

GOODS AND SERVICE TAX

GST

The Next Logical Step

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Present Taxation System In India

Existing Tax Structure

Direct Tax

Income
Tax

~~Wealth
Tax~~

Central
Excise

Custom

Service
Tax

CST

VAT/
Sales
tax

Other i.e.
Entertainmen
t Tax, Entry
Tax, Luxury
Tax, Lottery
Tax, P tax,etc

Indirect Tax (Centre/State Taxes)

Goods & Service Tax

- **The GST shall replace almost all transaction based taxes on goods and services and factors of production;**
- GST is introduced to subsume almost all indirect taxes in to one taxation law .
- Goods and service tax (GST) is a tax on **domestic consumption**.
- Through a tax credit mechanism, GST is collected on value added goods and services at each stage of sale or purchase in the supply chain. **GST paid on the procurement of goods and services can be set off against that payable on the supply of goods or services.**
- But being the last person in the supply chain, the end consumer has to bear this tax and so, in many respects, GST is like a last-point retain tax.
- To avoid cascading effect, **tax is paid on only on the value addition** at each stage.

GST in India

Year	Event
Mar 2011	The Constitution 115th amendment bill introduced in Lok Sabha for levy of GST on all goods or services except for the specified goods.
Mar 2012	Drafting of model legislation for Centre and State GST in concert with States under progress
2013	Four Committees have been constituted by the Empowered Committee of State Finance Ministers (EC) to deal with the various aspects of work relating to the introduction of GST – -Dual Control, Exemptions & Thresholds - RNRs for CGST & IGST - Place Of Supply Rules - IGST & GST on Imports
Dec 2014	Constitution (122nd Amendment) Bill 2014 was Introduced on 19th Dec'14 in the Parliament to amend the constitution to include GST
Till Date	GST Stuck in Rajya Sabha Govt hopes to approve the legislative scheme which enables the introduction of GST probably by April 2016

The Constitution (122nd Amendment) Bill 2014

- A. Insertion of Clause 246A – To facilitate the parliament & states to make laws in regard to goods & service tax imposed by union or such state**
- **Article 246** of Constitution of India establishes the law making jurisdiction of Central and State governments over Union List, State List and the concurrent list of Schedule VII to the Constitution.
 - **Article 246A(1)** shall empower goods and service tax law framing with both the central and state government unlike in the current case where the service tax / excise was centre's domain in union list and sales tax on goods was state's domain except in case of interstate transactions.
 - **Article 246A(2)** reestablishes the centre's exclusive control on interstate supply of goods & services.

The Constitution (122nd Amendment) Bill 2014

- **Article 286** imposes restrictions for **imposition of taxes on sale or purchases of goods in case of interstate trade, imports or exports or trade outside the state**. It empowers the parliament for the same. Now, this is extended to GST.

- C. **Insertion of Article 269A – Apportionment of interstate taxes on supply of goods and services based on GST council's recommendations.**
 - **With the beginning of GST, now taxes on supply of goods and service in course of interstate trade or commerce would also required to be made a commodity of due apportionment between union and states instead of pure assignment as in cases of goods.** This article 269A is inserted precisely to mitigate this aspect. The apportionment shall be undertaken pursuant to GST Council's recommendation.

 - To understand what transaction would constitute interstate trade, the rules of supply, origin and point of incidence would be required to be framed. The same would be in parliament's domain.

The Constitution (122nd Amendment) Bill 2014

D. Surcharge by parliament not to apply to GST

- Article 271 empowers the parliament to increase taxes and duties on articles. The GST has been made an exception to power of parliament. **Hence, the parliament cannot impose surcharge on GST.**

E. Constituting the 'GST Council' vide Article 279A

Article 279A is to be inserted to empower the Hon'ble President of India to constitute 'GST Council'. Brief features shall be:-

- To be incorporated within **60 days** of Commencement of Act.
- Members shall include:-
 - **FM** – Chairperson
 - **Union Minister of state** in charge of revenue members
 - **State FM's** / Nominated State Ministers – members
- Members to choose **Vice Chairperson**.

The Constitution (122nd Amendment) Bill 2014

- Date of levy of GST on items like petrol, diesel and natural gas.
- Quorum shall be 50% of members.
- Decision by 75% of total weighted votes of members present and voting. Centre to have 1/3rd of weight of total votes and states to have 2/3rd of total votes cast
(So if 2/3rd of states vote then a law can be passed)
- Dispute resolution modalities.

F. New definitions – Article 366

12A) “*goods and services tax*” means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption

“(26A) “*Services*” means anything other than goods

- The definition of services being other than goods raises the concern of whether it would also cover Immovable property transactions.

The Constitution (122nd Amendment) Bill 2014

▪ Schedule VII – State List

- a) Entry Tax – Done Away (No. 52)
- b) Taxes on advertisements – Done away (No. 55)
- c) Taxes on entertainment and amusements (Entry No. 62) – Applicable to the extent levied and collected by district/regional councils.
- d) Entry No. 54 on sale of goods, now scope reduced to petroleum, High speed diesel, petrol, natural gas, aviation turbine fuel and tobacco or tobacco products except in case of interstate trade or international trade or commerce.

H. Other Modalities

- An additional tax on supply of goods, **not exceeding one per cent.** in the course of inter-State trade or commerce shall, notwithstanding anything contained in clause (I) of Article 269A, be levied and collected by the Government of India for a period of **two years** (now amended) or such other period as the Goods and Services Tax Council may recommend and such tax shall be assigned to the states in manner as provided hereunder in next point.

Model of GST in India

Taxes	approx budget of 2014-15 In crore
Income Tax	6,67,000
Service Tax	1,80,000
Excise	1,98,000
Customs excluding SAD & ACD	90,000
SAD & ACD	98,000

Model of GST in India

- The **dual GST** model proposed by the Empowered Committee and accepted by the Centre will have dual system for imposing the tax wherein GST is imposed by both Federal or Central and State or Provincial governments.

- The GST in India will have three components:
 1. One levied by the Centre (hereinafter referred to as Central GST);
 2. The other levied by the States (hereinafter referred to as State GST);
 3. The last looking after Inter State Trade transaction (IGST)

Dual GST Model of India

GST

Intra-State

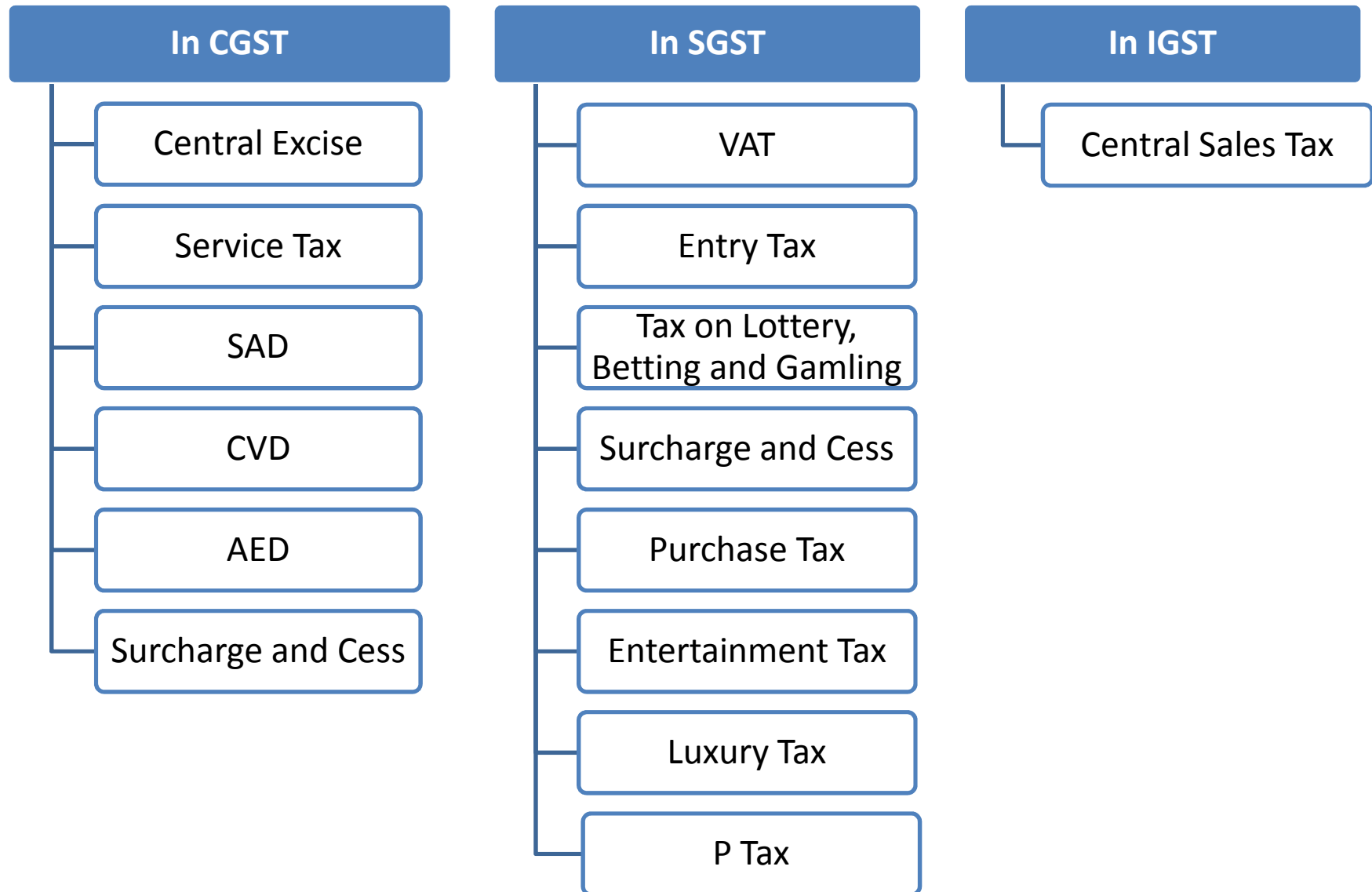
Inter-State

CGST

SGST

IGST

Taxes to be subsumed in GST



What will be out of GST?

- Levies on petroleum products.
- Levies on alcoholic and tobacco products.
- Taxes on lottery and betting by Local Bodies.
- Basic customs duty and safeguard duties on import of goods into India.
- Entry taxes levied by Municipalities or Panchayats.
- LBT and Octroi.
- Entertainment and Luxury taxes by Local Bodies.
- Electricity duties/ taxes.
- Stamp duties on immovable properties.
- Taxes on Vehicle Registration.

Goods & Service Tax - Taxable Event

- The taxable event will be the “**supply of goods**” and the “supply of services”.
- The current taxable event such as “manufacture”, “sale of goods” “render of services” will not be relevant under GST system.
- Further, it is a **destination based** tax.

Goods & Service Tax - Taxable Person

- It will cover all types of person carrying on business activities, i.e. manufacturer, job-worker, trader, importer, exporter, all types of service providers, etc.
- **If a company is having four branches in four different states, all the four branches will be considered as Taxable Person under each jurisdiction of State Governments.**
- All the dealers/ business entities will have to pay **both the types of taxes on all the transactions.**
- A dealer must get **registered** under CGST as it will make him entitle to claim ITC of CGST thereby attracting buyers under B2B transactions.
- **Importers** have to register under both CGST and SGST as well.

Goods & Service Tax- Proposed Rate Structure

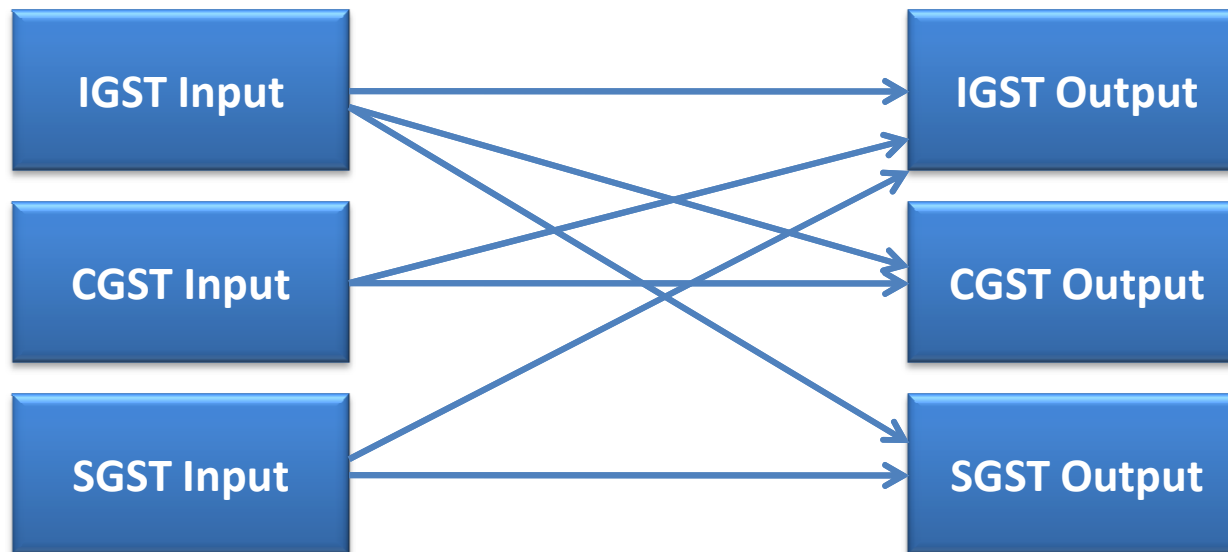
- Empowered Committee has decided to adopt a two-rate structure –
 1. a **lower rate** for necessary items and items of basic importance; and
 2. a **standard rate** for goods in general.
 3. There will also be a **special rate** for precious metals and a list of exempted items.
 4. **NIL rate**
- 99 items currently **exempt from VAT** will be exempt from both components of GST. **Negative list** of exempt services is also expected to be exempt from GST.
- The combined GST rate is being discussed by government.
- Under political pressure the rate is expected around **15-18%**

Goods & Service Tax- Proposed Rate Structure

- After the total GST rate is arrived at, the States and the Centre will decide on the CGST and SGST rates.
- Currently, services are taxed at 14 per cent and the combined charge indirect taxes on most goods is around 27 per cent
- There will be a concept of **BAND Rates** for SGST
- **Accounting Codes** For Service Tax & **HSN Codes** for Goods shall continue
- Since Tax on Services will be much higher than the present rate, **Select Strategic & Essential Services** may attract lower rates

Goods & Service Tax- Set Off

- Under GST system cross utilization of credit is allowed between goods and services. In other words, input tax credit received on purchase of goods can be adjusted against supply services and vice versa.
- The input of IGST will be available against SGST and CGST. Input Tax credit of SGST is not available for CGST or vice-a-versa

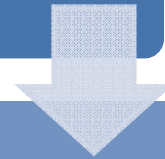


Sequence of use of IGST Credit

IGST

CGST

SGST



Integrated Goods & Service Tax (IGST)

- Eg. HSCL purchases Capital Goods & Input in Kolkata (WB) paying CGST of Rs. 12 Lakhs & SGST of Rs.8 Lakhs.
- The material is taken to Ranchi (Jharkhand) for carrying on works contract Services (building a pota cabin) for party A.
- The output IGST comes to Rs. 25 lakhs (CGST = Rs.15 lakhs & SGST of Rs.10 Lakhs)
- So HSCL pays only Rs.5 Lakhs to the CG A/c (IGST of Rs. 5 Lakhs= 3L CGST + 2L SGST)
- **WB will transfer Rs. 8 Lakhs SGST to Centre used for payment of IGST & CG will transfer Rs.2 lakhs out of 5L IGST to Jharkhand.**
- HSCL also pays 1% Additional GST on Interstate supply of Goods & Services which is non creditable

Integrated Goods & Service Tax (IGST)

- A again sells the Pota Cabins to B of Ranch (Jharkhand) paying CGST of Rs. 18 Lakhs & SGST of Rs.12 Lakhs.
- So A pays only Rs.5 Lakhs (CGST of Rs. 3 Lakhs & SGST of Rs.2 Lakhs)

Integrated Goods & Service Tax (IGST)

Points to be noted from the Illustration

- WB Govt will not get any tax as the **place of Supply** of goods & services is Jharkhand
- Jharkhand Govt gets Rs.12 Lakhs (Rs.8 Lakhs from WBG, Rs.2 Lakhs from CG and Rs. 2 Lakhs paid by B)
- Central Govt will get Rs. 18 Lakhs as follows -

Particulars	Rs. In Lakhs
CGST on purchase of Capital Goods & Inputs in WB by HSCL	12
IGST paid by HSCL on Works contract performed at Jharkhand	5
SGST received on behalf of by WBG	8
SGST of WB transferred to Jharkhand	(8)
SGST transferred by CG to Jharkhand Govt	(2)
CGST on sale of porta cabins by A	3
Total GST Revenue of CG'	18

Role of Central & State Governments in GST

- Central Government to act as **clearing house** for accounts settlement across States.
- **Handling disputes** between states over jurisdictional and enforcement issues.
- Develop and **maintain GSTN** with best of facilities for uninterrupted flow of credit, **less litigation** and facility to register, file return and in future inbuilt other features like refund, scrutiny of returns.
- Draft **model Legislation** for CGST, IGST and SGST which will act as a Boundary wall, binding in nature both on Centre and States to legislate their respective GST Acts.

Carry Forward of ITC prior to Implementation date

- Input Tax Credit (ITC) and Cenvat Credit (CC) accumulated on the day of implementation of GST (expected date, 1st April, 2016) will most likely be allowed to be **carried forward**.
- It is expected that both ITC and CC will be allowed to be carried forward under GST regime subject to fulfilment of certain conditions.
- The exact procedure and conditions will be specifically mentioned in the GST legislature.

Goods and Service Tax - Area Based Exemptions

- Under GST regime, there will be a common list of exemptions for both the Central and State GST. The tax benefits already enjoying by the EOU, SEZ, Soft ware Technology Park would continue to be available in the GST regime as well.
- **All area based exemptions schemes already in force are expected to be converted to post-tax cash refund schemes.**
- **GST in the state of Kashmir - Point of ambiguity**

Process of Assessment and Appeal

- The dual GST is expected to be **self assessed** tax like existing VAT/CENVAT.
- However the authorities would have the power to audit and re-assess on a selective bases. The detailed procedural guidelines in this regard would be stated in the GST legislature.
- **There will be a separate appellant authority for SGST and CGST.**

Who are liable to be registered?

- Persons registered to pay existing taxes that will be subsumed under GST
- Persons with All-India Gross Turnover more than a threshold
- Persons making interstate supplies
- Casual and non-resident suppliers
- Voluntary Registration below threshold
- Unique-id for specific class of persons

Salient Features of Registration Process

- ❑ PAN based Registration: **PAN will be mandatory**
- ❑ Unified application to both tax authorities
- ❑ To be filed within **30 days**
- ❑ State-wise registration for entities having presence in more than one State
 - ⦿ Need not apply separately for each State for CGST
- ❑ **Deemed approval within three days**
- ❑ Within a PAN, separate registration for separate business verticals within a State possible

Structure of GSTIN

State		PAN										Entity	Blank	Check
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

- State-wise
- Based on PAN
- 13th Digit for Business Verticals of entities with same PAN in same State
- 14th digit left blank for future use
- 15th digit – Checksum

Suppliers under Composition Scheme

- Suppliers with turnover below a particular threshold eligible for composition scheme
- To pay tax on turnover with no input tax credit
- To opt at the beginning of the year – applicable till eligibility or opting out
- Switch from composition to regular scheme voluntarily or on crossing threshold
- Suppliers making interstate supplies not eligible

Obtaining Registration

- ❑ **Migration of existing tax payers to the GSTN database**
 - ⦿ Taxpayers with valid PAN
- ❑ Online application form through Common Portal
- ❑ Documents to be filed for
 - ⦿ Constitution of Business
 - ⦿ Principal Place of Business
 - ⦿ Bank Accounts
 - ⦿ Authorised Signatory
 - ⦿ Photograph

Obtaining Registration

- Applications not submitted through Digital Signature to be supported by sending a signed copy of summary extract of the form
 - ◉ Processing of application and grant of registration even before signed copy received
 - ◉ Cancellation to be initiated if no signed copy received
- Email and SMS based alerts to the applicants
- No application fee (advance tax in case of casual suppliers)
- Applications can be filed through Facilitation Centres (FCs) or through Tax Return Preparers (TRPs)

Approval process

- ❑ **Online verification of certain details like PAN, CIN, Bank Account (if possible) and Adhaar**
- ❑ Online communication of application to jurisdictional authority by the backend modules of tax authorities
- ❑ 3 common working days for tax authorities to respond
- ❑ Deemed approval after 3 days
- ❑ Single opportunity to tax authorities to raise query, if any – 7 days for response and 7 days for action
- ❑ Mostly post registration visits based on risk profile

Migration of Existing Tax Payers

- Existing registrants either with States or with Centre to be migrated to GSTIN - Process already initiated
 - VAT registration data to be used for migration of dealers in goods
 - Service Tax registration data to be used for migration of service providers
- Validation of existing registration information by GSTN
- Verification /update of migrated data by existing registrants within a specified period
- Issuance of GSTIN by GSTN
- Verification by Centre/State Authorities after issuance of GSTIN

Approval process

- Online grant of registration
- Log-in id and temporary password communicated to the tax payer
- Downloadable Registration Certificate to be provided by GSTN
- **Refusal to register by one tax authority deemed as refusal by both**
- Communication of reason for refusal of registration

Amendment to Registration Details

- On-time amendment essential for efficient tax administration
- Most of the details to be amended by the tax payer on self service basis
- Some of them like mobile number and email address through online verification
- Some critical details like name, principal place of business to be amended after approval from tax authorities

Surrender and Cancellation

- Registration can be surrendered or can be cancelled on
 - ⦿ Closure of business of tax payer
 - ⦿ Gross Annual Turnover falling below threshold for registration
 - ⦿ Transfer of business
 - ⦿ Amalgamation of taxable person with other legal entities or de-merger
 - ⦿ Non commencement of business by tax payer within the stipulated time period prescribed under GST law

Surrender and Cancellation

- ❑ **Cancellation by Tax authorities:**
 - ⦿ Signed copy of the summary extract of submitted application form not received even after a reminder
 - ⦿ Tax payer contravenes specified provision of the GST law
 - ⦿ Taxpayer has not filed any return at all during a prescribed period as prescribed under GST Law
- ❑ Cancellation of registration to be prospective
- ❑ A person, whose registration was cancelled by tax authority on his own motion, may apply for revocation of registration
- ❑ Substantial penalty in case registration obtained with fraudulent intentions

REUTRNS - BASIC FEATURES....

- ❑ Self-assessment of tax liability by the taxpayer
- ❑ **Common e-Return for CGST, SGST, IGST & Additional Tax**
- ❑ Separate returns for different categories of taxpayers
 - Normal/Regular & Casual Taxpayer (GSTR-1, 2, 3 & 8)
 - Compounding Taxpayer (GSTR- 4 & 8)
 - Foreign Non-Resident Taxpayer (GSTR-5)
 - Input Service Distributor (GSTR- 6)
 - Tax Deductor (GSTR-7)
- ❑ Returns by a normal / casual taxpayer to be filed in sequential manner with different cut-off dates to allow auto-population of return & automated matching of invoices

....BASIC FEATURES

- ❑ Payment of due tax is must for filing valid return
 - Returns can be submitted with short payment but shall be treated as invalid – not taken into account for invoice matching & inter-Government fund settlement
- ❑ Provision for filing revised information
 - Differential Tax liability to be captured through Debit Note / Credit Note/ Supplementary invoices / correction mechanism
- ❑ Maintenance of electronic Cash Ledger
- ❑ Maintenance of electronic ITC Ledger
- ❑ Maintenance of electronic Tax liability Ledger

PERIODICITY OF RETURN FILING....

- ❑ Normal/Regular taxpayers – monthly return
 - 10th day of succeeding month: last date for uploading supply invoice details – GSTR – 1
 - 15th day of succeeding month: last date for auto-population & uploading purchase details – GSTR-2
 - 17th day of succeeding month: last date for finalizing supply & purchase details
 - 20th day of succeeding month: last date for filing GSTR-3
- ❑ Compounding taxpayersto file quarterly return: by 18th day of succeeding month of the Quarter – GSTR-4
- ❑ Foreign Non-resident Taxpayers to file monthly return: within 7 days after expiry of registration – GSTR-5

....PERIODICITY OF RETURN FILING....

- ❑ Input Service Distributors (ISD) taxpayers to file monthly return: by 15th day of succeeding month – GSTR-6
- ❑ Tax Deductors to file monthly TDS return: by 10th of succeeding month – GSTR- 7
- ❑ Casual taxpayers to file same return as for normal taxpayer but with monthly periodicity and / or linked to validity period of registration
- ❑ UN agencies to file return for the month in which they make purchases – to claim refunds

....PERIODICITY OF RETURN FILING

- ❑ Annual Return (GSTR-8)
 - All Regular and Compounding taxpayers to file Annual Return
 - Last date – 31st December following the end of the financial year
 - Simpler Annual Return for Compounding taxpayers & those taxpayers who are not required to get their accounts audited
 - Annual Return to be accompanied with a statement showing reconciliation of information as per Returns with information as per annual audited accounts
 - ✓ Reconciliation statement to be filed by taxpayers who are required to get accounts audited under Section 44AB of the Income Tax Act, 1961

CONTENTS OF GSTR-1 RETURN....

- ❑ Taxpayer details
- ❑ Return period details
- ❑ Invoice level specified details
 - All B2B supplies
 - ✓ Line-item level data in case multiple tax rate or HSN / Service Accounting Code in one invoice
 - Inter-State B2C supplies
 - ✓ only if Taxable Value per invoice is \geq INR 250000/-

....CONTENTS OF GSTR-1 RETURN....

- ❑ Aggregate State-wise summary
 - All other B2C inter-State taxable supplies having address on record
 - ✓ Every invoice having Taxable Value of \geq INR 50,000/- to mandatorily have address of buyer
- ❑ Aggregate summary
 - All B2C intra-State taxable supplies
 - All exempted, nil rated & non-GST supplies (intra-State & inter-State AND B2B & B2C)

~~.....~~ CONTENTS OF GSTR-1 RETURN

- ❑ Export & deemed Export
 - Invoice level details along with shipping bill details
 - ✓ with payment of GST
 - ✓ without payment of GST
- ❑ Debit Notes / Credit Notes: Details of debit note, credit note & changes in supply information for earlier tax periods with consequential increase/decrease in tax liability
- ❑ Details of tax liability on receipt of advance
- ❑ Details of subsequent issuance of invoices issued w.r.t. advance receipt

CONTENTS OF GSTR-2 RETURN....

- ❑ Taxpayer details
- ❑ Return period details
- ❑ Invoice level inward

Supply details received from registered taxpayer

- To be auto-populated from GSTR-1 of counterparty supplier
- Recipient to have option to add receipts not declared by counterparty supplier – if in possession of taxable invoice & have received supply of goods / services

- ❑ Bill of entry details of import of goods
- ❑ Invoice level details of import of services

....CONTENTS OF GSTR-2 RETURN

- ❑ Debit Notes / Credit Notes: Details of debit note, credit note and changes in inward supply information for earlier tax periods with consequential increase/decrease in ITC
- ❑ Option to declare eligibility for ITC
- ❑ Aggregate summary of receipts of exempted, nil rated, non-GST supplies & supplies received from unregistered person
- ❑ Details of ITC received from ISD
- ❑ Details of cash credit received on account of TDS

CONTENTS OF GSTR-3 RETURN....

- ❑ Taxpayer details
- ❑ Return period details
- ❑ **To be auto-populated from GSTR-1 & GSTR-2**
- ❑ Aggregate values of all B2B outward supplies
- ❑ Aggregate value of all B2C outward supplies
- ❑ Aggregate value of all exports including deemed exports
- ❑ Aggregate value of all inward supplies
- ❑ Aggregate value of all imports
- ❑ Information about adjustments for earlier periods
- ❑ Details of cash credit received on account of TDS
- ❑ Details of all liabilities (Tax, interest, penalty, late fee, etc.)

~~....CONTENTS OF GSTR-3 RETURN~~

- ❑ Details of ITC availed, ITC utilized, credit reversible on account of invoice mismatch and other adjustment
- ❑ Details of gross & net tax liability
- ❑ Details of payment of tax and other statutory liabilities
- ❑ Provision for capturing Debit Entry No. of Cash & ITC Ledger
- ❑ A field for return based refund & Bank Account Number

CONTENTS OF COMPOUNDING TAXPAYER RETURN (GSTR-4)....

- ☐ Taxpayer details
- ☐ Return period details
- ☐ Inward supply details
 - Auto-populated from GSTR-1 of counter-party supplier
 - **Option to add receipts not uploaded by counter-party supplier**
 - Receipts from unregistered dealers to be added
 - Includes supply attracting tax payment on reverse charge basis
- ☐ Details of import of goods and services
- ☐ Details of outward supply: intra-state, exports & non-GST

.....CONTENTS OF COMPOUNDING TAXPAYER RETURN (GSTR-4)

- ☐ Details of all liabilities (Tax, interest, penalty, late fee, etc.)
- ☐ Details of payment of tax and other statutory liabilities
- ☐ Provision for capturing Debit Entry No. of Cash ledger
- ☐ Information on possibility of crossing composition limit before date of next return

CONTENTS OF FOREIGN NON-RESIDENT RETURN (GSTR-5)

- ☐ Taxpayer details
- ☐ Return period details
- ☐ Details of imported goods: HSN details at 8 digit level
- ☐ Details of outward supplies
- ☐ Details of ITC availed
- ☐ Details of tax payable
- ☐ Details of tax paid
- ☐ Closing stock of goods

CONTENTS OF ISD RETURN (GSTR-6)....

- ☐ Taxpayer details
- ☐ Return period details
- ☐ Details of ITC
 - Auto-populated from GSTR-1 of counter-party supplier
 - Option to add receipts not declared by counterparty supplier – if in possession of taxable invoice & have received supply of goods or services
 - Includes supplies attracting reverse charge
 - Information about ITC available in the month for distribution

..... CONTENTS OF ISD RETURN (GSTR-6)

- ❑ Details of credit of CGST, SGST & IGST distributed
- ❑ Details of ISD ledger
 - Opening and closing balance of ITC
 - ITC received, reversed and distributed

CONTENTS OF TDS RETURN (GSTR-7)

- ☐ Taxpayer's details
- ☐ Return period details
- ☐ Details of Tax deducted
 - GSTIN of supplier
 - Invoice details
 - Payment details
 - Amount of TDS on account of CGST, SGST & IGST
- ☐ Details of payments of any other amount

CONTENTS OF ANNUAL RETURN (GSTR-8)

- ☐ Taxpayers Details
- ☐ Details of all expenditure
- ☐ Details of all income
- ☐ Details of all other tax liability
- ☐ Other Reconciliation Statement

HSN Codes & SAC

- ❑ HSN Code for goods – in invoice level details
 - 4-digit HSN Code mandatory for taxpayers having turnover above Rs. 5 Crore in preceding FY
 - 2-digit HSN Code for taxpayers with turnover between Rs. 1.5 Crore & Rs. 5 Crore in preceding FY – optional in 1st Year and mandatory from 2nd Year
 - 8-digit level mandatory for exports & imports
- ❑ Accounting Codes for services – in invoice level details
 - Mandatory for those services for which Place of Supply Rules are dependent on nature of services
 - Mandatory for exports & imports
- ❑ Service Accounting Code to be prefixed with ‘s’ for differentiating from HSN

Typical Invoice Details

- ❑ Buyer's GSTIN / Departmental ID / Address
- ❑ Invoice Number & Date
- ❑ HSN Code/Accounting Code
 - for each line item of an invoice in case of multiple codes in an invoice
- ❑ Taxable Value
- ❑ Invoice Value
- ❑ Tax Rate
- ❑ Tax Amount (CGST & SGST or IGST & / or Additional Tax)
- ❑ Place of Delivery/Place of Supply
 - only if different than the location of buyer

Invoice Matching & Credit

Reversal

- ❑ B2B supply information given by the supplying taxpayer in GSTR-1 will be auto-populated into GSTR-2 of the counter-party purchaser
- ❑ Purchasing taxpayers will be allowed to add invoice details in GSTR-2 & avail credit if he is in possession of valid invoice & have received supply of goods or services
- ❑ **Counterparty registered taxpayers shall have a 2-day window to reconcile invoice information among themselves prior to filing of GSTR-3**
- ❑ **Credit availed on unmatched invoices shall be auto-reversed in the next to next return period (e.g. mismatched ITC for April to be auto-reversed in return for June)**



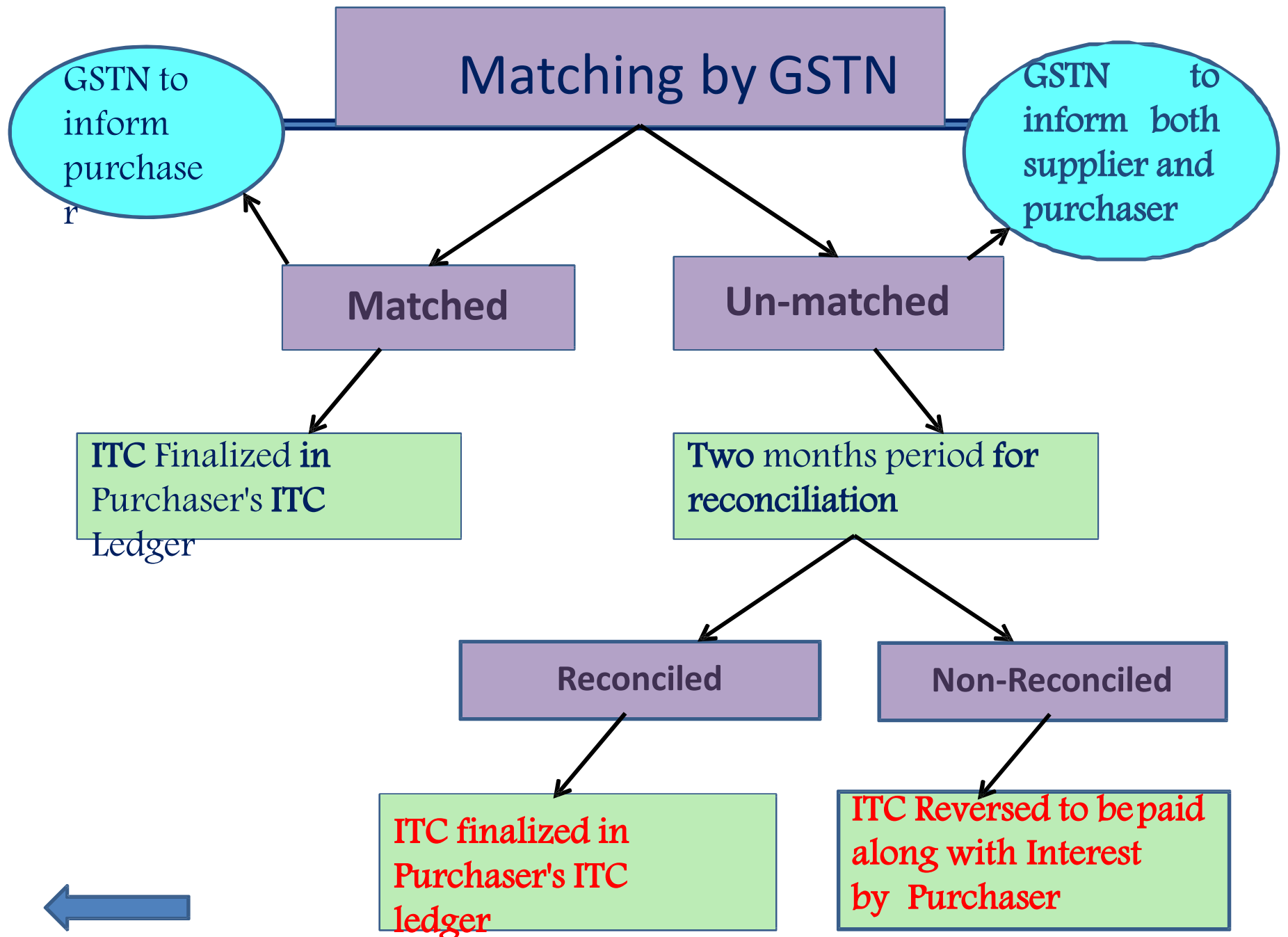
FILING OF RETURN

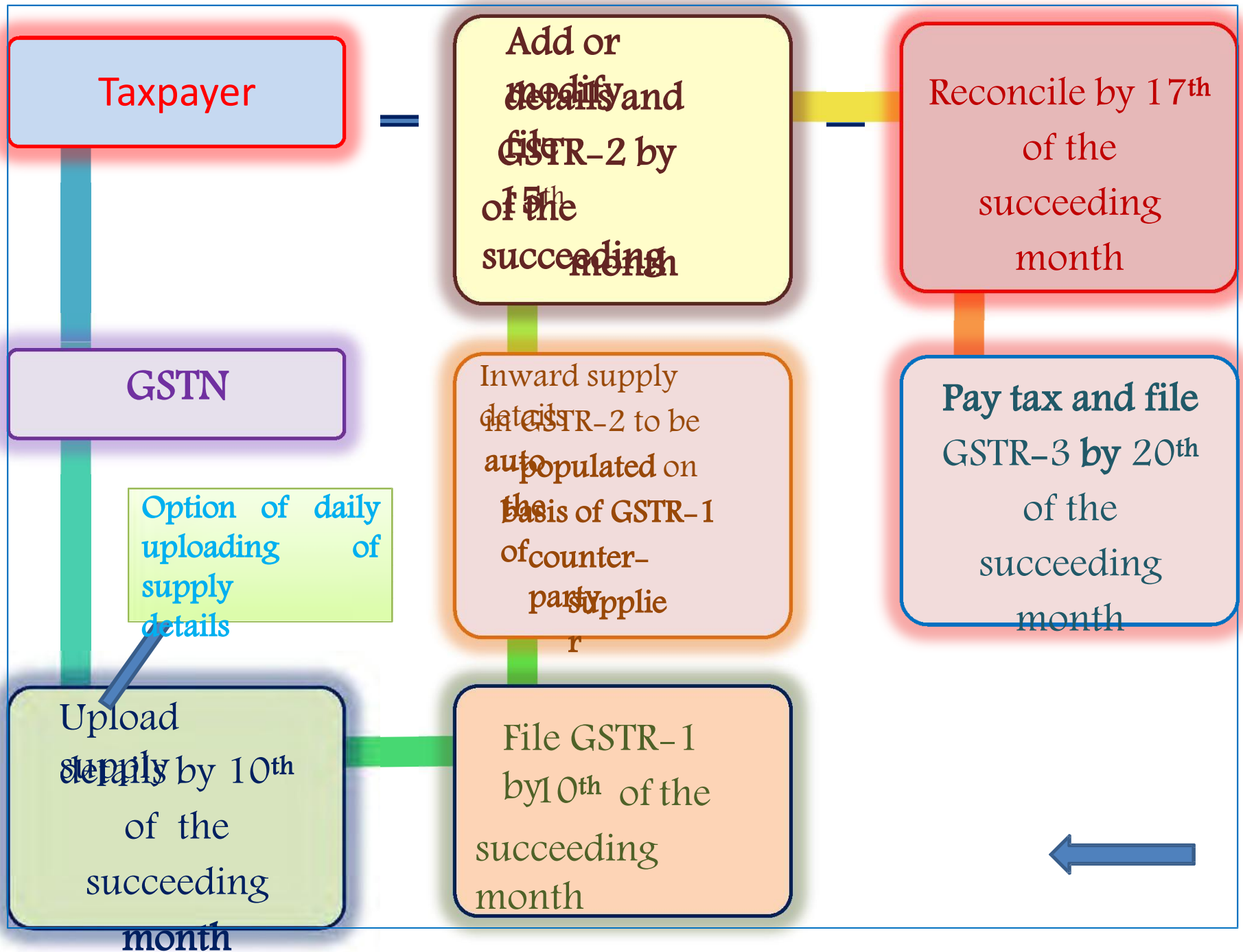
- ❑ To be filed by taxpayer at GST Common Portal either:
 - by himself logging on to the GST System using his own user ID & password; or
 - through his authorized representative using the user Id & password (allotted to the authorized representative by the tax authorities), as chosen at the time of registration, logging on to the GST System
- ❑ Filing may be done through TRPs / FCs also
- ❑ Filing may be done either directly or by using Applications developed by accounting companies / IT companies which will interact with GST System using APIs
- ❑ Steps for filing Return



REVISION

- ❑ Revision of information permitted
- ❑ Changes in Tax liability / ITC amount to be handled through
 - Debit- Credit Notes
 - Revision of supply invoices
 - Post sales discount
 - Volume discount
 - Amendments / Corrections





BROAD FEATURES

- ❑ Electronic payment process– no generation of paper at any stage
- ❑ Single point interface for challan generation– GSTN
- ❑ Ease of payment – three modes including CC/DC & NEFT/RTGS
- ❑ Common challan form with **auto-population** features
- ❑ Use of single challan and single payment instrument
- ❑ Common set of authorized banks
- ❑ Payment through any bank
- ❑ Common Accounting Codes

TAX TYPES & MODES OF PAYMENT

- ❑ Under GST, 4 types of Taxes to be paid–
CGST, IGST, Additional Tax and SGST
- ❑ Three Modes of Payment
 - Electronic including CC/DC (Mode I)
 - Over The Counter Payment (for Payments upto Rs. 10,000/-) (Mode II)
 - Payment through RTGS/NEFT (Mode III)
- ❑ Payment can be accepted by Departmental officers in enforcement cases only

STAKEHOLDERS....

- ❑ Taxpayer
- ❑ GSTN (Goods and Service Tax Network)
- ❑ Authorized banks
 - one e- FPB (Electronic Focal Point Branch) for each bank (in Mode I & II) to maintain government account and report all receipts
 - all branches for receiving Over the Counter Payments
 - one or more front end service branch

.... STAKEHOLDERS

- ❑ All Banks– for NEFT/RTGS Mode of payment
- ❑ Reserve Bank of India
 - e– FPB (in Mode III)
 - Aggregator for accountal & reconciliation of receipts
- ❑ Accounting Authorities of Centre & States
- ❑ Tax Authorities of Centre & States

BASIC FEATURES....

- ❑ Electronically generated Challan from GSTN for all 3 modes containing a unique 14-digit Common Portal Identification Number (CPIN) for each challan
- ❑ Challan can be generated by
 - Taxpayer
 - His authorized representative
 - Departmental officers
 - Any other person paying on behalf of taxpayer
- ❑ Certain key details like name, address, email, GSTIN of payer to be auto-populated

....BASIC FEATURES....

- ❑ Single challan / instrument for payment of all four types of taxes
- ❑ Challan once generated to be valid for 7 days
- ❑ Time of payment: from 0000 hrs. to 2000 hrs.
- ❑ Proposed workflow of RBI's e-Kuber model to be followed for payment, accounting and reconciliation:
 - Accounting Authorities to interact directly with RBI & not with Authorized banks in case of discrepancies found during reconciliation

....BASIC FEATURES

- ❑ System of electronic Personal Ledger Account (cash ledger) on GSTN for each taxpayer (20 pages)
- ❑ One e-FPB per Authorized Bank (in Mode I & II) / RBI (in Mode –III)
- ❑ GSTN to be anchor in payment process with responsibility for information flow to various agencies
- ❑ RBI to act as aggregator and anchor of flow of fund and information about receipts

WORK FLOW FOR PAYMENT UNDER MODE –I

...

- ❑ E-payment mode through authorized banks (internet banking , CC/DC):
 - Generation of e-Challan at GSTN
 - Tax payer to select e-payment mode
 - ❖ Net Banking
 - ❖ Credit/Debit Card of any bank
 - ❖ Tax Payer to choose Authorized bank in case of Net Banking
 - ❖ Payment gateway of authorized bank (or their SPVs) in case of CC/DC
 - Credit Card proposed to be used by taxpayer to be registered at GSTN – as an additional safety check to eliminate the issue of charge back

...WORK FLOW FOR PAYMENT UNDER MODE

-I

- GSTN to direct the taxpayer to the website of selected bank/payment gateway
- Alongside, GSTN to forward an electronic string to the selected bank carrying specified details of challan on real time basis
- Taxpayer to make payment using the USER ID & Password provided by his bank
- On successful completion of transaction, e-FPB of bank to forward a confirmation electronic string (CIN) to GSTN on real time basis
- GSTN to credit the Taxpayer's ledger
- Copy of paid Challan to be available on GSTN for taxpayer (downloadable/printable)



WORK FLOW FOR PAYMENT UNDER MODE –

II

❑ Over the Counter Payment.

- For small taxpayers for making payment upto Rs. 10,000/- per challan – by cash / DD / cheque drawn on same bank or on another bank in the same city
- Tax payer to tender only one instrument to pay one or more type of tax
- For cheque payment, name of authorized bank & its location to be mandatorily filled in challan
- On real time basis, GSTN to share challan details with Core Banking System (CBS) of the selected authorized bank

... WORK FLOW FOR PAYMENT UNDER MODE –

II...

- Taxpayer to approach the branch of the authorized bank for payment of taxes along with the instrument or cash
- In case of cash / same bank instrument a unique transaction number (BTR/BRN) will be generated immediately by the authorized bank's system and given to taxpayer
- Authorized bank to send receipt information (CIN) to GSTN on real time basis
- In case of instruments drawn on another bank in the same city, payment would not be realized immediately

.... WORK FLOW FOR PAYMENT UNDER MODE -II

- Authorized Bank to inform GSTN on real time basis in two stages
 - ❖ when an instrument is given OTC – to send an electronic string to GSTN containing specified details
 - ❖ second acknowledgement – after the cheque is realized with 3 additional details
- Similarly, bank to issue acknowledgement to taxpayer in two steps
 - ❖ Acknowledgment of cheque immediately
 - ❖ Upon realization of cheque, issuance of BTR / BTN
- GSTN to credit the Taxpayer's Ledger



WORK FLOW FOR PAYMENT UNDER MODE –

III....

- ❑ Payment through NEFT/RTGS from any bank.
 - To be made operational after a pilot run by RBI
 - For taxpayers:
 - ❖ not having a bank account in any of the Authorized Banks
 - ❖ having a bank account in any of the Authorized Banks
 - No limit on amount to be paid through this mode
 - Payments to be collected by RBI directly
 - RBI to perform the role of e-FPB also

... WORK FLOW FOR PAYMENT UNDER MODE – III...

- Challan and NEFT/RTGS mandate form generated on GSTN
 - ❖ NEFT/RTGS mandate form to have validity period of CPIN printed on it
- In challan, the field for name of Authorized Bank to be auto-populated as RBI
- NEFT/RTGS mandate form will have certain information auto-populated:
 - ❖ CPIN in “Account Name” field
 - ❖ ‘GST Payment’ in “Sender to Receiver Information” field
- Taxpayer to print a copy of Challan and NEFT/RTGS mandate form from GSTN & approach his bank for payment

.... WORK FLOW FOR PAYMENT UNDER MODE

--- -III

- Amount indicated for remittance to be transferred by bank to the designated account of the government in RBI along with challan details and a Unique Transaction Reference (UTR) Number
- RBI to validate payments against each challan with UTR received from remitter bank
- RBI to report receipt of payment to GSTN (CIN) on real time basis through an electronic string with specified details
- GSTN to credit the Taxpayer's ledger



FEATURES OF ACCOUNTING PROCESS....

- ❑ Authorized Banks to send list of CIN-wise details (electronic luggage file) for each type of Tax (CGST, IGST, AT & SGST) per day to RBI and Accounting Authorities at End of Day (EOD)
- ❑ RBI through its e-kuber system to consolidate the lists received from all authorized banks, debit their accounts and correspondingly credit Tax accounts of GOI / respective State Governments
- ❑ RBI to send digitally signed one e-scroll for each type of Tax (CGST, IGST, AT & SGST) per day (39) to Accounting Authorities of Central Government and State Governments & GSTN on T+1 basis

....FEATURES OF ACCOUNTING PROCESS

- ❑ GSTN to send reconciled data (challan data from Authorized Banks and e-scroll from RBI) to Accounting Authorities at EOD
- ❑ For any discrepancy noticed, accounting authority to generate a Memorandum of Error (MOE) & send to RBI
- ❑ RBI to resolve the discrepancy in consultation with the Authorized Bank
- ❑ RBI to report the corrected data to respective Accounting Authority & GSTN
- ❑ Taxpayers Master data to be provided by Tax Authorities to Accounting Authorities for mapping of payment details jurisdiction wise

PROPOSED ACCOUNTING SYSTEM

- ❑ Four different Major Heads of accounts to be opened for each tax along with underlying Minor Heads to account for various taxes & other receipts like interest, penalty, fees & others
- ❑ Standardized uniform Accounting Codes for all taxes under GST regime among Centre, State & UTs to facilitate settlement of IGST on the basis of centralized reporting
- ❑ Common Accounting Codes for Centre & States

BANKING ARRANGEMENTS

- ❑ Common set of Authorized Banks comprising existing authorized banks of the Central Government & all State Governments/UTs (presently 26)
- ❑ Certain minimum standards to be met by banks to become authorized banks
- ❑ A system of penalty/incentive proposed for reporting of error free data
- ❑ Payments through non-authorized banks permitted (NEFT/RTGS)

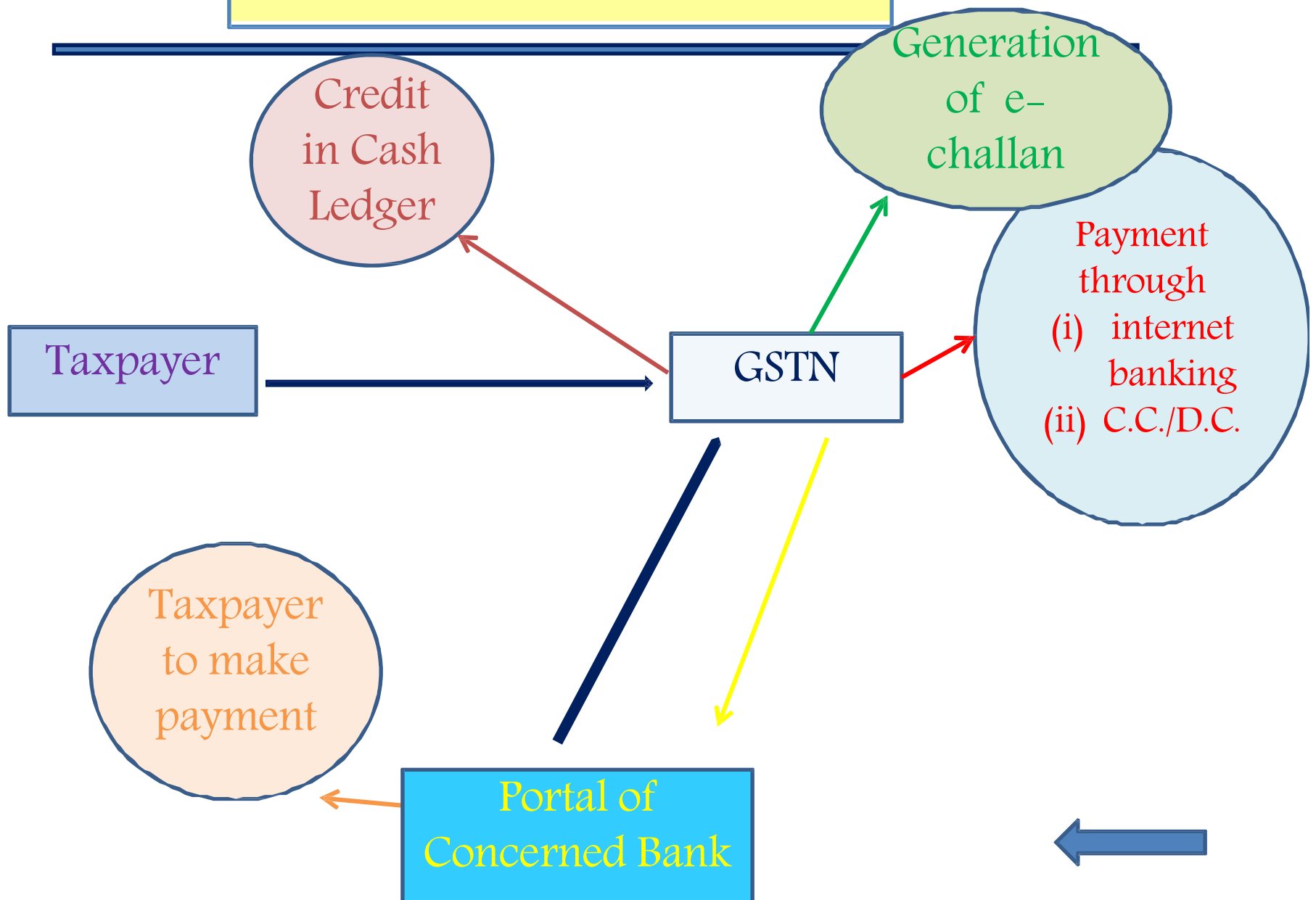
RECONCILIATION OF RECEIPTS

- ❑ Use of only system generated challans – no re-digitization by any actor in the entire work flow
- ❑ CPIN to be generated by GSTN -- to be used as a key identifier up till receipt of payment by Bank
- ❑ CIN (actual indicator of receipt of payment) to be generated by collecting Bank -- to be used as a key identifier thereafter for accounting, reconciliation, etc.
- ❑ Accounting Authorities to play a paramount role in reconciliation –
 - Accounting on the basis of RBI data
 - Reconciliation on the basis of GSTN and bank data

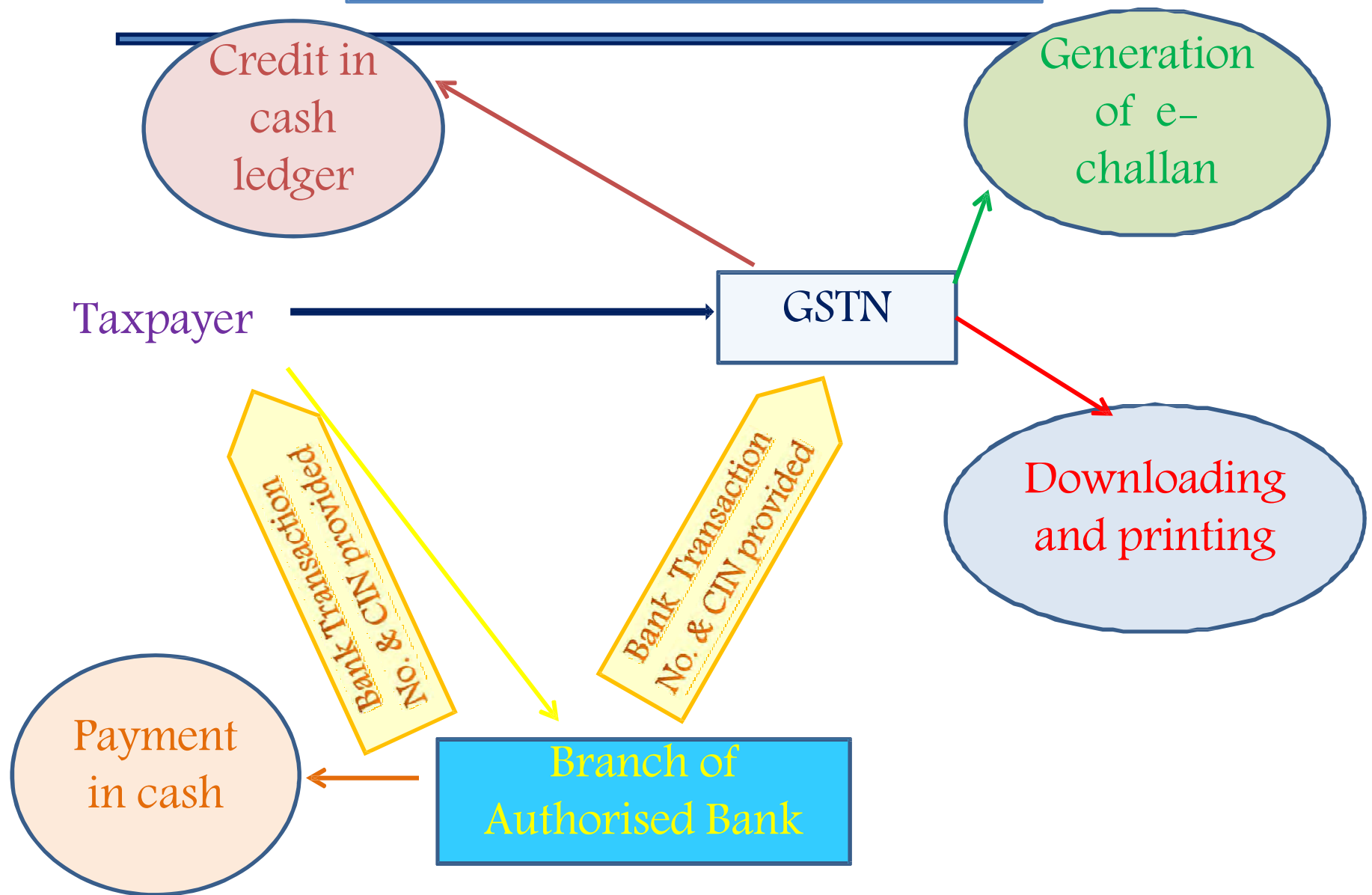
GRIEVANCE REDRESSAL

- ❑ In OTC mode if cash ledger of taxpayer not credited within three days– approach bank where instrument presented
- ❑ In RTGS/NEFT mode if cash ledger of taxpayer not credited within three days– approach bank where taxpayer's account is
- ❑ Each e-FPB required to have front end service branch to resolve payment related issues

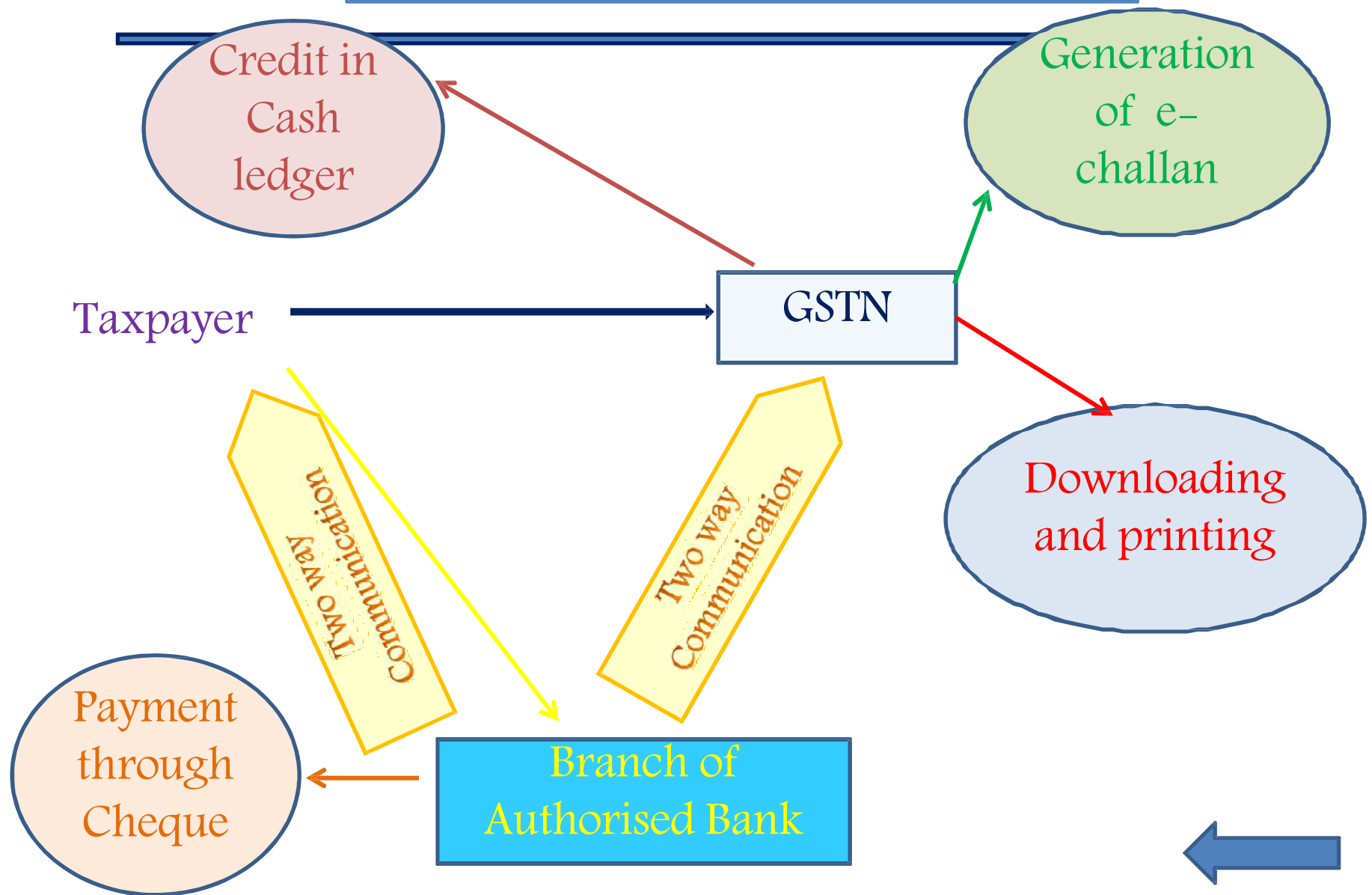
PAYMENT IN E-MODE



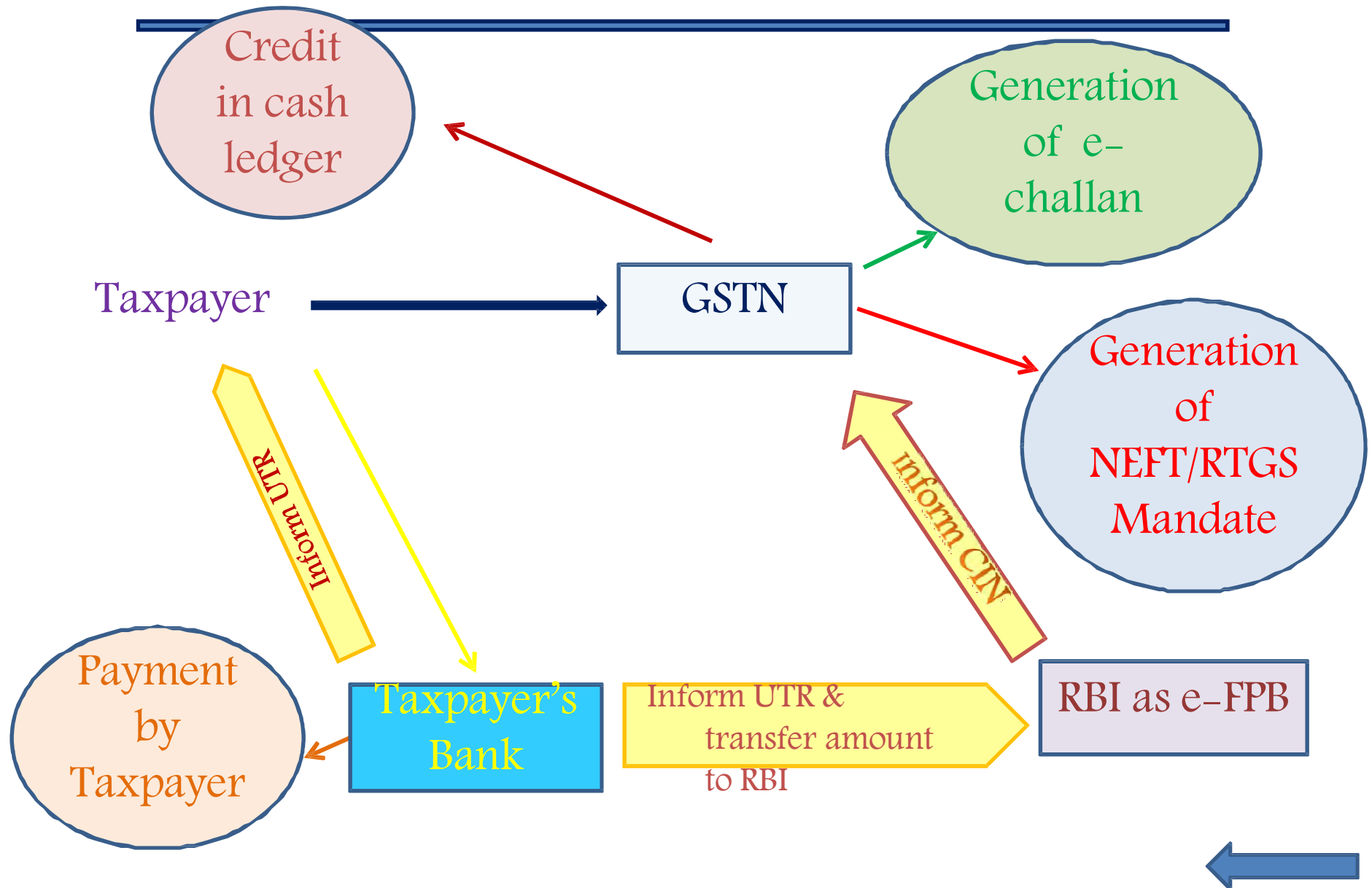
CASH PAYMENT IN OTC



CHEQUE PAYMENT IN OTC



PAYMENT THROUGH NEFT/RTGS



Summary



- ❧ Refund cases to be kept at a minimum
- ❧ Total online process
- ❧ Online verification to the extent possible
- ❧ Communication through sms and e-mail
- ❧ Dealer can check status of application on portal
- ❧ Time limit for refund to be fixed in the Act
- ❧ Dealer Facilitation prime objective

Situations where refund would arise:



- ❧ Excess payment due to mistake and inadvertence,
- ❧ Export (including deemed export),
- ❧ Finalization of Provisional Assessment,
- ❧ Refund of pre deposit in case of Appeal or Investigation,
- ❧ Refund for Tax payment on transactions by UN bodies, CSD Canteens, Para-military forces canteens, etc.
- ❧ Refund from Manufacturing / Generation/ Production/ Creation of Tax- free supplies or Non-GST Supplies,
- ❧ Refund of Carry Forward Input Tax Credit
- ❧ Refund on account of year end or volume based incentives.
- ❧ Tax refunds for International Tourists

Time period of filing

refund

- It is recommended that a period of one year from the relevant date may be allowed for filing of refund application.
- The following dates are recommended as relevant dates for different type of refund cases:

S.No	Situation of Refund	Relevant date
1.	On account of excess payment of GST due to mistake or inadvertence.	Date of payment of GST

Time period of filing refund

S.No	Situation of Refund	Relevant date
2.	On account of Export of Goods	Date on which proper officer under the Custom Act gives an order for export known as “ <i>LET EXPORT ORDER</i> ”.
3.	On account of Export of Services	Date of BRC
4.	On account of finalization of provisional assessment	Date of the finalization order

Time period of filing refund

S.No	Situation of Refund	Relevant date
5.	In pursuance of an appellate authority's order in favour of the taxpayer.	Date of communication of the appellate authority's order
6.	On account of payment of GST during investigation, etc. when no/less liability arose at the time of finalization of investigation proceedings or issuance of adjudication order.	Date of communication of adjudication order or order relating to completion of investigation

Time period of filing refund

S.No	Situation of Refund	Relevant date
7.	On account of accumulated credit of GST in case of a liability to pay service tax in partial reverse charge cases.	Date of providing of service (normally the date of invoice)
8.	For refund arising out of payment of GST on petroleum products, etc. to Embassies or UN bodies or to CSD canteens, etc. on the basis of applications filed by such persons.	Date of payment of GST
9.	On account of refund of accumulated ITC due to inverted duty structure.	Last day of the financial year

Documents to be filed for refund

❧ EXPORT OF GOODS:

Shipping Bill	Not needed..	To be verified online
Export Invoice	Not needed..	To be verified online
Packing List	Not needed..	To be verified online
Mate Receipt	Needed to be filed online with refund application	
Bill of Lading	Needed to be filed online with refund application	
BRC	To be filed within one year of Export or in a period as prescribed by RBI. To be submitted with application in case of advance payment.	

THANK YOU

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M/s JAV & Associates

Chartered Accountants

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