

# WEBINAR ON – “ IMPACT OF GST ON MANUFACTURE SECTOR”

BY :

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# PRE-GST SCENARIO

- **APPLICABLE TAXES :**

1. EXCISE DUTY
2. SERVICE TAX
3. VAT/CST

- **TYPE OF RETURNS :**

1. EXCISE RETURNS : MOST OF THE RETURNS ARE MONTHLY
2. SERVICE TAX : HALF YEARLY
3. VAT/CST RETURNS : MONTHLY

# PRE-GST SCENARIO

- **VARIOUS TYPES OF FORMS NEEDS TO BE COLLECTED :**

1. FORM 'C' FOR INTER STATE SALES
2. FORM 'H' FOR DEEMED EXPORT
3. FORM 'F' FOR BRANCH TRANSFER

- **CREDIT BLOCKAGE :**

1. UNDER EXCISE VARIOUS PRODUCTS ARE EXCISABLE AND NON EXCISABLE
2. CST CREDIT NOT AVAILABLE TO PURCHASER

# POST-GST SCENARIO

- **TAXES ABOLISH**

1. EXCISE DUTY AND OTHER EXCISE RELATED DUTIES LIKE ADDITIONAL DUTIES, EXCISE DUTY LEVIED UNDER MEDICINAL & TOILETRIES PREPARATION ACT.
2. ADDITIONAL DUTIES OF CUSTOMS (CVD & SAD)
3. SERVICE TAX
4. VAT & CST
5. PURCHASE TAX
6. ENTERTAINMENT TAX
7. OTHER TAXES LEVIED BY STATES LIKE LUXURY TAX, ENTRY TAX, TAXES ON LOTTERY, BETTING & GAMBLING ETC.

# POST-GST SCENARIO

- **TYPES OF RETURNS UNDER GST**

FORM Number	Description
GSTR -1	Details of outwards supplies of goods or services
GSTR -1A	Details of auto drafted supplies of goods or services
GSTR -2	Details of inward supplies of goods or services
GSTR -2A	Details of supplies auto drafted from GSTR-1 or GSTR-5 to recipient
GSTR -3	Monthly Returns
GSTR -3A	Notice to return defaulter u/s 46
GSTR -3B	Monthly Summary Return up to December 2017
GSTR -4	Quarterly return for registered persons opting composition levy
GSTR -4A	Auto drafted details for registered persons opting composition levy



# POST-GST SCENARIO

- **TYPES OF RETURNS UNDER GST**

FORM Number	Description
GSTR -5	Return for Non Resident Taxable Persons
GSTR -5A	Details of supplies of online information and database access or retrieval services by a person located outside India made to non-taxable persons in India
GSTR -6	Return for input service distributors
GSTR -6A	Details of supplies auto drafted from GSTR-1 or GSTR-5 to ISD.
GSTR -7	Return for Tax Deduction at Source
GSTR-8	Statement for Tax Collection at Source
GSTR-11	Inward supplies statement for persons having Unique Identification Number (UIN)

# IMPACT OF GST :

- **ACCOUNTING SYSTEM :**

1. VENDOR MASTER NEEDS TO BE UPDATED WITH ALL DETAILS LIKE ADDRESS, STATE, GST NO ETC.
2. NEEDS TO IDENTIFY HSN CODE OF ALL THE ITEMS SUPPLIED OR RECEIVED
3. NEEDS TO IDENTIFY SAC CODE FOR ALL SERVICES SUPPLIED OR RECEIVED
4. SYSTEM NEEDS TO BE DEVELOP FOR RECEIPT OF GOODS OR SERVICE FOR UNREGISTERED PERSONS FOR REVERSE CHARGE (RCM(CURRENTLY WITHDRAW TILL 31<sup>ST</sup> MARCH, 2018))
5. NEEDS TO CLOSE ACCOUNTS ON MONTHLY BASES AS INFORMATION FOR ALL TYPE OF GOODS AND SERVICES SUPPLIED OR RECEIVED REQUIRED TO BE REPORTED IN MONTHLY RETURNS.

# IMPACT OF GST :

- SALES

Sr No.	PARTICULARS	PRE-GST SCENARIO	POST GST SCENARIO
1	Tax Incidence	At the time of manufacture of goods	At the time of supply Goods or Services or Both
2	Tax Liability	At the time of removal of goods	At the time of supply Goods or Services or Both
3	Advance Payment received	No Excise duty/VAT was levied, however Services Tax was levied on Advance Payment	GST will be levied on advance payment received from recipient
4	Some of the Important Terminologies	Manufacture Goods Date of Removal Time of Removal	Supply Goods or Services Input Services Output Services



# IMPACT OF GST :

- SALES

Sr No.	PARTICULARS	PRE-GST SCENARIO	POST GST SCENARIO
5	Tax to be collected by whom	Excise Duty & Service Tax was collected by Central Tax Whereas VAT and other Taxes were collected by State Government	Both Central & State Government will collect tax on supply of Goods as well as supply or services or both
6	Basic Exemption	Excise Duty -upto Rs. 1.50 Crores Service Tax – Upto Rs. 10.00 lakhs	GST – upto Rs . 20.00 lakhs
7	Concept of Composite & Mixed Supply	Was not there	New Concept in GST
8	Concept of Composition Levy	Was not there	Suppliers having aggregate turnover of upto Rs. 1.00 Crore are eligible for Composition levy

# IMPACT OF GST :

- SALES

Sr No.	PARTICULARS	PRE-GST SCENARIO	POST GST SCENARIO
9	Concept of Business Verticals	Was not There	Supplier wishes to have the different GSTN bases on business vertical can get different GST base on different business vertical Business Vertical can be in the same premises
10	Debit Note/Credit Note	Was issued by Manufacturer or Purchaser	To be issued by Supplier
11	Registration	Depot wise Registration for Goods even with in same state Place of Supply wise registration for Services	One can have the common registration if having more than one place of business in same state

# IMPACT OF GST :

- PURCHASES

Sr No.	PARTICULARS	PRE-GST SCENARIO	POST GST SCENARIO
1	Tax Credit	Tax Credit was available 100% on input & 50% on capital goods, service tax credit was available against excise duty payment but excise duty was not available against service tax payment	Tax credit is fully available for Input, Capital Goods and Input services subject to certain condition
2	Type of Tax Credit	Excise, CVD, SAD, Service Tax, KCC,SBC	CGST SGST IGST
3	Conditions for availing Tax Credit	Available Subject to following Conditions 1. Possession of Excisable Invoice/Service Tax Invoice 2. Receipt of Goods/provision of services	Available Subject to following Conditions 1. Possession of Tax Invoice 2. Receipt of Input or Input Services or both

# IMPACT OF GST :

- PURCHASES

Sr No.	PARTICULARS	PRE-GST SCENARIO	POST GST SCENARIO
4	Reversal of Tax Credit	If payment is not done with in a period of 3 months CENVAT availed was required to be reversed	If payment is not done with in a period of 180 days Tax credit will not be available
5	Set off of Tax Credit	Excise Credit, CVD, SAD, Service Tax Were available for payment of Excise Duty But Excise Credit CVD SAD Add. Excise Duty were not available for payment of service tax	Credit can be freely utilized subject, however, to condition that CGST Credit and SGST credit cannot be utilized against each other

# IMPACT OF GST :

- PURCHASES

Sr No.	PARTICULARS	PRE-GST SCENARIO	POST GST SCENARIO
6	Disallowance of Tax Credit	<p>Was scattered in excise laws and service tax under respective acts very difficult to reach to a conclusion.</p> <p>not detailed in Excise as well services tax Acts as compared to CGST Act, 2017</p>	<p>Discussed in a single statute leads to easy understanding</p> <p>As per Section 17(5) in following cases tax credit is not available:</p> <ol style="list-style-type: none"><li>1. Motor Vehicle</li><li>2. Food &amp; beverages</li><li>3. Membership of club</li><li>4. Rent a Cab</li><li>5. Travel benefits extended to employees</li><li>6. Works Contract</li><li>7. Goods or services for Personal consumption etc.</li></ol>



# IMPACT OF GST :

- **INTER STATE SUPPLIES AND PURCHASE :**

## **1 PRE GST SCENARIO:**

- a. CST IS APPLICABLE FOR WHICH NO CREDIT IS AVAILABLE HENCE IT IS ADDITIONAL EXPENSES.
- b. SUPPLIER NEEDS TO TAKE FORM “C” FROM RECEIVER. IN MOST OF THE STATES COLLECTION OF FORM “C” IS BIG ISSUE.
- c. THERE WERE CHECK POSTS AT EVERY STATE BOUNDARY HENCE TRANSPORTATION TIME WAS HIGHER AND ALSO NEEDS VARIOUS DOCUMENTS REQUIRE TO PRODUCE.

## **2 POST GST SCENARIO :**

- a. FOR INTER UNIT PURCHASE AND SERVICES IGST CREDIT IS AVAILABLE WHICH CAN BE UTILISED AGAINST ANY GST PAYABLE
- b. NO NEED TO TAKE ANY FORM.
- c. NO CHECK POSTS AT STATE BOUNDARY HENCE TRANSPORTATION TIME REDUCE AND ALSO COST.
- d. NOW INTER UNIT AND INTRA UNIT SUPPLY IS MORE COMPETITIVE. HENCE PURCHASER GET MORE COMPETITIVE PRICES.

# IMPACT OF GST :

- **JOB WORK ACTIVITY :**

1. MATERIAL CAN SEND TO JOB WORKER ON CHALLAN, NO NEED TO PREPARE INVOICE ANY WHERE IN THE COUNTRY.
2. INPUT CREDIT OF MATERIAL SEND ON JOB WORK WILL GET TO PRINCIPLE EVEN THOUGH MATERIAL DIRECTLY REACH TO JOB WORKER.
3. JOB WORKER NEED TO PREPARE ONLY JOB WORK CHARGE INVOICES.
4. PRINCIPAL HAS TO PAY GST UNDER RCM IF JOB WORKER IS NOT REGISTERED PERSON UNDER GST.

# IMPACT OF GST:

- **MANUFACTURING & OTHER EXPENSES:**

1. PRE GST SCENARIO SERVICE TAX CREDIT FOR OTHER THEN MANUFACTURING EXPENSES WAS NOT AVAILABLE IF CORPORATE OFFICE HAD DIFFERENT LOCATION. FOR AVAILING CREDIT ONE NEED TO TAKE SEPARATE REGISTRATION UNDER SERVICE TAX.
2. UNDER GST REGIME THERE IS NO CONCEPT OF MANUFACTURING, HENCE ALL INPUT CREDIT IS AVAILABLE FOR OTHER THEN MANUFACTURING EXPENSES.
3. RECEIPT OF GOODS OR SERVICE FORM UNREGISTERED PERSON, GST IS REQUIRED TO BE UNDER REVERSE CHARGE (RCM). PROCESS OF RCM IS VERY COMPLICATED, THUS GST COUNCIL HAD POSTPONED RCM TILL 31<sup>ST</sup> MARCH, 2018

# IMPACT OF GST :

- **CAPITAL GOODS :**

1. PRE GST SCENARIO DIFFERENT METHODS ARE GIVEN FOR CAPITAL GOODS IN EXCISE AND VAT. IN EXCISE 50% CREDIT AVAILABLE IN SAME FINANCIAL YEAR AND 50% NEXT FINANCIAL YEAR.
2. UNDER GST REGIME A MANUFACTURER CAN TAKE FULL CREDIT OF THE CAPITAL GOODS PURCHASED AT THE TIME OF BOOKING OF THE BILL.
3. AT THE TIME OF SALES OF CAPITAL GOODS PROPIONATE CREDIT IS REQUIRED TO BE REVERSE FROM INPUT CREDIT.



# IMPACT OF GST :

- **PRODUCTION COST & COST OF SALES**

1. BASIC OBJECTIVE OF GST IS TO WIDEN THE BASE OF CREDIT. HENCE UNDER GST REGIME COST IS GOING TO REDUCE.
2. UNDER GST CREDIT FOR INTER STATE PURCHASE IS NOW AVAILABLE HENCE THE PURCHASE COST WILL REDUCE.
3. UNDER GST NON AVAILABLE ITEMS OF CREDIT ARE FEW. MOST OF THE MATERIAL ARE COVER UNDER GST HENCE MANUFACTURER IS NOW GETTING CREDIT FOR MOST OF THE MATERIAL PURCHASED BY THEM HENCE COST WILL REDUCE.
4. INPUT CREDIT FOR ADMINISTRATIVE AND MARKETING EXPENSES ALSO AVAILABLE HENCE COST WILL REDUCE.
5. OVER ALL COST OF MANUFACTURE WILL REDUCE UNLESS GST RATE OF INPUT MATERIAL IS HIGHER THEN PER GST REGIME.



# IMPACT OF GST :

- **MANUFACTURER HAVING MULTIPLE PRODUCTION UNIT OR DEPOS (WITH IN SAME STATE):**

1. PRE GST SCENARIO, SEPARATE REGISTRATION IS REQUIRED FOR EACH MANUFACTURING UNIT UNDER EXCISE LAW.
2. UNDER GST THERE IS NO SEPARATE REGISTRATION REQUIRE FOR MULTIPLE LOCATION HENCE IT REDUCE COMPLIANCE LIABILITY AND COST OF MANUFACTURER.
3. PRE GST SCENARIO, FOR TRANSFER OF MATERIAL BETWEEN DIFFERENT UNIT IT NEEDS TO PREPARE INVOICES. EXCISE VALUATION RULES ARE VERY COMPLICATED.
4. NEED TO TAKE CERTIFICATE FOR COST OF PRODUCTION PLUS 10% FROM COST ACCOUNTANTS.
5. UNDER GST INTER UNIT TRANSFER IS DONE THOUGH DELIVERY CHALLAN ONLY.
6. BEING MOVEMENT OF GOODS BETWEEN DIFFERENT LOCATION OF SAME GST NUMBER THERE IS NO QUESTION OF VALUATION.

# IMPACT OF GST :

- **MANUFACTURER HAVING MULTIPLE PRODUCTION UNIT OR DEPOS (WITH IN DIFFERENT STATE):**

1. PRE GST SCENARIO, SEPARATE REGISTRATION IS REQUIRED FOR EACH MANUFACTURING UNIT UNDER EXCISE LAW AND VAT LAWS.
2. UNDER GST ALSO STATE WISE SEPARATE REGISTRATION REQUIRE.
3. PRE GST SCENARIO, FOR TRANSFER OF MATERIAL BETWEEN DIFFERENT UNIT IT NEEDS TO PREPARE INVOICES. EXCISE VALUATION RULES ARE VERY COMPLICATED.
4. NEED TO TAKE CERTIFICATE FOR COST OF PRODUCTION PLUS 10% FROM COST ACCOUNTANTS.
5. UNDER GST ALSO DIFFERENT STATE UNIT ARE CONSIDER AS DIFFERENT ENTITY. HENCE REQUIRE TO PREPARE INVOICE FOR BRANCH TRANSFER BETWEEN DIFFERENT STATES.
6. BEING MOVEMENT OF GOODS BETWEEN DIFFERENT LOCATION OF SAME GST NUMBER THERE IS NO QUESTION OF VALUATION.



**THANKING YOU**

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