REGISTRATION, COMPOSITION SCHEME, VALUATION, INPUT TAX CREDIT AND RETURNS UNDER GST

By

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Coverage

- Registration under GST
- Composition Scheme under GST
- Valuation under GST
- Input Tax Credit under GST
- Returns under GST
Registration under Goods and Services Tax

- Mandatory Registration
- Registration for persons making inter-state supplies
- Registration in certain specified cases
- Procedure for Registration
- Casual taxable person and Non-Resident taxable person
- Cancellation of Registration
Section 2(85)— “place of business” includes—

(a) a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or

(b) a place where a taxable person maintains his books of account; or

(c) a place where a taxable person is engaged in business through an agent, by whatever name called

Any specialized agency of UNO/MFI & Org/Consulate/Embassy/Class of Persons as may be notified by Commissioner shall obtain Unique Identification Number (UIN).
Every Supplier is liable to register in every state or union territory from where he makes a taxable supply of goods or services or both, if his aggregate turnover in a financial year exceeds Rs. 20 lakhs.

Limit is Rs. 10 lakhs in case of special category states {NE states, J&K, HP, Uttarakhand}

- All taxable supplies
- Non-taxable and Exempt supplies
- Export and Zero-rated supplies
- Includes supplies made on behalf of principal (other than through Job work)

Threshold limit can be availed only when person is engaged in intra-state supplies

- Turnover of current FY is relevant. Voluntary registration can be obtained though turnover is less than Rs. 20 lakhs
- Registration in each state for all place of businesses located in that State shall be obtained
- Persons having multiple business verticals in same State, separate registration can be obtained for each business

Turnover of respective financial year is relevant
Registration in certain specified cases

- Mandatory Migration for existing tax payer— Every person registered or holding license under existing law shall be liable to pay registration under this Act with effect from appointed day.

- Transfer of business including succession, amalgamation, demerger
  - Succession— the successor shall be liable for registration with effect from the date of succession.
  - Amalgamation/Demerger— the amalgamated or demerged company is required to register from date on which ROC

Section 2(7)— “agriculturist” means an individual or a Hindu Undivided Family who undertakes cultivation of land—

(a) by own labour, or

(b) by the labour of family, or

(c) by servants on wages payable in cash or kind or by hired labour under personal supervision or the personal supervision of any member of the family.
Procedure for Registration

- Application for Registration shall be filed within 30 days from the date on which the taxable person is liable for registration.

- Casual taxable person and non-resident taxable person have to apply at least five days in advance prior to commencement of business.

- Deemed registration if authorities concerned did not respond within a prescribed period of time.

- Approval or rejection by State Authorities shall be deemed approval or rejection by Centre Authorities or vice versa.

- A person who has obtained more than one registration within a state or more than one state, shall in respect of each such registration be treated as distinct persons for the purposes of this Act.

- Forced Registration— A person is liable for registration under this Act failed to obtain registration then the proper officer proceed to register such person in such manner as may be prescribed.
Some Practical Case Studies on Registration

- X Ltd is having factories in Shamshabad, Adilabad. It has depots in Hyderabad, Vijayawada, Chennai, Bengaluru. X Ltd is having their corporate office in Hyderabad where books of accounts are maintained. X Ltd has exclusive C&F agents in Mumbai, Ahmedabad. X Ltd is having a sales office in Delhi where orders are booked and the goods are supplied from Ahmedabad. What are the places in which X Ltd is required to register?

- XYZ firm is engaged in providing health and fitness services in Hyderabad. The turnover for FY 2016-17 is Rs. 8 lakhs. It has not registered in Service Tax. It is expecting that for FY 2017-18, the turnover may cross Rs 20 lakhs by December 2017. When is XYZ firm required to register in FY 2017-18. XYZ firm is uncertain about the turnover in FY 2018-19. Can XYZ firm opt not to pay GST in FY 2018-19?
Casual Taxable Person or NR Taxable Person

Section 2(20)— “casual taxable person” means a person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business.

Section 2(77)— “non-resident taxable person” means any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India.

- Additional tax deposit shall be made in the event of application to extend the period.

M/s XYZ Ltd attended a business expo held in Mumbai for 6 days. XYZ Ltd has opened a Stall for display of products.

Health Care Hospitals of Hyderabad wanted to replace some of the old and obsolete medical equipment, furniture with new ones. They wanted to dispose of the said items for Rs. 15 lakhs to a scrap merchant of Hyderabad. Can Health Care Hospitals adopt the option of casual taxable person to pay GST?
Cancellation of Registration

- The proper officer may cancel registration on his own motion or on application by registered taxable person

- Cancellation can be for any of the following reasons—
  - Business discontinued or transferred fully viz. death of proprietor, amalgamation, demerger
  - Change in constitution of business
  - The registered person no longer required to register under section 22 or 24
  - Contravention of such provisions or rules as may be prescribed
  - Returns not filed for a continuous period of six months (In case of tax being paid under composition scheme, returns not filed for three consecutive periods
  - Person taken voluntary registration has not commenced business within six months
  - Registration is obtained by fraud, willful misstatement or suppression of facts

- In cases where registration is cancelled by proper officer on his own motion— Application for revocation can be filed
Composition Scheme under GST
GST Composition Scheme

- GST Composition scheme is not applicable to a service provider other than a Restaurant.

- GST composition scheme is applicable where the aggregate turnover of preceding financial year did not exceed Rs 50 lakhs.

- Tax can be paid at the following rates during the current financial year:
  - 1% in case of manufacturer (2%)
  - 2.5% in case of supplies in restaurant (5)
  - 0.5% in case of other supplies (1)

- This option shall lapse w.e.f the day on which his aggregate turnover during the FY exceeds the limit specified above.

- The taxable person is neither entitled to charge this tax nor to avail input tax credit on supplies received by him.

- All registered persons holding PAN should opt for this scheme.

- Irregular availment of this option attract penalties besides collection of differential tax.
GST Composition Scheme

- Conditions to be satisfied to opt for composition scheme—
  - Taxable person should not be engaged in supply of services
  - Taxable person should not be engaged in making any supply of goods which are not leviable to tax under this Act
  - Should be engaged in making any inter-state outward supply of goods
  - Should not be engaged in making any supply of goods through an e-commerce operator who is required to collect TDS
  - Taxable person should not be a manufacturer of such goods as may be notified

- Other Conditions as prescribed under Composition Scheme Rules—
  - Neither a casual taxable person nor a non-resident taxable person
  - Should not hold stock on appointed day that was procured through inter-state trade or commerce
  - For goods purchased from unregistered supplier, tax should be paid under RCM
Valuation under GST

- General principles of valuation
- Valuation of supplies to related parties and to distinct persons
- Valuation of supplies between principal and agents
- Examples on Valuation
Valuation of Taxable Supply

Persons shall be deemed to be related if—

a) Such persons are officers or directors of one another’s business
b) Such persons are legally recognised partners in business
c) Such persons are employer and employee
d) Any person directly or indirectly owns, controls, or holds 25% or more of outstanding shares or stock
e) One of them directly or indirectly controls the other
f) Both of them are directly or indirectly controlled by a third person
g) Together they directly or indirectly control a third person
h) They are members of same family

Further clarified that—

a) Persons includes legal persons
b) persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related
**Valuation of Taxable Supply**

“open market value” of a supply of goods or services or both means **the full value in money, excluding the integrated tax, central tax, State tax, Union territory tax and the cess payable by a person in a transaction**, where the supplier and the recipient of the supply are not related and price is the sole consideration, to **obtain such supply at the same time when the supply being valued is made**.

If open market value is not ascertainable then value of supply shall be the total of consideration in money and money equivalent of non-monetary consideration.

“supply of goods or services or both of like kind and quality” means **any other supply of goods or services or both made under similar circumstances** that, in respect of the characteristics, quality, quantity, functional components, materials, and **reputation of the goods or services or both first mentioned, is the same as, or closely or substantially resembles, that supply of goods or services or both.**

1. Where a new phone is supplied for Rs. 20000 along with the exchange of an old phone and if the price of the new phone without exchange is Rs. 24000, the open market value of the new phone is Rs 24000.

(2) Where a laptop is supplied for Rs. 40000 along with a barter of printer that is manufactured by the recipient and the value of the printer known at the time of supply is Rs. 4000 but the open market value of the laptop is not known, the value of the supply of laptop is Rs. 44000.
Valuation of Supply between Related Persons or Distinct Persons under Section 25

Where recipient is eligible for full ITC, the value declared shall be deemed to be open market value of goods.

Govt. can notify class of service providers where the value of services between distinct persons be treated as Nil.

Supply of services and supply of goods which are otherwise for supply as such by recipient:

- Open market value of such supply
- Otherwise the value of goods of like kind or quality
- 110% of cost of production, cost of procurement or cost of provision of service as the case may be
- Value shall be determined using reasonable means consistent with the general principles of valuation

Option

Supply of goods which are for supply as such by recipient:

- 90% of price charged by recipient of supply when selling goods of like kind or quality to unrelated person

Government can notify class of service providers where the value of services between distinct persons be treated as Nil.
Valuation of Taxable Supply between Principal and Agent

- 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

- 110% of Cost of Production or manufacture, cost of acquisition of such goods or cost of provision of services

- Reasonable means consistent with section 15 and Valuation Rules

Where a principal supplies groundnut to his agent and the agent is supplying groundnuts of like kind and quality in subsequent supplies at a price of Rs.5000 per quintal on the day of supply. Another independent supplier is supplying groundnuts of like kind and quality to the said agent at the price of Rs.4550 per quintal. The value of the supply made by the principal shall be Rs.4550 per quintal or where he exercises the option the value shall be 90% of the Rs.5000 i.e. is Rs.4500 per quintal
X Ltd owns 40% of shares in Y Ltd. Y Ltd is engaged in manufacture of industrial equipment and it has supplied to X Ltd an industrial equipment at Rs. 2,00,000/- on 20.07.2017. It is noticed that on 17.07.2017 and 18.07.2017, identical equipment was sold to unrelated party for Rs. 2,70,000/- and 2,50,000/- respectively. What is the value that Y Ltd is required to adopt in order to charge GST on supply to X Ltd?

Assume that the industrial equipment manufactured for X Ltd is a unique one which is customized to the needs of X Ltd. Y Ltd supplies to unrelated person a similar equipment which has similar functionality at a price of Rs. 2,20,000/- What is the value that Y Ltd is required to adopt in order to charge GST on supply to X Ltd?

Assume that the industrial equipment manufactured for X Ltd is a unique one and Y Ltd does not even manufacture any equipment of like kind and quality. Y Ltd arrived at the cost of production of said equipment as Rs. 2,00,000/-. What is the value that Y Ltd is required to adopt in order to charge GST on supply to X Ltd?
CERTAIN EXAMPLES ON VALUATION

XYZ Manufacturing Ltd of Hyderabad is engaged in manufacture of cement. It has transferred a stock of 300 bags (50Kg each) to its stock point in Vijayawada. The price at which stock point is supplying cement to dealers/institutional consumers is Rs 300 per bag. What is the value XYZ Ltd is required to adopt for the purpose of arriving at GST?

XYZ Ltd of Mumbai is importing goods from outside India. It has a C&F agent located in Hyderabad to distribute the goods to various dealers across south India. XYZ Ltd is supplying the said goods (assume same quantity) to unrelated dealers in Maharashtra for Rs. 5,00,000. The cost of procurement of said goods is Rs. 4,00,000/-. The C&F agent is distributing the goods to dealers in south India at Rs. 5,20,000.

XYZ Ltd at their option can adopt a value of Rs. 5,00,000 (open market value) and Rs. 4,68,000 (90% of recipient price)
Certain Examples on Valuation

- XYZ Equipment Leasing Ltd, XYZ Homes Ltd and XYZ Infra Ltd are related parties. XYZ Equipment Leasing Ltd is leasing out Hydraulic Excavator, tractors, trucks, tippers exclusively to their group companies. During July, 2017, XYZ Equipment leasing Ltd leased a excavator to XYZ Homes Ltd at Rs 10,000 per day for 25 days. XYZ Homes Ltd normally can procure such excavator on lease at Rs. 12,000 per day. XYZ Equipment Leasing Ltd owns a sophisticated road construction equipment which was leased to XYZ Infra Ltd for a period of 25 days at Rs. 30,000 per day. There is no price reference available for lease of equipment of like kind and quality. What is the value that XYZ Equipment Leasing Ltd adopt for leasing of excavator and road construction equipment?
Input Tax Credit under GST

- Salient Features of ITC
- Apportionment and Utilisation of ITC
- Items on which ITC is not available
- Mandatory Requirement of Registration for Credit Availment
Salient Features of ITC

- Input Tax Credit is available over tax charged on all supplies which are used or intended to be used in the course or furtherance of his business. However credit is not available on those which are expressly blocked.

- Under GST Regime, credits are monitored electronically.

- Full ITC can be claimed on Capital Goods in the year of procurement

- Conditions for availment of credit
  - Recipient is in possession of tax invoice, debit note or any other tax paying document as prescribed
  - Recipient has received the goods or services
  - The tax charged in respect of supply should have been acknowledged and paid to Government by the corresponding supplier.
  - The recipient has furnished return under section 39

- ITC relating to inward invoices of a FY can be claimed after due date for furnishing return for September following the end of FY or furnishing of annual return w.e. earlier.
Apportionment & Utilisation of Input Tax Credit

- Where goods or services are used partly for business purposes and partly for other purposes, the amount of credit shall be restricted to such amount of ITC as is attributable to business.

- Where goods or services are used partly for taxable supplies and partly for non-taxable supplies, the amount of credit shall be restricted to such amount of ITC as is attributable to taxable supplies.

- ITC can be used in the following manner:
  - CGST credit can be used in payment of CGST and IGST in that order.
  - SGST/UTGST credit can be used in payment of SGST and IGST in that order.
  - IGST credit can be used in payment of IGST, CGST and SGST in that order.
  - CGST credit cannot be used in payment of SGST/UTGST or vice versa.
ITC not available on certain items

- ITC on motor vehicles and other conveyances except—
  - When used for transportation of goods
  - When used for further supply of such vehicles or conveyances
  - When used for transport of passengers or imparting driving, flying, navigating such vehicles or conveyances

CCR, 2004 restricts credit only on ‘Motor Vehicles’ while GST laws restricts credit on all other conveyances also

- Goods lost, stolen, destroyed, written off or disposed by way of gift or free samples

“plant and machinery” means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes—

(i) land, building or any other civil structures;
(ii) telecommunication towers; and
(iii) pipelines laid outside the factory premises
ITC not available on certain items

- Food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery except when used to supply same category of outward supply
- Membership of health, club and fitness centre
- Rent-a-cab except when used to supply same category of outward supply
- Life insurance and health insurance except
  - where Government notifies the services which are obligatory for employer to provide its employees under any law
  - Where the services are used to supply same category of outward supply
- Travel benefits extended to employees on vacation such as leave or home travel concession
X Ltd of Hyderabad established a depo in Pune on 18.09.2017. As stock of Rs. 10 lakhs is moved from Hyderabad to Pune on various dates prior to 18.09.2017. GST paid on this stock is Rs. 1 lakh. On 20.09.2017, the depot sold goods to a customer in Pune. The depot obtained registration 19.10.2017. Can the depot claim ITC of the said stock? Will your answer be different if the depot obtained registration on or after 20.10.2017?

Section 18(1)(b): a person who takes registration under sub-section (3) of section 25 shall be entitled to take credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration.

Can ITC claimed if registration is obtained after 30 days from the date on which person is liable for registration?
Returns under GST
<table>
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<tr>
<th>S.No</th>
<th>Return</th>
<th>For</th>
<th>To be Filed by</th>
<th>Section</th>
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<tbody>
<tr>
<td>1</td>
<td>GSTR 1</td>
<td>Outward Supplies</td>
<td>10(^{th}) of next month</td>
<td>37</td>
</tr>
<tr>
<td>2</td>
<td>GSTR 2</td>
<td>Inward Supplies</td>
<td>15(^{th}) of next month</td>
<td>38</td>
</tr>
<tr>
<td>3</td>
<td>GSTR 3</td>
<td>Monthly Return</td>
<td>20(^{th}) of next month</td>
<td>39(1)</td>
</tr>
<tr>
<td>4</td>
<td>GSTR 4</td>
<td>Quarterly Return - Composition Levy</td>
<td>Within 18 days from end of such quarter</td>
<td>39(2)</td>
</tr>
<tr>
<td>5</td>
<td>GSTR 5</td>
<td>Non – Resident Foreign Tax Payer</td>
<td>Within 20 days after end of calendar month or 7 days after the last day of period of registration, whichever is earlier</td>
<td>39(5)</td>
</tr>
<tr>
<td>6</td>
<td>GSTR 6</td>
<td>Return for ISD</td>
<td>13(^{th}) of next month</td>
<td>39(4)</td>
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<tr>
<td>7</td>
<td>GSTR 7</td>
<td>Return for TDS – Sec 51</td>
<td>10(^{th}) of next month</td>
<td>39(3)</td>
</tr>
<tr>
<td>8</td>
<td>GSTR 8</td>
<td>E-Commerce Operator – Sec 52</td>
<td>10(^{th}) of next month</td>
<td>52(4)</td>
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<tr>
<td>9</td>
<td>GSTR 9</td>
<td>Annual Return</td>
<td>31(^{st}) Dec following the end of Financial Year</td>
<td>44(1)</td>
</tr>
</tbody>
</table>
Thank you!!!

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