



Nagpur- General - GST

Madhukar N Hiregange

Vasant K Bhat

Chartered Accountants



Challenges for Trade

- Continuation of business- Rate, Brand, B2B, Grey Market,...
- Safeguard their margins -
- Safeguard / enhance their business by being GST ready
- Not lose/ plan for advantages available
- C/f of credit
- Comply with the complex electronic returns
- Limit exposure under the earlier laws
- Be prepared for additional working capital requirement

RCM

Reverse Charge Vs Threshold

- Sec. 9(3) – Specified services – If Under 20 L?
- Sec 9(4) – Any un registered to regd – If under 20 L?
- Sec 9 (5) – Even if under 20 L – clear.

Declaration that one is claiming 20 L exemption
Pan Copy- Would that suffice?



What is required to properly classify?

Questions to ask:

- What is the product called?
- What does it do? - Functionality
- How does it work? -
- How is it used? – Usage test
- In what industry it is used? (commercial, industrial, home) – Perception of customer

What is required to properly classify?

Information required to classify:

- Detailed description of the product, plus samples, sketches, diagrams, illustrative materials, brochures etc.,
- Components and its proportion (value, Qty, functionality etc.,)
- Primary use in the industry
- Commercial, scientific, or common designation

Aids in classification

- Support is available from:
 - Section Notes, Chapter Notes, Tariff description
 - Rules of Interpretation
 - Court rulings while ensuring the amendments + context relevance
 - AAR + Govt. circulars
 - HSN explanatory notes
 - Commodity index in the CENTAX publications – find out relevant chapter
 - GST/Customs website/App
 - Internet

Caution

- Classification is an art, not a science
- It is subject to interpretation, court cases, and precedents
- Classification expertise is built over time
- Easy to have a “misclassification”



Practical Tips

- Read carefully- registered brand name? Common brand name?
Withdrawal of registration
- Higher Rate – Right Hand side rule
- Exemption strict interpretation
- Advance Ruling
- Disclosure to revenue
- Representation in case of unintended hardships/ defying our logic

Vendor Planning



- To avail ITC the Vendor should be a registered person
- ITC can be availed only if Vendor pays the tax to the Government
- Under GST regime” GST compliance Rating” is introduced therefore vendors with higher compliance rating shall be preferred over the others- audit, procedural relaxation?
- Analysing the impact of GST on your vendor can help in negotiating the price post GST.



GST On Transportation By Road

Overview

Time & Place
of Supply

Valuation &
ITC

Impact on
Business

- CA Madhukar N. Hiregange

Classifications Possible- Rate

- Hiring of Vehicle/ Renting? – 28%
- Leasing of vehicle – 28%
- Transporter (Lorry owner/ operator) - nil
- GTA – in relation to transport + Consignment note issued – 5% + RCM
- Courier – 18%
- Storage & Warehousing – 18%
- Packing – 18%
- Logistics , Freight Forwarders – 18%
- Business Support?- 18%

Other Aspects

- Rate – 5% without ITC – forward charge
- Reverse Charge – GTA to factory, society, co-operative, regd under GST, partnership + Aop, Casual Taxable person. – No need to register but enroll and file ENR-1??
- Difference b/n GTA & Transporter
- Whether B2B- whether credit available?
- Whether B2C – whether credit available?
- What about hamali, storage, packing in course?

Credit Chain Break

Difference B/n Transporter & GTA/ Courier

- One does not issue Consignment note which can be endorsed (negotiable) : Auto- intra city movement, daily/ weekly bill issued
- Door to door express cargo service (pick up & drop to specific location + time commitment. Thin line

Difference b/n hiring & transfer

- Hiring = with driver – risk of vehicle with the owner – 18%
- Transfer of right = Give for some time- daily/ weekly/ monthly –
Rate as applicable to truck – 28%

Transportation of Goods by:-

- Mining
- Courier
- Manufacturer
- Job worker
- Outdoor caterer/ Shamiana contractor
- Trader
- Builder/ Contractor
-

Credit on MV
Spares,
Lubricants,
Service,
Insurance

.....

Calculate Additional Credit

- Vehicle cost – 5 L – GST 1.40 Lakhs
- Servicing & spares per year – 2 Lakhs – 0.40 Lakhs
- Lubricants – 10 Lakhs – 2.80 Lakhs
- Bank etc 2 Lakhs – 0.40
- Reduced cost of Diesel- open now- Crude around \$45
- Per truck – 1st year – 6.20 Lakhs loss

Who can avail the credit?

- Trader/ Importer
- Manufacturer
- Service provider
- CHA
- Freight Forwarder
- GTA services availed and passed on with margin. Can 2 issue GTA?

Who cannot avail the credit?

- Unregistered Dealer
- Exempted Goods/ Service providers: Educational/ Health Care/ Government/ Religious
-

Exporters ,SEZ, EOUs will have to go for refund

RCM Liability

- Presently 5-7% is minor costs incurred
- RTO checkpost
- Snacks
- Maintenance
- Repair
- Hamali
- Rent for stop/ hotel
- ...many many more

To Do's

- Migration of existing registration
- Obtain new registration
- Obtain GSTIN of customer/vendors
- Finalise Invoicing Format - ensure business continuity on 1st July – Plan “B” also required
- Identify HSN code & Rate of Tax – Independent assessment -
- Capture all credits – take to Returns
- Stock verification, reconciliation and declaration – data for TRAN 1

To Do's

- Old/expiry goods – call back before GST
- Unusable – scrap
- Reconcile balances with vendors/customers
- File last return – carefully
- Capture impact on all nature of transaction
- Intimation for changes in strategy to business partners
- No inventory in Transit - GRN to close in advance
- Communication of contact details with business partners– for return reconciliation

To Do's

- Revision in pricing – tax rate impact, anti profiteering clause and guidelines of competitive authorities – area based exemption impact
- Job work stock reconciliation – closure of forms
- Vendor sorting – registered/unregistered/composition
- Modification in POs – closure of existing Pos
- Advances settlement – terms renegotiation with vendor/customers
- Faster clearing of bills
- Collection of Forms – liquidation of inventory for