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Confederation of Indian Industry

GST: ALL YOU NEED TO KNOW

"Making Transition Smoother"

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Message

Mr Rahul Chaudhry
Chairman
CII Delhi State

The Goods and Service Tax (GST) is one of the most momentous tax restructuring which has been done by the Government of India post-independence. The objective is simple - if India had one Railways, one postal system, one kind of civil and criminal laws etc then why not One India One Goods and Services Tax system. The current divide between the state and the central indirect taxes is complicated and GST will create a unique component for the Indian market with a common and seamless tax regime. It is anticipated that GST will provide an impetus to the 'Make in India' initiative of the Government of India. It is expected to give a substantial boost to the economic growth of the nation.

A significant challenge for the industry is to adapt their business processes and transaction with the GST. GST will touch every vertical of the Industry. Beginning from Accounting, Finance, HR Tax, and IT to name a few.

Equipping people within the company about technical know-how of GST will be vital for the preparedness of the new tax system. Industry would have to understand key areas of impact in their businesses and prepare different scenarios for the design and application of GST. Thus, we in CII, through our various workshops and seminars are making sure that the Industry has a soft landing to GST when it is implemented.

GST is a marvelous prospect to improve the way we conduct our businesses, and to make the most of this opportunity, it is essential that we welcome GST with open arms and are ready for it.

Message

Jyoti Prakash Gadia
Co-Founder
EaseMyGST

Goods & Services Tax is a comprehensive, multi-stage, destination-based tax that will be levied on every value addition. The idea behind having one consolidated indirect tax to subsume multiple currently existing indirect taxes is to benefit the Indian economy in a number of ways.

The Goods and Services Tax Law is aimed at streamlining the indirect taxation regime. As mentioned above, GST will subsume all indirect taxes levied on goods and service, including State and Central level taxes. The GST mechanism is advancement on the VAT system, the idea being that a unified GST Law will create a seamless nationwide market.

It is also expected that Goods and Services Tax will improve the collection of taxes as well as boost the development of Indian economy by removing the indirect tax barriers between states and integrating the country through a uniform tax rate. Today Information Technology has become the corner stone of every successful business and globalization has forced MSMEs to think beyond their traditional methods of doing business. Tools such as Enterprise Resource Planning (ERP) have emerged as necessary platforms for MSMEs not only to streamline their own business but also to remain competitive. However, the growth in the number of MSMEs has not reflected in the growth of MSMEs adopting IT/ITeS. Lack of IT support and awareness of available technologies are some of the hindrances faced by MSMEs in adopting IT Services.

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GST – An Overview

GST – Goods and Service Tax is a comprehensive, multi stage, single destination based consumption tax which will replace the other existing tax such as CENVAT, Sales Tax, Excise Duty. It has been an eye catcher not only for the market but also for the manufacturers and the consumers.

It is a one indirect tax, which aims at unifying the tax structure in India.

There are four kinds of GST that would be levied namely CGST, SGST, IGST, and UTGST.

CGST: Central Goods and Services Tax will be paid on all transactions, collected by the Central Government. It would be charged on the movements of goods and services of standard commodities and services which can be amended from time to time. The revenue collected would go to the Centre. Input Tax Credit is only applicable when the good and services come under CGST.

The following taxes would be subsumed:

1. Central Excise Duty
2. Additional Excise Duty
3. Service Tax
4. Countervailing Duty
5. Special Additional Duty of Customs

SGST: State Goods and Services Tax, will be paid on all transactions within a State, collected by the States. The revenue collected under SGST is for the state governments. After the implementation of the SGST following taxes would be subsumed:

1. Subsuming of State Value Added Tax/ Sales Tax
2. Entertainment Tax
3. Octroi and Entry Tax
4. Purchase tax
5. Luxury Tax
6. Taxes on Lottery, Betting and Gambling

IGST: Integrated Goods and Services Tax, will be paid on all inter-state transactions, or import of goods into India, collected by the Center. It would be charged when good and services will move from one state to another. For example, goods moving from Karnataka to West Bengal, IGST would be levied. The revenue from this would be shared by both the Central Government and the State Government.

UTGST: Union Territory Goods and Service Tax: When supply of goods and services will take place in Union Territories like Andaman and Nicobar Islands, Chandigarh, Dadra and Nagar Haveli, Daman and Diu, Delhi, Lakshadweep Islands, Puducherry it would be accounted under UTGST.

History of GST

2000: The Vajpayee Government started discussion on GST by setting up an empowered committee.

2002-04: The Kelkar Task Force on the implementation of Fiscal Responsibility and Budget Management(FRMB) Act, 2003 suggested a comprehensive Goods and Services Tax(GST).

2006: A proposal to introduce a national level Goods and Services Tax by April1,2010 was first introduced in the Budget Speech for the financial year 2006-07.

2007: May 2007 Empowered Committee of State Finance Ministers, on this request, started work on GST Roadmap. On November, The Joint Working Group, submitted its report to the Empowered Committee on November 19th.

2008: April 2008, Empowered Committee finalised views over GST and submitted its report titled 'A Model on Roadmap for Goods and Services Tax(GST) in India.

2009: In November first discussion paper released by the Empowered Committee.

2010: In February it was mentioned in a speech of the then FM to introduce GST in April 2011.

2011: The Constitution 115th Amendment Bill introduced Lok Sabha for levy of GST on all goods and services except for specified goods.

2013: In August Standing Committee submitted its report on GST. In November, EC rejected the government's proposal to include petroleum products.

2014: In December, The Constitution 122th Amendment Bill passed in Lok Sabha for levy of GST which enables the introduction of GST probably by April 2016 on 17th December, 2014.

2016: On 3rd August, The Constitution (122nd Amendment) Bill passed by the Rajya Sabha.

2017: On 16th March , the GST Council clears State GST and Union Territory GST Laws.

Tax Structure under GST

TAX RATE	ITEMS
0%	**GOODS** Jute, fresh meat, fish chicken, eggs, milk, butter milk, curd, natural honey, fresh fruits and vegetables, flour, besan, bread, prasad, salt, bindi. Sindoor, stamps, judicial papers, printed books, newspapers, bangles, handloom, Bones and horn cores, bone grist, bone meal, etc.; hoof meal, horn meal, Cereal grains hulled, Palmyra jaggery, Salt - all types, Kajal, Children's' picture, drawing or colouring books, Human hair . **SERVICES** Hotels and lodges with tariff below Rs 1,000, Grandfathering service has been exempted under GST. Rough precious and semi-precious stones will attract GST rate of 0.25 per cent.
5%	**GOODS** Items such as fish fillet, Apparel below Rs 1000, packaged food items, footwear below Rs 500, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee, tea, spices, pizza bread, rusk, sabudana, kerosene, coal, medicines, stent, lifeboats, Cashew nut, Cashew nut in shell, Raisin, Ice and snow, Bio gas, Insulin,Kites, Postage or revenue stamps, stamp-post marks, first-day covers. **SERVICES** Transport services (Railways, air transport), small restaurants will be under the 5% category because their main input is petroleum, which is outside GST ambit.
12%	**GOODS** Apparel above Rs 1000, frozen meat products , butter, cheese, ghee, dry fruits in packaged form, animal fat, sausage, fruit juices, Bhutia, namkeen, Ayurvedic medicines, tooth powder, agarbatti, colouring books, picture books, umbrella, sewing machine, cell phones, Ketchup & Sauces, All diagnostic kits and reagents Exercise books and note books, Spoons, forks, ladles, skimmers, cake servers, fish knives, tongs, Spectacles, corrective, Playing cards, chess board, carom board and other board games, like Ludo. **SERVICES** State-run lotteries, Non-AC hotels, business class air ticket, fertilisers, Work Contracts will fall under 12 per cent GST tax slab.

18%	**GOODS** Most items are under this tax slab which include footwear costing more than Rs.500, Bidi Patta, Biscuits (All categories), flavoured refined sugar, pasta, cornflakes, pastries and cakes, preserved vegetables, jams, sauces, soups, ice cream, instant food mixes, mineral water, tissues, envelopes, tampons, note books, steel products, printed circuits, camera, speakers and monitors, Kajal pencil sticks, Headgear and parts thereof, Aluminium foil, Weighing Machinery [other than electric or electronic weighing machinery], Printers [other than multifunction printers], Electrical Transformer, CCTV, Optical Fiber, Bamboo furniture, Swimming pools and padding pools, Curry paste; mayonnaise and salad dressings; mixed condiments and mixed seasonings. **SERVICES** AC hotels that serve liquor, telecom services, IT services, branded garments and financial services will attract 18 per cent tax under GST, Room tariffs between Rs 2,500 and Rs 7,500, Restaurants inside five-star hotels.
28%	**GOODS** Bidis, chewing gum, molasses, chocolate not containing cocoa, waffles and wafers coated with chocolate, pan masala, aerated water, paint, deodorants, shaving creams, after shave, hair shampoo, dye, sunscreen, wallpaper, ceramic tiles, water heater, dishwasher, weighing machine, washing machine, ATM, vending machines, vacuum cleaner, shavers, hair clippers, automobiles, motorcycles, aircraft for personal use, will attract 28 % tax - the highest under GST system. **SERVICES** Private-run lotteries authorised by the states, hotels with room tariffs above Rs 7,500, 5-star hotels, race club betting, cinema will attract tax 28 per cent tax slab under GST .

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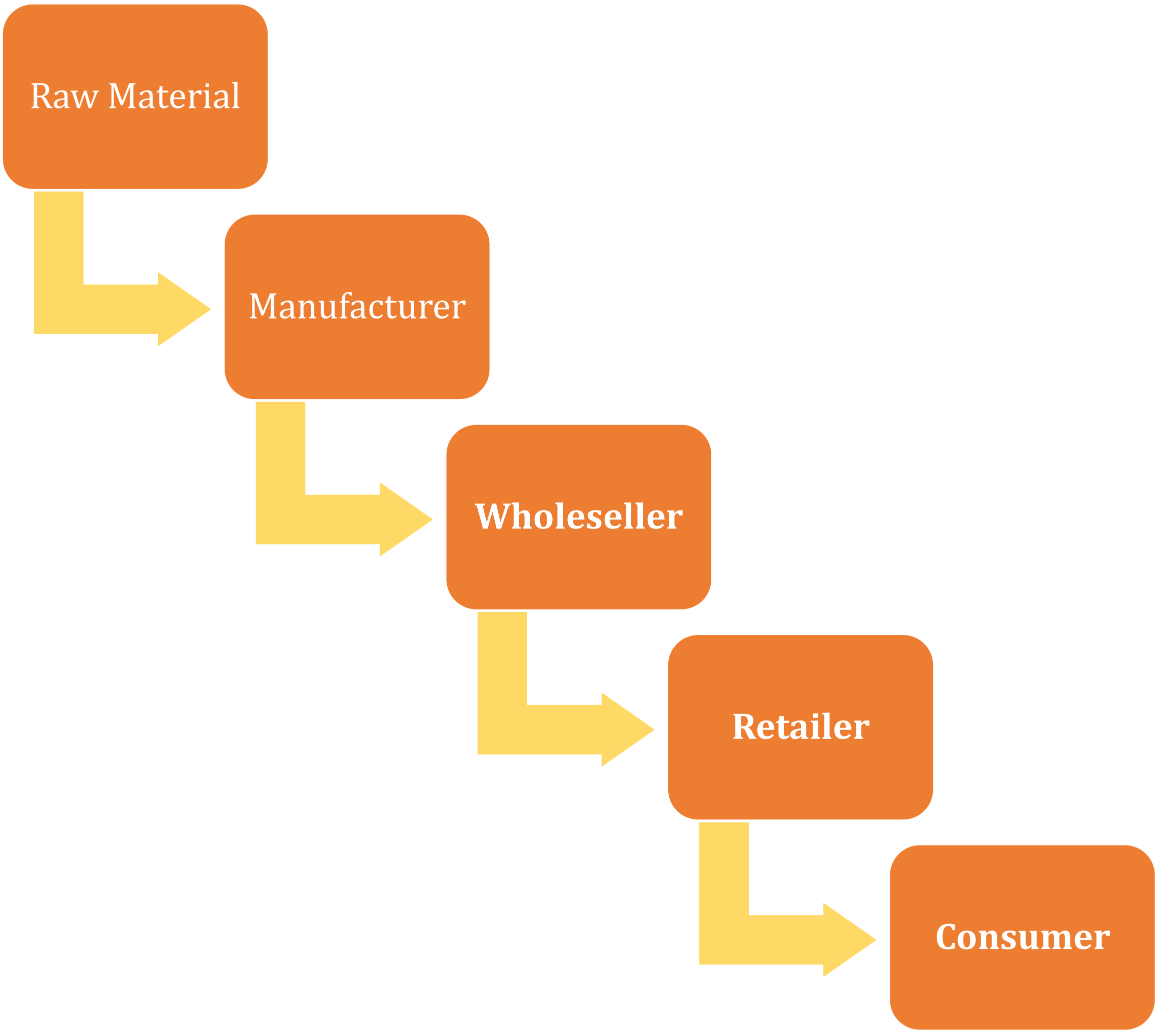
Working of GST

The Central and the State GST would be levied simultaneously on the goods and services supplied except on the exempted goods and services, goods which are outside the purview of the GST and the transactions which are below the prescribed threshold limits. It would be levied on the same price.

GST would be levied at each step on the value addition by each entity.



Dual Model of GST: In India, a dual GST is proposed whereby a Central Goods and Services Tax (CGST) and a State Goods and Services Tax(SGST) will be levied on the taxable value of every transaction of the supply of goods and services.

DUAL Model of GST

ACTION	COST	VALUE ADDED	TAX @18%	CGST LIABILITY	SGST LIABILITY	TOTAL
Buying of Raw Material(P)	100	-	18	9	9	118
Manufactures(Q)	150	50	27	(13.5-9)=4.5	(13.5-9)=4.5	177
Value Addition by the Retailers(R)	250	100	45	9 (22.5-13.5)	9 (22.5-13.5)	295
Cost to Consumer(S)	250	-	-	22.5	22.5	295

Table 1: An Example showing the working of DUAL MODEL GST

The above table shows the working of a dual model of GST.

Problem: Q buys raw material from P costing Rs. 100 and sells the same to R at Rs.150. R adds the value of Rs.100 and sells it to S at Rs.250. The rate of GST is 18%.

Solution:

1. P sells raw material for Rs.100 and collects Rs.9 as CGST and Rs.9 as SGST from Q and will pay the same to the government.
2. Q adds the value of Rs.50 and sells it to R at Rs.150. He collects a total of Rs.13.5 as SGST and Rs.13.5 as CGST. The input tax credit of Q was Rs.9 in CGST and Rs.9 in SGST.
3. Hence the total liability of Q is Rs.4.5 (Rs.13.5-Rs.9) in CGST and Rs.4.5 (Rs.13.5-Rs.9) in SGST.
4. R adds a value of Rs.100 and sells it to S for Rs.250 collecting Rs.22.5 as CGST and Rs.22.5 as SGST.
5. R will pay Rs.9 (Rs.22.5-Rs.13.5) as CGST and Rs.9 (Rs.22.5-Rs.13.5) as SGST. Hence forth, the total cost to the consumer is Rs.250+Rs.45 (18% of Rs.250) = Rs.295.

Explanation of IGST

ACTION	COST	VALUE ADDED	TAX @18%	CGST LIABILITY	SGST LIABILITY	IGST LIABILITY	TOTAL
Buying of Raw Material(P)	100	-	18	9	9	-	118
Manufactures(Q)	150	50	27	-	-	(27-9-9)=9	177
Value Addition by the Retailers(R)	250	100	45	(22.5-22.5)=0	(22.5-4.5)=18	-	295
Cost to Consumer(S)	250	-	45	22.5	22.5	-	295

Table 2: Working of IGST under GST

Problem: Q, a manufacturer in Himachal Pradesh purchases raw material from P in the same state at Rs.100. Q further processes the raw material and sells it to R in Punjab at Rs.150. R, a retailer sells it to S at Rs.250. The rate of GST stands @18%.

Solution:

1. P sells raw material for Rs.100 and collects Rs.9 as CGST and Rs.9 as SGST from Q and will pay the same to the government.
2. Q sells it to R at Rs.150 collecting a total of Rs.27 (18% of Rs.150). Therefore, R pays Rs.177 to Q for the good.
3. Therefore, the total liability of Q is Rs.27 as IGST and its input tax credit is Rs.9 as CGST which would be adjusted against IGST. The total liability of Q stands at Rs.9 as IGST and would pay the same to the government.
4. R sells it to S at Rs.250 adding a value of Rs.100 and collecting Rs.22.5 as CGST and Rs.22.5 as SGST.
5. The input tax credit was Rs.27 in the form of IGST which would be adjusted firstly against CGST and then against SGST. So, the total CGST liability of R is 0 (Rs.22.5-Rs.22.5) and SGST liability is Rs.18 (Rs.22.5-Rs.4.5).
6. Hence the final cost to the consumer comes out to be Rs.250+Rs.45 (18% of Rs.250) i.e. Rs.295.

Impact of GST

The introduction of the Goods and Services Tax will be a very noteworthy step in the field of indirect tax reforms in India. By merging a large number of Central and State taxes into a single tax, GST is expected to significantly ease double taxation and make taxation overall easy for the industries. For the end customer, the most beneficial will be in terms of reduction in the overall tax burden on goods and services. Introduction of GST will also make Indian products competitive in the domestic and international markets. Last but not least, the GST, because of its transparent character, will be easier to administer. Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy.

GST is purported to bring in the 'one nation one tax' system, but its effect on various industries will be slightly different. The first level of differentiation will come in depending on whether the industry deals with manufacturing, distributing and retailing or is providing a service.

GST is destination-based consumption tax levied at multiple stages of production and distribution of goods and services. It combines various other taxes such as state and local tax, entertainment tax, excise duty, surcharges, octroi and others. The tax is applicable on transaction value which includes packaging, commission and other expenses incurred during sales. It allows full tax credit from inputs and capital goods on procurement which can later be set off against the GST output liability.

A salient feature of GST would be that goods and services are considered alike and within the supply chain, they are taxed at a flat single rate till the customers can access them. The tax reform thus gives equal footing to large enterprises and SMEs and taxes the stock transfers uniformly.

Another salient feature of the GST rollout in India is that it will be dual based—that is, both center and various state governments will levy GST separately. The central government will levy CGST and the state governments will levy SGST respectively. However, the basis for classification of taxes, measure of levy and chargeability of taxes will be same for both. This is necessary keeping in mind the federal structure of the government, provided the governments at both levels have the liberty to administer their own taxes. In addition, GST will be levied on import of goods and services into India.

Another key feature of GST that needs mention is the elimination of the cascading effect of various state and central taxes. State taxes that will be subsumed within the GST are VAT, entertainment tax, entry tax, luxury tax, tax on betting and gambling. Various central taxes that will be subsumed are Central Excise Duty, Additional Excise Duty, Service tax, Additional Custom Duty, Special Additional Duty and Central Sales tax.

Some of the benefits of GST are as:

- There would be online Simple procedure under GST.
- Removal of cascading effect of taxes under GST.
- There would be higher threshold for registration.
- There would be composition scheme for small businesses.
- There would be lesser compliances under GST.
- Increased effeiciency in Logiistics is a major benefit under GST
- Unorganised sector would be regulated under GST
- There is a defined treatment for e-commerce under GST

Removing the cascading tax effect

An important benefit of the introduction of GST will be the removal of the cascading tax effect. In simple words, "cascading tax effect" means a tax on tax.

Under the current regime, the service tax paid on input services cannot be set off against output VAT. Under GST, the input tax credit can be availed smoothly across the spectrum of goods and services, thus reducing the tax burden on the end user and removing cascading effect.

Let's take the following example to understand how removing the cascading effect will reduce taxes.

Current Scenario

A trader buys office supplies for Rs. 20,000 paying 5% as tax. It charges 15% service tax on services of Rs. 50,000. Currently, he has to pay Rs. 50,000*15% = Rs. 7,500 without getting any deduction of Rs. 1,000 VAT already paid on stationery.

Under GST (assuming GST= 18%)

GST on service of Rs. 50,000 @18%	9,000
Less: GST on office supplies (20,000*18%)	3,600
Net GST to pay	5,400

This will be especially beneficial to industries that involve both goods and services (like restaurant business) and pay both VAT & Service Tax under the current regime.

Higher threshold for registration

Tax	Threshold Limits
Excise	1.5 crores
VAT	5 lakhs in most states
Service Tax	10 lakhs
GST	20 lakhs (10 lakhs for NE states including Sikkim and Hill States)

As per the current VAT structure, any business with a turnover of more than Rs. 5 lakh (in most states) is liable to pay VAT (different rates in different states). Similarly, for service tax, service providers with turnover less than Rs. 10 lakhs are exempted.
Under GST this threshold has been increased to Rs. 20 lakhs thus exempting many small traders and service providers.

Composition scheme for small businesses

GST also has an optional scheme of lower taxes for small businesses with turnover between Rs. 20 to 50 lakhs. It is called the composition scheme. It has now been proposed to be increased to 75 lakhs. This will bring respite from tax burdens to many small businesses.

Simpler online procedure under GST

The entire GST process – starting from registration to filing returns and payment of GST tax – is online. Start-ups do not have to run around to tax offices to get various registrations under excise, VAT, service tax.

Lesser number of compliances

Also, the current tax regime has excise VAT and service tax, each of which have their own returns and compliances.

Tax	Return filing
Excise	Monthly
Service tax	Proprietorship/Partnership- Quarterly Company/LLP- Monthly
VAT	Different for different states Some states require monthly returns over a threshold limit. Some states like Karnataka require a monthly return

GST will unify all these, thereby reducing the number of returns and the time spent for tax compliances. There are about 11 returns under GST, out of which 4 are basic returns which apply to all taxable persons under GST. There are fears that the number of returns will increase after GST. But the main GSTR-1 will be manually populated. But GSTR-2, GSTR-3, GSTR-4 will be auto-populated.

Defined treatment for e-commerce

Many Indian businesses provide goods and services through the internet. Earlier, there were no specific provisions for treatment of the e-commerce sector. Currently, states have variable VAT laws for this sector. For example, online websites (like Flipkart and Amazon) delivering to Uttar Pradesh have to file a VAT declaration and the registration number of the delivery truck. Tax authorities can sometimes seize goods when there is a failure to produce documents.

Again, these e-com brands are treated as facilitators or mediators by states like Kerala, Rajasthan, and West Bengal which do not require them to register for VAT.

All these differential treatments and confusing compliances will be removed under GST. For the first time, GST clearly maps out the provisions applicable to the e-commerce sector and since these will apply all over India, there should be no complication regarding inter-state movement of goods anymore.

Increased efficiency in logistics

The logistics industry in India had to maintain multiple warehouses across states to avoid the current CST and state entry taxes on inter-state movement. Most of the times, these warehouses were forced to operate below their capacity thus increasing their operating costs.

When GST goes live, these restrictions on inter-state movement of goods will be lessened and the logistics sector might start consolidating warehouses across the country. As an outcome of GST, warehouse operators and e-commerce players have already shown interest in setting up their warehouses at strategic locations such as Nagpur, which is the zero-mile city of India, instead of every other city on their delivery route.

Reduction in unnecessary logistics costs will increase profits for businesses involved in supply of goods through transportation.

Regulating the unorganized sector

Certain industries in India like construction and textile are largely unregulated and unorganized. GST has provisions for online compliances and payments, and availing of input credit only when the supplier has accepted the amount, thereby bringing accountability and regulation to these industries.

Conclusion

There is no doubt that GST is aimed at increasing the taxpayer base by bringing SMEs and the unorganized sector under its purview. This will make the Indian market more competitive than before and create a level playing field between large & small enterprises. Further, Indian businesses will be able to better compete with foreign countries such as China, Philippines, and Bangladesh.

However, all will not be smooth sailing. A policy change of such a huge nature is sure to be faced with teething troubles. Experts have also identified some of the disadvantages of GST implementation which could be a cause for worry for some industries.

Impact of GST on the Indian Economy

- It will reduce tax burden on producers and foster growth through more production. The current taxation structure, pumped with myriad tax clauses, prevents manufacturers from producing to their optimum capacity and retards growth. GST will take care of this problem by providing tax credit to the manufacturers.
- Different tax barriers, such as check posts and toll plazas, lead to wastage of unpreserved items being transported. This penalty transforms into major costs due to higher needs of buffer stock and warehousing costs. A single taxation system will eliminate this roadblock.
- There will be more transparency in the system as the customers will know exactly how much taxes they are being charged and on what base.
- GST will add to the government revenues by extending the tax base.
- GST will provide credit for the taxes paid by producers in the goods or services chain. This is expected to encourage producers to buy raw material from different registered dealers and is hoped to bring in more vendors and suppliers under the purview of taxation.

Impact of GST on Central/state Governments

- A unified common national market to boost Foreign Investment and “Make in India” campaign.
- Boost to export/manufacturing activity, generation of more employment, leading to reduced poverty and increased GDP growth.
- Improving the overall investment climate in the country which will benefit the development of states.

- Uniform SGST and IGST rates to reduce the incentive for tax evasion.
- Reduction in compliance costs as no requirement of multiple record keeping.

Impact of GST on citizens of the country

- Simpler tax system.
- Reduction in prices of goods and services due to elimination of cascading.
- Uniform prices throughout the country.
- Transparency in taxation system.
- Increase in employment opportunities.

Impact of GST on the Trade/industry

- Reduction in multiplicity of taxes.
- Mitigation of cascading/double taxation.
- More efficient neutralization of taxes especially for exports.
- Development of common national market.
- Simpler tax regime-fewer rates and exemptions.

Time, Place and Value of Supply

Time of Supply

Point of taxation means the point in time when goods have been deemed to be supplied or services have been deemed to be provided. The point of taxation enables us to determine the rate of tax, value, and due dates for payment of taxes.

Under GST the point of taxation, i.e., the liability to pay CGST / SGST will arise at the time of supply as determined for goods and services. There are separate provisions for time of supply for goods and time of supply for services.

How to determine time of supply

The time of supply of goods shall be the earlier of the following dates –

(a) The date of issuing of invoice (or the last day by which invoice should have been issued)

OR

(b) The date of receipt of payment

-whichever is earlier

If the supplier receives an amount up to Rs. 1000 in excess of the invoice amount, the time of supply for the extra amount shall be the date of issue of invoice (at the option of the supplier).

For (a) and (b)- The supply shall be assumed to have been made to the extent it is covered by the invoice or the payment (as the case may be).

For (b)- the date of receipt of payment shall be earlier of-

1. The date on which he entered the payment in his books

OR

2. The date on which the payment is credited to his bank account

Example:

(a) Date of invoice 15th May 2018

(b) Date of receipt of payment 10th July 2018

(c) Date when supplier recorded receipt in books 11th July 2018

Time of supply will be 15th May 2018

Time of supply under reverse charge

Reverse charge means the liability to pay tax is by the recipient of goods/services instead of the supplier. In case of reverse charge, the time of supply shall be the earliest of the following dates—

(a) The date of receipt of goods OR

(b) The date of payment OR

(c) The date immediately after THIRTY days from the date of issue of invoice by the supplier (60 days for services)

If it is not possible to determine the time of supply under (a), (b) or (c), the time of supply shall be the date of entry in the books of account of the recipient.

For clause (b)- the date of payment shall be earlier of-

(a) The date on which the recipient entered the payment in his books

OR

(b) The date on which the payment is debited from his bank account

Example:

(a) Date of receipt of goods 15th May 2018

(b) Date of payment 15th July 2018

(c) Date of invoice 1st June 2018

(d) Date of entry in books of receiver 18th May 2018

Time of supply of goods 15th May 2018

If for some reason time of supply could not be determined supply under (a), (b) or (c) then it would be 18th May 2018 i.e., date of entry

Time of supply for vouchers

In case of supply of vouchers the time of supply is-

(a) The date of issue of voucher, if the supply can be identified at that point OR

(b) The date of redemption of voucher, in all other cases;

When time of supply cannot be determined

If it is not possible to determine the time of supply by the above provisions, then it will be-

(a) The date on which a periodical return has to be filed

Or

(b) The date on which the CGST/SGST is paid, in any other case.

In GST regime, the tax collection event will be earliest of the dates as given above. The various events like issuing invoice/making payment in case of supply of goods /services or completion of event-in case of supply of service triggering the tax levy, confirms that the Government wants to ensure tax is collected at the earliest point of time.

This will be altogether a new concept for the current VAT and Central Excise taxpayers.

There are multiple parameters in determining 'time' of supply. Thus, businesses will face a challenge in maintaining and reconciling between revenue as per financials and as per GST.

Place of Supply

Under GST, the 'Supply' is a fundamental concept and all the provisions of GST revolve around it. Under Supply, there are three key elements namely time of supply, place of supply and value of supply.

These three elements together determine the chargeability of taxes on supply.

'Place of Supply' under GST is an important factor as it defines whether the transaction will be counted as intra-state (i.e. within the same state) or inter-state (i.e. between two states) and accordingly the changeability of tax, i.e. levy of SGST, CGST & IGST will be determined.

While determining the levy of taxes based on Place of Supply, two things are considered namely:

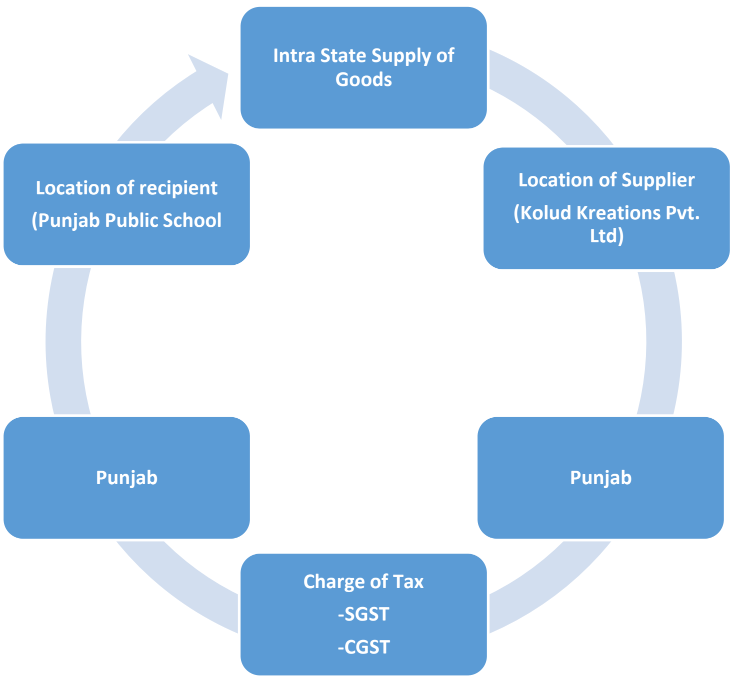
Location of Supplier: It is the registered place of business of the supplier.

Place of Supply: It is the registered place of business of the recipient.

Determining Place of Supply for Intra-State Supply of Goods

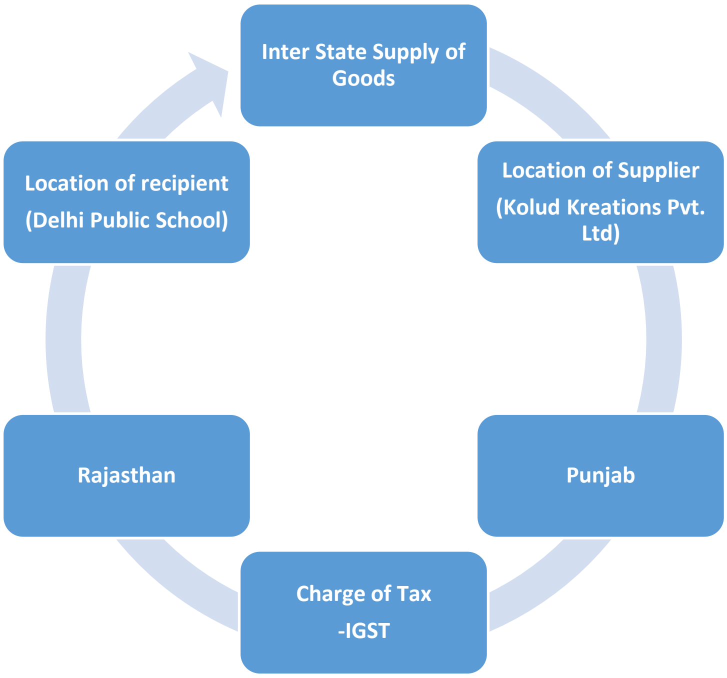
Let us assume there is a supplier of craft products, Kloud Kreations Pvt. ltd having the registered office in Punjab. It supplies goods to schools in Punjab. Here, since the supplier as well as the recipient are located in same state i.e. Punjab, it will be counted as 'Intra-State Supply of Goods' and hence SGST & CGST will be levied.

When there is intra state supply of goods, SGST & CGST are levied.



Determining Place of Supply for Inter-State Supply of Goods

Let us assume the supplier of craft products, Kloud Kreations Pvt. Ltd is having the registered office in Punjab and the recipient i.e. Delhi Public School is located in Jaipur, Rajasthan. Here since the supplier and the recipient are located in different states i.e. Punjab and Rajasthan, it will be counted as 'Inter-State Supply of Goods' and hence IGST will be levied.



In case of inter-state supply of goods IGST is levied

There are specific provisions for determination of place of supply of goods such as:

- The place of supply of goods: where the supply involves movement of goods
- The place of supply of goods: where the supply involves no movement of goods
- The place of supply of goods: in case of export & import of goods

Value of Supply

Goods and service tax or GST will be one tax to subsume all taxes. It will bring in "One nation one tax" regime.

Being a completely new form of indirect taxation there are many questions in the minds of the organizations. One of the most important question is what is valuation of supply under GST? What will be included in the value of taxable supply on which GST is calculated?

Current regime

Currently taxes are calculated on the value of goods/services-

Tax	**Value of goods/services**
Excise	Transaction value of goods or MRP
VAT	Sale Value
Service tax	Taxable value of service rendered

Valuation of supply under GST

GST will be charged on the 'transaction value'. Transaction value is the price actually paid (or payable) for the supply of goods/services between un-related parties (i.e., price is the sole consideration).

The value of supply under GST shall include:

- Any taxes, duties, cess, fees and charges levied under any act, except GST. GST Compensation Cess will be excluded if charged separately by the supplier.
- Any amount that the supplier is liable to pay which has been incurred by the recipient and is not included in the price.
- The value will include all incidental expenses in relation to sale such as packing, commission etc.
- Subsidies linked to supply, except Government subsidies will be included.
- Interest/late fee/penalty for delayed payment of consideration will be included.

Example

Let us consider an example of ABC, a manufacturer, selling tools and hardware like drills, polishers, spades etc. It sells a power drill to XYZ a wholesaler. The MRP is Rs. 5,500 but ABC sells it for Rs. 3,000.

Currently, the invoice will look like-

Power Drill	3,000
Add: Excise @ 12.5%	375
Subtotal	3,375
Add: VAT @14.5% (on subtotal)	490
Total	3,865

Value of supply under GST

The value of goods &/or services supplied is the transaction value, i.e. the price paid/payable, which is Rs 3,000 in the example. Assuming CGST=9% and SGST= 9%

Power Drill	3,000
Add: CGST @9%	270
Add: SGST @9%	270
Total	3,540

GST and Technology

Why technology is important for GST?

- Technology-assisted compliance is not an entirely new concept in India. Way back in the 1990s, taxation departments used technology for tax administration. However, this was mainly as a backend mechanism. A major shift in behaviour occurred when online filing of returns was introduced. With the use of technology, the time and cost has reduced significantly while accuracy of compliance has been greatly enhanced.
- With GST, the two major goals that the government intends to achieve are Reduce Tax evasion & Simplify compliance for tax payers.
- In the prevailing tax systems, there are several cases where the government has not been able to detect evasion and loss of tax revenues. As a result, it has become a challenge for the department concerned to track the input claims against the liability of the seller. There have also been numerous cases of duplication of claims on input tax, fraudulent claims, input tax claims that do not correspond with tax liability declared by the seller, or seller who has not furnished his tax liability.
- In order to overcome this, GST has introduced invoice matching of buyer and seller. With billions of invoices to be matched on a monthly basis, there is a critical need for a real-time invoice matching capability, supported by robust IT infrastructure. There is no way invoice matching at this scale can be achieved manually.
- Use of technology will also enable efficient tax administration for registration, returns filing, data exchange, and effective investigation, monitoring, auditing and performance analysis with little or no human intervention. It will also provide several user-friendly features such as offline capabilities, alerting capabilities, mobile/tablet interface, and additional mechanisms to avoid duplicity of data.
- Technology has always played an important role in ensuring tax compliance across multiple systems. An effective way of ensuring end to end GST transformation would be to deploy right tax technology and infrastructure which takes into account multiple GST requirements catering to varied geographies and businesses.

- As we all know GST compliance has a lot of technology and not just the law. Using the right technology for the right process in an efficient manner, will be of utmost importance to small businesses.

An efficient tax technology can help address:

- **Determination of Tax:** Companies need to introduce a system which can facilitate calculating right amount of GST and take in account all rules set out by the Government. This is where 'tax-engines' – which merge tax content and tax technology play a crucial role. These engines have a central platform which connects all source systems and has inbuilt logic, rules and content which are kept updated to ensure transactions are taxed appropriately.

- **Compliance:** The step that comes after arriving at the correct tax amount is to prepare and file the returns accurately. In GST regime, companies will have to make sure that there are periodic updates/uploads of sales and purchase data with reconciliation for tax payments and credits. There will be a need of reconciliation for both supplier and recipient to bring about transparency and minimize tax evasion. Tax technology can help companies ensure such compliance.
- **Reporting and Analysis:** Tax technology also plays a vital role in providing audit trail of transactions and required reports which are useful in internal analysis and audits.

Some points to consider in the wake of GST:

- The GSTN is currently working on rolling out state-of-the art IT infrastructure that will introduce changes that are significantly different from the current system. Equipped with an open API (Application Program Interface), the GSTN server will seamlessly connect with third party applications used by taxpayers, thus providing an all-user interface, and convenience via desktops, mobiles, and tablets. This will assist taxpayers to automate their invoice matching from within their software rather than by logging onto the portal. This will save time, and drive simplicity of compliance procedures. GST will drive a lot of discipline in filing returns at regular intervals, and automation will help businesses achieve this with less pain.

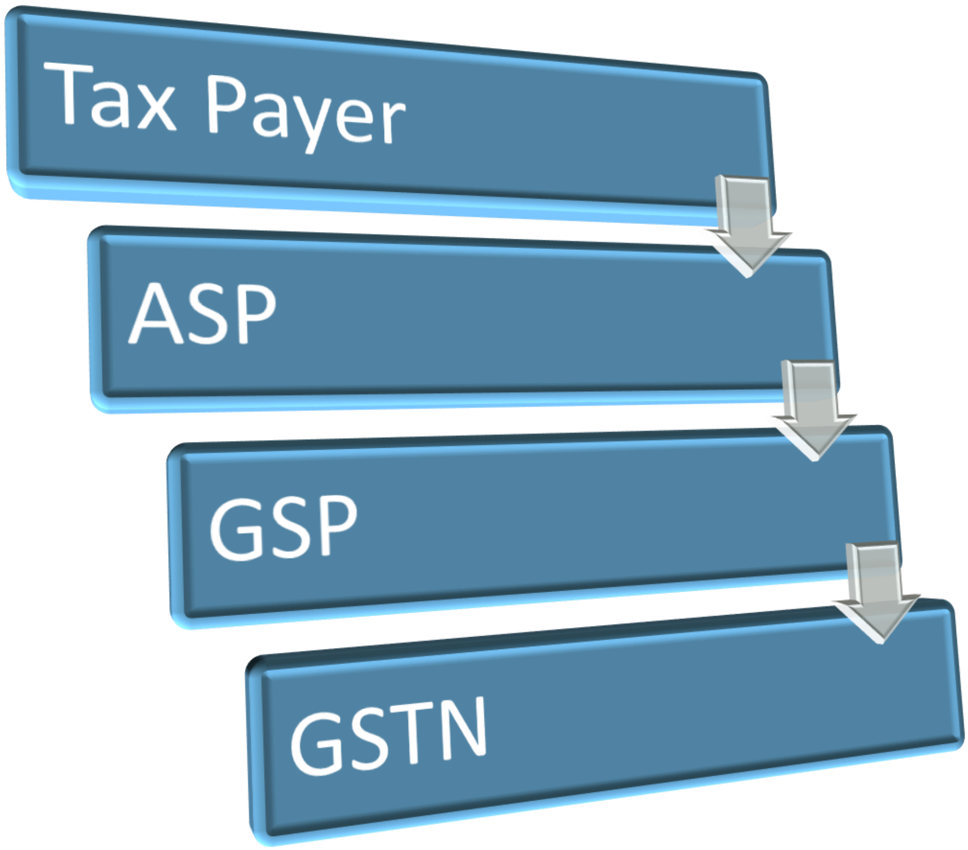
- Meeting the compliances effectively, dealing with the costs incurred and at the same time maintaining a consistent business performance - everything is going to be an uphill battle for the small enterprises.
- Post-GST implementation, the use of technology will increase extensively. Everything, from invoice upload, mismatch reconciliation to return filing will be done online. Therefore, it is extremely important that the enterprises utilize an application that is robust, efficient and secure.
- The government has setup large technology platform called GSTN (GST Network) which will store all data pertaining to GST (including invoices and returns) and created multiple gates to this infrastructure through GSP (GST Suvidha Provider) who will carry taxpayer data to GSTN servers.
- Application Service Providers (ASP) are working with GSP to provide value addition in this entire compliance platform starting from ability to integrate with ERP's and help in match-making and filing returns.
- In many cases some of the ERP software that were provided by the IT majors has to be redesigned as the GST rules keep updating.
- Companies are mainly upgrading their enterprise resource planning (ERP) — a category of business-management software — so as to accommodate the complexities of calculating GST. ERP helps companies manage and monitor everything in the organisation, including supply chain, finance and even human resource functions.

- SAP and Oracle are the big players in the Indian ERP space. Many companies will have to move from their current system, where every transaction is recorded separately, to an upgraded system where there is a correlation between every entry, according to industry executives. Many companies are also setting up teams that would include a tech expert from their vendors, an indirect tax expert and a finance department executive. Several Indian companies have again begun discussions with their IT vendors and tax advisors to upgrade their systems to enable tracking of goods and analysis of tax and other cost implications once the GST regime comes into force.

- In India, the transition from the existing indirect tax regime to GST will need a well-built technological infrastructure to help corporations remain tax compliant at all given points in time. Technology can substantially help organizations operating across sectors with different processes and business models, navigate smoothly to GST regime as India looks forward to kicking off a new chapter.

- A report released by the World Economic Forum on the Ease of Doing Business Index showed that India's rankings had improved by 16 places to 39 in 2016, among 138 countries, from 55 last year. GST implementation will help in scaling up India's rankings in the global competitiveness index even further as technology will take centre stage for successful GST implementation across the country.

Concept of ASP and GSP



The upcoming Goods and services tax will be running on IT platform and the supportive tools like GST Suvidha Provider (GSP) and Application Service providers (ASP) will be the significant players in the success of the tax regime. Here we try to explain these two important part of the GST network which will be the center platform to hold all the tax data.

What is GSP (GST Suvidha Provider)?

GSP is an acronym of GST Suvidha Provider. Through GSP, it allows user or taxpayers to execute the provisions of GST through the online platform. A GSP is considered as an enabler for the taxpayer to comply with the provisions of the GST law through the web platform. GSP was officially authorized by the Government. Through GSP, Tax Payers or Individuals can file their returns.

GSP's are controlled by the government and it operates as per the MoU. An agreement is signed between GSTN (a government body) and GSP. Through GSP and ASP, users or taxpayers file their returns online. In GSP and ASP, users or taxpayers have to fill their necessary details and automatically returns will be calculated. It also focuses on taking out the details of the tax payer and convert them into the GST Returns. These GST Returns are then filed on behalf of the taxpayer with GSTN via GSP.

GSTN (Goods and Services Tax Network)

GSTN has been created by the private company that is officially authorized by the government. The State and Central Government collectively holds 49.5% share. The main objective of creating GSTN is to develop, render and maintain IT infrastructure facilities and services to the Central Government and State Government, Tax Payers and other stakeholders for the implementation of GST. Through this platform, stakeholder file or submit their taxes. Through this network, it promotes Digital India, paperless tax compliance regime, feasible and time-saving. GSTN is a non-profitable organization which renders IT infrastructure facilities to the stakeholders for the implementation of Goods and Services Tax System in India.

GSTN will perform the overall functions of GST IT system which are mentioned below:-

- Assisting in Registration Process.
- Transmitting the returns to the Central and State Government.
- Calculation of IGST.
- Confirming or matching the payment details with banking network.
- Giving MIS reports or Data to the Central and State Government and it includes all information of taxpayer.
- Giving analysis of taxpayers' profile.
- Running the matching engine for matching, reversal and reclaim of input tax credit.
- Generate business intelligence and analytics.
- GST is going to implement from 1st July 2017.

Role of GSP in GST

GST system is going to implement G2B portal which will allow taxpayers or users to approach GST systems. May be it is not the good option for several taxpayer organizations and which may instead opt for availing services provided under third-party applications. G2B provide will provide convenience to users and can access via desktop, mobile, and other interfaces, and they'll be able to interact with the GST system.

What is ASP (Application Suvidha Provider)?

ASP is an acronym of Application Service Provider. Taxpayer or users can file their GST taxes with the support of ASP partners or existing software. ASPs can develop an end- to-end solution for corporates, consultants, and taxpayers. Through ASPs, the taxpayer and consultants can manage the sale or purchase of goods and services and GST filing.

A large number of companies have an options to file return via Application Service Provider (ASP). In ASP, organizations or businesses must have to share the detailed data of sales and purchase of Goods and Services to the ASP. After then ASP providers will prepare the GST Returns and file the returns through GSP (GST Suvidha Provider).

Role of ASP in GST

ASP will play the vital role in filing returns as well as it saves the time of users. It collects all data or information from the taxpayers or users and then converts them into tax returns. ASP will take care of five roles which are mentioned below:-

Data Protection & Privacy: ASP will handle most of the sensitive data of an organization. This data includes who do you sell and where? What do you sell? How much do you sell and at what price? It's not all. An ASP has also required information about purchases. Overall an ASP will gather data or information from the taxpayers for filing the returns.

Data Verification: The details you submitted to ASP will be used for filing GST Returns. Make sure that details you have provided is true and authenticated as belonging to you without a doubt. Any mislead details or data can lead to incorrect returns which will lead to liabilities for the tax filing entity. The responsibility of filing correct returns lies with the company and its corporate officers.

Data Archiving & Retrieval: You ask yourself that ASP will provide long term Data Archiving and Retrieval? At ASP, you will store data 8 years beyond the date of filing of the annual returns for the year.

Audit Features: ASP will maintain all information details in the system starting from the point of upload till the creation of the returns. Cross check the audit features that are available as a part of the ASP Platform.

Application and Process Control: Filing return is the responsibility of the corporate officers. So it's essential to establish and ASP will provide you the full control of the process. Filing accurate returns is essential in the context of India because raising of all disputes in case of inconsistency is the responsibility of the filer. Not filing the dispute in particular time can lead to the material impact on the net tax liability.

GSP and ASP Relation to the Taxpayer

Taxpayers or users file their returns via through GSP and ASP mode. Both GSP and ASP can be treated as a third party application, it will charge some cost from the taxpayer or user for filing returns. From the taxpayer point of view, GSP and ASP will save time, money, promotes digital India and reduces paperwork. Through GSP and ASP taxpayers can file their returns easily without any knowledge of taxation, they just have to fill all the required details and returns will be calculated automatically and submitted to GST portal.

Notes

Notes

EasemyGST

EasemyGST is a portal which aims at making the entire GST-compliant procedure smooth and easy to embrace. It focusses on providing excellent tax compliance technology infrastructure to the Enterprises and Partners, so as to facilitate a seamless and effortless process of GST filing.

In the GST regime, all the tax compliances will be met through technology and there will no longer be the involvement of an endless amount of paperwork. GST is a big fiscal reform that will revolutionise the Indian economy by incorporating technology to accelerate the overall tax filing procedure. Adapting to the digital age is the need of the hour and EasemyGST intends on carrying the torch of digitisation.

Trusted technology has been deployed to provide cloud and mobile-based applications which will help to standardise and streamline all the tax work. EasemyGST lets the enterprises focus on their business competencies, leaving all the GST-filing bean counter nuisances on its platform & systems. There is a single interface with GSTN for the entire GST Compliance and effective and timely services are also furnished for meeting tax compliances punctually.

EasemyGST integrates the ERP or the Accounting System platform and there is no need of data importing. The application has been designed to configure and adopt the dynamic GST Rules through its Rule Engine. There is a separate and secured Database embedded with the GST logic machines and directories and the database is synchronised with the Government's database for an active tax management.

State-of-the-Art security measures have been deployed to ensure complete data confidentiality. EasemyGST is designed to detect any kind of intrusion and manipulation. A GST-Readiness Index tool has also especially been crafted to provide the enterprises with an intelligible metric that will help create a roadmap to ensure that the enterprises are GST-ready in no time.

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Confederation of Indian Industry

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The CII theme for 2017-18, India Together: Inclusive. Ahead. Responsible emphasizes Industry's role in partnering Government to accelerate India's growth and development. The focus will be on key enablers such as job creation; skill development and training; affirmative action; women parity; new models of development; sustainability; corporate social responsibility, governance and transparency.

With 67 offices, including 9 Centres of Excellence, in India, and 10 overseas offices in Australia, Bahrain, China, Egypt, France, Germany, Singapore, South Africa, UK, and USA, as well as institutional partnerships with 344 counterpart organizations in 129 countries, CII serves as a reference point for Indian industry and the international business community.

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