

EASY STEPS FOR SMOOTH SAILING THROUGH GST

IMPORTANT CONCEPTS AND FACTS

- 1) GST is a tax on supply as against tax on manufacture (Central Excise) or sale (VAT).
- 2) GST has subsumed a large number of central and state taxes i.e. central excise duty, service tax, additional duties of excise, CVD, SAD, state VAT, purchase tax, entry tax, luxury tax, entertainment tax, taxes on advertisements, lotteries, cesses and surcharges, etc.
- 3) It is a dual GST i.e. there will be a central tax known as CGST and a state tax known as SGST/UTGST.
- 4) Intra-state supplies (within the same state/UT) are chargeable to CGST+SGST/UTGST.
- 5) Inter-state supplies (from one state/UT to another state/UT) are chargeable to IGST (Integrated GST) which is equal to the sum total of central and state tax.
- 6) Imports and exports are treated as inter-state supplies and are chargeable to IGST.
- 7) Exports and supplies to SEZ developers and SEZ units are zero-rated. Option to export on payment of tax under claim for rebate or exports under bond or letter of undertaking without payment of IGST is there.
- 8) Exporters are entitled for claiming refund of unutilized input tax credit.
- 9) ITC is available in respect of taxes paid on any supply of goods or services used or intended to be **used in the course or furtherance of business** (i.e. for business purposes).
- 10) Liability to pay tax arises at the time of supply. The **time of supply** is **earlier** of the following dates:

- i. Date of issue of invoice by the supplier, or
- ii. Date of receipt of payment by the supplier

Note 1: The supplier of goods is required to issue the invoice before or at the time of removal or delivery of goods.

Note 2: The date of receipt of payment is the date on which payment is entered in supplier's books of account or the date on which the payment is credited to his bank account, whichever is earlier.

11) Value for levy of GST is the transaction value i.e. price actually paid or payable when supplier and recipient are not related and price is the sole consideration for supply.

REGISTRATION: MIGRATION OR NEW

- 1) Apply for migration (if not already done) of existing registration under central excise/service tax/VAT as the case may be, to the GSTN.
- 2) Obtain ID and password from the central excise/service tax/VAT department if not already received so far. Migration would not be possible unless you have the ID and password assigned to you by the department.
- 3) Apply for new registration (if you are not already registered under central excise/service tax). Facility for new registration is open on the GSTN portal from 25th June.
- 4) Before applying for registration declare your PAN, mobile no., E-mail, state or UT in PART A of Form GST REG-01.
- 5) On successful verification of above particulars a temporary reference no. shall be generated by the system and communicated to the applicant on the said mobile no. and E-mail.
- 6) Using the said reference no. submit electronically an application in PART B of FORM GST REG-01.
- 7) If everything is in order the registration shall be granted within 3 working days of date of submission of the application. If certain clarifications are sought by the proper officer the same should be submitted by you within 7 working days. In that case the registration may be granted within 7 working days of the receipt of clarification.
- 8) If the proper officer fails to take any action within 3 working days of submission of application or 7 working days of receipt of clarification, as the case may be, the registration is **deemed** to have been approved.
- 9) The certificate of registration shall be made available on the common portal in FORM GST REG-06 showing principal place of business and additional places of business.
- 10) A Goods and Services Tax Identification Number shall be assigned to you.

- 11) Apply for separate state wise registration if you have units in more than one state.
- 12) Separate registration for multiple business verticals within a state/UT is also possible at your option.
- 13) If you have units in SEZ or you are an SEZ developer, apply for a separate registration as a business vertical distinct from other units located outside SEZ.
- 14) You should display your registration certificate in a prominent location at your principal place of business and at every additional place of business.
- 15) You should also display your GSTIN on the name board exhibited at the entry of your principal place of business and every additional place of business.

TRANSITION

CARRY FORWARD OF CENVAT CREDIT

You are entitled for carry forward of the cenvat credit balance in your books of accounts as on 30.6.17 for which take following steps:

- (i) Prepare your return for the period ending 30.6.17 and file it on or before the due date. **The balance of cenvat credit which is intended to be carried forward must be reflected in this return.**
- (ii) Ensure that all returns under the existing laws e.g., central excise, service tax for the last 6 months have been filed. If the returns for any of the past 5 months (i.e. from January to May 2017) have not been filed, please file them immediately, but before 30.6.17. The returns for June 2017 can be filed by the due date (for example: 10.7.2017 for central excise).
- (iii) In respect of capital goods if there is any unavailed cenvat credit (i.e. total credit admissible on capital goods minus the credit already availed) which is not carried forward in the return should also be claimed.
- (iv) Verify and ensure that the credit is admissible as Input Tax Credit under the GST Acts.
- (v) Submit a declaration electronically in form GST TRAN-1 duly signed on common portal **within 90 days from 1st July, 2017**. This declaration should specify **separately** the amount of input tax credit for inputs and capital goods.

- (vi) The credit specified in GST TRAN-1 shall be credited in form GST PMT-2 (electronic credit ledger)

CREDIT ON STOCK

- 1) If you are not a manufacturer or a supplier of service (i.e. you are a merchant exporter) and do not possess invoices evidencing payment of duty on inputs, you are entitled for taking credit on the stock of inputs as on 30.6.17 as below:
 - (i) @ 60% if such inputs are chargeable to CGST @ 9% or more
 - (ii) @ 40% if such inputs are chargeable to CGST @ less than 9%

The same principles apply for availing credit of VAT under State GST provisions.

Claims under CST Act are admissible if they are substantiated i.e. the value of the claim and the serial no. and value of declarations in Forms C and/or F and certificates in Forms E and/or H and Form I specified in rule 12 of CST rules is submitted.

- 2) For availing the above facility please ensure that you should take care of the following:
 - (i) This facility is open for 6 tax periods only i.e. 6 months. It means that you should exhaust all this stock within 6 months from 1st July, 17. If any stock is left out after 6 months credit will not be available on the same.
 - (ii) You have document for procurement of such goods in your possession.
 - (iii) Such invoices/documents should not be older than 12 months prior to 1st July, 2017 i.e. they should not have been issued earlier than 1st July, 2016.
 - (iv) Check that such goods were not either NIL rated or unconditionally exempt from whole of duty of excise.
 - (v) Such stock is stored separately so as to be easily identifiable.
 - (vi) You should submit a statement in form GST TRAN 2 at the end of each of the next months i.e. July to December 2017 detailing the supplies of such goods carried out during the relevant tax period.

- 3) If prior to GST you were engaged in manufacture of taxable as well as exempted goods or providing taxable as well as exempted services but which are liable to be taxed under GST, you are entitled to take credit of :
- (i) Credit carried forward in the return.
 - (ii) Credit on inputs held in stock and contained in semi-finished or finished goods held in stock relating to exempted goods or services.

The details of such stock shall be specified in Form GST TRAN-1.

NOTE: The credit shall be allowed in your account only after the GST on the supply of such goods has been paid by you.

INPUTS OR INPUT SERVICES RECEIVED ON OR AFTER 1.7.2017

If duty or tax on such inputs or input services has been paid prior to 1.7.2017 the credit of the same can be taken if you record the invoices or other duty paying documents in your books of account within 30 days from 1.7.2017.

DOCUMENTATION

As per the GST Law and Rules all supplies have to be made under an invoice. The following points may be noted:

- (i) There is no prescribed format for invoice.
- (ii) Only the particulars/details which are to be given in the invoice have been prescribed.
- (iii) Therefore you may design your own format, if you so desire, but ensure that all the prescribed particulars are there in your format.
- (iv) Please also ensure that your invoice format is ready immediately.

INVOICE SHALL INCLUDE THE FOLLOWING PARTICULARS

- a) Name, address and GSTIN of supplier;
- b) A consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters hyphen or dash and slash symbolized as “-” and “/” respectively, and any combination thereof, unique for a financial year;
- c) Date of its issue;
- d) Name, address and GSTIN or UIN, if registered, of the recipient;
- e) Name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is unregistered and where the value of taxable supply is fifty thousand rupees or more;
- (f) Name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is less than fifty thousand rupees and the recipient requests that such details be recorded in the tax invoice;
- g) HSN code of goods;
- h) Description of goods;
- i) Quantity in case of goods and unit or Unique Quantity Code;
- j) Total value of supply of goods;
- k) Taxable value of supply of goods taking into account discount or abatement;
- l) Rate of tax (Central tax, State tax, Integrated tax, Union Territory tax or cess);
- m) Amount of tax charged in respect of taxable goods (Central tax, State tax, Integrated tax, Union Territory tax or cess);
- n) Place of supply along with the name of the State, in case of a supply in the course of inter-state trade or commerce;
- o) Address of delivery where the same is different from the place of supply;
- p) Whether the tax is payable on reverse charge basis; and

- q) Signature or digital signature of the supplier or his authorized representative

NOTE 1. HSN code: No code is required to be mentioned by registered person having annual turnover in the preceding year of upto Rs. 1.5 crore. Those having turnover between Rs. 1.5 crore and 5 crore are required to be only 2 digits of HSN and those with turnover of more than Rs. 5 crore are required to mention 4 digits of HSN (Authority Notification No. 12/2017-Central Tax dated 28.06.2017).

NOTE 2. Exports: In the case of the export of goods or services, the invoice shall carry an endorsement "SUPPLY MEANT FOR EXPORT ON PAYMENT OF INTEGRATED TAX" or "SUPPLY MEANT FOR EXPORT UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX", as the case may be, and shall, in lieu of the details specified in clause (e), contain the following details, namely,- (i) name and address of the recipient; (ii) address of delivery; and (iii) name of the country of destination:

SYSTEMS/IT

The GST law compliance is very heavily dependent upon use of Information Technology and computers. All returns are to be filed online on GSTN portal and invoices need to be uploaded. You should therefore ensure:

- (i) You have adequate systems and requisite personnel to man them.
- (ii) Some of your staff is familiarized (preferably have some hands on experience) with operation of GSTN modules.
- (iii) Appropriate arrangements are in place for uploading of invoices (which will depend upon the no. of invoices generated). Uploading can be done through specially designed software (which are available in the market) or manually. You may take a call depending upon your workload.

RETURNS

Every registered person has to file electronically 3 returns every month and an annual return. The monthly returns are:

- (i) Return of outward supplies (GSTR-1) – to be filed by 10th of the following month.
- (ii) Return of inward supplies (GSTR-2) – to be filed from 11th to 15th of the following month.
- (iii) Return of Inward and Outward supplies, ITC, tax payable and tax paid (GSTR-3) – to be filed by 20th of the following month.
- (iv) Annual return (GSTR-9) – to be filed by 31st December of next year

For seamless operations under GST please ensure the following:

- (i) All your outward supplies and inward supplies are properly accounted for and entered in your system.
- (ii) Periodical invoice matching is done with your suppliers as well as buyers to avoid any mismatch of credit. The periodicity may be decided according to your volumes/workload.
- (iii) Proper coordination with the suppliers as well as buyers for uploading and matching of invoices should be worked out and followed.
- (iv) Mismatch if any should be preferably rectified before submission of the final return.
- (v) A track of payments for the supplies is kept as the credit is denied if the payment is not made within 6 months.
- (vi) The returns are filed in time as late filing will attract late fee as below:
 - @ Rs. 100/day (max Rs. 5000/-) in case of monthly returns
 - @ Rs. 100/day (max 0.25% of turnover in state) in case of annual return.

PAYMENTS

- (i) The **due date** for making payment of tax liability is the **20th of the next month**.
- (ii) There will be electronic cash ledger, electronic credit ledger and electronic liability ledger on GST Portal for each registered person.
- (iii) You can deposit the tax by internet banking, NEFT, RTGS, CREDIT/DEBIT card and Over the Counter. However there is a limit of rs. 10000/- per tax period on over the counter payments.

- (iv) Date of credit to the government account is the date of payment for credit in electronic cash ledger.
- (v) You may make the payment of tax by way of debit in the electronic cash or credit ledger or both.

MANNER OF UTILISATION OF INPUT TAX CREDIT (ITC)

You can use your ITC in the following manner:

- (i) Credit of IGST to be first used for payment of IGST, remaining for CGST & balance for SGST/UTGST
- (ii) Credit of CGST to be first used for CGST, remaining for IGST
- (iii) Credit of SGST to be first used for SGST, remaining for IGST
- (iv) No cross utilization of credit of CGST and SGST is allowed i.e. the credit of CGST cannot be utilised for payment of SGST and vice versa.

INPUT TAX CREDIT (ITC)

ITC is available in respect of taxes paid on any supply of goods or services used or intended to be **used in the course or furtherance of business** (i.e. for business purposes).

The following points need to be noted:

- (i) **ELIGIBLE TAXES:** Credit is available in respect of the input taxes namely, CGST, SGST, UTGST, IGST and GST payable on reverse charge or payable when purchase is made from unregistered suppliers.
- (ii) Conditions for availing ITC include:
 1. You are in possession of invoice/debit note/bill of entry or other prescribed document;
 2. You have received the goods or services;
 3. Tax has actually been paid by the supplier to government;
 4. Requisite returns have been furnished.

5. If goods are received in lots or installments, credit shall be taken on receipt of last lot or installment.

6. No depreciation of the tax component of cost of capital goods and plant and machinery is claimed under the Income Tax act.

- (iii) **Last date for availing credit:** ITC cannot be availed after filing of return for the month of September of next Financial Year or filing of Annual Return whichever is earlier
- (iv) Full ITC is allowed on capital goods in one go.
- (v) Only Proportionate credit is allowed in case inputs, inputs services and capital goods are partly used for business and partly for non-business purposes.
- (vi) Similarly only proportionate credit is allowed in case inputs, inputs services and capital goods are used for taxable including zero rated and exempt (including non-taxable) supplies.
- (vii) ITC available only on provisional basis for a period of two months until payment of tax and filing of valid return by the supplier.
- (viii) Matching of supplier's and recipient's invoice details will be done on the GST Portal. ITC to be confirmed only after matching of such information. ITC to be reversed in case of mismatch.
- (ix) The Input Service Distributor mechanism for distribution of ITC of input services is also there.

NEGATIVE LIST FOR ITC

Input tax credit will not be available on the following inward supplies.

- (i) Motor vehicles except when they are used for transportation of goods, etc.
- (ii) Food and beverages, outdoor catering, health services, etc.
- (iii) Membership of a club, health and fitness centre
- (iv) Rent-a-cab, life insurance, health insurance except where notified by Government as obligatory for employers to provide its employees
- (v) Travel benefits extended to employees on vacation

(vi) Works contract services for construction of immovable property (other than plant and machinery)

Plant and machinery means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services and includes such foundation and structural supports but excludes –

- (i) Land, building or any other civil structures;
 - (ii) Telecommunication towers; and
 - (iii) Pipelines laid outside the factory premises
- b. Goods or services received for construction of an immovable property (other than plant or machinery) on his own account
 - c. Goods or services used for personal consumption
 - d. Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples

ACCOUNTS AND RECORDS

You should maintain a true and correct account of the following at your principal place of business, as mentioned in the certificate of registration:

- (a) production or manufacture of goods;
- (b) inward and outward supply of goods or services or both;
- (c) stock of goods;
- (d) input tax credit availed;
- (e) output tax payable and paid; and
- (f) such other particulars as may be prescribed:

where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business.

ACCOUNT OF STOCK

Accounts of stock in respect of each commodity received and supplied, and such account shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples and balance of stock including raw materials, finished goods, scrap and wastage thereof.

You should maintain separate account of advances received, paid and adjustments made thereto

Separate account of IGST, CGST, SGST, UTGST have to be maintained.

PERIOD FOR RETENTION OF ACCOUNTS/RECORDS

The records/accounts have to be maintained by you:

- (i) For 72 months from the date of filing of the annual return in normal cases
- (ii) However if any appeal/revision/litigation/investigation is pending the accounts/records are to be maintained till one year after disposal of such appeal/revision/litigation/investigation or 72 months as mentioned above, whichever is later

REFUNDS

You are entitled for claiming refund of duties paid on your exports or inputs or input services used in making such zero rated supplies or refund of unutilized input tax credit.

1. You can claim refunds within a period of two years from the relevant date i.e.
 - (i) In case of exports by sea or air, the date on which ship or the aircraft on which goods are loaded leaves India
 - (ii) In case of exports by land, the date on which the goods passed the frontier

- (iii) In case of exports by post, the date of dispatch of goods by the post office
2. All refunds claim have to be filed online
 3. You are entitled for provisional refund of 90% of the total amount claimed within 7 days of the date of acknowledgment of your refund application. Therefore you should file your refund application complete in all respects so that they are acknowledged at the earliest.
 4. Refund of goods exported prior to 1.7.2017 shall be dealt with under the existing laws only.

JOB WORK

TRANSITIONAL PROVISIONS

Inputs/semi-finished goods sent for job work prior to 1.7.2017 shall not be chargeable to any tax if such inputs/semi-finished goods are received back within 6 months from 1.7.2017 after completion of job work or as such.

You should take the following steps:

1. Ensure that your job workers complete the job work and send back the inputs/semi-finished goods before 31st December 2017.
2. In case the job work is likely to take longer, seek extension of the time period from the commissioner who can extend this time limit by maximum 2 months.
3. The job worker as well as the manufacturer declare the details of inputs/semi-finished goods held in stock by the job worker on behalf of the manufacturer as on 1.7.2017.

JOB WORK PROCEEDURE AFTER 01.07.2017

1. The principle has to give an intimation to the jurisdictional officer regarding job work. List of job workers may be submitted.
2. You may send inputs or capital goods to job worker for job work without payment of tax.
3. Inputs or capital goods can also be sent from one job worker to another job worker and likewise.
4. The inputs or capital goods must come back after completion of job work or otherwise within 1 year and 3 years respectively.

5. In case you don't receive back the goods within the above mentioned stipulated time limit it will be treated as a deemed supply by you to the job worker on the day when the inputs or capital goods were sent out.
6. You can supply such inputs or capital goods from the place of business of job worker, subject to the following:
 - (i) Either the place of business of job worker is declared as an additional place of business of the principal, or,
 - (ii) The job worker himself is a registered person
7. The responsibility for keeping proper accounts for inputs or capital goods shall lie with the principal.
8. Waste and scrap generated during the job work can be supplied directly from the place of business of the job worker on payment of tax if the job worker is registered or by the principal if the job worker is not registered.

DOCUMENT FOR JOB WORK

For sending the goods on job work, the principal is not required to issue an invoice. For transportation of goods for job work, the principal may issue a delivery challan, serially numbered not exceeding sixteen characters, in one or multiple series, in lieu of invoice at the time of removal of goods for transportation, containing the following details, namely:-

- (i) date and number of the delivery challan;
- (ii) name, address and Goods and Services Tax Identification Number of the consigner, if registered;
- (iii) name, address and Goods and Services Tax Identification Number or Unique Identity Number of the consignee, if registered;
- (iv) Harmonised System of Nomenclature code and description of goods;
- (v) quantity (provisional, where the exact quantity being supplied is not known);
- (vi) taxable value;
- (vii) tax rate and tax amount – central tax, State tax, integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee;
- (viii) place of supply, in case of inter-State movement; and
- (ix) signature.

(2) The delivery challan shall be prepared in triplicate, in case of supply of goods, in the following manner, namely: –

- (a) the original copy being marked as ORIGINAL FOR CONSIGNEE;
- (b) the duplicate copy being marked as DUPLICATE FOR TRANSPORTER; and
- (c) the triplicate copy being marked as TRIPLICATE FOR CONSIGNER.