

Impact of GST on Day to Day Operation
How GST will Change the Ease of Doing the Business



India Tourism Development Corporation Ltd.



Photo credit: www.theshahgroup.com

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GST: A Snapshot (1/2)



Excise Duty

Applicable on Manufacturing



VAT

Applicable on Trading



Service tax

Applicable on Rendering Services

Merged in to

Supply



GST: A Snapshot (2/2)

GST snapshot

- **Destination Based Tax**
- **Tax on “Supply”**
- **Local Supply**
 - CGST *plus* SGST (*rates may vary*)
- **Interstate Supply**
 - IGST (*single rate*)
- **Imports**
 - Basic customs duty (*unchanged*)
 - IGST (*single rate*)

Taxes to be Subsumed

- **Central**
 - Central Excise
 - Countervailing duty
 - Central Sales Tax
 - Service Tax
 - Surcharge & Cess
- **State**
 - VAT / Works contract
 - Entertainment tax
 - Entry Tax/Octroi /LBT
 - Luxury Tax



What is GST ?

GST is **destination based tax** levied at all points of **Supply** with credit allowed for any tax paid on input procured for use in making the supply. It would apply to both goods and services.

GST has three components which includes

CGST

SGST

IGST
CGST + IGST

X Ltd.
Lajpat
Nagar
Delhi

Y Ltd.
GK
Delhi

X Ltd.
Lajpat
Nagar
Delhi

Y Ltd.
Varanasi
UP

Location of Supply and place
of Supply within same state
“**Intra state**”

Location of Supplier and place
of Supply not in same state
“**Inter state**”

CGST – 9%
SGST –9%
Total = 18%

IGST – 18%

What is not considered under GST ?

Alcohol and electricity are out of the purview of GST net.

The hotel industry consumes a lot of electricity as a prime consumable. Thus, the hotel industry would not be able to avail the input credit on the electricity consumed which will have a negative impact on this sector.

Liquor has been kept outside the purview of GST. Therefore, the taxes currently imposed on alcohol are going to continue .

Place of supply of services where location of supplier and recipient is in India.

Section 12(1) The provisions of this section shall apply to determine the place of supply of services where the location of supplier of services and the location of the recipient of services is in India.

Section 12(2) The place of supply of services, except the services specified in sub-sections (3) to (14),—

(a) made to a **registered person** shall be the location of such person;

(b) made to any person other than a registered person shall be,—

(i) the **location of the recipient** where the address on record exists; and

(ii) the **location of the supplier** of services in other cases.

(3) The place of supply of services,—

(a) directly in relation to an **immovable property**, including services provided by architects, interior decorators, surveyors, engineers and other related experts or estate agents, any service provided by way of grant of rights to use immovable property or for carrying out or co-ordination of construction work; or

(b) by way of **lodging accommodation by a hotel**, inn, guest house, home stay, club or campsite, by whatever name called, and including a house boat or any other vessel; or

(c) by way of accommodation in any immovable property **for organising any marriage** or reception or matters related thereto, official, social, cultural, religious or business function including services provided in relation to such function at such

property; or

(d) any services ancillary to the services referred to in clauses (a), (b) and (c),

shall be the location at which the immovable property or boat or vessel, as the case may be, is located or intended to be located:

How to Determine Place of Supply of Services at Immovable Property

Scenario1 : Services provided directly in relation to an immovable property



Ashoka Hotel of “Delhi” has used the services of Mr X from ‘Mumbai’ for Interior decoration

Location of supplier: Mumbai

Place of supply: Place of supply will be the location of the hotel, i.e Delhi



This is an intrastate supply and the taxes applicable are CGST and SGST

Scenario 2. Lodging in an immovable property which include hotel, inn, guest house, homestay etc



Ashoka Hotel of “Delhi” has provided the Lodging facility to Mr X from ‘Mumbai’

Location of supplier: Delhi

Location of supplier: Mumbai where immovable property exist

This is an intrastate supply and the taxes applicable are CGST and SGST

How to Determine Place of Supply of Services at Immovable Property

Scenario3 : Accommodation in an immovable property for organizing a function



Mr X of Mumbai has booked Hotel Ashoka Delhi for conference hall for official, social, cultural, religious or business function.

Location of supplier: Delhi

Place of supply: Place of supply will be the location of the hotel, i.e Delhi

This is an intrastate supply and the taxes applicable are CGST and SGST

Scenario 4. Any services supplementary to the services mentioned above



Mr X of Mumbai along with Conference hall asked for the food facility for guest

Location of supplier: Delhi

Location of supplier: Mumbai where immovable property exist

This is an intrastate supply and the taxes applicable are CGST and SGST

GST Rates

Renting of hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes having room tariff Rs.1000 and above but less than Rs.2500 per room per day

12% with ITC

Renting of hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes where room tariff of Rs 2500/ and above but less than Rs 5000/- per room per day

18% with ITC

Accommodation in hotels including 5 star and above rated hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, where room rent is Rs 5000/- and above per night per room

28% with ITC

GST Rates

Supply of Food/drinks in restaurant not having facility of air-conditioning or central heating at any time during the year and not having licence to serve liquor	12% with ITC
Supply of Food/drinks in restaurant having licence to serve liquor	18% with ITC
Supply of Food/drinks in air-conditioned restaurant in 5-star or above rated Hotel	28% with ITC
Supply of Food/drinks in restaurant having facility of air-conditioning or central heating at any time during the year	18% with ITC
Bundled service by way of supply of food or any other article of human consumption or any drink, in a premises (including hotel, convention center, club, pandal, shamiana or any other place, specially arranged for organizing a function) together with renting of such premises	18% with ITC

GST – Not only Tax Change but complete Business Transformation

Information Technology

- System Changes
- Auditability
- Compliance
- Automation

Tax Accounting

- Procure to pay
- Tax payments
- Order to cash
- Tax accounting
- Tax credits

Supply Chain

- Sourcing strategy
- Distribution strategy
- Make v/s Buy
- Supply / Inventory management

Sales/ Purchase

- Costing / Pricing
- Forecasting
- Contract arrangement

Business Analytics

- Business structure changes
- Incentive regime
- Working capital / cash flow

Compliance

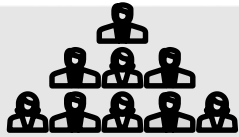
- GST registrations
- Tax credit transitions
- Return reporting

Change Management

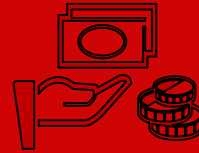
- GST awareness training
- GST communication
- Organization structure

GST

Key Business Impact Areas



**Customer /
Vendor Master**



Pricing



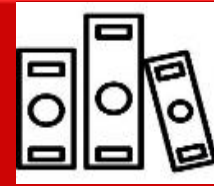
**Inventory
Management**



Profit & Loss



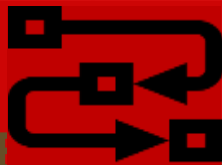
Cash Flows



Accounting



**Contract
Management**



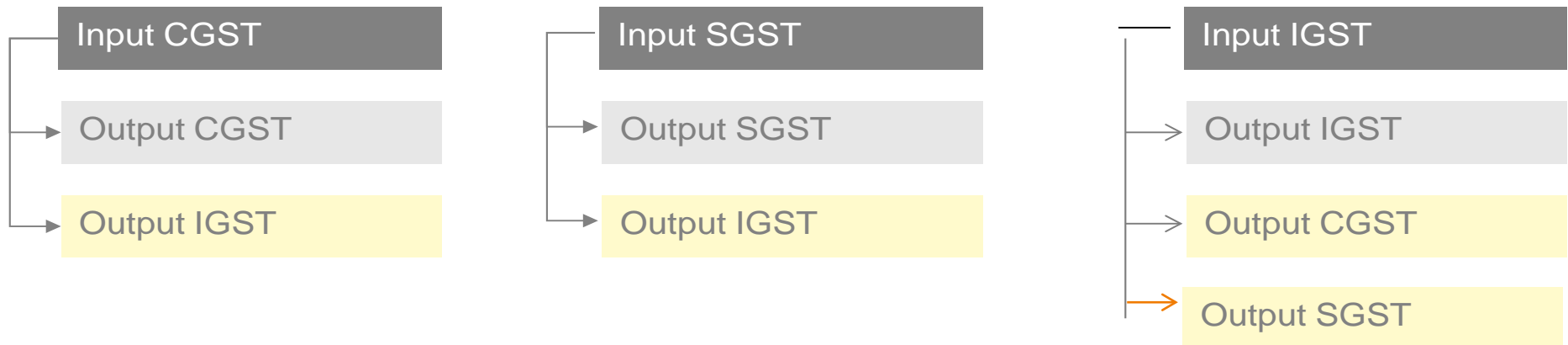
Process



IT Systems

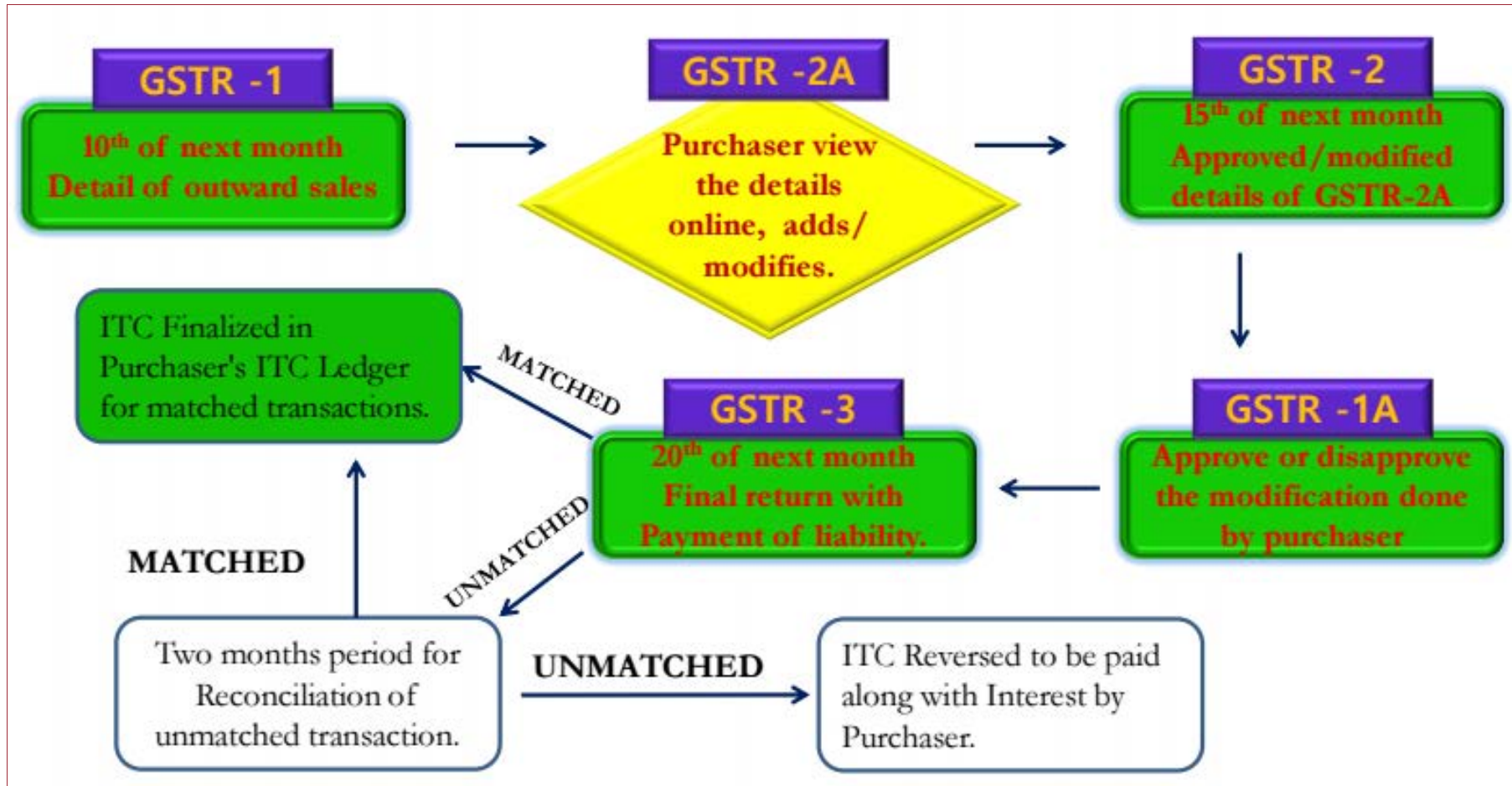
GST credit mechanism

➤ GST credit mechanism as per GST Model law



- CGST not creditable against SGST and SGST not creditable against CGST
- Input SGST of one State not available against output SGST of another State
- No clarity on whether IGST and CGST credit of one State would be allowed against output IGST and CGST of another State
- Input GST in respect of services received allowed to be distributed to other States under the 'Input Service Distributor' mechanism

Filing of Return under GST



Matching Concept Under GST

Purchases of Service by “ITDC” from X LTD for rendering the Taxable Service

X LTD

ITDC LTD

Sr No	Party Name	SAC Code	Invoice no	Date	Description of Services	GST NO of Customer	Taxable Amount	SGST 9%	CGST 9%	Total tax
1	Matix	123	2332	31 May 2017	Professional Fes	99xxxxx	10000	900	900	11,800

Lets Suppose X LTD has not reported this sales

GSTR 1

X LTD Reported Nil Sales



GSTR 2

ITDC

Reported Purchase of
Rs 11,800

This lead to Mismatch and cannot take the Credit of Rs 1800

Matrix has to work with Vendor who is having good credit rating

Registered V/s Unregistered Vendor

Under the current regime, there is no difference from the taxation point of view if Matrix procures inward supplies from registered dealer or unregistered dealer.

Areas of Concern	Purchase from Un-registered Vendor	Purchase from Registered Vendor
Reverse Charge	✓ <input type="checkbox"/>	X
Documentation	<ul style="list-style-type: none"> - Matrix has to discharge the GST on Invoicing - Need to Prepare Payment Invoice <p>More documentation</p>	<p>No impact</p> <p>Less documentation</p>
GST Credit	There is additional Blockage of more than 1 Month	GST Credit is allowed in the same month
Blockage of Capital	✓ <input type="checkbox"/>	X
Impact of Vendor Rating	None	Going to Play Vital Role
Beneficial to the Company	No	Yes – 1 st Preference
Cost Effective	Less	More

Vendor Contract



- Negotiation with vendors to pass on the benefit of free flow of credits on their procurements.
- Vendor under composition scheme will not charge GST and hence Matrix should suggest vendors to opt for composition scheme
- Compliance rating of vendor may be put in place to check whether vendor properly record the sales transaction.
- Contract to include a specific clause regarding reporting of correct sales in their outward return. Adequate indemnities to be obtained in case of any default by vendors.
- Adequate clauses to be inserted to ensure that the invoice is raised within the time period prescribed in law for provision of services/ supply of goods.
- GST law prescribes a specific time for claiming credit (i.e. earlier of September 30 of following year or filing of annual return, whichever is earlier). Thus, adequate clauses should be added in contract/ PO, wherein the vendor should ensure delivery of invoice to Matrix within a specified time of raising of invoice
- Tax clause would need to be changed to specify levy of IGST or CGST and SGST instead of VAT/ CST or service tax
- Details of vendor (name, address, GSTN/ unregistered vendor, reverse charge applicability, composition scheme)

The above points are not applicable for vendors providing services by way of giving on hire to GTA, a means of transportation of goods

What we need to do ?

1. Start Calling and Mailing

Customers



Vendors

2. Need to start think on Inventory outstanding for more than 12 Month



What we need to do ?

3. Changes in the IT Environment

Vendor Master

Customer Master

Procurement



Reporting to
GSTN

Inventory Module

Item Master
HSN / SAC code

4. We need to educate our partners / clients/ vendors / job workers



IT impact in Procurement

Vendor Master Data Management (1/2)

Particulars to be captured in Vendor Master, their source and type of data entry		
S.no.	Data Point	Source
1	Vendor ID	Auto Generated by IT System
2	Name of the Vendor and PAN of the Vendor	Through copy of PAN. In case of Individual , Name of PAN and Name of the Vendor vary
3	Business Constitution*	As informed by Vendor through supporting documents
4	“Registered” and “unregistered” in the context of GST registration**	As per the Copy of the Certificate
5	In case of registered vendors, categorization to be done for “composition scheme** vendors” ***	As per the Copy of the Certificate
6	“Registered” and “unregistered” in the context of GST registration**	As informed by Vendor through GST Registration Certificate
7	In case of registered vendors, categorization to be done for “composition scheme** vendors” ***	As informed by Vendor through supporting documents
8	“Domestic” and “foreign”**** vendors	As informed by Vendor through supporting documents
9	TDS Applicability	As applicable*****

* (i) Proprietorship / (ii) Partnership / (iii) Hindu Undivided Family / (iv) Private Limited Company / (v) Public Limited Company (vi) Society/Club/Trust/Association of Persons / (vii) Government Department / (viii) Public Sector Undertaking /(ix) Unlimited Company / (x) Limited Liability Partnership /(xi) Local Authority / (xii) Statutory Body /(xiii) Foreign Limited Liability Partnership / (xiv) Foreign Company Registered (in India)

** In case procurements (whether goods or services) are made from unregistered vendors, Matrix would be required to pay tax under reverse charge

*** In case of purchases from dealers under composition scheme, no tax would be charged on the invoice by the vendor.

**** In case the Company has been importing services from outside entities, accordingly nature of vendor ie., Foreign should be specified in the vendor master. In respect of such import of services, IGST would be payable under reverse charge.

***** Cases where tax is required to be deducted at source are yet to be notified by the government.

IT impact in Procurement Vendor Master Data Management (2/2)

Particulars to be captured in Vendor Master, their source and type of data entry		
S.no.	Data Point	Source
10	Nature of the vendor Factory / Manufacturing / Wholesale Business /Retail Business /Warehouse/Depot / Bonded Warehouse / Supplier of services / Office/Sale Office / Leasing Business / Recipient of goods or services / EOU/ STP/ EHTP / Works Contract / Export / Import	As informed by Vendor through GST Registration Certificate
11	“Bill from” address of the vendor and State Code	As informed by Vendor
12	State wise GSTIN of Vendor (of ‘Bill from’ location)	As informed by Vendor
13	“Ship from” address of the vendor and State Code	As informed by Vendor through supporting documents- In case of ‘ship from’ is different then ‘Bill from’ will prevail to determine the applicability of IGST/CGST+SGST
14	State code of Vendor	As informed by Vendor through supporting documents
15	GST compliance Rating of vendor*	As informed by Vendor through GST Registration Certificate
16	Name and designation of authorized signatory	As informed by Vendor through supporting documents
17	Copy of the GST Certificate	As informed by Vendor through GST Registration Certificate
18	Contact person for communicating any kind of mismatch in inputs-outputs. Please provide the name, designation, email id and contact no. of the relevant person.	As informed by Vendor

* GST Compliance rating of the vendor to be regularly updated and history of the vendors' compliance ratings be maintained, and optionally a functionality to generate alerts in case rating falls below a specified value may be added.

** Under GST regime, each of the different addresses of the vendor should be mapped in IT system along with the respective GSTIN of the vendor in that State. For this purpose, a separate Vendor code should be created for each State. Alternatively a single Vendor code may be created and all the addresses and GSTIN relating to different States may be mapped in this Vendor Code itself.

Customer Master and Invoicing

Particulars to be captured in Customer Master, their source and type of data entry		
S.no	Data Point	Source
1	“Registered” and “unregistered” in the context of GST registration	As per Contract / Information from customer
2	Customer ID*	Generated by IT System
3	Name of the Customer	As per Contract / Information from customer
4	“Bill to” address of the customer and State Code	As per Contract / Information from customer
5	“Ship to” address of the customer and State Code *	As per Contract / Information from customer
6	GSTIN of the customer in each State of Registration	As per Contract / Information from customer
7	ID for Business Location* (Bill from Location)	Company Information
8	Name of Business Location	Company Information
9	Address and State Code of Business Location	Company Information
10	GSTIN of the Business Location	Company Information

IT impact in Sales Customer Invoice (1/4)

Particulars to be captured in Customer invoice		
S.no.	Data Point	Source
General Details		
1	Name, address and GSTIN of the supplier	Branch Master
2	Invoice Number and Date*	Generated by IT System
3	Customer Contract No.	Service Contract
4	Customer Contract / PO date	Service Contract
Customer's Particulars		
5	Customer Name****	Service Contract/Sales Order/ Customer Quotation
6	Customer "Bill to" address and State Code**	Customer Master
7	Customer "Ship to" address and State Code**	Customer Master
8	GSTIN of the Customer's "Bill to" address***	Customer Master

*Invoice number to be consecutive and alphanumeric only (no special characters including space). Invoice series should be separate for each State. Further, Invoice serial numbers should be unique to each financial year.

**The Address book specifically mentions the invoicing address for particular customers. This invoicing address (together with the respective GSTIN) should be auto-fetched by the system while generating the invoice.

IT system to have the flexibility to change the "bill to" location at any time as per customer demand in case the location is different from that captured in the customer database (address book).

**** In case of unregistered recipient, name and address of the recipient and the address of delivery, along with the name of state and its code is required where the value of taxable supply is fifty thousand rupees or more

IT impact in Sales Customer Invoice (2/4)

Particulars to be captured in Customer invoice		
S.no.	Data Point	Source
Particulars		
9	Name & Address with State Code - "Bill from" location	Company Location Master
10	Name & Address with State Code - "Ship from" location*	Company Location Master
Goods / Service Details		
11	HSN code of goods	Service Contract/Sales Order/ Customer Quotation
12	Service Accounting code of services	Service Contract/Sales Order/ Customer Quotation
13	Description of goods / service	Service Contract/Sales Order/ Customer Quotation
14	Quantity of goods	Service Contract/Sales Order/ Customer Quotation
Taxation Details		
15	Taxable Value of goods/ services taking into account discount / abatement	Service Contract/Sales Order/ Customer Quotation
20	Total Value of supply of goods/ service	Service Contract/Sales Order/ Customer Quotation
21	Nature of tax (CGST, SGST, IGST)	Service Contract/Sales Order/ Customer Quotation
22	Rate of tax to be levied	Service Contract/Sales Order/ Customer Quotation

IT impact in Sales Customer Invoice (3/4)

Particulars to be captured in Customer invoice		
S.no.	Data Point	Source
Others		
23	Amount of tax	Service Contract/Sales Order/ Customer Quotation
24	whether the tax is payable on reverse charge basis	Service Contract/Sales Order/ Customer Quotation
25	Place of supply along with the name of State, in case of a supply in the course of inter-State trade or commerce;*	Service Contract/Sales Order/ Customer Quotation
Details as per Rule 9 (3) of the Tax Invoice , credit and debit rules, 2017 (Details to be captured on Invoice)		
28	Gross weight of the consignment	Consignment Note
29	Name of the consignor and the consignee	Consignment Note
30	Registration number of the goods carriage	Consignment Note
31	Details of Goods Transported	Consignment Note
32	Details of Place of origin and destination	Consignment Note
33	GSTIN of the person liable for paying Tax	Service Contract/Sales Order/ Customer Quotation

IT impact in Sales Customer Invoice (4/4)

Additional IT Considerations required in the process of invoice generation for customers

S.no.	IT consideration	Source
34	"Original for Recipient"	Supported by IT System
35	"Duplicate for Transporter"	Supported by IT System
36	"Triplicate for Supplier"	Supported by IT System
37	In case the invoice is not issued within 30 days from the completion of service or an event specified in contract, the system should have the capability to flag such cases. The same shall be brought to the knowledge of concerned team responsible for issuing invoice. In case of to be billed consignor/consignee, invoice should be issued within 30 days from the date of proof of delivery	
38	In GST regime, invoicing would also be done for self-supplies and ISD. Hence, the invoice preparation screen should capture the bifurcation as – External Client, Self-Supply and ISD. The invoice series for Self-Supplies and ISD should preferably be kept separate from the invoice series relating to supplies made to external customers	

GST Invoice format - Draft

Company Name

Address:

#123, 1st Main Road,
Vijayangar, Bangalore - 560104
State Code: KA
GSTIN: ABCDEF0424F021523

Invoice N. 1

Invoice Date: 10/07/2017

Banking Details:

Bank: ICICI Bank Ltd
A/c #: 123456789
IFSC: ICIC000001

Billing Address

Customer Name

Address:

#321, 21st Main Road,
Rajajinagar, Bangalore - 560040
GSTIN
State Code: KA

Shipping Address

Customer Name

(Knowyourgst.com/invoicing)

Address:

#321, 21st Main Road,
Rajajinagar, Bangalore - 560040
State Code: KA

Products supplied

S. NO.	PRODUCT	HSN/SAC	QTY	UOM	RATE	TOTAL	DISCO UNT	GROSS	CGST		SGST		IGST	
									Rate	Amount	Rate	Amount	Rate	Amount

Totals

- - - - -

Invoice Terms:

- 1.
- 2.
- 3.
- 4.

Gross Value	
Tax	
Invoice Value	

For, Company name

Authorised signatory

A close-up photograph of two people in business attire shaking hands. The person on the left is wearing a blue suit jacket, and the person on the right is wearing a grey suit jacket. The background is a blurred office setting with a white wall and a window. The text "Thank You" is overlaid in the center of the image.

Thank You