



July - 2017

E-Newsletter

Alleppey Branch
of SIRC of The Institute of Chartered Accountants of India

Vol. 01

Issue No.01

E-Newsletter



Installation Ceremony Of Managing Committee For The Year 2017 - 18.
CA Vasudevan Potti N, Installed as the Chairman of the branch

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YEARS OF

Partner in Nation Building

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July 01

CA Day

Respected Members,

Warm Greetings to you all on Chartered Accountants Day 2017.

“The best way to get things done is simply begin”

We, the Managing Committee of the Alleppey Branch of SIRC of ICAI takes pleasure in releasing the quarterly e newsletter at the welcome hour of the much-awaited GST.

Our branch has organized series of seminars on GST for members and students and I am sure all of us are benefitted out of that. We have also organized CPE seminars on various topics in the past months and we are thankful for all members for your valuable participation.

We have hosted Three Days Residential Refresher Course organized by the CPE Committee of ICAI at Marari Beach Resorts, Marari from June 16th-18th with a participation of 90 members and 34 family members. We are very much grateful to all our members for your valuable contribution in making the program a grand success especially CA.Indhu S.N ,Secretary of the branch and CA. Abbas Mukundan, SICASA Chairman .We take much pleasure in stating that the program resulted in surplus without availing the grant from the concerned committee.

The PT batch of ISA is about to commence from July 15th, 2017. Request all members to register for the same. Friends, we are planning to organize various programs for the benefit of members and students. As the famous saying goes, “Growth is never by mere chance it is the result of forces working together” We request your valuable participation and suggestions for the successful conduct of the branch activities.

Regards,

CA.Vasudevan Potti.N

Chairman

Alleppey Branch of SIRC of ICAI

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CA. Soman N L, M.Com; FCA.

INPUT TAX CREDIT (ITC) UNDER GST A BOON FOR THE INDIAN MANUFACTURING INDUSTRY.

The Prime Minister of India ended his GST roll out speech by saying, "GST stands for 'Good and Simple Tax'. GST will not only ease the process of doing business but will also improve the way of doing business. GST will play an important role in achieving the goal of New India."

For the last two decades, the manufacturing sector in India was not contributing to the GDP the way it should, considering the favourable demographic and geographic position the country is having.

Under the focused efforts of government and by the implementation of GST, the country is about to experience a paradigm shift from an agrarian economy to manufacture and service based economy.

At this juncture, let us have an introspection in to the provisions of GST law as is made public at present with specific attention to manufacturing industry.

IMPACT ON MANUFACTURING SECTOR

(1) Cost of Production

Reducing cost of production was a challenge for every business without compromise on the 'value for money' to the customer.

One of the objectives of GST is to eliminate the cascading effect (tax on tax situation) of taxes in the value of goods. Reduction in tax cascading will lead to a lower cost of production scenario.

For example, A manufacturer of toys buys raw materials or inputs worth Rs.100, including a tax component of Rs.10. The manufacturer adds a value of Rs. 30 to the materials. Now, the gross value of his goods will be Rs.130. At a tax rate of 10%, the tax on the output will be then Rs.13. Under GST, he can set off the tax paid on the inputs against the tax payable. Therefore, the effective GST incidence on the manufacturer will be only Rs (13-10= Rs.3).

The set off of excise duty was not available to the Traders in the subsequent supply chain. However, the GST regime is for a 'seamless credit' at all levels of supply. How does this happen and what are the provisions in the GST law towards meeting this objective?

(2) CONCEPTS

What is meant by Input Tax ?

Input tax means a basket of CGST, SGST & IGST under the respective Acts, charged on supply of goods and / or services, used or intended to be used, in the course of business or in the furtherance of business;

(3) Supply

A new concept has been defined in GST as 'Supply' instead of the charging events in existing law. Excise duty was levied upon manufacture, Sales Tax and VAT were collected upon trading activities and Service tax was levied upon provision of service. These events are now changed to Supply of Goods and Services and levy hereafter will be based on the place of supply of goods and or services.

The Act defines this term in an inclusive manner and covers all forms of supply such as sale, transfer, barter, exchange, license, rental, lease or disposal.

(4) WHO IS ELIGIBLE FOR ITC?

The following persons are eligible to take ITC.

(1) Every registered person, as per Section 16(1)

(2) A person who has applied for registration u/s. 22(1), within 30 days of becoming liable for registration, on the specified items.

Example

A person becomes liable to pay tax on 1st August, 2017. He has applied for registration on 10th August, 2017. He obtained registration on 15th August, 2017. He is entitled to take ITC on inputs, inputs contained in semi-finished and finished goods held in stock as on 31st July, 2017.

(3) A person who has taken voluntary registration u/s 25(3) – entitled to ITC in respect of inputs (including on semi-finished and finished goods) held in stock on the day immediately preceding the date of registration. (4) A person switching over from composition scheme u/s 10 - entitled to ITC in respect of inputs (including on semi-finished and finished goods) and Capital goods held in stock on the day immediately preceding the date from which he becomes liable to pay tax as normal taxpayer.

(5) Where an exempt supply of goods or service becomes taxable supply-entitled to ITC in respect of inputs (including on semi-finished and finished goods) and Capital goods held in stock on the day immediately preceding the date from which such supply becomes taxable.

However, the credit on capital goods in the above special cases shall be reduced by 5% points per quarter as prescribed in this behalf under proviso to ITC Rule 8 (1c).

(5) FEATURES OF ITC PROVISIONS:

(1) Full ITC will be allowed on capital goods in one go.

(2) Vide Section 17, ITC in respect of pipelines within the premises, plant and machinery fixed to earth by foundation or structural support including foundation and structural support thereto is also allowed.

However, as per Proviso 2 to Section 16(2), No ITC will be eligible, if value and tax, on the goods/ services received, is not paid within 180 days from the date of Invoice.

(6) Are there any conditions to be fulfilled for obtaining ITC?

Yes, Section 16(2) specifies certain conditions to be fulfilled for availing ITC on goods and / or services used for making taxable supplies by a taxable person. These are.

- (a) He should be in possession of taxpaying document or debit note
- (b) He has received the goods and / or services
- (c) Tax charged on such supply has been actually paid to the government; and
- (d) He has furnished the return u/s. 39.

Condition Numbers (c) and (d) are new and typical in character. It means: Purchasing dealer shall not be entitled to the credit of the input tax paid by him unless the tax paid by him has been deposited by the supplying dealer to the credit of the appropriate Government. And

A valid return after payment of the monthly dues has to be filed for availing the credit pertaining to the tax period.

However, there is a saving grace in Sec. 41.....that every registered person shall be entitled to take credit of eligible input tax, as self assessed, in his return and such amount shall be credited on a provisional basis to his electronic credit ledger.

In spite of the above, this will lead to controversial interpretations.

(7) Who can take ITC?

Normally ITC is admissible only when the goods and / or services have been received by the taxable person. Explanation to section 16(2) provides for deemed receipt of goods by principal. Accordingly, a taxable person would be deemed to have received the goods where the goods are delivered by the supplier to a recipient or any other person on the direction of such taxable person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise.

(8) Time limit for availing ITC

Section 16 (4), says that no ITC / rectification will be permitted beyond the due date of furnishing return for September of the following FY, to which invoice pertains, or date of filing of the Annual return, whichever is earlier . So the latest time limit for taking ITC is 20th October of the next Fin.Year or the date of filing the Annual Return, whichever is earlier. In case of the special circumstances (4 situations) specified under section 18(1), no ITC allowed after the expiry of one year from the date of issue of such invoice - Section 18 (2). Transfer of ITC is permitted in case of change in constitution due to sale, merger, amalgamation etc. with specific provision for transfer of liabilities – Section 18 (3).

(9) ITC on job work

Section 19 deals with taking input tax credit in respect of inputs sent for job work. The principal is allowed to take ITC on inputs or capital goods even if these are sent directly to Job-worker; However, if the inputs are not received back within one year, the same shall be deemed to have been supplied by the principal to the job-worker on the day when the said inputs were sent out; For capital goods this period shall be three years; Above provisions (a) and (b) shall not apply to moulds and dies, jigs and fixtures, or tools sent out to a job-worker. If the inputs or capital goods are sent directly then the period on one/three year shall be counted from the date of receipt by job worker.

(10) Ineligible and Proportionate Input Credits.

Though the concept of seamless credit was offered in the GST scenario, there still exists so many negatives in credit availability as given below:

Ineligible credits

(a) Motor vehicles except when used for making further supplies as Vehicles, transportation of passengers or imparting training on driving or for transportation of goods. Section 17 (5)

(b) Food and beverages, health services, outdoor catering, beauty treatment, etc. except used for providing same outward supply or included as an element in taxable composite or mixed supply. Section 17 (5)

(c) Rent a cab, life insurance and health insurance except under special circumstances.

(d) Works contract services on immovable property except plant & machinery or used for further supply of works contract service.

(e) Goods lost, stolen etc. (f) Tax paid against recovery proceedings and penal actions.

- **Proportionate ITC only is allowed in the following situations**

- (i) where supplies used for business and non- business purposes – Section 17 (1)
- (ii) Where supplies used for taxable (including zero-rated) and exempt supplies - Section 17 (2); (iii) Where value of exempt supplies includes value of RCM supplies, transaction in securities, sale of land, sale of building subject to clause (b) of PARA 5 of schedule II- Section 17(3).

(11) Matching and Recovery of wrongly availed ITC.

- In case of reversal of ITC on capital goods or for allowing after exemption period, the same shall be calculated by reducing 5% per quarter or part thereof (from the date of Invoice under which the same were received)- Rule 8 (1c) and Rule 5(1a)

- Recovery of wrongly availed ITC – Section 73&74
- ITC available, only on provisional basis, as self-assessed in the return- Section 41(1)
- Provisional ITC can be utilized for payment of self-assessed output tax- Section 41(2)
- ITC as self assessed in return shall be credited to Electronic credit ledger – Section 41(1)
- ITC can be used for making payment of output tax only – Section 41(2)
- Manner of utilization of ITC shall be in the following order – section 49(5):
- ITC of IGST can be utilized towards payment of IGST, CGST, SGST and UTGST in that order
- ITC of CGST can be utilized towards payment of CGST and IGST in that order
- ITC of SGST can be utilized towards payment of SGST and IGST in that order
- ITC of UTGST can be utilized towards payment of UTGST and IGST in that order
- ITC to be confirmed only after matching of supplier's and recipient's invoice details– section 42 (1) and (2).
- No cross-utilization of CGST, SGST and UTGST credits i.e. CGST cannot be used for payment of SGST and UTGST and so on.
- Unutilized ITC can be claimed as refund in certain situations – section 54(3)

- in case of exports of goods and / or services except where exported goods are subject to export duty; in case where rate of tax on inputs is higher than rate of tax on output (inverted tax structure);
- No refund if the goods are subjected to export duty or if supplier claims drawback.
- In other cases, unutilized ITC to be carried forward.
- ITC carried forward in the last return furnished under earlier law admissible as ITC in GST regime - Section 140
- ITC in respect of services received under the earlier law can be distributed by ISD as credit under the present law even if the invoices are received on or after the appointed day - section 140(7).

Let us now examine what were the major shortcomings of the existing cenvat credit process and how these are addressed under GST.

(12) CENVAT-Shortcomings:

- Manufacturers and Traders are not eligible for input CST credit.
- Service provider not eligible for input VAT credit.
- Service provider not eligible for credit of SAD paid on imports.
- Traders not eligible for credit of input excise duty and service tax.
- Traders not eligible for credit of CVD paid on imports.

(13) Major differences of ITC under Cenvat Credit Rule and GST.

Particulars	Cenvat Credit regime	GST
Pre-registration period credit.	Cenvat credit of pre-registration period was available	Not available, if failure to take registration within 30 days.
Eligibility to avail Input tax credit when supplier does not discharge his liability.	Cenvat credit was allowed to buyer even when supplier did not discharge the liability.	One of the conditions for availing ITC is that tax is to be paid by supplier.
Matching of Invoice	No such provision under Cenvat Credit Rules	ITC will be allowed to buyer only when the outward return of supplier matches with inward return of buy
Cenvat credit is indefeasible right of assessee	Cenvat credit validly availed cannot be reversed by tax authorities.Hon. Supreme Court observed.	There will be reversal of valid ITC if supplier does not discharge his liability.

Reversal of common credit pertaining to capital goods.	Common cenvat credit in respect of capital goods need not be reversed.	Proportionate reversal of common ITC in respect of capital goods .
Availment of credit in respect of capital goods.	Cenvat credit up to 50% was available in first year and balance in subsequent year.	Full ITC in respect of capital goods can be availed in first year itself.
Refund of accumulated Cenvat credit.	Generally not allowed except for export of goods / services.	Allowed only in cases for exporters and where there is inverted duty structure.
Allowability of input and input services used in course or furtherance of business.	Narrow meaning given to term 'inputs' and 'input services' by deleting the word 'in relation to business' from relevant definitions.	Wider meaning is given to terms 'input' and 'input services' by using the words 'in course or furtherance of business'.
Time period of return of Inputs/capital goods after job work.	Within 180 days and 2 years respectively.	One year and 3 years as the case may be.

How to make a difference lies with the entrepreneur. We will decide a new path for the future of the country.

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Installation Ceremony 2017 - 2018



Goods and Services Tax (GST) Seminar



CPE Seminars



CPE Seminars



CPE Seminars



Students Seminar on Goods and Services Tax (GST)

Photo Gallery



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RRC Marari Beach Resorts Alleppey June 2017



RRC Marari Beach Resorts Alleppey June 2017



RRC Marari Beach Resorts Alleppey June 2017



RRC Marari Beach Resorts Alleppey June 2017



CA Day Celebration 1st July 2017



CA Day Celebration 1st July 2017



**MANAGING COMMITTEE MEMBERS
OF
ALLEPPEY BRANCH OF SIRC OF ICAI
FOR THE YEAR 2017 - 18**

CHAIRMAN	:	CA VASUDEVAN POTTI N
VICE CHAIRMAN	:	CA VENKITACHALAM J
SECRETARY	:	CA INDU S.N
TREASURER	:	CA SUNIL P
SICASA CHAIRMAN	:	CA ABBAS P.M
COMMITTEE MEMBER	:	CA REMESAN B
EX-OFFICE MEMBER	:	CA JOMON K GEORGE



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