



MAYURBATRAGROUP

GST/ New Goods & Service Tax Regime

April 2017

GST Impact on Manufacturing Business



Progress Tracker-Timeline of GST Implementation

SEP '16

NOV

MAR '17

APR '17

MAY '17

JUL '17 SEP '17

'16

12/09 | GST Council came into legal existence

23/09 | Finalized GST Threshold limit to be Rs 2.0 million

03/11 | Rates of GST are decided

08/11 | www.gst.gov.in Portal launched

24/03 | CBEC renamed as CBIC

29/03 | GST Law passed by Lok Sabha

31/03 | Rules on Valuation, Transition, ITC, Composition

31/03 | Revised Rules on Returns, Payments, Invoice, Returns, Refunds

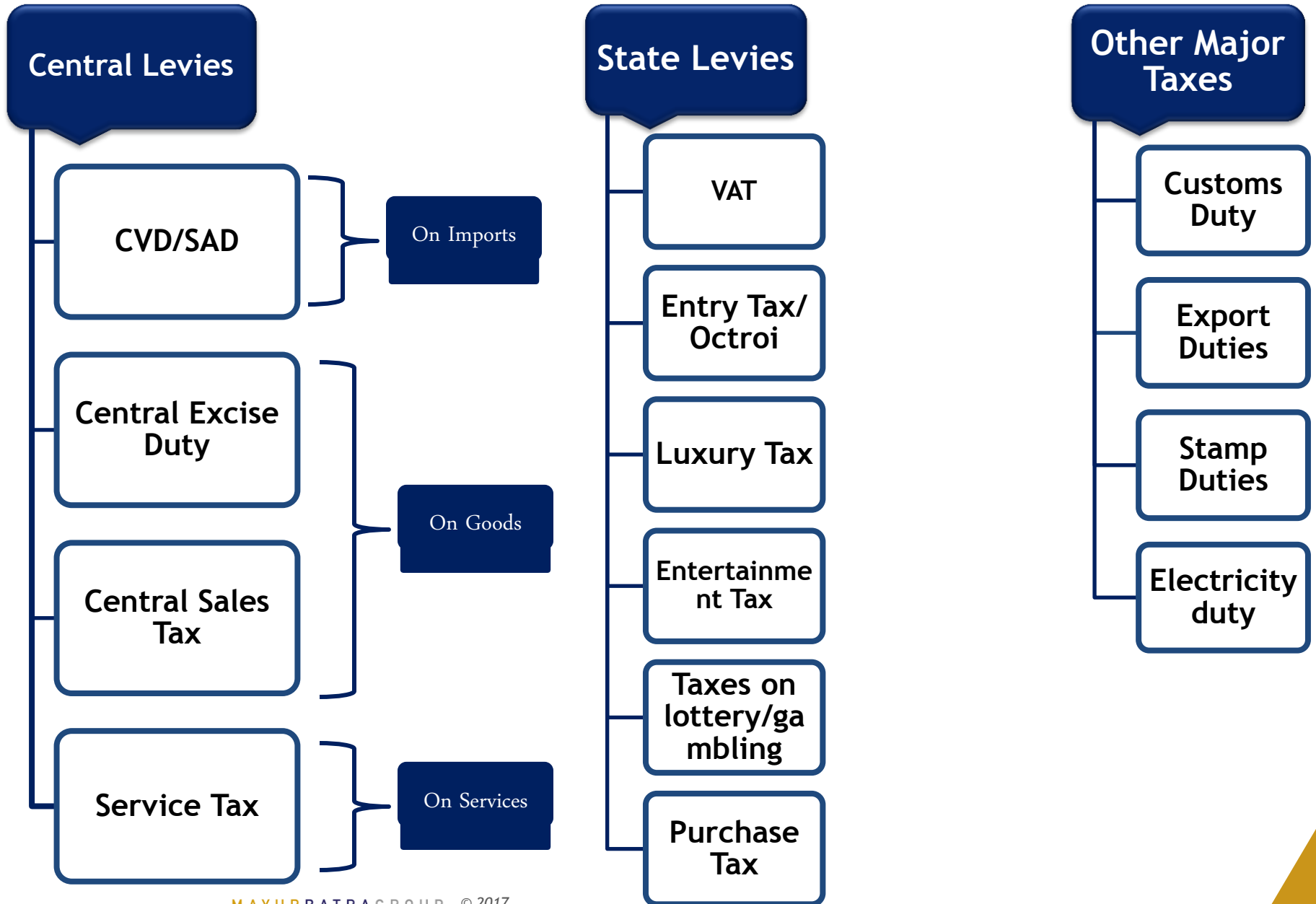
07/04 | GST Law passed by Rajya Sabha

18/05 | RATE STRUCTURE-FITMENTATION

Expected from 1st July 2017

Latest by 16th Sept 2017

Present Indirect Tax Framework



MULTIPLE TAXABLE EVENTS

MANUFACTURE OF GOODS

Excise Duty

SALE OF GOODS

VAT/CST

STOCK TRANSFER OF GOODS

C/F/H Forms

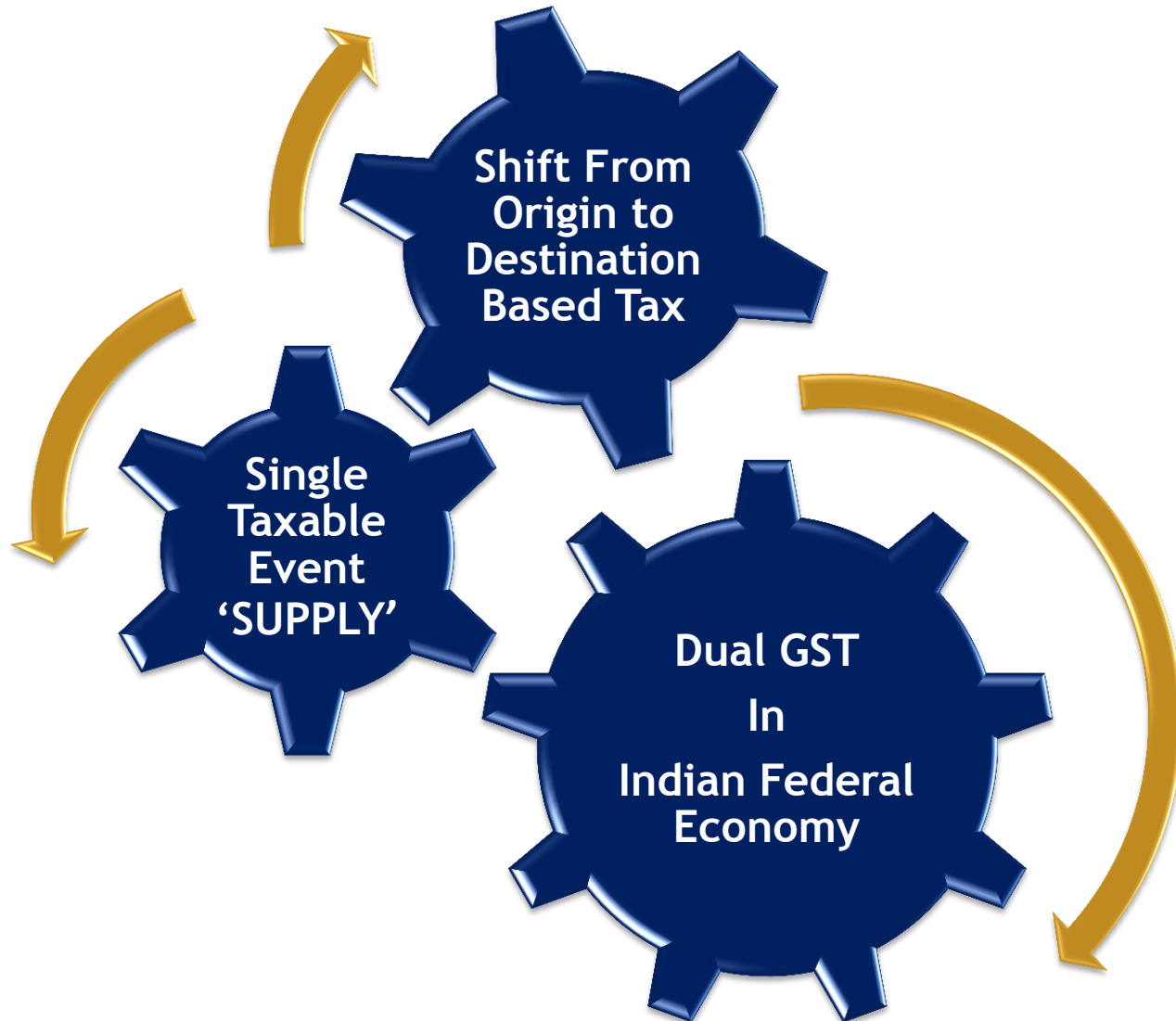
PROVIDING OF SERVICES

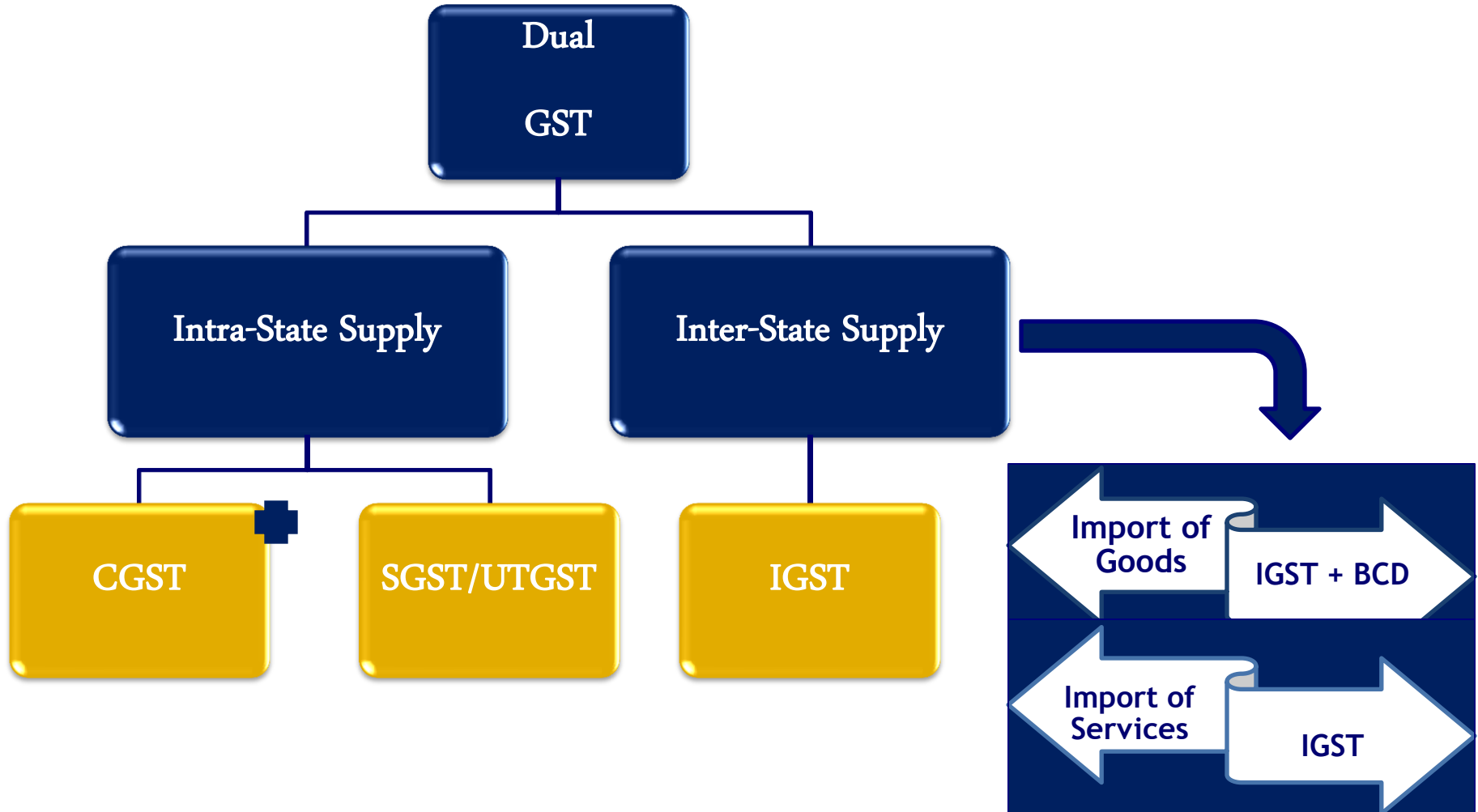
Service Tax

Many Other Taxable Events under
State Levies

Present Cumulative Taxes

- On Goods > 25%
- On Services = 15%





SINGLE TAXABLE EVENT

EXISTING

MANUFACTURE OF GOODS

Excise

SALE OF GOODS

VAT/CST

REMOVAL OF GOODS

C/F/H Forms

PROVIDING OF SERVICES

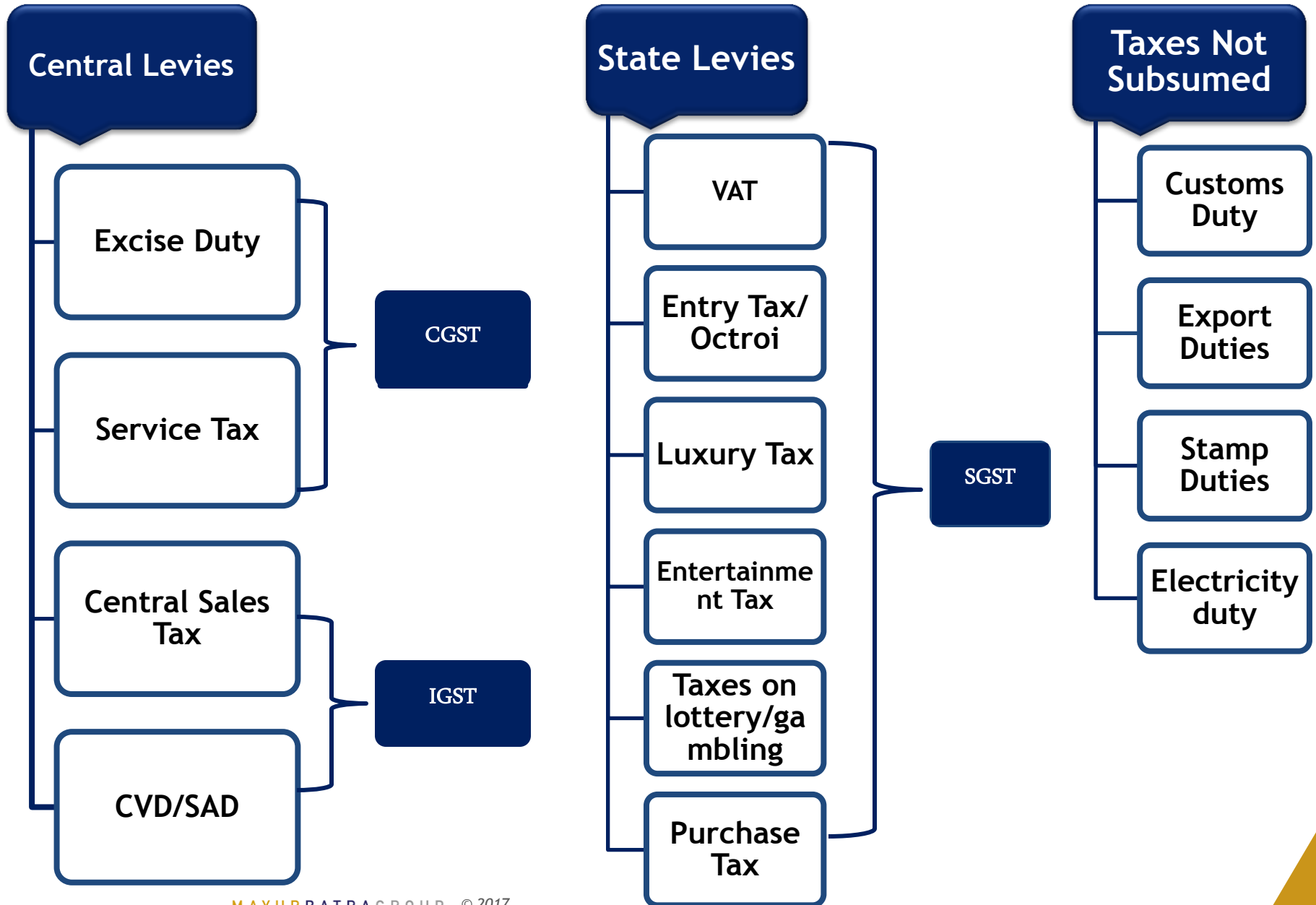
Service Tax

POST GST

SUPPLY OF GOODS

SUPPLY OF SERVICES

Migration to GST



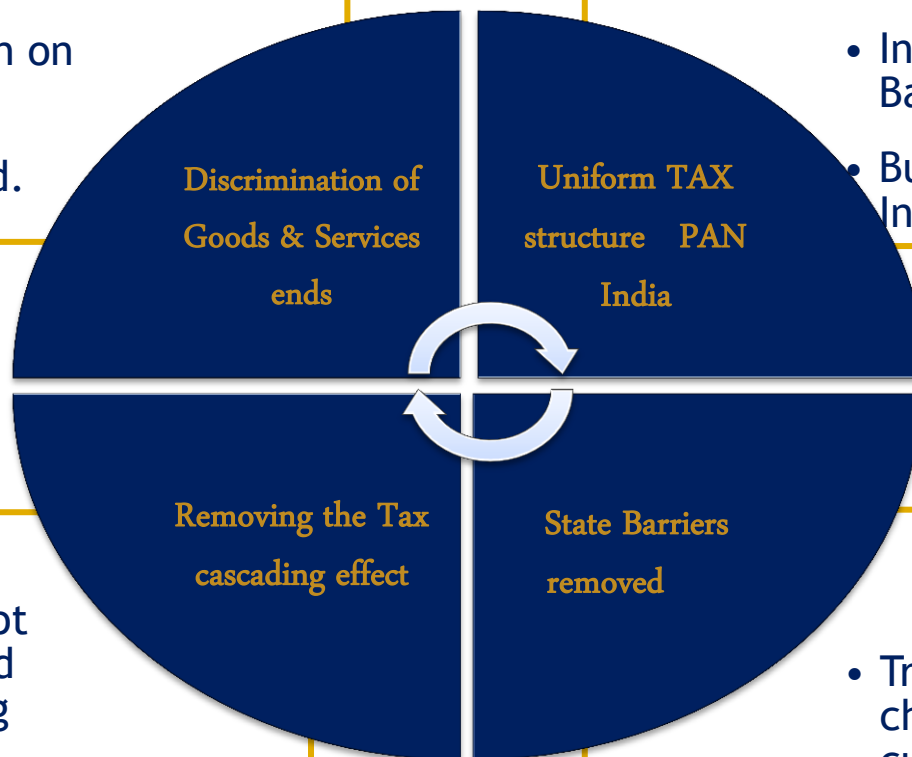
Expected Benefits of GST -Taxes that will Subsume Under GST

Union Levies	State Levies
Central Excise duty	State Value Added Tax (VAT)
Duties of Excise (Medicinal and Toilet Preparations)	Central Sales Tax
Additional Duties of Excise (Goods of Special Importance)	Purchase Tax
Additional Duties of Excise (Textiles and Textile Products)	Luxury Tax
Additional Duties of Customs (commonly known as CVD)	Entry Tax (All forms)
Special Additional Duty of Customs (SAD)	Entertainment Tax (not levied by the local bodies)
Service Tax	Taxes on advertisements
Cesses and surcharges insofar as far as they relate to supply of goods or services	Taxes on lotteries, betting and gambling
Krishi Kalyan Cess, Swachh Bharat cess, Education Cess	

Expected Benefits of GST to the Businesses

- The difference of Goods and services- abolished;
- Disputes and litigation on taxability - Ends;
- Clarity of Taxes levied.

- One Uniform rate- Across all States;
- Increased Customer Base;
- Business competition Increases



- The tax on tax concept Ends i.e. VAT is levied on the value including the excise duty.
- CGST and SGST -on Transaction Value.

- Transportation becomes cheaper and less cumbersome;
- Thus increases the profit margin.

GST RATES

GST Rate	To be levied on
0%	Essential items including food, which at present constitute roughly 50% of the consumer inflation basket.
5%	Common use items.
12%	Majority of the goods and services, including fast-moving consumer goods.
Standard Rate-1	
18%	Majority of the goods and services, including fast-moving consumer goods.
Standard Rate-2	
28%	Luxury goods
28% plus cess	Ultra luxuries, demerit and sin goods like Luxury cars, tobacco products, PAN Masala and aerated drinks will attract an additional cess on top of (28%).
Fitment or Categorization of items for each slab is awaited for further approval by the GST council.	
Upper CAP %	March 2017 : Government Introduced a Upper Limit on the GST Rate
20 %	CGST
20%	SGST
40%	IGST

New Concepts of GST - Significant Departure From Present

Computerised Input
Tax Credit Matching
Mechanism

Business Concept for
utilization of credit

Stock Transfer
Chargeable To GST

ITC of GST on Capital
Goods-
100% in 1st year of
purchase itself

Full credit of tax on
interstate sale (NO
CST) will reduce cost
of procurement/
production

No retention/
disallowance
(Reversal) of Input
Tax-Credit on
interstate trade

New concepts under GST Act

GST on Reverse charge if Supplier is not registered

- If the **supplier is not registered** under GST and is supplying taxable goods or services to a **recipient who is registered**, the **GST** on the such taxable supplies shall be **borne by the recipient** on **reverse charge basis**.

GST Law not applicable to J& K

- IGST law shall not applicable to the state of Jammu & Kashmir

Free gifts by Employer to Employee

- Supply of goods or services or both between related persons
- when made in the course or furtherance of business
- Provided that gifts not exceeding Rs 50,000 in value in a financial year by an employer to an employee **shall not be treated as supply** of goods or services or both

SUPPLY:

Supply:

- | | |
|--|---|
| <ul style="list-style-type: none">• Supply for consideration-
In the course of furtherance of business | <ul style="list-style-type: none">• Sale/Transfer/Barter/Exchange/License/Rental/Lease/Disposal. |
| <ul style="list-style-type: none">• Supplies without consideration | <ul style="list-style-type: none">• Permanent Transfer/Disposal Of assets, where ITC has been claimed.• Supply of goods or services between related persons or between distinct persons when made in the course of furtherance of business.• Supply of goods between an agent and principal.• Import of service from a related person or from any establishments outside India in the course of furtherance of business. |
- Import of Services whether in course of business or not and for consideration .
 - Matters to be treated as Supply of Goods and Supply of Services
 - Transactions which shall NOT be treated as a Supply of Goods or Services

Matters to be treated as Supply of Goods & Supply of Services

Supply of Goods	Supply of Services
<ul style="list-style-type: none">• Transfer of title in goods	<ul style="list-style-type: none">• Transfer of right to use any goods without the transfer of title
<ul style="list-style-type: none">• Permanent Transfer/Disposal of assets whether or not for consideration	<ul style="list-style-type: none">• Lease, tenancy, licence to occupy a land.• Lease/let out of building for business.
<ul style="list-style-type: none">• Supply of any goods by an Unincorporated Association or body of persons to a member for a consideration	<ul style="list-style-type: none">• Treatment or process applied on another persons goods.• Temporary transfer or permitting the use or enjoyment of any goods for private or non business purposes.• Temporary transfer or permitting the use or enjoyment of any intellectual property rights• Development, design, programming, up gradation, customisation, implementation etc of software• Works contracts (including transfer of property in goods involved in execution of works contracts)
<ul style="list-style-type: none">• However, supply of goods to a job worker would not be treated as supply.	<ul style="list-style-type: none">• Renting of immovable property• Construction of a complex, building, civil structure or a part thereof

Transactions not to be treated as Supply of Goods or Services

Services by an employee to the employer in the course of or in relation to his Employment.

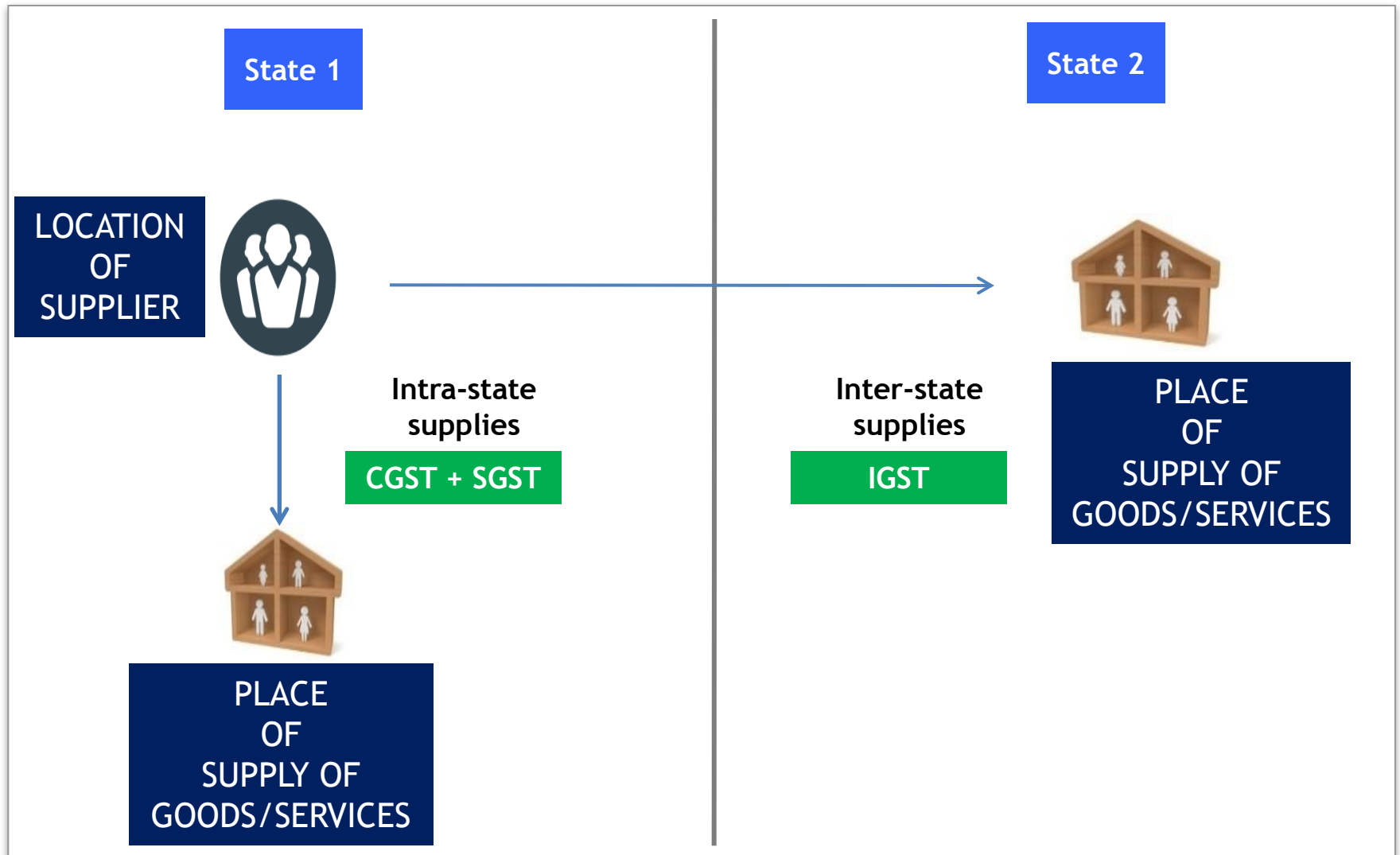
The functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;

Services by any Court or Tribunal established under any law for the time being in force.

Services by a foreign diplomatic mission located in India

Services of funeral, burial, crematorium or mortuary including transportation of the deceased.

Place of Supply



Place of Supply-Goods (DOMESTIC)

Transaction of Supply of “Goods”	Place of Supply
Other than supply of goods imported into/exported from India:	
Supply of goods involving movement of goods	Location of the goods at which the movement of goods terminates for delivery to the recipient.
Supply by way of transfer of title documents of the goods to a person	The principle place of business of such third person
If supply does not involves movement of goods	The location of such goods at the time of delivery to the receiver
Assembly or installation of goods at site	Place of such installation or assembly
Where goods are supplied on ‘board a conveyance, such as a vessel, an aircraft, a train, motor vehicle.	Location at which such goods are taken on board

SEZ-Zero-rated supplies under IGST which covers exports and supplies made to SEZ .
Supply to or by SEZ shall be deemed to be inter-state supply even if both SEZ and DTA are located within the same state

Time of Supply

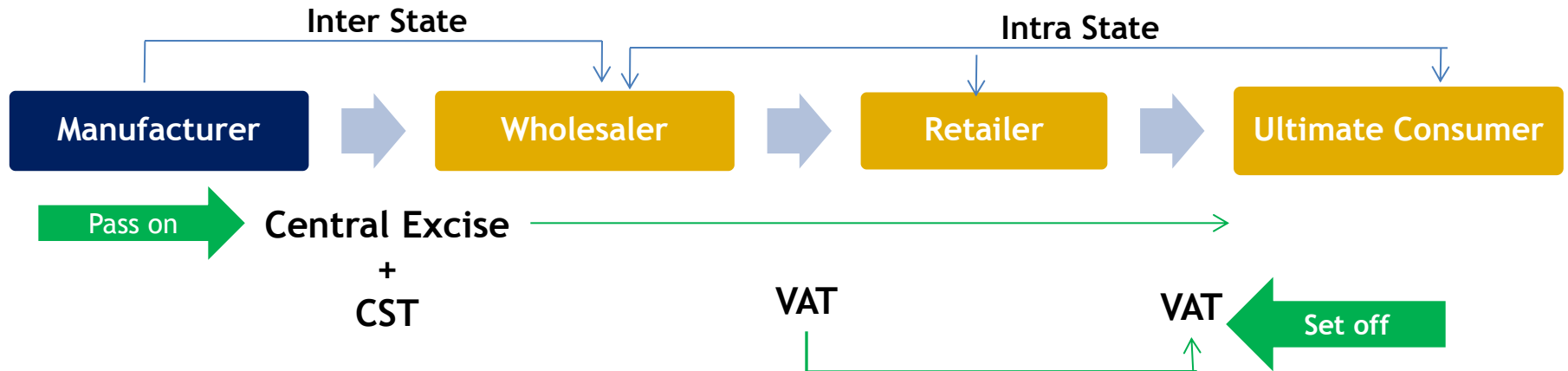
Time of supply of Goods	Time of supply of services	Reverse charge on Goods
Earliest of the date of :	Earliest of the date of :	Earliest of the date of :
<ul style="list-style-type: none"> i. Removal/ making available goods by the supplier to recipient; ii. Issue of invoice; iii. Receipt of payment by the supplier; iv. Date on which the recipient shows the receipt of goods in his books of accounts. 	<ul style="list-style-type: none"> i. Issue of invoice; ii. Receipt of payment by the supplier; iii. Date on which the recipient shows the receipt of goods in his books of accounts. 	<ul style="list-style-type: none"> i. Receipt of goods; ii. Payment; iii. Date immediately following 30 days from date of invoice issued by supplier.
		Reverse charge on Services
		<ul style="list-style-type: none"> i. Receipt of services ii. Payment; iii. Date immediately following 60 days from date of invoice issued by supplier.

**ADVANCE RECEIVED :
IS NOW A TAXABLE EVENT**

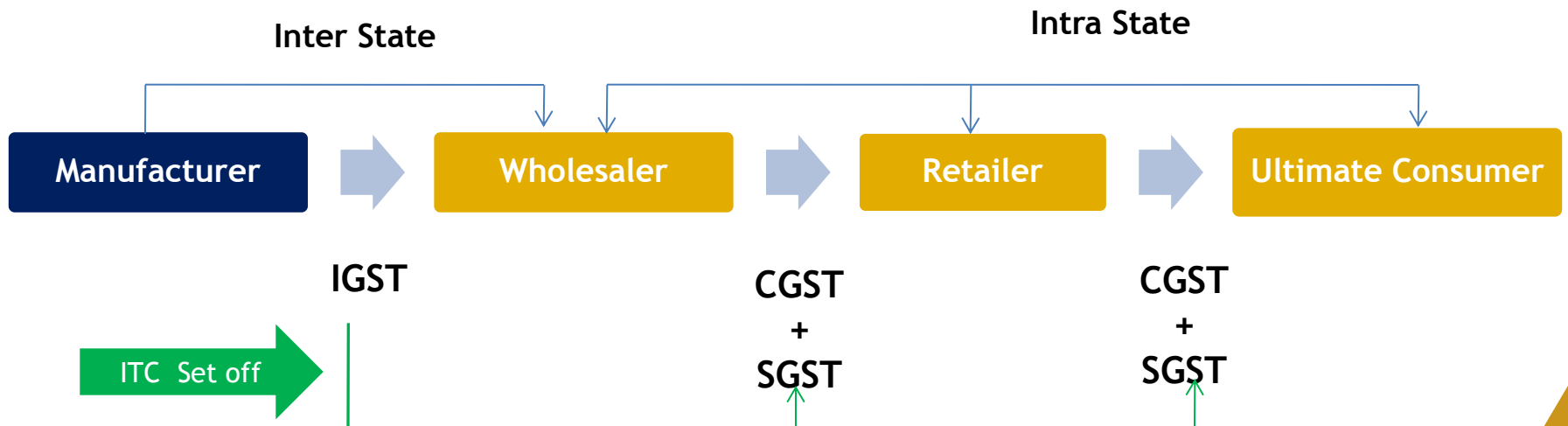


Sale of Goods Vs Supply of Goods

Domestic Sale of Goods PRE GST



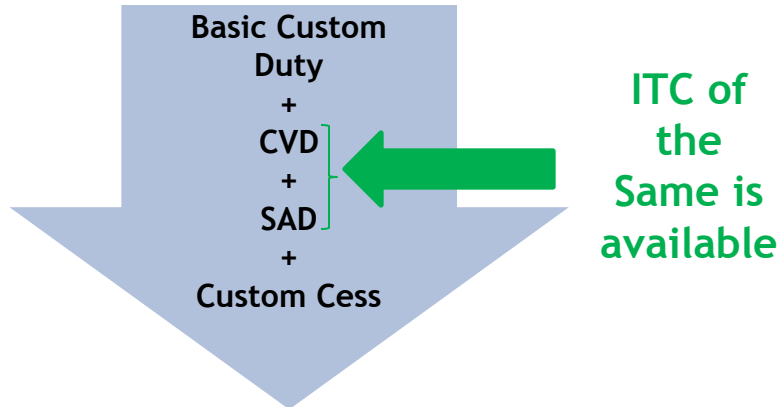
Domestic Supply of Goods POST GST



Import of Goods - PRE & POST GST Regime

PRE GST

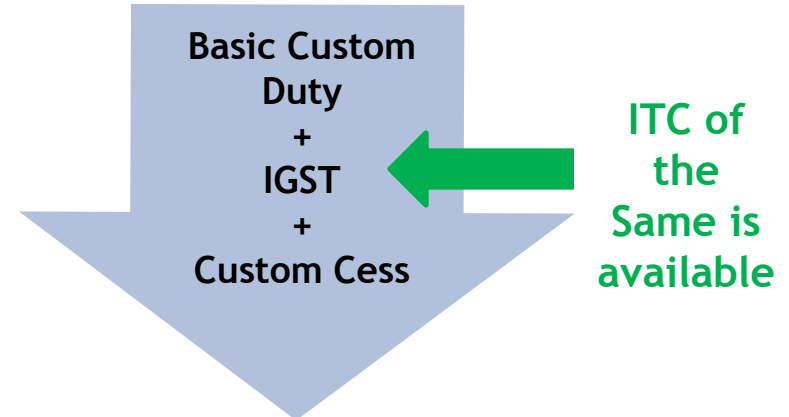
Port



Manufacturer

POST GST

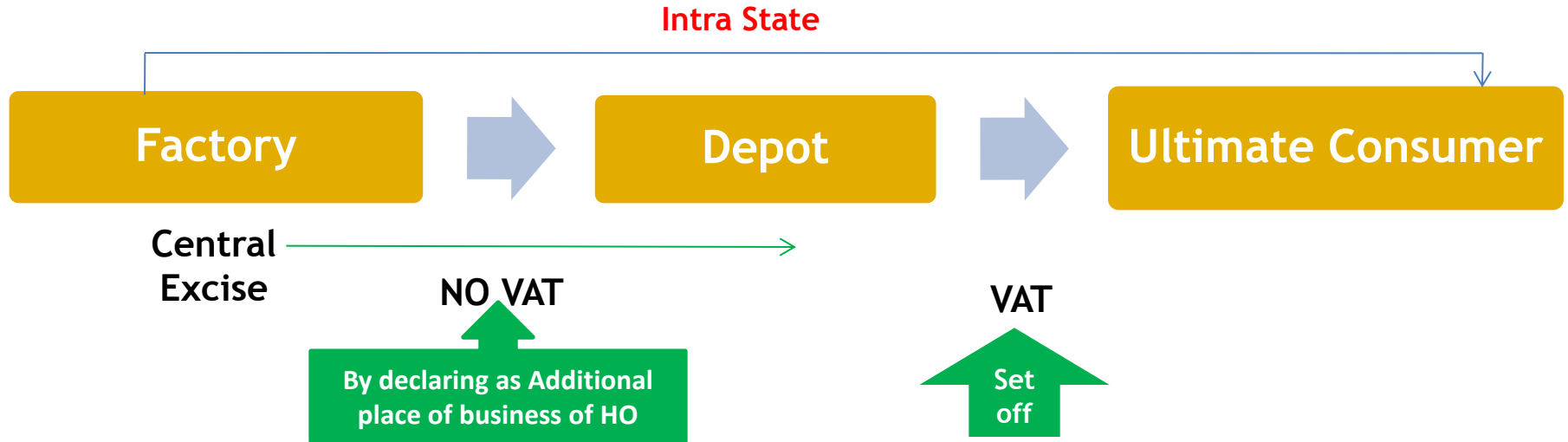
Port



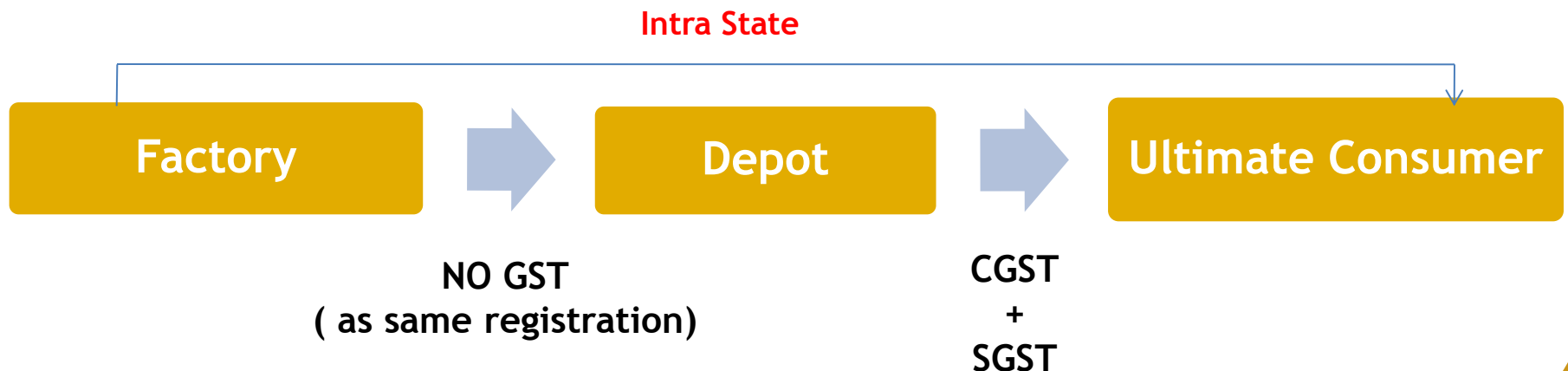
Manufacturer

STOCK TRANSFER-TAXABLE SUPPLY

Stock Transfer PRE GST

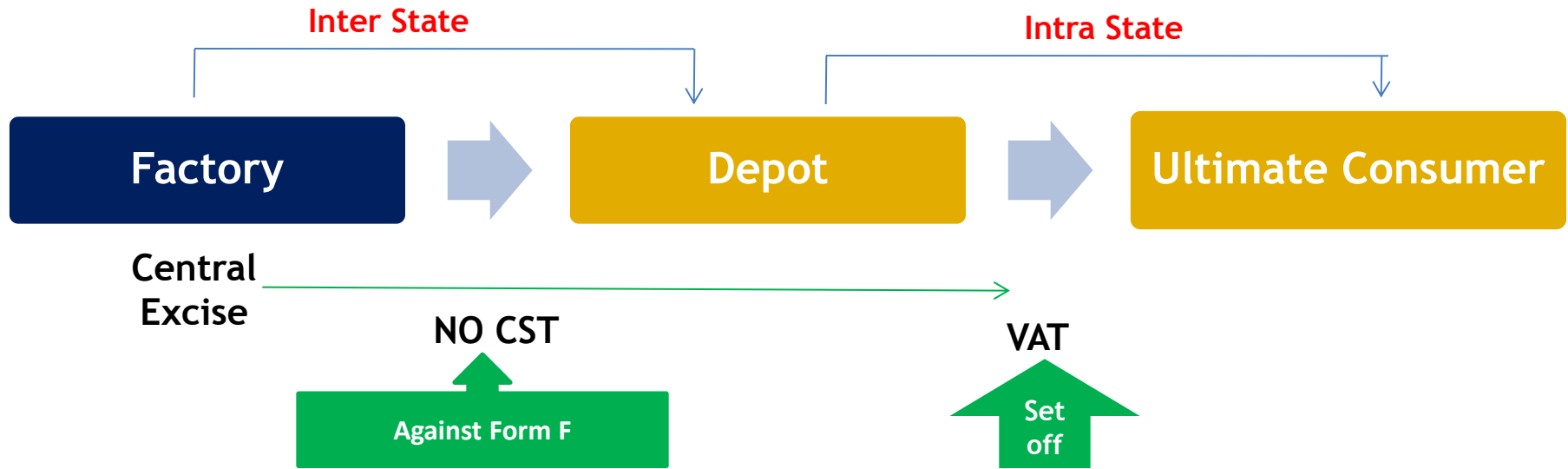


Stock Transfer POST GST

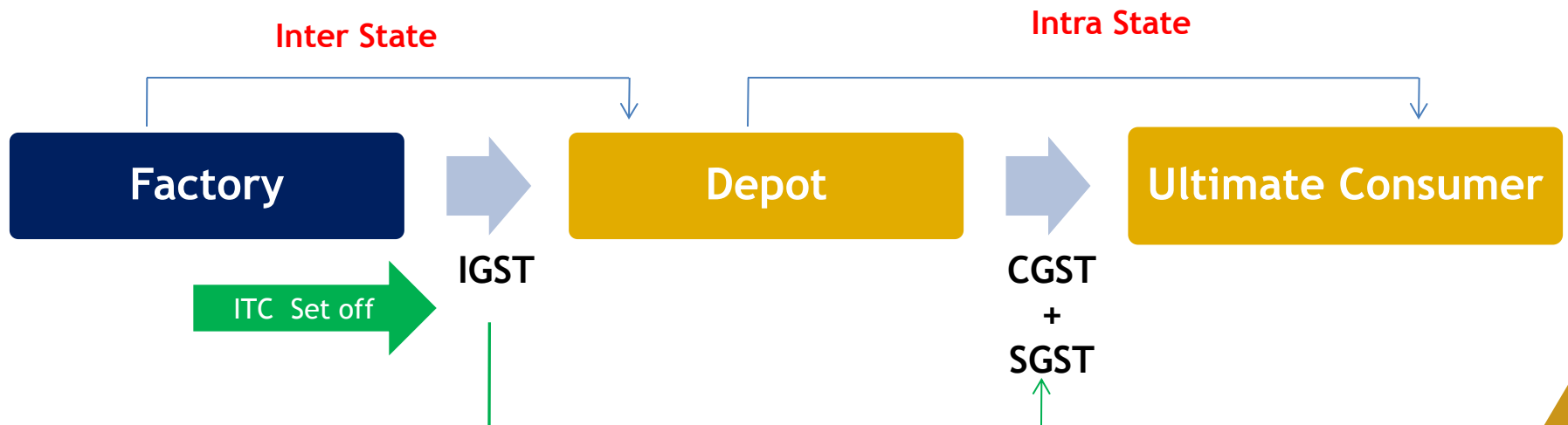


STOCK TRANSFER-TAXABLE SUPPLY

STOCK Transfer PRE GST

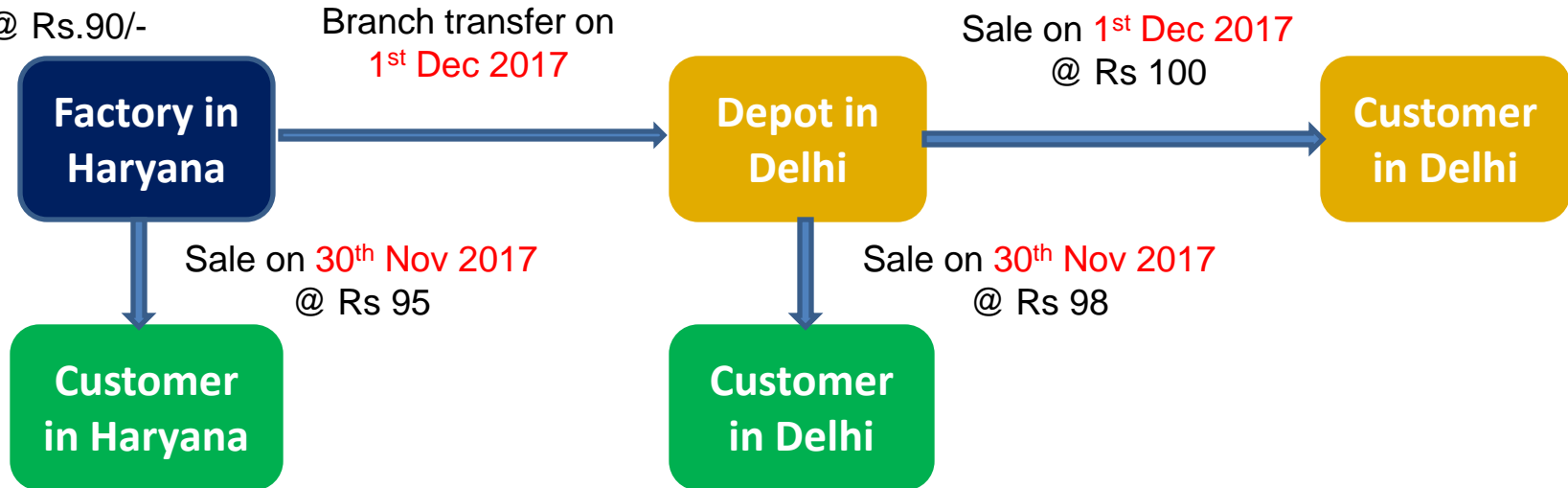


Stock Transfer POST GST



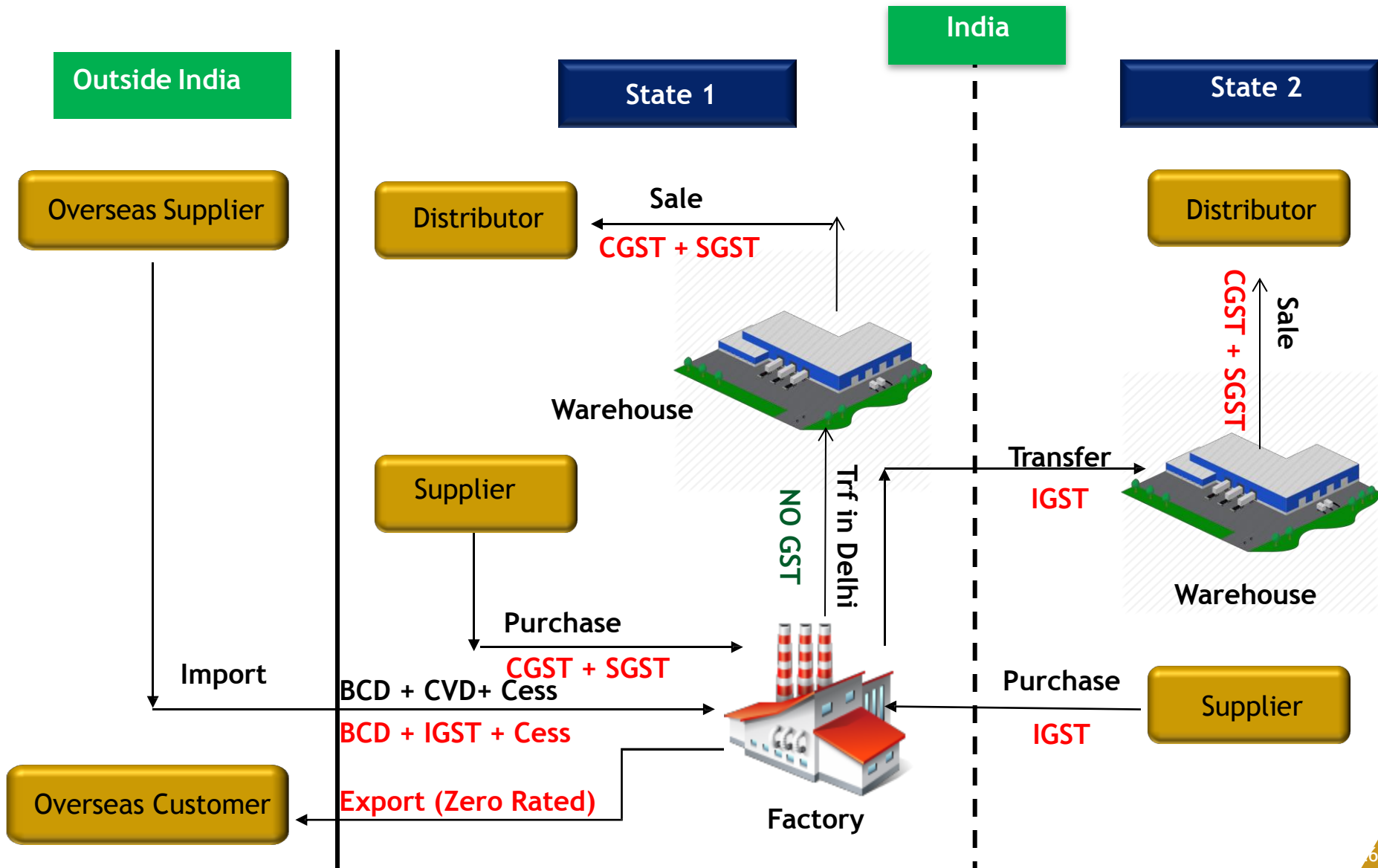
Valuation under Stock Transfer

Cost of Production
@ Rs.90/-

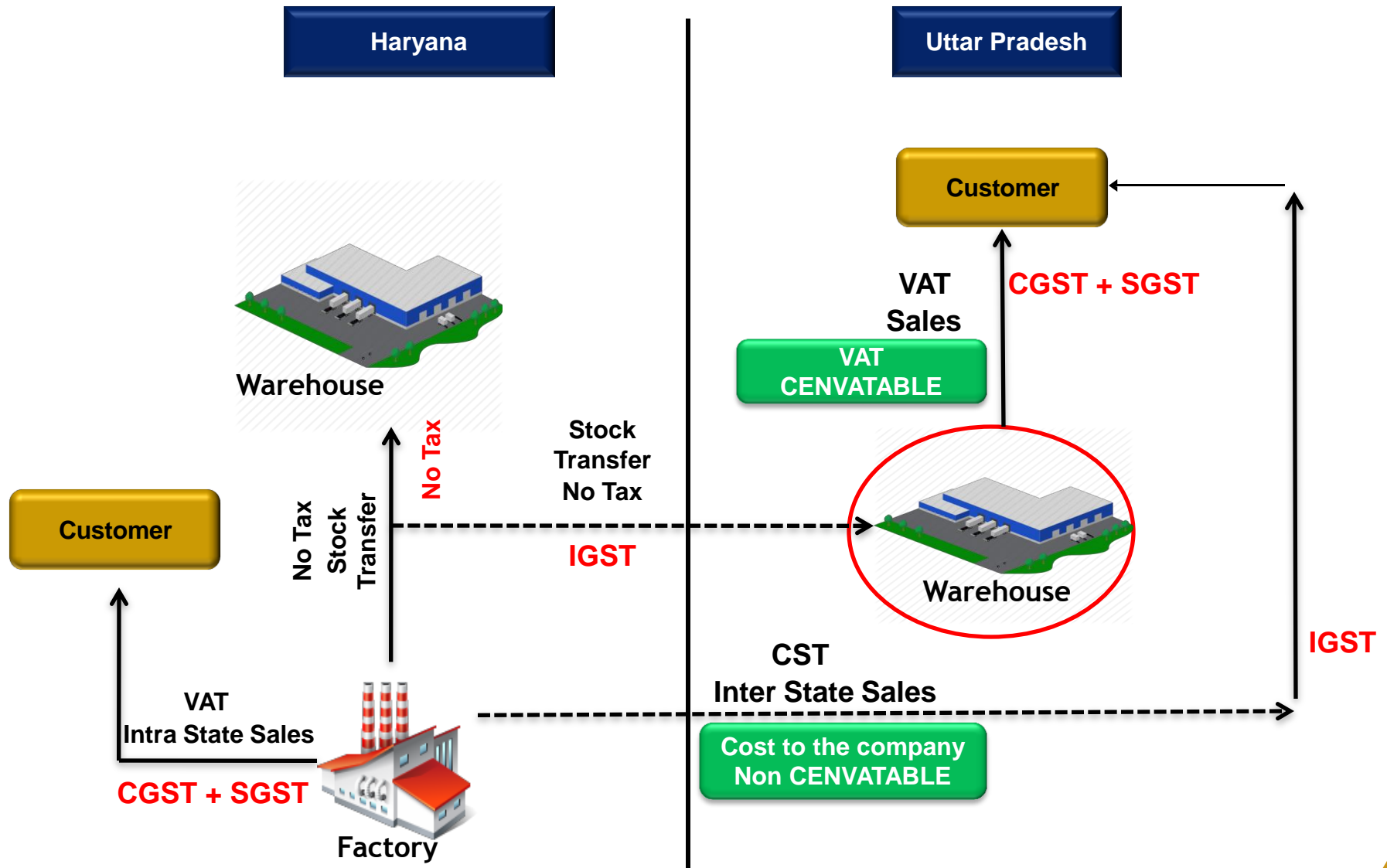


Particulars	PRE GST	POST GST
Value of Goods transferred	100	90 or 95 or 98 or 100?

Supply Chain Impact Understanding

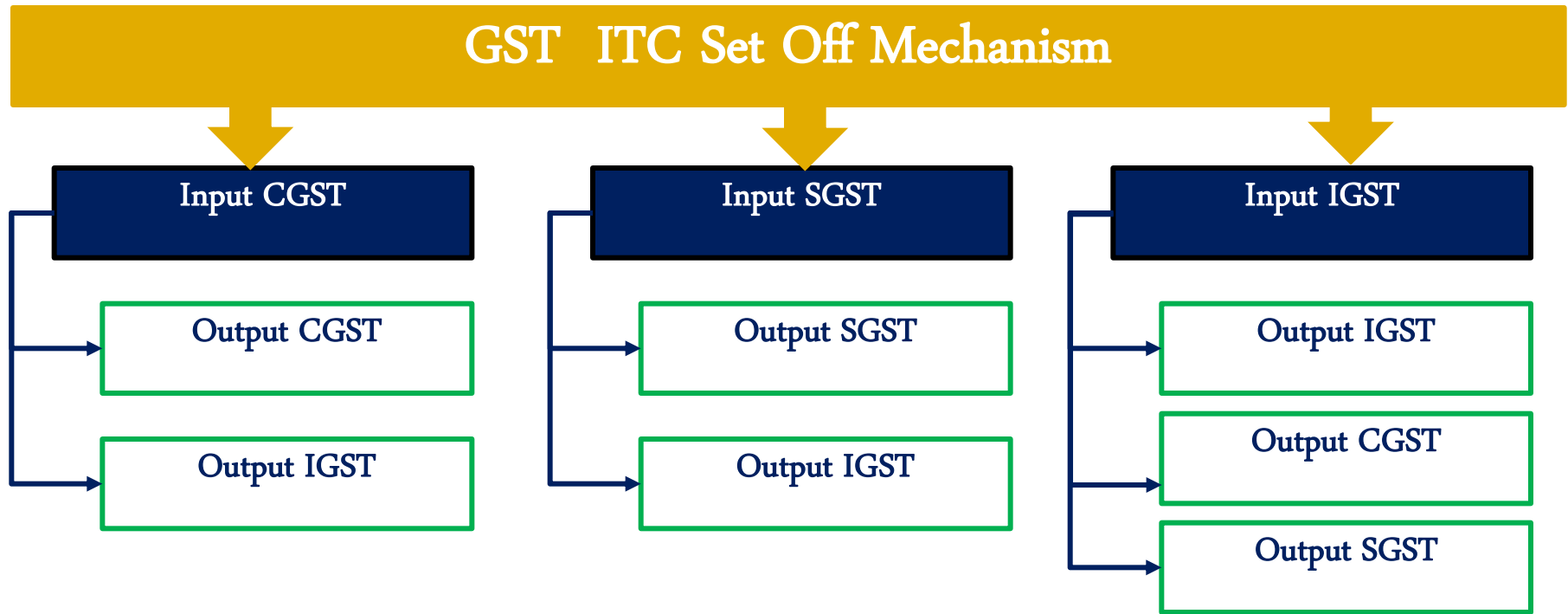


Limited No of Warehouse



Since Stock transfer is taxable under GST and the company can also get credit in the form of IGST for Inter- State Sales. Therefore there is no need to open warehouse in the second state to avoid CST which is non CENVATABLE

GST ITC Set Off Mechanism



Cross utilization of ITC between CGST and SGST is not allowed.

Credit of SGST paid in one state cannot be utilized for payment of SGST in other state.

Taxes paid on inputs are available as credit against the output tax liability

ITC- Procedure and Caution



Procedural Requirements



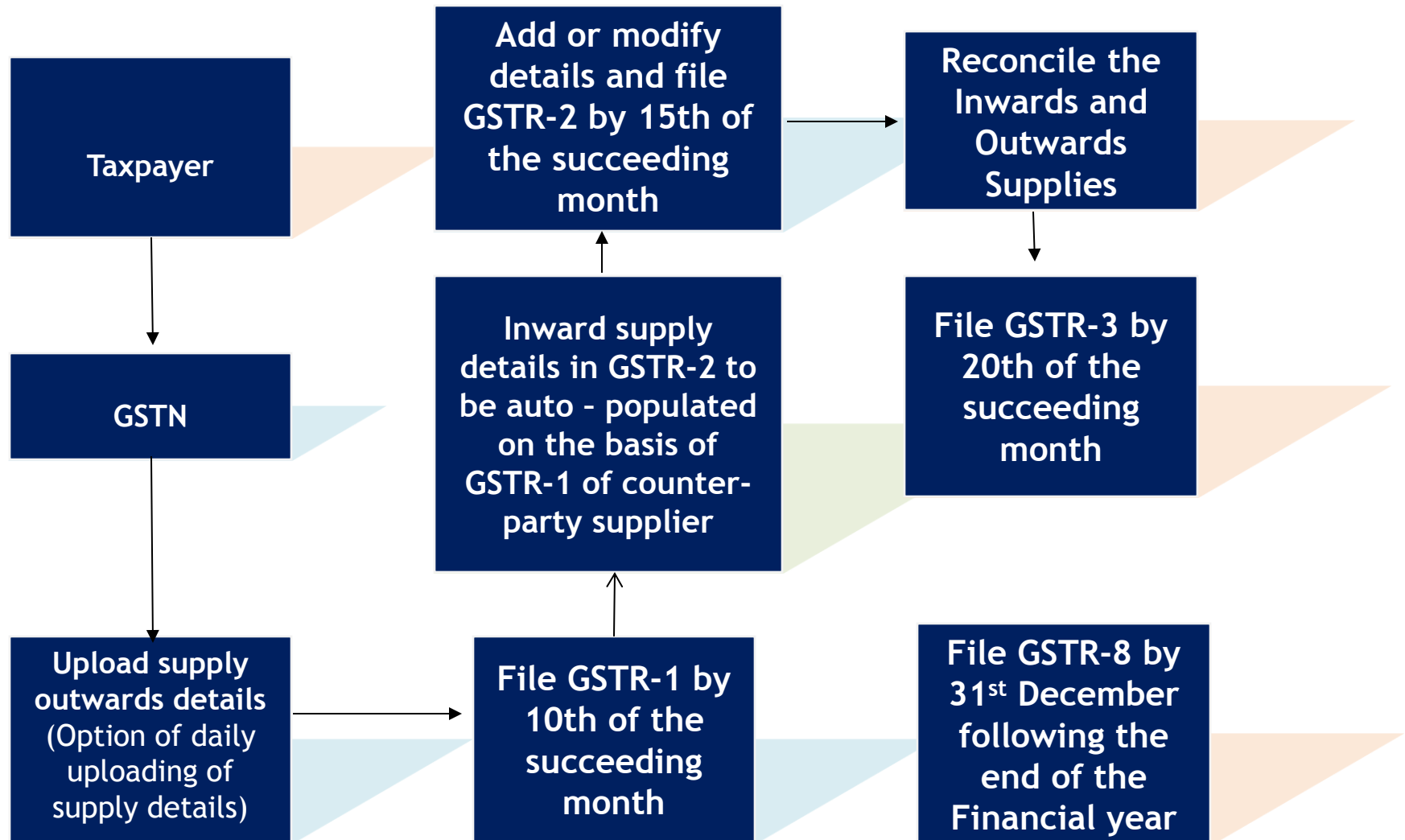
Caution



Contracts to indemnify & regulate mismatches

- ▶ Possession Of Tax Invoice
 - ▶ Receipt of underlying supply of goods and services
 - ▶ Payment of tax by the supplier to the appropriate government
 - ▶ Filing Of GST Return
-
- ▶ Credits claimed need to match with the tax deposited by the supplier.
 - ▶ This means that the supplier has to deposit and report the correct amount of GST to allow the purchaser to avail the credit
-
- ▶ Supplier shall indemnify Purchaser against any losses, damages, costs,
 - ▶ If purchaser fails to avail the credit of GST applying on sales due to incorrect invoice or due to the failure or late deposit of GST or non filing of return by the supplier.”

Returns & Compliances under GST



Impact on Accounts & Compliances

Compliances	PRE GST		POST GST
	MANUFACTURING SECTOR	SERVICE SECTOR	
Assuming that the assessee has Place of Supply in all the 31 states			
No of Registrations	32 (31 VAT + 1 Excise)	1	31 (31 GST)
No of Returns to be filled in a year	384 (Excise - 1) + (VAT-1 per state) per month	2 (half yearly)	1117 (3 Returns per month & 1 Annual per registration)
Credit Pool A/c	32	1	93 (1 CGST + 1 SGST + 1 IGST) per registration
Output Tax A/c	32	1	93 (1 CGST + 1 SGST + 1 IGST) per registration
Inward-Outward reconciliation	Required to be done under VAT law in some states.	No such requirement	Required Reconciliation of- <ul style="list-style-type: none"> • Procurement with sales of their vendors • Supply of goods with their purchasers

TIME LIMIT:

Upper Time Limit Of 2 Years From Relevant Date

ELEGIBILITY:

1. In Case Of Exports (Including Deemed Exports) Or
2. Where Rate Of Tax On Inputs Higher Than Output

Provisional Refund Of 90%
(within 7 days of applying)

Balance Refund After Verification

Composition of the GST Council:

The GST Council consist of:

- i. The Union Finance Minister (as Chairman),
- ii. The Union Minister of State in charge of Revenue or Finance,
- iii. The Minister in charge of Finance or Taxation or any other, nominated by each state government.

The Dispute Resolution Mechanism :

The GST Council may decide upon the modalities for the resolution of disputes arising out of its recommendations.

Compensation to states Government:

All losses to State Governments will be compensated to them for a period of next 5 years on the recommendations of GST Council's.

THE GST COUNCIL

Functions of the GST Council:

Making recommendations on:

- i. Goods and services which may be exempted from GST;
- ii. Model GST laws, principles of levy, apportionment of IGST and principles that govern the place of supply;
- iii. The threshold limit;
- iv. GST Rate

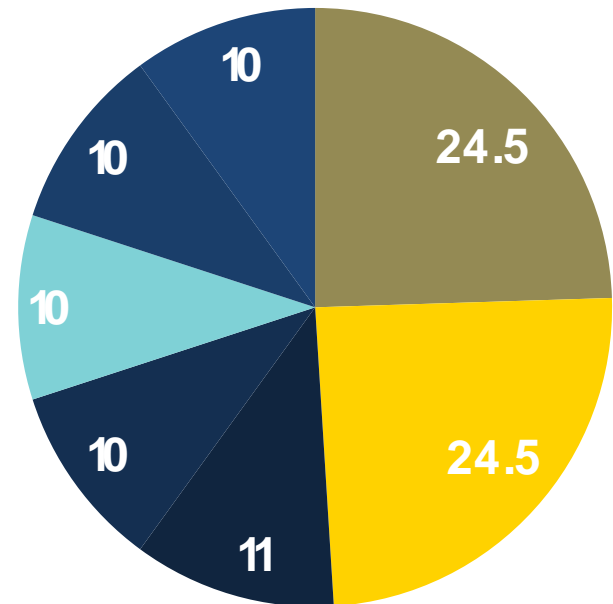
The Pending actions to be taken:

- i. Finalizing of the Commodity wise rates
- ii. Dual control & cross empowerment issue of assessee jurisdiction between the centre and the state.

GSTN- “Goods and Services Tax Network”

- ▶ The Government Portal for all Virtual interactions with taxpayers, banks, State governments, RBI- www.gst.gov.in was made live on 8th Nov 2016.
- ▶ GSTN is a not-for-profit, non-Government Company incorporated on March 28, 2013.
- ▶ **Objective :**
 - ▶ To provide shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders.
- ▶ **Electronic Interface :**
 - ▶ Online automated/auto populated filing of returns.
 - ▶ Online payment of Taxes;
 - ▶ All miss-matched returns would be auto-generated, and there would be no need for manual interventions.
 - ▶ Self assessed returns.

GSTN Shareholding

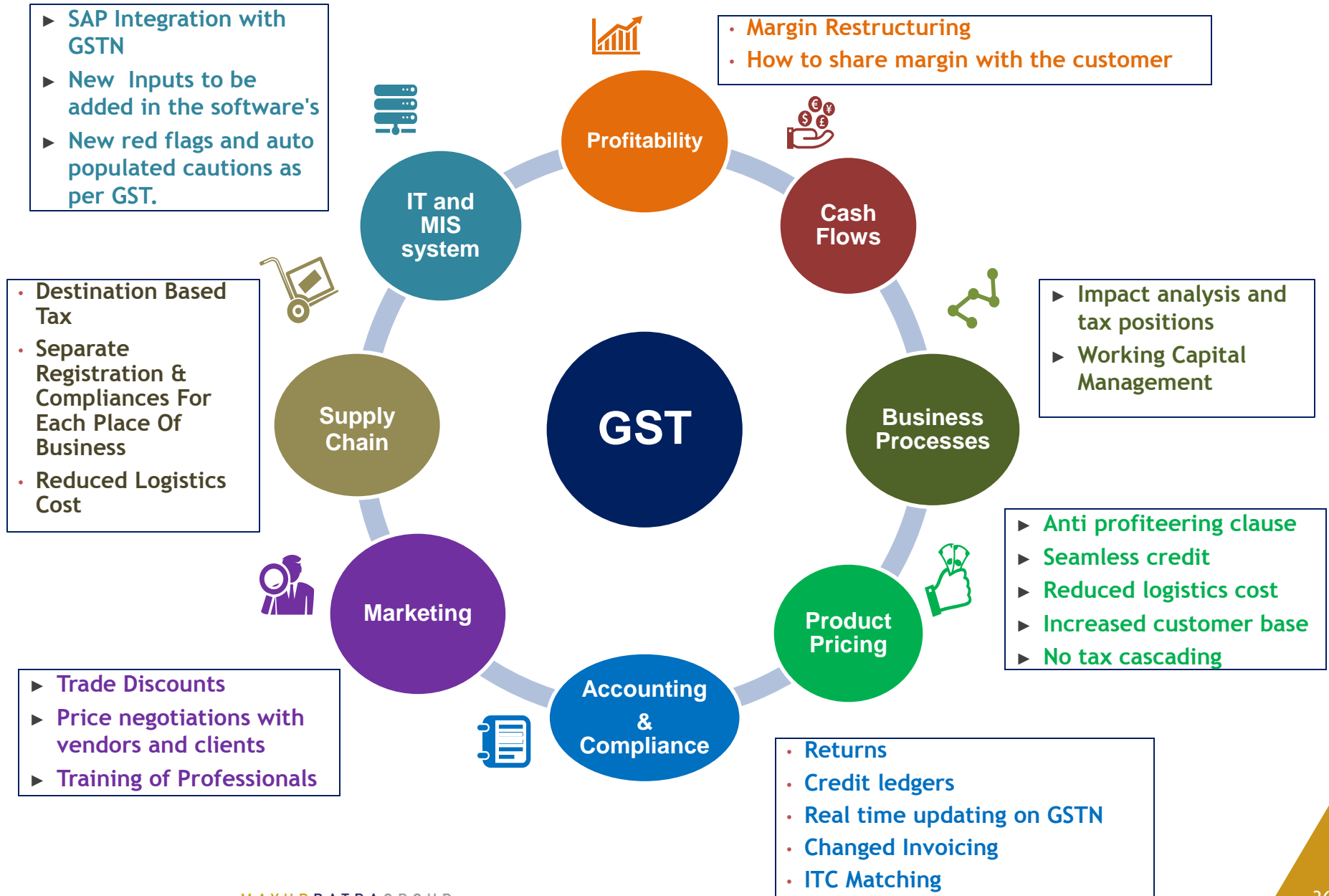


- Central Government
- States, UTs & EC
- LIC Housing Finance
- ICICI Bank
- HDFC Ltd
- HDFC Bank
- NSESICL

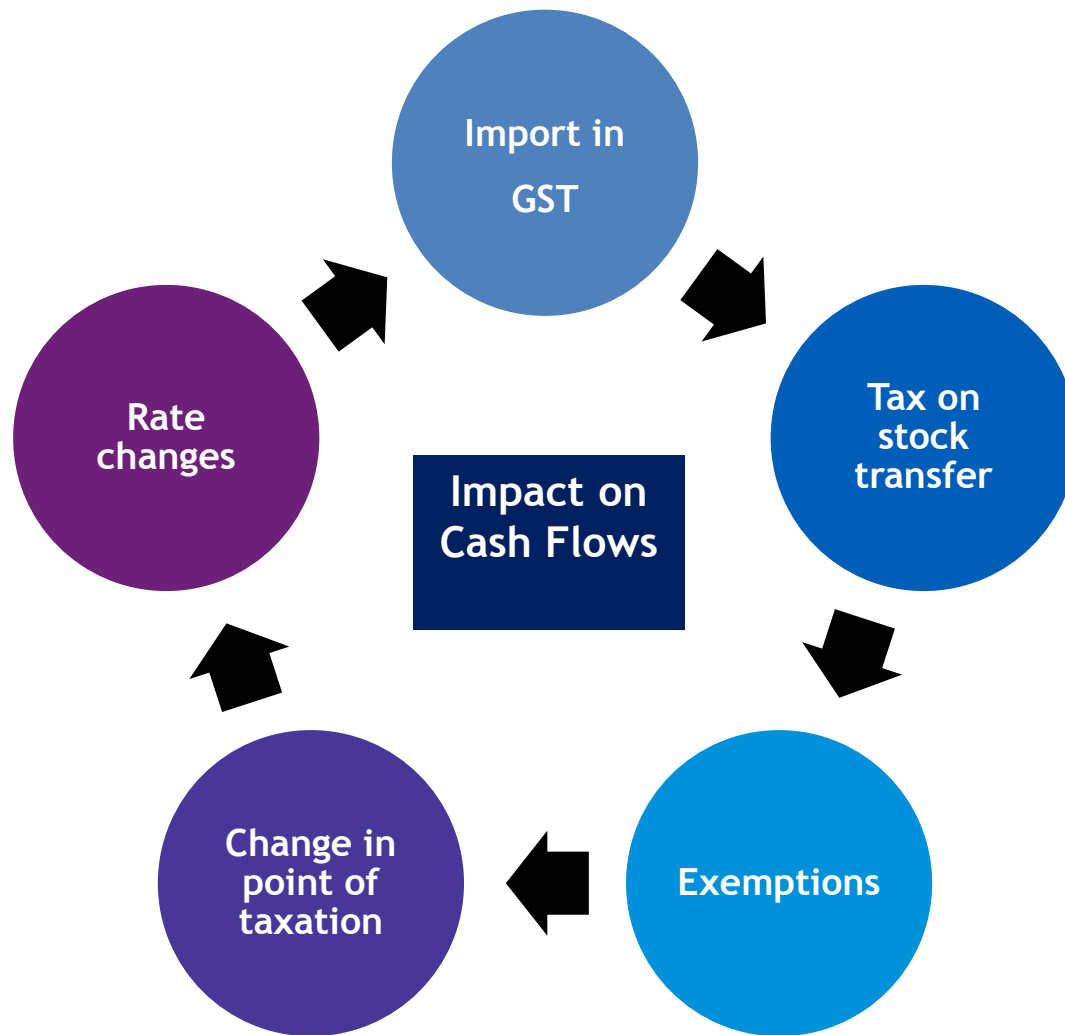
Key Impact Areas for Manufacturers



Impact of GST On Business



Impact on Cash Flow



Under GST the entire Cash Flow Planning will be required to be recalculated

A background image showing a hand holding a pen and signing a document. The document has some text and lines, but it is out of focus. The hand is in the upper right quadrant, and the pen is pointing towards the bottom left.

How GST Impacts Your Contracts

**Will your contract
give rise to a GST
liability?**

**What is the GST
exposure of your
contract?**

**Does your contract
relates to services
performed or goods
delivered before
GST?**

**Is your contract GST
efficient?**

**Are you liable or is
the counter-party
liable for the GST?**

PROCUREMENT

Make vs. Buy

Centralized vs.
Decentralized Sourcing

Intra state/Inter
state/Import

Buying Raw Materials
from a manufacturer
or trader

SALES & MARKETTING

Quantity based free
supplies vs. cash
discounts

Government vs. Non
government contracts

Selling on an E-
commerce platform or
not

Working Capital
Management

SUPPLY CHAIN & DISTRIBUTION

Commission agent vs.
C & F Agent vs. own
branch vs. Depot
model

Centralization
/Consolidation vs.
Decentralization of
warehouses

Logistics Management-
nearest location
transfers

Concept of Just in
time for stock storage
and delivery

A photograph of a long, straight asphalt road stretching into the distance in a desert landscape. The road has a double yellow line down the center. The surrounding area is sandy with sparse, low-lying desert vegetation. The sky is clear and blue.

START
NOW

BE

“GST”

READY !



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