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ICAI-GST NEWSLETTER

A Newsletter from The Institute of Chartered Accountants of India on GST

The Council

Contents

GST Updates

GST BILLS PASSED FROM PARLIAMENT

The Lok Sabha on 29thMarch 2017 and the Rajya Sabha on 6th April 2017 cleared four crucial GST Bills i.e. CGST, IGST, UTGST and Compensation Cess Bill paving the way for early rollout of GST.

GST RULES

GST council at its 13th Meeting held on 31st March 2017 approved five amended rules for the Goods and Services Tax regime rules namely invoice, payment, refund registration, return and gave “tentative” nod to the remaining four rules viz. Composition, Valuation, Transition, ITC for comments and suggestion by various stakeholders.

Next (14th) GST Council Meeting is scheduled to be held on 18th-19th May 2017 at Srinagar.

GST IN J&K

J&K’s special status under the Constitution mandates that the state assembly approve GST Bills passed by the Lok Sabha and as well as its own legislature for SGST Law. The process of drawing J&K own rules to implement GST will start from May, after the final set of guidelines would be approved by the GST Council.

RATES UNDER GST

The Central GST (CGST) law has pegged the peak rate at 20% and a similar rate has been prescribed in the State GST (SGST) law, which takes the max rate to 40% which will come into force only in financial exigencies. Similarly, IGST would be levied at 40% at its peak rate.

GST Council in its meeting decided 4 tier structure of rates 5%, 12%, 18% and 28% (with cesses) in addition to zero rated and exempted goods or services.

CONSTITUTION OF GST WORKING GROUP TO ADDRESS THE CONCERN OF TRADE AND INDUSTRY

Sh. Ram Tirath, Member, Budget & GST vide an order dated 24th April 2017 constituted a group of officers to address the concerns of trade and industry represented by Banking, Telecommunication, SEZ, IT& ITES, Transport and logistics, Textiles, MSMEs, Oil & Gas, Gems and Jewellery and service received and provided by Govt. The working group needs to present their report latest by 10th April 2017 with inputs from these sectors.

APPOINTMENT OF NEW CBEC CHAIRPERSON

Ms. Vanaja N. Sharna has been appointed as the Chairperson, Central Board of Excise and Custom (CBEC) succeeding Shri Najib Shah, then Chairman, CBEC.

FAQ’S ON GST

CBEC has released Frequently asked questions (FAQ’s) on Goods and Services Tax. These FAQ’s have been prepared by NACEN based on the bills introduced in the parliament and have been released in English and Hindi languages. They are also expected to be issued in other languages shortly.

FAQ’S ON GST MIGRATION

CBEC has released 19 FAQ’s on GST Migration. Answers in the FAQ’s have been explained with the help of examples in a very simplified manner. The same are available on website of CBEC i.e. www.cbec.gov.in. CBEC helpdesk may also be contacted at helpdesk@gst.gov.in or call at 0124-4688999 for queries in relation to migration.

DATE OF MIGRATION EXTENDED

The last date of migration of the existing registered dealer has been once again extended till 30th April 2017 at the GST portal namely www.gst.gov.in.

INDIRECT TAXES COLLECTION DURING THE FY 2016-17

The indirect tax collections (Central Excise, Service Tax and Customs) in FY 2016-17 are at Rs 8.63 lakh crore, which is 22.0% higher than the actual revenue receipts in FY 2015-16. The Tax wise summary (figures in Lac Crores) is as follows:

	FY 2016-17	FY 2015-16	Growth
Central Excise	3.83	2.86	33.9%
Service Tax	2.54	2.11	20.2%
Customs	2.26	2.10	7.4%

VALUATION UNDER GST

Under current regime, each Act under indirect tax whether Central excise, Service Tax, Value Added Tax, Custom Act etc. contains valuation provision with own set of rules which is always riddled in litigation. For instance, works contract service, where supply of goods and services, both are involved, goods are being valued under VAT and services are being valued under Finance Act, which amounts to double taxation, leading to litigation. Supreme Court ruling in the Fiat case which sought to levy excise duty on the cost of manufacture vis-à-vis transaction value, by itself changed the yardstick for measuring the quantum of excise duty.

With the passage of all four bills i.e. IGST, CGST, UTGST, Compensation Cess law and all relevant rules, GST now becomes a reality. Section 15 of the CGST Bill law lays down the valuation aspects under GST which explained the value of taxable supply of goods or services or both on which tax is payable.

It states that the value of supply of goods and services shall be the 'transaction value' that is the price actually paid or payable for the said supply, where the supplier and the recipient are not related and price is the sole consideration for the supply. Thus, with the adoption of the transaction value concept, the Government has departed from MRP based method of computation of excise duty. This would be a significant change for the industries supplying products like electronics; footwear, FMCG products etc. who have adopted MRP based valuation for payment of excise duty.

Sec 15(1) defines "transaction value" derives support from the Central Excise Act where one of the conditions is that supplier and recipient are not related persons. In such a case, the question that arises about the value to be adopted under GST in case transaction is between related parties, as any transaction between related persons even without the consideration for furtherance of business would cover under ambit of supply as per schedule I of the CGST Bill. Rule 2 of the "Determination of Value of Supply", states that the value of supply between related person/distinct person other than agents shall be –

(a) *be the open market value of such supply;*

(b) *if open market value is not available, be the value of supply of goods or services of like kind and quality;*

(c) *if value is not determinable under clause (a) or (b), be the value as determined by application of rule 4 or rule 5, in that order:*

Provided where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of goods or services.

However, if valuation as per the above rule is not determinable, then rule 4 is to be resorted to which envisages that value

shall be 110% of cost of production or manufacture or cost of acquisition of such goods or cost of provision of service. If the value cannot be determinable by rule 4, rule 5 i.e. residuary method is to be followed which envisaged that value shall be determined using reasonable means.

Sec 15(2) explained what are the other items which would form part of the transaction value which includes duties, taxes, amount incurred by recipient on behalf of the supplier, packaging, commissioning, interest, late fee, penalty for delayed payment.Presently, under current regime, interest, late fee, penalty for delayed payment does not attract tax. However, under GST regime, tax would be attracted for which supplier would be require to issue supplementary invoice or debit note to collect extra tax on late fee, penalty amount as at the time of raising a tax invoice, supplier will not be in a position to determine whether it would be a delayed payment or not.

Sec 15(3) states that post-supply discount would be excluded from transaction value provided such discounts are established in the agreement and linked to all relevant invoices plus the credit claim on discount value is reversed by the recipient. Practically, all taxpayers supplying goods to the dealer/distributor are offered quantity discount at the end of the financial year once the sales target are achieved by them and same is provided by issuing a credit note. Linking with the relevant invoices is going to pose a major issue because all over the year, dealer/ distributor may issues more than 200 or 300 invoices. Further, even in big industries, this quantity discount is not mention in agreement or in some cases there is not agreement at all.

Sec 15(4) states that where the value of the supply of goods or services or both cannot be determined under sub-section (1), the same shall be determined in such manner as may be prescribed.

Further, transfer of goods from factory to depots/branches located in another state is a common phenomenon among the industries i.e. stock transfer. Under current regime, no CST is attracted except excise duty on removal of goods. Under GST regime, the same would be taxable but the valuation to be adopted would be the open market value under rule 2 of the "Determination of Value of Supply" as it would be considered as related party transaction. The question that needs to be

addressed here is whether taxing of stock transfer would lead to inverted duty structure. In many MRP based valuation industries, when the goods are transferred to retail outlets and the goods becomes non-moving items, huge discounts are being offered for stock clearance. Since tax is being paid at open market value at the time of stock transfer, it would lead to accumulation of credit on retails outlets.

Further, under current regime, sale of goods through agent, no separate valuation method is being adopted. Excise duty is being charged on the transaction value of the goods. However under GST regime, if the goods are being sold through agent, it would fall under the ambit of "related person" and transaction value cannot be adopted for discharge of GST. In such a scenario, rule 3 of the determination of value of supply is to be resorted which states that value shall be -

(a) *be the open market value of the goods being supplied, or at the option of the supplier, be ninety percent of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person, where the goods are intended for further supply by the said recipient;*

(b) *where the value of a supply is not determinable under clause (a), the same shall be determined by application of rule 4 or rule 5 in that order (as discussed supra).*

Clarity in law at the outset will enable easy compliance for the business, at the same time ensure appropriate revenue and avoid frivolous litigation. Although a prompt action by the authorities in bringing the rules brought a lot of clarity, but still there are hidden issues as each industries have peculiar transaction which will come to know with time.

(Contributed by Kolkata Study Group)

COMPOSITION LEVY UNDER GST

The word 'composition' comes from the Latin componere, meaning "put together". It is a feature of Indirect Tax laws that in order to provide a comfort to an assessee from complying with the requirement of paying tax on value addition by maintaining detail of 'inputs' and 'outputs', an option is provided to go for a put together scheme. As per the scheme, the assessee is made free from the requirement of maintaining complete details of its inputs and outputs and permits the assessee to make payment of a single put-together amount better known as 'composition fees'.

The Central Goods Services Tax Bill, 2017 (CGST Bill, 2017) also provides for the option of availing the benefit of the Composition Levy to small business houses. The provision related to Composition levy is contained under Section 10 of the CGST Bill, 2017. The said Section provides for an option to a 'Registered person' whose 'aggregate turnover' during the preceding FY did not exceed fifty lakh rupees. The Government has the power to increase the said limit of fifty lakh rupees upto one crore rupees, by way of a notification.

A person shall be liable to be registered under the CGST Bill, 2017, in all the States or Union territories from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds twenty lakh rupees (ten lakh rupees in special category states).

The 'aggregate turnover' as defined in CGST Bill, 2017 is the aggregate value of all:

- taxable supplies (excluding the value of inward supplies on which tax is payable on reverse charge basis),
- exempt supplies,
- exports of goods or services or both and
- inter-State supplies

of persons having the same Permanent Account Number to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.

The exact rates of Composition Levy are yet to be prescribed, however the maximum rates are classified under the following three categories:

- Manufacturer: Maximum one per cent of the turnover in State or turnover in Union territory.
- Specific Service providers: Only such service providers who are supplier of food related services (restaurant services) specifiedunder paragraph 6(b) of Schedule II (supply, by way of or as part of any service or in any other manner whatsoever of goods, being food or any other article for human consumption of any drink (other than alcoholic liquor for human consumption) whichare kept under composition levy at a maximum two and a half per cent.
- Other suppliers : Half per cent of the turnover in State or turnover in Union territory.

Point to be notedis that the above rates are provided in CGST Bill, 2017 therefore the actual pay out of composition rate will be double of the above rates i.e. either 1%, 2% or 5% bifurcated into CGST and SGST/UTGST.

The Composition scheme can be availed by the following categories of registered persons:

- The registered person is not engaged in the supply of service other than supplies referred to in clause (b) of paragraph 6 of Schedule II

- The registered person is not engaged in making any supply of goods which are not leviable to tax under GST Laws.
- The registered person is not engaged in making any inter-State outward supplies of goods.Under the earlier draft GST law the above exception was not clear. The language doesn't specify the interstate transaction, i.e. whether inward or outward supplies both were to be included for the purpose of determination of eligibility under the Composition levy. However, now it has been cleared under Section 10 that bar is only on outward supplies while it is permitted for the registered person to procure inter-state supplies under Composition Levy.
- The registered person should not be engaged in making any supply of goods through an electronic commerce operator. This restriction constrains numerous small suppliers/vendors from availing the benefit of Composition scheme. Although there is a valid reason behind the imposition of this restriction - the supply from an e-commerce operator may result into inter-state outward supplies in many cases.
- The taxable person should not be a manufacturer of such goods as may be notified by the Government on the recommendations of the Council.

The benefit of Composition scheme will be available only when all the registered entities under a single Permanent Account Number opts for such scheme.The Registered person paying tax under composition scheme is required to pay tax on quarterly basis and also requiredto file a quarterly return in Form GSTR-4 by the 18th of the month following the end of the quarter instead of any statement of outward or inward supplies.The proper officer may cancel the registration where the said person has not furnished returns for three consecutive tax periods.

The person registered under Composition scheme is neither permitted to collect any taxfrom the recipient of supplies made by him nor can he avail any credit of input tax paid.

The option availed by a registered person shall lapse with effect from the day on which his aggregate turnover during a financial year exceeds fifty lakh rupees.

The conditions and restrictions for composition levy are as follows:

- The personshould neither be a casual taxable person nor a non-resident taxable person.
- The goods held in stock on the appointed day had not been purchased in the course of inter-State trade or commerce or imported from a place outside India or received from his branch situated outside the State or from his agent or principal outside the State, where the option is exercised under sub-rule (1) of rule 1 of Composition Rules.
- the goods held in stock by him have not been purchased from an unregistered person and where purchased, he pays the tax under reverse charge basis in compliance of sub-section (4) of section 9;
- The person shall pay tax under sub-section (3) or sub-section (4) of section 9 on inward supply of goods or services or both received from un-registered persons;
- The person shall mention the words "composition taxable person, not eligible to collect tax on supplies" at the top of the bill of supply issued by him
- The person shall mention the words "composition taxable person" on every notice or sign board displayed at a prominent place at his principal place of business and at every additional place or places of business.

The taxable person who has paid tax under composition scheme even when not being eligible will be liable to a penalty and the provisions of Section 73 or Section 74 shall, mutatis mutandis, apply for determination of tax and penalty.

The option exercised by the registered person to pay tax under the Composition scheme shall remain valid so long as he satisfies all the conditions.

Registered person can withdraw from composition scheme at his option by filing an application.

Challenge in Transition Year

- Registered persons have to file option within 30 day from the transition date to avail the option of paying tax as per composition scheme;
- Goods in stock on transition date must not have been purchased:
  - o in the course of inter-State trade or commerce or
  - o imported from a place outside India or
  - o received from his branch situated outside the State or
  - o from his agent or principal outside the State.

Whether the composition scheme is available for all the dealers in first year of GST?

The limit of Rs 50 Lakhs has been mentioned twice in section 10 of the CGST Bill, 2017. First, in sub section (1) and second in sub section (3). In sub section (1) the term used is 'aggregate turnover in the preceding FY doesn't exceed Rs 50 Lakhs'. The term 'aggregate turnover' has been defined u/s 2(6) of the CGST Bill as the aggregate value of all taxable supplies…… The term 'taxable supply' has been defined u/s 2(108) of the CGST Bill, 2017 as 'supply of goods or services or both which is leviable to tax under this Act'. Now for the first year of GST, during the preceding FY (2015-16) no dealer's turnover will be leviable to tax under the CGST law. Hence, a view can be taken that for all the dealers the option to avail composition shall be available for the first year.

(Contributed by Jaipur Study Group)

INPUT TAX CREDIT UNDER GST REGIME

Input Tax Credit can be said to be one of the key element of the entire Goods and Service Tax (GST) framework whereinone of the major USPs is the seamless flow of credit in the entire GST chain. The present indirect taxation system suffers with cascading tax effect due to non-availability of credit at various points in the supply chain. However, under the GST regime, credit of GST is expected to be available at every stage in the entire supply chain. This article focuses on basic concepts and framework of Input Tax Credit under GST regime.

- **Input** – Any goods other than capital goods used/ intended to be used by a supplier for business purpose.
- **Input Service** – Any service used/intended to be used by a supplier for business purpose.
- **Input Tax** – IGST/CGST/SGST/UGST charged on supply of goods/services to a person and includes tax payable on imports and under reverse charge mechanism but excludes tax paid under composition scheme.
- **Capital Goods** – capital goods means goods, the value of which is capitalised in the books of accounts of the person claiming the credit and which are used/intended to be usedfor business purpose.
- **Conditions for Credit allowability**

  Input Tax Credit can be availed only if:

  ✓ Such person possesses Tax Invoice,Debit note, Bill of Entry, ISD Invoice, or Invoice issued by service recipient under Reverse charge mechanism

  ✓ Prescribed particulars are mentioned on the Invoice and the recipient furnishes relevant information in Form GSTR-2

  ✓ Goods/Services have been received by such person

  ✓ Tax charged in respect to such supply has been actually paid to the Government

  ✓ Return has been furnished

- **Blocked Credits**

  Input Tax Credit **shall not be available** in respect of the following:

  o motor vehicles and other conveyances, except when they are used for providing the taxable supplies of further supply of vehicles/conveyances, transportation of passengers/goods, or imparting training on driving, flying, navigating such vehicles/ conveyances;

  o goods/services provided in relation to food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery except when used for providing similar taxable supplies;

  o membership of club, health and fitness center;

  o Rent-a-cab, life insurance, health insurance (except where mandated by Government), except when they are used for providing similar services;

- o Travel benefits extended to employees on vacation;
- o Works contract services supplied for construction of immovable property, other than plant and machinery, except when used for similar service;
- o goods/services received for construction of immovable property (excluding plant & machinery) on own account;
- o goods/services on which tax has been paid under Composition scheme;
- o goods/services received by a non-resident taxable person except on goods imported by him;
- o goods/services used for personal consumption;
- o goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples ;
- o any tax not paid/credit wrongly availed by reasons of fraud/willful misstatement/suppression, etc.

- **Credit Disallowance on non-payment**

  If a recipient fails to pay to the supplier of goods/ services (other than supplies taxable under reverse charge mechanism), the amount towards value of supply along tax payable thereon within a period of 180 days from the date of issue of invoice, the availed input tax credit shall be added to the output tax liability of such recipient.Interest shall be liable to be paid from the date of availing credit till the reversal.

  Such credit can be availed on payment made later towards the value of supply of goods/services and tax thereon.

  Credit Restriction

- Input Tax Credit of goods/services attributable to only supplies effected for business purpose can be availed. Where goods/services are used partly for effecting taxable supplies and partly for effecting exempt supplies, or party used for business and partly for other purposes, the amount of credit shall be restricted as specified in Rule 7 of Input Tax Credit :

Total Input Tax

Less: Input Tax on inputs/input services used exclusively for non-business/exempt purposes or where credit not allowed specifically

Less: Input Tax Input Tax on inputs and input services used exclusively for taxable supplies including zero rated supplies(T)

Common Input Tax Credit

Less: Input Tax Credit attributable to exempt/non-business supplies

Eligible Common Input Tax Credit(C)

Eligible Total Input Tax Credit = T+ C

Credit on Capital Goods

- Input Tax Credit on capital goods used exclusively for effecting taxable/zero rated supplies shall be available.
- Credit on common capital goods used partly for business and partly for other purposes or partly for effecting taxable supplies and partly for non-taxable/ exempt supplies shall be calculated as specified in Rule 8 of Input Tax Credit Rules.
- A banking company/financial institution shall have option to comply with aforesaid provisions or to avail 50% of eligible input tax credit in that month, with the balance being lapsed. This option once exercised cannot be withdrawn during the same financial year.

Where depreciation is claimed on the tax component of the cost of capital goods under the provisions of the Income Tax Act, 1961, the input tax credit shall not be allowed on the said tax component

<table>
<tr><th colspan="5">Credit of input tax in stocks/capital goods on new registrations, etc.</th></tr>
<tr><th>S.N.</th><th>Eligible persons</th><th>Credit entitled</th><th>As on</th><th>Restriction/conditions</th></tr>
<tr><td>1</td><td>Person applied for registration within 30 days from the date of liability to pay tax and registered</td><td>Inputs held in stock and inputs contained in semi-finished or finished goods held in stock</td><td>The day immediately preceding the date from which he becomes liable to pay tax</td><td rowspan="4">Cannot avail credit of goods and / or services after 1 year from tax invoice date

The amount of credit calculated in the manner prescribed in Input Tax Credit rules

Credit on capital goods shall be reduced by five percent per quarter or part thereof from the date of invoice/other relevant document

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<tr><td>2</td><td>Person applied for registration after 30 days from the date of liability to pay tax</td><td>Nil</td><td>NA</td></tr>
<tr><td>3</td><td>Person who is not required to register, but obtains voluntary registration</td><td>Inputs held in stock and inputs contained in semi-finished or finished goods</td><td>The day immediately preceding the date of grant of registration</td></tr>
<tr><td>4</td><td>Switching over from composition scheme to regular taxation or where exempt supply becomes taxable</td><td>Inputs held in stock and inputs contained in semi-finished or finished goods and on the capital goods</td><td>The day immediately preceding the date of switchover or when supplies become taxable</td></tr>
</table>

Time Limit of availing Credit

- Input tax credit in respect of any invoice/debit note for supply of goods/services, shall not be available after the due date of filing of the return for the month of September following the end of financial year to which such invoice pertains or relevant annual return, whichever is earlier
- However, in cases of credit in special circumstances on inputs in stock, credit shall not be available after the expiry of one year from the date of issue of tax invoice

Procedure for claiming credit of inputs in stocks/capital goods

- A declaration in Form GST ITC-01 shall be made by the registered person within thirty days of from the date of credit entitlement.
- Details of inputs and capital goods on which credit is being availed to be specified.
- Details shall be duly certified by a practicing Chartered Accountant or Cost Accountant if the aggregate credit claim exceeds Rs.2 lakhs.
- Input Tax Credit claimed by the person in specified cases shall be verified with corresponding details furnished in the supplier's outward supply return.

Credit Reversal under Special Circumstances

In specified cases where Input Tax Credit is required to be reversed, the same shall be calculated as below:

- For inputs in stock, the input tax credit reversal amount shall be calculated proportionately on the basis of corresponding invoices on which credit had been availed.
- Where aforesaid tax invoices are not available, credit reversal amount shall be based on the prevailing market price of the goods on the date of relevant event, based on which reversal is required.
- For capital goods, the input tax credit involved in the remaining residual life in months shall be computed on pro-rata basis, taking the residual life as five years.

  Illutration - Capital goods have been in use for 4 years, 6 month and 15 days. The residual remaining life in months= 5 months (60 – 55 months) ignoring a part of the month

  Input tax credit taken on such capital goods = 12000

  Input tax credit attributable to remaining residual life = 12000 X 5/60 = 1000

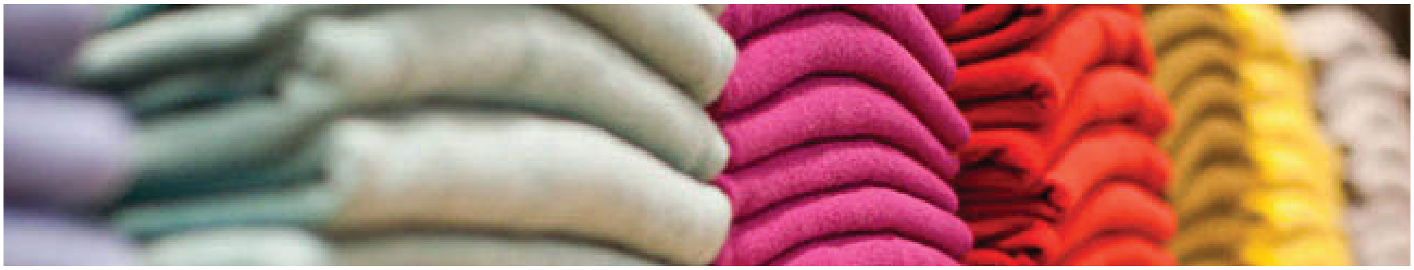
Conclusion

Under the present structure, we have seen lot of litigations pertaining to availability of Cenvat Credit. We are expecting a seamless credit mechanism under proposed GST regime. However, the presence of blocked credits goes against the principle of having a seamless GST credit scenario.

Nevertheless, with the expectation of limited exemptions coupled with entire credit mechanism to be system driven along with real time matching through the GSTN, it is hoped that the GST regime would simplify the entire credit availment process curbing future litigations.

(Contributed by Kolkata Study Group)

GST – Impact on Textiles & Apparels



GST – An Overview

The Goods and Service Tax ('GST'), considered India's biggest and most historic tax reform is just around the corner. To err is to perceive GST as just any other "Tax Reform". GST signifies "Change" that too a Game changer!!

With the Government leaving no stone unturned to usher in GST on 01 July 2017, GST roll-out is going to change market dynamics by creating an integrated marketplace. This new taxation regime would not only require organizations to capture appropriate data for computation and compliance, but also presents a unique opportunity for cost optimization and cash liberation. The hitherto shadow economy in business would be forced to join the mainstream and time of fake bills could end. Unless tax is paid no one can avail credit and claim refund on exports.

Downside of Current Tax structure

- Multiplicity of taxes - Multiple taxable events - Manufacture, Sales& Services
- Cascading effect- Restriction in credit availment
- Varied compliances under statutes
- Different Compliances under varied states
- Lack of automation in SME sector
- Cash economy thriving in a big way

GST Regime Key Features

- One comprehensive levy on Goods & Services "ONE NATION ONE TAX"
- Shift to "Destination based Taxation"
- Common - taxable event -"Supply
- Increase in credit base –near seamless flow of eligible credits
- Improves business competencies with rewarding the honest and compliant.

Dual GST Structure

GST is levied by both the federal and state or provincial governments whereby a Central Goods and Services Tax (CGST) and a State Goods and Services Tax (SGST) will be levied on the taxable value of every transaction of supply of goods and services.

For within the state (Intra-State) supplies both CGST and SGST shall be levied with CGST Portion payable to Central Government and SGST Portion payable to respective state. For across the state (Inter-State) supplies IGST (CGST + SGST) shall be levied and collected by centre out of which the SGST Portion shall be transferred to respective consumer state

4 Tier Rate Structure

A four tier rate GST tax Structure of 5%, 12%, 18% and 28% with lower rates for essential items and the highest for luxury and de-merits goods that would also attract an additional cess, have been decided by the GST Council

- 5% - Essential Goods
- 12% - Standard slab rate
- 18% - Standard Slab rate
- 28% - De-merit and Luxury goods

Key Industry Features

Source: Textile Ministry, Make in India

Textile Industry in India is one of key sector in Indian economy with a direct linkage to the overall growth of Indian and global economy. Textile plays a major role in the Indian economy India's textile market size (USD billion)

It contributes 14 per cent to industrial production and 4 per cent to GDP.

With over 45 million people, the industry is one of the largest source of employment generation in the country.

The industry accounts for nearly 15 per cent of total exports.

The Indian Textile industry is amongst very few industries that is vertically integrated from raw material to finished Products (From fibre to retail). With potential growth opportunities in both the global and the domestic market it has leveraged its strong manufacturing position to achieve considerable expansion.

The Textile and apparel industry can be broadly classified into two segments:

i. Yarn & Fibre (Natural & Man-made)

ii. Processed Fabrics, Ready-made garments & Apparels

Further, it is pertinent to note that there are in total 55 SEZs pan India for textiles and apparel industry.

Current Tax Regime

Indirect taxes on textile sector is obfuscated and indifferent across its various sectors. Most of their products are either exempt or are taxed at a relatively lower rate and are extensively subsidized under different central and state regimes

The textile industry is taxed both under the central and state regime. The following are the indirect taxes applicable to the textile industry

- Central Excise Duty: The Central Government levies excise duty under the Central Excise Act, 1944. The tax is charged on the manufacture of goods and are meant for domestic consumption. Special excise duty and Additional duty of excise are also charged under the said act.
- The domestic textile industry has an optional route to pay zero excise duty across various stages of the value chain, provided they don't claim the Input Tax Credit (ITC) at any stage. Cotton based industry are exempt from payment of excise and apparels have been attracting excise duty at effective rate of 1.2% (@ 2% with abatement @ 40%). Tax payable at the time of removal.
- Value Added Tax (VAT): State VAT is a form of sales tax levied by the state governments on intra-state sale of goods. VAT is applied by the State governments at each stage of sale, with a particular apparatus of credit for the input VAT paid.
- Currently in most of the states VAT on apparels is @ 4~5%. Fabric manufacturing in India is largely carried out through the SSI sector, where many of the companies operate under the composite scheme of taxation (applicable with turnover of up to Rs 1.5 crore). ITC cannot be claimed on purchases from suppliers under composite scheme. Tax payable at the time of sale.
- Central Sales Tax (CST): The Central sales Tax is a tax levied by the Union government but collected and retained by the state governments of the originating State on inter-state sale of goods. It is currently charged at the rate of 2% on the value of sale of goods. Tax payable at the time of sale.
- Entry Tax: Entry tax is an account based tax levied and collected by state governments on entry of goods into a local area for consumption, use or sale therein.
- Customs Duty: Custom duty in India is defined under the Customs Act, 1962 and enables the government to levy duty on exports and imports, prohibit export and import of goods, procedures for importing/exporting and offences, penalties etc. Under customs duty different taxes are levied like Basic customs Duty, Additional Customs Duty (CVD), Protecting duty, Anti-dumping duty and Safeguard duty. Custom duty on exports is normally nil rated except for raw cotton and cotton waste, imports are leviable to CVD and special CVD.
- Export Incentives: These are in form of drawback, rebate/refund of taxes paid and several incentives in the form of scrips which could be sold.

Pertinent Issue in Current Taxation

- Break in input tax credit chain: Most of industry, being an SSI, use composition scheme. Numerous transactions in the textiles industry flow from the unorganized to the organized sector and vice versa. Where Regular/Registered Taxpayer purchase goods from composition Taxpayers, they are not eligible for Input Tax Credit, thus breaking the Cenvat Credit chain. Input Tax credit paid on the previous transaction is included in the cost of the product making the product costly.
- Small Business Compliance Cost: Composition scheme Taxpayer is hesitant to join Credit chain as it increases the compliance cost of engaging professional to meet their Tax obligation.
- Job work under Central Excise: In terms of the Rule 4(1A) of Central excise rules, every person who gets the goods, falling under Chapter 61 or 62 or 63 of the First Schedule to the Tariff Act, produced or manufactured on his account on job work, shall pay the duty leviable on such goods. Therefore, it is the raw material supplier and not job worker who is liable to excise duty under current regime.
- Branded goods:Affixing of the brand name on goods amounts to manufacture under central excise and the person affixing brand name would be liable to pay the excise duty. If job worker affixes brand name on behalf of other job worker would be liable to excise, however if the brand owner if himself affixes the brand name then the brand owner can claim excise exemption.
- Differential treatment of Job Work under CENVAT and State VAT:For the purpose of CENVAT, job work units are treated like any other manufacturing unit with job workers paying CENVAT on processed fabrics and getting a credit of excise duty paid on their inputs i.e. grey fabrics. Unlike the CENVAT procedure, the State VAT treats job workers under the Works Contract category, where job worker pay tax on the total value of goods used in processing the fabric like dyes etc. including gross profit. This leads to a difference in tax base with the CENVAT tax base being more than the State VAT tax base.
- Inclusion of all other taxes into the GST: Supply chain of Textile Industry is loaded with input and output across state boundaries to reach the ultimate consumer. Octroi and Entry Tax are the bottlenecks, credit of which are not allowable, thus form the part of the cost. Subsume of octroi, entry tax etc. into GST will remove the cascading effect at the distribution stage.

GST on Textile Industry – An Overview

- With the 101st constitutional amendment, Central Excise Act as well as provisions of VAT shall have their scope limited to the products like Petroleum & Tobacco. All other products, from the notified date would be liable for payment of GST.
- Under the GST regime, the concept of manufacture and levy of excise duty would be given a go bye. Tax would be levied on supply of goods/services whether by a manufacturer or by any other person.
- There would be following three Acts to administer and levy GST in India:- (i) The Central Goods and Services Tax Act. (ii) The State Goods and Services Tax Act. (iii) The Integrated Goods and Services Tax Act.
- Every manufacturer with an aggregate Turnover of more than Rs. 20 Lakhs is liable to registration under GST unlike excise duty where a manufacturer shall be liable for registration if the turnover exceeds Rs 90 Lakhs.

- Composition scheme available to persons whose aggregate turnover not exceeding Rs. 50 Lakhs,i.e. supply not greater than 50 lakhs. Further condition to adopt composition levy are no supply of services, no inter-state supply, no credit to be taken and no supply shall be made through an E- Commerce operator
- Supply of good shall be the taxable event and tax shall be payable at –

S. No.	Requirement	Time of supply or tax
A	Supply of goods	Earlier of the following:- (i) The date on which supplier issues an invoice with respect to supply or the last date on which he is required to issue invoice. (ii) The date on which supplier receives the payment with respect to supply.
B	RCM on receipt of goods	Earlier of: • Date of receipt of goods or • Date of making payment or • Date immediately following 30 days from the date of issue of invoice
C	Any other	Due date for filing return Date of payment of tax

- Place of supply shall be location of goods at the time at which the movement of goods terminates for delivery to the recipient. The sum and substance of this is that the destination of goods is the place of supply.
- Import, export and supply to SEZ, EOU shall be considered as inter-state Supply
- Import of goods shall be taxed in GST and Tax paid (IGST) on imported goods shall be eligible for credit as input tax credit to the importer.
- Exports physical and supplies to SEZ will be treated as Zero Rated Supplies. No tax will be payable on export of goods. However, credit of input tax credit will be available and the same may be utilized by the exporter for other outward supplies. In the alternative, the exporter may claim refund of corresponding input tax credit. Export benefits like drawback, rebate/ refund would be available.
- As per the MGL, CGST can be used to set-off CGST & IGST, SGST for SGST & IGST and IGST for IGST, CGST & SGST respectively. Therefore, barring fungibility of CGST & SGST all other taxes are fungible.

Impact on Textile Industry

An important determinant of the tax incidence under GST will be the GST rate applicable to the textile segments.While the final GST rates are yet to be announced, even at the 12% lower rate recommended by the Dr. Arvind Subramanian Committee, the textile sector is likely to be negatively impacted. The cotton value chain is likely to be the worse affected as it is currently attracting zero central excise duty and tax in inputs may not be more than 2-4%.

- Revenue Neutral rate proposed to be higher under GST: Currently, the State VAT is 4.5% on apparels and with 1.2% effective central excise duty on branded garments with MRP of more than Rs 1000, the overall tax incidence on the finished goods, i.e. apparels is lower than 12%, which is the lowest rate being proposed in GST. This would be inspite of credit not being available for all tax/ duties paid in the past.
- Further the apparel retailers will not have sufficient input credits (such as service tax on rent of showrooms) to offset the increased tax liability if the GST is not levied on upstream sectors like yarn and fabrics and will be negative for retailers.
- Since there is a reduced tax advantage of cotton yarn vis a vis man-made yarn, there can be a gradual shift in the domestic textile industry towards manmade fibre. It may be noted that India currently operates with fibre mix of cotton: manmade of 60:40; as against global average of cotton: manmade of 40:60. Manmade inputs today suffer 12.5% + average 4/5% VAT which is a cost. In GST available as credit.
- Fiscal barriers for inter-state movement to be removed: Reduce time of movement and logistic costs, stocking costs and carrying costs.
- Promote capital investment:With textile sector coming under GST, textile players which are oriented towards domestic markets will be able to set-off the GST paid on domestic capital goods (but not the import duty) as their sales will be subject to GST. Accordingly, this will reduce the cost of capital investments and hence will be positive for the players operating in domestic markets.
- Duty Drawback to lose relevance : With Input tax credit chain becoming more transparent and integrated, the tax credit for exporters will become easier and full credit of indirect taxes can be claimed; and the duty drawback scheme, which aims to provide credit of indirect taxes could lose relevance under GST. However in the interim it would continue albeit at a lower rate.
- Increase in administrative cost for the textile industry as hitherto most of the activities were out of tax net.
- Improved compliances: An important effect of GST would be to improve compliance. The value chain under the GST will be fully traceable. As a result, ITC claims will have to be backed by full information chain of purchases and sales. Improved compliance will automatically lead to higher revenues for any given rate as long as that rate is not excessively high.

Conclusion

The expected rate of GST would be 12%. Net of credit maybe still 6-9%. To some extent final cost would increase. However GST would help exporters. The cash dealing would significantly reduce. The unorganized industry would not be advantaged. The compliant would find their goods competitive and this protected sector would also join in contributing to tax in addition to employment etc which was there even today. Stocking pre GST would reduce in this industry. Most smaller players whether in the textile processing, job workers, fabric manufacturers or garment units would have to bring in discipline in their recorded purchases and proper accounting which has not been strong in the past.

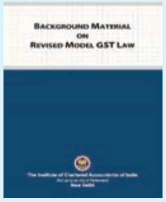
(Contributed by Telangana Study Group)

PUBLICATIONS

The Indirect Taxes Committee of ICAI keeps the members updated with the changes through its publications. The following publications have been published by the Committee:

FAQs and MCQs on Revised Model GST Law

"FAQs and MCQs on Revised Model GST Law" provides a comprehensive coverage of the Revised Model GST law in a Questions & Answers format in an easy and lucid way to read and understand the emerging law. These FAQ and MCQ would help a reader to brief out the important concepts or the questions which could arise in a different situation.



BGM on Revised Model GST Law

"Background material on Revised Model GST Law" covers the entire Revised Model GST law with a clause by clause analysis of law. In addition, it includesvarious Frequently Asked Questions, Multiple Choice Questions, Flowcharts andIllustrations etc. covering the aspects in a better and practical manner way.

Simplified GST Guide for Manufacturer

"Simplified GST Guide for Manufacturer'' aptly covers aspects of transaction related to manufacture like levy and exemption, registration, time and place of supply, valuation, input tax credit, job work and much more under foreseen GST in very simple and easy to comprehend language.

Study Paper on Taxation of E-Commerce under GST

"Study Paper on Taxation of E-Commerce under GST"has been specifically designed to provide in-depth knowledge of provisions pertaining to E-Commerce Transactions under GST regime and regulatory guidelines for foreign direct investment on e-commerce prevailing at this point of time, in a very practical and simplified manner.

Study Paper on Unjust Enrichment

This Study Paper has specifically been designed to support the business & industry, revenue officials and members by providing in-depth knowledge of concept and legal maxim pertaining to Doctrine of unjust enrichment in a very practical and simplified manner.

BGM for Course on Customs & FTP

The Background Material on Customs and Foreign Trade Policy has been specifically designed to provide an in-depth knowledge of provisions pertaining to Customs Law and Foreign Trade Policies in a very practical and simplified manner to the members. The Background Material has been specifically designed to develop learning among the industry and business members regarding the laws relating to Customs as well as Foreign Trade Policy.

BGM for Course on Litigation Management

The publication "Background Material on Litigation Management" covers principles of evidence, drafting and pleadings, ethics and etiquette, litigation strategy and mocktribunal etc. which seems very comprehensive. It would help business and the industry to learn more as there is an immense opportunity in the area of litigation considering the expertise of the members.

Ordering Information

The Publication can be purchased directly from the sales counter at the ICAI's Regional Offices / Branches or at the Head Office. Member may also download from Indirect Taxes Committee Website: http://idtc.icai.org/publications.php . To order by post, requisition may be sent to the Postal Sales Department of the ICAI at postalsales@icai.in or can be order online at https://icaionlinestore.org/indirect-taxes-committee

INDIRECT TAXES COMMITTEE (IDTC) OF ICAI

A ONE STOP DESTINATION FOR INDIRECT TAXES i.e. IDTC

website: www.idtc.icai.org

The Indirect Taxes Committee of ICAI has launched its website viz. www.idtc.icai.org to provide the users a well set platform for sharing and gaining knowledge on indirect taxes and easy accessibility to the Indirect taxes Committee. The Committee works relentlessly towards keeping the members abreast with the latest changes in the Indirect tax laws vide various mediums like, organising programmes, updating study materials, sending regular updates etc.

Main features:

- Regular Indirect Taxes Updates / GST Updates
- Knowledge Bank of Indirect Taxes/ GST – Articles, Legal Updates etc.
- Publications on Excise, Service Tax, VAT, GST etc.- (Available for free download and online ordering)
- Recordings of Live Webcasts / E-lectures on GST
- E-learning on Service Tax, Excise, Customs, CST
- Upcoming events
- Details of Certificate Courses, Programme, Seminars etc. on GST/ Indirect Taxes
- Links of related important website
- Connect with Indirect Taxes as a faculty / author of the publication etc.

Your suggestions on the website are also welcome at idtc@icai.in

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for help please visit: http://help.icai.org/

TEST YOUR KNOWLEDGE

Q1. Which of the following taxes leviable on an intra-State transaction?

(a) CGST

(b) SGST

(c) IGST

(d) CGST and SGST

Q2. Which of the following taxes leviable on an inter-State transaction?

(a) CGST

(b) SGST

(c) IGST

(d) CGST and SGST

Q3. Value to be mentioned in the invoice:

(a) Can be Inclusive of taxes provided the recipient does not want to avail Input Tax Credit

(b) Cannot be inclusive of taxes because the tax collected has to be shown separately in the invoice

(c) Whether tax has to be shown separately or not depends upon the provision of the SGST law of the respective State

(d) None of the above

Q4. Balance in electronic credit ledger can be utilized against which liability-

(a) Output tax payable

(b) Interest

(c) Penalty

(d) All of them

Q5. Assume there is increase in tax rate from 20% to 24% w.e.f. 1.6.2017. Which of the following rates will be applicable when invoice is issued after change in rate of tax in June 2017 but payment is received and services provided in April 2017

(a) 20%

(b) 24%

(c) 30%

(d) None of above

Q6. The details of outward supplies of goods or services shall be submitted by

(a) 10th of the succeeding month

(b) 18th of the succeeding month

(c) 15th of the succeeding month

(d) 20th of the succeeding month

Q7. Every supplier shall be liable to be registered under GST Law in the State from where he makes a taxable supply of goods and/or services if his aggregate turnover in a financial year....................:

(a) ₹ 10 lacs

(b) Exceeds ₹ 20 lacs

(c) ₹ 50 lacs

(d) No limit for registration

Q8. What is the threshold limit of turnover in the previous year for opting to pay tax under composition scheme?

(a) ₹ 20 lacs

(b) ₹ 10 lacs

(c) not exceeding ₹50 lacs

(d) none of the above.

Answers

1: D CGST and SGST, **2: C** IGST, **3: B** Cannot be inclusive of taxes because the tax collected has to be shown separately in the invoice, **4: D** All of them, **5: A** 20% , **6: A** 10th of the succeeding month , **7: B** Exceeds ₹ 20 lacs **8: C** not exceeding ₹ 50 lacs

FORTH COMING EVENTS UNDER THE AEGIS OF INDIRECT TAXES COMMITTEE

14th, 15th 16th, 21st, 22nd, 23rd, 28th, 29th & 30th April, 2017 and 01st May, 2017

Place : Surat • CPE Hours : 30 Hours

Title of the Seminar : GST Advance Programme
Contact Details : Surat Branch of WIRC of ICAI
Ph: 0261- 2472932, 2464413
Email : surat@icai.org

21st & 22nd April, 2017

Place : Gurugram • CPE Hours : 12 Hours

Title of the Seminar : Two Days National Conference on GST
Contact Details : Gurugram Branch of NIRC of ICAI
Ph: 0124-4268867
Email : gurgaon@icai.org

21st & 22nd April, 2017

Place : Bhopal • CPE Hours : 12 Hours

Title of the Seminar : National Conference on GST
Contact Details : Bhopal Branch of CIRC of ICAI
Ph: 755-2558066
Email : bhopal@icai.org

22nd April, 2017

Place : Kolkata • CPE Hours : 6 Hours

Title of the Seminar : GST Conclave
Contact Details : Regional Council, Kolkata
Ph: 033 30211104
Email : eirc@icai.org

22nd and 23rd April, 2017

Place : Udaipur • CPE Hours : 12 Hours

Title of the Seminar : Two Days Workshop on GST
Contact Details : Udaipur Branch of CIRC of ICAI
Ph: 0294 - 2641515, 2641616
Email : udaipur@icai.org

22nd and 23rd April, 2017

Place : Bhilwara • CPE Hours : 12 Hours

Title of the Seminar : Two Days Workshop on GST
Contact Details : Bhilwara Branch of CIRC of ICAI
Ph: 01482-252434
Email : bhilwara@icai.org

28th and 29th April, 2017

Place : Aurangabad • CPE Hours : 12 Hours

Title of the Seminar : Two Days National Conference on GST
Contact Details : Aurangabad Branch of WIRC of ICAI
Ph: 9960588885; 9970588885
Email : aurangabad@icai.org

From 28th April, 2017 to 21st May, 2017

Place : Bhavnagar • CPE Hours : 48 Hours

Title of the Seminar : 8 Days Intensive Workshop on GST
Contact Details : Bhavnagar Branch of WIRC of ICAI
Ph: 97250 54990
Email : bhavnagar@icai.org

29th and 30th April, 2017

Place : Jamshedpur • CPE Hours : 12 Hours

Title of the Seminar : Two Days Workshop on GST
Contact Details : Jamshedpur Branch of CIRC of ICAI
Ph: 0657-2220273, 0657-2224670
Email : jamshedpur@icai.org

5th, 6th and 7th May, 2017

Place : Madurai • CPE Hours : 16 Hours

Title of the Seminar : Residential Refresher Course on GST
Contact Details : Madurai Branch of SIRC of ICAI
Ph: 452-2640968
Email : madurai@icai.org

13th and 14th May, 2017

Place : Vasai • CPE Hours : 12 Hours

Title of the Seminar : Two Days National Conference on GST
Contact Details : Vasai Branch of WIRC of ICAI
Ph: 022- 65568900 / 65568901
Email : vasaibranch@gmail.com

19th, 20th and 21st May 2017

Place : Visakhapatnam • CPE Hours : 18 Hours

Title of the Seminar : Three Days Programme on GST
Contact Details : Visakhapatnam Branch of SIRC of ICAI
Ph: 891-2793196
Email : visakhapatnam@icai.org

20th and 21st May, 2017

Place : Bhilai • CPE Hours : 12 Hours

Title of the Seminar : National Conference on GST
Contact Details : Bhilai Branch of CIRC of ICAI
Ph: 0788-4015125, 0788- 2322939
Email : bhilai@icai.org

FAQs ON ENROLMENT & MIGRATION

Q1. I am an existing PAN-based Service Tax (ST) and Central Excise (CE) assessee, and wish to enrol in GST. I have business premises and factories in the State of Telangana. Through the ACES portal, I received the Provisional ID and password for the State of Andhra Pradesh, whereas my Principle Place of Business is in Telangana.

A: Assessee situated in the State of "Telangana", but incorrectly issued Provisional IDs and passwords for "Andhra Pradesh", have now been issued new Provisional IDs and passwords for "Telangana". The previous Provisional IDs and passwords issued for "Andhra Pradesh" have been cancelled, and can no longer be used for migrating to GST. You are requested to get new Provisional IDs and passwords through the ACES portal at www.aces.gov.in and complete the GST migration process. In case of any difficulties, please contact the CBEC Mitra Helpdesk at cbecmitra.helpdesk@icegate.gov.in or call at the toll-free number 1800-1200-232.

Q2. I am an existing PAN-based Service Tax (Centralized registration) assessee, and wish to enrol in GST. I have multiple registered business premises in different States (i.e., 5 different States on the same PAN) from where services are provided. I have not received the Provisional IDs and passwords for all the different States (i.e., I have received the Provisional IDs and passwords for two States only).

A: On ACES portal, the Centralized Registration (CR) captures the address details (including State) of the assessee's registered business premises in a State, as well as, branches or many registered addresses in different States across the country from where services are provided. As a policy, these assessees are issued only one Provisional ID and password for each State (across the CR premises and all branches). For example, an assessee having CR number ABCDE1234FSD002 is having business premises in Delhi, and branches in Haryana, Karnataka, Maharashtra and Tamil Nadu. In this case, the assessee is issued five Provisional IDs and passwords, one for each State. The CR assessee may also have a factory (under Central Excise or CE registration) or a Service Tax (ST) single premises registration (independent of CR) in the State of Tamil Nadu (registration number ABCDE1234FXM001 or ABCDE1234FSD001). Then a Provisional ID and password for the State of Tamil Nadu will be issued against either the

CE or ST registration number mentioned earlier. In this case, the CR assessee will get four Provisional IDs and passwords for the remaining States i.e. Delhi, Haryana, Maharashtra and Karnataka.

Q3. I am an existing PAN-based Service Tax (ST), Central Excise (CE) and State VAT assessee. I received the Provisional ID and password from the State VAT. While migrating to GST through VAT on the GST Common Portal, I did not add my ST and CE details in the Enrolment Application.

A: The facility to add existing registrations in the Enrolment Application is available on the GST Common Portal. You can add the remaining registrations at the time of enrolment under GST. However, if you have submitted the Enrolment Application with DSC or E-sign without adding the remaining registrations, and have already received the Application Reference Number (ARN), you will not be able to add the remaining registrations now. You will be able to add or remove the other registrations in the Enrolment Application only after the appointed date (i.e., date of implementation of GST) through the process of amendment (non-core).

Q4. I am an existing PAN-based Service Tax (ST), Central Excise (CE) and State VAT assessee. For migrating to GST, I received the Provisional ID and password from the State VAT department. Do I also need to add my ST and CE registration details in the Enrolment Application also?

A: Yes, you must add your Service Tax (ST) and Central Excise (CE) registration details in GST FORM-20 on the GST Common Portal. Note: Since GST registration is based on PAN and State, only one Provisional ID and password will be issued to a given PAN for a given State, irrespective of the number of registrations on that PAN within the State. In case the assessee wishes to enroll in GST for the other registrations as well, the details of these registrations (addresses of premises) may be included as 'Additional Place of Business'.

Q5. I am an existing PAN-based Service Tax (ST) and Central Excise (CE) assessee. After logging into the ACES portal, under SERVICE TAX, the Provisional ID is showing "Awaited".

A: If you are already registered as a Central Excise (CE) or Service Tax (ST) assessee on the ACES portal, after 31.01.2017, then your Provisional ID and password for migrating to GST has not yet been generated. You are advised to wait for the same. Any updates on issuance of Provisional IDs and passwords, to such assessees, will be published on both the CBEC and ACES websites. So, please checking the status of your registration at www.cbec.gov.in and www.aces.gov.in.

Q6. I am an existing taxpayer and wish to enroll in GST. My previous registration number was ST001 and after cancellation (or surrender), my current registration number is ST002. However, a Provisional ID and password has been issued against my previous registration number ST001. I logged into the ACES portal (using my existing ACES username and password), and received the Provisional ID and password for my previous registration number ST001, but not for the current registration number ST002.

A: As a policy, if the assessee has multiple registrations within a State on the same PAN, only one Provisional ID and password will be issued, as per the following order: Only one Provisional ID and password will be issued to a given PAN within a State, irrespective of the number of registrations on that PAN within that State. Apparently, you have more than one registration i.e., ST001 and ST002, of which registration number ST001 is either "Inactive" or "Surrendered". However, as per CBEC guidelines, a Provisional ID and password has already been allotted against the registration number ST001. For further assistance, please contact CBEC Mitra Helpdesk at cbecmitra.helpdesk@gst.gov.in or call at the toll-free number 1800-1200-232, and provide your registration details (both earlier and current registration numbers). Note: As per the ACES website, the registration number ST001 is "Active" and thus eligible for issuance of Provisional ID and password.

Q7. I am an existing taxpayer and wish to enroll in GST. I have received the Provisional ID and password. On the GST Common Portal, I entered the Provisional ID and password in the respective fields. After clicking the LOGIN button, I received the message: "Provisional ID is invalid".

A: Firstly, clear your web browser's cache i.e., delete your browsing history, and then sign into the GST Common Portal again. You will receive a 10-digit access token (or password) along with the Provisional ID. In case you have received an access token of less than 10 digits, please insert a "0" or zero as prefix to the token i.e., if you received an access token of"12345678", then the corrected token number is "0012345678". If the issue persists, please contact the GST Helpdesk at helpdesk@gst.gov.in or call at 0124-4688999 for further assistance. When you send your service request over email or phone, a support ticket is registered with GST Helpdesk and the issue is forwarded to the appropriate technical team for analysis and resolution.

Q8. I am an existing taxpayer and wish to enroll in GST. For enrolment under GST, I want to create a new username and password. However, I have not received the one-timepassword (OTP) on my registered mobile number. The problem continued even after I clicked the "RESEND OTP" button on the GST Common Portal.

A: Your mobile number may be registered for Do Not Disturb (DND) services, due to which the OTP cannot not be delivered. You are advised to de-activate DND services from your mobile network. Once de-registered, you must redo the entire process of registration on the GST Common Portal. If the problem persists, please contact the GST Helpdesk at helpdesk@gst.gov.in or call at 0124-4688999 for further investigation.

Q9. I am an existing taxpayer and wish to enroll in GST. For enrolment under GST, I wanted to create a new username and password. However, I have not received the onetime-password (OTP) on my registered email. The problem continued even after I clicked the "RESEND OTP" button on the GST Common Portal.

A: The one-time-password (OTP) may have been delivered to the spam folder of your registered email ID. Please check the spam folder of your email account. If you find the OTP in the spam folder, please change the spam-filter policy settings of your email account to allow legitimate emails sent by GSTN. This will ensure that a future OTP sent by GSTN is not marked or filtered as spam. If you do not find the OTP in the spam folder, please contact the GST Helpdesk at helpdesk@gst.gov.in or call at 0124- 4688999 for further investigation. When you send your service request over email or phone, a support ticket is registered with GST Helpdesk and the issue is forwarded to the appropriate technical team for analysis and resolution.

FAQs ON REGISTRATION

Q1. Is possession of a Permanent Account Number (PAN) mandatory for obtaining Registration?

Ans. Yes. Every person should have a Permanent Account Number issued under the Income Tax Act, 1961 (43 of 1961) to be eligible for grant of registration under Section 25 of the Revised Model GST Law.

However, as per section 25 (7) of the CGST Bill, PAN is not mandatory for a non-resident taxable person who may be granted registration on the basis of any other document as may be prescribed. Similarly, a person required to deduct tax under section 51 may have, in lieu of a PAN, a Tax Deduction and Collection Account Number issued under the said Act in order to be eligible for grant of registration.

Q2. Whether a person having multiple business verticals in a State can obtain different registrations for each such vertical?

Ans. In terms of proviso to the sub-section (2) of Section 25, a person having multiple business verticals in a State or Union Territory may obtain a separate registration for each business vertical, subject to such conditions as may be prescribed.

Q3. Whether the Registration granted to any person is permanent?

Ans. Yes, except for non-resident and casual taxable person, the registration Certificate once granted is permanent unless surrendered, cancelled, suspended or revoked.

Q4. What will be the effective date of registration?

Ans. Where the application for registration has been submitted within thirty days from the date on which the person becomes liable to registration, the effective date of registration shall be date of his liability for registration.

Where the applicant has applied for registration after thirty days from the date of his becoming liable to registration, the effective date of registration shall be the date of grant of registration.

In case of suomotu registration, i.e. taking registration voluntarily while being belowthe threshold exemption limit for paying tax, the effective date of registration shall be the date of order granting registration.

Q5. Which are the circumstances in which registration is compulsory?

Ans. As per section 24 of the CGST Bill, the following categories of persons shall be required to be registered compulsorily irrespective of the threshold limit:

(a) persons making any inter-State taxable supply;

(b) casual taxable persons making taxable supply;

(c) persons who are required to pay tax under reverse charge;

(d) non-resident taxable persons making taxable supply;

(e) persons who are required to pay tax provisions under section 9(5) of the CGST Bill.

(f) persons who are required to deduct tax under section 51;

(g) persons who are required to collect tax under section 56;

(h) persons who supply goods and/or services on behalf of other registered taxable persons whether as an agent or otherwise;

(i) input service distributor whether or not separatelyregistered under the Act;

(j) persons who supply goods and/or services, other than supplies specified u/s 9(5) of the CGST Bill through such electronic commerce operator who is required to collect tax at source u/s 52;

(k) every electronic commerce operator;

(l) every person supplying online information and database access or retrieval services from a place outside India to a person in India, other than a registered person;

(m) such other person or class of persons as may be notified by the Government on the recommendations of the Council

ICAI's contribution for smooth implementation of GST as partner in Nation Building

- **New Publication on GST:** The Institute has recently developed following publication on GST:
  - (a) Background Material on Revised Model GST Law
  - (b) FAQ and MCQ on Revised Model GST Law
  - (c) Simplified GST Guide for Manufacturer
  - (d) Study Paper on Taxation of E-Commerce under GST
  - (e) Study Paper on Unjust Enrichment

  These publications can be downloaded at http://idtc.icai.org/publications.php
- **Suggestions on GST:** The Institute has submitted its suggestions on Revised Model GST Law and Rules to the Government.
- **A Study Report to enable smooth Transition from Pre-GST to Post-GST Regime:** With a view to facilitate the Government in smooth transition from Pre-GST to Post-GST Regime. The reports submitted by ICAI can be downloaded from http://idtc.icai.org/budget-memorandum.html
- **A Study Report on Impact of GST on Jammu & Kashmir Taxation System:** With a view to facilitate the Government of Jammu & Kashmir in understanding the impact of GST on Jammu & Kashmir Taxation System, the ICAI submitted a Study Report to the Government of Jammu & Kashmir. The reports submitted by ICAI can be downloaded from http://idtc.icai.org/publications.php
- **Impact of GST Regime on Finances & Economy in Delhi**

  With a view to facilitate the Government of Delhi in understanding the impact of GST on Delhi Taxation System, the Indirect Taxes Committee has submitted a Study Report to the Delhi Government. The report entails the impact of GST implementation on Delhi economy, provides a comparative report on revenue under the present and GST regime etc.
- **Nomination at the Advisory Committee constituted by Goods and Services Tax Network (GSTN):** Considering the expertise of members of ICAI, Goods and Services Tax Network requested ICAI to nominate its two members at the Advisory Committee constituted by Goods and Services Tax Network. Accordingly, ICAI has nominated two members at the said advisory Committee.
- **Support extended to Goods and Services Tax Network (GSTN):** Based on the request from GSTN, following supports have been provided:
  - (i) Sharing of data of ICAI's members for online validation by GSTN.
  - (ii) Nominating members for providing feedback on the software module of GST developed by GSTN.
  - (iii) List of IT Firm provided to GSTN for providing training so that IT Firm may make necessary changes compatible with GST.
- **Video lectures on GST**

  The Committee developed video lecture(s) on 25 topics of Model GST Law which can be viewed at Committee website and ICAI TV. Further, it can be viewed at You Tube channel https://www.youtube.com/indirectTaxesCommittee
- **Webcasts on Indirect Taxes**

  The Committee has organised 21 webcasts as a part of its series of webinars as a nationwide outreach programme for awareness on GST. Recordings of all the aforesaid webcasts can be viewed at http://idtc.icai.org/cc/admin/live-webcasts.html
- **Outreach Programme on GST in Association with Service Tax Commissionerate**

  The Committee has organised 3 outreach programmes on GST as knowledge partner in association with Kolkata and Delhi Commissionerate.
- **Interactive Programme on GST for trade association**

  The committee has organised 7 interactive programme on GST for trade association as part of its initiatives for partner in nation building.
- **Standardised National PPT on GST**

  The Committee has developed Standardised National PPT on GST with a view to provide guidance to the faculty members and bring uniformity in the session of GST in the programme and session organised by the ICAI. It is hosted on website of the Committee.
- **Formation of Study Group for helping State Government in smooth implementation of GST:** The Institute has already formed eighteen (18) State level Study Group for extending its support to the State Government in smooth implementation of GST.
- **Identification and Training of new speakers on GST:** 400 new speakers have been identified and trained in Model GST Law making the expert pool of over 500 faculties across India.
- **Workshops, Seminars and Conferences:** More than 100 workshops, seminars and conferences on GST have been organised across the country.