



Tax Research Department

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory body under an Act of Parliament)

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Behind every successful business decision, there is always a **CMA**

GST in Banking Sector

The Banking Sector including NBFC plays an important role in economic development of the country. It also plays an important role in the financial life of a business. One of the biggest transformations that the banking sector faced is after the implementation of GST (Goods and Service Tax) in India.



What is the biggest change in Banking sector after GST introduction

Prior to GST, banks or similar organisations were having centralised registration under service tax. So all such organisations were having single registration across India. However, after GST introduction, all such organisations or banks are supposed to be registered in each and every state having their operations.

What is Place of Supply of Goods and Services post GST?

As per section 12(2) of the IGST Act, 2017, in the case of banking and other financial services, the place of supply shall be the 'location of the recipient of service' on the records of supplier of services. And if the recipient's location is not available in the records of the supplier, then the place of supply shall be the location of the supplier.

Hence, in case of banking sector, place of supply is each state where supply of services are offered or rendered to the customers and CGST AND SGST is applicable.

What are the implication on Inter-branch transaction between banks?

Prior to GST, banks were not subject to any services tax for interstate branch transactions. However, under GST, the tax is levied on all such transactions between two interstate branches of a bank.



What is the time limit for raising the tax Invoice by banks to its customers for the services rendered?

As per rule 47 of the CGST Rules, 2017, the banking companies can issue tax invoices to its customers within 45 days from the date of supply of such banking services.

What are the taxable services by banks under GST?

Some of the taxable services are as follows:

➤ Services provided to Reserve Bank of India	➤ Bank Guarantee Commission Charges
➤ Processing Fees on Loans	➤ Inspection Charges
➤ Documentation Charges	➤ Issuance of Letter of Credit
➤ Ledger Folio Charges	➤ Credit Card Services
➤ Demand Draft Charges	➤ Intermediary Services
➤ Issuance of Bank Statement Charges	➤ Interest on Gold Loan
➤ Standing Instruction Charges	➤ Loan takeover charges
➤ Charges on Cheque Bouncing	➤ Sale of Repossessed Assets

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What are the Exempt services provided by banks under GST?

Interest/ Discount on Loans / Deposits or Advances	Repos and Reverse Repos transactions
Invoice / Cheque or Other Similar Discounting	Income From Commercial Paper or Certificate of Deposit
Collateralised Borrowing and Lending Obligations (CBLO) Transactions	Interest on Financial Lease
Sale of Derivative	Future Contracts



If banks can avail ITC under section 17(4) in respect of inputs and input services under GST?

Yes, Bankers can exercise any of the options for full F.Y to avail the ITC benefits:

Option 1:

- Comply with the provisions of Section 17(2) of CGST Act r/w Rule 42 of CGST Rules 2017 i.e Reversal of Input Tax Credit attributable to exempt supplies

Option 2:

- Not avail the credit of tax paid on input & input services that are used for non-business purpose and ineligible ITC,
- To avail of an amount equal to **fifty percent** of the eligible input tax credit on inputs, capital goods and input services in respective months.

What is the impact of GST in banking on the customers?

- The tax charged on Debit and Credit card or other services provided is 18% which is costlier than the previous service tax regime where rate was 15%.



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Thank You

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