

GOODS & SERVICE TAX

BASED ON MODEL GST LAW, JUNE 2016.

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ONE NATION, ONE TAX, **NO RETURNS**

VIEW PRESENTED BY:

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CHARTERED ACCOUNTANTS

AHMEDABAD.



Returns under Proposed GST Model Law

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Sec.	For	Days	Form	Key Points
25	Outward Supply	10 days	GSTR-1	<ul style="list-style-type: none">- Registered Taxable Person can file but not applicable for ISD / Compounding / TDS cases.- All outward supplies to be shown including Zero rated and purchase returns.- Extension by Board / Commissioner of State GST.- Rectification Possible but before next September from end of FY or Annual Return, earlier of any.
26	Inward Supply	15 days	GSTR-2	<ul style="list-style-type: none">- Verify, validate, modify or if required delete inwards.- All inward supplies including RCM cases.- Unmatched entries have to be modified and paid with interest.

Returns under Proposed GST Model Law

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Sec.	For	Days	Form	Key Points
27	Monthly Return	20 days	GSTR-3	<ul style="list-style-type: none"> - If last return is not valid then this return will not be allowed to be filed. - No return is allowed to be filed if tax is not paid and if still it is filed then it will be invalid return and ITC will get hit. - Nil return is also mandatory. - Rectification (other than, Scrutiny, audit, inspection or enforcement activity) before next September from end of FY or Annual Return, earlier of any
			GSTR-4	- Compounding Cases–18 days allowed from end of Qrt.
			GSTR-6	- In ISD Cases – 13 days allowed from end of month.
			GSTR-7	- In TDS Cases – 10 days allowed from end of month.

Returns under Proposed GST Model Law

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Sec.	For	Key Points
27A	First Time	<ul style="list-style-type: none">- Outward Supply from the "date he become liable."- Inward Supply from the "effective date of Registration"
28	Claim of Credit	<ul style="list-style-type: none">- Credit will be received provisionally in Electronic Credit Ledger.- But the same has to be claimed- If monthly return is not submitted then, utilization of credit is restricted.
29 & 29A	Matching, reversal and reclaim of ITC	<ul style="list-style-type: none">- Even if data are matched, credit will be subject to provision of Sec 16.- If any difference then it will be communicated and rectification to be done (days not defined, but before next return), if it is not done then difference will be added to output liability payable with interest.

Returns under Proposed GST Model Law

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Sec.	For	Days	Form	Key Points
30	Annual Return	31 st Dec	GSTR-8	- Not applicable to ISD / TDS / Casual Taxable Persons / Non Resident Person.
31	Final Return	---	---	- During closing of business, in 3 months from cancellation or cancellation order (which ever is later)
32	Notice	- Notice to defaulter.		
33	Late Fee	- Other than Annual Return – 100 per day and maximum Rs 5000. - For Annual Return – 100 per day and maximum ¼ % of turnover.		
34	Tax Return Preparation Scheme.			

Proposed Returns in GST

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- **Returns as proposed by Joint Committee:**

GSTR-1
Outward Supply
(10th of the next month)

GSTR-2
Inward Supply
(15th of the next month)

GSTR-3
Monthly Return
(20th of the next month)

GSTR-4
Quarterly Return for
composition scheme
(18th of the next Quarter)

GSTR-5
Non-Resident Foreign
(Last day of registration)

GSTR-6
ISD Return
(15th of the next month)

GSTR-7
TDS Return
(10th of the next month)

GSTR-8
Annual Return
(31st December of the
next FY)

Count of Returns by an assessee in an year

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Returns	Type of Assessee				Assessee having Place of Business		
	Normal	Normal with ISD & also TDS	Foreign	Compounding	In 29 States	In 3 States	In 2 States
GSTR-1	12	12			348	36	24
GSTR-2	12	12			348	36	24
GSTR-3	12	12			348	36	24
GSTR-4	--	--		4			
GSTR-5	--	--	12				
GSTR-6		12					
GSTR-7		12		12			
GSTR-8	1	1	1	1	29	3	2
Total	37	61	13	17	1073	111	74



Objectives

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1. Make in India, Skill India, Jan Dhan Yojna, Mygov and all other ambitious schemes of government are not possible without DIGITAL INDIA.
2. Ease of Doing Business, paperless movement of records across stakeholders.



Details of Internet Users

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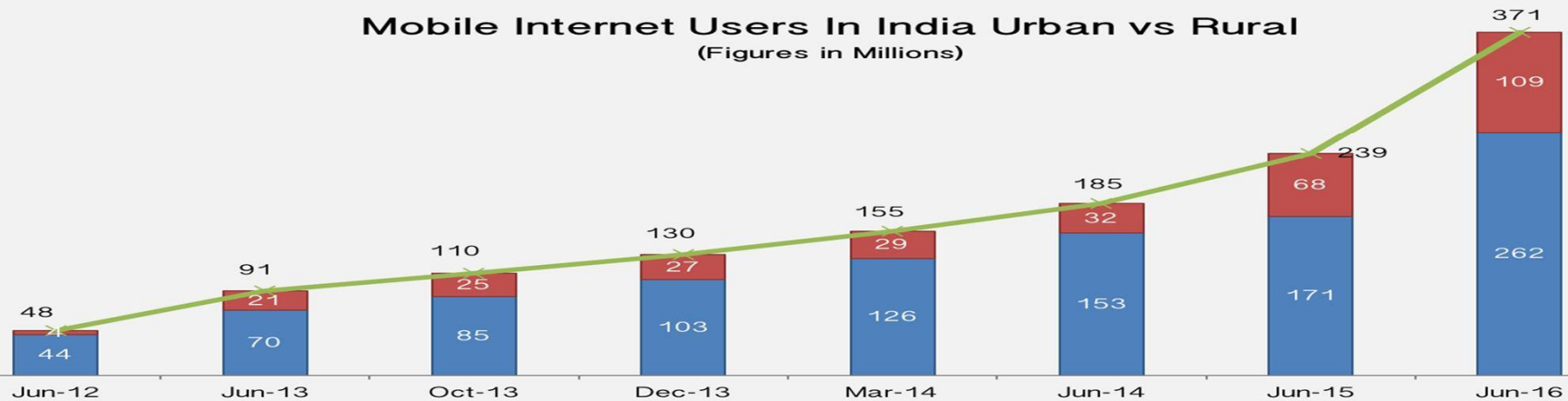
GROWTH OF INTERNET USERS vs MOBILE INTERNET IN INDIA 2012 - 2016



Source: IAMAI, Feb 2016, Figures In Million Users, *Estimated Number

DAZ@INFO

Mobile Internet Users In India Urban vs Rural (Figures in Millions)



Source: IAMAI, Feb, 2016

— Rural — Urban —

DAZ@INFO

Statistics/Registration

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- It is being assumed the total number of assessee base with Central Government and State Government may be:
 1. Service tax (around 25 Lacs) & Excise (around 10 Lacs) - Central Government.
 2. VAT & Sales Tax (around 65 Lacs) - State Government.
- All above assesses are proposed to be auto migrated in proposed GSTN (CGST/SGST/IGST) and adding to this there may be increase in number of NEW Assessee around 20%-25%, hence that will result into addition of 20 – 25 Lacs NEW Assesse on GSTN.
- All assesses if they have different Place of Businesses in different states, even within state, there is a proposal for separate registration for each such premises including Branches and Depots.



Position of Trade

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On assumptions basis, the count of Assessee in GSTN who are going to face the real heat of GST.

Type of Assessee	% share in total Assessee	Existing Assessee	NEW Assessee	Assessee Count (in Lacs)
Mega	1%	1.00	0.25	1.25
Top	5%	5.00	1.25	6.25
Medium	40%	40.00	10.00	40.00
Small	54%	54.00	13.50	67.50
Total	100%	100.00	25.00	125.00

Shattering of Dreams with the Return System

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1. No more "Ease of doing Business".
2. It will be Maximum Government Minimum Governance.
3. Whole Trade will be badly stuck in compliance only.
4. Inspector RAJ will comeback.
5. Nobody can imagine the cost of Compliance.

**Hence serious introspection required,
are we really heading towards bright future in GST.**



Recommendations

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- To achieve “Dream of Digital India” and for simplified processes the proposals as,

1. [Online Generation of Invoices.](#)
2. [Online Payment of Taxes.](#)
3. [Ease of Cenvat Credit.](#)
4. [Easy Refunds.](#)

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1. [Benefits of Proposal.](#)
 2. [Limitations of Proposal.](#)

Recommendations

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- To achieve “Dream of Digital India” and for simplified processes the proposals as,
 - ✓ The GSTN and other Government Websites should be kept free for access by all network providers.
 - ✓ Strong uninterrupted Interconnectivity to be setup between GSTN & RBI, with a backup / alternate / parallel plan in case network is down.
 - ✓ Government should provide common hardware/platform/gateway for uniform system for generation of invoices and every assessee has to mandatorily follow the system.

Online Generation of Invoices

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✓ While generating any invoice for either supply of goods or services, in the beginning two options can be given as,

1. Nature of Invoice for Supply for:

- CGST
 - SGST
- } OR
- IGST

2. Selection of Type of Transaction:

- B to B transactions.
- B to C transactions.
- B to E (Exports) transactions.
- B to O (as SEZ/EOU/FTZ/STPEI/etc.) transactions.

Online Generation of Invoices

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5. In case of small assessee who is not I.T. friendly or conservative by nature may be provided with an option of uploading invoices on weekly or fortnightly basis.

Alternatively a software / portal can also be provided, through which a "XML" file can be exported and uploaded into GSTN on periodic basis.

Considering the volume of returns (more monotonous work), this would be an easier task to upload invoices on GSTN.

6. Alternatively Mobile App can also be created for Issuance of Invoices, which can be attached to small wifi / USB printers (if print required).
7. All date to flow on real time basis in GSTN.

Online Payment of Taxes

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Instead of proposing **DEADLINE** for filing of **RETURNS**, **DEADLINE** for **ONLINE PAYMENT** of taxes to be strictly followed.

DEADLINE



*Online Tax
Payment*

Online Payment of Taxes

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1. Assesse to be segregated into Large, Medium or Small Categories or as per present system of Individual/Partnership and others basis to decide the periodicity of the tax payment.



Small

Medium

Large

2. Strong uninterrupted Interconnectivity to be setup between GSTN and RBI.



Online Payment of Taxes

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3. Basic details of the Assessee is already fetched while making online payment, then onwards direct link to invoices (from GSTN) to be provided as against the present system of selection of Tax Codes.
4. At the time of online payment, following options may be available for allocation of the tax paid by the assessee:
 - a) The tax payment can be allocated on FIFO basis of serial number of invoices. OR
 - b) The tax payer may be given option to select pre-loaded serial number individually or in block or randomly while making payment. OR
 - c) If Advance Tax or Adhoc Tax or Provisional Tax is deposited than existing PLA type system may also be adopted.

Online Payment of Taxes

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5. Correction for any mistake in online payments should be allowed for infinite period.
6. Proposed Fines, Late Fees, Interest or Penalty should be strictly followed.
7. The liability and payment cycle (monthly / quarterly) will go on until the surrender/closure of the business.
8. Rating / Grade system proposed to be linked and given heavy weightage on online payments process.
9. Government may give longer time frame for payment of taxes initially considering the acceptability of the proposed system in case of small and medium category of assessee and shorter time frame to large category of assessee.

Ease of CENVAT Credit / ITC

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The existing system of CENVAT is carried over in GST Model law with all restrictions, riders and conditions, which will be prescribed???

Entire concept of GST is evolving around on majorly two backgrounds, one is movement of seamless credit and another to remove the cascading effect of taxes and if there are any restrictions in availment of any credit the zeal of entire GST will be lost. To remove this it is being suggested to all total credit without any restriction but in few cases as petroleum products total credit may be totally restricted.

1. After issuance of invoice, initially credit in Electronic Credit Ledger may be allowed to the buyer on a provisional basis may be marked as "U" (Unmatched).
2. Once the online payment of tax is received and is the same is matched with the invoices at that moment provisional credit in Electronic Credit Ledger can be converted into final credit to be marked as "F" (Final).

Ease of CENVAT Credit / ITC

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3. If in case, any Credit Note is required to be issued due to any reasons as, non-supply, accidents, cancellation, rejections, any natural calamities or any other reason against any invoice, the credit in Electronic Credit Ledger which is previously allowed is to be reversed automatically and to be marked as "R" (Reversed). Also if due to reversal balance of electronic credit ledger becomes negative, then such amount to be paid immediately.
4. In case of assessee who is into both taxable & non taxable business than proportionate credit in Electronic Credit Ledger as per previous year turnover may automatically be disallowed.
5. In case of any limitation of availment of CENVAT, present system of physical verification can be continued.

Ease of CENVAT Credit / ITC

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6. CENVAT credit as per Electronic Credit Ledger may be allowed on real time basis on generation of invoice in GSTN.

Type of Transaction	Availment of Credit	Conditions
B to B transactions.	Full Credit	Reversal to Check
B to C transactions.	No Credit	---
B to E (Exports) transactions.	Full Credit	Converted to Refund "at option"
B to O (as SEZ/EOU/FTZ/STPEI/etc.) transactions.	Full Credit	Converted to Refund "at option"

Easy Refunds

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- Due to above mentioned proposals, all types of refunds can be cleared on real time basis (without additional interest liability).

1. "To" Exporters/SEZ: in case of "B to E (Exports)" / "B to O (as SEZ/EOU/FTZ/STPEI/etc.) transactions"

When invoice is issued under above categories and is received by either exporter / specified persons and they are opting for refund, they only need to click submit button after actual exports are being done in case of supply of goods (i.e. Bill of Lading) and for exporter of services or a unit in specified business zones, on receipt of convertible foreign exchange, refund of 80% as proposed to be automatically processed online without requirements of any documents verification.

2. Balance 20% of Credit lying in Electronic Credit Ledger may be allowed as refund after verification of documents as may be required.

Summary of Proposal

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1. Only mode of INVOICING need to be changed.
2. All other systems are already into existence, small modification only needed.
 - ✓ Mandatory 100% E-Filing of Returns.
 - ✓ Mandatory 100% E-Payment of Taxes.
 - ✓ Deadline for payment of Taxes.
 - ✓ GSTN & RBI network.
 - ✓ Customs / Excise Tariff Codes.
 - ✓ Service Tax Codes.
 - ✓ Presently payment details flowing RBI to ACES, proposal is to link GSTN to RBI on real time basis.
 - ✓ 80:20 ratio for refunds.
3. One annual return may be asked to be submitted, which is also not necessary as everything is tracked on real time basis.

Benefits out of proposed system

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1. To Motivate 100% Digital India, paperless movement.
2. No compliance will be required for mandatory filing of large number of returns and due to this trade will be free.
3. Online assessment can be done due to which trade is free from departmental harassments (Inspector Raj).
4. No Departmental Manpower required for routine assessments, so the right energy can be used in more productive work as audits, scrutiny, investigations, etc.

Benefits out of proposed system

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5. There will be standard and uniformity in the invoices issued throughout the nation.
6. No system for credit verification will be required as it is done online. Only limited verification required for not allowed credits.
7. Immediate revenue realization with matching details.
8. Every Assesse can view their ledger of invoices and payment of taxes online any time.
9. Helps in reducing litigation.

Limitations out of proposed system

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1. Challenging Job but not impossible, as Indians when we are revamping the entire taxation system, this would be only tip of iceberg. Lets have complete solution.
2. Increase in Common Hardware / Platform / gateway cost which may be shared by Industry, State Government & Central Government.
3. Increase in cost of training, where by FREE help from various Associations / Chambers/ CII / FICCI / ICAI / ICWAI/ ICSI or any other organizations can be taken.

What will continue...

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- Selected Assessment proceeding wont stop.
- Refunds wont stop.
- Investigations wont stop.
- Search by department wont stop.
- Opinions wont stop.
- Consultancy wont stop.
- Litigation wont stop but will reduce.
- And accordingly other areas of practice will increase, as we need more consultants to absorb new 25L new assesses.

Many reasons to fly...

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Lets make G.S.T. really welcome step by
TRADE and INTERNATIONAL INVESTORS


**Really hopping for better GREEN-INDIA
AND SAVING ENVIOURNMENT**



WE ARE HERE FOR YOU...

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