

# **GST IMPACT STUDY**

## **“Multi Locational Manufacturing Unit”**

**Organized by  
INDIRECT TAXES COMMITTEE OF ICAI**

**PRESENTED BY**



**RAJIV LUTHIA**

**AN INVESTMENT IN KNOWLEDGE PAYS THE BEST RETURN**

# COVERAGE

- **Registration**
- **Time of Supply**
- **Place of Supply**
- **Job Work**
- **Input credit /ISD**
- **Branch Transfer**
- **Related transitional Provision**



# Case Study -I

## "A" LTD

MAHARASHTRA

Factory – I  
(Pune)  
Manufactures  
Glass product

Factory - II  
(Nasik)  
Manufactures  
Plastic products

Sales Depot –I  
(Nagpur)

GUJARAT

Factory - III  
(Surat)  
Manufactures  
Plastic product

Factory - IV  
(Ahmedabad)  
Manufactures  
Glass product

Sales Depot –II  
(Vadodara)

KERALA

Sale Depot –III  
(Kerala)

DELHI

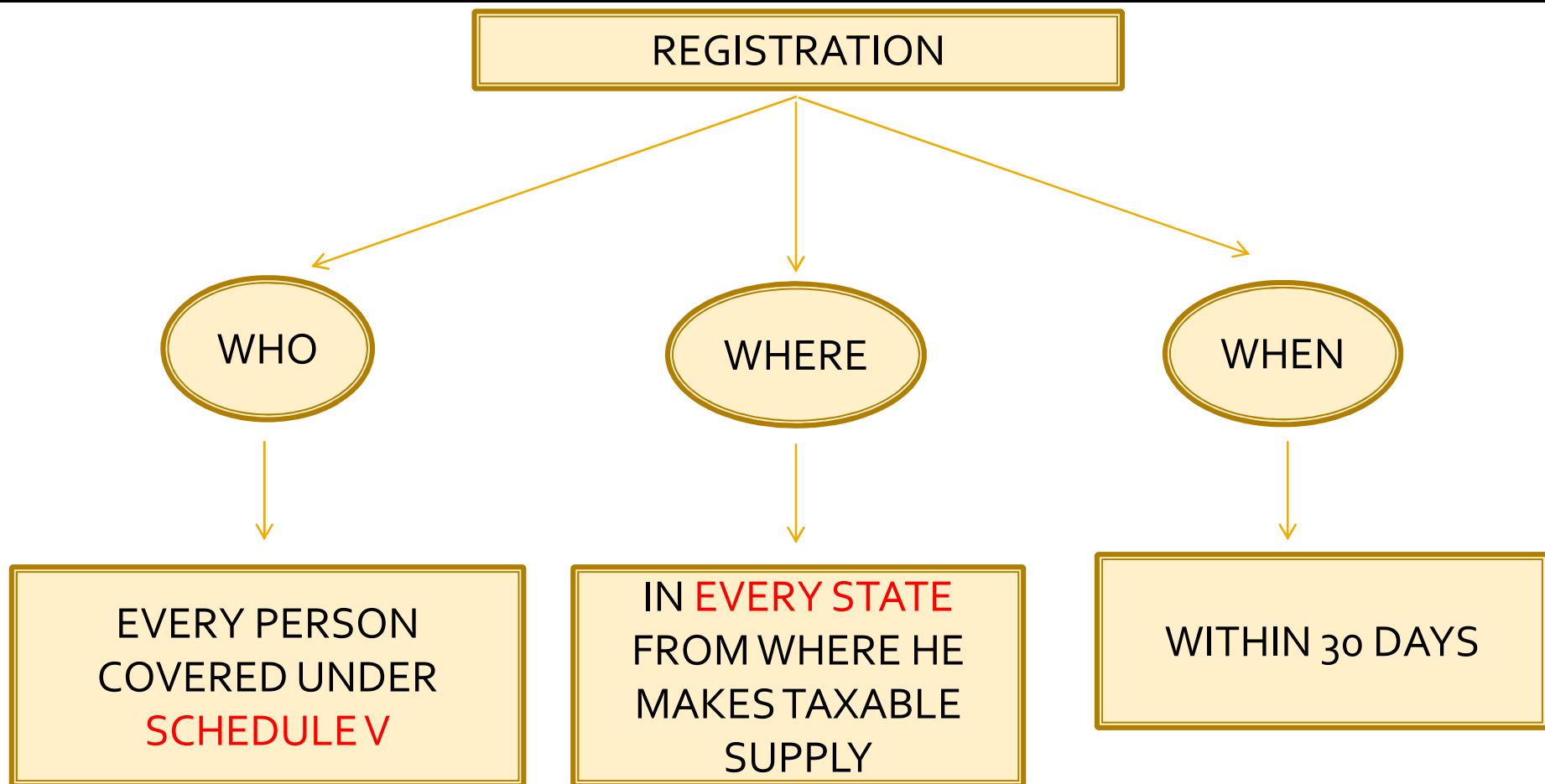
Sale Depot –IV  
(Delhi)

**Registered office**  
**Admin -ISD**  
(Mumbai)

# Questions

- Whether “A” Ltd required to get registration for all premises ?
- Can “A” Ltd obtain separate registration for its factories/ sales depot/Registered office in Maharashtra?
- Is it compulsory to obtain separate registration for factories/sales depot/Registered office?

# REGISTRATION - Section 23



# Registration

- Whether “A” Ltd required to get registration for all premises ?
  - As per section 23 of SGST/CGST, “A” Ltd has to apply for registration in every such state in which he is liable
  - Accordingly “A” Ltd has to get itself register in following states
    - Maharashtra
    - Gujarat
    - Kerala
    - Delhi

# Registration

- Does “A” Ltd required to obtain separate registration for its factories/ sales depot/Registered office in Maharashtra?
  - Yes, As per Section 23(2), a person having “Multiple business verticals” in a state may obtain separate registration for each “business verticals” as defined in section 2(18).
  - Thus, “A” Ltd can obtain separate registration for
    - Factory I (Maharashtra, Nasik)
    - Factory II (Maharashtra, Pune)
    - Sale Depot I (Maharashtra, Nagpur)

# Registration

- Is it compulsory to obtain separate registration for business verticals in same state?
  - No, its optional to have separate registration for business verticals in same state.
- Advantages of separate registration:
  - Ease in Accounting & MIS reporting
  - Ease of comparison between business verticals
  - Allocation of CENVAT by ISD
- Disadvantages:
  - Higher compliance cost
  - ITC cannot be adjusted between verticals
  - Accounting related issues
  - More litigation cost

# TIME OF SUPPLY

# Time of Supply of Goods: Section 12

## NORMAL SUPPLY

**EARLIEST** of following dates



DATE OF **ISSUE** OF INVOICE BY SUPPLIER  
or  
**LAST DATE** ON WHICH HE IS REQUIRED TO  
ISSUE INVOICE U/S 28



DATE ON WHICH SUPPLIER  
RECEIVES **PAYMENT**

SECTION 28 – Tax Invoice  
INVOICE TO BE ISSUED  
**BEFORE OR AT TIME OF**

Removal of goods for supply  
Where supply involve movement of  
goods

Delivery of goods or making  
available thereof to recipient  
In any other case

# Issue

- "A" Ltd has collected security deposit amounting to Rs. 10,00,000/- from client "x" towards regular supply
- As per terms contract, the said deposit can be adjusted against dues, if client "X" defaults in making payment for goods beyond credit period of 3 months.
- What would be the Point of Taxation in case of such security deposit?

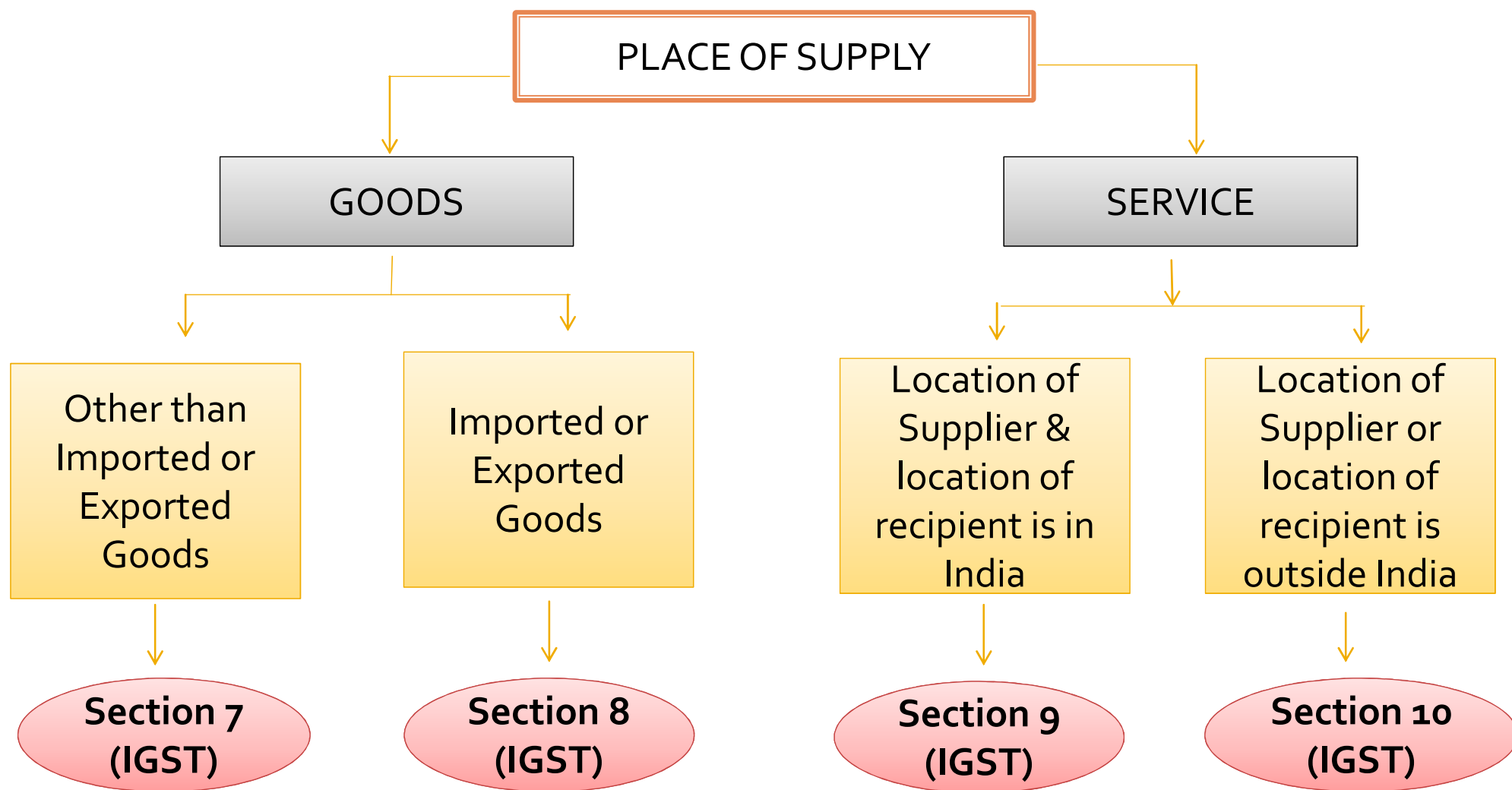
# Time of Supply of Goods

## ■ Point of Taxation of security Deposit

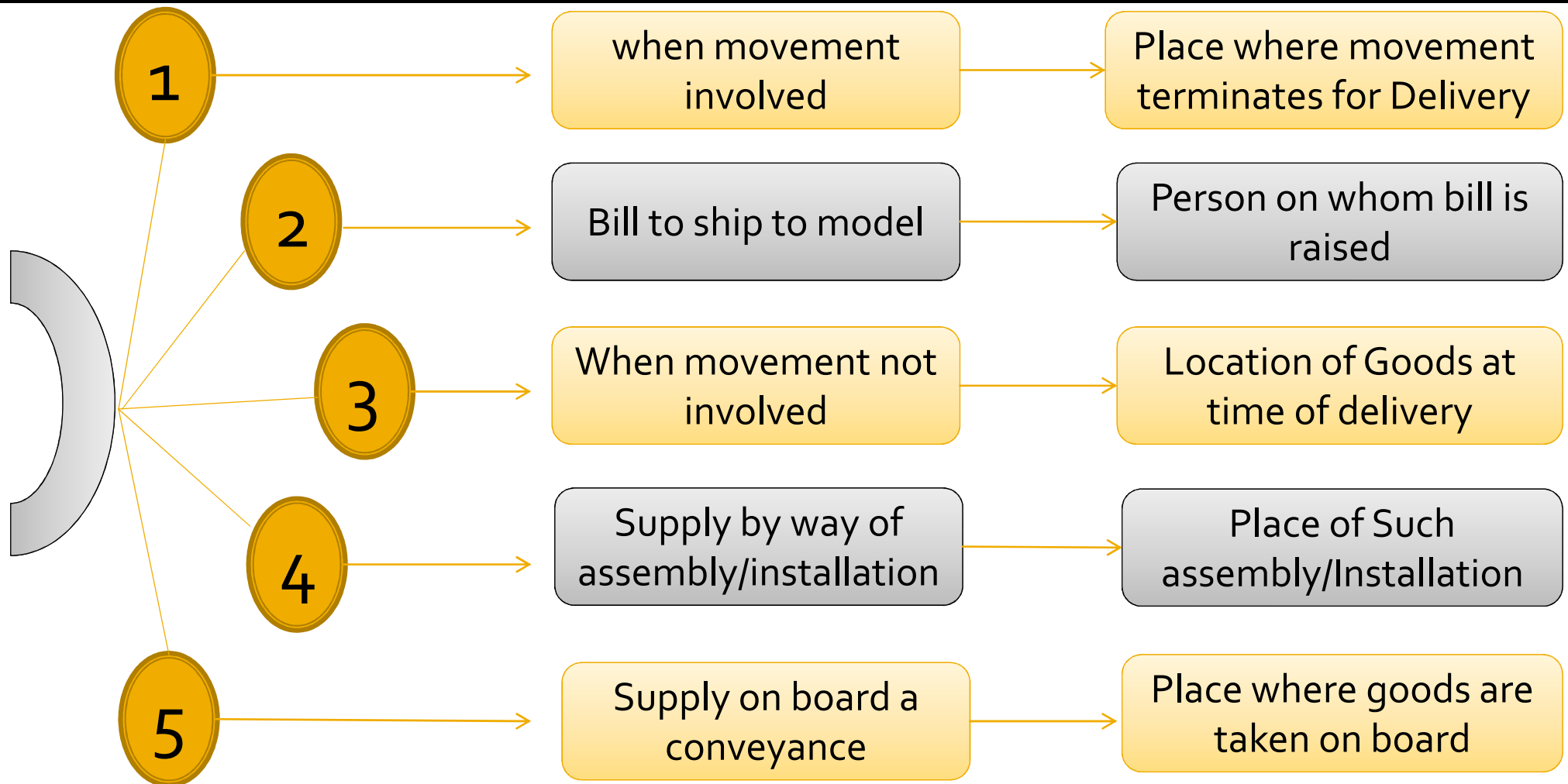
- As per explanation I to section 12, Supply shall be deemed to be made to the extent it is covered by invoice or the payment
- The Term “consideration” is defined under section 2(28), which states that deposit, whether refundable or not, given in respect of the supply of goods or service shall not be considered as payment made for supply unless the supplier applies the deposit as consideration for the supply.
- Thus, point of Taxation of said security deposit will be the point when deposit is applied for payment in case client defaults. In any case invoice for same is already raised. Hence, receiving of Security deposit will not invoke tax liability

# PLACE OF SUPPLY

# PLACE OF SUPPLY

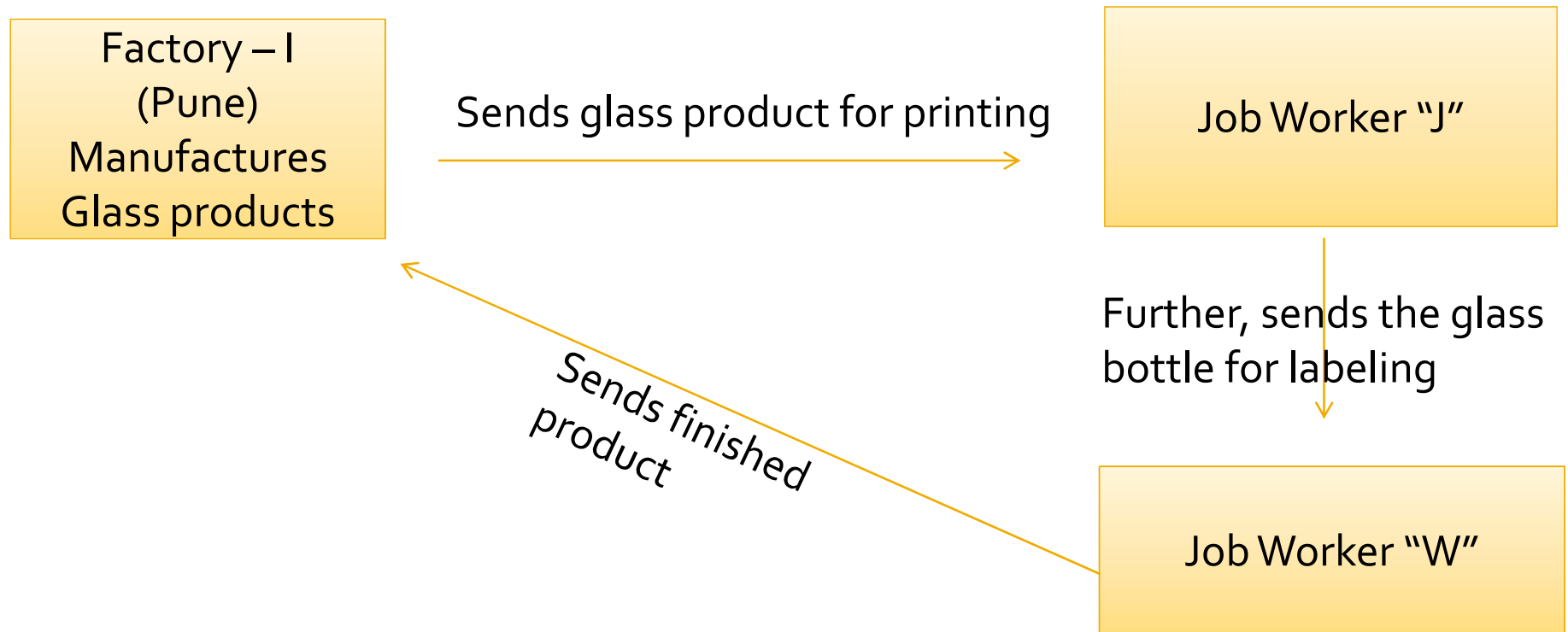


# Place of Supply of Goods (Domestic)



# JOB WORK

# Case Study



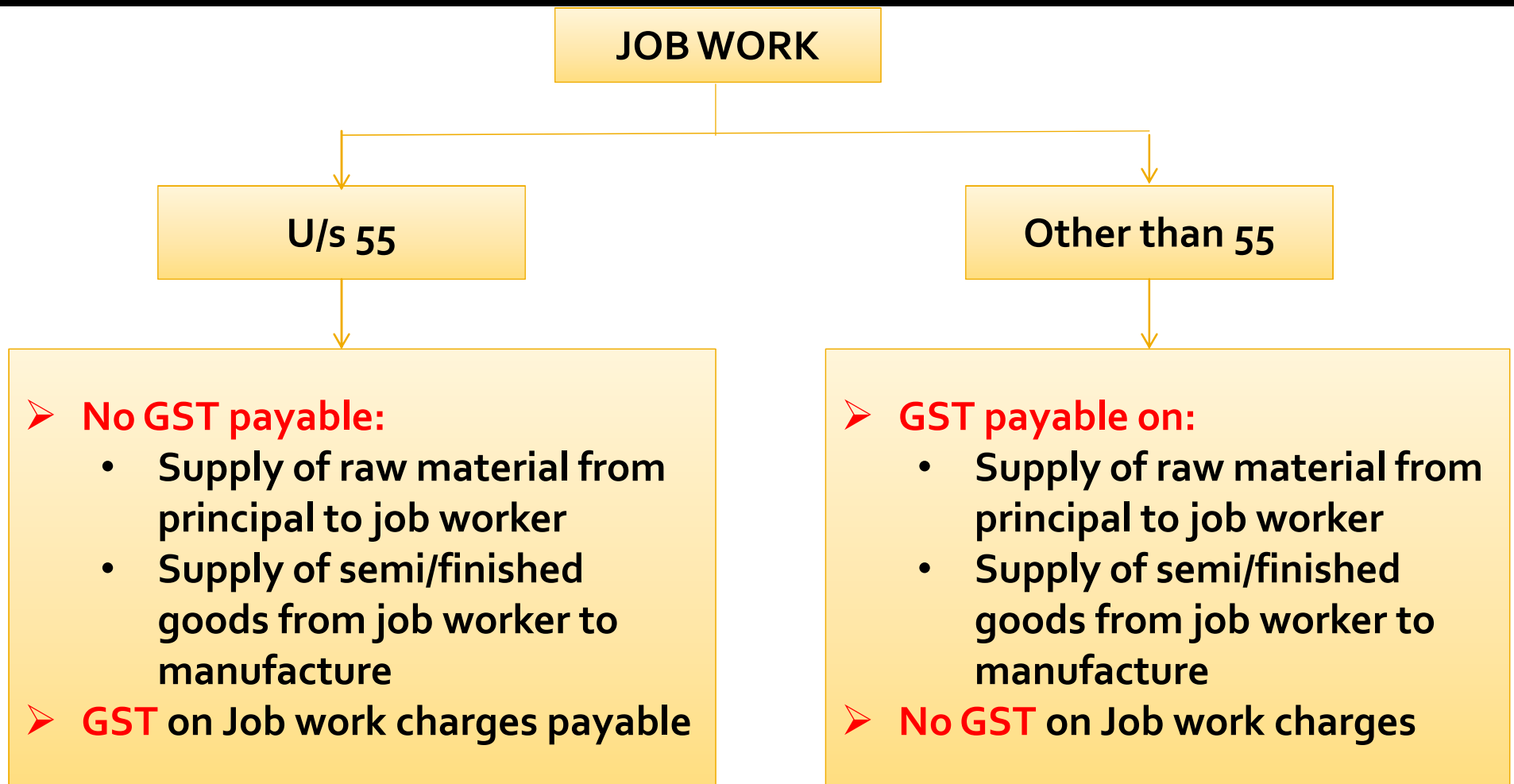
# Questions

- Will the Supply between the Principal to Job worker “J” liable to GST?
- Will the supply between the Job worker “J” to Job worker “W” liable to GST?
- Whether Principal can send goods to job worker without payment of GST?

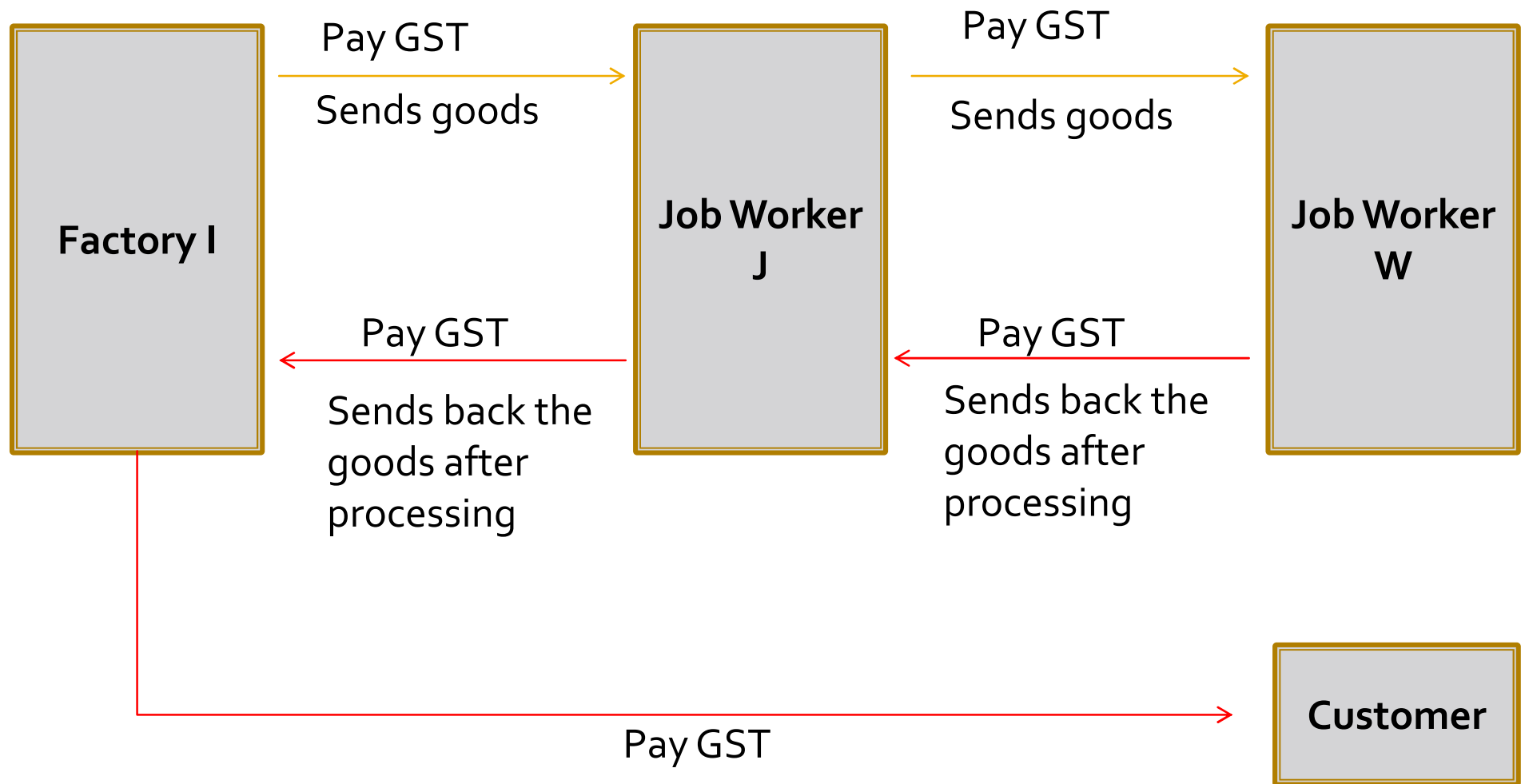
# JOB WORK – section 2(61)

- Job work means
  - Undertaking any treatment or process by a person
  - on goods belonging to another registered taxable person
- Term “job worker” shall be construed accordingly

# Taxation of Job work- section 55



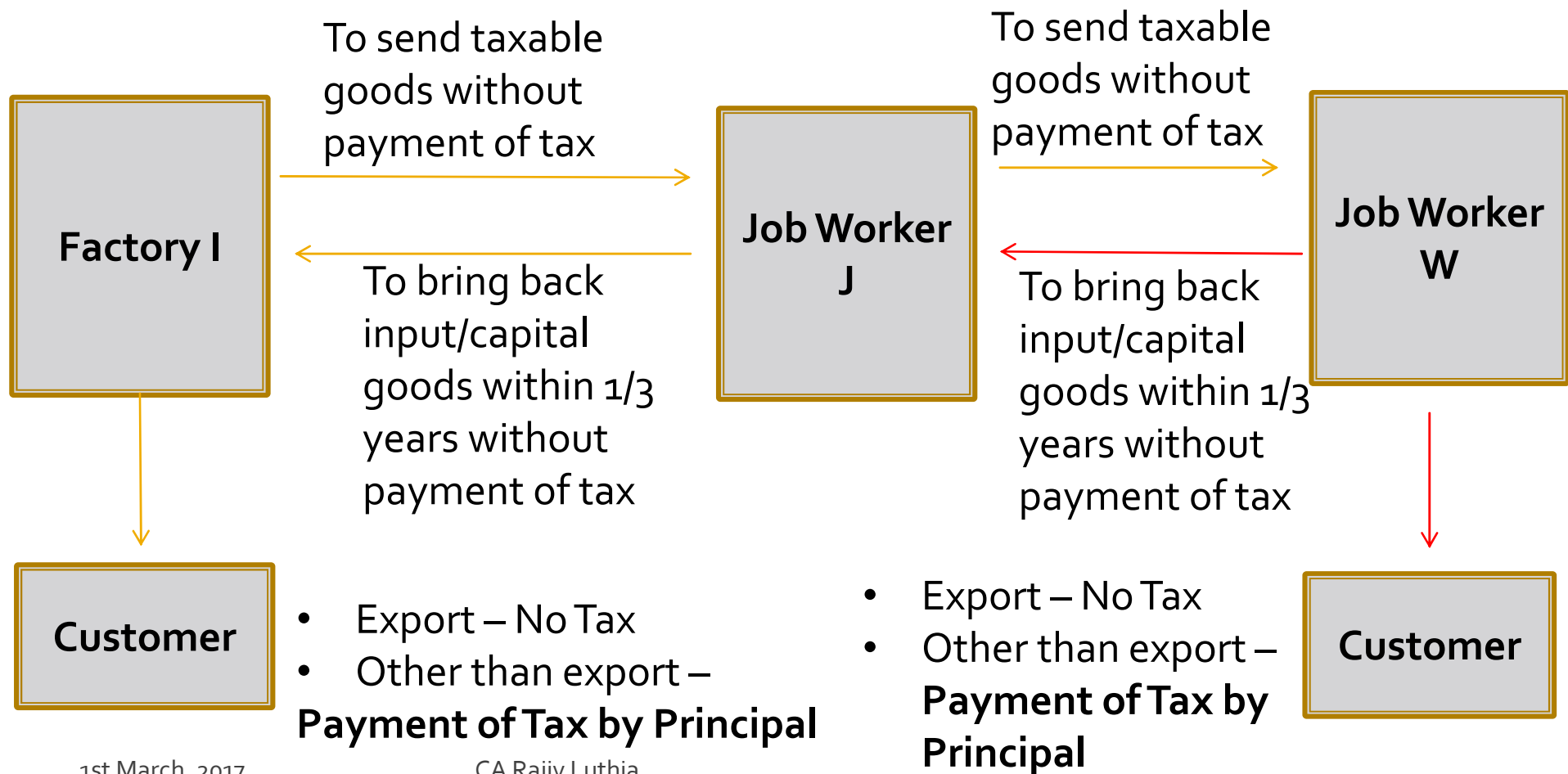
# JOB WORK OTHER THAN U/S 55



# JOB WORK U/S 55

## PROCEDURE FOR REMOVAL OF GOODS

- Register Taxable person under Intimation may send input/capital Goods without payment of Tax to job worker



## JOB WORK U/S 55- SPECIAL PROCEDURE FOR REMOVAL OF GOODS

- If **Inputs** sent for job-work are not received back by principal **within 1 year** from date of sending, it shall be deemed that such inputs were supplied by principal to job-worker on the day when such inputs were sent out
- If **Capital goods (Except Dies/mould etc.)** sent for job-work are not received back by principal **within 3 years** from date of sending, it shall be deemed that such Capital were supplied by principal to job-worker on the day when such capital goods were sent out

# JOB WORK u/s 55 - Advantages

- **Advantages** of procedure under section 55
  - Reduction in working capital blockage
  - Job worker can send goods directly to customer of principal, provided job worker is registered or details of job worker place are added as additional place of business in principal registration certificate.
  - Reduction in CENVAT related Issues

# Input service Distributor

# Case Study

"A" Ltd  
(Admin/Head office)  
Mumbai

## Input credit

Common contract  
for Maintenance  
of A/c at all  
premises

Auditor  
remuneration

Repairing/Maintenance  
at sales Depot Delhi

Renting of  
premises for  
kerala

- How will the Input credit be distributed to various sales office & offices?

# DISTRIBUTION OF CREDIT BY ISD

## Section 21

- *Section 2(54) "**Input Service Distributor**" means an office of the supplier of goods and/ or services which receives tax invoices issued under section 28 towards receipt of input services and issues a prescribed document for the purposes of distributing the credit of CGST (SGST in State Acts) and / or IGST paid on the said services to a supplier of taxable goods and / or services having same PAN as that of the office referred to above*
- *"**recipient of credit**" means the supplier of goods/service having same PAN as that of ISD*

# DISTRIBUTION OF CREDIT BY ISD

## CONDITIONS TO DISTRIBUTE CREDIT BY ISD

EACH  
RECIPIENT  
MUST BE  
ISSUED  
PRESCRIBE  
DETAILED  
DOCUMENT

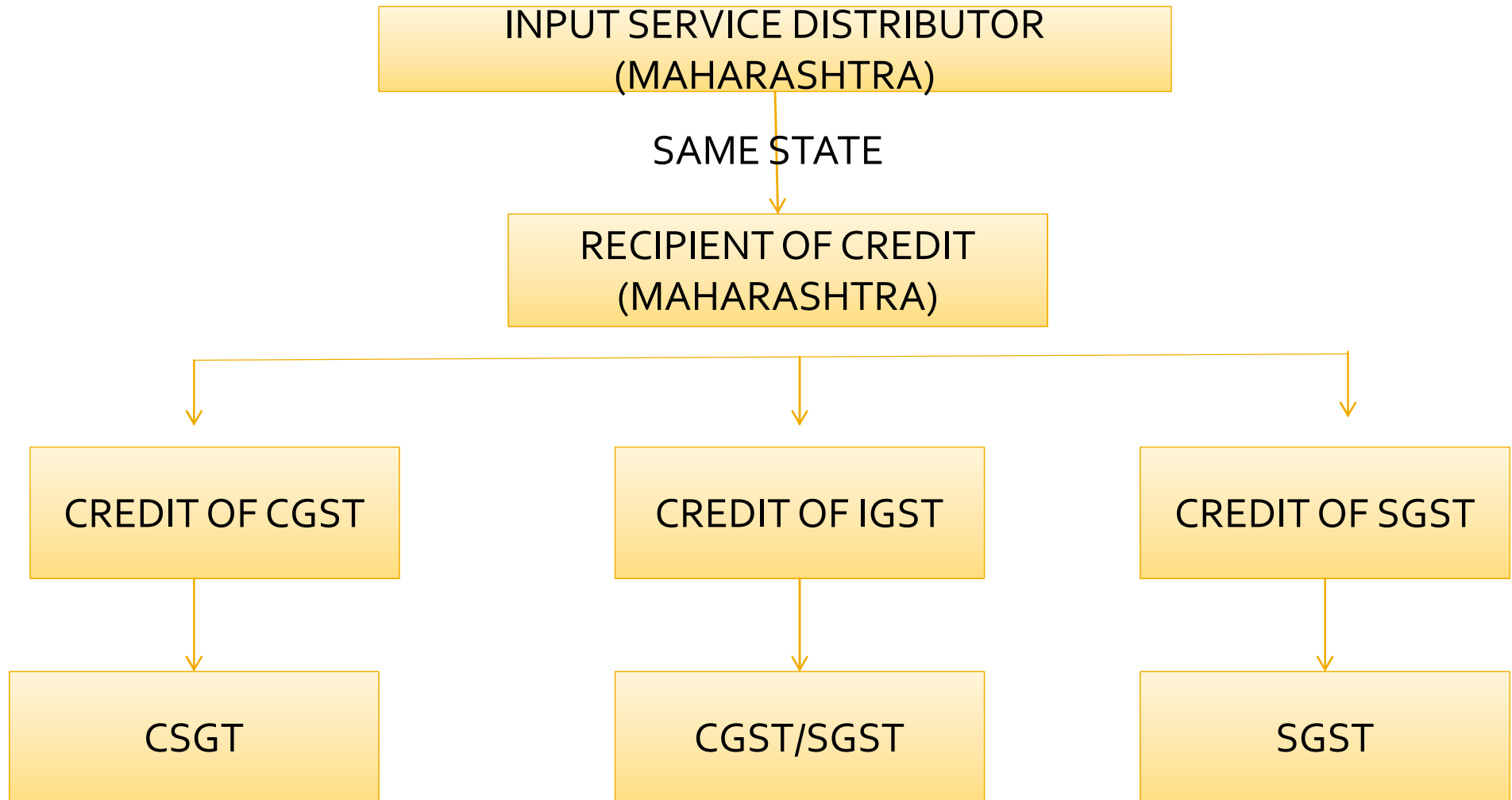
AMOUNT  
DISTRIBUTED  
SHALL NOT  
EXCEED  
AMOUNT  
AVAILABLE

INPUT SERVICE  
ATTRIBUTABLE  
TO  
PARTICULAR  
RECIPIENT  
SHALL BE  
DISTRIBUTED  
TO HIM ONLY

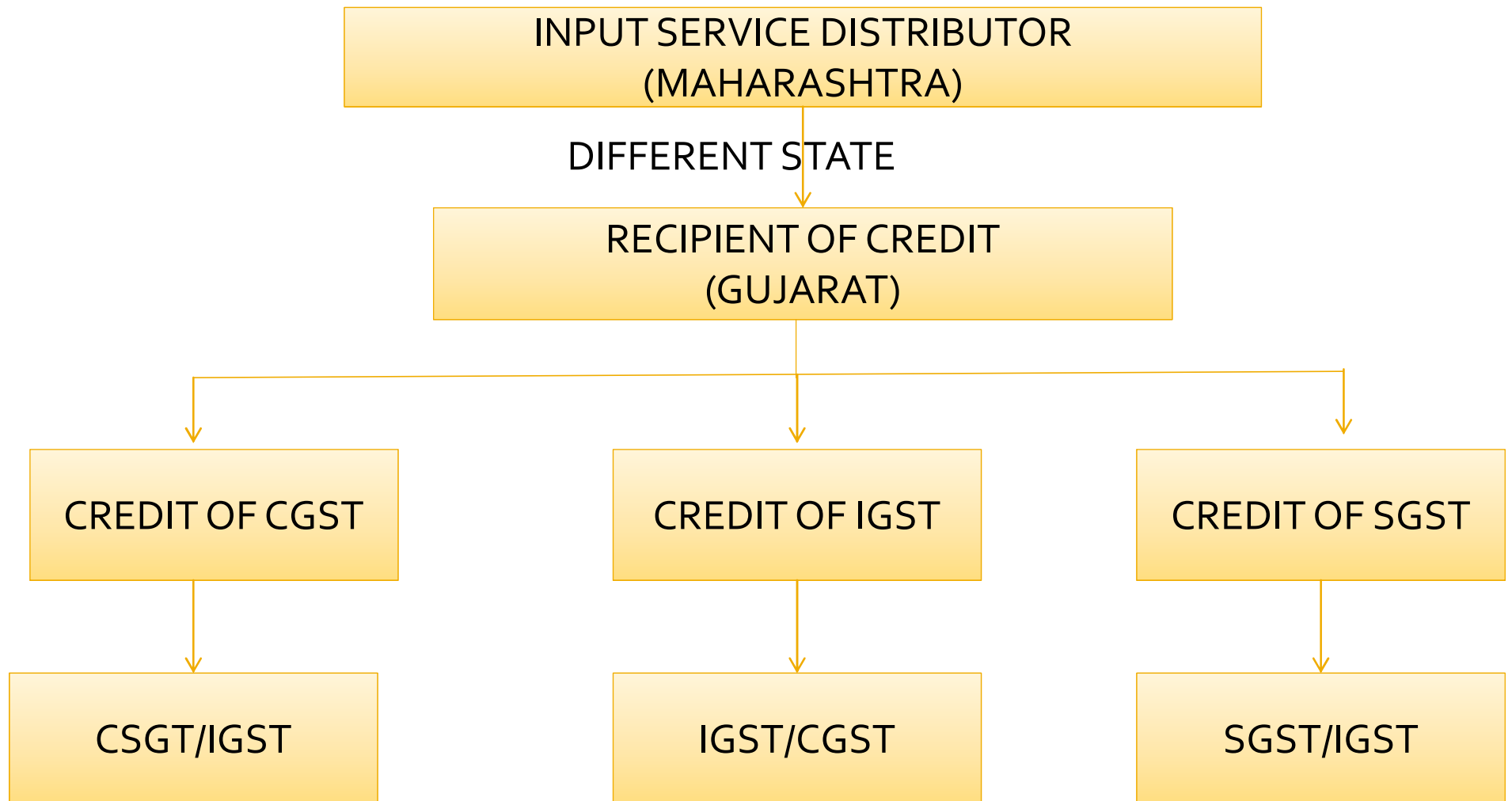
INPUT SERVICE  
ATTRIBUTABLE  
TO MORE THAN  
ONE RECIPIENT  
MUST BE  
DISTRIBUTED ON  
PRO RATA BASIS  
BASED ON  
TURNOVER IN A  
STATE DURING  
RELEVANT  
PERIOD

INPUT SERVICE  
ATTRIBUTABLE  
TO ALL  
RECIPIENT  
MUST BE  
DISTRIBUTED  
ON PRO RATA  
BASIS BASED  
ON TURNOVER  
IN A STATE  
DURING  
RELEVANT  
PERIOD

# DISTRIBUTION OF CREDIT BY ISD



# DISTRIBUTION OF CREDIT BY ISD

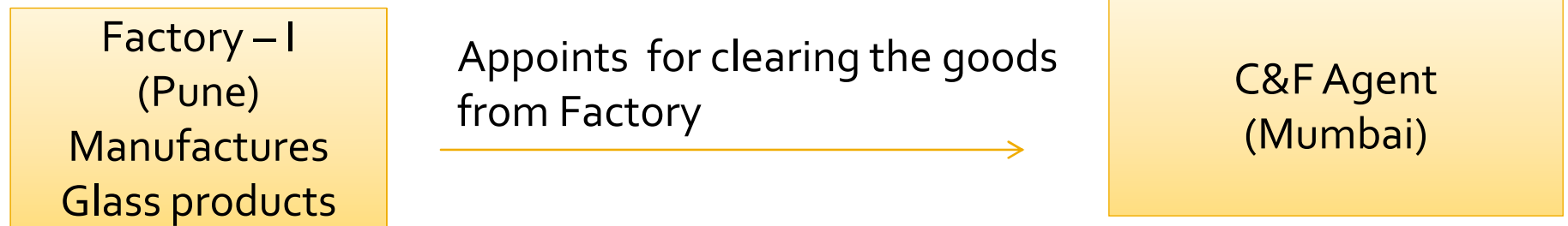


# Case Study

- “A” Ltd (Admin office, ISD) has to distribute the credit in following manner
  - ITC of common Maintenance Contract – Distribute to all office proportion to their turnover
  - ITC of Auditor remuneration – Distribute to all office in proportion to their turnover
  - ITC of Repairing job at Delhi – Distribute the credit only to at Delhi
  - ITC of Rent-a –premises – Distribute the credit to Kerala Branch

# Consignment Agent

# Case Study

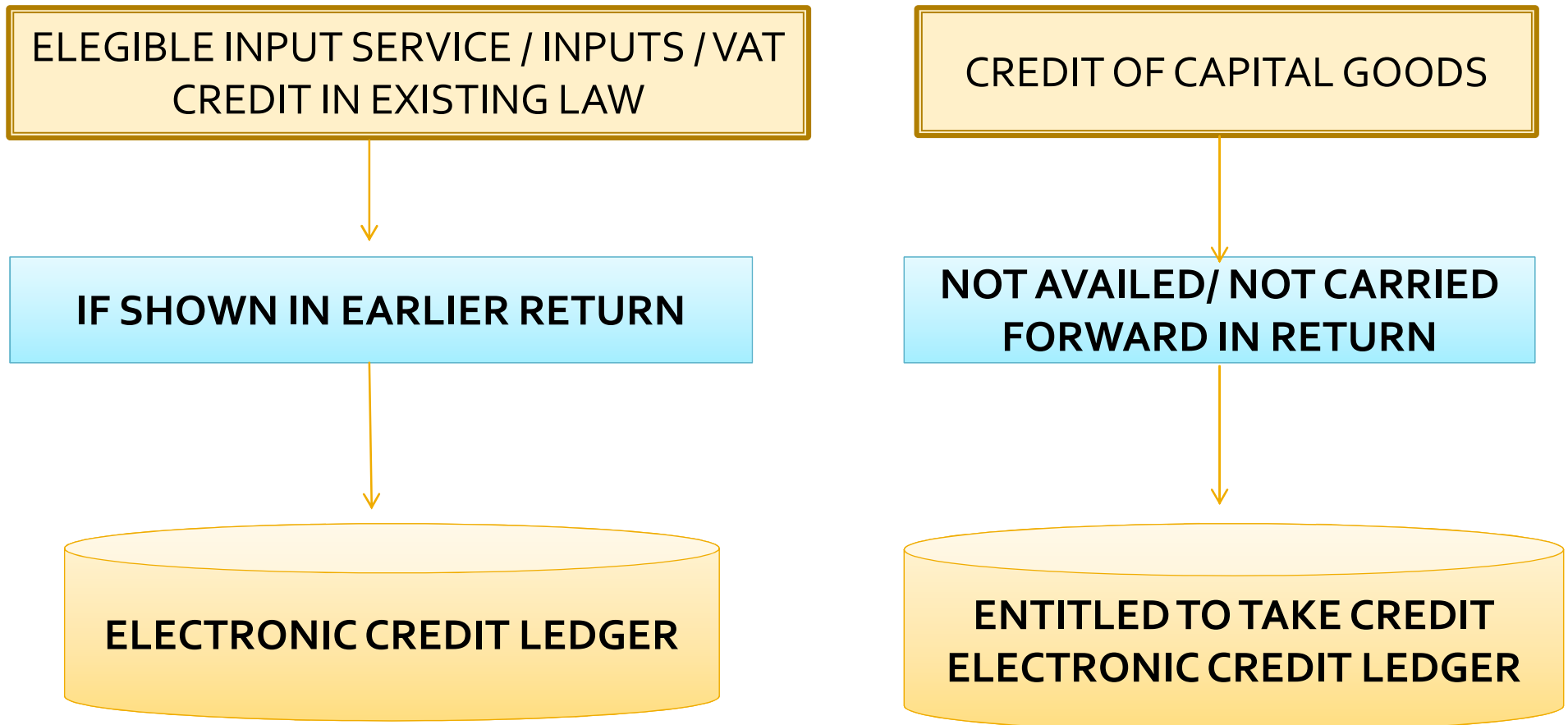


**Will transaction between Factory- I and C&F agent treated as supply?**

# Consignment Agent

- Schedule 1 provides that Supply of goods-
  - by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal, or
  - by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal
  - Shall deemed to be supply
- Thus principal & agent are two different taxable person.
- Hence, transaction between Factory-I & clearing and forwarding agent would be considered as supply & liable to GST.

# CENVAT in earlier returns...Section 167 & 168



Person opting for Composition Scheme shall not be entitle to above

# Credit of eligible duties/ taxes in respect of inputs held in stock to be allowed in certain situation. Sec 169

## REGISTER TAXABLE PERSON IN GST REGIME

Not liable to register in earlier law

Engaged in manufacture of exempted goods/ provision of service

Provider of Works contract service???? who was availing benefit u/n 26/2012

1<sup>st</sup> Stages/2<sup>nd</sup> stage dealer or registered importer

Entitled to take credit of eligible duties & taxes in respect of inputs held in stock, semi-finished goods or finished goods subject to following condition

Inputs/goods are used or intended to be used for making taxable supplies

Passes on such credit by way of reduced prices to the recipient ????? Why

Eligible for input credit on such Input in this Act

Possession of eligible Invoice under earlier law

Such Invoice were issued not earlier than 12 months

Supplier of service is not eligible for any abatement under the Act

# Credit of eligible duties/ taxes in respect of inputs held in stock to be allowed in certain situation. Sec 170

## REGISTER TAXABLE PERSON

Engaged in manufacture of  
Non Exempted as well as  
Exempted goods under Excise  
law

Provider of Exempted as well  
as Non Exempted Service  
under Service tax law

- Entitled to take
  - Amount of CENVAT credit carried forward in return under earlier law;

AND

- Amount of CENVAT credit of eligible duties in respect of Inputs held in stock, semi-finished goods or finished goods relating to exempted goods/service

# Credit of eligible duties/ taxes in respect of inputs or Input Service during transit. Sec 171

## REGISTER TAXABLE PERSON in GST

- Entitled to take
  - Credit of eligible duties & taxes on Inputs or Input Service received on or after appointed date,

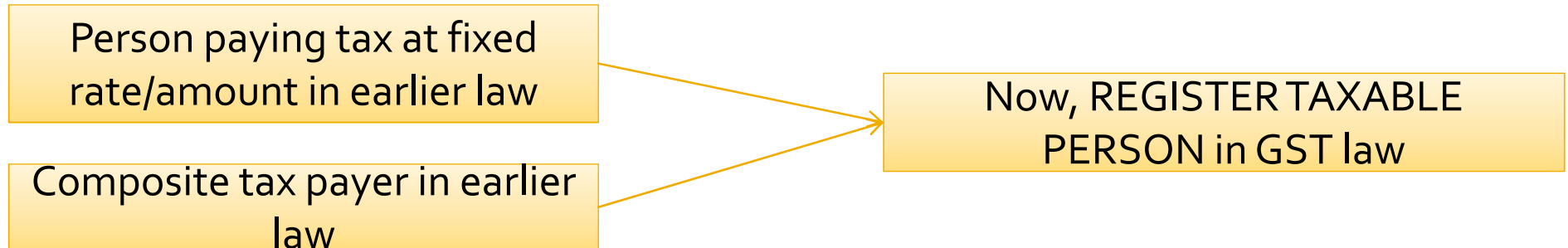
But

- Duty or tax in respect of which has been paid before appointed date; subject to condition

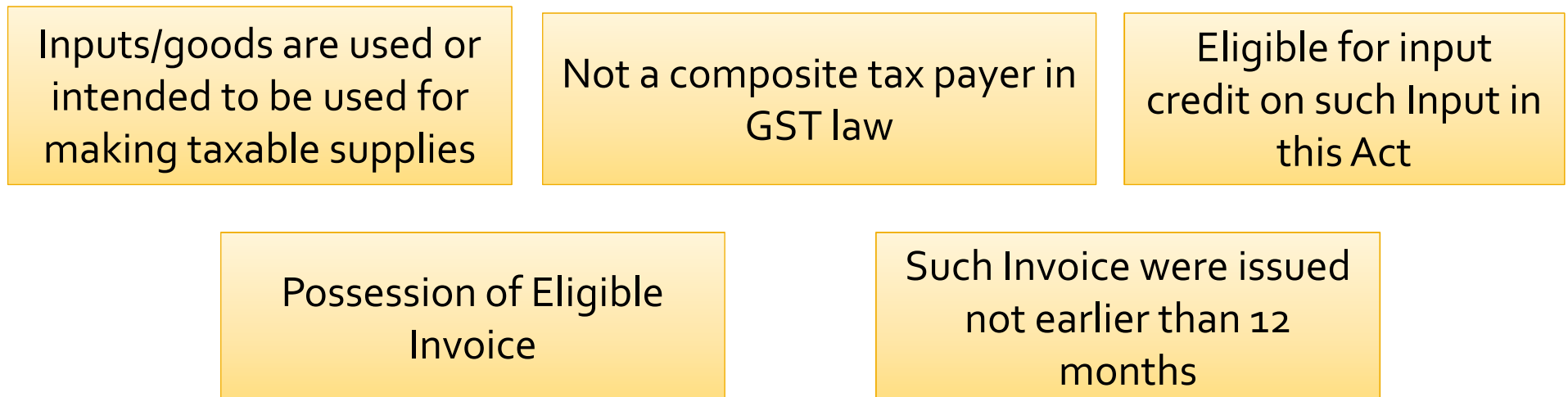
Invoice is recorded in books of account within 30 days from appointed date

A statement in manner prescribed has been furnished in respect of said credit

# Credit of eligible duties/ taxes in respect of inputs held in stock to be allowed in certain situation. Sec 172



Entitled to take credit of eligible duties & taxes in respect of inputs held in stock, semi-finished goods or finished goods subject to following condition



## Claim of CENVAT credit to be disposed off under earlier law. Sec 182

- Every proceeding of appeal, revision, review or reference relating to claim for CENVAT credit initiated whether before, on or after appointed day under earlier law;

AND

- Any amount credit found to be admissible to claimant shall be refunded to him in cash & shall not be admissible as input credit under this Act

Provided that no refund claim shall be allowed of any amount of CENVAT credit where the balance of said amount as on the appointed day has been carried forward under this Act.

## Claim of CENVAT credit to be disposed off under earlier law. Sec 182

- Every proceeding of appeal, revision, review or reference relating to CENVAT credit initiated whether before, on or after appointed day under earlier law, shall be disposed of in accordance to earlier law;

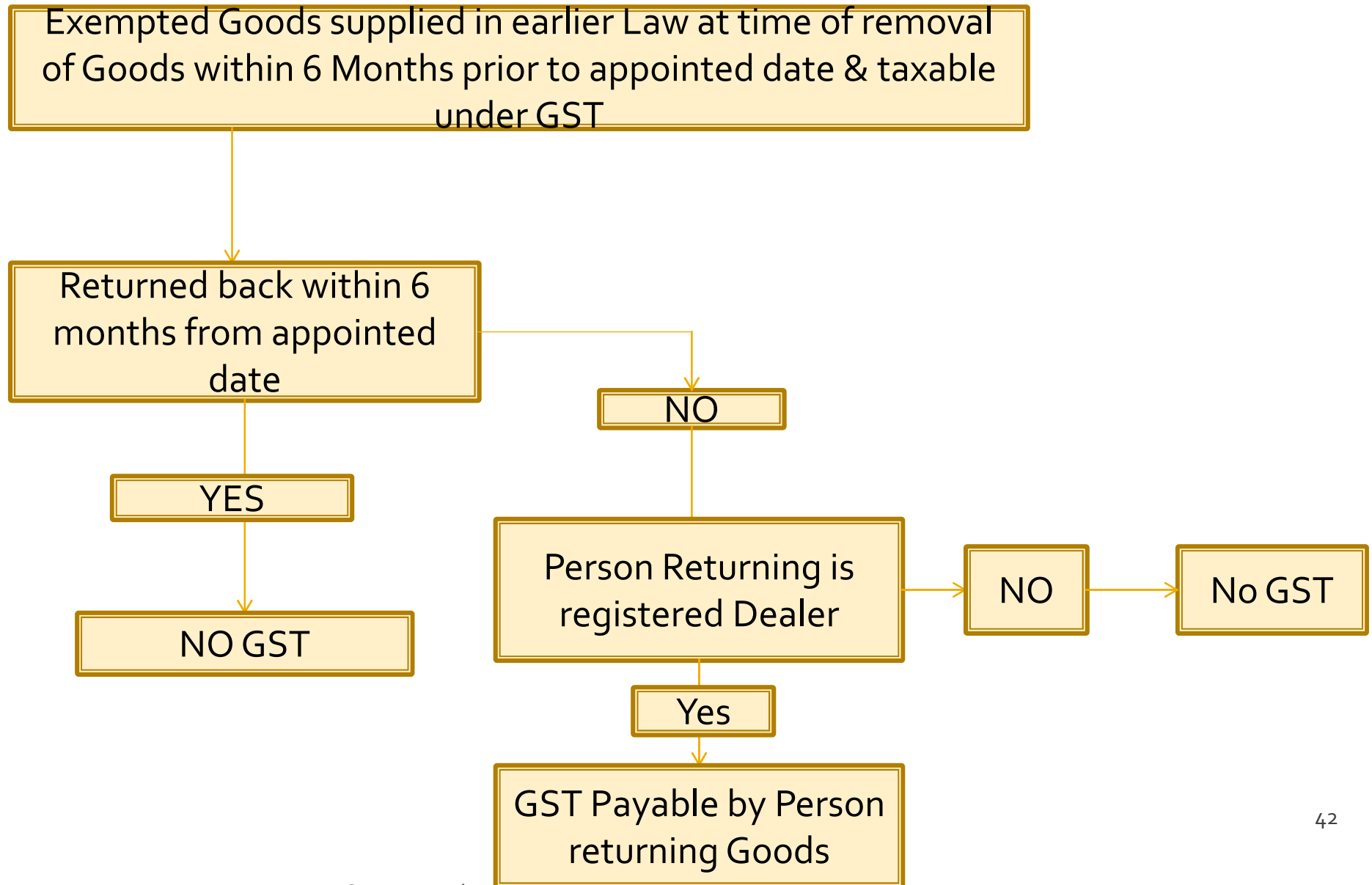
And

- If amount of credit become recoverable as a result of appeal, revision, review or reference, the same shall be recovered as an arrear of tax under this Act

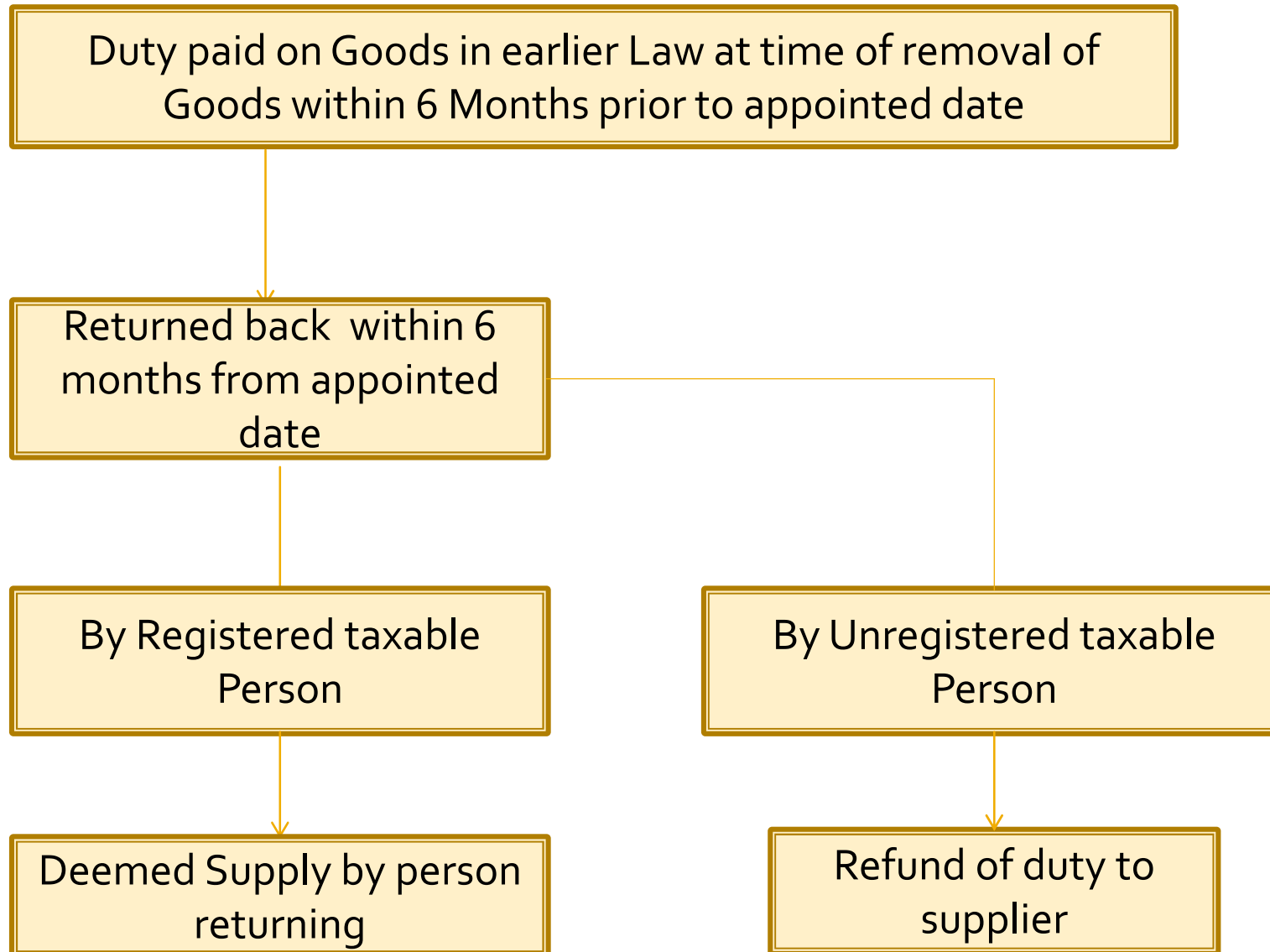
And

- Amount so recovered shall not be admissible as Input tax credit under this law

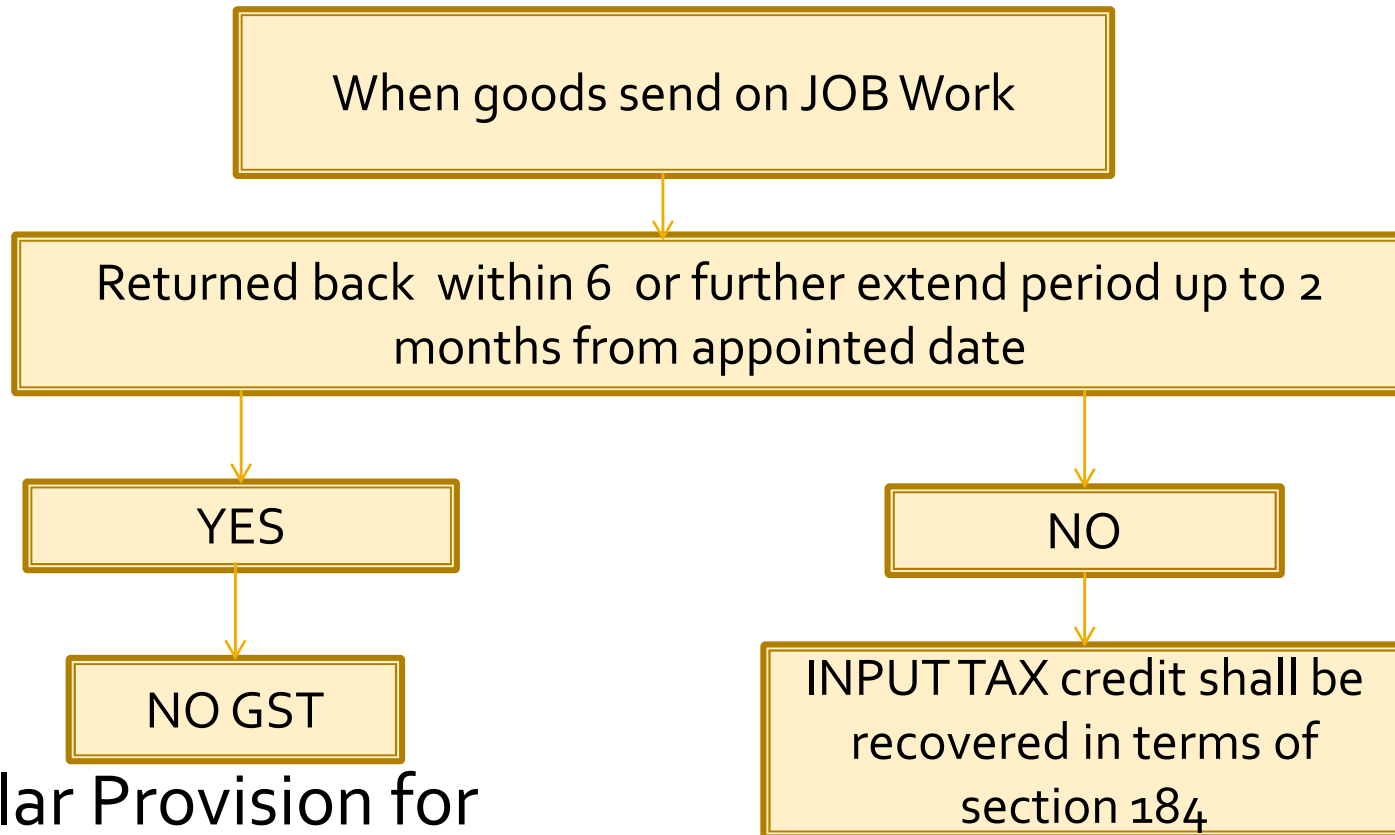
# Transitional provisions... Section 173



# Transitional provisions... Section 174

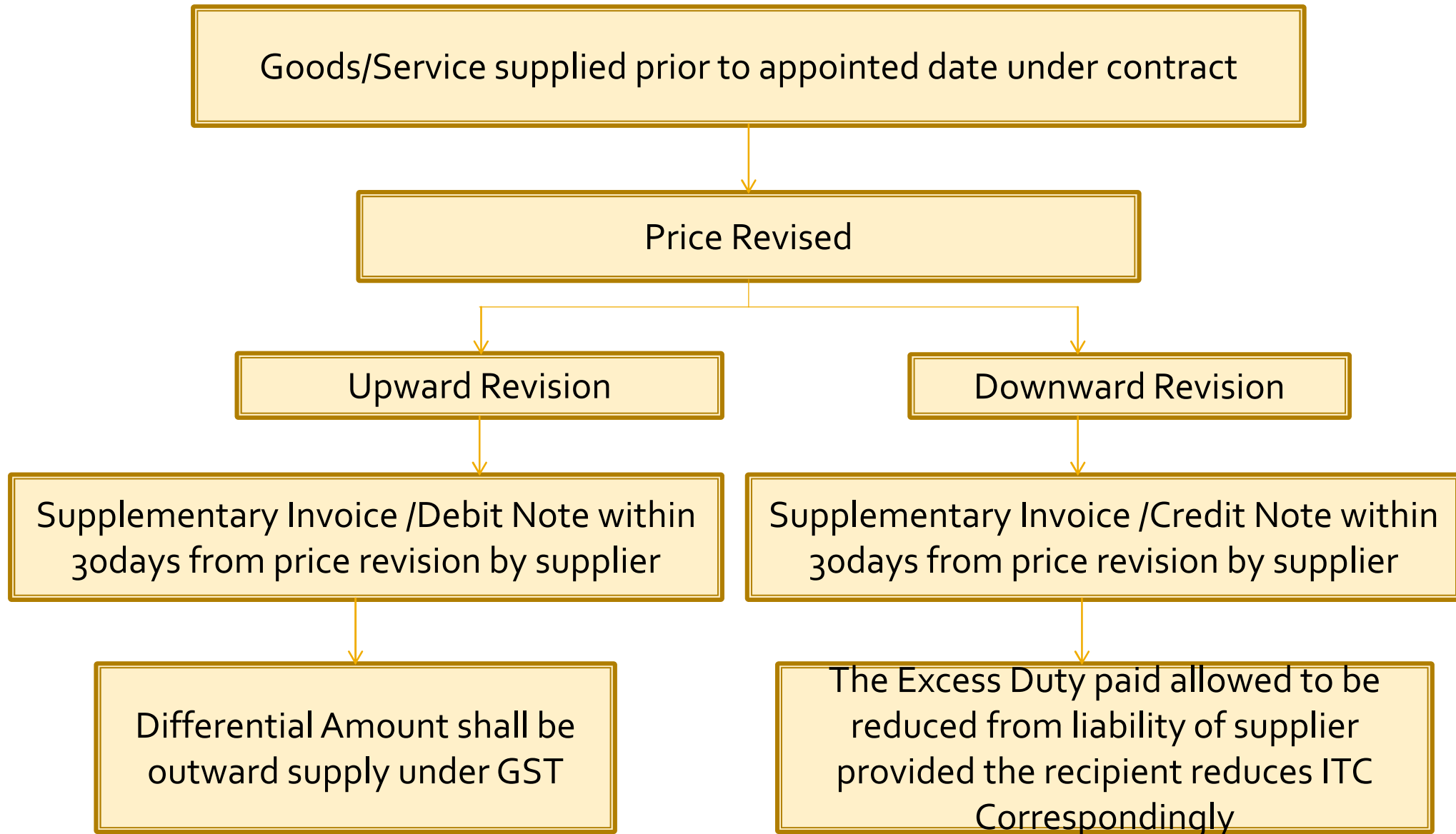


# Transitional provisions... Section 174



- Similar Provision for
  - Semi-Finished Goods Sent on Job work & returned
  - Finished Goods Send for carrying certain process like testing

# Transitional provisions... Section 178



WITH KNOWLEDGE..... WE KNOW THE WORDS,  
BUT WITH EXPERIENCE..... WE KNOW THE MEANING



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