

GST Business Process Reports

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Introduction

GST is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as on the services at a national level. In an utopian situation, the tax has to be a singular tax on all supplies with a uniform rate and seamless credits for taxes paid at the earlier stage.

The Empowered Committee of State Finance Ministers have worked out a dual GST model for India. In this model, both the Central and the State Governments would levy Central GST (“CGST”) and State GST (“SGST”).

In endurance to implement GST, Central Government has come out with 4 Business Process Reports in the month of October 2015 for public comments.

Later, on 04-Dec-2015 Central Government has come out with Draft GST Law for public comments and recommendations.

Business Process Reports..



Registration



Payment of Tax



Returns



Refunds

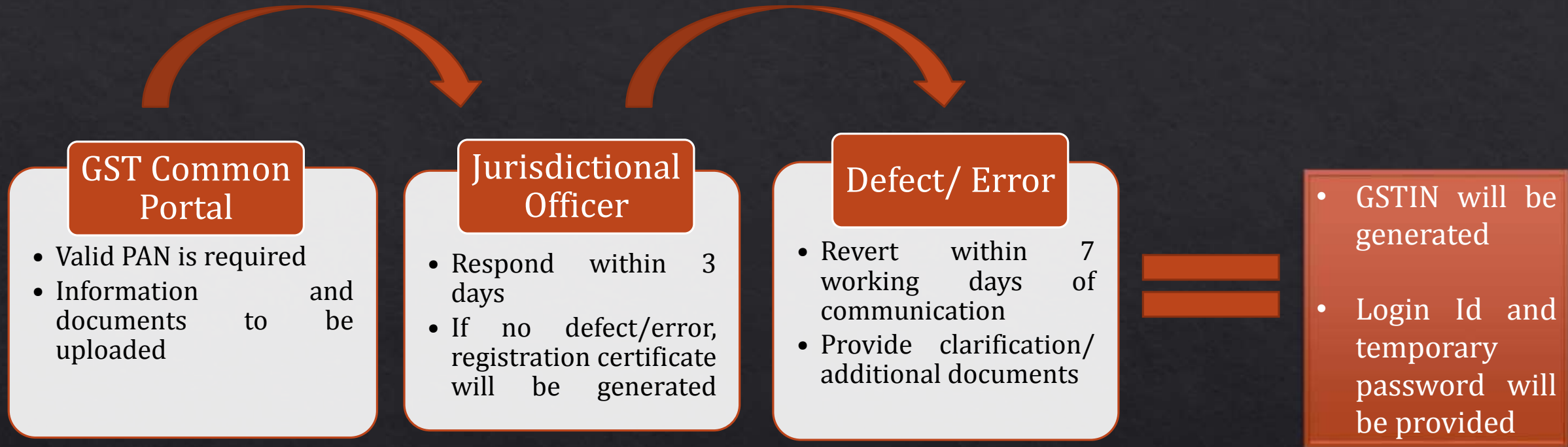
Registrations Under GST

Following persons are required to obtain registration

(Schedule III of the draft GST Law r.w. Section 26)

- Existing assesseees registered with State Government and Central Government
- Person making interstate supplies of goods or services – No threshold
- Casual Dealers and Non-Resident Dealers
- Person liable to pay tax under Reverse Charge Mechanism
- Person applying for composition scheme [Section 8]
- Person whose Gross Annual Turnover exceeds prescribed threshold
- Voluntary Registration [Section 26(3)]
- Suo-moto registration by tax authorities in case of enforcement cases [Section 26(5)]

Registration Process:



Documents to be uploaded for:

- Constitution of Business
- Principal Place of Business
- Bank Accounts
- Authorised Signatory
- Photograph

Post registration visits may be carried out based on the risk profile decided by the department (*No similar provision in the draft GST law*)

Structure of GSTIN

State Code		PAN										Entity Code	BLANK	Check Digit
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

Existing Assessee- Sales Tax/ Service Tax:

- ⇒ Data from existing state and central department will be migrated
- ⇒ Data so migrated will have to be approved by the assessee on the online portal
- ⇒ Necessary modifications can be made online before certificate is generated

Unique Identity Number:

- ⇒ United Nations and Multilateral Financial Institution and Organization notified under the United Nations (Privileges and Immunities) Act, 1947 (46 of 1947), Consulate or Embassy of foreign countries will have to apply for UIN instead of GTIN
- ⇒ UIN will be the point of communication with the tax authorities

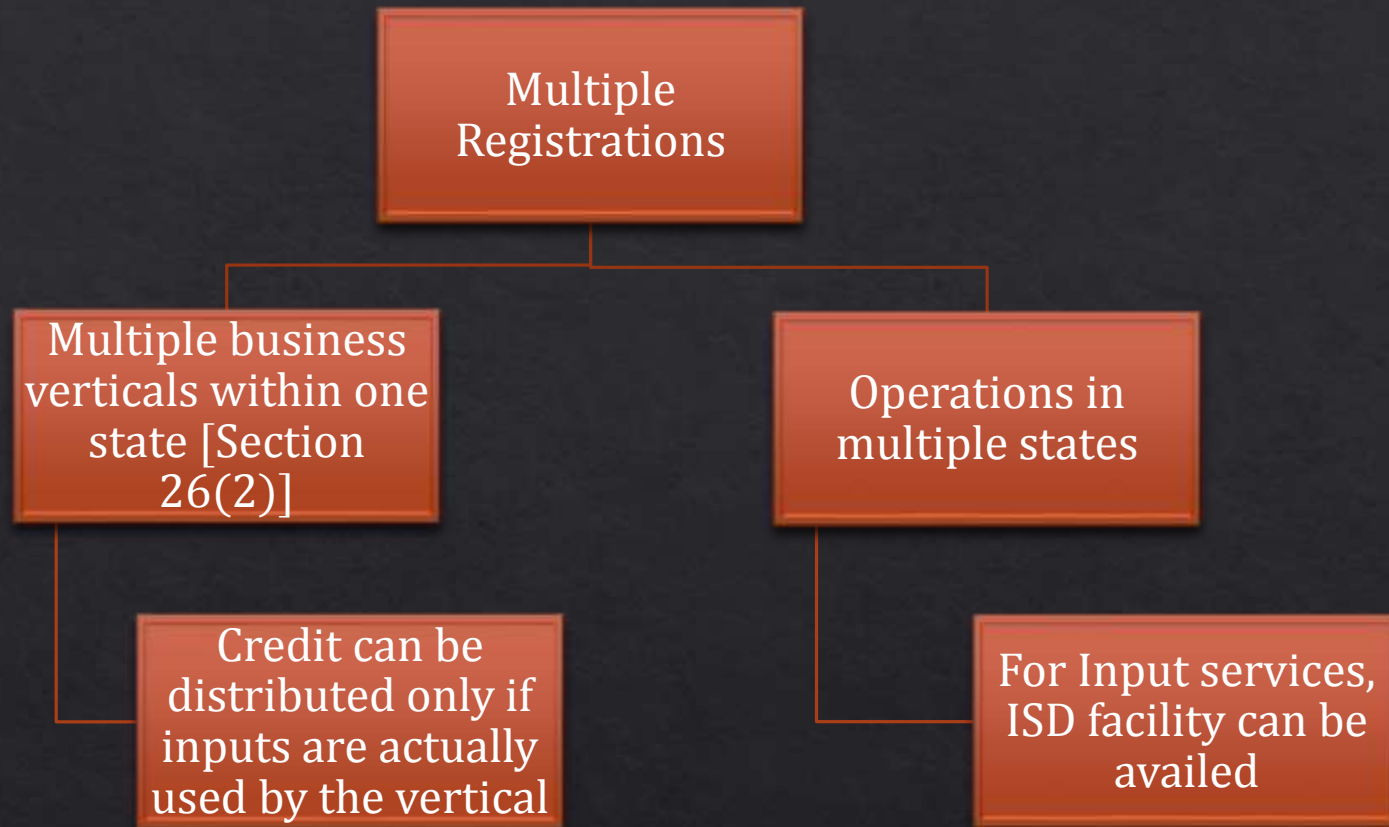
Compounding Scheme [Section 8]:

- ⇒ Threshold limit of turnover of Rs. 50 lacs for applying under compounding scheme is proposed
- ⇒ Option to pay tax at a specified % of turnover (Section 8 prescribes a % of less than 1%)
- ⇒ Application to be made before 31st March of previous year
- ⇒ Can neither collect tax nor can claim credit
- ⇒ Switch from composition to regular scheme voluntarily during the year by making an application or on crossing threshold
- ⇒ Suppliers making interstate supplies not eligible
- ⇒ Persons liable to pay tax under Reverse Charge Mechanism are not eligible
- ⇒ Non-resident dealers and Casual dealers are not eligible

Threshold Limit:

- ⇒ A threshold of aggregate of all India Gross Annual Turnover will be prescribed below which registration is not required [Section 2(73)].
- ⇒ Export turnover and exempted supplies will be included for considering the threshold [Section 2(73)].
- ⇒ Application to be made within 30 days [Section 26(1)]
- ⇒ In case of delay in making application, credit for purchases prior to date of registration will not be allowed
- ⇒ No specific guideline for tax on supplies between application date and registration grant date

Casual Dealers [Section 2(16)]	Non-Resident Dealers [Section 2(46)]
Who desires to conduct business in a state for a limited period	Who makes an intra-state supply of goods or services and is not a resident in that state
Occasionally undertakes transactions in a taxable territory where he has no fixed place of business	Occasionally undertakes transactions where he has no fixed place of business in India
Can obtain registration for limited period	Can obtain registration for limited period (Dissenting view)
Pay advance tax by way of demand drafts by estimating the liability	Advance tax is not required to be deposited



Input Service Distributor

Concept of ISD, similar to that in service tax is proposed under GST law for Input services only.

Cancellation by Department:

- ⇒ Signed copy of the summary extract of submitted application form not received even after a reminder
- ⇒ Tax payer contravenes specified provision of the GST law
- ⇒ Taxpayer has not filed any return at all during a prescribed period as prescribed under GST Law
- ⇒ Tax to be paid for input tax credit of goods lying in stock on date of cancellation [Section 28(6)]

Surrender by Assessee:

- ⇒ Closure of business of tax payer
- ⇒ Gross Annual Turnover falling below threshold for registration
- ⇒ Transfer of business
- ⇒ Amalgamation of taxable person with other legal entities or de-merger
- ⇒ Non commencement of business by tax payer within the stipulated time period prescribed under GST law

Blacklisting – Compliance Rating [Section 73]

⇒ Dealer wise GST Compliance rating to be done

⇒ It is proposed that if any dealer falls below a prescribed level of rating, he will become a blacklisted dealer.

⇒ When will be a dealer blacklisted?

- Continuous default for 3 months in paying ITC that has been reversed
- Continuous default for 3 months or a period of 3 month period over duration of 12 months in uploading the sales details leading to reversal of ITC of others
- Continuous short reporting of sales beyond a prescribed limit of 5% for a period of 6 months
- System of rating the dealers based on their compliance should also be done and put in public domain to inform prospective buyers.

⇒ List of blacklisted dealers to be issued in public domain

⇒ Credit of purchases from blacklisted dealers cannot be claimed at the time of filing return until the dealer rectifies the mistake and makes the necessary compliance.

Payments Under GST

Payment Modes

Internet Banking

- Authorized Banks

Credit/ Debit Cards

- Any Bank
- Card Registration on GSTN to be done

OTC

- Authorized Banks
- For single challan payment upto Rs. 10,000

NEFT/ RTGS

- Any Bank
- Payment to be made within 7 days

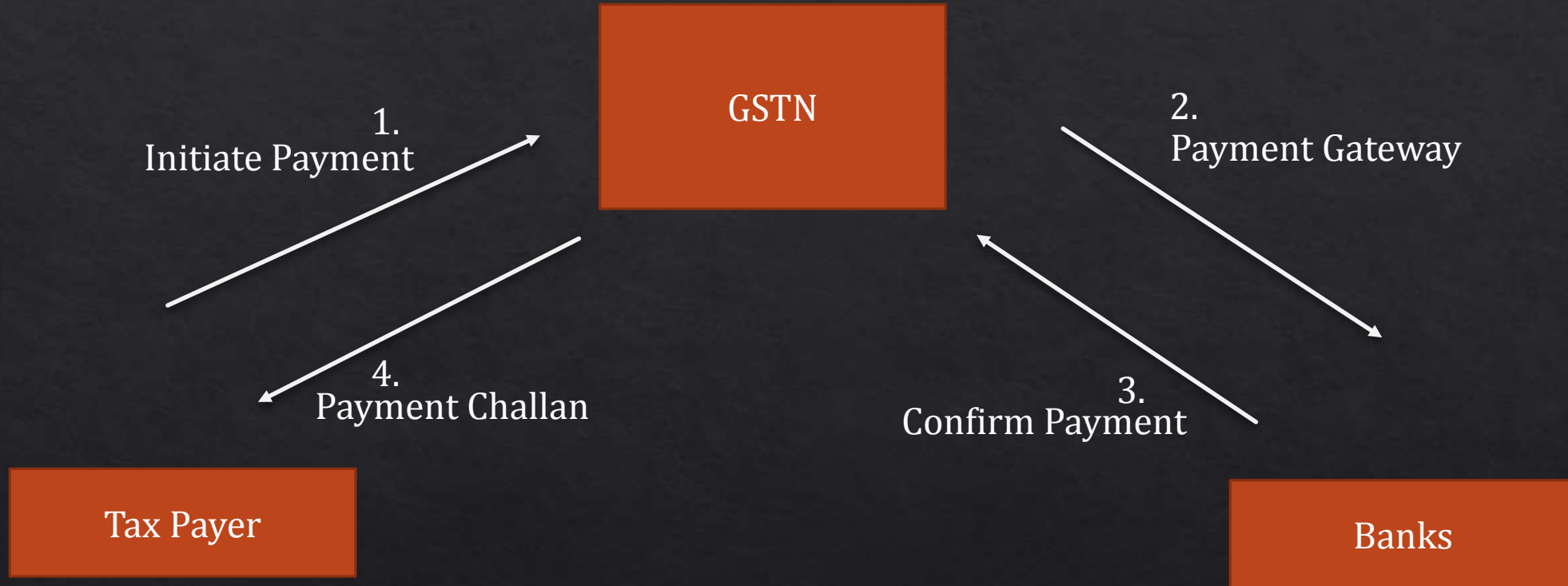
Book Adjustments by GoI

- For Government Departments
- Payment through Credit Scrips

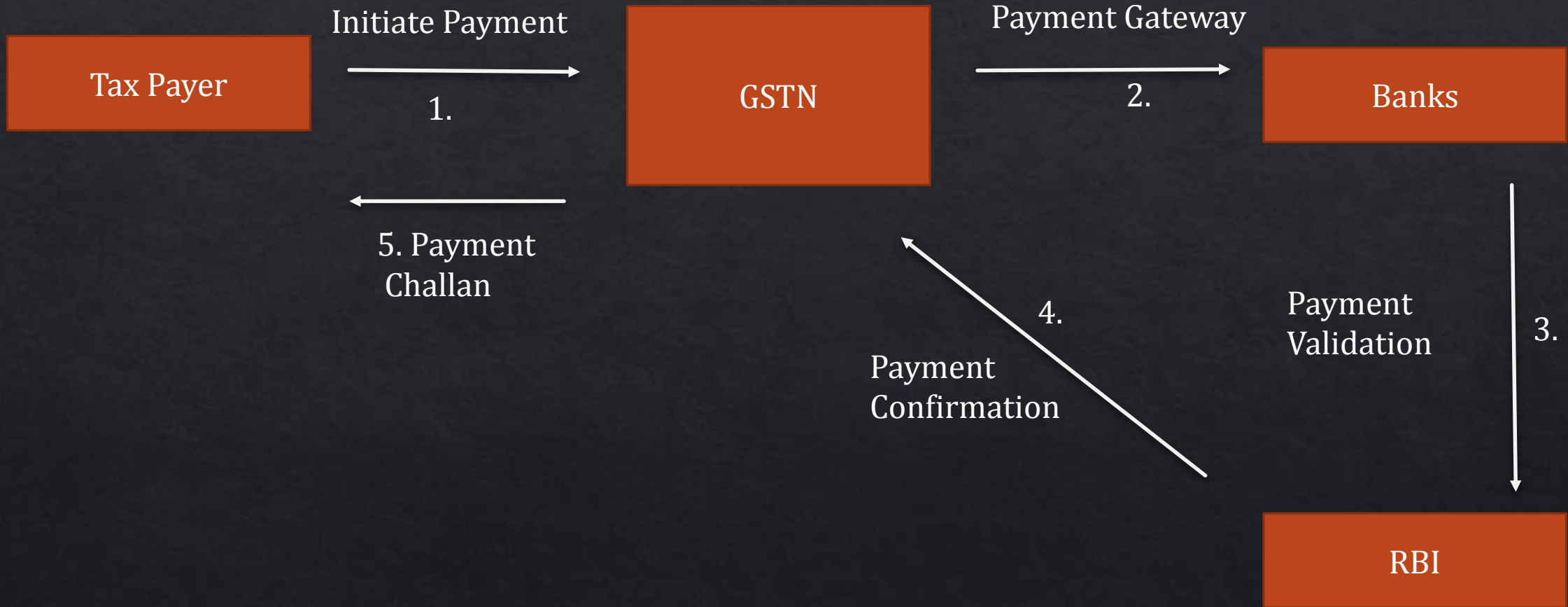
Stake Holders



Payment Process – Internet Banking. Credit/ Debit Card



Payment Process – NEFT/ RTGS



GST CHALLAN FORM

CPIN	<<Auto Generated after submission of information>>
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GSTIN	<<Filled in/Auto populated>>
Name	<<Auto Populated>>
Address	<<Auto Populated>>

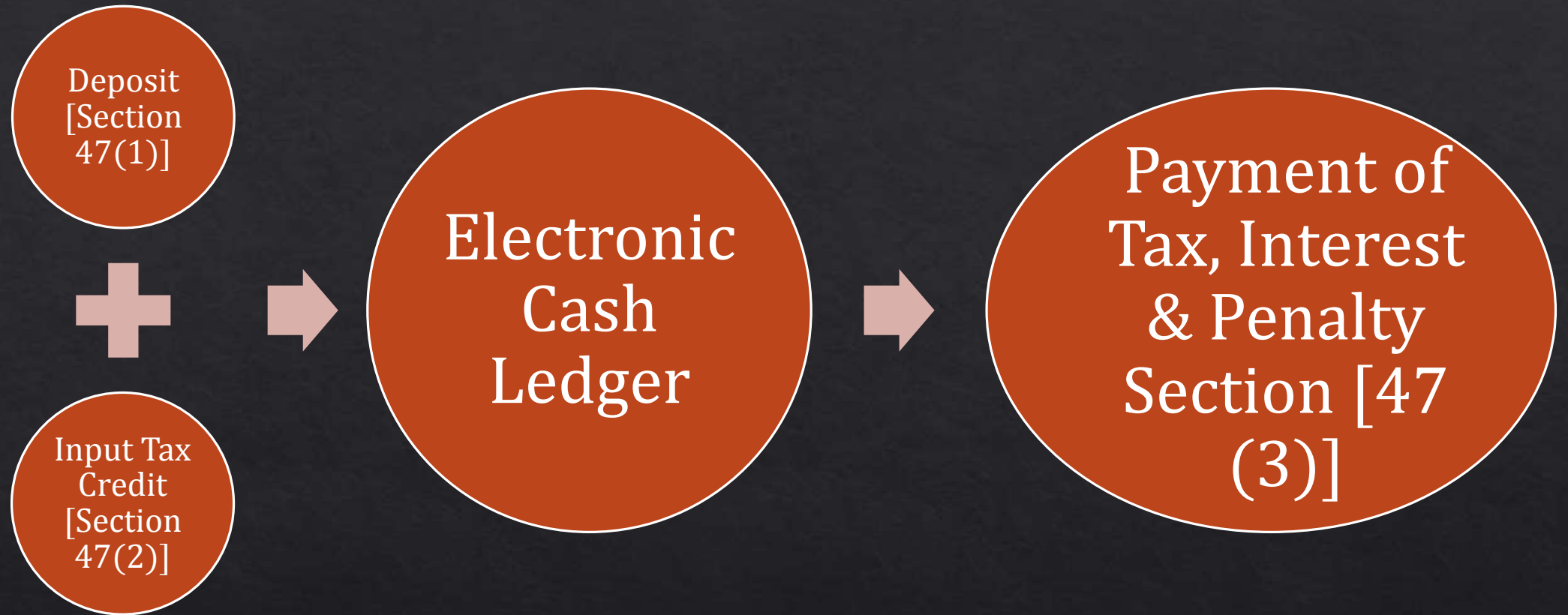
Date	
Email address	<<Auto Populated>>
Mobile No.	<<Auto Populated>>

Tax Liability					
	Tax	Interest	Penalty	Others	Total
Government of India					
CGST					
IGST					
Additional Tax					
Government of <State>					
SGST					
				Total Challan Amount	

Errors & Challan Correction Mechanism

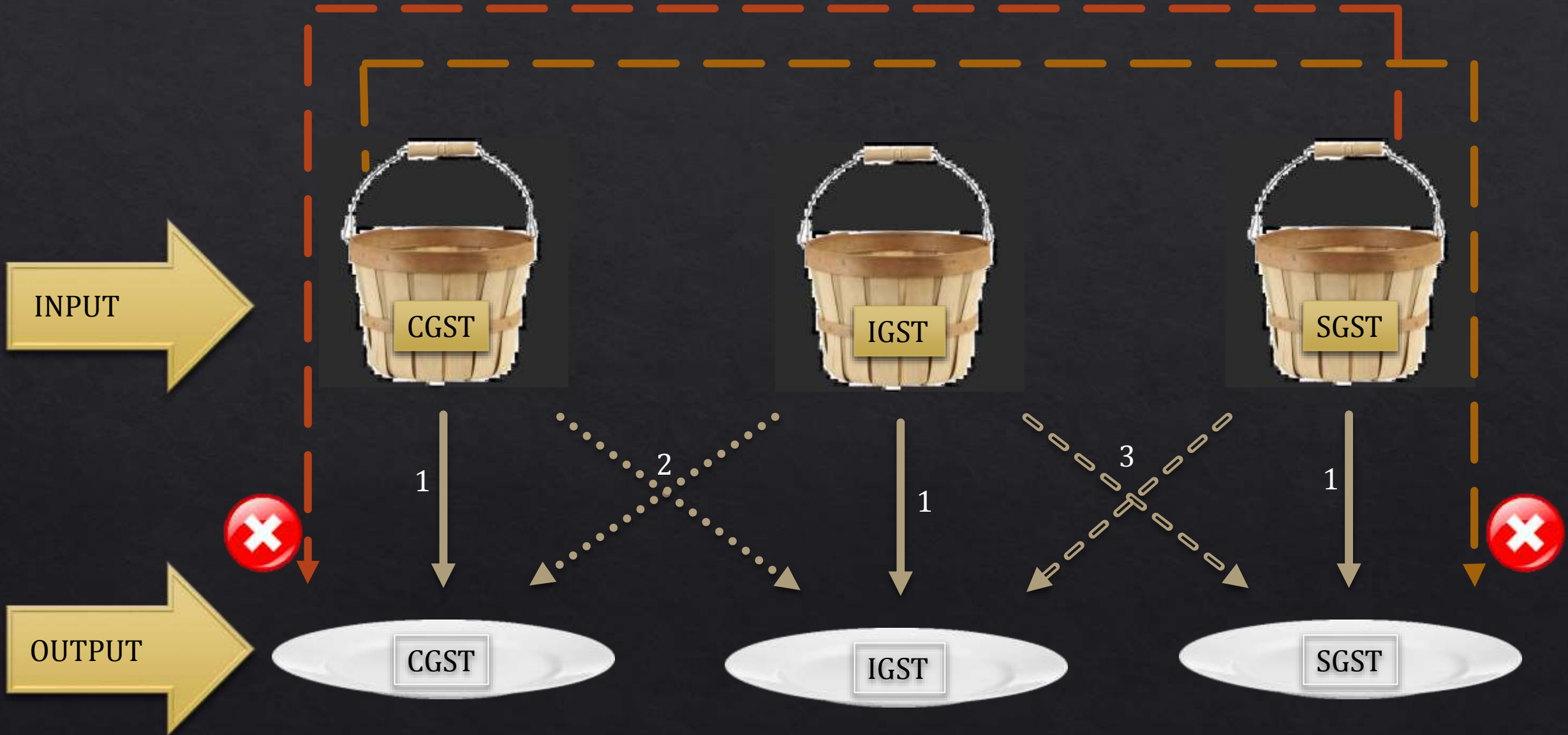
- ⇒ In case of incorrect GSTIN or Nature of tax (CGST/IGST/SGST)- Refund claimed to be filed
- ⇒ In case of excess payment by mistake- Can either claim refund or take credit in the next period

Salient Features of Draft GST Law



Salient Features of Draft GST Law

Fungibility of Input Tax Credit



Salient Features of Draft GST Law

- ⇒ Section 47(9) provides for tax payment in instalment for amounts other than the those due as per the liability self-assessed in any return on an application being made specifying the reasons thereof. Interest will be payable as applicable. In case of default in payment of any one instalment on its due date, the whole outstanding balance payable on such date shall become due and payable.
- ⇒ As per Section 47(6) Where the amount available in the electronic cash or the credit ledger falls short of the aggregate of tax, interest, penalty, fee or any other amount due, the said amount shall be liable to be debited in the following order:
 - (a) interest liability related to returns of previous tax periods;
 - (b) tax liability related to returns of previous tax periods;
 - (c) tax liability of the current tax period; and
 - (d) any other amount payable under the Act including the demand determined under section 20.

Returns Under GST

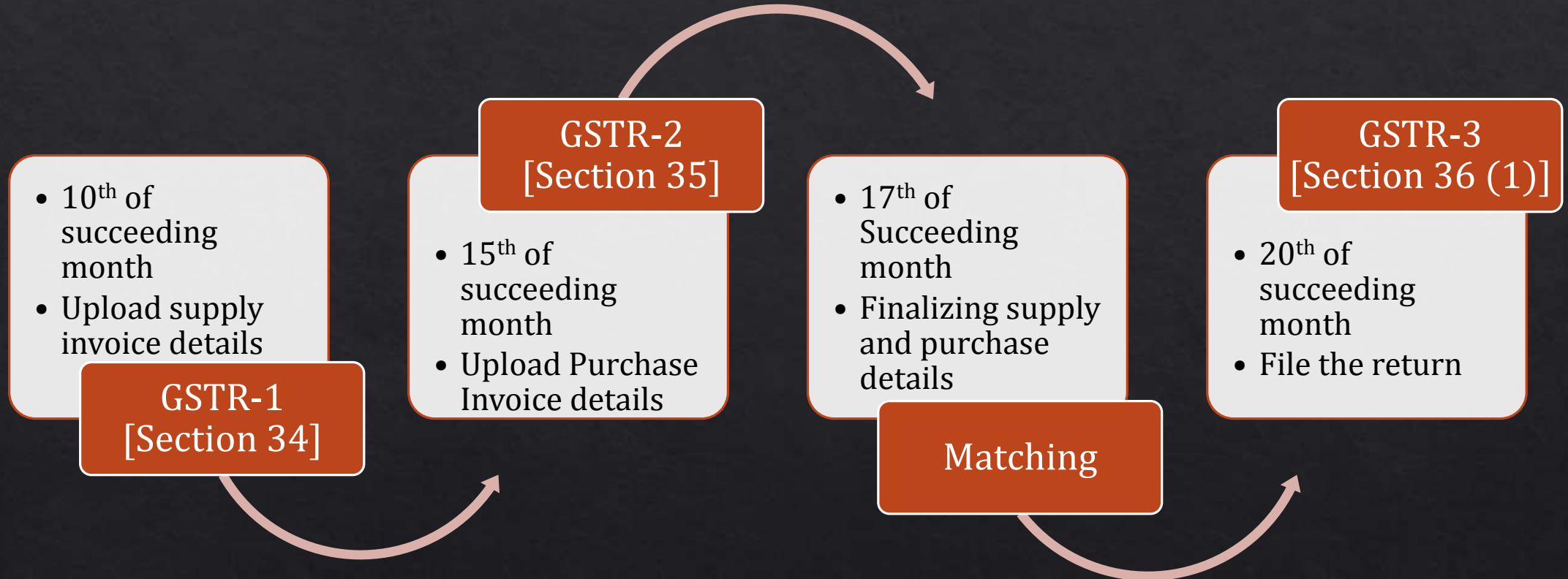
Types of Returns:

- ⇒ Normal/ Regular & Casual Taxpayer (GSTR-1, 2, 3 & 8)
- ⇒ Compounding Taxpayer (GSTR- 4 & 8)
- ⇒ Foreign Non-Resident Taxpayer (GSTR-5) [Dissenting View]
- ⇒ Input Service Distributor (GSTR- 6)
- ⇒ Tax Deductor (GSTR-7)
- ⇒ Annual Return [Section 43]

Salient Features of Returns:

- ⇒ Return to be uploaded on Common GSTN Portal
- ⇒ Revision of return is not permitted
- ⇒ No provision for filing revised return
- ⇒ All registered dealers to file returns irrespective of any turnover or no
- ⇒ Provision for rectification of errors by issue of a debit note/ credit note
- ⇒ Rectification in relation to purchase returns/ debit notes received/ credit notes issued to be done while returns for the month of November of the following year
- ⇒ Rectification in relation to sales returns/ debit notes issued/ credit notes received to be done while returns for the month of September of the following year

Process of filing return for a Normal/ Casual tax payer:



Invoice Matching & Credit Reversal:

- B2B supply information given by the supplying taxpayer in GSTR-1 will be auto-populated into GSTR-2 of the counterparty purchaser
- Purchasing taxpayers will be allowed to add invoice details in GSTR-2 & avail credit if he is in possession of valid invoice & have received supply of goods or services
- Counterparty registered taxpayers shall have a 2-day window to reconcile invoice information among themselves prior to filing of GSTR-3
- Credit availed on unmatched invoices shall be auto-reversed in the next to next return period (e.g. mismatched ITC for April to be auto-reversed in return for June)

Due Dates of filing other Returns:

Return Form	Tax Payer	Last date	Periodicity
GSTR-4	Composition Scheme [Proviso to Section 36(1)]	18 th day of succeeding month of the Quarter	Quarterly
GSTR-5	Foreign Non-resident	7 th day after expiry of registration	Event based
GSTR-6	Input Service Distributors	15 th day of succeeding month	Monthly
GSTR-7	Tax Deductor	10 th of succeeding month	Monthly
GSTR-8	All registered Dealer (except for casual dealers and non-resident dealers)	31 st December of next financial year	Annual
	UN Agencies	Month in which purchases are made	Event Based

Refunds Under GST

Situations which give rise to refund:

Excess payment due to mistake and inadvertence

Export (including deemed export)

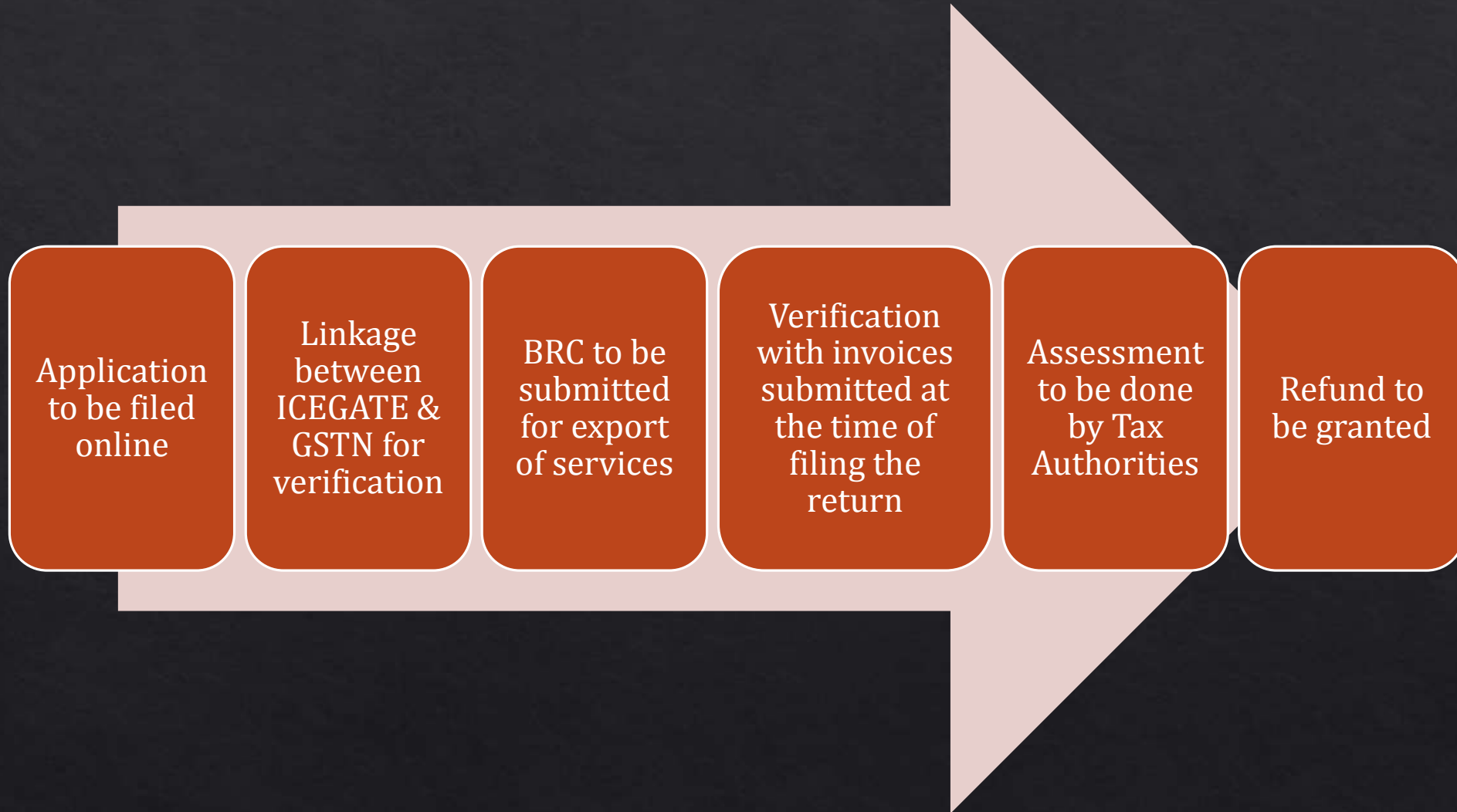
Refund of pre deposit in case of Appeal or Investigation

Refund for Tax payment on transactions by UN bodies

Unadjusted input tax credit where output rate of tax is less than input rate of tax

Refund of Carry Forward Input Tax Credit

Process for filing refund claim :



Documents required to claim refund:

- ⇒ Copy of challan establishing payment proof
- ⇒ Copy of invoices
- ⇒ CA certificate certifying the fact of not passing GST burden by the taxpayer

Proforma of refund application form:



Reasons for accumulation of ITC:

Sr. No.	Reasons for accumulated ITC	Whether refund granted
1	Due to Stock Accumulation & capital goods	Refund will not be granted and such amount needs to be carried forward to the next tax period.
2	Due to Inverted Duty structure	Refund will granted after due audit and verification. To that extent utilisation of ITC for which refund has been claimed will be blocked.
3	Accumulated credit on account of circumstance wherein liability to pay tax is under Partial RCM	Refund granted if GST law provided for JRCM (joint reverse charge mechanism)

Time frame for filing refund claim:

Refund should be filled within the period two year form the relevant date [Section 22(1)]. Following is the relevant date for different type of refund

Sr. No.	Cases	Relevant date (Section 22)
1	Excess payment due to mistake or inadvertence	Date of payment (Clause f)
2	GST paid / accumulated input credit in case of export of goods	Date on which the return is filed (Clause a) {BPR suggested LEO date}
3	GST paid / accumulated input credit in case of export of services	Date on which the return is filed (Clause a) {BPR suggested BRC date}
4	Finalisation of Provisional Assessment	Date of finalization order (Clause c)
5	Refund in pursuance of appellate authority's order in favour of tax payer	Date of communication of order (Clause d)
6	Refund due to accumulated credit (i.e. Partial RCM liability)	As per BPR Date of providing service (Date of Invoice) {Draft Law does not define the date}
7	Refund due to accumulated credit at the end of the tax period	End of the Financial year (Clause e)
8	Rejected goods	Date of receipt of rejected goods (Clause b)

Timeline for granting refund [Section 22(4)]:

Situation	Time limit for issuing refund order
Refund arising from export of goods [Clause a]	60 days
Refund arising from export of services [Clause b]	90 days
In case of refund of unadjusted input tax credit [Clause c]	45 days
Refund arising on account of a judgement [Clause d]	60 days
In other cases [Clause e]	90 days

Interest of refunds delayed by more than 3 months will be paid. Interest will be paid for the delay period after 3 months. [BPR suggests a rate of 6% p.a.]

Thank You