

Indian Farmers
Fertiliser
Cooperative
Limited

GST Impact Analysis Report



May, 2017

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Introduction

Indian Farmers Fertiliser Cooperative Limited (hereinafter referred to as “**IFFCO/the Company**”) is engaged into manufacturing and import of fertilizers. Its manufacturing plants located in Uttar Pradesh, Gujarat, and Odisha. Corporate office of IFFCO is located in Delhi.

Under the current indirect tax regime, IFFCO is discharging various taxes/duties such as excise duty, VAT/Sales tax, customs duty and service tax. With the introduction of GST, there will be a paradigm shift in the indirect tax structure. Therefore, there will be a change in the existing compliances made by IFFCO relating to indirect tax. Hence, it becomes imperative to examine the impact, GST will have on the input and output stages of production and sales as well as services received by IFFCO. In this report, we have examined the implications of various business transactions of IFFCO under the GST regime.

Objectives

This study has been undertaken with the objective to prepare a strategy required to be undertaken by IFFCO in the wake of implementation of GST in India. The core objectives of the study shall involve:

- i. To understand the position with regards to the issues such as taxes attracted on procurement of goods/services and on supply/provision of goods/output services;
- ii. To understand the possibility of a set off or no set off depending upon availability or non-availability of credit.
- iii. The study will also assist in identifying the key areas of concern where active steps are required to be taken such as making representations etc.

Limitations:

The conclusions, recommendations and other observations made by us in this report are based on our understanding, analysis and evaluation of the information, facts and data provided by IFFCO, in the light of the relevant provisions of law, rules and procedures. This report is based on the provisions of GST Acts and draft rules released by Government.

Abbreviations

COMPANY	Indian Farmers Fertiliser Cooperative Limited	PAN	Permanent Account Number
CGST	Central Goods and Service Tax	C&F	Clearing and Forwarding
SGST	State Goods and Service Tax	HO	Head Office
IGST	Integrated Goods and Service Tax	TCS	Tax Collection at Source
UTGST	Union Territory Goods and Service Tax	SEZ	Special Economic Zone
GSTIN	Goods and Service Tax Identification Number	BOE	Bill of Entry
ITC	Input Tax Credit	VAT	Value Added Tax
ISD	Input Service Distributor	POS	Place of Supply
GSTR	Goods and Service Tax Return	TOS	Time of Supply
B2B	Business to Business	PPOB	Principal Place of Business
B2C	Business to Consumer (unregistered)	FY	Financial Year
TDS	Tax Deducted at Source	CG	Central Government
CST	Central Sales Tax	PO	Purchase Order
UT	Union Territory without legislature		

Proposed GST Regime

Genesis

The introduction of GST would be a very significant step in the field of comprehensive indirect tax reforms in India. The concept of GST was first propounded in the Union Budget Speech of 2006-07. Initially GST was proposed to be introduced from 1st April, 2010. The Empowered Committee of the State Finance was requested to come up with a roadmap and structure for the GST implementation in India. In November, 2009 the Empowered Committee released its First Discussion Paper on the GST envisaging its view on the proposed structure of GST for discussion with industry, trade, agriculture and people at large. Subsequently, a series of events occurred towards implementation of GST in India. However, after the passage of the Constitution (101st Amendment) Act, 2016 and relevant amendments carried out in the constitution, the Government is set to introduce GST before September, 2017. President has given his assent to CGST Bill, UTGST Bill, IGST Bill and GST (Compensation to States) Bill on April 12, 2017.

Concept of GST

The Constitution of India empowers the Central Government to levy excise duty on the goods manufactured in India and service tax on the provision of services whereas the State Governments are empowered to levy VAT/Sales Tax on sale of goods within the State. Besides this, CST is levied on the inter-State sale of goods by the Central Government but it is collected and retained by the originating State. Further, in many States entry tax is leviable on entry of goods in the local areas. Such division of fiscal power of levying taxes between the Central and State Government has led to multiplicity of indirect taxes in the country and has resulted in a complex indirect tax structure in India which has also resulted in no uniformity of tax rates across the States. There is cascading effect of taxes due to levy of taxes on taxes. Further, no credit of Central levies such as excise duty and service tax is available to the trader for discharging State levies such as VAT and vice versa. Also, no credit of VAT/CST paid in one State is available for discharging VAT/CST liability in other State. Thus, the prices of goods and services get inflated due to such cascading effect of taxes.

With the introduction of GST, majority of taxes which are currently levied both by the Central and State Government will get amalgamated into a single tax. GST is likely to eradicate the “cascading effect” and “double taxation” to a large extent and will construct a common national market.

GST will be an integrated tax which will be independently and concurrently levied by both the Centre and States/ Union territories on all the supplies of goods and services or both. Further, on inter-State supplies and imports, there will be a levy of IGST which will be levied by the Centre. The credit of GST paid on inputs at every stage of value addition would be available for the discharge of GST liability on the output, thereby ensuring GST is charged only on the component of value addition at each stage.

Features of GST

Following are the features of a Dual GST structure that envisages functions and responsibilities of both Centre and States/ UT:

- Majority of the prevailing indirect taxes such as excise duty, VAT/Sales tax, service tax, additional excise duties, entry tax, luxury tax etc. will be subsumed.
- It would be a dual GST with the Centre and States simultaneously levying it on a common tax base. Union territories with legislatures i.e. Delhi & Puducherry will get covered under the State Acts and levy SGST and Union territories without legislatures i.e. Andaman & Nicobar, Chandigarh, etc. will have their own separate Acts and will levy UTGST. The GST to be levied by the Centre on intra-State supply of goods and / or services would be called as CGST and that to be levied by the States/ UTs would be called as SGST/ UTGST. Similarly, IGST will be levied and administered by Centre on every inter-State supply of goods and services.
- Import of goods will be subjected to levy of IGST in addition to basic customs duty. This implies that countervailing duty and other additional duties on imports would be subsumed.
- Utilization of ITC would include input CGST to be utilized against output CGST and IGST and input SGST/ UTGST to be utilized against output SGST/ UTGST and IGST. Further, input IGST could be utilized against output IGST, CGST and SGST.
- Levy of GST on petroleum crude, high speed diesel, petrol, natural gas and aviation turbine fuel is currently deferred till the date as recommended by the GST Council and will continue to be taxed as per the current indirect tax regime. Credit of taxes/duties paid on these products will not be available and will become cost for the buyers.
- HSN (Harmonised System of Nomenclature) code shall be used for classifying the goods under the GST regime. Services will be classified as per the SAC (Services Accounting Code).

- Exports and Supplies to SEZ will be treated as zero rated supplies. No tax will be payable on exports/supply to SEZ of goods or services, however credit of input tax credit will be available and same will be available as refund to the exporters/supplier to SEZ.

GENERAL POINTS OF IMPACT

Sl. No.	Heading	Relevant Section of CGST Act unless otherwise provided	Impact
1	Taxable Event	<p><u>Sec 7, CGST Act: Scope of supply</u></p> <p><u>Schedule I, CGST Act: Activities to be treated as supply even if made without consideration</u></p> <p><u>Schedule II, CGST Act: Activities to be treated as supply of goods or supply of services</u></p>	<ul style="list-style-type: none"> • Taxable event for levy of GST is supply. Concept of manufacture which is the taxable event for levying excise duty is no longer relevant. • GST shall be levied on supply of goods as well as services unlike excise duty and VAT which are levied on goods and service tax which is exigible only on services. • Supply is defined in an inclusive manner to include: <ul style="list-style-type: none"> (a) All forms of supply of goods/services such as sale, barter, transfer, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business; (b) Import of services for a consideration whether or not in the course or furtherance of business; (c) Activities specified in Schedule I made or agreed to be made without consideration; (d) Activities to be treated as supply of goods or supply of services as referred to in Schedule II. • Schedule I contains activities which shall be treated as supply

			<p>of service even if made without consideration:</p> <p>(a) Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.</p> <p>(b) Supply of goods/services between related persons or distinct person specified in Section 25, when made in the course or furtherance of business.</p> <p>Gift upto Rs. 50,000/- in a financial year given to an employee shall not be chargeable to GST (Employer and employee are deemed to be related persons).</p> <p>(c) Supply of goods by a principal/agent to agent/principal, where agent undertakes to supply/receive such goods on behalf of principal.</p> <p>(d) Import of service by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.</p> <ul style="list-style-type: none"> • Regarding provisions of Schedule II, one of the entries mentioned therein is “transfer of business asset, whether or not for a consideration”. If a view is taken that activities mentioned in Schedule II are supplies and chargeable to GST, any transfer of business asset even if made without consideration or to unrelated person shall be taxable.
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			<p>Further clarification should be awaited regrading taxability of activities mentioned in Schedule II.</p> <ul style="list-style-type: none"> • Further Schedule III contains list of activities which shall be treated neither as supply of goods nor a supply of service. Services by an employee to the employer in the course of or in relation to his employment are mentioned in the said Schedule and will not be chargeable to GST. • The following taxes of the current taxation regime shall be subsumed in GST: <ul style="list-style-type: none"> - Excise duty - Service Tax - Additional Customs Duty (CVD) - Special Additional Duty (SAD) - State VAT/CST - Purchase Tax - Local Body Tax - Octroi and Entry Tax - Swatch Bharat Cess - Krishi Kalyan Cess - Paper Cess
2	Levy of GST	<u>Section 9, CGST Act: Levy and collection</u>	<ul style="list-style-type: none"> • GST shall be levied on all intra-State and inter-State supplies,

		<p> <u>Section 9, SGST Act: Levy and collection</u> <u>Section 5, IGST Act: Levy and collection</u> <u>Section 7, UTGST Act: Levy and collection</u> <u>GST rate schedule for goods as approved by GST Council on 18th May, 2017</u> <u>GST rate schedule for goods as approved by GST Council on 19th May, 2017</u> </p>	<p>except on the supply of alcoholic liquor of human consumption.</p> <ul style="list-style-type: none"> • In respect of following items, GST shall be levied from a later date as may be notified by Government: <ol style="list-style-type: none"> (1) Petroleum Crude (2) High speed diesel (3) Motor spirit (commonly known as petrol) (4) Natural gas (5) Aviation Turbine Fuel • As per the provisions of Taxation Amendment Bill, imported goods shall be leviable to IGST under Customs Tariff Act, 1975. • In respect of supplies made by an unregistered person to a registered person, tax shall be payable under reverse charge mechanism. • Cap rate of CGST and SGST/UTGST is 20% whereas on IGST it is 40%. • The GST Council has finalized the GST rate structure for goods at Nil, 5%, 12%, 18% and 28%.
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			<ul style="list-style-type: none"> The GST Council has fixed the GST rate of 12% for chemical fertilizers. For services, GST Council has finalized the GST rate structure at 5%, 12%, 18% and 28%. Beside this, in respect of services by way of transfer of right to use goods the GST rate shall be same as applicable on supply of similar goods.
3	Nature of Supplies and tax payable under GST	<u>Section 7, IGST Act: Inter State Supply</u> <u>Section 8, IGST Act: Intra State Supply</u>	<ul style="list-style-type: none"> Following supplies shall be treated as inter-State supplies: <ol style="list-style-type: none"> Supply of goods/services, where location of supplier and place of supply are in: <ol style="list-style-type: none"> two different States two different Union Territories a State and a Union Territory Supply of goods imported into the territory of India, till they cross the customs frontier of India. Supply of services imported into territory of India. Supply of goods/services, where supplier is located in India and the place of supply is outside India. Supply of goods/service to or by a SEZ developer or SEZ unit.

			<ul style="list-style-type: none"> • Following supplies shall be treated as intra-State supplies: <ol style="list-style-type: none"> (1) Supply of goods/services, where location of supplier and place of supply are in: <ol style="list-style-type: none"> (a) same State; or (b) same Union Territory • Intra-State supplies shall be leviable to CGST and SGST/UTGST. • Inter-State supplies shall attract IGST which will be sum rate of CGST and SGST/UTGST. • Union Territories with legislature are covered under definition of State and will levy SGST whereas Union Territories without legislature namely Andaman and Nicobar Islands, Lakshadweep, Chandigarh, Dadar and Nagar Haveli will levy UTGST.
4	Place of supply	<p><u>Section 10, IGST Act:</u> Place of Supply of goods other than supply of goods imported into or exported from India.</p> <p><u>Section 11, IGST Act:</u> Place of supply of goods imported into, or</p>	<ul style="list-style-type: none"> • The POS of goods other than goods imported or exported from India shall be determined as follows: <ul style="list-style-type: none"> – Supply involves movement of goods: Location of goods at the time when movement terminates for delivery to recipient. – Supply does not involve movement of goods: Location

		<p>exported from India.</p> <p><u>Section 12, IGST Act:</u> Place of Supply of services where location of supplier and recipient is in India</p> <p><u>Section 12, IGST Act:</u> Place of Supply of services where location of supplier and recipient is in India</p> <p><u>Section 13, IGST Act:</u> Place of Supply of services where location of supplier or recipient is outside India</p>	<p>of goods at the time of delivery to the recipient.</p> <p>– Goods assembled or installed at site: Place of such assembly or installation.</p> <ul style="list-style-type: none"> • In case of a Bill-to-ship-to transaction, where a supplier moves goods to a 3rd party premise on the direction of his customer, the POS for supply of goods shall be the PPOB of customer and not where the movement of goods terminates for delivery. For example, A (Maharashtra) bill to B (Maharashtra) but moves goods to C (Gujarat). The POS of such supply would be Maharashtra and Maharashtra CGST + SGST would be payable. • The POS of goods in case of goods imported into India shall be the location of importer. • The POS of goods in case of goods exported from India shall be the location outside India. • In respect of place of supply of services, two set of rules has been specified: (1) Where location of supplier as well as receiver is in India, and (2) Where location of either supplier or receiver is outside India.
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			<ul style="list-style-type: none"> • Place of supply of service where location of supplier and recipient is in India (General Rule): • Made to registered person: Location of recipient • Made to other than registered person: Address on record of recipient (if available) and location of supplier in other cases. • Place of supply of service where location of either supplier or recipient is outside India (General Rule): Location of recipient of service (if available) and location of supplier in other cases. • For certain services like services in relation to immovable property, admission to event etc. specific rules have been specified.
5	Time when liability to pay GST arises – Time of supply (TOS)	<p><u>Section 12, CGST Act:</u> Time of supply of goods</p> <p><u>Section 13, CGST Act:</u> Time of Supply of services</p>	<ul style="list-style-type: none"> • TOS determines the time when liability to pay tax arises. • In case of goods, the TOS arises on the earliest of the following: <ul style="list-style-type: none"> - Date on which the invoice is issued or required to be issued - Date on which payment is received by the supplier • In case of supply of services, TOS arises on the earliest of the following:

			<ul style="list-style-type: none"> - Date of issuance of the invoice if it is issued within prescribed time (30 days from the date of supply of service) or the date on which payment is received by the supplier, whichever is earlier; or - Date of provision of service if the invoice is not issued within prescribed time or the date of receipt of payment, whichever is earlier; or - The date on which the recipient shows the receipt of services in his books of account, in a case where above provisions do not apply. <ul style="list-style-type: none"> • In case of supply of goods in respect of which tax is to be paid on a reverse charge basis, the time of supply will be the earliest of: <ul style="list-style-type: none"> - Date of receipt of goods - Date of payment as entered in the books of accounts of the recipient or the date on which payment is debited in recipient's bank account, whichever is earlier - Date immediately following 30 days from date of issue of invoice by the supplier - The date of entry in the books of accounts of recipient where it is not possible to determine the TOS as per the
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			<p>above provisions</p> <ul style="list-style-type: none"> • In case of supply of services in respect of which tax is to be paid on a reverse charge basis, the time of supply will be the earliest of: <ul style="list-style-type: none"> - The date of payment as entered in the books of accounts of the recipient or the date on which payment is debited in recipient's bank account, whichever is earlier - The date immediately following 60 days from the date of issue of invoice - The date of entry in the books of accounts of recipient where it is not possible to determine as per the above provisions • The time of supply to the extent it relates to an addition in the value of supply by way of interest, late fee or penalty for delayed payment of any consideration shall be the date on which the supplier receives such addition in value. (Value of supply includes interest, late fee or penalty for delay payment of any consideration) • Unlike present regime, advance received in respect of goods also will trigger time of supply and GST shall be required to be
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			paid thereon.
6	Invoices	<p><u>Section 2(66), CGST Act: Definition of invoice or tax invoice</u></p> <p><u>Section 31, CGST Act: Tax Invoice</u></p> <p>Revised Draft GST Invoice Rules</p>	<ul style="list-style-type: none"> • Tax Invoice will be required to be issued in case of taxable supply of goods and/or services. • In case of supply of goods, invoice would be required to be issued before or at the time of: <ul style="list-style-type: none"> - Removal of goods for supply to recipient where supply involves movement of goods. - Delivery of goods or making available thereof to the recipient in any other case • In case the value of goods/services is less than INR 200, a tax invoice may not be issued if recipient is not a registered person and the recipient does not require such invoice. A consolidated tax invoice at the end of each day shall be issued for all such supplies. • In case of exempt supplies or registered person paying tax under Section 10 (composition levy), instead of tax invoice, Bill of supply will be issued. <p>It is to be noted that no Bill of supply is required if the value of the goods or services or both supplied is less than Rs. 200/-.</p>

			<ul style="list-style-type: none"> • Further, at the time of receipt of advance, instead of a tax invoice, a receipt voucher will be issued. • Further, if any advance has been received with respect to any supply of goods or services, but subsequently no supply is made and no tax invoice is issued, the supplier who had received the payment shall issue a refund voucher to the person who made the payment. • In case the Company receives goods /services from unregistered persons and are liable to pay tax on reverse charge basis on the said goods/services, the Company itself shall issue an invoice on the date of receipt of the said goods/services. • In respect of supplies on which the Company is liable to pay tax under reverse charge mechanism, a payment voucher shall be required to be issued by it at the time of making payment to supplier. • Where the goods are sent or taken on approval for sale or return are removed before supply, the tax invoice shall be issued: <ol style="list-style-type: none"> a. before or at the time of supply or b. six months from the date of removal,
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			<p style="text-align: center;">whichever is earlier.</p> <ul style="list-style-type: none"> • As prescribed under rules, invoice should contain the following details: <ul style="list-style-type: none"> - Name, address and GSTIN of the supplier - Date of its issue - Name, address and GSTIN/UIN of customer - Consecutive serial number - HSN/SAC of goods/services - Description of goods/services - Total value of supply of goods or services or both - Taxable value and rate of tax - Place of supply in case of inter-State trade or commerce - Address of delivery where it is different from place of supply etc. • For supply of goods, 3 copies of invoices to be issued: <ul style="list-style-type: none"> - Original for recipient - Duplicate for transporter - Triplicate for supplier • For supply of services, 2 copies of invoices to be issued: <ul style="list-style-type: none"> - Original for recipient
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			- Duplicate for supplier
7	Transportation of goods without invoice	<u>Revised Draft Invoice Rules</u>	<p><u>Delivery Challan</u></p> <ul style="list-style-type: none"> • A consigner may issue a delivery challan, serially numbered (not exceeding sixteen characters), in lieu of invoice at the time of removal of goods for transportation in the following cases, namely: - <ul style="list-style-type: none"> ➤ Supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known ➤ Transportation of goods for job work ➤ Transportation of goods for reasons other than supply ➤ Such supplies as may be notified by the Board • Where goods are being transported on a delivery challan in lieu of invoice, the same shall be declared in FORM [WAYBILL].
8	Input Tax Credit	<p><u>Section 16, CGST Act:</u> Eligibility and conditions for taking Input tax credit</p> <p><u>Section 17, CGST Act:</u> Apportionment of credit and blocked credits</p> <p><u>Section 49, CGST Act:</u> Payment of Tax, Interest, Penalty and other amounts</p> <p><u>Section 41, CGST Act:</u> Claim of input tax credit and provisional</p>	<p><u>Restrictions on ITC</u></p> <ul style="list-style-type: none"> • The Company shall be entitled to credit of input tax subject to the following: • Credit of input, input services and capital goods shall be restricted to the amount of input tax attributable to business use. • Credit of input, input service and capital goods shall be restricted to the amount of input tax attributable to inward supplies used for the purpose of making taxable supplies

		<p>acceptance thereof</p> <p><u>Section 42, CGST Act: Matching, reversal and reclaim of input tax credit</u></p> <p><u>Section 149, CGST Act: GST compliance rating</u></p> <p>Input tax credit Rules</p>	<p>including zero rated supplies.</p> <ul style="list-style-type: none"> • Rule 7 and 8 of the Input Tax Credit Rules provide for the mechanism for availment of proportionate credit in respect of input, input service and capital goods which are partly used for the purposes of business and partly for other purposes, or partly used for effecting taxable supplies including zero rated supplies and partly for effecting exempted supplies. • Credit of Non-GST items shall not be available in the GST regime (high speed diesel, aviation turbine fuel, petroleum crude, motor spirit, natural gas and alcoholic liquor for human consumption). • Credit of items specified in section 17(5) shall not be available. • The Company shall not be allowed to claim ITC in respect of supply made unless: <ul style="list-style-type: none"> • Is in the possession of tax invoice or debit note issued by the supplier registered under the Act, or such other tax paying document as may be prescribed. • Has received the goods/services. • The tax charged in respect of such supply has actually been paid to the government treasury either through cash or through utilization of ITC. • Has furnished the return under Section 39.
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			<ul style="list-style-type: none"> • Documents on the basis of which credit can be availed: <ul style="list-style-type: none"> (a) Tax invoice/debit note issued by supplier (b) Bill of entry (c) Invoice issued by recipient for supplies received from an unregistered dealer on which tax payable under reverse charge (d) Invoice issued by ISD • For goods and services, payment of amount and tax needs to be made to vendor within 180 days from the date of issue of invoice, failing which ITC taken will be added to recipient's output tax liability along with interest. However, on subsequent payment of value of supply along with tax will entitle the recipient to avail ITC. <p>Above provision is not applicable in respect of supplies on which tax is payable under reverse charge mechanism and in respect of the supplies made without consideration as specified in Schedule I of the CGST Act (e.g. stock transfer to a branch in other State).</p> <p><u>Utilization on ITC</u></p> <ul style="list-style-type: none"> • ITC of CGST cannot be utilized for payment of SGST/ UTGST and vice-versa. • ITC of CGST, SGST/ UTGST and IGST can be utilized against
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			<p>the payment of IGST and vice-versa</p> <ul style="list-style-type: none"> • ITC of CGST, SGST/ UTGST and IGST under one GST registration cannot be utilized for payments of CGST, SGST/ UTGST and IGST under another GST registration even within the same State. <p><u>Matching of ITC</u></p> <ul style="list-style-type: none"> • The Company will be allowed to claim provisional credit as self-assessed in the return. The said credit shall be matched with the details of outward supplies as furnished by the supplier. • If the ITC claimed by the Company exceeds the tax declared by the supplier in GSTR-1, or the outward supply is not declared by the supplier in his valid GSTR-1; it would amount to mismatch of returns and the discrepancy shall be communicated to both the parties. • Supplier is required to rectify the error in his return for the month in which the discrepancy is communicated. • If any discrepancy amount remains un-rectified, such amount shall be added to the output tax liability of the Company in its return to be furnished in FORM-GSTR-3 for the month succeeding the month in which discrepancy is communicated.
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			<p>In this case interest shall also be charged for the period the credit was taken in the return.</p> <ul style="list-style-type: none"> • However, if subsequently supplier rectifies the mismatch then credit will be restored and interest paid will be refunded. <p><u>Last date for availment of ITC</u></p> <ul style="list-style-type: none"> • ITC shall not be allowed on an invoice after the due date of furnishing of monthly return for the month of September following the end of F.Y. to which the invoice relates or filing of relevant annual return (due date 31st December of next FY), whichever is earlier. Effectively, there is an 18-month window for availment of credit in respect of invoices issued in the month of April of the financial year and 6-month window in respect of invoices issued in the month of March of the financial year. <p><u>Points relevant for Capital Goods</u></p> <ul style="list-style-type: none"> • The entire input tax credit on capital goods may be availed in the same financial year in which capital goods are received. • No ITC is allowed on the tax component on which depreciation has been claimed under the provisions of The Income Tax Act, 1961. • In case of supply of capital goods or plant and machinery, on which input tax credit has been taken, the registered taxable
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			<p>person shall pay an amount equal to the input tax credit taken on the said capital goods or plant and machinery reduced by the percentage points as may be specified in this behalf or the tax on the transaction value of such capital goods or plant and machinery section 15, whichever is higher</p>
9	ISD Mechanism	<p><u>Section 20, CGST Act: Manner of distribution of credit by ISD</u> Input Tax Credit Rules</p>	<ul style="list-style-type: none"> • Concept of ISD has been retained under GST regime. • ISD mechanism allows a Taxpayer to transfer the ITC (tax collected and paid by vendors) to other GSTINs under the same PAN. ISD mechanism is available only for input services. • Separate registration will have to be obtained for ISD irrespective of the fact that the Company is otherwise registered in the same State in which the ISD office is located. • ISD will have to issue invoices for the distribution of credit. It should be indicated in the invoice that it is issued only for the purpose of distribution of credit. • The ITC will have to be distributed by the ISD unit in the following manner: <ol style="list-style-type: none"> a. ITC available for distribution in a month shall be distributed in the same month. b. In-eligible and eligible ITC are to be distributed separately, and in-eligible ITC will not be claimed by the recipient.

			<p>c. Credit of CGST, SGST, UTGST and IGST has to be distributed separately.</p> <p>d. Credit of tax to only one registration shall be distributed to that registration. Credit attributable specifically to two or more registrations shall be distributed to such specific registrations, and credit commonly attributable to all registrations shall be distributed to all registrations.</p> <p>e. The ISD shall distribute credit as follows:</p> <ul style="list-style-type: none"> ▪ IGST as IGST (Section 20 of CGST Act allows distribution of IGST also as CGST. However, rules provide for distribution of IGST as IGST) ▪ CGST as CGST and SGST as SGST, if ISD and recipient are in same State ▪ CGST/SGST as IGST, if ISD and recipient are in different States <p>f. In case of receipt of credit note by ISD on account of any reasons, ITC distributed shall be apportioned to each registration in the same proportion in which credit of original invoice pertaining to such credit note was distributed.</p> <p>g. Such apportioned amount will have to be reduced from the amount to be distributed by the ISD in the month in which</p>
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			<p>the credit note was issued. In case credit to be distributed by the ISD to a particular registration (in the month in which the credit note) is received is less than the amount so apportioned, such differential amount will be added to the output tax liability of the such registration.</p> <p>h. In case of a receipt of debit note by ISD in respect of the services received by it, credit of the additional tax paid can be distributed to the respective registrations in the manner specified above and the credit shall be distributed in the month in which debit note is included in the return of the ISD.</p> <ul style="list-style-type: none"> • A tax invoice issued by an Input Service Distributor shall contain the following details: - <ul style="list-style-type: none"> (a) Name, address and GSTIN of the Input Service Distributor; (b) A consecutive serial number (not exceeding sixteen characters), in one or multiple series, containing alphabets or numerals or special characters, unique for a financial year; (c) Date of its issue; (d) Name, address and GSTIN of the recipient to whom the credit is distributed;
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			<p>(e) Amount of the credit distributed; and</p> <p>(f) Signature or digital signature of the supplier or his authorized representative</p>
10	Registration	<p><u>Section 22, CGST Act</u>: Persons liable for Registration</p> <p><u>Section 24, CGST Act</u>: Compulsory registration in certain cases</p> <p><u>Section 25, CGST Act</u>: Procedure for Registration</p> <p><u>Section 26, CGST Act</u>: Deemed registration</p> <p>Revised Draft Registration Rules</p>	<ul style="list-style-type: none"> • The Company will have no option to apply for a centralized registration at the entity level, unlike under the present service tax regime. • Every person, whose aggregate turnover crosses the specified threshold of Rs. 20, 00,000/- is liable to be registered in each State/UT from where he makes a taxable supply. • The said threshold has been set at Rs. 10, 00,000/- for North Eastern States and Jammu & Kashmir, Sikkim, Himachal Pradesh, Uttarakhand and special category States. • The Company will be liable to be registered in all those State or Union territory from where it makes a taxable supply of goods or services or both. • All the places of business in a State/ Union territory would be covered by a single registration in the State/UT. • The company having multiple “business verticals” in a State/ Union territory, as defined under CGST Act, can opt for separate registrations in a State/UT. • A person who has obtained more than one registration shall, in

			<p>respect of each registration, be treated as distinct person.</p> <ul style="list-style-type: none"> • Every registered person will receive a State-wise PAN based 15 digit Goods and Services Taxpayer Identification Number, showing the principal place of business and additional place(s) of business. • This single registration would cover payment of CGST, SGST, UTGST and IGST. • The procedure for registration is discussed hereunder: <ul style="list-style-type: none"> • Application for registration shall be required to be made in Form GST REG-01 within 30 days from the day the Company becomes so liable. • An acknowledgement shall be issued to the Company in form GST REG-02 after submission of application. • Within 3 working days of submission of the application, registration certificate shall be issued in form GST REG-06 unless any discrepancy is found. • In such a case, the proper officer may require a clarification from the company in form GST REG-03, within 3 working days of submission of application. • The Company shall furnish such clarification along with supporting documents in form GST REG-04 within 7 working days from the receipt of GST REG-03.
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			<ul style="list-style-type: none"> • In case the proper officer is satisfied, he shall issue a registration certificate in GST REG-06 within 7 working days of such clarification. • In case the proper officer is not satisfied, he shall communicate the rejection of such application in form GST REG-05 within 7 working days of such clarification. • In such a case, the applicant shall be required to apply for registration again in GST REG-01. • The Company will have to apply separately for registration as an ISD (if applicable). • Further, persons required to deduct tax at source or persons required to collect tax at source, would also require to apply separately for registration.
11	Migration of Existing Taxpayers	<p><u>Section 139, CGST Act:</u> Migration of existing Taxpayers to GST</p> <p>Revised Draft Registration Rules</p> <p><u>Section 35, CGST Act:</u> Accounts and other records</p>	<ul style="list-style-type: none"> • Every person registered under any of the existing laws and having PAN shall be issued a certificate of registration on provisional basis on and from the appointed day (appointed day is the date on which GST comes into effect), which will be replaced by the final certificate of registration on fulfillment of prescribed conditions. • Every person registered under the existing law and having a PAN is required to enroll himself on the common portal by validating his e-mail address and mobile number.

			<ul style="list-style-type: none"> • Upon enrolment, the person will be granted a provisional registration certificate which will be made available on common portal. • Any person having centralized registration under Finance Act, 1994 will be granted only one provisional registration in the State/ Union territory where the person is registered under the existing law. • Further, company having multiple registrations based on single PAN under the existing law will be granted only one provisional registration. • Further, upon receipt of provisional registration, an application along with information and documents will be required to be furnished within 3 months for obtaining final certificate of registration. In case the proper officer is satisfied, he shall issue a registration certificate in GST REG-06. • Accounts and other records would be maintained and made available at the principal place of business in each State. Such accounts may be kept in electronic form. • The Company needs to opt for separate registration as ISD and as tax deductor at source, as required or applicable.
12	Returns	<u>Section 37, CGST Act</u> : Furnishing details of outward supplies	<ul style="list-style-type: none"> • The Company will be required to file the following returns for each registration.

		<p><u>Section 38, CGST Act: Furnishing details of inward supplies</u></p> <p><u>Section 39: Furnishing of Returns</u></p> <p><u>Section 44: Annual Return</u></p> <p><u>Draft Goods and Services tax return rules</u></p>	<ul style="list-style-type: none"> - GSTR-1 – For outward Supplies on monthly basis by 10th of next month (Cannot be furnished during 11th to 15th of the month succeeding the tax period) - GSTR-2 – For inward Supplies on monthly basis by 15th of next month - GSTR-3 – Monthly final return by 20th of next month - GSTR-9 - Annual Return, by 31st December of next financial year <ul style="list-style-type: none"> • Separate monthly Return will be required to be filed for Input Service Distributor in FORM GSTR-6 on monthly basis by 13th of next month. • A registered taxable person required to deduct tax at source under Section 51 shall furnish a return in FORM GSTR-7 electronically on monthly basis by 10th of next month. • Every registered taxable person whose aggregate turnover during a financial year exceeds one crore rupees shall get his accounts audited under sub-Section (4) of Section 35 and he shall furnish a copy of audited annual accounts and a reconciliation statement, duly certified, in FORM GSTR-9B, electronically through the Common Portal either directly or from a Facilitation Centre, notified by the Board or
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			<p>Commissioner.</p> <ul style="list-style-type: none"> While reporting outward supplies, the Company will have to report the following details; <ul style="list-style-type: none"> Invoice wise details – for inter-State and intra-State supplies made to registered persons and for inter-State supplies to unregistered persons with invoice value 2.5 lakh and above. Consolidated details: – for intra-State-supplies to unregistered persons for each rate of tax and for inter-State supplies to unregistered persons with invoice value less than 2.5 lakh. The registered person shall not be allowed to furnish GSTR-3 (return) for a tax period if any return pertaining to previous period has not been furnished by him.
13	Payment	<p><u>Section 49: Payment of tax, interest, penalty and other amounts.</u></p> <p><u>Draft GST Rules on Payment</u></p>	<ul style="list-style-type: none"> Electronic tax liability register shall be maintained in form GST PMT-01 and all amounts payable by a taxable person shall be debited to the register. The electronic credit ledger shall be maintained in FORM GST PMT-02 for each registered taxable person and every claim of input tax credit under the Act shall be credited to the said Ledger. The electronic cash ledger shall be maintained in FORM GST

			<p>PMT-05 for each registered taxable person for crediting the amount deposited and debiting the payment therefrom towards tax, interest, penalty, fee or any other amount.</p> <ul style="list-style-type: none"> • The electronic tax liability register shall be debited by: <ol style="list-style-type: none"> a. Tax, interest, late fee or any other amount payable as per the return furnished; b. Tax, interest, penalty or any other amount payable as determined by a proper officer pursuant to any proceedings under the Act or ascertained by the taxable person; c. Tax and interest payable as a result of mismatch under Section 42 or Section 43 or Section 50; or d. Any amount of interest that may accrue from time to time. • Every liability of a taxable person shall be discharged by debiting the electronic credit ledger maintained in form GST PMT-2 or electronic cash ledger in form GST PMT-5 and the electronic tax liability register shall be credited accordingly. • Electronic credit register can only be used to make payment towards tax liability of the person and not towards interest, penalty or any other dues. • Taxes and other dues of a taxable person shall be discharged in the following order: <ul style="list-style-type: none"> • Self-assessed tax and other dues relating to previous periods
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			<ul style="list-style-type: none"> • Self-assessed tax and other dues relating to current period • Any other dues. • A registered person, or any other person on his behalf, shall generate a challan in FORM GST PMT-6 and enter the details of the amount to be deposited by him towards tax, interest, penalty, fees or any other amount. • The deposit can be made through net banking, debit/credit cards, NEFT/RTGS • Over the counter payment upto Rs. 10,000 by cash, cheque or demand draft can also be made. • Payment of taxes by the normal taxpayer is to be done on monthly basis by the 20th of the succeeding month. Composition tax payers will need to pay tax on quarterly basis.
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