

INTENSIVE STUDY COURSE ON GST

Registration and Input Tax Credit

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Registration



Current Regime

Levy	Registration features	Threshold
Central Excise	<ul style="list-style-type: none">– Every factory [within and outside the State] needs to be registered separately;– Every factory is a distinct person	– 90 lakh
VAT / CST	<ul style="list-style-type: none">– State-wise registration is obtained;– More than one location within a State is registered as additional place of business	– 5 to 10 lakh
Service tax	<ul style="list-style-type: none">– Each place of business within and outside a State can be registered as:<ul style="list-style-type: none">➤ Separately under Single registration; or➤ Consolidated under Centralized registration	– 9 lakh

GST Regime


Levy	Registration features	Threshold
GST	<ul style="list-style-type: none">- Supplier to register in each state from where taxable goods / services are supplied- Exceptions:<ul style="list-style-type: none">- Option to obtain separate registration for each business vertical;- SEZ unit / developer to mandatorily obtain registration as a separate business vertical;- No facilitation provided for different single registration/ centralized registration- Deemed Registration for CGST / SGST in each state;- Current ISD registrations will not be migrated and fresh registration to be done- Specified category to obtain registration irrespective of threshold [i.e. compulsory registration]	<p>When “aggregate turnover” exceeds 20* lakh in a FY</p> <p>*10 lakh in case of North Eastern States</p>

Aggregate Turnover

- Means aggregate of:

- Taxable supplies;
- **Exempt supplies** [Nil rate supplies + Exempt under section 11 of the CGST Act and under Section 6 of the IGST Act + non-taxable supplies];
- Export of goods / services;
- Inter-state supplies of persons having same PAN

- Excludes:

- Tax such as SGST, CGST and IGST;
 - Inward supplies on which tax is paid under reverse charge
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Compulsory Registraton

Person required to pay IGST

Person required to pay GST under reverse charge

Input Service Distributor / Aggregator

Person who supplies through e-commerce operator / Every e-commerce operator

Casual Taxable Person / Non Resident Person

Person required to deduct TDS

Person supplying OIDAR services from a place outside India to a non-taxable online recipient

Exemption from Registration

- Person exclusively supplying goods / services that are:
 - Not liable to tax; or
 - Wholly exempt from tax under CGST Act / IGST Act
- An agriculturist [*the term has been defined*]

Casual / Non-resident Taxable Person

- Certificate of registration to remain valid for 90 days;
 - The period is extendable
- Such category of persons required to pay advance tax on estimated tax liability
 - The advance tax shall be credited in electronic ledger and shall be utilized as per Section 49
- A non-resident person required to apply for registration at least 5 days prior to the commencement of business

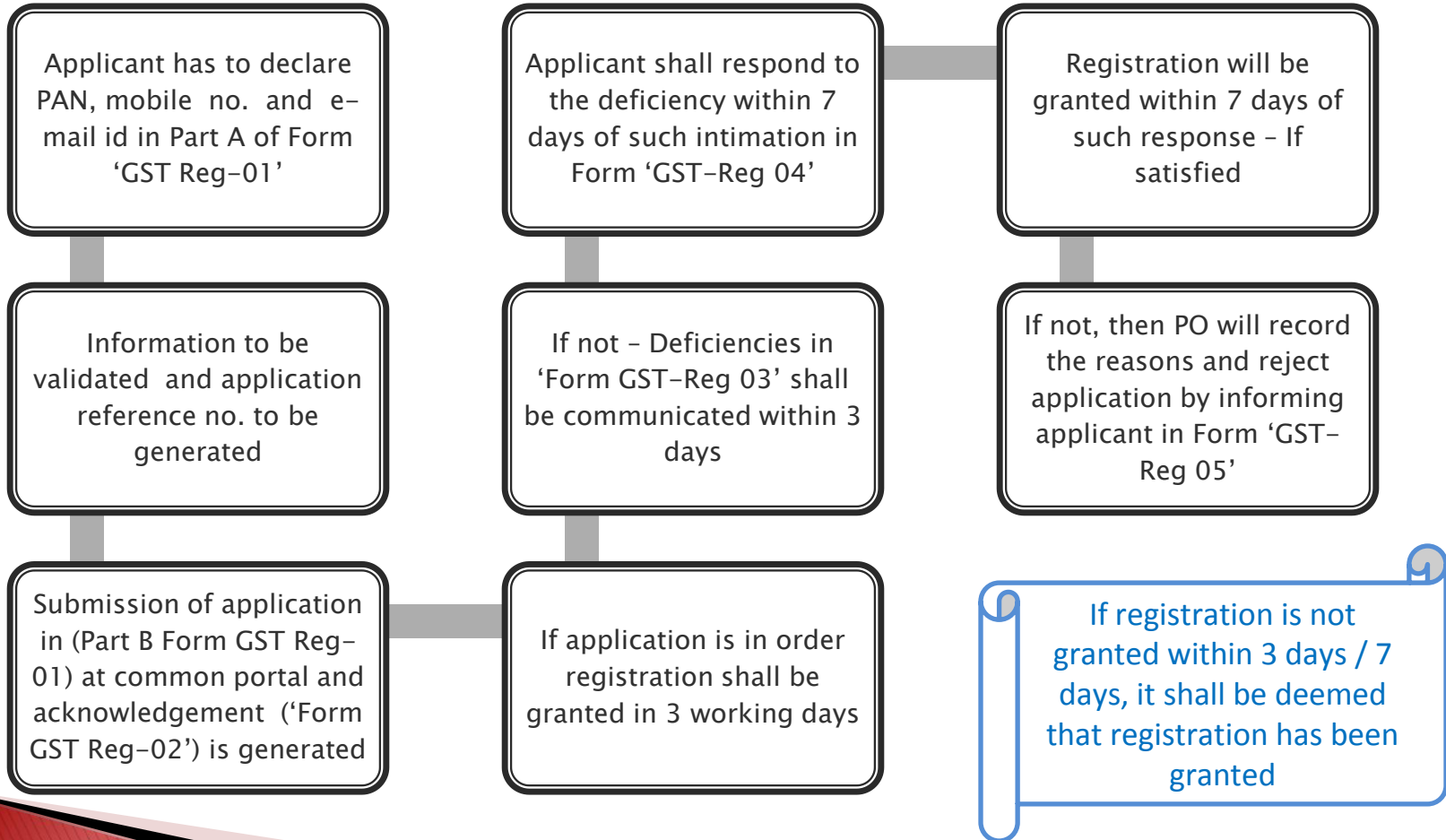
Cancellation of registration

- In the following scenario:
 - Business has been discontinued;
 - Business has been transferred fully;
 - Death of the proprietor;
 - Amalgamation with other legal entity;
 - Demerger / Disposal;
 - Change in constitution of business;
 - No longer required to be registered [excluding person opting for voluntary registration]

Provisional Registraton

- Migration of existing taxpayers should be done with utmost care:
 - Key information required is:
 - A username;
 - Valid email address of the Primary Authorized Signatory;
 - Valid mobile number of the Primary Authorized Signatory;
 - Bank Account Number; and
 - Bank IFSC
 - Key documents required are:
 - Proof of Constitution of Business;
 - Photograph;
 - Proof of Appointment of Authorized Signatory;
 - Photograph of Authorized Signatory; and
 - Opening page of bank passbook / statement containing bank account number of <Account Number>, address of branch, address of account holder and few transaction details

Fresh Registration



Miscellaneous

- Post grant of registration, physical verification of business premises may be undertaken in some cases
- **26** Formats covering all aspects of registration have been prescribed
 - Application for registration;
 - Cancellation;
 - Amendment;
 - SCN for cancellation;
 - Orders for rejection,
 - Field visit report, etc.
 - Facility to file all applications electronically [including reply to notices]

Registration Formats

Pre-registration declaration of particulars – PAN, e-mail and mobile number

Online submission of verified application

Generation of e-acknowledgement

Deficiencies to be communicated in 3 days

Resolve deficiencies by “clarification”, “information” or “documents” in 7 days

Rejection of application within further 7 days

Registration in 7 days

Application for TDS / TCS registration

Application for UIN registration

Application for NRTP (non-resident taxable person) 5 days prior to commencement of business

Registration in 3 days

Amendment of registration granted

Suo moto registration by Officer

GST REG 01 Part A

GST REG 01 Part B

GST REG 02

GST REG 03 ⁴

GST REG 04

GST REG 05

GST REG 06

GST REG 07

GST REG 09

GST REG 10

GST REG 06

GST REG 11

GST REG 13

Registration Cancellation & Other Formats

Voluntary cancellation of registration

Notice proposing cancellation of registration

Order of cancellation to be passed within 30 days

Application for revocation of cancellation within further 30 days

Rejection of application for revocation

Revocation of cancellation of registration within additional 30 days

Registration certificate to migrate persons registered under current laws

Application by provisionally registered taxable persons

Grant of registration

Cancellation of provisional registration

To cancel provisional registration granted to persons not liable to be registered in GST

Extension of registration by casual taxable person

Verification report of business premises

GST REG 14

GST REG 15

GST REG 16

GST REG 17

GST REG 05

GST REG 18

GST REG 21

GST REG 20

GST REG 06

GST REG 22

GST REG 24

GST REG 25

GST REG 26

Input Tax Credit ('ITC')

Meaning of ITC

- *“Input tax credit” means the credit of input tax*
 - Input Tax means / includes:
 - CGST;
 - SGST;
 - IGST;
 - UTGST;
 - IGST on import;
 - CGST and SGST / IGST paid under reverse charge

Input Tax Credit...

Particulars	Provision
Who can take ITC	Every Registered person
Time limit for taking ITC	Credit cannot be taken beyond September of the following FY to which the invoice relates or filing of the annual return, whichever is earlier
How much ITC can be taken	<ol style="list-style-type: none">1. Full ITC (even for capital goods)2. Proportionate ITC [explained in separate slide] – In case of goods and/ services used:<ul style="list-style-type: none">– Partly for business and partly for other purpose– Partly for effecting taxable supplies and partly for effecting non-taxable supplies3. Ineligible ITC – explained in separate slide
Against what ITC can it be utilized	Can be adjusted only for payment of GST; Cannot be utilized for: <ul style="list-style-type: none">– payment of interest or penalty;– payment of tax under reverse charge

...Input Tax Credit

Particulars	Provision
Documents on the basis of which ITC can be taken	<ul style="list-style-type: none">- Invoice / Debit Note;- Bill of Entry (in case of Imports);- Invoice issued by recipient [where supply has been made by an unregistered person] in case of reverse charge payment; and- ISD invoice
Where goods have been received in lots	The registered person shall be eligible to take ITC upon receipt of the last lot or instalment
Reversal of ITC	<ul style="list-style-type: none">- When payment for value of supply and corresponding tax amount is not made to the supplier within 180 days;- Such reversal shall be along with interest
Mechanism to be followed by Banks / NBFCs engaged taxable as well as exempt supplies	<ul style="list-style-type: none">- <u>Option I</u>: Proportionate credit reversal;- <u>Option II</u>: 50% credit to be availed in respect of eligible ITC. Such restriction is not applicable to supply made to another registered taxable person having the same PAN

Ineligible ITC

- Motor vehicles and other conveyances **unless used for specified purposes**;
- Food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery unless used for outward supply;
- Membership of a club, health and fitness centre;
- Rent-a-cab, health insurance, life insurance unless when they are used for providing similar services;
- Travel benefits made available to employees;
- Works contract service supplied for construction of an immovable property other than plant and machinery **[defined]** and except when used for similar services;
- Goods and/or services on which tax has been paid under composition;
- Goods lost, stolen, destroyed, written off or disposed or gifts / free samples;
- Goods / services used for personal consumption;
- Where depreciation has been claimed on tax component of capital goods;
- Inputs / Input services are exclusively used for purposes other than business / Exempt supplies

Availment of ITC...

Inputs / Input Services

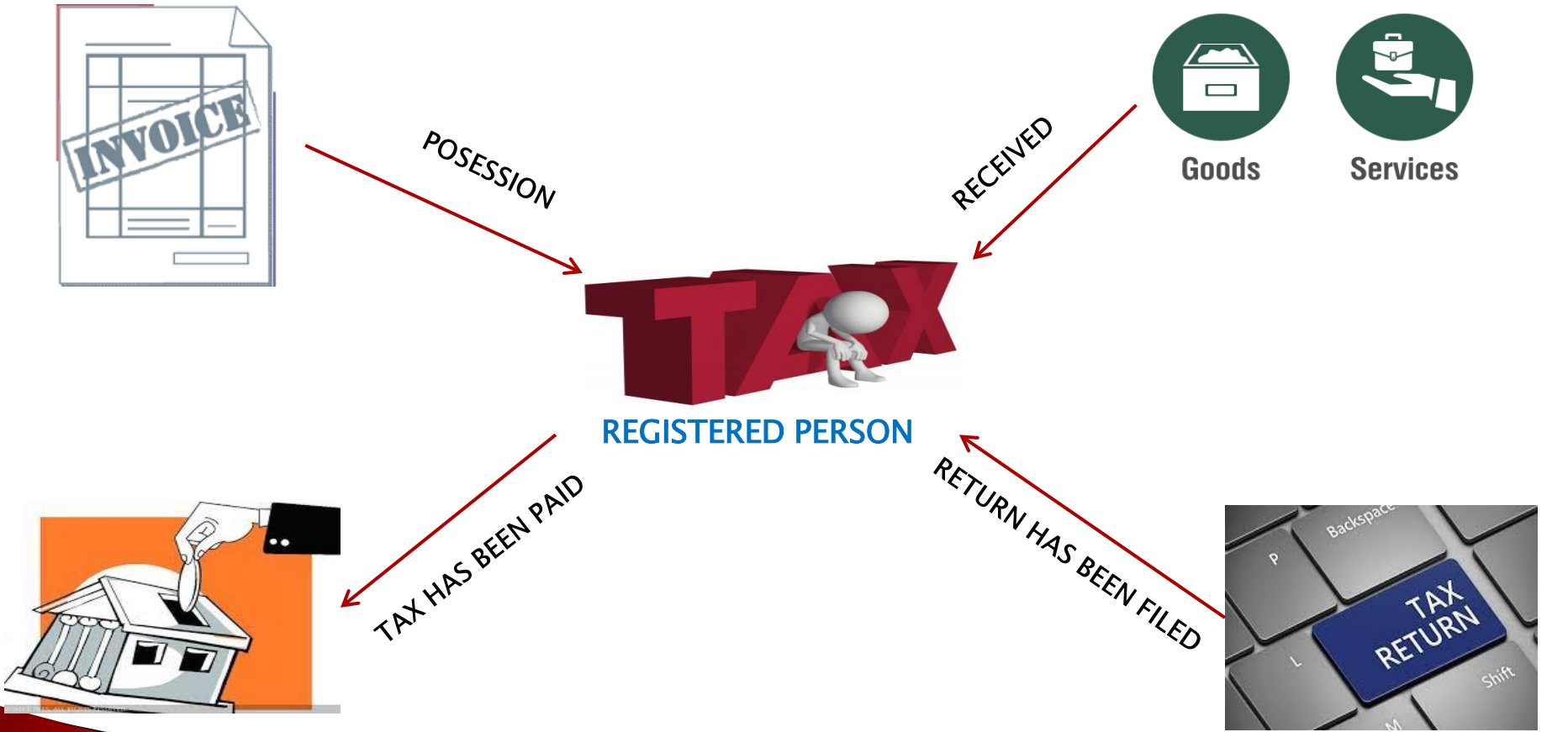
- Taxpayer involved in effecting:
 - Taxable supplies including zero rated supplies; and
 - Exempted supplies or where inputs or input services are used partly for business and partly for other purposes
 - **Reversal applicable on common input / input services**
 - No requirement to take turnover pertaining to petroleum products or alcoholic liquor for human consumption for such reversal
 - Where the amount of common credit availed in terms of the mechanism determined above exceeds the actual amount of credit available,
 - Such excess credit availed would be added to the output liability of the person not beyond September of subsequent Financial Year or date of filing of return (whichever is earlier) and such person shall be liable to pay interest

...Availment of ITC

Capital Goods

- Capital goods used for making taxable supplies including zero rated supplies – **ITC shall be available completely**
- Capital goods exclusively used for making exempt supplies or exclusively used for making supplies for non-business purposes – **ITC not available**
- Where capital goods used for making exempt supply is subsequently used for making taxable supply – **credit pertaining to the period when such capital good was used for making exempt supply to be reversed**
- Capital goods which are initially used in making taxable supplies but are subsequently used for making both taxable and exempt supplies – **Method prescribed for reversing credit on**

Conditions for availing ITC



Input Service Distributor ('ISD')...

- ISD means:
 - Office of the supplier of goods or services
 - Which receives tax invoices towards input services; and
 - Issues a document for distributing the ITC of tax paid on the said services to a supplier of taxable goods or services
 - Having the same PAN as that of the office distributing ITC

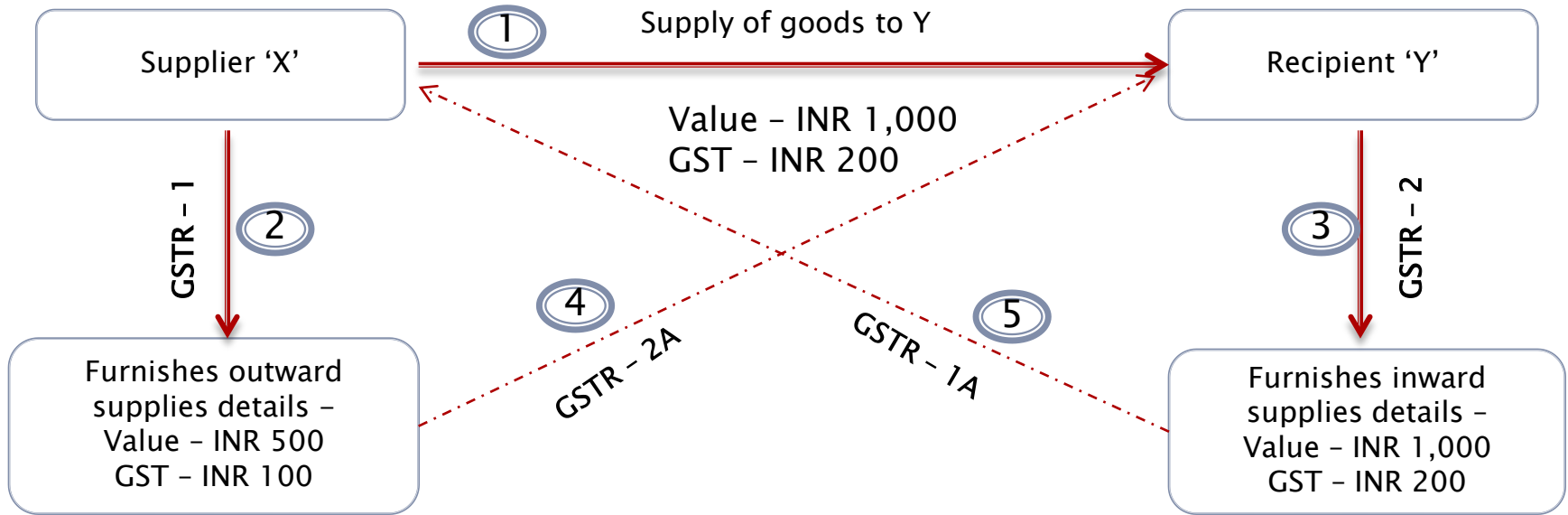
...ISD

- Mechanism for distribution of ITC by an ISD:
 - ITC of a particular month to be distributed in that same month;
 - ITC of IGST $\xrightarrow{\text{to be distributed as}}$ IGST;
 - ITC of CGST/ SGST $\xrightarrow{\text{to be distributed as}}$ CGST and SGST in same State as that of ISD;
 - ITC CGST/ SGST $\xrightarrow{\text{to be distributed as}}$ IGST in States different than that of ISD
 - Credit to be distributed to recipients including those making exempt supplies or otherwise not registered
 - Formula for Credit distribution = (turnover of recipient/ sum of turnover of all recipient units) * amount of credit to be distributed
 - ISD to issue an ISD invoice/ debit note for distribution of credit and credit note for reduction of credit already distributed
 - The amount of credit distributed which is reduced through issuance of credit note shall be added to the outward liability of the recipient in the same ratio of original distribution

Utilization of ITC

Payment of	Order of utilization of ITC		
	1	2	3
CGST	CGST	IGST	SGST
SGST	SGST	IGST	CGST
IGST	IGST	CGST	SGST

Matching of ITC



- The recipient would be eligible for credit only to the extent the supplier accepts the modification made by the recipient provided in Form GSTR - 1A
- Form GSTR - 1 furnished by the supplier shall stand amended to the extent of modifications accepted by him

Miscellaneous...

- Manner of claiming credit of inputs and capital goods held in stock prescribed in specified circumstances
 - Where a person ceases to pay tax under composition scheme; or
 - Where an exempt supply becomes taxable
 - Proportionate credit eligible on capital goods held in stock if the person becomes taxable under GST regime
- Unutilized ITC lying in electronic credit ledger can be transferred to the transferee pursuant to:
 - Sale;
 - Merger;
 - Amalgamation
 - Lease or transfer of a business

...Miscellaneous

- Goods to be sent to job worker
 - The challan should contain the prescribed particulars
 - Details of such challan to be disclosed in return
 - Challan to be treated as invoice if goods are not returned within the specified period

Transitional Provisions in relation to ITC

Section 140(1)

- Amount of CENVAT credit carried forward in a return to be allowed as Input Tax Credit ('ITC')
 - A registered person
 - Other than a person opting to pay under composition levy
 - Shall take in his electronic credit ledger
 - ITC of CENVAT credit / credit of VAT and Entry tax
 - Carried forward in the return pertaining to the last day before **1-7-2017**
 - Such ITC shall not be admissible if:
 - Credit is not admissible as ITC under the GST Act
 - The required returns for last 6 months have not been furnished
 - Credit pertain to such goods that were cleared under exemption Notification

Section 140(2)

- Unavailed CENVAT credit on capital goods, not carried forward in a return, to be allowed in certain situations
 - A registered person
 - Other than a person opting to pay under composition levy
 - Shall take in his electronic credit ledger
 - ITC of unavailed CENVAT credit in respect of capital goods
 - Not carried forward in the return

***Note:** Such credit shall not be allowed unless:
It was admissible as CENVAT credit; and
Is also admissible as ITC under the GST Act*

Section 140(3)...

- **Credit of eligible duties and taxes in respect of inputs held in stock to be allowed in certain situations**
 - A registered person
 - Not liable to be registered under Earlier Law; or
 - Engaged in manufacture of Exempted Goods; or
 - Engaged in provision of Exempted Services; or
 - Providing Works Contract Service; or
 - First Stage Dealer / Second Stage Dealer / Registered Importer / Depot of a Manufacturer
 - Can take ITC of eligible duties/taxes in electronic credit ledger in respect of:
 - INPUTS [held in stock / contained in semi-finished goods or FG held in stock]

...Section 140(3)

- Subject to the following conditions:
 - **SUCH INPUTS** are used or intended to be used for making taxable supplies; and
 - The **SAID REGISTERED PERSON**:
 - Is eligible for ITC under the GST Act
 - Is in possession of invoice / prescribed document evidencing payment of duty in respect of such inputs
 - Such invoice should not have been issued earlier than 12 months immediately preceding **1-7-17**
 - A person other than a manufacturer or supplier of service not in possession of such invoice shall
 - Be allowed to take ITC at a specified rate; and
 - Pass on the benefit of reduced prices to the recipient
 - If he is a supplier of service then he should not be eligible for abatement under the GST Act

Example

Pass on the benefit of reduced prices to the recipient

Stock under current regime	BP = 100.0 ED = 12.5 Purchase Price = 112.5	Cost = 112.5 <i>As credit of ED Not available</i>	SP = 123.75 <i>Considering margin of 10%</i>
Supply under GST regime	ITC - 12.5 <i>Benefit u/s 169</i>	Cost = 100	SP = 110 <i>Considering margin of 10%</i>

Section 140(4)

- Credit of eligible duties and taxes in respect of inputs held in stock to be allowed in certain situations
 - A registered person;
 - Engaged in manufacture of dutiable as well as exempted goods;
 - Engaged in provision of taxable as well as exempted services
 - Can take ITC in electronic ledger of:
 - CENVAT credit carried forward in the last return furnished before **1-7-2017**
 - In terms of Section 167
 - Eligible duties/taxes paid on inputs held in stock
 - In terms of Section 169

Section 140(5)

- Credit of eligible duties and taxes in respect of inputs or input services during transit
 - A registered person;
 - Can take ITC in electronic ledger of:



- Subject to invoice or other document being recorded within 30 days from **1-7-2017**
- Shall furnish a statement in prescribed manner in respect of such ITC

Section 140(6)

- Credit of eligible duties and taxes in respect on inputs held in stock to be allowed to a taxable person switching over from composition scheme
 - A registered person;
 - Paying tax at a fixed percentage; or
 - Paying fixed amount in lieu of tax
- } Composition Tax Payer
- Can take ITC of eligible duties/taxes in electronic ledger in respect of INPUTS held in stock, subject to
 - Such INPUTS are intended to be used for making taxable supplies;
 - The said registered person:
 - Is not paying tax under composition and is eligible for ITC; and
 - Is in possession of invoice (not earlier than 12 months immediately preceding 1-7-17) evidencing payment of duty in respect of such inputs

Section 140(7)

- **Credit distribution of Service tax by ISD**
 - Services received prior to **1-7-2017** by an ISD
 - Shall be eligible for distribution under the GST Act
 - Even if invoice relating to such service is received after **1-7-2017**

Section 140(8)

- Provision for transfer of unutilized CENVAT Credit by taxable person having centralized registration under the earlier law
 - Services received prior to **1-7-2017** by an ISD
 - Shall be eligible for distribution under the GST Act
 - Even if invoice relating to such service is received after **1-7-2017**

THANK YOU

