



VERENDRA KALRA & CO

CHARTERED ACCOUNTANTS



Are you GST Ready?

Foreword

Goods and Services Tax (GST) is now at our doorstep and we as a Nation are ready to embrace the biggest tax reform in the independent history of this country. However, let us not stop at identifying GST only as a Tax Reform. It is definitely much bigger than that and calling it a '*Business Reform*' shall not be unfair.

The way we conduct business transactions is going to change drastically under the new tax regime. Under GST business planning and following up on regular and tedious compliances shall be at the forefront. Other than the Finance team, the following verticals of your businesses shall also get directly impacted:

- *Purchase Team*: Supply Chain Management, Credit Matching, Tax Compliant Supplier are few of the sub-areas which shall be impacted and will have to be controlled by the Purchase Team.
- *Sales Team*: Areas to be monitored include Branch/Agent Sale, Anti-Profiteering Measures and passing down the tax benefit, monitoring advance payments.

Our Indirect Tax Team is dedicatedly working towards a smooth transition into GST for our valued clients and shall be guiding you to decode GST in the best possible manner.

This dossier contains a step by step guide to initiate the transition process along with highlighting the pitfalls to be avoided, changes required in your current set-up and know-how required to tackle the new compliances under GST.

I sincerely hope that this document along with our workshop series on GST: "Decoding GST" shall aid you to seamlessly sail into the new tax structure.

Best wishes!

Verendra Kalra

Managing Partner

Verendra Kalra & Co.



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“With GST, we intend to bring in uniformity in taxes. The message is clear that the ‘consumer is the king’. If we utilize man, machine, material, money and minute (time), we will not need any other policy for economic advancement”

-Hon’ble Prime Minister Shri Narendra Modi

GST: An Introduction

- Goods and Services Tax (GST) is a comprehensive multi stage destination based consumption tax on value addition with a seamless credit across the entire supply chain. It shall be implemented w.e.f. July 01st, 2017.
- The GST would be applicable on the supply of goods or services as against the present concept of tax on the manufacture and sale of goods or provision of services.
- It would be a dual GST with the Centre and States simultaneously levying it on a common tax base. The GST to be levied by the Centre on intra-State supply of goods and / or services would be called the Central GST (CGST) and that to be levied by the States would be called the State GST (SGST).
- An Integrated GST (IGST) would be levied and collected by the Centre on inter-State supply of goods and services. Accounts would be settled periodically between the Centre and the States to ensure that the SGST portion of IGST is transferred to the destination State where the goods or services are eventually consumed.
- The GST would replace the following taxes currently levied and collected by the Centre:
 - a. Central Excise duty
 - b. Duties of Excise (Medicinal and Toilet Preparations)
 - c. Additional Duties of Excise (Goods of Special Importance)
 - d. Additional Duties of Excise (Textiles and Textile Products)
 - e. Additional Duties of Customs (commonly known as CVD)
 - f. Special Additional Duty of Customs (SAD)
 - g. Service Tax
 - h. Central Surcharges and Cesses so far as they relate to supply of goods and services
- State taxes that would be subsumed under the GST are:
 - a. State VAT
 - b. Central Sales Tax
 - c. Luxury Tax
 - d. Entry Tax (all forms)
 - e. Entertainment and Amusement Tax (except when levied by the local bodies)
 - f. Taxes on advertisements
 - g. Purchase Tax
 - h. Taxes on lotteries, betting and gambling

i. State Surcharges and Cesses so far as they relate to supply of goods and services

- Tax payers with an aggregate turnover in a financial year up to [Rs.20 lakhs] would be exempt from tax. For NE States, Sikkim, Uttarakhand and Himachal Pradesh the exemption shall be Rs. 10 lakhs.
- Small taxpayers with an aggregate turnover in a financial year up to [Rs. 75 lakhs] shall be eligible for composition levy. Under the scheme, a taxpayer shall pay tax as a percentage of his turnover during the year without the benefit of ITC. The floor rate of tax for CGST and SGST shall not be less than [1%]. A tax payer opting for composition levy shall not collect any tax from his customers.
- Tax payers shall be allowed to take credit of taxes paid on inputs (input tax credit) and utilize the same for payment of output tax. However, no input tax credit on account of CGST shall be utilized towards payment of SGST and vice versa. The credit of IGST would be permitted to be utilized for payment of IGST, CGST and SGST in that order
- Exports shall be treated as zero-rated supply. No tax is payable on export of goods or services but credit of the input tax related to the supply shall be admissible to exporters and the same can be claimed as refund by them.
- Import of goods and services would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties. The IGST paid shall be available as ITC for further transactions.

Major Transition Provisions

- Transition into GST shall be a cumbersome process as more than 15 laws (State and Central) are getting subsumed into one.
- Every existing registered assessee under any of the laws getting subsumed under GST will have to compulsorily migrate u/s 139 of the CGST Act, 2017. Post migration, a provisional Registration Certificate shall be issued on the GSTN Portal and shall be valid for a period of 6 months.
- A repeated and imminent query is the treatment of CENVAT and VAT Credit in respect of stock held on June 30th, 2017 which will be sold post July 01st, 2017.
- The treatment would depend on the nature of registration of the organization under the present laws. The following points should throw some clarity:
 - ❖ **Return filed under Excise, VAT or Service Tax shows outstanding/ excess/ unutilized balance of input tax credit**
 - The excess input tax credit reflected in the return filed for period ended 30th June 2017 to be carried forward under GST
 - GST FORM TRAN-1 to be filed by 28th September 2017
 - The GST FORM TRAN-1 to contain details about the credit to be carried forward
 - Excess CENVAT Credit (shown in Excise and Service Tax Return) shall be carried forward as CGST
 - Excess VAT Credit (shown in VAT Return) shall be carried forward as SGST
 - ❖ **The balance is not allowed to be carried forward in following cases:**
 - The Credit is not admissible in the GST Law
 - All returns for 6 months have not been duly filed under the Excise, VAT, Service Tax Law
 - Credit relates to goods manufactured and cleared under exemption notifications as are notified by the Government
 - VAT Credit attributable to claims related to sales under Form C, F, E1, E2, H etc. not to be allowed unless the forms are duly made available
 - ❖ **Return filed under Excise, VAT and Service Tax does not show outstanding balance of input tax credit**

Where the entire credit availed has been utilized and no outstanding, excess balance of credit is reflected in the return:

- No credit shall be carried forward under GST
- No requirement to file any detail with respect to the stock in GST FORM TRAN-1

❖ **Excise duty, Additional Excise Duty, CVD and SAD in respect of raw materials, finished/ semi-finished stock held on 30th June 2017**

- Credit of Excise and other related duties allowed (subject to few conditions)
- Date of issue of such invoice must be on or after 1st July 2016
- GST FORM TRAN-1 to be filed by 28th September 2017
- The GST FORM TRAN-1 to contain details about the credit claimed
- The GST FORM TRAN-1 to contain details about the stock held on 30th June 2017
- Opening Credit as on 1st July 2017 shall be shown as CGST

❖ **Duty paying documents/ invoices are not available**

- Credit of Excise and other related duties allowed (subject to few conditions)
- Credit allowed @ 60% (wherein CGST to be paid is greater than 9%) and @ 40% (wherein CGST to be paid is less than 9%) of CGST applicable on supply of the stock after 1st July 2017
- Credit allowed in respect of supplies made till 31st December 2017 (6 Tax Periods)
- Documents for procurement of the goods are essential
- Goods should not be exempt from excise or nil rated
- GST FORM TRAN-1 to be filed by 28th September 2017
- The GST FORM TRAN-1 to contain details about the stock held on 30th June 2017
- Statement containing details of supplies to be submitted each month for 6 months
- Credit shall be carried forward as CGST

- **Credit in respect of Inputs or Input Services During Transit:** A registered person shall be entitled to take credit of Eligible duties and taxes in respect of inputs or input services Received on or after the appointed day The duty or tax in respect of which has been paid by the supplier under the existing law The invoice or any other duty or tax paying document was recorded in the books of account within a period of thirty days from the appointed day unless such period is on sufficient cause being shown, extended by the Commissioner for a further period not exceeding thirty days. Same provisions under SGST Acts.
- **Credit of Inputs to Person Switching from Composition Scheme:** A registered person Paying tax at a fixed rate or Paying a fixed amount in lieu of the tax payable shall be entitled to take credit of eligible duties in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day. Credit entitlement is subject to the same conditions as mentioned above. Same provisions apply under the SGST Acts.
- **ITC in case of Revision in Price (in case of Existing Contracts being carried forward under GST Law):**

Where, in pursuance of a contract entered into prior to the appointed day, the price of any goods or services or both is revised on or after the appointed day, Registered person shall issue a document to the recipient

Situation	RP is required to issue
Revised upwards	Supplementary Invoice or debit note
Revised downwards	Credit note

To be issued within thirty days of price revision. Such documents shall be deemed to have been issued in respect of an outward supply made under CGST Act.

The registered person shall be allowed to reduce his tax liability only if the recipient of the credit note has reduced his input tax credit.

Same provisions under SGST Acts.

- **Pending Refund Claims:**

Every claim filed before, on or after the appointed day for refund of any amount of CENVAT credit, duty, tax, interest or any other amount paid under the existing law shall be disposed of in accordance with the provisions of existing law.

Where any claim for refund of CENVAT credit is fully or partially rejected, the amount so rejected shall lapse.

No refund shall be allowed of any amount of CENVAT credit where the balance of the said amount as on the appointed day has been carried forward under CGST Act

- **Finalization of Proceedings Related to Output Duty/Tax Liability:**

Every proceeding of appeal, review or reference relating to any output duty or tax liability initiated whether before, on or after the appointed day under the existing law shall be disposed of in accordance with the provisions of the existing law.

Any amount found to be admissible to the claimant shall be refunded to him in cash, notwithstanding anything to the contrary contained under the provisions of existing law other than the provisions Section 11B (2) of the CEA, 1944.

The amount rejected shall not be admissible as input tax credit under CGST Act.

If any amount becomes recoverable shall, unless recovered under the existing law, be recovered as an arrear of duty or tax under CGST Act.

The amount so recovered shall not be admissible as input tax credit under CGST Act.

Same provisions under SGST Acts.

- **Treatment of Long Term Contracts/Works Contract:** The goods or services or both supplied on or after the appointed day. In pursuance of a contract entered into prior to the appointed day. Shall be liable to tax under the provisions of CGST Act

New Compliances: From Migration to Returns-An Overview

Migration & Registration:

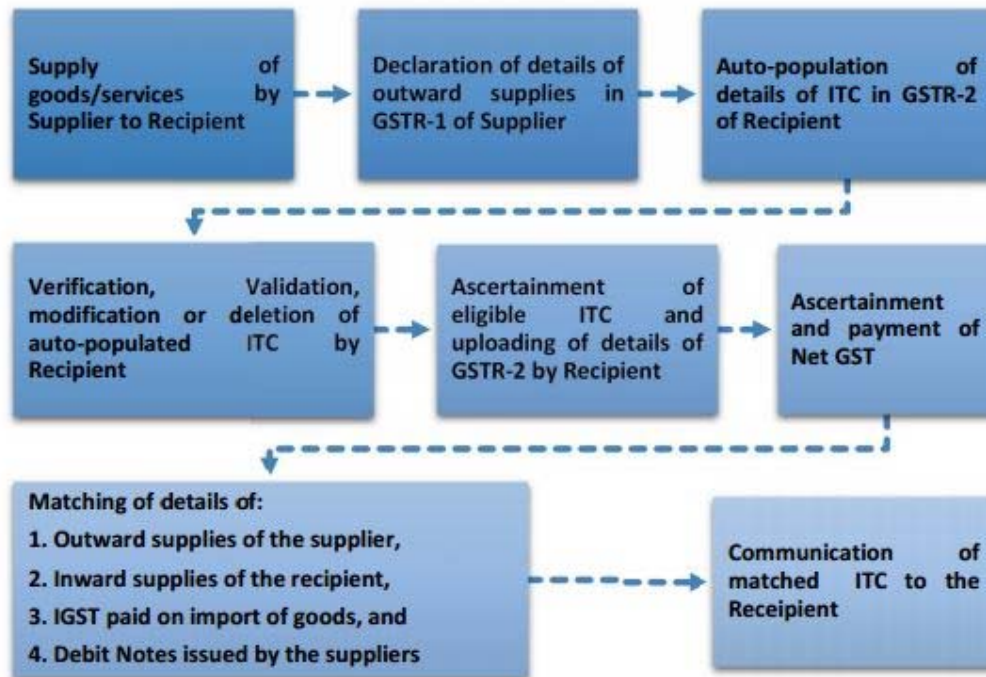
- All assesses currently registered under any indirect tax law (Central or State) have to compulsorily migrate into GST. The migration process initially was started in December 2016 till March 2017. The reports from the GSTN reported that 3/4th of the existing tax payers already had migrated till March 2017. Nevertheless, for the remaining assesses the Govt. re-opened the migration process on June 1 for a limited period of 15 days. Therefore, all the assesses have until June 15, 2017 to get themselves successfully migrated into GSTN.
- All the successfully migrated tax payers shall be given a provisional registration on July 01, 2017 and they can download their provisional RC from the GSTN Common Portal. Everyone will have a period of 6 months to submit or get verified all the information/documents submitted at the time of migration. Post the verification a permanent GSTIN shall be allotted.

Returns:

- While all the returns under GST would be required to be filed electronically, the details of Central and State taxes would be consolidated together for the purpose of reporting the details of outward and inward supplies, Input Tax Credits (ITC), tax payments, etc.
- A normal registered taxable person is required to file two basic forms in a month, namely **GSTR-1** and **GSTR-2**. These forms represent details of outward supplies and inward supplies of goods and services effected in a particular tax period.
- A normal registered taxable person is also required to file a return in form **GSTR-3** on a monthly basis, consolidating the details of outward and inward supplies, ITC availed, Tax payable, Tax paid and other particulars.
- In addition to the above returns, a registered taxable person is also required to file an Annual Return in form **GSTR-9**.
- Further, returns have also been prescribed for a Composition taxpayer (in form **GSTR-4**), Non-resident foreign taxpayer (in form **GSTR-5**), Input Service Distributor (in form **GSTR-6**) and TDS deductor (in form **GSTR-7**).
- Outward supplies include details relating to zero-rated supplies, inter-state supplies, return of goods received in relation to/in pursuance of an inward supply, exports, debit notes, credit notes and supplementary invoices. The details of outward supplies for a tax period must be filed on or before 10th day of the month succeeding such tax period, in form GSTR-1.

- A normal registered taxable person is required to verify, validate, modify or delete details relating to his inward supplies. He may also provide details of his inward supplies received by him, which have not been declared by supplier in his Return. He must furnish details of inward supplies of taxable goods/services, including inward supply of services on which tax is payable on reverse charge and inward supply of goods/services taxable under the IGST Act, received during a tax period on or before 15th day of the month succeeding such tax period in form GSTR-2
- An assessee is required to enter invoice level details for each of his transactions. Entering invoice level details is necessary for reconciliation of tax deposits and end-to-end reconciliation of ITC.
- A consolidated return in form GSTR-3 providing details of inward and outward supplies of goods/services, ITC availed, Tax payable, Tax paid and other relevant particulars are required to be filed by registered taxable person on or before 20th day of the succeeding month.
- The following infographics shall throw some more light on the topic:

S. No	Form	Description	Due date of filing
1	GSTR-1	Outward supplies made by taxpayer (other than Composition taxpayer & ISD)	10 th of the next month
2	GSTR-2	Inward supplies received by a taxpayer (other than Composition taxpayer & ISD)	15 th of the next month
3	GSTR-3	Monthly return (other than Composition taxpayer & ISD)	20 th of the next month
4	GSTR-4	Quarterly return for Composition taxpayer	18 th of the month next to quarter
5	GSTR-5	Periodic return by non-resident foreign taxpayer	Last day of registration
6	GSTR-6	Return for ISD	13 th of the next month
7	GSTR-7	Return for TDS	10 th of the next month
8	GSTR-8	Return for TCS	10 th of the next month
9	GSTR-9	Annual Return (other than ISD, TDS, casual taxable person and non-resident taxable person)	By 31 st December of next FY
10	-	First Return in GSTR-3 includes GSTR-1 and 2 for normal taxpayer & GSTR-4 for Composition taxpayer	Similar to GSTR-1, 2, 3 and 4
11	GSTR-10	Final Return	Within 3 months from date of cancellation /order.



- GST proposes to bring in a new system of compliance rating score for every taxable person, based on the record of compliance with provisions of law. This score shall be determined on the basis of certain parameters such as timely furnishing of returns, accuracy of data furnished, timely payment of taxes, etc.
- The GST compliance rating score shall be updated at periodic intervals and intimated to the taxable person and also placed in the public domain. A prospective customer/client can view his supplier's GST compliance rating score and take appropriate decisions whether to deal with a particular supplier or not.

E-Way Bill:

- Waybill is a physical or electronic document that allows movement of goods, which can be obtained either manually or online. The compliance around waybills has led to, restricted movement of goods across states. Waybill compliance has been a nightmare in the pre-GST era. Sale of goods cannot take place without obtaining 'waybills' from VAT authorities.
- E-way bill is an electronic way bill for movement of goods, which has to be generated on the GSTN (common portal). 'Movement' of goods of more than Rs 50,000 in value cannot be made by any person without an e-way bill.
- The tax officials can inspect the same, anytime during the transit to check tax evasion.

- GSTN will generate e-way bills that will be valid for 1-15 days, depending on distance to be travelled.
- E-way bill shall be generated by the
 - registered person as Consignor or
 - the recipient of supply as Consignee or
 - Transporter.
- The details of e-way bill will be communicated to the registered recipient for his acceptance or rejection of the consignment (deemed acceptance after 72 hours).
- If a registered person uploads a tax invoice issued by him in FORM GST INV-1, the information in Part A of Form GST INS-01 will be auto populated. Information in Part A of Form GST INS-01 shall be used for preparing GSTR-1.
- Upon generation of e-way bill on the common portal, a unique e-way bill number (EBN) will be made available to the supplier, recipient and to the transporter on the common portal.
- The e-way bill generated under the CGST rules or GST rules of any other State shall be valid in the State.
- In the case of transfer of goods from one conveyance to another during transit, before such transfer and further movement of goods, transporter shall generate a new e-way bill, specifying the mode of transport.
- If e-way bill has been generated, but, goods are either not being transported or not being transported as per the details furnished, the e-way bill may be cancelled within 24 hours of its generation.

Validity Period of E-Way bill:

Distance	Valid from	Valid for
Less than 100 km	Date & time at which e-way bill is generated	1 day
100 km or more but less than 300km	Date & time at which e-way bill is generated	3 days
300 km or more but less than 500km	Date & time at which e-way bill is generated	5 days
500 km or more but less than 1000km	Date & time at which e-way bill is generated	10 days
1000 km or more	Date & time at which e-way bill is generated	15 days

- The person in charge of a conveyance shall carry:
 - the invoice or bill of supply or delivery challan, as the case may be; and
 - a copy of the e-way bill or the e-way bill number, either physically or mapped to a Radio Frequency Identification Device (RFID) embedded on to the conveyance in such manner as may be notified by the Commissioner.

List of E-Way Bill Relevant Forms

1.	FORM GST INS-01	Furnish information prior to commencement of movement of goods.
2.	FORM GST INS-02	Furnish information regarding consolidated e-way bill in case of multiple consignments.
3.	FORM GST INS-03	Summary report of every inspection of goods in transit recorded by proper officer.
4.	FORM GST INS-04	Uploading of information regarding detention of vehicle.

However, e-way bill is said to be deferred for at least 3 months until further clarifications are sought.

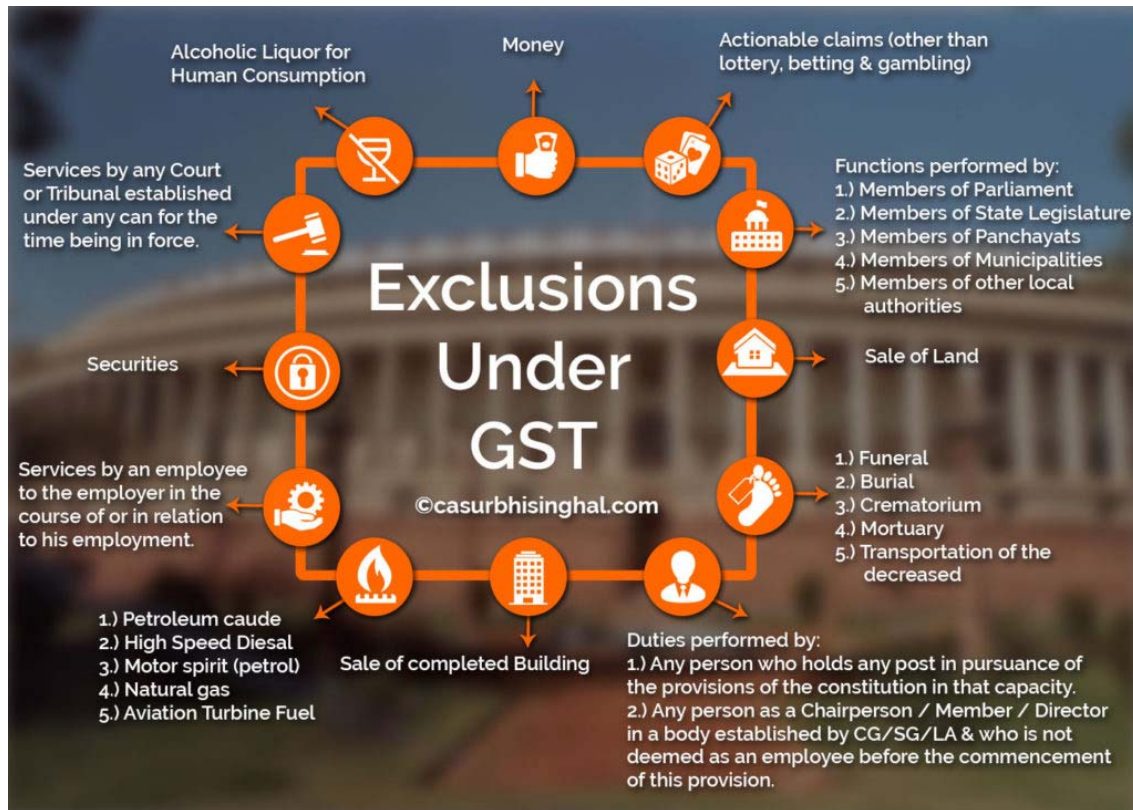
Refunds under GST:

- There are 4 types of refunds available in GST: -
 - Unutilized ITC – [Section 54(3) of CGST Act, 2017 and Rule 1 of Refund Rules]
 - Balance in electronic cash ledger– [Section 54(1) of CGST Act, 2017 and Rule 1 of Refund Rules]
 - Advance tax deposited by CTP or NRTP– [Section 54(1) of CGST Act, 2017 and Rule 1 of Refund Rules]
 - Refund by persons specified under Section 55 (Embassy, Agency of UNO, etc.) – [Section 54(2) of CGST Act, 2017 and Rule 7 of Refund Rules]
- Documents to be enclosed for claiming refund by the exporter/Person supplying to SEZ/Person whose refund does not exceeds Rs. 2 Lacs, are: -
 - Export of goods – Statement containing details of bills of export, export invoices, etc.
 - Export of services – Statement containing details of invoices, BRC or FIRC.
 - Supply of goods/services to SEZ – Statement containing details of invoices, evidence regarding endorsement by specified officer regarding receipt of goods/services for authorized operations.
 - If refund claim < Rs. 2 Lakh - No documentary evidence – Only declaration that tax incidence is not passed on.
- “refund” includes refund of tax paid on zero-rated supplies of goods or services or both or on inputs or input services used in making such zero-rated supplies, or refund of tax on the supply of goods regarded as deemed exports, or refund of unutilized input tax credit.

- If the person has defaulted in furnishing return or if the person is required to pay any taxes, then proper officer may withhold the refund or may deduct tax payable from the refund amount.
- If refund is on account of export or supply to SEZ, then 90% amount shall be refunded on provisional basis.
- Details of forms required and time limit for claiming these refunds are hereunder: -

Sr. No.	Types of refund	Form	Time limit
1.	Unutilized ITC	GST RFD-01	Within 2 years from relevant date (Point IV)
2.	Balance in electronic cash ledger	GST RFD-01 Or As may be applicable, 1. GSTR-3 (Monthly Return); or 2. GSTR-4 (Composition supplier); or 3. GSTR-7 (Person required to deduct TDS)	
3.	Advance tax deposited by CTP or N RTP (If furnished all returns under Section 39)	GST RFD-01 Or In the last return	
4.	Refund by persons specified under Section 55 (Embassy, Agency of UNO, etc.) - Refund of tax on inward supply	GST RFD-10	Quarterly - within 6 months from the quarter end of receipt of supply
• Taxes claimed as refund = GST (CGST, IGST, SGST, UTGST), interest paid and any other amount (say, penalty, fees)			
• No refund - if amount is less than Rs. 1000/-			

- **Exclusions under GST:**



Conclusion

Goods & Services Tax (GST) has finally arrived! Let us not make a mistake, it is a force to reckon with and shall require time and effort on part of all the taxpayers, consultants and Government officials alike, to make it a success and implement it in the spirit in which it has been legislated.

It is true that the current form of GST is not ideal or the best for this country, but nevertheless it is a start. The Dual Stage GST shall have a lot challenges but looking at the Federal Structure of India, it was necessary. There are still a lot of ambiguities in the law which shall get ironed out once it is rolled out and the Central Board of Customs & Indirect Taxes (CBIC) starts issuing clarifications/circulars and relevant notifications. Until then, we have to analyze and comprehend the law and implement it to make our businesses compliant under the new tax regime.

The most important questions to answer at this stage are as follows:

1. Is the migration of all existing indirect tax registrations complete?
2. Is my Chart of accounts (CoA), Grouping and nomenclatures in my accounting software/ERP ready or GST compliant?
3. Is there a need of GSP/ASP?
4. How much strengthening does Inventory Accounting needs?
5. Billing Patters, formats and timelines need to be revised.
6. Existing and ongoing contracts to be revisited to vet the effect of change in law.
7. Computation of ITC on existing stock.
8. Computation and working of profits/margins as per the Anti-Profiteering Clause.

All of the issues mentioned above, among others have to be looked into immediately and approached in a very professional manner. Verendra Kalra & Co. (VKC) as always is equipped to assist you and your business to not only comply with the new law but to re-organize and revisit your business plan and strategies to come ahead of the curve with respect to GST.

Our Indirect Tax Vertical is fully functional with Compliance and Advisory Teams working directly under the leadership of Mr. Verendra Kalra himself. We are more than willing and ready to assist you in any manner pertaining to existing Indirect Tax Laws, Transition into GST and thereafter complying under GST itself.

Assuring you the Best of Services,

Sincerely,

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