

# GST – The Road Ahead

*(A brief overview of Goods & Service Tax Law as on date specially compiled for our clients)*



**Are you  
ready  
for  
GST?**

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**HABIBULLAH & CO.**

CHARTERED ACCOUNTANTS  
INDIA

Email: [info@hcoca.com](mailto:info@hcoca.com)

Web: [www.hcoca.com](http://www.hcoca.com)

*New Delhi Lucknow Varanasi Mau Gorakhpur Ranchi Patna*

## INTRODUCTION

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**G**oods & Service Tax (GST) is a significant tax and game changing reform for the Indian economy. From an origin based taxation system to a destination based one, businesses have to overthrow the challenges to gain the benefits that the GST regime has proposed to extend. More importantly, the countenance of the transition involves many seen and unseen challenges having impact on the cash-flow, profitability, revenues and policy frame work which requires businesses to devise a process to embrace GST from the appointed day. This booklet briefly provides an insight into certain important matters involved in the transitional and other operational challenges.

A well-designed GST in India is expected to simplify and rationalize the current indirect tax regime, eliminate tax cascading and put the Indian economy on high-growth trajectory. The proposed GST levy may potentially impact both manufacturing and services sector for the entire value chain of operations, namely procurement, manufacturing, distribution, warehousing, sales, and pricing. It will also stimulate the need to relook at internal organization and IT systems. The present system of indirect taxation has multiplicity of taxes levied by the Centre and State. This has led to a complex and conflicting principles in indirect tax structure, adding to the multiple compliance and administrative costs. GST is expected to be a destination-based tax that should replace the current Central taxes and duties such as Excise Duty, Service Tax, Counter Vailing Duty (CVD), Special Additional Duty of Customs (SAD), central charges and cesses and local state taxes, i.e., Value Added Tax (VAT), Central Sales Tax (CST), Octroi, Entry Tax, Purchase Tax, Luxury Tax, Taxes on lottery, betting and gambling, state cesses and surcharges and Entertainment tax (other than the tax levied by the local bodies).

It will be a dual levy with State/Union territory GST and Central GST. Moreover, inter-state supplies would attract an Integrated GST, which would be the sum total of CGST and SGST/UTGST.

Goods and Service Tax, which subsumes a large number of Central and State taxes into a single tax, is meant to mitigate the cascading effect of taxes, provide seamless credit and make way for a common market. However, realization of all the foregoing objectives appears to be a Herculean task and requires the co-operation of all States.

There would be 38 GST laws in India in GST regime; there would be 1 CGST law and 31 SGST laws for each of the States including two Union Territories and 5 UTGST Law and 1 IGST law governing inter-State supplies of goods and/ or services.

## GST CONCEPTS

### POWER TO TAX GST

Under new Article 246A (inserted by the Constitution Amendment Act, 2016), the Parliament has exclusive power to make laws with respect to GST where the supply of goods or services or both take place in the course of inter-State trade or commerce. Subject to the above, every State would have powers to make laws with regard to GST imposed by the Union or that State.

### WHAT IS GST ?

GST is a **DESTINATION BASED TAX** and levied at a **SINGLE POINT AT THE TIME OF CONSUMPTION OF GOODS OR SERVICES BY THE ULTIMATE CONSUMER**. GST is based on the principle of value added tax. GST law emphasizes on voluntary compliance and on accounts based reporting and monitoring system. It is a comprehensive levy and envisages tax collection on both goods and services at the same rate.

Internationally, **GST was first introduced in France** and now more than 160 countries have introduced GST. Most of the countries, depending on their own socio-economic formation, have introduced National level GST or Dual GST.

**Definition of Good and Service Tax (GST)** - The term GST is defined in Article 366 (12A) to mean *“any tax on supply of goods or services or both except taxes on supply of the alcoholic liquor for human consumption”*.

**In terms of Section 2 (52) of the CGST Bill** *“Goods”* means *every kind of movable property other than money and securities but includes actionable claims, growing crops, grass and other things attached to or forming part of land which are agreed to be severed before supply or under a contract of supply.*

**In terms of Section 2(102) of the CGST Bill** *“Services”* means anything other than goods, money and securities but includes *activity relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.*

Thus, all supply of goods or services or both would attract CGST (to be levied by Centre) and SGST (to be levied by State) unless kept out of the purview of GST.

There is no requirement of actual sale of goods under GST. The alternative methods of supply of goods could be in the form of:

- ❖ stock transfer;
- ❖ captive consumption in another location;
- ❖ supply on consignment basis or any other basis by the principal to his agent;
- ❖ supply on job work basis (if working under returnable basis- no tax need be paid);
- ❖ any other supply such as donation, sample etc.

## **STRUCTURE AND TYPE OF TAXES**

India has proposed to implement dual GST. In dual GST regime, all the transactions of goods and services made for a consideration would attract two levies i.e. CGST (Central GST) and SGST (State GST).

### **Central Goods and Service Tax (CGST)**

The Central GST (CGST) is expected to replace the existing central excise duty and service tax. CGST would also cover sale transactions. The Constitutional Amendment Act, 2016 contains suitable provisions to enable Centre to tax sales. CGST would be administered by the Central Government. The CENVAT credit balance available under CENVAT Credit Rules with the manufacture or service provider, as on the date of transition into GST, could be carried forward. In respect of tax paid goods in stock as on the date of transition credit not availed in the past or not eligible at that point of time, available under GST could also be availed and used towards discharging CGST (Central GST) liability. There could be a time bound transition for carry forward of credit availed prior to introduction of GST. The declaration of closing stock as on the date of transition to claim credits, which were not earlier captured, would also be time bound.

### **State Goods and Service Tax (SGST)**

State GST would replace State VAT, Entry tax, Octroi, Luxury tax, Entertainment tax etc. SGST would be levied on services as well. To enable taxing of services by the State, the Constitutional Amendment Act, 2016 contains suitable provisions. SGST is to be administered by the State Governments. SGST could be at a rate bit higher than CGST as per press reports. The SGST payable could be set off from the SGST credit or the IGST credit available. The closing input VAT balance available under VAT Act would also be made available to the dealer, as on the date of transition into GST, and could be set off towards SGST (State GST) liability. Further it is expected that the duty and tax paid on closing stock would also be available as credit, which may not have been claimed as set off in the VAT regime.

**Inter-State Goods and Service Tax (IGST)**

IGST (expected to be equal to CGST + SGST) would be levied on all supplies of goods and/or services in the course of inter-state trade or commerce. IGST would be applicable to import of goods or services from outside country as well, which is indicated in the Constitutional Amendment Act, 2016. Further it is expected that the duty and tax paid on closing stock would also be available as credit, which may not have been claimed as set-off.

**What are the taxes expected to be subsumed into GST?**

- *Central Excise Duty (CENVAT)*
- *Additional Excise Duties*
- *Service Tax*
- *VAT / Sales tax*
- *The Excise Duty levied under the Medicinal and Toiletries Preparations (Excise Duties) Act 1955*
- *Additional Customs Duty, commonly known as Countervailing Duty (CVD)*
- *Special Additional Duty of Customs – 4% (SAD)*
- *Surcharges and Cesses levied by Centre are also likely to be subsumed wherever they are in the nature of taxes on goods or services. This may include cess on rubber, tea, coffee, national calamity contingent duty etc.*
- *Central Sales Tax to be phased out.*
- *Entertainment tax (unless it is levied by the local bodies)*
- *Luxury tax*
- *Taxes on lottery, betting and gambling*
- *State Cesses and Surcharges in so far as they relate to supply of goods and services*
- *Octroi and Entry Tax*
- *Purchase Tax*

## BROAD PRINCIPLES OF GST

### Levy and Collection of CGST Bill (Section 9)

In terms of Section 9(1) Central Goods and Services Tax (CGST) shall be levied on all intra- State supplies of goods and/or services on the value determined under section 15 and at the rate notified by the Central/State Government in this behalf, on the recommendation of the Council. However, the aforesaid rate of CGST shall not exceed 20%. Further, the CGST shall be collected in the prescribed manner.

In terms of Section 9(3) the Central Government may, on the recommendation of the Council, by notification, specify categories of supply of goods and/or services the tax on which is payable on reverse charge basis and the tax thereon shall be paid by the recipient of such goods and/or services. Consequently, all the provisions of the CGST Act shall apply to such person as if he is the person liable for paying the tax in relation to the supply of such goods and/or services.

In terms of Section 9(4), central tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient of such goods or services or both. This is a significant change which would force even small tax payers to go for the regular scheme of full tax with credit if they want to deal with any registered businesses.

In terms of Section 9(5), the Central Government may specify categories of services the tax on which shall be paid by the Electronic Commerce Operator if such services are supplied through it. Consequently, all the provisions of the CGST Act shall apply to such Electronic Commerce Operator as if he is the person liable for paying the tax in relation to supply of such services.

### Composition Levy (Section 10)

In terms of Section 10(1) a registered person whose aggregate turnover in the preceding financial year did not exceed Rs.50 lakhs, may opt to pay amount (not tax), in lieu of tax payable in normal levy but not exceeding following % of turnover in State or in Union Territory:

- 1% of turnover, in case of a manufacturer
- 2.5% of the turnover in case of restaurant services (excluding alcohol)
- 0.5% in case of others

The above-mentioned composition levy shall not be granted to a taxable person-

- who is engaged in the supply of services other than resultant services; or
- who makes any supply of goods which are not leviable to tax under the

CGST Act; or

- who makes any inter-state outward supplies of goods; or
- who makes any supply of goods through an Electronic Commerce Operator who is required to collect tax at source; or
- who a manufacturer of such goods is as may be notified on the recommendation of the Council.

the registered person shall not be eligible to opt for the composition scheme unless all registered person opt the scheme. Resultantly, registered taxable person, having the same PAN has obtained more than one Registration, whether in the same State or in two different States as Head Office and Branch, then the Head Office and Branch cannot opt for Composition Levy Scheme in isolation. Both will have to opt for Composition Levy.

**In terms of Section 10(3), the permission granted for Composition Levy Scheme shall stand withdrawn from the day when the aggregate turnover of the registered taxable person during a financial year exceeds Rs. 50,00,000/- or specified limit.**

In terms of Section 10(4) a taxable person who pays tax under composition levy shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.

It is also worth noting here that in terms of Section 10(5) if the proper officer has reasons to believe that a taxable person was not eligible to pay tax under Composition Levy Scheme, the concerned taxable person shall be liable to pay the following:

- Any tax which may be payable by him under other provisions of the Act; and
- Penalty; provision of section 73 and 74 for shall apply for determination of tax and penalty

It is also to be noted that since Composition Levy Scheme cannot be availed by a taxable person who is engaged in the supply of services, works contractors providing Works Contract Services shall not be eligible for Composition Levy Scheme. Consequently, aforesaid Works Contractors would be forced to maintain proper Books of Accounts and Records. Traders doing B2B activity may not find the composition levy economically viable.

In terms of Section 2(107) Taxable Person means a person who is registered or required to be registered under Section 22 or 24 of this Act. One who is required to obtain multiple registrations in different States or within one State would be considered as *distinct person* in each State.

**Following persons are not liable to registration as per sections 22-24:**

- Any person engaged exclusively in the business of supplying goods and/or services that are not liable to tax or are wholly exempt from tax under CGST Act.
- An agriculturist to the extent of supply of produce out of cultivation of land
- Any supplier if his **aggregate turnover in a financial year does not exceed Rs. 20 lakh.**
- Any supplier if his aggregate turnover in a financial year does not exceed Rs. **10 lakh from Special Category States.** Following is the list of aforesaid “Special Category States”
  - ✓ Arunachal Pradesh
  - ✓ Assam
  - ✓ Jammu & Kashmir
  - ✓ Manipur
  - ✓ Meghalaya
  - ✓ Mizoram
  - ✓ Nagaland
  - ✓ Sikkim
  - ✓ Tripura
  - ✓ Himachal Pradesh
  - ✓ Uttarakhand

**In terms of Section 24 read with Section 22 , following persons are required to be registered under CGST Act:**

- i. Every supplier shall be liable to be registered under the CGST Act in the State from where he makes a taxable supply of goods and/or services if his aggregate turnover in a financial year exceeds Rs. 20 lakh. However, in respect of Special Category States, the aforesaid threshold registration limit has been reduced to Rs. 10 lakh.
- ii. Person making any inter-state taxable supply (no threshold limit).
- iii. Causal Taxable Persons (No threshold limit).
- iv. Persons liable to pay GST under reverse charge (no threshold limit).
- v. Electronic Commerce Operator in respect of specified categories of services if such services are supplied through it.
- vi. Non-Resident Taxable Persons.



- vii. Persons who are required to deduct tax at source
- viii. Persons who are required to collect tax at source
- ix. Persons who supply goods and/or services on behalf of other taxable persons whether as an agent or otherwise (no threshold limit).
- x. Input Service Distributor.
- xi. Persons who supply goods and/or services through Electronic Commerce Operator who is required to collect tax at source (No threshold limit).
- xii. Every Electronic Commerce Operator (No threshold limit).
- xiii. Every person supplying Online Information and Database Access or Retrieval Services (OIDAR Services) from a place outside India *to a person in India, other than a registered taxable person.*
- xiv. Such other person or class of persons as may be notified by the Government on the recommendation of the Council.

## MEANING AND SCOPE OF SUPPLY (SECTION 7)

### *SUPPLY INCLUDES:*

- a) all forms of supply of goods and/or services such as sale, transfer, barter, 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) importation of service, for a consideration *whether or not in the course or furtherance of business*, and
- c) In terms of Schedule I to the CGST Act, following are to be treated as supply even if made without consideration:
  1. Permanent transfer or disposal of business assets where input tax credit has been availed on such business assets.
  2. Supply of goods or services between *related persons* or between *distinct persons* as specified in Section 25, when made in the course or furtherance of business. In terms of Section 10, following are deemed distinct persons

### DEEMED DISTINCT PERSONS IN CASE OF MULTIPLE REGISTRATIONS – SECTION 25(4)

A person who has either already obtained or is required to obtain more than one registration under this Act shall be treated as distinct persons in respect of each such registration. It is immaterial whether the aforesaid multiple registrations have been obtained or are required to be obtained in one State or more than one State.

*For Example if Mr. Amit* is engaged in supply of services and has obtained a Registration in the State of Uttar Pradesh in respect of his Head Office at Lucknow. In addition, he has also obtained registration in the State of Punjab in respect of his branch **then in the given case**, in respect of each registration at Uttar Pradesh and Punjab, Mr. Amit shall be treated as distinct person.

Supply of goods also includes-

- by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal, or
- by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.

- Importation of services by a taxable person from a *related person* or from any of his other establishments outside India, in the course or furtherance of business.

**Schedule II-following matters to be treated as a supply of goods or a supply of services :**

**A. Transfer**

- Any transfer of title to goods is a supply of goods. Normal sale.
- Any transfer of goods or right in goods or undivided share without transfer of title is supply of services. Example- Renting of laptops.
- Any transfer of title in goods under an agreement which stipulates that property in goods will pass at a future date upon payment of full consideration as agreed is a supply of goods. Example – Supply of Refrigerators under Hire- purchase Agreement

**B. Land and Building**

- Any lease, tenancy, easement, license to occupy land is a supply of services.
- Any lease or letting out of the building including a commercial, industrial or residential complex for business or comer, either wholly or partly, is a supply of services

**C. Treatment or process**

Any treatment or process which is being applied to another person's goods is a supply of services.

**D. Transfer of business assets**

- a. Where goods forming part of the assets of a business are transferred or disposed of by or under the directions of the person carrying on the business so as no longer to form part of those assets, whether or not for a consideration, such transfer or disposal is a supply of goods by the person
- b. Where, by or under the direction of a person carrying on a business, goods held or used for the purposes of the business are put to any private use or are used, or made available to any person for use, for any purpose other

than a purpose of the business, whether or not for a consideration, the usage or making available of such goods is a supply of services

- c. Where any person ceases to be a taxable person, any goods forming part of the assets of any business carried on by him shall be deemed to be supplied by him in the course or furtherance of his business immediately before he ceases to be taxable person. However, aforesaid provision of deemed supply of goods shall not apply in the following cases:
- Where the business is transferred as a going concern to another person; or
  - Where the business is carried on by a personal representative who is deemed to be a taxable person
- E. The declared services under the present ST Law shall be treated as supply a service.
- F. *The following shall be treated as supply of goods*  
Supply of goods by any unincorporated association or body of persons to a member thereof for cash, deferred payment or other valuable consideration

In terms of Section 8 of the Act, the tax liability on a composite or a mixed supply shall be determined in the following manner-

- **a composite supply** comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply. Example- Supply of food during the course of transportation of passengers by air services shall be treated as supply of transportation of passengers by air.
- **a mixed supply** two or more supplies shall be treated as supply of that particular supply which attracts the highest rate of tax.

#### WHETHER BRANCH TRANSFER TAXABLE?

- At present, the transfer of goods without payment of CST is permissible when one transfers it to self or agent under Form "F". Many States have input tax reversal to be made in such cases on value of goods purchased locally For Example 2% in Karnataka, 5 % In Tamil Nadu etc.
- Under GST, the movement of goods or services from one State to another on transfer basis would be subject to IGST [total of CGST+SGST]. Therefore, tax would not cascade to the extent of restriction. However, it will have issues of increased working capital, storage and logistics.

- The transfer of goods or services within a State with a separate business vertical would be liable to SGST and CGST. In case there is only one registration in the State then there would be no GST [CGST+SGST] on the stock transfer.

### **SUPPLY IN THE COURSE OF IMPORT (SECTION 11 OF IGST)**

- At present import of goods is liable to Customs Duties comprising of Basic Customs duty [BCD], Additional duty of customs equal to Excise duty on like goods manufactured in India [CVD], Special Additional duty (SAD). Service tax is leviable on services which are provided from outside India and received in India and payable by the service receiver under reverse charge mechanism.
- The import of goods or services would be deemed as inter-State supply of goods or service and be subjected to the levy of Inter-State GST (IGST). The import of goods would continue to attract Basic Customs Duty (BCD) and also IGST.

### **SUPPLY IN COURSE OF EXPORT (SECTION 11 OF IGST)**

- GST would not be charged on goods or services exported from India. In case, the supply of goods or supply of services qualifies as export out of India as per the place of supply provisions, the transaction would be zero rated. The supplier would be allowed to export the goods or services without charging any tax, but can avail the CGST/SGST and IGST credits. If they are unable to utilise the credit, then they can go for refund of CGST/ SGST/ IGST paid on procurement of such goods and/or services.

### **MEANING OF INTER-STATE AND INTRA-STATE SUPPLY [SECTION 7 AND 8 OF THE IGST ACT]**

In terms of Section 7(1) & (3) of the IGST Act supply of goods or services in the course of inter-state trade or commerce means any supply where the location of the supplier and the place of supply are in

- I. Two different state
- II. Two different union territories
- III. A State and a Union territory

On the other hand, in terms of Section 8(1) and (2), intra-State supply of goods or services means any supply of goods where the location of the supplier and place of supply are in the same State or same Union territory. However, the intra-State supply of goods shall not include:

- Supply of goods to or by a SEZ developer or to or by an SEZ unit;
- Supply of goods brought into India in the course of import till they cross the customs frontiers of India.
- Supplies made to a tourist leaving India on any supply of goods taken out of India by him

**PLACE OF SUPPLY (SECTIONS 10- 14 READ WITH SECTIONS 7 & 8 OF THE IGST ACT)**

The place of supply would determine first as to whether the transaction is in India or outside India. *If it is outside India it would not be liable to GST.*

It would also determine the place of levy. Most transactions are expected to be taxed at the rate prevailing at the destination. There would be some exceptions in regard to services and a few in regard to goods.

Section 7 of the IGST Act provides that *place of supply of goods shall, depend on the location of the supplier and place of supply.*

In terms of Section 7(1) of the IGST Act Inter-State supply of goods means any supply of goods where the location of the supplier and the place of supply are in different States, On the other hand, in the Section 8(1) intra-State supply of goods means any supply of goods where the location of the supplier and the place of supply are in the same State.

In terms of Section 12 & 13 of the IGST Act the place of supply for services is quite elaborate and based partially on the present Place of Provision of Services Rules under the service tax.

Place shall be decided by way of location of immovable property, place of performance of services, place of event, location of supplier of service, location of recipient of service etc.

**TIME OF SUPPLY (SECTIONS 12 & 13 OF THE CGST ACT)**

The liability to pay CGST/SGST on the goods shall arise at the time of supply.

The time of supply of goods would be earlier of the following dates, namely:

- a) the date of issue of invoice by the supplier or the last date on which he is required to issue the invoice with respect to the supply; or
- b) the date of receipt of payment by the supplier

However, **in case of supplies in respect of which tax is paid or liable to be paid on reverse charge basis, the time of supply shall be the earliest of the following date, namely: -**

- a. the date of receipt of goods, or
- b. the date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or
- c. the date immediately following 30 days from the date of issue of invoice or any other document, by whatever name called, in lieu thereof by the supplier:

**In case of service, the time of supply shall be earlier of the following dates, namely: -**

- a. the date of issue of invoice by the supplier if the invoice is issued within the prescribe period (i.e. 30 days)
- b. The date of provision of service, if invoice is not issued within the prescribed period
- c. The date on which the recipient shows the receipt of services in his books of account, in the case (a) and (b) do not apply.



## **RATE OF GST**

The rates proposed are as under

- 5%
- 12%
- 18%
- 28%

Item wise rate on important goods is as per Annexure

## **EXEMPTIONS UNDER GST (SECTION 11)**

### **1. Exemption in Public Interest by Notification – Section 11(1)**

The Central Government may exempt goods and/or services of any specified description from the tax leviable thereon. However, following cumulative conditions need to be satisfied:

- Exemption is to be granted in public interest only;
- Exemption is to be granted on the recommendation of the GST Council;
- Exemption is to be granted by a Notification in the Official Gazette;
- Exemption to be granted either absolutely [i.e. without any condition] or subject to specified conditions;
- Exemption can be from the whole or any part of the tax leviable thereon; and
- The effective date of exemption may either be from the date of issue of notification or any date subsequent thereto as may be specified in the relevant Notification

Further, in terms of Explanation to Section 11, where an exemption in respect of any goods and /or services from the whole of the tax leviable thereon has been granted absolutely, the taxable person providing such goods and/or services is not required to pay the tax on such goods and/or services.

### **2. Exemption in Public Interest by Special Order under Circumstances of an Exceptional Nature –Section 11(2)**

The Central Government may exempt from payment of tax any goods and/or services on which tax is leviable. However, following cumulative conditions need to be satisfied:

- (a) Exemption is to be granted in public interest only;
- (b) Exemption is to be granted on the recommendation of the GST council;
- (c) Exemption is to be granted by a special order in each case; and
- (d) Exemption is to be granted under circumstances of an exceptional nature to be specified in the aforesaid special order.

### **3. Insertion of an Explanation in the Notification or Order – Section 11(3)**

The Central Government may insert an explanation in the Notification or Order issued under Section 11(1) or Section 11(2) respectively. However, following conditions need to be satisfied cumulatively:

- a) Explanation is to be inserted only if the Central Government considers it necessary or expedient to do so;
- b) Explanation is to be inserted with a view to clarify the scope or applicability of any Notification or Order; and
- c) Explanation is to be issued within one year of issue of the Notification or Order.

Further, such Explanation shall have the effect as if it had always been the part of the original /first relevant Notification or Order.

## VALUATION (SECTION 15)

GST would normally be payable on the 'transaction value'. Transaction value is the price *actually paid or payable for* the said supply of goods and/or services between un-related parties and price is the sole consideration. The transaction value is also said to include:

- Taxes other than GST
- Expenses incurred by recipient in relation to supply
- Incidental expenses charged at the time or before the supply
- Interest etc. for late payment
- Subsidies directly linked to the price excluding subsidies provided by the Central and Governments

**As regards discounts/ incentives, it will form part of 'transaction value'**, if it is allowed *after* the supply is effected. However, discounts/ incentives given *before or at the time* of supply would be permissible as deduction from the transaction value. This would be indicated in the invoice itself.

Volume / quantity discounts would be passed on by way of credit notes. MRP based valuation may not be there.

Valuation Rules provides that, where the supply of goods or services is for a consideration not wholly in money, the value of supply shall be:

- a. open market value
- b. if (a) is not, then sum total of consideration in money and equivalent thereof
- c. value of like kind and quantity
- d. cost+10 %
- e. by reasonable means.

However, where there is no consideration and the receiver is eligible for credit then the value declared would be accepted as the proper value. Though not specified, it may be ideal to ensure that reasonable value is ascribed to such transaction to avoid any questions at the time of audit or otherwise.

The valuation provisions envisaged may result in disputes is the understanding as on date.

## **INPUT TAX CREDIT (SECTION 16 – 22)**

Current CENVAT Credit regime disallows CENVAT Credit on various services such as motor vehicle related services, *catering services, employee insurance, construction of civil structure* etc. Similarly, State VAT laws restrict input tax credit in respect of construction, motor vehicle etc. Currently, this denial of credits leads to unnecessary cost burden on assessee though they are used in furtherance of business.

It was expected that in GST regime, seamless credit would be allowed to business houses without any denial or any restriction except say goods / services which are availed for personal use and not for official use (something similar to United Kingdom VAT law).

However, surprisingly, inter-alia, many of the aforesaid credit restrictions would continue to remain (in respect of both goods and services). Further, credit is proposed to be denied on goods and/or services used for private or personal consumption, to the extent they are so consumed. This continuation of denial will lead to substantial tax cascading (as rate of GST would be higher than the current rate of service tax). Also, another round of litigation will result as interpretation issues would crop up while determining eligibility or otherwise of GST paid on personal consumptions such as business lunch with clients.

The credit on the inputs and the input services, pertaining to Central GST, Integrated GST and State GST should be accounted separately. There is likely to be a restriction on cross utilization i.e. credit pertaining to CGST would not be allowed for set-off against SGST and vice versa. However, this restriction would not be applicable to inter-State transactions. Further, the rules for taking and utilization of CGST, IGST and SGST credit would be aligned. The credit on the capital goods could be aligned with inputs and services and would be available for set off 100% in the first year itself.

The provision of supply of goods or services inter-State between the same entities would be subject to GST. When there is no supply but input services are commonly used then the concept of *Input Service Distributor* would apply.

Credit doubts/ issues would continue to be confusing arbitrary and illogical leading to disputes as in the past.

### **SET OFF OF INPUT CREDIT (SECTIONS 16 – 22)**

The input tax credit would be eligible for set off as under:

1. The CGST and SGST paid on supply of service to be set off against the output CGST and SGST respectively.

2. When an item is procured for resale, then credit of CGST and SGST is available for all items.
3. When inputs and consumables are procured for the manufacture of goods on which CGST/ SGST is paid, then credit of CGST and SGST is available for all items.
4. SGST would be allowed first to be utilized against SGST and then IGST.
5. Similarly, would be allowed first to be utilised against CGST for CGST and then IGST.
6. IGST would be allowed for IGST, CGST and then SGST in that order.

***The SGST would not be allowed to be adjusted to the CGST and vice versa. This may lead to accumulation of credit in some places.***

## TRANSITIONAL PROVISIONS

The key to the success of GST would be when all present tax payers comfortably migrate to GST so that they can continue their businesses without any difficulty. The transition should also enable all to start on a level playing field. Some transition provisions are briefly explained hereunder:

- i. Every person registered under VAT, Central Excise or Service tax etc. having a *valid PAN* would be provisionally registered. Further particulars to be provided (online) to enable final registration. (Section 139)
- ii. The CENVAT Credit (manufacturer/ service provider) or the VAT credit (manufacturer/ Trader) or Entry Tax credit (where allowed to be adjusted – few States enable this) can be carried forward if eligible as input credit under GST. It must be ensured that the last return before switching over to GST is made very carefully after proper reconciliation with books of account. (Section 140(1))
- iii. Capital goods credit is available to a manufacturer/ service provider normally upto 50% in the year of acquisition and balance 50% in the subsequent year/s. Where one has either not availed though eligible or availed 50% pre-GST, the balance can be availed in the subsequent year. (Section 140(2))
- iv. All manufacturers/ traders and to a lesser extent service providers would have stock of goods which may be in the form of raw material/ components, semi-finished goods and finished goods. Taxes (central excise duty, Input tax credit, service tax) paid under the earlier regime which are available in GST should be allowed as credit as now the payment would be under GST. Those not liable to be registered under the earlier law, claiming exemption, providing works contract service or claiming abatement or 1<sup>st</sup> and
  - a. 2<sup>nd</sup> stage dealer would be eligible to avail the credit on closing stock. The proof of
  - b. existence of stock may also be retained such as stock taking, entries in the running stock registers.
  - c. The claim for credit of taxes paid on stock can be made for all the above situations along with duty paying documents to maximize the credit. Where no documents are there, Transitional Rules prescribe 40% credit can be availed in case of supply of goods within 6 months, subject to certain conditions. (Sections 140(3))
- v. The credit for duty/ tax paid for goods in transit can be claimed within a period of 30 days with the condition that the same has been recorded in the books. A statement as prescribed should be submitted. (Section 140(5))

- vi. Many dealers and works contractors who are under the composition scheme in the local VAT laws as well as the service tax law are ineligible or may not find it economically viable especially if, they are into Business to Business (B2B). However, if such dealers opt for regular scheme under GST, the credit on inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day is allowed subject to certain conditions. (Section 140(6))
- vii. The common input services for services received before GST by an Input Service Distributor would be available for distribution as credit under GST Act even if invoice(s) relating to such services is received on or after implementation of GST. [Section140(7)].
- viii. Where a taxable person having Centralized Registration under the earlier law has obtained a registration under CGST Act, such person shall be allowed to take in his Electronic Credit Ledger, credit of the amount of CENVAT Credit carried forward in a return, furnished under the earlier law by him in respect of the period ending with the day immediately preceding the appointed day. However, the taxable person shall not be allowed to take credit unless the said amount is admissible as input tax credit under the GST Act. Further, such credit may be transferred to any of the registered taxable persons having the same PAN for which the Centralized Registration was obtained under the earlier law. (Section 140(8))
- ix. Under the service tax law when one had not paid for services within 3 months, the credit was to be reversed. If payment is made within 3 months of GST such credit can be re - claimed (Section 140(9))
- x. Where any duty paid Goods under the earlier law are sent 6 months prior to the appointed day i.e. introduction of GST date and are returned to any place of business on or after the aforesaid appointed day, the Registered Taxable Person(RTP) shall be eligible for refund of the duty paid under the earlier law where such goods are *returned by a person, other than a RTP*, to the said place of business within a period of six months from the appointed day when such goods are identifiable to the satisfaction of the proper officer. However, if the said goods are returned by a RTP, the return of goods shall be deemed to be a supply. (Section 142(1))
- xi. When inputs/ Semi Finished/ finished Goods sent for job work on payment of duty are returned after GST date within 6 + 2 months of GST date no GST will be payable. If not returned, then the input tax credit would have to be reversed. This provision would apply where the credit on the stock in hand of job worker is claimed by the principal (sender). Enabling provisions have been made for receipt of goods directly by job worker or supply from job workers premises. (Section



141)

- xii. The issue of supplementary invoices, debit/ credit note can be done within 30 days of the date of price revision. In case of credit note, the reversal of the credit by the receiver needs to be confirmed. (Section 142)
- xiii. The claims for refund of any amount of CENVAT credit, duty, tax or interest paid made and pending as well as claims made after GST date but pertaining to a period prior would be under the earlier law required to be disposed of as per the earlier law and any amount eventually accruing to him shall be paid in cash. In case of a claim being rejected (subject to appeal in the old law) the amount so rejected would lapse (Section 142)
- xiv. The claim for CENVAT credit or ITC or output duty or tax liability or dispute on Reverse charge mechanism made under the earlier law which is in adjudication etc. would be disposed of under the old law and any amount found to be admissible to the claimant shall be refunded to him in cash. In case of recovery of credit under old law it would be as per the provisions of GST. (Sections 142)
- xv. The returns under central excise can be revised before the end of the month, and service tax returns within 90 days; under VAT in most States a 6 months' time is provided for such revision. If aforesaid revision of returns results in any amount recoverable from the assessee, the same shall be recovered as an arrear of tax under GST Act and the amount so recovered shall not be admissible as input tax credit under GST Act. On the other hand, if pursuant to aforesaid revision of return, any amount is found to be refundable or CENVAT Credit is found to be admissible to any taxable person, the same shall be refunded to him in cash. (Section 142(9))
- xvi. Contracts entered prior to GST spilling over to GST would be liable to tax under GST. No tax shall be payable on the supply of goods and/or services made on or after the appointed day where the duty or tax payable thereon has already been paid under the earlier law. (Section 187)
- xvii. The tax in respect of the taxable services /taxable goods paid under earlier law, tax shall be levied under this act, and the taxable person shall be entitled to take credit of taxes paid under the existing law to the extent of supplies made after the appointed day and such credit shall be calculated in such manner as may be prescribed. (Section 142(11))
- xviii. In many States the stock transfers are after reversal of input tax credit. No such credit reversal is permissible under GST though it was desirable.

- xix. Where goods are sent on approval and are returned within 6 + 2 months, then no liability to pay exist under GST. Beyond that tax is payable by the person returning the goods. If not returned, then the sender has to pay the GST of such earlier supplies. (Section 142(12))
  
- xx. Where a supplier has made any sale of goods in respect of which tax was required to be deducted at source under the earlier law and the supplier has also issued an invoice for the same before the appointed day, no tax is to be deducted at source shall be made by the deductor under Section 46 of the CGST where payment to the said supplier is made on or after the appointed day. (Section 142(13))

## IMPACT OF GST

The GST law in India would be a Dual GST. The Central Government and the State Governments would levy GST concurrently on a common base value. All goods and services, except for a few excluded/ exempted goods, would be brought into the GST base. There would be no major distinction between goods and services for the purpose of imposition of tax though in case of place of supply there could be some differences. In addition, difference in rate of GST shall also there.

### IMPACT ON TRADERS

- (a) *Tax on value addition:* The impact of tax on the wholesaler or retailer would be limited to the value addition. The tax paid at earlier stages (except CGST & SGST of other States) would be available as set off for payment of GST on supplies. Therefore, traders would prefer to buy/receive supplies with invoice pre-and post GST.
- (b) *Reduce cascading:* Cost of products and services would reduce normally due to the cascading effect of tax being reduced. Service tax credits would be available and going forward even the capital goods used for storing, handling etc.
- (c) *SGST levy:* CGST and SGST would be levied on the local supply of goods within State. IGST (comprising of CGST and SGST) would be levied on inter-State supply of goods.
- (d) *No subsequent sale or sale in transit under the CST Act against Forms E-1/2:* This exemption as per section 6(2) of the CST Act is not continued under GST levy. GST would be charged on both transactions.
- (e) *Export supplies Under Form H/ Supplies to SEZ under form I:* Not available.
- (f) *Stock transfers:* Presently, stock transfer is done without charging CST against Form F. Under GST law, stock transfers from one State to other would be liable to GST.
- (g) *Stock transfers to branches/consignment agents within the State:* Under GST, these transfers would not be taxed as the registration number of transferor and transferee is same. Where the division/ branch or agent has a different registration CGST & SGST would be charged.
- (h) *Small Traders:* They would be eligible for the composition scheme upto Rs 50 lakhs provided their aggregate turnover in the preceding financial year did not exceed Rs. 50 lakh. After that, normal rate will apply. The essential

conditions to be complied for availing the benefit of the aforesaid Composition Scheme are as under

- (i) No credit to dealer/ customer;
- (ii) No inter state supply of goods.

Only suitable for Business to Consumer transactions.

### **IMPACT ON MANUFACTURERS**

- a) *Competitive in market:* There would be a saving in taxes due to less restrictions in taking setoff of taxes paid at various stages of manufacture reducing the cost of goods/ services supplied. This would make them more competitive both in domestic and the international markets.
- b) *Valuation of the supply of goods:* At present, excise duty is paid on the event of manufacture of excisable goods and VAT on the sale of goods. VAT/CST is computed on sale price+ excise duty paid. With the shift of taxable event from manufacture to supply of goods, the valuation of goods could be simplified. Under GST, actual value received as a consideration for the supply of goods would be subject to GST with some exceptions.
- c) *Cheaper exports:* Exports would be cheaper as taxes paid at earlier stages could be refunded to a larger extent. [credit restrictions can lead to tax sticking]
- d) *Ease of doing Business:* Adoption of Information technology in GST regime will enable the organization to do business with ease.
- e) *Transaction costs:* The transaction costs of compliance would reduce due to widespread computerization and online filling of forms and returns and payment of taxes. However, the need to upload all transactions may lead to increased compliance cost for medium sector while for the small sector it may not be bearable.
- f) *Manufacturers under administration of State VAT officials:* Manufacturers having a value of clearances of less than Rs. 150 Lakhs are exempt under present Excise law. The matter of administration has not been resolved as on date.

### **IMPACT ON SERVICE PROVIDERS**

- a. *Present destination based to proposed consumption based levy:* Presently, service tax is levied mainly at the origin and is a destination based levy, the burden of which is borne by the end customer. Under GST generally they would be taxed in

the same way except that the place of supply would have to be confirmed. Tax would flow to the place of consumption.

- b. *Service tax-SGST levied by States:* Under GST law, the service tax would be levied not just by Centre but also by the States which would be empowered to levy SGST by amendment to the Constitution of India.
  - c. *Taxes received by consuming State:* If services are rendered from one State to another, then tax would ultimately go to the consuming State.
  - d. *Increased set off with VAT:* The VAT credit for goods which was not available to the service provider would be available under GST.

### IMPACT ON THE CONSUMERS

- a. *Reduction in price:* Generally, the purchase price would reduce as tax content of most products would come down. But if a product has hitherto not been subjected to tax completely then the price would increase. Further those items which are now taxable where tax rate earlier was zero may be more expensive as exemption and zero rated lists of items may come down in the GST regime.
- b. *Transparency:* The tax paid would be clearly mentioned in the invoice given to the customer.
- c. *Options to customer:* There would be free trade and commerce between States and throughout the country which would provide more options to the consumer.

### CENTRAL GOVERNMENT

- a. *Increased collection of CGST and IGST:* The collection of taxes-CGST and IGST would increase when more and more assesses register and pay taxes due to simplified tax laws under GST regime.
- b. *Loss of CST revenues:* The CST which was 2 % accruing to the State of collection has been subsumed into GST. This revenue would not be available to the States.
- c. *Refunds under GST:* The refunds under Central excise and service tax laws take long time. However, in GST Regime, refunds are expected to be processed faster with 90% of the total refund amount being available on submission of proper documents.
- d. *Reduced corruption:* When the laws are simplified, then the chances of multiple interpretations would get reduced, leading to reduction in disputes and consequent litigation. Also, the automation of the payments/returns filing and other compliances could mean that the interaction between the assessee and

the department officers would come down to minimum. This would reduce corruption and increase ethics gradually.

- e. *Compensation for loss of revenues to States:* The compensation of loss of tax revenues to the States on account of implementation of GST would be an outgo. In reality there may be minimal outgo except for the weaker States. All expected to gain due to increased compliance.

## STATE GOVERNMENT

- a. *Proliferation of computerization leading to fall in transaction costs:* Due to increase in computerization due to GSTN, the tax administration would be easier and cost of collection would be less.
- b. *The Destination Principle:* States which are net consumers would benefit due to the accrual on destination. The producing States may have a comparative disadvantage.

## IMPACT ON THE COUNTRY

- a. *Increased FDI:* The flow of Foreign Direct Investments may increase once GST is implemented as the present complicated/ multiple tax laws are one of the reasons foreign Companies are wary of coming to India in addition to widespread corruption.
- b. *Growth in overall revenue:* It is estimated that India could get revenue of \$15 billion per annum by implementing the Goods and Services Tax as it would promote exports, raise employment and boost growth. Over a period, the dilution of the principles may see that only part of this is accruing.
- c. *Single point taxation:* Uniformity in tax laws will lead to single point taxation for supply of goods or services all over India. This increases the tax compliance and more assesses will come into tax net.
- d. *Simplified tax laws:* This reduces litigation and waste of time of the judiciary and the assessee due to frivolous proceedings at various levels of adjudication and appellate authorities. Present law appears to be much worse and an amalgam of the bad parts of VAT/ ST/ CE.
- e. *Increase in exports and employment -* GST could also result in increased employment, promotion of exports and consequently a significant boost to overall economic growth and factors of production -land labour and capital.

## OVERALL IMPACT

- a. *Change in law and procedure:* Since it is a major indirect tax reform in India, there would be new legislations and procedures. The entire indirect tax code would be a new one.
- b. *Change in tax-rates:* The standard rate of 12.5 % for central excise, Service tax, along with residuary rate of VAT at 12.5-14.5% brings the overall rate to 25% -30%. But, post GST, the general rate will be 18%; a net gain of almost 7% -12%. Most of the dealers and consumers would experience the change in tax rates, either significantly or marginally. When the tax rates are increased for some products it could lead to tax evasion as well.
- c. *GST based on HSN:* The central excise tariff based classification would no longer be applicable. It would reduce the interpretational issues in respect of class of commodities.
- d. *Availment of tax credit:* GST would facilitate near seamless credit across the entire supply chain and across all States under a common tax base. At present no cross credits are available across central excise/service tax to local VAT/sales tax. Under the GST law, the input tax credit (ITC) (set off) would be given for Central GST against CGST and the States would give input tax credit (ITC) SGST to SGST. Cross -utilization of credit between Central GST and State GST would not be allowed.
- e. *Credit availment based on vendor's invoices:* The credit of excise duty paid is available based on the excise invoice raised by manufacturer or service provider. The credit is available under the Service Tax law when the invoice amount is paid within 3 months of the invoice date. In respect of joint charge and reverse charge, based on receipt of payment on the basis of payment challans of the assessee. Under State VAT law, credit is allowable on the basis of tax invoice. Under GST the credits could be availed based on the invoices of vendors under CGST and SGST. But the onus may shift onto the assessee to ensure that the amount of the CGST/SGST has been deposited in the respective Government treasury by the vendor. This provision has been added to bring in tax discipline but smaller businesses may find transaction cost increasing due to this.
- f. *Avoidance of Double Taxation:* Presently, several transactions suffer VAT as well as Service Tax such as works contract or licensing of software. This could be resolved under the GST regime by redefining what is goods and service.

- g. *Changes in the Accounting Software:* Dealers and service providers need to modify/replace the accounting and taxation software. Initially there could be investment costs, costs of training in GST of people at each level starting from junior/mid to higher level managerial staff, management group/stakeholders.
- h. *Training:* Comprehensive training would be required to the staff members of the business community, both at senior level and also at junior level across the purchase, sales and finance functions. VAT + CE/ ST officers would also need to understand the law well.
- i. *Competent Professionals:* There are specialized consultants for Excise Duty, Service Tax and VAT. With the GST, only a single consultant maybe required who can handle all GST matters. Compliance for the SME may necessitate competent tax preparers .
- j. *Amending existing contracts:* Assessee have to incorporate an extra clause in the existing contracts to collect CGST and SGST as applicable.



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## SECTOR WISE GST IMPACT

### INDIAN RAILWAYS

- High Speed Diesel (HSD)/Light Diesel Oil (LDO) & Electricity consumed by Indian Railway was not considered as input for the purpose of Cenvat Credit under present law and will continue to be same under GST.
- Railways Tracks & Sleepers was not eligible for CENVAT credit as it was not included in the definition of capital goods. But under the proposed GST law credit should be available which will be major benefit for railways
- Under the GST law all Capital assets relating to Locos, coaches, Electronic Signals, Overhead electric wires and other related equipment's should be covered under definition of Capital Goods for allowing Cenvat Credit
- Long term leases meant for development of infrastructure should be considered as “*supply of services*” therefore covered under GST.
- As per the existing law no service tax is applicable on construction related work contract provided to Indian Railways (exempted under notification 25/2012).
- Works Contract has been treated as supply under GST hence will be taxed as service.
- Existing Contracts where supplies made and bill raised BEFORE appointed date by contractor then tax shall be applicable as per the old law.
- Existing Contracts where supplies made and bill raised AFTER the appointed date then tax shall be applicable as per the GST law
- As prices may be expected to come down over a period in GST regime, every customer would like to procure goods/services at a cheaper price, given the brand, quality and other parameters. In this aspect, purchase department of IR has to be more proactive to manage their procurements/ suppliers better and to crack a better deal from their vendors. GST offers an opportunity for the Purchase /Procurement department to enhance operational efficiency and negotiate better.

### AGRICULTURE

- In India, food items are generally exempt from central excise duty. But many food items, including food grains and cereals, attract State VAT at 4-5%.

- The exemption under the State VAT laws is restricted to unprocessed food, e.g., fresh fruits and vegetables, meat and eggs, and coarse grains.
- These items could be subject to tax in GST at a lower rate, which is likely to be 5% (combined GST rate), which, if so, would certainly make some of these items dearer.

### **WORKS CONTRACT**

- Works contracts are composite contracts involving material and labour. The material portion involving the supply of goods is taxable to Value Added Tax (VAT), while the service portion is liable to service tax. If a new commodity comes into existence, in the process of executing a works contract, then, Central Excise duty may be levied.
- Under GST law, works contract could be taxed on gross value with ITC on goods and services being available. It would be considered as a service. It could be at 18%. Credit in respect of Steel, cement, electrical items would more than offset the present net tax in most States. More clarity is expected.

### **LEASING COMPANIES**

- At present, if there is transfer of right to use goods involving transfer of effective control and possession, then it is subject to VAT; otherwise, it is subject to service tax.
- Under GST it would be a service.

### **INTERNATIONAL TRADE**

Importers of goods and services may be affected under the GST regime due to -

- Change in tax rates leading to higher tax incidence when the goods or services are imported into India from outside India.
- Exports of goods and services shall continue to be zero rated and eligible to claim refund of input tax credit which could be fast tracked.

### **PURE SALE OF LAND OR COMPLETED BUILDING**

As they already attract stamp duty may be kept out of GST purview.

## OTHER IMPACT

- There are indications that certain 5 specified petroleum products namely Petroleum Crude, Motor Spirit(petrol), High Speed Diesel, Natural Gas and Aviation Turbine Fuel as well as electricity shall be outside the ambit of GST. In addition, tobacco would attract other taxes applicable in addition to GST.
- At present products known as sin goods and luxury items are taxable not only at higher rate of tax but also subject to multiple taxes. Under GST they may be taxed at 28% + cesses.

## CHALLENGES BEFORE THE GOVERNMENT

1. Revenue augmentation/ safety have been focused and business needs have not been addressed fully. Seamless credit is not a reality- restrictions exist in law and also poor drafting will lead to denial.
2. Due to adoption of information technology- process may be able to keep distance between the tax payer and officers.
3. Common approach of the States, i.e., a common law, a common assessment procedure and even a common return.
4. Monitoring of inter-State trade by flying squad and a computer-generated number for every supply of goods.
5. A simple system for inter-State transactions and verification of dealers is essential to ensure tax compliance and check avoidance. Given the volume of such transactions, this system necessarily has to be IT based. GSTN appears to be on the job proactively testing the beta version. It can plug in for States which are not ready.
6. *Decision on elimination of Check Posts* to avoid enormous delays in road traffic, and reducing delivery times for goods.
7. *Harmonization* - For GST to be effective there should be identical GST laws across States as well as at the Centre. Moreover, not only the law but also the procedures relating to levy, assessment, collection and appropriation of the GST should be similar across States and the Centre. It would be so, we await the States to pass their SGST law.
8. Centre has provided five-year compensation period.
9. Under the GST structure, the tax would be collected by the States where the

goods or services are consumed, and hence losses could be unfavorable for the producer States and the Centre would be required to compensate them for loss of revenue.

## GET READY FOR GST

Business entities need to take many actions as part of their preparation. Some of the main actions are listed below:

- a) **Sensitize the business eco-system:** It is an accepted fact that GST is not merely a tax change but a business change as it would impact all functions of an Organisation such as finance, product pricing, supply chain, information technology, contracts, commercials etc. Thus, it's imperative that all these functional teams should be aware about the GST.
- b) **Understand GST Impact on operations** GST may provide opportunities but at the same time it could bring threats. Given this, an Organisation may consider carrying out an exercise to identify how its operations would get impacted because of GST.

Going one step forward, entities can also identify possible cost savings which key suppliers / vendors could be entitled to in the proposed GST regime. Based on the possible cost savings to suppliers / vendors, they can have discussion with its vendors for passing of benefits by way of cost reduction in the coming years (i.e. after GST is introduced). Early discussion and engaging with vendors for GST would ensure maximum possible benefit to be passed on to the organisation.

- c) **Gear up for transition of Information Technology (IT) systems** - Information Technology is a key area for business organisations as irrespective of the fact whether the organisation is ready or not, on the very first day GST is introduced, the information technology system of an organisation has to be ready and running else it would bring the entire business to standstill.
- d) **Design Alternate Business Strategies** - To gear up for GST regime, the organisation may identify alternate efficient business strategies to ensure smooth transition to GST. An organisation would have to re-visit their pricing strategies as business competitors may well reduce prices of their product to pass on the GST benefits.
- e) Evaluation of the competitiveness and the demand for the products in the backdrop of the new GST rate structure to ensure that products are neither overpriced nor under priced
- f) Preparation of procedures/SOPs to be followed in the organization
- g) Special attention to:
  - Registrations – existing migrants as well as new applicants
  - Records to be updated up to the authorized date and necessary

amendments/ additions/deletions to be made in records for meeting the requirements of the new law

- Transition requirements
- Returns to correctly reflect the details of business e.g. CENVAT credit as reflected in the return for the period ending 30<sup>th</sup> June, 2017, would only be allowed to be carried forward post the authorized date
- Inventory check and proper recording
- Development of IT infrastructure to support the GST requirements
- Analysing the MIS reports that would be required post GST implementation
- Analyzing impact of other laws and integration with customs and FTP

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