hence following taxes were part of the cost of production and cost of services and thereby there was increase in pricing level, whereas prices will go down in the GST regime for the following reasons:

Cascading effect of taxes:

- Tax on Tax
- SAD to Service Provider
- VAT Credit to Service Provider
- VAT Retention for Stock Transfer and less credit for capital goods
- Cenvat Credit on Input Services to Trader
- Central Sales Tax
- Entry Tax
- Purchase Tax

In view of the above, the prices will come down and there will be less inflation provided all the stake holders pass the benefits which will reach to the ultimate consumer and that will be a real contribution for the nation building.

Steps to Implement GST by Trade and Industries:

A. Understanding of Business Transactions in the changed scenario to find out the impact of GST:

B. Classification of the transactions into specified w.r.t. Goods & Service & Place of provisions.

C. Understanding of Flow Chart for enabling the change in business strategies with GST perspective:
   - i. Organization
   - ii. Material Movement - Prior manufacturing
   - iii. Material Movement - During manufacturing or for other purpose.
   - iv. Distribution Pattern - Post manufacturing

D. Understanding functions of each Department at Macro & Micro level to assess the GST impact on their transactions and mapping them with existing Business Model.

E. Understanding of warehousing & logistic model including depot, branches, stock level thereof for GST impact and restructuring thereof with the perspective of GST.

F. Understanding distribution patterns till ultimate sale to consumer for GST impact and restructuring thereof.

G. Understanding of suppliers - nature of goods, place of supply & present contractual terms for GST impact and restructuring thereof and benchmark the new rates in GST.

H. Understanding service providers including contractors & contractual terms and place of supply for GST impact and restructuring thereofand benchmark the new rates in GST.

I. Understanding of sales policy including schemes, discounts, return of goods for GST impact and restructuring thereof for changing the sales promotion and marketing strategies.

J. Crafting Business Strategies
   - i. Analyzing function wise GST leakages & liabilities form the existing business strategy.
   - ii. Finalizing new business strategies and continuous consultation with GST Core Group of the company (multifunction team).

K. Contract Review
   - i. Finalizingrevised terms & conditions in GST regime
   - ii. Finalizingamendment to the present POs during transition period
   - iii. Probable reduction in purchase price: A-Class vendors
   - L. Transaction Restructuring w.r.t. existing ERP & proposed ERP with interface through GSTN

M. Developing SOPs in each function of the Department including GST compliance
   - i. Finalizing Accounting Control for Tax Compliance and Tax Management.
   - ii. Mapping Transactions to ERP System.

N. Preparedness for Transitional Period so as to avail transitional credit and not to lose any ITC (Cenvat Credit)z

O. Continuous Training at all levels.
   - i. Senior Level Team for decision making
   - ii. Middle Management for implementation
   - iii. Lower Management & Operating Team for documentation and compliances.

It is advisable to do all activities as mentioned above then only it can be stated Trade and Industry is also prepared not only to implement GST but reap the benefits of GST, which will enhance 1.5% growth of GDP and contribute to the nation building

GST paves the way for true single market of US 2 trillion dollar Indian economy

By **CMA Dr. V.V.L.N. Sastry**
E-mail : drsastry@firstcallindiaequity.com

The landmark goods and services tax bill passed by Indian parliament after years of filibustering is a key step in the right direction. It is also the most significant tax reform since independence for what is now Asia's third largest economy. The Indian indirect taxation system is due for a seminal tax reform with the introduction of a unified Goods and Services Tax (GST) as against the prevailing plethora of taxes (value-added tax (VAT), central sales tax (CST), service tax, customs duty, excise duty, entry tax, etc.). As the government has already released the Draft GST Law in the public domain, it is likely that the new GST regime may be implemented from April 2017. The GST subsumes India's messy plethora of indirect taxes, duties, surcharges and cesses into a single tax.

Nearly 160 countries, have some form of GST or value added tax. In India, the federal and state governments will jointly administer India's dual GST. This means it will be a set of 38 different taxes: a GST for each of the 29 states and seven federally administered union territories, a federal GST, and an integrated GST on inter-state supplies of goods and services. The very administrative structure of GST is not quite an act of fiscal unification but simpler than the thicket of taxes it will replace.

What promises to one of the world's most complex tax reforms is expected to be serviced by state-of-the-art technology. Indian software giant Infosys is building a gigantic electronic infrastructure - a GST portal, where taxpayers can register, make payments and file returns. Some 7.5 million businesses will be covered by the tax. Clearly, a successful GST in India will be a minor miracle.

No country of comparable size and complexity has attempted a tax reform of this scale. The GST is also a potential game-changer as the burden of taxation moves from the state of manufacture to the state of consumption of goods and services.

The new GST regime will open up an array of opportunities for businesses across India as well as those planning to enter the Indian market. On the other hand, GST may also pose various challenges with respect to business planning, budgeting and investment, as it will change many earlier assumptions regarding business and the market and as a whole. The challenge at hand for the business community is to adapt to the transitional tax reforms by understanding the nuances of the new GST regime.

It is expected to: ease a cumbersome tax system, help goods move seamlessly across state borders, curb tax evasion, improve compliance, raise revenues, spur growth, stimulate investment and make investing and doing business in India easier.

GST will eliminate the scope of double taxation in certain sectors due to tax dispute on whether a particular transaction is for supply of goods or provision of service such as licensing of intellectual properties like patents and copyrights, software, e-commerce and leasing.

Removal of tax barriers on introduction of uniform GST across the country with seamless credit, will make India a common market leading to economy of scale in production and efficiency in supply chain. It will expand trade and commerce. GST will have favourable impact on organised logistic industry and modernised warehousing.

GST will remove cascading effect of taxes imbedded in cost of production of goods and services and will provide seamless credit throughout value chain. This will significantly reduce cost of indigenous goods and will promote make in India. The sectors which have long value chain from basic goods to final consumption stage with operation spread in multiple states such as FMCG, pharma, consumer durables, automobiles and engineering goods will be the major beneficiaries of GST.

The fears that revenues of manufacturing hubs, such as Gujarat and Maharashtra will be hit are unfounded as such states attract more workers, who make up a growing base of consumers. But some of the biggest beneficiaries will be populous, manufacturing-wise weak states like Bihar and Bengal, who have a large number of consumers.

While the GST will simplify tax structure, it will increase the burden of procedural and documentary compliance. Number of returns will increase significantly so also the extent of information. For instance, a real estate developer or contractor will have to file 61 returns in a year compared to 24 returns at present. Similarly a taxable person providing services from several states will have to take registration and file return in all such states. Currently a single centralised registration is required in such cases.

By and large, it is a win-win situation for both the centre and and the states, completely revolutionary, and the sort of economic backroom plumbing that changes life without even one noticing it.

At the same time it has to be reckoned that India's GST is also far from perfect. For one, the tax will not be imposed on highly lucrative and rent seeking alcohol, oil products and real estate industries. Shrinking the ambit of the tax means giving up a good chunk of revenues. A steep tax could easily make some goods and services expensive and the government apparently favours an 18% GST rate and stoke inflation. Differences could easily flare up between the centre and the states over the rate and tax-sharing arrangements. Implementing the complex new tax system could be fraught with glitches. Reports say only 20% of companies are actually getting ready for the tax.

Also, more importantly, GST, by itself, is no magic pill. But most believe that even an imperfect GST law should be given a chance to succeed. To bolster this, we can say that no country has claimed a flawless GST since inception, and further and better change in complex systems is incremental.

As the GST roll out takes place, India, a $2 trillion economy with 1.3 billion consumers, becomes a truly single market.

GST Council: It's role & matters discussed in recent past meetings: An Overview

By **CMA (Dr.) Shailendra Saxena**
Contact: 09377410???? • Email : saxena20535@yahoo.com

INTRODUCTION:

The Constitution (One Hundred and Twenty-second Amendment) Bill, 2016, for introduction of Goods and Services Tax (GST) in the country was accorded assent by the President on 8th September, 2016, and the same has been notified as the Constitution (One Hundred and First Amendment) Act, 2016. As per Article 279A (1) of the amended Constitution, the GST Council has to be constituted by the President within 60 days of the commencement of Article 279A. The notification for bringing into force Article 279A with effect from 12th September, 2016 was issued on 10th September, 2016. As per Article 279A of the amended Constitution, the GST Council will be a joint forum of the Centre and the States.

MEMBERS OF GST COUNCIL:

This Council shall consist of the following members namely: -

a) Union Finance Minister- Chairperson

b) The Union Minister of State, in-charge of Revenue of finance- Member

c) The Minister In-charge of finance or taxation or any other Minister nominated by each State Government- Members

Power of GST council only recommendatory in nature:

As per Article 279A (4), the Council will make recommendations to the Union and the States on important issues related to GST, like

a) The goods and services that may be subjected or exempted from GST.

b) Principles that govern Place of Supply.

c) Threshold limits.

d) GST rates including the floor rates with bands, special rates for raising additional resources during natural calamities/disasters or RNR

e) Special provisions for certain States, etc.

f) Transition Provisions

Matter has been discussed in First Meeting OF GST Council:

- Threshold Limit in GST: Rs20 lac & Rs10 Lac for North Eastern States.
- Empowerment of the States to collect both CGST and SGST including IGST, below the threshold of Rs.1.5 Crores. All VAT assessees up to Rs 1.5 Crore turnover will continue to be within the control of State GST authorities.
- Similarly, all service tax assesseesup to Rs.1.5 Crores threshold will continue to remain with the Centre.
- Assessees above Rs 1.5 Crore, there will be dual control of the Centre as well as the States.

Matter has been discussed in Second Meeting of GST Council:

GST levy on all exempted items and the States and the Centre would be paying the incentive or subsidy back to them after making a budget allocation.

- Both the Centre and the States are going to guillotine the present lists of exempted goods and services and subject them to the levy of GST and then make budget allocation for incentive or subsidy to be given to certain sectors and perhaps pay them in cash or some other form.
- The Council approved the Draft GST Rules relating to the business processes such as registration, payment, invoice, refund and Returns.

Matter has been discussed in Third Meeting OF GST Council:

Discussion was held for following slabs of Rates:

- 4% for Precious Metals
- 6% for other essential
- Most Services for 18%,those with abatement at lower 12% rate
- 26% for packaged consumer goods
- 26% + Cess for luxury items (Luxury Car, tobacco, pan masala and carbonated drinks.
- Next meeting will be held on 3-4 November to finalize rates.
- Once the GST rates are decided, the GST council will meet again on tentatively November 9-10 to finalize draft legislation.

Area of Concern for discussion held in a Recent Past Meetings:

- When council met for the first time in late September, things appeared to be on track, with the Council agreeing almost unanimously on technicalities such as the turnover thresholds for firms to be covered under the GST and the division of administrative control over tax assessees between the Centre and the States, One issue arises that assesse having a turnover up to Rs.1.5 Crores will be administered by States. States have no experience to levy of Service Tax since its inception its dealt by of Center.

- Article "269A. Levy and collection of goods and services tax in course of inter-State trade or commerce Specify that -
  (1) Goods and Services Tax on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council"
  (2) It is seems that another Constitution amendment would be necessary before it is decided to outsource to the States the work vested on the Centre with respect to collection of IGST for a assesse up to the turnover for Rs.1.5 Crores.
  (3) If the States will be administered IGST, the issues will be arisen that which state would administer it, whether the origin state or the destination state. None of the individual States have an All India jurisdiction, in the absence of which a seamless flow of credit across the country will be a difficult task and defeat the purpose of GST.
- The GST Council's third round of deliberations ended on 19th October without a decision on the rates structure after most States objected to a proposal to levy an additional cess on demerit goods.
- The power of GST Council is in nature of recommendatory, therefore decision of GST Council may create anomalies because in a country like India where each states are governed by different political parties, henceforth harmony on various issues under the GST is a difficult task.

CONCLUSION:

Third meeting of GST Council ends early,prior to 1 day from its schedule. Slabs of rate was not finalized Yet, Next meeting of council will be held on 3rd November and 4th November,to decide on the GST rates structure. It will be also decided tax structure at the next meeting and it can be frozen only after deciding whether compensation to States is to be funded out of the rate structure itself or from some special cess or some third source.One more challenges is regarding how many slabs can be in tax structure. Answer of these all question will be discussed by council in their next meeting in first week of November to meet the deadline for implementation of GST from 1 April,2017.Finance Minister Shri ArunJaitley had set a November 22 target to resolve all operational issues with State representatives in the Council so that the rates and implementation modalities could be codified into law and passed by Parliament in the winter session. Government is dedicated with determination for implementation of GST with in schedule time for achieve its objective /benefits i.e. elimination of existing cascading effects of present taxation system, One Nation One Tax & Ease of doing business.

Price Control and Anti-Profiteering Law

By **CMA Rohit Vora**
Contact:98202 17893 • Email : contact@cmarohit.com

The Price Control and Anti-Profiteering Law is essential to alleviate concerns among consumers to ensure that traders and suppliers will not unreasonably increase prices of goods and services in anticipation of the introduction of the Goods and Services Tax ("GST") regime.

With some countries having seen a rise in inflation after switching over to GST, stringent monitoring would be required to ensure that the benefit of lower taxation is reaching to the common man and control the inflation. This is also when we are heading towards multiple Rate as against Single Rate.

Malaysia, which adopted GST in 2015, introduced an anti-profiteering law besides intensifying enforcement through its National Pricing Council to protect consumers andensure businesses didn't take undue advantage of the levy to charge more and make excessive profits.

The concept of anti-profiteering is not new to India. The West Bengal Anti-Profiteering Act, 1958 was enacted to prevent profiteering in certain articles in daily use. The clause of offence of profiteering was - "Any dealer who, profiteers in any scheduled article shall be punishable with rigorous imprisonment which may extend to two years or with fine or both, and (the entire stock or any scheduled article in respect of which) the offence has been committed or such part thereof as the court may seem fit shall be forfeited to the Government."

The Anti-Profiteering Law will be good move. It will assure consumers that excessive price is not charged by the suppliers. It should be able to stabilize prices for a reasonable time. If there is no such Law, we could potentially end up with soaring inflation rates, like the countries that did not have proper legislation to monitor profiteering practices at the time of GST implementation. The anti-profiteering shall take into account practical aspects such as sudden shift in demand and supply, which usually affects profit margin and not put hardship to the traders.

One of the requirements under the Anti-profiteering Law is that the business is required to maintain detail information at the stock keeping units (SKU) level in order to prove that they are not profiteering. Besides new procedurals update and regular book keeping, the importance of record keeping is more emphasized and the organizations with good costing principles, concepts, system and record will be ever ready to prove that their organization is not profiteering with the introduction of GST. The basic are to show that available more input taxcredits are passed on to customer. Systematic costing records of mapping of input tax credit of various goods and services for multiple output of goods / services. CMA are well experienced and trained to deal with input - output and other resource utilizationYes , Organization which are well experienced with keeping of systematic prescribed costing records have edge over others.

When reviewing pricing policies businesses should take into account the provisions of the Anti-profiteering Law and related regulations to ensure that they do not breach any of the provisions under the Law. This is crucial in light of the tough penalties that may be proposed in the Anti-profiteering Law.

The Government can also use the Anti-profiteering Law to ensure that the savings made by Contractors due to implementation of GST should be passed on to the Government.

As on date the Essential Commodities Act, Competitive Commission of India and various other legislations in India like; Price Control policy is Drug Price Control which is governed by National Pharmaceutical Pricing Authority of Ministry of Chemicals and Fertilizers. give protection to the Consumers, but the new Anti-profiteering Law will be of more significance at the time of GST introduction.

The ultimate intention of the Government is to ensure that consumers don't suffer because of GST.

Goods and Services Tax - a One-India perspective

By **CMA N. P. Viswanathan**

There must have hardly been any piece of enactment in the Indian legislative history, other than perhaps the Indian Constitution, on which so much has been written by so many people. Over a period of fifteen years, since the introduction of the concept of GST in the Indian Parliament, no politician or economist worth their salt has failed to harp on this subject. So much so, every intellectual in the country, be it a tax expert or an economic analyst, why, even the common layman can talk on the subject unprompted.

A big ticket legislation, as it was proposed way back in 2000, the GST was to revolutionise the Indirect Tax system in the country. It reminds me of the prediction that is commonly made by the Indian Meteorological Department, especially on the North-East monsoon forecast - "A well-defined low pressure area lay centred in the Bay of Bengal adjoining the eastern coast of peninsular India, which may gain momentum into a cyclonic system or a deep depression resulting in heavy to very heavy rains in the coastal districts of Tamil Nadu, Puducherry and Andhra Pradesh. It may move in a west-north-westerly direction and cross the land at any place between Nagapattinam and Ongole during the next 72 hours." In reality, it may never develop into a cyclonic storm, but remain stationary as a low pressure area and weaken over a period without crossing land thereby causing no rains.

Same seems to be the case with our GST legislation, though it is hoped that it really gains strength and turns into a revolutionary legislation in the history of Indian Economics. But sometimes the prediction does come true. And one of such instances is going to be the enactment of Indian GST Law. Be that as it may, I don't wish to delve into the technical intricacies of the proposed Act, which, in fact, has already been done repeatedly over the past few years. Latest view on the subject is with regard to "Make-in-India" or "One-India" perspective. That is what I want to discuss here.

For records sake, the road map to GST, as and when it takes its real "avatar", would read like this :

Initiated for debate in the Indian Parliament in the year 2000, during the then NDA Government it went into turbulence for a long time, finally attaining the character of a Bill by name "Constitution (122nd Amendment) Bill, 2014" which was introduced in the Lok Sabha on December 19, 2014. The Bill got passed in the Lok Sabha on 6th May, 2015 and forwarded to the Rajya Sabha. A Select Panel on the Constitution (122nd Amendment) Bill was constituted by the Rajya Sabha, who held detailed deliberations on the Bill as well as heard all the stake holders, experts, State & Central Governments and submitted its recommendation on 22nd July, 2015.

The Union Cabinet on 29th July, 2015 clears all the amendments proposed to the Bill by the Rajya Sabha Select Panel. The revised Bill was put up for adoption by Rajya Sabha. The bill was passed by the Rajya Sabha on 3 August 2016, and the amended bill was passed by the Lok Sabha on 8 August 2016. The bill, after ratification by the States, received assent from President Pranab Mukherjee on 8 September 2016, and was notified in the Gazette of India on the same date. Now the juggernaut is well on its way to be implemented all over India w.e.f. 1st April, 2017.

India's trade bodies have come on a common platform with industry lobby groups to campaign for an early rollout of the Good and Services Tax (GST). Trade lobbies, including CII, FICCI, Assocham, PHD Chambers, and traders body, the Confederation of All India Traders (CAIT), have for the first time issued a joint appeal to the political fraternity "to give safe passage to the GST Bill," in Parliament."The industry is in favour of GST," said SumitMazumder, President of industry chamber, Confederation of Indian Industry. "It will be good for the industry and all businesses will benefit. It will unify India into one country instead of a fragmented one with every state having its own tax rate… It will dramatically improve ease of doing business in India."

The country has a historic opportunity with GST. It will strengthen the country's tax institutions, get rid of barriers within States and create a common market. Implementing a new tax, encompassing both goods and services, to be implemented by the Centre, 29 States and 2 union territories, in a large and complex federal system, via a constitutional amendment requiring broad political consensus, affecting potentially 2-2.5 million tax entities, and marshalling the latest technology to use and improve tax implementation capability, is perhaps unprecedented in modern global tax history.

Instead of one fixed GST rate, the government is exploring the possibility of going for a "tax band," which can start at a low of 18 per cent and a high of 24 per cent. The government feels that if there is a fixed rate in the constitutional amendment, any change in the future will be difficult. A tax band will ensure that any GST rate within it can be implemented.

Anyway with the all-powerful GST Council already constituted, these points are undergoing the evolution process by various brain-storming sessions, hopefully to be finalised soon and hopefully, the proposed draft GST

Act will be placed on the tables of Parliament during the upcoming, advanced, Winter Session of the Parliament.

On the flipside to the GST, a loophole seems to have developed in the proposed GST Actthat could hurt the Government's Make in India initiative to turn the country into a manufacturing hub to generate jobs and boost economic growth. Profit margins on imported goods are set to rise as GST would allow a larger share of input credit to importers compared with the current regulations.

If this is the case, who will manufacture in India? Indian manufacturers would be at the receiving end and the Indian market will be flooded with imported goods, which will be cheaper than made-in-India goods. This will strike at the root of the Make in India campaign. The GST Council will have to apply its mind to the matter. It is hoped, the government will find an amicable solution.

Currently, imports of most goods attract customs duty of 29.44 per cent at the standard rate. This includes basic customs duty (10 per cent), plus additional duty or countervailing duty (CVD) equal to excise duty at 12.5 per cent, plus 4 per cent special additional duty (SAD) and an education cess at 3 per cent.

Under the GST regime, only basic customs duty will remain. Additional duty and SAD will be abolished and IGST (integrated GST) is expected in their place.

If the value of goods imported isRs 100, then currently the cost of import in the hands of the importer will be Rs 129 (approx.). Under GST, the cost will be Rs 132. The government gives a refund of about 5 per cent to traders who sell the goods; they in turn credit that to the importer. A trader who resells the goods is eligible for refund of SAD of about 5 per cent. So the cost of goods comes down by about 5 per cent under the current regulations. Hence, currently, the net cost of import in the hands of the importer isRs 124. (i.e. Rs 129 minus Rs 5).

If the same goods are imported after GST, the importer is eligible for refund or credit of full 22 per cent IGST, out of the total customs duty of 32 per cent. So the net cost of the goods imported in the hands of the importer post GST would be Rs 110 (i.e. Rs 132 minusRs 22). Assuming that the imported goods are resold by the trader at Rs 150, the margin for the importer under the current regulations isRs 26 whereas under the GST regime it will widen to Rs 40.

Under the current regime, by design or default, the additional duty or CVD part of the customsduty on import of goods into India, was acting as a tariff protection to Indian manufacturers. One way of protecting the Indian manufacturing sector would be to deny IGST input credit to importers. Which means the cost of goods stays at Rs 132 (from the above example) against Rs 110 under GST.

The GST Bill is being touted as the 'bramhastra' for the Indian economy, especially the consumer oriented states like Bihar, Jharkhand, Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Rajasthan et al. where industry is not the main source of state GDP . Once implemented, GST would help contain inflation in these states and fiscal deficit.

Adi Godrej, Chairman of Godrej Group said, "Once GST is introduced, there should be a reduction in taxes on consumer products by around 5 percentage points. As consumer prices get lower, it will further contain inflation." According to a study by the National Council of Applied Economic Research (NCAER), full implementation of the GST could expand India's GDP growth by 0.9-1.7 percentage points. GST reform has been lauded by the World Bank, International Monetary Fund and the Fitch Ratings Agency.

There are bound to be certain complexities in the initial stage in implementing the GST. It is the economic experience with majority of the countries that implemented GST Bill. There are loads of positives in GST, yet there is an inherent drawback that haunts GST. In the short-term i.e. the initial two to three years - GST would trigger inflation. Everything from groceries to entertainment would become expensive by 5 percent to 8 percent (assuming GST is at 18-22 percent). Why to go too far; Malaysiaimplemented GST from April 1, 2015 and has seen a huge jump of around 2.5 percent in inflation.

It is obvious that evading taxes would become difficult once the GST Bill is implemented. Under the GST legislation, manufacturers or those providing services (consultants, CMAs/CAs/CSsetc) can also pass on all costs to customers (as all indirect taxes could be charged) including simplest costs like furniture bought or electricity bill. This would make the cost of the goods and services increase. This could lead to increase in costs. Not just that, for the whole tax system to move from one form to another takes time. Companies have to calculate their costs differently, manage their warehouses differently among other things. This takes time and creates chaos.

Taking cue from Malaysia, where the country is witnessing slowdown in its economy as demand and production have also gone down in the country. Although the government claims that the GST would not hurt businesses due to GST claimable practice, in fact it will hurt the businesses too. This is because of the low demand in the market due to the high input cost of product passed on to the end consumers, the businesses have to decrease the supply to meet the current condition of lower demand, thus the businesses have to cut down the expenses such as labour cost due to the lower output needed and eventually there might occur high rate of unemployment. Besides, the business is not producing in the efficient conditions as they are not maximising the usage of the machines etc. and all these will lead them to downsize their businesses and eventually lead to the recession in a country.

This has been the experience of most of the global economies while implementing GST, though they have picked up subsequently. So the initial two years are crucial for the economy to gain out of GST implementation. One should not lose heart and be patient.

Credits : Wikipedia / Google / NCAER

Highlights of the Draft GST Rules

(Registration, Invoicing, Payment, Return & Refund)

By **CMA A. B. Nawal**

Contact: +91 98901 65001 • E-mail : nawal@bizsolindia.com

Following Draft GST Rules & formats were put on the public domain inviting suggestions upto 28th Sept 2016 giving only 1-2 days.

- Draft Goods & Services Tax -Invoice Rules, 20-
- Draft Goods & Services Tax - Payment Rules, 20-
- Draft Goods & Services Tax - Refund Rules, 20-
- Draft Goods & Services Tax - Registration Rules, 20-
- Draft Goods & Services Tax - Return Rules, 20-

DRAFT GST FORMATS:

- Draft Formats under Goods & Services Tax -Invoice Rules, 20- : 1 Form
- Draft Goods & Services Tax Rules, 20- Payment Formats : 7 Forms
- Refund Forms for Centre &State : 10 Forms
- Draft Goods & Services Tax Rules, 20-Registration Formats : 26 Forms
- Draft Goods & Services Tax Rules, 20- Return Formats : 11 Forms
    - o GSTR - 9b
    - o ITC Mismatch Report
    - o Tax Return Preparer : 7 Forms

Business Process Reports on registrations, payment, return and refund were put on the public domain in the month of October 2015 and number of suggestions were invited. Model GST Law was put on the public domain on 14th June 2016 and around 40,000 suggestions were received. Stake Holders Meeting was arranged by Department of Revenue, CBEC and Empowered Committee of Finance Ministers independently and jointly and thereafter these rules were put on the public domain which may be perhaps approved and recommended by GST Council on 30th Sept, 16th& 17th October 2016. However, there is hardly any change in the provisions as mentioned in the Business Process Reports. Most of the provisions without any changesare appearing in the Draft GST Rules.

Salient features of the same are given below:

- Registration:

1. Existing registered unit under Central Excise, Service Tax, VAT will be automatically registered and they will be granted Provisional Registration Certificate in Form GST REG-21andeach person will have to file the application in Form GST REG 20 within 6months from obtaining the provisional registration certificate.
2. Each person will have to obtain separate registration in each State online. However,the said registration is valid for CGST, IGST, SGST.
3. Registration Certificate would be granted in Form GST REG-06
4. GST Number will be 15 digit. State wise PAN-based 15-digit GSTIN

    1st & 2nd Digit - State Code as defined under the Indian Census 2011 - unique two digit code

    3rd to 12th Digit - PAN

    13th Digit - alpha-numeric - 1 to 9 and then A to Z

    14th Digit - Blank for future use

    15th Digit - Check Digit
5. Registration will be granted to the person as defined under Income Tax Act 1961, i.e. "person" includes-
    (i) an individual,
    (ii) a Hindu undivided family,
    (iii) a company,
    (iv) a firm,
    (v) an association of persons or a body of individuals, whether incorporated or not,
    (vi) a local authority, and
    (vii) every artificial juridical person, not falling within any of the preceding sub-clauses.

Explanation.- For the purposes of this clause, an association of persons or a body of individuals or a local authority or an artificial juridical person shall be deemed to be a person, whether or not such person or body or authority or juridical person was formed or established or incorporated with the object of deriving income, profits or gains;

6. Registration will be granted to the following categories:

i. Normal Tax payer/ Regular: Any person can obtain the registration who had crossed the turnover of threshold limit or opted for such registration even though the turnover is less than threshold limit. Though the limit has not been specified in the business process report, it is expected to be Rs. 20 Lacs, however it will be substantially lower for North Eastern States.

    If any person wish to off for multiple registrations in one state that will also would be allowed at its option subject to having two different business verticals however no ITC credit / refund can be adjusted between such business verticals even though it is of same legal entity.

ii. Compounding Dealer Registration: The person whose turnover is below certain specified limit but above the threshold limit can opt for compounding registration. However once such specified limit crossed such registration will be automatically considered as normal tax payer. Though the limit has not been specified in the business process report, it is expected to be up to Rs. 50 Lacs.

iii. Casual Dealer Registration: Any person who do not have registration in particular State wish to obtain temporary registration for limited period, registration will be granted till the time it is require and it will be cancelled after 7 days of such validity of the period is over. This facility will be beneficial to the participants in any exhibition/ event.

iv. Unique identification number (ID) for specified organization like UN, Government authorities / PSUs : Where it is expected to not have the incidence of tax like UN or when there are B2B transactions between any dealer and Government Authorities/ PSUs unique identification number will be granted.

v. Input Service Distributor for Services: When any person have got multiple units but availing services at one unit/corporate office in such case such amount of GST will be distributed to other units and hence separate registration will have to be obtained by such unit.

vi. Suo-moto registration for enforcement cases by Tax Authorities: Whenever any enforcement Department visits to the non-registered dealer and certain amount is getting deposited, then suo-moto registration will be given and such dealer will be considered as registered dealer.

vii. Non-resident Supplier: Any non-resident person if recipient of supplier of the goods in India/ state and do not have permanent establishment in India/State Such person can be granted the registration under the said category and such person needs to fulfil the requirement as required by casual tax payer.

7. Registration application will have following details:

   I. Name of the Applicant
   II. Trade Name
   III. Address of Principal place of Business
   IV. Address for Correspondence (Email, Mobile, Landline, Etc.)
   V. Constitution of Business
   VI. PAN
   VII. State Code
   VIII. Option for Composition
   IX. Date of Commencement of business
   X. Date on which liability to tax pay arises
   XI. Reason for liability to obtain registration (Drop down list will be provided)
   XII. Details of existing registration if any
   XIII. Nature of Business
   XIV. Details pf Bank Account
   XV. Details of Goods/ Commodities supplied by the business
   XVI. Details of services supplied by the business
   XVII. Details of additional place of Business
   XVIII. Details of Proprietor/ all partners/ karta/ M*anaging Director and whole time director/ member of Managing committee of associations / Board of trustees - Name, PAN, Passport No. , UID No., DIN No, Contact Details and residential Address
   XIX. Details of authorized signatories - Name, PAN, Passport No. UID No., DIN No, Contact Details and residential Address
   XX. Details of authorized representative (TRP / CA / Advocate etc)
   XXI. State specific information
   XXII. Photograph

8. Application has to done within 30 days of the liability however registration will be granted from the date of application It means any transaction prior to the date of application liability will be payable but ITC credit may not be allowed.

9. **Online Application on GST Portal digitally signed - Manual submission required if not signed digitally and scanned copies will be submitted online.**

10. Application will be processed within 3 common working days by both CGST and SGST authority and queries to be raised within 7 common working days. if no such queries are sent then registration will be deemed to be granted. If query is received it has to be replied within 7 common working days. Confirmatory mail will be send on SMS and Email. Further GSTN No. will be informing on email or SMS.Once any authority issue s the registration it will deemed to be issue by another authority also. If registration is cancelled it will be cancelled only after issuing speaking order which is appealable.

11. After getting GSTN Login Id and temporary password will be provided to the authorized signatory.

12. GST Registration certificate to be displayed at the principal place of business of the taxpayer

13. Perhaps definition of Gross turn over will be provided in forthcoming GST Act and it may include
    - Intra state branch transfer
    - Transfers between multiple business verticals registered separately within the state
    - Intrastate Captive consumption
    - Intrastate job work
    - Temporary Removal - Goods sent for repairs, calibration, testing
    - Goods supplied on returnable basis
    - Free supply of goods and services

14. Rejection of registration by either Centre / State deems to be the rejection by the other Authority

15. Rating of Tax payer

    This is the bold and perhaps first step in the Indian Taxation history. Risk profiling will be done by taxes authorities

- Promptness in e-return filing
- Discrepancies detected where the dealer has had to make corrections
- Making prompt payment in lieu of reversed ITC

  The tax payer will be black listed and such trigger will be forwarded to all customers to whom supplies are made by such person and black listing would be done on the following events.

Continuous default for 3 months in paying ITC that has been reversed.

- Continuous default of 3 months or any 3 month-period over duration of 12 months in uploading sales details leading to reversal of ITC for others.
- Defaulters of even a single event should also be flagged and put in public domain as being a potential black listed dealer so as to alert the buyers.
- Continuous short reporting of sales beyond a prescribed limit of 5% (of total sales) for a period of 6 months.

There are 26 formats prescribed under the registration rules mainly to have the uniformity from the stage of application till cancellation.

INVOICING:

Details to be mentioned on Tax invoice

- Name, address and GSTIN of the supplier;
- serial number containing only alphabets and / or numerals, unique for a financial year;
- date of issue;
- For Registered recipient
  - Name, address and GSTIN / Unique ID Number of the recipient
  - the address of delivery,
- For Un-registered recipient
  - name of State and its code, only where the taxable value of supply is fifty thousand rupees or more;
- HSN code of goods or Accounting Code of services;
- description of goods or services;
- place of delivery where it is different from the place of supply;
- whether the tax is payable on reverse charge;
- For Revised/supplementary Invoice
- the word "Revised Invoice" or "Supplementary Invoice", to be, indicated prominently,
- the date and invoice number of the original invoice;
- Signature or digital signature of the supplier or his authorized representative.
- Quantity in case of goods and unit or Unique Quantity Code thereof;
- Taxable value of goods or services taking into account discount or abatement, if any;
- Rate of tax (CGST, SGST or IGST);
- Amount of tax charged in respect of taxable goods or services (CGST, SGST or IGST);
- Place of supply along with the name of State, in case of a supply in the course of inter-State trade or commerce;
- For exports, an endorsement "SUPPLY MEANT FOR EXPORT ON PAYMENT OF IGST" or "SUPPLY MEANT FOR EXPORT UNDER BOND WITHOUT PAYMENT OF IGST"

Details to be mentioned on ISD invoice :

- name, address and GSTIN of the Input Service Distributor;
- serial number containing only alphabets and / or numerals, unique for a financial year;
- date of its issue;
- name, address and GSTIN of the supplier of services,
- the credit as passed on by supplier
- serial number and date of invoice issued by such supplier;
- name, address and GSTIN of the recipient to whom the credit is distributed;
- amount of the credit distributed;
- signature or digital signature of the supplier or his authorized representative:

Details to be mentioned Goods transport agency

- The gross weight of the consignment,
- Name of the consignor and the consignee,
- Registration number of goods carriage in which the goods are transported,
- Details of goods transported,
- Details of place of origin and destination,
- GSTIN of the person liable for paying tax whether as consignor, consignee or goods transport agency,
- Other information as prescribed for tax invoice

Time limit for issue of Tax invoice

Supply of Goods	At the time of supply
Supply of service	30 days from the date of supply of service
Continuous supply of services	30 days from the date when each event specified in the contract
Banking company & or a financial institution & non-banking financial	45 days from the date of supply of service

Manner of issue of Tax invoice

- Invoice shall be issued in triplicate for supply of goods and duplicate for supply of services
- Serial number of invoices issued during a tax period shall be furnished electronically through the Common Portal

- Supplementary tax invoice can be issued containing consecutive serial number
- Number of digits of HSN code for goods or, the Accounting Code for services & class of taxable persons that would not be required to mention the HSN code & Accounting Code for services
- Registered taxable person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue revised tax invoices in respect of taxable supplies effected during the period starting from the effective date of registration till the date of issuance of certificate of registration
- Registered taxable person may issue a consolidated revised tax invoice in respect of all taxable supplies made to a recipient who is not registered under the Act
- Consolidated bill of supply shall be prepared by the registered taxable person at the close of each day if he opts to not raise bill of supply for supplies less than one hundred rupees

Supplier	Type of document
Supplier of goods and/ or services	Tax invoice
Banking company & or a financial institution & non-banking financial	a tax invoice or any other document
A goods transport agency	a tax invoice or any other document
Input Service Distributor	ISD Tax invoice
Non-taxable goods	Bill of supply
Composition levy	Bill of supply
Passenger transportation service	Ticket

PAYMENT:

Payment will be made through following made:

1. Cash through challan at departmental counter upto Rs. 10,000/- only
2. Internet banking
3. Credit card/debit card
4. NEFT/ RTGS

Payment will be made by each tax payer and cash ledger and ITC ledger will be maintained by GSTN. Payment through cash/ internet banking will be from the date on which it is credited with bank portal to the Govt. account.

Any payment of through credit/debit card will be considered only from the date of credit of such amount to Govt. account. Interest will be charged on delayed payment.

In case of NEFT and RTGS if there are any disputes it will be responsibility of the tax payer and he needs to take up the issue with the banker, Govt./GSTN will not be responsible.

It has been recommended 26 banks and such bankers are authorized to collect separate processing charges from tax payer in addition to tax.

As a matter of fact tax payer is the agent to collect the Govt. revenue from purchaser and at present no bank charges are levied on tax collection and hence there will be additional cost burden for payment of tax.

Business process report provide detailed role to be played by each stake holder and also given the mechanism of reconciliation and accounting system including penalty mechanism on bankers.

RETURNS:

Return	Purpose	Coverage	Due Date	Rule
GSTR - 1	Details of outward supplies of taxable goods and/or services effected	* Provision for mentioning place of supply when different from the location of recipient	10 of subsequent month	1
GSTR - 1		* Provision for mentioning tax payable under reverse charge		
GSTR - 1		* provision for mentioning provisional assesment		
GSTR - 1		* Provision for corrections of previous month in outward supplies -B2B Supply - Intra state and inter state		
GSTR - 1		* Provision for B2C Supply - Intra state and inter state		
GSTR - 1		* Details for mentioning debit note and credit note and impact on tax including amendment in previous month's debit note and credit note		
GSTR - 1		* Details of outward supplies which are exempted, non-taxable and having Nil rate		

Return	Purpose	Coverage	Due Date	Rule
GSTR - 1		* Details of Exports and Deemed Exports including amendment of previous month's supplies		
GSTR - 1		* Details of tax already paid on advances and subsequently corresponding invoice issued		
GSTR - 1		* Documents reference to be generated for advance received and tax paid		
GSTR - 1		* Provision for supply made to E-Commerce operator and amendment in subsequent month		
GSTR - 1		* Invoice cut off and invoice control		
GSTR - 1		* Auto correction after 1A acceptance		
GSTR-1A	* Autopopulated for corrections * Details of outward supplies as added, corrected or deleted by the recipient	Acceptance / rejection option is with supplier on receipt of GSTR-2		1
GSTR - 2	* Inward supplies after acceptance (2-2A) * Details of inward supplies of taxable goods and/or services claiming input tax credit	Auto populated based on suppliers GSTR-1 and GSTR-2A	15	2
GSTR - 2		* Provision for mentioning place of supply when different from the location of recipient		
GSTR - 2		* Eligibility of ITC Credit on inputs, capital goods & input services, partial or full or ineligibility to be mentioned against each transactions of inward supplies		
GSTR - 2		* Provision to include any inward supplies which has not been auto populated		
GSTR - 2		* Provision to include the inward supplies for which tax is required to be paid on reverse charge basis and which has not been auto populated		
GSTR - 2		* Provision of amending inward supplies received in previous months		
GSTR - 2		* Provision to include details of imported inward supplies of goods & services and amendment of inward supplies of goods & services received in previous months		
GSTR - 2		* Provision to include debit note & credit note which are not auto populated and also amendment for such debit notes credit notes received pervious months		
GSTR - 2		* Provision to include Supplies received from composition taxable person/unregistered person & other exempt/nil/non GST supplies - Inter State & Intra State		
GSTR - 2		* Details of credit received on account of TDS, TCS and ISD and details of partial credit availed in previous month (capital goods)		

Return	Purpose	Coverage	Due Date	Rule
GSTR - 2		* Provision to give the details of advances on which reverse charge is requird to be paid and amendment thereto for previous month * Details of ITC reversal on account of mismatch and any other reason & amendment thereto in subsequent month		
GSTR - 2A	* Autopopulated Inward Supplies statement to recipient * Details of inward supplies made available to the recipient on the basis of FORM GSTR-1 furnished by the supplier	To be confirmed by the receipient		2
GSTR - 3	* Monthly Final Return on the basis of finalization of details of outward supplies & inward supplies along with the payment of amount of tax	* Provision to give total turnover seperately for Taxable Turnover, Export Turnover, Nil rated and Exempted Turnover, Non GST Turnover	20	3
GSTR - 3		* Most of the information of outward supplies and inward supplies are auto populated based on GSTR -1 & GSTR -2		
GSTR - 3		* provision for Output tax added/reduced on account of non-rectification/rectification of communicated mismatches		
GSTR - 3		* provision for Total tax liability for the month for goods & Services separately		
GSTR - 3		* provision for ITC received during the month, mainly from electronic ITC ledger		
GSTR - 3		* Auto populated Tax, interest, late fee and penalty paid from Electronic cash ledger and ITC ledger		
GSTR - 3		* provision for Refunds claimed from cash ledger		
GSTR - 3A		Notice to a registered taxable person who fails to furnish return under section 27 and section 31		9
GSTR - 4	* Quarterly Return for compounding Taxable persons	* Provision for Inward supplies including supplies received from unregistered persons other than auto populated and amendment thereto in the subsequent month	18th day of subsequent quarter	4
GSTR - 4		* Provision to include details of imported inward supplies of capital goods, input & services and amendment of inward supplies of capital goods, input & services received in previous months		
GSTR - 4		* Provision for outward supplies made intra state & inter state and amendment thereto		

Return	Purpose	Coverage	Due Date	Rule
GSTR - 4		* Provision to include debit note & credit note which are not auto populated and also amendment for such debit notes credit notes received pervious months		
GSTR - 4		* Details of credit received on account of TDS, TCS and ISD and details of partial credit availed in previous month (capital goods)		
GSTR - 4		* Provision to include the inward supplies for which tax is required to be paid on reverse charge basis and which has not been auto populated		
GSTR - 4		* Provision to give the details of advances on which reverse charge is requird to be paid and amendment thereto for previous month		
GSTR - 4		* Documents reference to be generated for advance received and tax paid		
GSTR - 4		* Provision for Liability payable, Tax payable and refund claim		
GSTR-4A	Autopopulated Inward supplies of taxable person under composite scheme to be add / amended * Details of inward supplies made available to the recipient registered under composition scheme on basis of FORM GSTR-1 furnished by the supplier	To be confirmed by the receipient		4
GSTR - 5	Return for Non-Resident foreign taxable person	* Provision for goods & Services imported and amendment thereto	20th of the month succeeding tax period & within 7 days after expiry of registration	5
GSTR - 5		* Provision for outwards supplies and amendment thereto		
GSTR - 5		* Details of debit note and credit note and amendment thereto		
GSTR - 5		* Provision for Tax paid		
GSTR - 5		* Provision for closing stock of goods		
GSTR - 5		* Provision for refund claim from cash ledger		
GSTR - 6	Input Service Distributor Return	* From Registered Taxable Persons (to be auto-populated from counter party GSTR-1 and GSTR-5) and provision for non- autopopulated and amendment thereto	13	6
GSTR - 6		* Details of debit note and credit note and amendment thereto	13	6

Return	Purpose	Coverage	Due Date	Rule
GSTR - 6		* Provisions for details of Input Service Distribution and amendment thereto	13	6
GSTR - 6		Provision for ISD Ledger giving details of Opening Balance ITCs received, ITC Reversal, ITC Distributed, Distributed as IGST, Distributed as CGST, Distributed as SGST, Closing balance	13	6
GSTR -6A	* Auto Populated from 6 inward * Details of inward supplies made available to the ISD recipient on the basis of FORM GSTR-1 furnished by the supplier	To be confirmed by the receipient		6
GSTR - 7	* TDS Return for authorities deducting tax at source	* Provision for details of TDS & amendment thereto * Details of liability payable, paid & refund claim	10	7
GSTR -7A	Auto Populated from 7 - TDS Certificate			7
GSTR - 8	* Details of supplies effected through e-commerce operator and the amount of tax collected as reqd. under sub-section (1) of section 43C		10	8
GSTR - 9	Annual Return for normal dealer	Details of expenditure giving for goods & services rceived quantity, value & HSN code/ accounting code (inter-state & intra state, import) including other expenditure.	31st December	21
GSTR - 9		Details of income giving for goods & services rceived quantity, value & HSN code/ accounting code (inter-state & intra state, export, deemed export, purchase return) including other income		
GSTR - 9		* Return reconciliation Statement giving details of IGST, CSGT, SGST, arrears, & refund		
GSTR - 9		* Provision for Profit as Per the Profit & Loss Statement, Gross Profit, Profit after Tax, Net Profit and		
GSTR - 9A	Annual Return for compounded dealer	* Gross Turnover details	31st December	21
GSTR - 9A		* Details of expenditure giving for goods & services rceived quantity, value & HSN code/ accounting code (inter-state & intra state, import) including other expenditure.		
GSTR - 9A		* Details of goods & services attracting reverse charge		

Return	Purpose	Coverage	Due Date	Rule
GSTR - 9A		Details of income giving for goods & services received quantity, value & HSN code/ accounting code (inter-state & intra state, Exempted supplies ,Nill rate & non-GST supplies, export, deemed export, purchase return) including other income		
GSTR - 9A		Return reconciliation statement for tax payable and tax paid		
GSTR - 9A		* Return reconciliation Statement giving details of IGST, CSGT, SGST, arrears, & refund with Annual return vis-à-vis profit and loss account and balance sheet giving details of reasons of reconciliation as illustration		
GSTR - 9A		* Provision for Profit as Per the Profit and Loss Statement, Gross Profit, Profit after Tax, Net Profit &		
GSTR - 9B	* Annual Return where Turnover is more than Rs. 1 Cr. for Audit * Reconciliation Statement	Details of expenditure giving for goods & services rceived quantity, value & HSN code/ accounting code (inter-state & intra state, import) including other expenditure.	31st December	21
GSTR - 9B		Details of income giving for goods & services rceived quantity, value & HSN code/ accounting code (inter-state & intra state, export, deemed export, purchase return) including other income		
GSTR - 9B		* Return reconciliation Statement giving details of IGST, CSGT, SGST, arrears, & refund with Annual return vis-à-vis profit and loss account and balance sheet giving details of reasons of reconciliation as illustration		
GSTR - 9B		* Provision for Profit as Per the Profit and Loss Statement, Gross Profit, Profit after Tax, Net Profit &		
GSTR - 9B		* Return to be certified by Cost Accountant or Chartered Accountant alongwith audit report		
GSTR - 10	Final Return	* Provision for date of surrender and details of cancellation order	within 3 months	22
GSTR - 10		* Details of closing stock held on the date of cancellation		
GSTR - 10		* Details of amount of tax payable on closing stock		
GSTR - 11	Details of inward supplies to be furnished by a person having UIN			23
GSTITC-1	* Auto populated credit * Communication of acceptance, discrepancy or duplication of input tax credit claim	Final ITC matched credit and duplicate entries, otherwise mismatch amount will be addedd in output tax liability	End of every month	11
GST PMT - 3		Refund of interest on reclaim of reversal		18

MISMATCH:

Rule 11: GST ITC - 1 Return

Due Date: End of Every month

Purpose:

" Auto populated credit

" Communication of acceptance, discrepancy or duplication of input tax credit claim

Coverage:

" Final ITC matched credit and duplicate entries, otherwise mismatch amount will be added in output tax liability

" Final ITC matched credit and duplicate entries, otherwise mismatch amount will be added in output tax liability

" Summary of ITC Claimed in current tax period, Matched ITC claim for current tax period, Mismatched ITC of earlier tax period matched in current tax period, ITC Mismatched - Current Period, Mismatched ITC of earlier tax period- Added as Output tax liability, Output Tax added due to Duplicate ITC Claim for CGST, SGST & IGST will be provided

" ITC mismatch report will be provided in 2 parts

a. Where Both supplier and recipient has filed valid relevant returns

b. Where Supplier has not filed valid return

" Additional invoices added by recipient will remain under mismatch category till these are accepted by pairing supplier.

" All invoices will remain under mismatch pertaining to those suppliers who have not filed the valid returns till date

" Difference between ITC claimed by receiver taxpayer and output tax paid by supplier taxpayer will be highlighted

" Report for duplicate claims also will be provided

" ITC Mismatch Report due to credit notes will be provided

" Details of month wise reversal, reclaim of reversed ITC & reduction in output tax, Summary of mismatches and list for tax authorities, Difference between output tax reduced by supplier taxpayer and ITC reduced by receiver taxpayer will be highlighted

" Report on credit notes issued by supplier but recipient is yet to reduce ITC giving summary of Output tax reduced by Supplier in current tax period, Corresponding ITC reduced by receiver in current tax period, Mismatched reduction in output tax of earlier tax period matched in current tax period , Reduction in output tax not matched by corresponding decrease in ITC, Mismatched reduction in output tax of earlier tax period - Added as Output Tax liability in current tax period

" Mismatch report- Outward supplies made through e-commerce operator (For Supplies to Registered Dealers & unregistered persons separately)

" Separate Mismatch Reports for E-commerce Operators

REFUNDS:

"Refund" includes

1. refund of tax on goods and / or services exported out of India or
2. refund of tax on inputs or input services used in the goods and / or services which are exported out of India, or
3. refund of tax on the supply of goods regarded as deemed exports, or
4. refund of unutilized input tax credit as provided under sub-section (2).

Sec 2(37):"deemed exports", as notified by the Central Government/State Government on the recommendation of the Council, refer to those transactions in which the goods supplied do not leave India, and payment for such supplies is received either in Indian Rupees or in convertible foreign exchange;

Rebate/Refund on account of	**Relevant date**
Export of Goods by sea or air	Let export date
Export of Goods by land	the date on which such goods pass the frontier
Export of Goods by Post	the date of dispatch of goods by Post Office
Export of Services	Date of Receipt of payment / date of issue invoice for receipt of advance
Deemed Export	Date of filing of return
Provisional Assessment	The date of adjustment of tax after the final assessment
Duty / Tax during Investigation / Adjudication	the date of communication of such judgment, decree, order or direction
Credit Accumulation due to Inverted Duty Structure	the end of the financial year
Unutilized tax credit due to exports of goods and / or services	the end of the financial year
Form Number	Particulars
FORM GST RFD-1	Application for refund of any tax, interest, penalty, fees
FORM GSTR-3, FORM GSTR-4 or FORM GSTR-7 (return for the relevant tax period)	Refund relating to balance in the electronic cash ledger

Rebate/Refund on account of	Relevant date
FORM GST RFD-2	Acknowledgement w.r.t. filing of refund
FORM GST RFD-3	Communicating the deficiencies to the applicant
FORM GST RFD-4	Order sanctioning the amount of refund on provisional basis
FORM GST RFD-8	Payment advice for provisional refund payment
FORM GST RFD-5	Order sanctioning refund
FORM GST RFD-6	Order for adjustment of outstanding liability against refund
FORM GST RFD-7	Notice that amount claimed as refund is not admissible
FORM GST RFD-8	Payment advice for final payment
FORM GST RFD-9	Order for interest payment
FORM GST RFD-10	Application for refund on inward supplies
FORM GSTR-11	Statement of inward supplies of goods and / or services by specified persons

- Application to be filed electronically through common portal
- Documents or other evidence (as specified) to establish the amount of tax and interest, if any, paid on such tax or any other amount paid in relation to which such refund is claimed and that the incidence of such tax and interest had not been passed on by him to any other person.
- No documentary evidence required for refund claim below Rs.5 lacs, except for declaration.
- If taxable goods or services are exported without payment of tax, under bond or letter of undertaking, then refund will be allowed as under:

Refund Amount=(Export turnover of goods + Export turnover of services) x Net ITC / Adjusted Total Turnover

- Refund of tax paid in advance by casual / non-resident taxable person shall be claimed in last return or after last return is filed
- Application for refund other than for refund from electronic cash ledger shall be scrutinized within 15 days by the officer and acknowledgement issued if the application is complete
- After scrutiny amount of refund may be sanctioned / notice issued for non-admissibility of refund
- If the claim is rejected then the amount paid on provisional basis needs to be credited to Consumer welfare fund
- Order of refund will also be accompanied by order for interest

Documents Specified:

a. the reference number of the order and a copy of the order passed by the proper officer or an appellate authority or any competent court resulting in such refund including refund of pre-deposit under chapter XVIII along with the reference number of the payment of the amount claimed as refund;

b. a statement containing the number and date of shipping bills or bills of export and the number and date of relevant export invoices, in a case where the refund is on account of export of goods;

c. a statement containing the number and date of invoices as prescribed in rule Invoice._in case of supply of goods made to an SEZ unit or a developer;

d. a statement containing the number and date of invoices, in a case where the refund is on account of deemed exports;

e. a statement containing the number and date of invoices and the relevant Bank Realization Certificates or Foreign Inward Remittance Certificates, as the case may be, in a case where the refund is on account of export of services;

f. a statement containing the number and date of invoices and the details of payment, along with proof thereof, made by the claimant to the supplier for authorized operations as defined under the SEZ Act, 2005, in a case where the refund is on account of supply of services made to an SEZ unit or a developer;

g. a statement in Annex 1 of FORM GST RFD-1 containing the number and date of invoices received and issued during a tax period in a case where the claim pertains to refund of any unutilized input tax credit under sub-section (2) of section 38 where the credit has accumulated on account of rate of input tax being higher than the rate of output tax

h. the reference number of the final assessment order and a copy of the said order in a case where the refund arises on account of finalisation of provisional assessment;

i. a declaration to the effect that the incidence of tax and interest claimed as refund has not been passed on to any other person, in a case where the amount of refund claimed is less than five lakh rupees:

Provided that a declaration is not required to be furnished in respect of cases covered under clause (a), (b) or (d) of sub-section (6) of section 38;

j. a Certificate in Annex 2 of FORM GST RFD-1 issued by a Chartered Accountant or a Cost Accountant to the effect that the incidence of tax and interest claimed as refund has not been passed on to any other person, in a case where the amount of refund claimed is five lakh rupees or more

Time limit for sanction of claim:

- **Refund on account of export of goods and / or services (for specified category of exports)**
  1. registered taxable persons, refund eighty percent of the total amount so claimed to be sanctioned on provisional basis within a period of 7 days of issue of acknowledgement.
  2. The remaining twenty percent may be refunded after due verification of documents furnished by the applicant.
  3. Provisional refund will be allowed if (a) the person claiming refund has, during any period of five years immediately preceding the tax period to which the claim for refund relates, not been prosecuted for any offence under the Act or under an earlier law where the amount of tax evaded exceeds two hundred and fifty lakh rupees; (b) the GST compliance rating of the applicant is not less than five on a scale of ten; (c) no proceeding of any appeal, review or revision is pending on any of the issues which form the basis of the refund and if pending, the same has not been stayed by the appropriate authority or court.
- **Other**
  1. The refund order to be issued within ninety days from the date of receipt of application.
  2. No refund shall be paid to an applicant if the amount is less than rupees one thousand.

CMA Tips for GST implementation and optimization of tax and working capitals

By **CMA Rajendra Rathi**
Contact: 9998975889 • E-mail : rajendrarathi162@gmail.com

Now every day there is some development or news about GST from various corners like

1. GST council meeting updates
2. CBEC updates like release of FAQ on MGL
3. GSTN updates
4. Govt. of India updates- draft law/formats released on return, Registration and payment
5. Industry association & professional bodies updates on difficulties of trade
6. IT developments/enablers for GST.

On Whatsapp also lots of groups are active having whatsap group name as GST and all industries/trades arealso searching for hiring experts for GST implementation.

In above fast changing environment I have tries to summaries following important tips /suggestion for smooth implementation of GST in respective business.

(1) Industry/Trade need to decide their registration strategy in view of model GST law i.e.
   (i) State wise one registration
   (ii) May take separate registration for business vertical(AS-17)
   (iii) To declare principle place of business and additional place of business.

(2) All existing direct sale and depot sale to be reviewed in view of GST i.e.
   (i) Stock transfer within state will not attract GST
   (ii) Stock transfer outside state will attract IGST which is cenvatable.
   (iii) GTA services will be taxable for above both and reverse charge will be continue mostly.

Case Study

Direct sale - Outside state

Particulars	Under existing	Under GST
Ex plant price	100	100
Excise Duty	12.5	18
Total	112.5	118
CST - 2%	2.25	-
Total	114.75	118
Less: cenvat set off	12.50	18
Total cost net of cenvat	102.25	100

Depot sale

No.	Particulars	Existing	GST
1	Depot sale	100	100
2	Freight	10	10
3	Depot margin	2	2
	Total	112	112
4	Ex. Duty 12.50% on (1,2,3)	14	
	GST 18% (1,2,3)		20
	Total	126	132
5	VAT -5%	6	-
	Total	132	132
6	Less: cenvatable	20	20
	Total	112	112
7.	4% branch transfer reversal	4	-
	Total cost net of cenvat and reversal	116	112

It is very clear from the above case study that under both scenario i.e. direct sale outside stateas well as depot sale out side state is beneficial under GST in view of 100% ITC on IGST and non applicability of CST 2% which was cost to the trade.

Further depot sale is also beneficial to manufacturer under GST as 4% ITC reversal not required under GST .

Now all big manufacturers may need to re-visit their warehousing policy as earlier warehouses were taken for taking benefit of VAT but now in view of uniform taxation across India following simple suggestion can be considered for effective working capital management model GST law.

1. Ware house within manufacturing site state : each manufacturer need to plan to keep maximum stock in ware house within state to save additional tax outgo for transfer.
2. Warehouse outside manufacturring site state : warehouse within manufacturer state to be reviewed thoroughly and possibility can be explored to keep bigger warehouses near the border of state where manufacturing plants are there to achieve lead time reduction in case of requirement of customers of near state.

For example,

If manufacturing plants are in Gujarat, warehouse can be planned within Gujarat locations near border for Rajasthan / Madhya Pradesh / Maharashtra etc to cater the demand of near by state customers/market.

For customer facilitation purpose warehouse can be kept in other state with utmost saleable stock qty only to avoid working capital blockage in tax and multiple movement.

Important point for transitional provision

i. Transitional provision are from 141 to 162- E

ii. Total 27 sections are involved for allowing credit / transaction during transitional phase.

iii. 143 - cenvat credit carried forward in return to be allowed as ITC.

All pending documents credit to be availed to avoid loss of credit after appointed day.

iv. 144 -unavailedcenvat credit on capital goods not carried forward - to be allowed - balance 50% credit of CG will be allowed thru this section.

v. 150 -Inputs removed for job work and returned afterthe appointed day - declaration by principal and job worker is must for all pending cases on appointed day to be ensured.

vi. 154 - Pending refund claim to be disposed of under earlier law.

All refund claim under existing law to be filed before appointed day as far as possible

vii. 159 - Treatment of long term construction/ work contract.

Suitable clause to be inserted in such long term contracts.

viii. 160 - Progressive or periodic supply of goods or services

All invoices covered under periodic supply of services categories to be cleared before appointed day to avoid additional tax out go 3% (15 % to 18%)

ix. 162 - Credit distribution by ISD.

x. 162 A - tax paid on goods lying with agent to be allowed as credit.

All 4 conditions to be fulfilled for credit allowed on stock lying on appointed day.

1. Both principle and agent need to declare the details in prescribed format.
2. Invoice date not earlier than 12 months from appointed day so all material earlier than 12 months can be return to plant for salvaging credit.

xi. 162 B - capital goods lying with the Agent

xii. 162 C-branch transfer

xiii.162 E - deduction at source.

Further centralise registration is not allowed / permissible under GST as per model GST law and also confirm by commissioner GST (policy) on 15.10.2016 at Mumbai meeting.

Under GST following return prescribed for manufacturer.

GSTR -1

GSTR -2

GSTR -3

GSTR -8

In outward supply return each invoice to be uploaded in GSTR - 1 with HSN code/ invoice no. / date value / tax etc.

Section 29 is relating to matching/ reversal / reclaim of ITC.

Means every inward supply need to match with corresponding outward supply furnished by taxable person in his valid return.

In case of import which document will be considered i.e Bill of entry etc and in case of receipt of goods in instalment how matching will be taken care need clarity.

It is suggested to develop robust IT system for timely/ correctly uploading outward supply / inward receipt as it has link with GST compliance rating also(Sec 116) .

It is understood that exemption available under VAT/ ExciseBoth act will continue so mostly 99 exemption will continue for which list is awaited.

Reverse charge will continue.

No abatement will be there hence proper planning for clearing of all pending invoices to be cleared before 31.3.2017 to save addition on paying an abated value.

Captive consumption for business is not taxable.

As supply is not from one taxable to another taxable person.

Above analysis is based on Draft MGL and draft return/ rule released in public domain. Provision may change under final GST Act in view of many representation made to Govt for amendments. CMA Professional can continue regular knowledge sharing session for better understanding and smooth implementation of GST with optimizing tax planning and working capital management.

Demands & Appeal under GST ACT

By **CMA Yogesh Chourasia**

Demand:

In the GST regime Proper Officer is empowered to issue show cause notice to seek recovery of any tax not paid or short paid or erroneously refunded or input tax erongly availed or utilized

The Provisions Prescribed under GST Act for demand and recovery of tax are similar to existing Provisions under Customs, Excise and Service Tax.. The provisions relating to conclusion of proceedings before preferring an appeal is detailed out as below:

No.	Situation 1 (Cases not involving Fraud or wilful misstatement or suppression of facts)	Situation II(Cases not involving Fraud or wilful misstatement or suppression of facts)	Implication
1.	If tax and interest paid before issuanance of Show cause notice.	If tax , interest and 15% penalty paid before issuance of Show cause notice	No Show cause notice to be issued and proceedings will be deemed to be concluded.
2.	If tax and interest paid within 30 days of issuance of Show cause notice	If tax , interest and 25% penalty paid within 30 days of issuance of Show cause notice.	The proceedings will be deemed to be concluded.
3.	If tax, interest and 10% penalty or Rs. 10,000, whichever is higher, paid within 30 days of communication of order adjudicating the Show cause notice	If tax , interest and 50% penalty paid within 30 days of communication of order adjudicating the Show cause notice	The proceedings will be deemed to be concluded
4.	If order is not issued within 3 years from the due date or the actual date for filing of annual return, whichever is earlier	If order is not issued within 5 Years from the due date or the actual date for filing of annual return, whichever is earlier	The proceedings will be deemed to be concluded

" However the GST act does not specifies any time limit for issuance of show cause notice and it only specifies maximum time for limit for issuance of order and now the revenue authorities can issue notice and conclude the proceedings at any time before 3/5 years .Further interest on Tax Short Paid Or not paid is payable whether interest is specified in the order or not

Appeals

The GST Act provides three set of provisions for appeals. viz CGST, SGST and common provisions applicable to CGST as well as SGST .However the discussion in this article is confined only to CGST

CGST

Any person aggrieved by an order or decision of adjudicating authority may prefer an appeal before the First Appellate Authority

The Commissioner also may suo motu examine the record of a case and direct any Designated officer to file an appeal before the First Appellate Authority for determination of points arising out of any order or decision

The appeal needs to be filed before the First Appellate Authority within 3 months from the date communication of order sought to be appealed against. The delay in filing appeal by 1 month can only be condone by the First Appellate Authority

Every appeal should be filed in prescribed form and duly verified in prescribed manner. The appeal should be accompanied by a . mandatory pre-deposit of 10 per cent of the amount in dispute. Amount in dispute shall include tax, interest, fine, fee and penalty.

The First Appellate Authority shall hear and decide appeal within one years of filing , wherever possible . The order need to be issued in writing and must state all points of determination along with reasons for such decision. The First Appellate Authority can grant adjournment of hearing a case up to 3 times to any party.

Appellate Tribunal

The Central Government shall constitute a National Goods and Service Tax Appellate Tribunal ('National Appellate Tribunal ') headed by a national president Any person aggrieved by decision of first Appellate Authority may prefer an appeal before Appellate Tribunal. Discretionary power has been given to Tribunal to admit an appeal wherein the amount under dispute does not exceed Rs. 1 Lakh including amount of fine , fee or penalty. An Appeal before the tribunal needs to be filed within 3 months from the date of communication of the order sought to be appealed against. No time limit for tribunal to accept condo nation of delay application if it is satisfied that there was sufficient reason for not filing the appeal within time .

In case of appealed to be filed by the department Duly constituted Committee by CBEC will be responsible for taking decisions with respect to filling of appeals against orders passed by first Appellate Authority. The party against whom appeal is preferred may file cross objection within 45 days of the receipt of notice .

The National Appellate tribunal will have one branch viz State GST Tribunal (' State Appellate Tribunal' for each state headed by state president.This is the area where cost accountants can exercise their interpretational skill of GST law as the success of any Tax professional to a large extend depends upon his /her ability to handle litigations, the existence of which is inevitable for any Tax law .

GST Impact: E-Commerce sector

By **CMA Sawinder Singh Chug**
E-mail : cma.sschug@gmail.com

E-commerce (electronic commerce or EC) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, internet or online social networks. These business transactions occur either as business-to-business, business-to-consumer, consumer-to-consumer or consumer-to-business. The terms e-commerce and e-business are often used interchangeably.

Recently, the draft of the Goods and Services Tax (GST) law was released by the finance ministry. While there are no major surprises in the structure of the law from what was earlier envisaged by the Empowered Committee's discussion papers, the e-commerce proposals come as a bit of a surprise for the industry. The model law proposes that e-commerce operators, or 'marketplaces' as they are known in the industry parlance, would be responsible for collecting tax at source from sellers at a rate to be notified.

Marketplaces are intermediaries between buyers and sellers. They provide a platform for sellers to showcase their products to potential customers. Pure marketplaces do just this and earn fees for their services. Some others provide value-added services to their sellers, undertake to fulfil orders placed on their marketplaces and ensure speedy delivery to customers. It is important to understand the mechanics of transactions occurring on a marketplace to appreciate the implication of this proposal. Customer 'X' places an order with a seller 'Y' on a marketplace. Y can either choose to deliver the goods to the customer himself or avail services of the marketplace to do so. In either case, the sale transaction always happens between X and Y. The customer either pays at the time of purchase or pays on delivery. The marketplace settles the seller's account after deducting fees for its services. The responsibility of paying VAT/CST to the government is that of the seller.

The proposal in the GST law is to make marketplaces collect a portion of the tax from the sellers and deposit it with the government. This is not the first time that tax authorities have tried to differentially tax marketplaces. The Karnataka government initially tried to treat marketplaces as agents of sellers and make them responsible for payment of VAT on their behalf and then proposed a 1% tax deduction at source. Both these proposals were not carried through after industry opposition. Reviving these proposals in a somewhat modified manner is rather unexpected to the operators at a time when 'ease of doing business' is the key to success.

Impact on E-commerce

Currently, the federal indirect tax structure with different tax regimes in various states has led to confusion and uncertainty on the tax treatment of online marketplaces and aggregators. It is felt that clear and defined laws will help remove the ambiguity that currently exists in this sector, and insulate such operators from so fast changing laws and arbitrary levies imposed by State governments.

The Model GST Law has incorporated a separate chapter on e-commerce transactions.

Who is covered?

The Chapter defines an 'electronic commerce operator' to mean a person who owns, operates or manages an electronic platform engaged in facilitating supply of any goods/services or in providing any information or any other incidental services. The term 'aggregator' has been separately defined to mean a person who owns and manages an electronic platform to enable a customer to connect with persons providing a service under the brand name of the aggregator. An aggregator (as defined) in the Model GST Law, however, has not been specifically subsumed in the definition of an e-commerce operator.

In my view, though an 'aggregator' has been separately defined in the chapter, it could be concluded that an aggregator should be covered under the definition of 'electronic commerce operator' given that an aggregator is also a person who maintains or operates an electronic platform for facilitating supply of services. The only distinction between an aggregator and other e-commerce operators is that an aggregator provides underlying services under his brand. Consequently, an aggregator would also be required to adhere to the process of tax collection at source and other requisite compliances in the Chapter.

Aggregator : means a person, who owns and manages an electronic platform, and by means of the application and a communication device, enables a potential customer to connect with the persons providing service of a particular kind under the brand name or trade name of the said aggregator.

Electronic commerce operator : shall include every person who, directly or indirectly, owns, operates or manages an electronic platform that is engaged in facilitating the supply of any goods and/or services or in providing any information or any other services incidental to or in connection there with but shall not include persons engaged in supply of such goods and/or services on their own behalf.

Both these definitions are as per the model GST law released by the government of India.

The major difference between the two is that while an aggregator(Ola, Oyo rooms) only connects the customer with the supplier/service provider, whereas an ecommerce operator(Amazon, Snapdeal) facilitates the entire process of the supply of goods/provision of service. So flipkart not only connects the customer but also provides all information about the product and looks after the delivery and refund process. Hence and e commerce operator is larger than an aggregator.

Who is not covered?

Online retailers who supply goods/services on their own behalf are not covered under the definition of electronic commerce operator and therefore the process of tax collection at source and other requisite compliances in the Chapter will not be applicable.

Current Scenario

The e-commerce sector in India which took baby steps until about a couple of years ago is in a galloping mode today. The growth of the e-commerce sector in terms of revenue and shipments has been nothing but phenomenal. The e-commerce sector has successfully managed to capture the brain and focus of the consumers like never before and with an unprecedented growth trajectory expected to continue, is predicted to be the next BIG Industry.

Growth of any business is good news for the economy and especially the tax authorities. E-commerce sector, with its ever increasing number of transactions in goods & services, is a waste land for sowing the seed of indirect taxes. While it is good for the government to expect increase in income by collecting tax through growing businesses, the tax laws should also support the businesses with clear vision on taxation matters and ease of doing business at the maximum possible level. Unfortunately, for the e-commerce sector, the indirect tax laws in India have been more of obstacle than a driver for growth till date.

Limitations under current scenario

1. E-commerce sector dealing in trading of goods have experimented with various business models i.e. from 'stock-and-sell' model to 'market place' model. They now faces more complex tax framework involving VAT / CST, excise, and / or service taxes. However, the indirect tax laws have not been able to recognize and accommodate the evolving business models and hence have become an impediment in the operation of the newer market place or services model.
2. E-commerce sector face difficulties to categorise their offerings into 'goods' or 'services' for charging either value added tax (VAT) / Central Sales Tax (CST) or Service Tax. This situation further deteriorates in the case of digital downloads involving software, music, e-books etc. wherein it becomes tough to assume whether the transaction is for sale of goods attracting VAT / CST or a provision of service that should be charged to service tax. Both VAT and service tax authorities claim their right over such digital transactions which leadto disputes and never-ending litigations.
3. Inter-state movement of goods from one state to another is a nightmare for an e-commerce operator. The requirement of statutory forms, way-bills, road-permits etc. and the recently imposition of local registration requirements for the e-commerce market places by certain States under the VAT / CST legislations for entry or sale of goods into the state has made the inter-state transaction an strange experience for the sector.
4. The non-fungible VAT and service tax results in significant non-recoupable tax cost impact for the e-commerce sector.
5. Present different tax laws in India are also not successful in providing enough clarityon taxation and documentation management for typical e-commerce sector transactions like e-wallet (advance deposits by consumers), cash-on-delivery (COD), gift vouchers, drop-shipment (direct delivery of goods from the e-commerce company vendor to the e-commerce company customer) etc. Absence of specific direction on treatment of the above transactions under various tax legislations has led e-commerce sector to adopt diverse practices.

Goods & Services Tax (GST) which would replace the current indirect tax regime and expected to be implemented in India from 1 April, 2017, could hold the key to unlock the issues faced by the e-commerce sector.

Key Advantages of GST

Though the roll out of GST may lead to greater compliances for e-commerce players, its implementation have two major benefits to e-commerce players.

1. Removal of cascading taxes: The major advantage of GST to market place players is that it will remove the restrictions on cross utilisation of credits. Currently, traders are denied credit of service tax paid on input services such as warehousing, logistics, commission of marketplace and service providers are not allowed to claim credit of VAT paid on goods that are used for providing output services. This cascading results in a significant blocked input tax cost for this sector since VAT is applicable on the output side, whereas most input costs are services.

The GST model will therefore facilitate seamless credit across supply chains, with tax set offs available across the production value-chain, both for goods and services. This will result in reduction of cascading effect of taxes, therefore bringing down the overall cost of supplies. It is hoped that this cost benefit would be ultimately passed on to the customers or help in increasing the profits of the companies.

2. Consolidated tax rates: Currently, there are differential rates of VAT for the same goods in different States. There are a lot of classification disputes in current scenario. However, GST rates at both the Central and State level are expected to be uniform and harmonised which would drastically reduce disputes among tax authorities and e-commerce players.

For e-commerce companies, which are forefront in the startup boom in the country, the regime is likely to increase the compliance burden. Sandeep Ladda of PwC says that since the GST is a destination tax, the compliances will be the e-commerce website's responsibility and not the sellers'. So the work for these companies will increase.

Following are the key impacts for an e-commerce company on account of GST

Pricing impact: The output rate of tax could be higher for the company compared to the current service tax rate. However, the companies should have a higher credit pool than they do in the current regime, which could reduce the prices of their services.

Place of supply in case of B2C transactions would be the location of the service provider.

Place of supply in case of B2B transactions would be the location of the service recipient: It will be important to examine whether there would be rules to define inter-state service or intrastate service. This could be important to understand additional compliance requirement for e-commerce companies. For instance, in case it is stated that e-commerce companies would need to pay applicable CGST + SGST in the state where the service recipient is located, it would result in e-commerce companies taking registration in almost all the states where the service recipients (i.e. vendors) are located.

Compliance requirement: Currently, e-commerce companies discharge their output service tax liability through centralised registration. Under GST, the centralised registration option may not be available. Hence, e-commerce companies would need to as such obtain registration in each state where they have their place of business, resulting in increased compliances.

Industry experts said the major pain point would be tax collection at source, which would create a rift between sellers and e-commerce companies. Tax collection at source is not there for any other sector, why only for e-commerce? According to the GST Bill, any payment made to a supplier would be subject to tax collected at source at the notified rate. This may disrupt the relationship between sellers and e-commerce companies.

Fears raised:

Top Notch e-coomerce players like Flipkart, Snapdeal and Amazon have demanded exemption from GST. They plea that we are only market place between supplier and customers and are liable to pay GST on the service income. They say that they don't make money from the sales. When asked why they command such high valuation, they replied that it is because of earning from the advertisements on which they pay service tax. Google India CFO also met he top Indian tax officials and stated the difficulties in the state wise segregation for the cloud services. He said that state wise registrations will lead to compliance issues.

Industry stakeholders have said the GST Bill puts the compliance burden on e-tailers as they have thousands of sellers on their platforms. "In addition, small sellers will have cash-flow issues as they will have to claim refunds for tax paid on inputs, which e-tailers will not be able to account for," said a senior official of an e-commerce company.

Conclusion

I have analysed the e-commerce business in details. You all will agree that It offers good services from the customer point of view. Customers are in safer zone with 15 days refund policy if buying from trusted market place.

These e-commerce companies are totally working like other dealers. They earn profit margin with every sale. They even offer secondary packing services, pick the product and supply goods to the end customers. It is same as other dealers do. Aggregatorscan say that they are not sellers but e-commerce operators are surely working like dealers and should be covered under GST. As far as aggregators services are concerned though they don't sell anything but are subject to service tax. As service tax will be merged into GST so they are also bound to come under GST. As far as small dealers are concerned, most of them are working online trading without VAT numbers, thus selling goods of imports or goods of not so good quality or small amount.These dealers are added by on line marketers just to enhance the visibility of their sites and increase google ranking. GST will go a long way in cleaning the system.

As far as compliance and other issues raised by e-commerce operators. I think it is not more than fake. Software developer will take care most of these issues.

I conclude my article by quote of Vijay Shekhar Sharma, founder and CEO of Paytm.

"Even though GST means new ways to calculate tax and some bit of extra work in administration of business, I think it is great for online businesses because it brings clarity and tax obligations. Surprisingly, GST will also open new markets for online commerce because, today, due to complexities of entry tax and other processes, customers in some states cannot order everything from online shopping destinations."

GST Impact - Gear up for possible changes

By **CMA Vineet Chopra**
Contact: 08720-021-021 • E-mail : vineet.chopra01@gmail.com

In the era of globalisation entire world has become one market place, leading to availability of huge varieties of products at every nook and corner at most economic cost. Obviously, the most competitive products and services will be preferred. Therefore, it is essential that taxation policies and systems of any country should steer the business through turbulent competitive environment and make their products or services most competitive globally. In this context, the GST is going to significantly impact the entire business environment of India. Though, there has been lot of debates on Goods and Service Tax (GST) in India in last more than one decade pleading to introduce a simple, easy to operate taxation system which would end woes of a business man, bring relief from inflation to a common man, facilitate higher GDP to economy and simplify administration for administrator. The developments so far indicate that the new GST regime is going to be a mixed bag and should not be considered as a panacea for all ills; therefore, clinical analysis of probable impact will be useful at this point in time to enable the affected entities take necessary steps. An attempt has been made in this article to summarise probable impact of GST on few areas.

Common procedural changes for all businesses

Tax Rate: As generally perceived that GST will be a "one nation - one tax" regime, but it is in fact one-nation with two uniform taxes CGST & SGST (IGST being the sum total of two) across the nation under 4 or 5 product specific tax rate slab. The compliances and monitoring will be done under these two categories.

Dual Control: State will be an administrator for turnover upto a certain threshold limit and after that the Centre. It needs clarity if threshold limit for State administration crossed in a financial year then whether it will shift to Centre and vice versa.

Point of taxation: Currently, point of taxation for excise duty is at the time of removal of goods and VAT at the time of sale, but under GST, point of taxation will be the earliest of date of removal, date on which goods made available to recipient, date of invoice, date of receipt of payment, date of receipt of goods shown in books of recipient. Thus, GST will be payable in case amount is received in advance.

Stock transfer: Presently, State VAT or CST is not applicable for branch transfer, however, GST incidence on stock transfer will increase requirement of working capital.

Transportation: Lesser stoppage time of vehicles at border check posts and decrease in transit time will save transportation cost.

Warehousing: So far, warehouses were set up by the companies in various states to avoid CST on inter-state sale but in the GST regime, uniform rate structure and seamless flow of credit across the value chain will result in consolidation of warehouses. Optimisation of warehousing will be done by setting up distribution centres at strategic locations to make the supply chain, inventory management more effective and to speed up delivery time of products. Thus, warehouse / logistics cost may come down leading to improved bottom line.

IT, accounting and compliances: The accounting and IT systems of a business needs to be customised with the changed flow of process prescribed in GST regime, at the same time, timely tracking of payment of taxes, filing of return, matching of details by all the parties will be necessary for full claim of ITC, therefore, compliances needs to be done properly.

Above factors will affect the operations. Thus a businessmen need to revisit its commercial areas viz. the pricing, overheads, costing, profitability, margins, working capital requirement, logistics, supply chain management, procurements; etc.

Sector-wise Impact analysis

Automobile

Car Segment: Current levies of Indirect taxes and Cesses on Cars varies from 30% to 45%. If standard rate of 18-20% is declared for small cars as well as 40% for luxury cars, both will be benefited. Moreover, elimination of cascading effect and offset of input tax credit (ITC) at every stage of value chain will reduce the cost. By and large, impact may be positive for car segment of automobile sector.

Commercial Segment: Reduction in transit time will increase the fleet productivity and speedy delivery of goods. Better availability of vehicles for transport services may lead to increased competition, nevertheless, change in storage and warehousing patterns may also lead to higher interstate movements of goods, so it may be a mixed bag for truck operators.

Real Estate

Sale or transfer of immovable property is outside the purview of GST, however, on procurement of materials for civil construction GST will be applicable and ITC of the same is not admissible. Inadmissibility of ITC may impact negatively. Hopefully, this issue will be addressed appropriately while declaring the final law. Stamp duty will continue. Work contract for commissioning of movable or immovable property shall be supply of service. Renting, leasing, licence to occupy land and building will also be supply of service. Where consideration has been received for construction of a complex or building or civil structure is without getting certificate from competent authority it shall be supply of service. The impact on service sector depends on the GST rate vis-à-vis current rate of service tax.

Transportation

Trucks in India drive just one third of the trucks in US (280 kms vs. 800 kms), on top of that, only about 40% of total travel time is spent on driving, major time is consumed at check points and other official stoppages. A recent news indicate that Road Transport and Highway ministry is considering overhaul of around 80 border check post across the country to ensure seamless flow of goods under GST regime. Thus, ensure eliminating check points delays, higher moving time of wheels and lower transit time which will certainly boost the business, reduce inventory holding requirements, transportations cost and better asset utilisation. Distribution and warehousing patterns will improve. Impact is going to be positive on this count.

Pharma

Impact on Pharma sector will largely depend on the rate of proposed GST vis-à-vis current rates of indirect taxes. Pharma sector generally have an inverted duty structure i.e. excise duty on raw material is around 12.5% whereas on finished goods it is around 6-7%, this results in accumulation of refund dues from government. Sector is hopeful of making refund process fast and simple, this coupled with savings in warehousing and logistics cost may anticipate a positive impact.

Textiles

Currently, the domestic cotton based industry is not subject to excise duty and on branded readymade garments with MRP> Rs. 1000 excise duty is 2% with abatement rate of 40% (without Cenvat) or 12.5% (with Cenvat). However, manmade fibre sector attracts a regular duty structure (with Cenvat). It is to be seen whether lower GST rates are declared for this sector, failing which this sector may have a negative impact.

FMCG

FMCG products have a general excise duty rate of 12.5 per cent and a VAT at around the same level. As standard GST rate is expected to be lower than this, which if passed on to the consumer will have a positive impact on this sector. At the same time, FMCG companies will save on logistics costs.

Services

Services sector in India is a rapidly growing sector and significantly contributing to fiscal revenues. As indicated so far, that the standard GST rate would be 18-20%, as compared to the current 15% service tax including cesses then the services viz. IT, telecom, banking, insurance, etc may witness negative impact due to increased cost of services.

Overall Impact on Indian economy

One market

The trade of country will be converted into one market as compared to numerous markets due to different tax structures in several states as of now.

Inflation

There is a general perception that GST would drive Inflationary effect in the near term because producers will increase the rates if GST rate is higher, but refrain from passing on to customer if it is lower, consequently, inflationary effect may be there.

Exports

With lower logistics cost, full offset of ITC and seamless flow of goods cost, efficiencies will be achieved and Indian products would be more competitive.

States having higher consumption to benefit

The pattern of consumption will be the criteria for accrual of tax revenues to states. Accordingly, the tax collection will go the states having higher consumption as compared to the present system of collection by manufacturing states.

To conclude, although initial teething troubles will be there in transition phase and few sectors may face the challenges, nevertheless, the degree of positive impact is much more than challenges. IT driven taxation regime, lesser manual intervention of tax authorities, positive effect on so many sectors and uniform tax structure may witness increase in GDP for Indian economy,

Implications of Goods and Services Tax (GST) for Indian Textile Sector

By **CMA (Dr.) S. K. Gupta**
Contact: 9810162341 • E-mail : sunilkumar@clcindia.com

Goods and Services tax (GST) constitutes the last mile of a long journey ofreforms of indirect taxes in India. GST will replace a number of central and statetaxes. The important taxes that may be subsumed in GST are cenvat and servicetax at the central level and state VAT/sales tax, central sales tax, and entry taxat the state level along with a number of additional or special duties and cessesand surcharges. The final design of the GST and the related constitutionalamendment are yet to be finalized. However, the impact of GST on the textilesector is expected to be quite significant.

Current Domestic Indirect Tax Structure

The main central indirect taxes are central excise duties or cenvat and servicetax. Since textiles are goods, the relevance of service tax is only with respect toservice inputs into textile outputs. The main state taxes are sales tax/State VAT,tax on inter-state sales (also called the central sales tax) and entry tax. Thesepertain to textiles outputs as well as non-service textile inputs.

In spite of reforms, the current domestic indirect tax regime suffers from variousinefficiencies.

Several problems continue with each segment of the system of taxation of goods and services as summarized below:

- In the case of Cenvat, the issues relating to definition of manufacturing and methodology of valuation remain causing difficulties in implementation of the tax.
- The problem of multiple rates remains although the tax rate structure is simpler than what it used to be. This leads to various classification disputes.
- In the case of service taxation, problems relate to distinguishing between a good and a service. The distinction between the two is often blurred.
- Exclusion of services from the tax base of the states potentially erodes their tax buoyancy in a growing economy that is service-sector centric.
- Cascading has not been fully eliminated as there is cross cascading between State VAT, Cenvat, and the service tax.
- The Central sales tax continues to cause artificial inter-state tax borders. It constrains achieving the objective of a destination based system of taxation of goods and services.

The main difficulties faced by the textile sector in the current domestic indirect taxregime may be summarized as below:

- Classification disputesFabrics vs. garments, e.g. should sarees be treated as fabrics or as readymade garments
- Fibreneutrality :Cotton fibre vs. manmade fibres. Cotton fibre treated favorably as compared to Manmade fibres
- Effective tax rates vary by degree of integration : Power looms vs. Composite mills. Effective tax rates for composite mills are higher than that of power looms discouraging integration of production adversely affecting efficiency.
- There are many gaps within the current arrangement. The State VAT applies to primary producers, manufacturers and distributors and retailers. However, it excludes the service sector. The CENVAT and the service tax are levied on manufacturers and service providers respectively but the primary producers, distributors, are excluded from their scope.
- In the current tax structure, the excluded sectors cannot take credit of the tax charged to them on inputs by their suppliers. The input tax on these services gets added to the cost of the product supplied by them, leading to tax cascading.

Design of GST: Basic Features

GST will be a concurrent GST where the central and state governments will share a common tax base consisting of the value added of goods and services in the production and sale of goods and services.

The significant features of GST are likely to be as follows :

- The GST will have two components: one levied by the Centre (CGST) and the other levied by the States (SGST).
- The CGST and SGST would be applicable to supply of all goods and services made for a consideration except for the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits.
- The CGST and SGST are to be paid to the accounts of the Centre and the States separately. Taxes paid against the CGST and SGST will get input tax credit (ITC) within the CGST and SGST chains respectively but cross utilization of ITC between CGST and SGST would not be allowed.
- The administration of the CGST will be with the centre and that of SGST with the states
- The following Central Taxes are likely to be subsumed under the GST:(i) central Excise Duty, (ii) Additional Excise Duties, (iii) Excise Duty levied under the Medicinaland Toiletries Preparation Act, (iv) Service Tax, (v) Additional Customs Duty,commonly known as Countervailing Duty (CVD), (vi) Special Additional

Duty ofCustoms (SAD), (vii) Surcharges, and (viii) Cesses.

- The following State taxes and levies should be, to begin with, subsumed under GST:(i) VAT / sales tax, (ii) entertainment tax (unless it is levied by the local bodies, (iii)luxury tax, (iv) taxes on lottery, betting and gambling, (v) State cesses and surcharges in so far as they relate to supply of goods and services, and (vi) entry tax not in lieu of Octroi.

Under GST, exports will be fully and automatically zero-rated. This will cover all domestic taxation of inputs used for products that are exported.

This will reduce the scope of duty drawback scheme considerably as all input taxes paid in regard to domestic indirect taxes, namely, central excise duties, service tax, state sales tax, inter-state sales tax, and entry tax will be rebated. The money that will be released from duty drawback scheme could then be used for supporting the sector.

With the abolition of the inter-state sales tax (central sales tax) and entry tax, the Indian market will become a genuine all-India market without fiscal barriers. Textile industry, where considerable movement of both inputs and outputs takes place, will be one of the main beneficiaries.

A Goods and Service Tax Council (GST Council) will be constituted which will decide on the following issues:

- Taxes, cesses and surcharges levied by the centre, the states and the local bodies that are to be subsumed in GST;
- The goods and services that may be exempted from GST;
- The threshold limit of turnover below which goods and services may be exempted from GST;
- The rates including floor rates and bands for GST;
- Any special rate or rates for a specified period to raise additional revenue during any natural calamity or disaster;
- Special provisions with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura;
- Any other matter relating to the GST as the Council may decide.

The GST Council is to be guided by the need for a harmonized structure of the goodsand services tax and for the development of a harmonized national market for goods and services.

Under GST, the core functions relating to the dealer-administration interface such as registration, returns, payments, and refunds will be centralized.

This will lead to significant simplification of compliance as it virtually eliminates interface between taxpayers and tax administration for compliance related activities. The role of state governments will be largely limited to audit and assessment.

Likely General Effects of GST:

- Implementation of a comprehensive GST is expected to provide gains to India's GDP somewhere in the range of 0.9 to 1.7 percent.
- The real returns to factors of production will go up: returns to land will go up between 0.42 to 0.82 percent; wage rate gains will be in the range of 0.68 to 1.33 percent; returns to capital would increase in the range of 0.37 to 0.82 percent.
- The overall price level would go down;
- The efficiency of energy resource use will improve;
- The manufacturing sectors including textiles and readymade garments would benefit from economies of scale;

Implications of GST for the Textile Industry

The textile industry is characterized by large inter-state movements both in respect of inputs and finished products. It also draws inputs from many other sectors consisting of both goods and services including dyes and chemicals, petroleum products and transport services. There is a large inter-face between organized and unorganized sectors. Given the inter-state and inter-industry movement of goods and services and interdependence of organized and unorganized sectors in the textile industry, the GST will have significant effects on the growth and productivity of the textile sector.

Taxation of textile sector is opaque and non-neutral across its various segments. Many textile outputs are either exempt under the central and state tax regimes or are subjected to relatively low tax rates. Most of the indirect taxes fall on inputs, both goods and services, and therefore remain hidden. On the whole, the textile sector is lightly taxed and extensively subsidized. Textile exports are supported through payments of un-rebated taxes (duty drawback) on textile inputs and other subsidies.

Taxation of the textile sector will be significantly recast with the implementation of the Goods and Services tax (GST). The GST is expected to replace a number of existing central and state taxes.India has a number of schemes for rebating or subsidizing textile exporters

Themain implications of GST compared to the present domestic indirect taxregime in the context of Textiles can be divided into two parts: (a) main andimmediate effect, which may be adverse in nature and (b) other longer termpositive effects.

Main Effect: Rate-Revenue Effect

Since the CGST and SGST rates are likely to be higher than the correspondingtextile sector RNRs; the textile prices would go up. This will adversely affectdemand for textile products. Our estimates based on time series on privatefinal consumption expenditure on clothing shows that demand elasticity withrespect to implicit price deflator of clothing relative to implicit price deflatorof all goods is low (about 0.3). Therefore the magnitude of effect will be low. This will be further mitigated because estimates indicate that GST will havean overall positive income effect. Demand for clothing is also income elasticand the magnitude of estimated income-elasticity is somewhat higher at 0.5.Furthermore, since the demand elasticity is less than one, the fall in quantitydemanded will be less than the increase in prices due to the rate increaseresulting in higher revenues.

Other Positive Effects

Some of the longer term positive effects would be as follows.

- GST is likely to have a fibre-neutral rate structure unless differentiation isintroduced by explicit choice (Fibre Neutrality Effect);
- Textile outputs will be taxed if domestically consumed and input taxes paidwill be rebated making the tax-regime transparent (Transparency Effect);
- Exports will be zero-rated and all input taxes paid will be rebated by the tax authorities making duty drawback kind of schemes redundant (Export Zerorating Effect);
- Fiscal barriers to inter-state movement of textile inputs and outputs like theCST and the entry tax will be eliminated (Common Market Effect);
- Taxes on capital and machinery will be fully rebated (Investment PromotingEffect); and
- For the industry, compliance costs will be lower (Compliance PromotingEffect).

Segment wise effects will be different depending on the specific Revenue Neutral Rates (RNRs). Given thesegment-wise textile specific RNRs and the GST rates, those textile sectorswhere the RNR is lower than the GST rates, there will be an additional taxburden. For those textile segments, where the RNR is more than the GST rate,there will be a lower tax incidence compared to the present situation. Except fortwo segments, namely silk textiles and artificial silk and synthetic fibre textiles,all other segments have a low effective rate of tax and in all probability GST rates will be higher than the segment specific RNRs.

An important issue particularly in the context of textiles would be to determine the threshold. There will be a uniform threshold for CGST and SGST. It is likely to be much lower than the current SSI threshold of Rs. 1.5 cr under CENVAT and higher than the most common State VAT threshold of Rs.10 lakhs. Present discussions indicate that the threshold is likely to be around Rs. 25 lakh. The threshold could be lower for hilly States.

A low small business threshold is likely to discourage power loom owners from fragmenting their units to stay under the small business threshold. To facilitate integration of small power loom units into the GST, the Ministry of Textiles in cooperation with Ministry of Finance and respective State governments could consider providing shared tax compliance services to such units in prominent clusters to minimize compliance costs.

With the abolition of the inter-state sales tax (central sales tax) and entry tax,the Indian market will become a genuine all-India market without fiscal barriers.Textile industry, where considerable movement of both inputs and outputs takes place, will be one of the main beneficiaries.

Some of the outstanding issues in the implementation of GST that will have significantimplications for the textile sector relate to whether there will be:

- Single/dual control of dealers by Central and State governments;
- Single/Multiple tax rates; and
- Degree of cross-matching of data - invoice level matching vs. dealer levelMatchin

Fibre-neutrality Effect

Depending on how the GST is structured, it is likely to treat all fibres in the same way whether cotton based or based on man-made fibres. There will thus be adjustments within the textile sector even if the overall textile sector demand does not get affected by the transition to GST rate, as discussed below.

The Handloom industry: The uniform GST rate is likely to be significantly higher than the currenteffective tax rate of the Handloom industry. While demand for high value-addhandloom products with low price elasticity can be expected to remain largelyunaffected, low value-add handloom products with higher price elasticity maywitness a fall in demand. Therefore, producers of low value-add handloom productscan be expected to upgrade to the powerloom sector, resulting in increased productivity, quality and returns on investment. This can be classified as a processefficiency effect.

The cotton textile industry presently has a lower effective tax rate as compared tothe synthetic textile industry. The uniform GST rate is therefore likely to lead tohigher increase in prices of cotton textiles as compared to synthetic textiles. As aresult, cotton textile manufacturers can be expected to increase blending ofsynthetic fibres with cotton fibres. This can be classified as the fibre-neutralityeffect.

Policy Options for Textiles under GST

The overall impact of GST on the textile industry and consumers will depend on how theavailable policy options are exercised in implementing GST in relation to textiles. The mainpolicy options, which may be considered for specific segments or all segments oftextiles, are as follows:

- Zero rating
- Exemption
- Lower rate of tax
- Standard rate of tax with appropriate subsidies

Zero rating other than for exports is not recommended although it is possible if all inputtaxes are refunded. It should be recognized that zero rating will not cover producers below threshold levels. On the other hand, it may lead to rush for registration with the central and state governments to claim the refunds. It may also open up an avenue for claims that may be fraudulent. To ensure that exports remain trulyzero rated, the Duty Drawback rates could be revised to account for input taxes which remain uncredited.

ExemptionThe second option is exemption for selected segments. Exemption does not mean noincidence of tax since it results in blocked input taxes. It may result in higher tax incidence due to blocked input taxes and tax cascading. The tax impact of exemption becomes dependent on the nature of supply chain. For example, vertical integration may reduce the magnitude of block input taxes. This option is also not recommended asit distorts resource allocation choices. It shifts tax burden from consumption to production and leads to complexities in the administration of tax.

Lower rate of taxThe next option is to subject the textile segments to the lower rate of tax, which may bepossible in a dual rate regime. This is an advisable option if the government chooses tohave a lower GST rate along with a standard rate.It is also suggested that all textile fabric categories (e.g., khadi, cotton, synthetic, and ready-made garments) should be in thesame category to avoid classification disputes and maintain fibre neutrality. However, the scope of lower tax rate needs to be determined. There will be issues if inputs aretaxable at higher rate and outputs are taxable at the lower rate. It gives rise to issuesrelating to refunds and requires monitoring of refunds.

Standard rate of tax with appropriate subsidies. Another option is to apply the standard rate of tax with appropriate subsidies. If the country goes for a single rate regime, this option may be recommended in preference tozero-rating and exemption even if there is a net positive effect on prices. However, theprice effect of GST will depend on the actual level of the standard GST rate.

A GST regime with a standard rate results in a clean tax system. It achieves production efficiency, which is the key concern as opposed to the regressivity of the tax system. Itcan be accompanied by an appropriate subsidy regime to support weakest segments ofthe textile industry. In the case of textiles, additional resources will be released tofinance such subsidies as many of the existing support schemes will not be required once zero-rating of exports becomes integral to the tax system as under GST

GST: Government and Industry Preparations

Both the government (textile ministry and state textile departments) and textileindustry should prepare for the transition to GST. Adequate preparation for the implementation of GST, not only by the central and state governments, but also by theindustry, that is producers, wholesalers and retailers is a prerequisite for the success of GST in India. Dealing with the input tax rebate system in central excise, service tax, andsales tax has prepared the ground somewhat but much needs to be done when input tax rebate chain has to run full circuit in CGST chain, SGST chain, and IGST.

The key aspects of preparation for GST will involve the following:

- Industry/dealers will have to register with Common Tax Portal. A PAN based ID should be considered. They will be identified with a GSTN number. They will deal with the central government's Indirect tax authority which will also be the IGST authority, Finance Departments of State Governments, designated banks, and other dealers registered with Common tax portal, which will work as a clearing house. Throughout the country, the same registration number will operate for all participants in the chain of transactions.
- Each dealer or industry will have to develop its own GST IT interface. The entire record-keeping can become automated through the development of suitable GST software which should have the relevant return forms for declarations. A consolidated return in the approved format will have to be prepared for the agreed time cycle, showing claimed rebates, assessed tax, recipient tax authority, and net tax paid to the credit of the centre under CGST/IGST and states in the designated banks.
- Returns: The states as well as the centre would require taxpayers to file periodic returns to assess whether the taxpayers have computed, collected, and deposited their taxes correctly. ITC credit will also be verified on the basis of the returns filed and revenues reconciled against challan data from banks.

  Periodicity of filing returns - monthly, bi-monthly, quarterly

  Basis of settling accounts - payment, invoice, or hybrid
- Clarity needed in design of returns to show:

  Whether supplies are exempt

  Whether supply is of a good or service, sale of land or asset

  Whether supplies are zero-rated
- Whether the supply involves inter-state transaction, and if so, clear identification oforigin and destination state.Under GST, inter-state trade will be leviable to Integrated Goods and Services Tax(IGST). Under IGST, the tax paid bythe selling dealer in the exporting state will be available as ITC to the purchasing dealerin the importing state. This requires verification of ITC claims and transfer of funds from one state to another. Further, in an interstate business to consumer transaction, tax collected in one state has to be transferred to another state as finalized by the business processes. Thus, periodic inter-state settlement is required.Invoice level detail will be necessary for the reconciliation of tax deposits, and the end-to-end reconciliation of ITC. A dealer will need to distinguish between the supply channel, where input tax credits are to be claimed and sale channel where tax has to be paid.

Returns under GST

By **CMA Arun S. Karnik**
Contact: 90040 35754 • E-mail : arunskarnik@gmail.com

Section 27 of the draft model GST laws prescribes requirements as to filing of Returns under the GST regime.

Every Taxable Person (TP) is required to file monthly Returns, as applicable. All Returns under GST are to be filed electronically. If there are no transactions in a given period, the TP must file a 'Nil' Return.

The prescribed Returns under GST are as under :-

i. GSTR1- Details of Supplies during the month- to be filed by the 10th of the month following.

ii. GSTR2- Details of Purchases during the month- to be filed by the 15th of the month following.

iii. GSTR3-Final Monthly Return- to be filed by the 20th of the month following.

   These are perhaps the three Returns which will have most significance in the business routines pertaining to availment of Input Tax Credit and payment of Net GST liability for the month.

iv. GSTR4-Return by Compounding Tax Payers- to be filed quarterly by the 18th of the month following a quarter.

v. GSTR5- Return to be filed by foreigners- to be filed within 7 days after expiry of registration.

vi. GSTR6- Return by Input Service Distributors- to be filed by the 13th of the month following.

vii. GSTR8- Annual return to be filed by the 31st December of the following financialyear by every registered taxable person, other than Input Service Distributor, a deductotr of tax under S. 37, a casual taxable person and a non- resident taxable person.

As mentioned earlier, GSTR1, GSTR2 and GSTR3 are the three Returns which will have to be filed every month to ensure smooth operations of business. Let's understand the actual working of the routines involved.

The entire operation of the GST will be through the GST Network (GSTN). GSTN is a S. 25 company formed for the purpose of providing the IT infrastructure for working of the GST. Every Taxable Person (TP) will have to upload his GSTR1 Return, which is invoice wise details of the supplies of goods and services made during the month. This Return has to be filed by the TP by the 10th of the following month.

The GSTN system will generate GSTR2 Returns (details of purchases) for each TP capturing the data from the GSTR1 Returns uploaded in the system by the counterparty suppliers. Each TP will thus receive an auto populated GSTR2 Return on his computer screen. The TPs have to review the auto populated GSTR2 Return and get the differences, if any, reconciled with the counter party supplier. TP can amend the contents of the auto populated GSTR2 to give effect to corrections/omissions and upload his GSTR2 Return by the 15th of the month following.

TP will then prepare his GSTR3 Return declaring the Output tax liability on supplies made during the month, Input Tax Credit availed and net tax liability. TP has to pay electronically his net tax liability and thereafter upload his GSTR3 Return. Payment of net tax liability and uploading of GSTR3 has to be completed by the 20th of the month following. GSTR3 Returnwill ,however be not regarded valid unless the net tax liability is paid by the TP.

GSTN is expected to provide the facility for real time uploading of supply invoices throughout the month. That is, the TPs need not wait till the end of the month for uploading their Supply invoices. Invoices thus uploaded can be corrected before the GSTR1 is uploaded by the TP. The details of invoices thus uploaded by the Supplier on real time basis can be viewed by the counter party Receiver. Thus the process of reconciliation between Suppliers and Receivers will be an ongoing process, so that discrepancies between the GSTR1 of the Supplier and GSTR2 of the Receiver are eliminated.


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