

PREPARING FOR GST

1. MIGRATION OF EXISTING REGISTRATION TO GST:

The first and foremost step for transition to GST is migration of the existing registration obtained under VAT/ Excise/ Service Tax to the GST Regime. Separate registration will have to be obtained for different states.

While migration care should be taken that all the details pertaining to the Organization are properly entered in the GST portal. Upon completion of the enrollment/ migration, the person shall be granted provisional registration certificate in **FORM GST REG 25**, incorporating GSTIN No. therein.

Every Assessee who has been granted provisional registration, will have to submit application in form **GST REG 24** within a period of 3 months from the appointed date. If the information and the particulars furnished in the application are found to be correct and complete, a final certificate of registration in **FORM GST REG 06** shall be made available to the registered person electronically on the Common Portal.

If the information and details are not furnished or if they are incorrect then the proper officer will cancel the provisional registration granted as aforesaid and issue an order in **FORM GST REG-26**.

2. UPDATE VENDOR MASTER AND CUSTOMER MASTER:

It is important that Business organizations update their Vendor and Customer Master with the GST Numbers of their Vendors and Customers. The following details should minimally be obtained from every Vendor and Customer and our details needs to be given too –

1. Vendor/ Customer Name:
(As Per GSTN)
2. GST Number (Provisional) & ARN No.
(Please enclose copy of ARN Acknowledgment)
3. State of Registration
4. Principal Place of Business
5. Additional Place of Business (from where goods and services will be delivered or to which the goods and services are to be delivered)

These details should be obtained separately for each State in respect of every Vendor/ Customer.

This exercise will also help in identifying the number of Vendors who are unregistered and whether they will be getting registered or not. If Business is done with an unregistered person, then reverse charge mechanism is applicable, both in case of goods and services and GST is payable by the recipient of the goods/ services, received from an unregistered dealer.

It will also guide in decision making whether or not to continue doing business with an unregistered dealer or to persuade such Vendor to obtain GST Registration.

3. COMPLETE AVAILMENT OF ANY PENDING ITC / CENVAT CREDIT AND CARRYING FORWARD OF CLOSING BALANCE IN THE GST REGIME:

It should be ensured that each and every pending Input Tax credit/ CENVAT Credit (being not more than one year from the date of Invoice) should be availed – Central Excise, Service Tax or VAT.

Service Vendors (specifically those where Service Tax is payable under reverse charge mechanism), should be asked to furnish the Invoices for the month of June 2017 in advance, so that Service Tax can be paid on or before 30th June 2017 and CENVAT Credit can be availed on such Input Service wherever it is admissible under the Current CENVAT Credit Rules, 2004.

It should also be ensured that the closing balance of CENVAT Credit/ Input Tax Credit, as reflected in the last Return filed under either the Central Excise Law / Finance Act, 1994 or State VAT laws, is properly carried

forward, failing which the amount of CENVAT Credit / Input Tax Credit will lapse and will not be carried forward after the transition.

As per section 140 (1) of the CGST Act, 2017, a registered person other than the person opting for composition scheme is entitled to avail in his electronic credit ledger, the amount of CENVAT Credit carried forward in the last return filed for the month/ quarter, immediately preceding the appointed day.

Similarly a registered person is also entitled to take in his electronic credit ledger, the amount of un-availed CENVAT Credit in respect of capital goods, which is not carried forward in his return filed for the month / quarter immediately preceding the appointed date.

In terms of Rule 1 of the Transition Rules, every registered person, who intend to carry forward the CENVAT Credit as reflected in the Return filed for the month / quarter immediately preceding the appointed date or who intends to avail the CENVAT Credit of the duties and taxes which is yet to be availed, shall file electronically an application in **FORM GST TRAN-1** within sixty days (60 days) of the appointed date on the Common Portal.

In respect of application filed as above, the registered person has to specify the following details separately in respect of every item of capital goods, as on the appointed day –

(i) The amount of tax or duty availed or utilized by way of input tax credit under each of the existing laws till the appointed day and

(ii) The amount of tax or duty yet to be availed or utilized by way of input tax credit under each of the existing laws till the appointed day;

The details of Stock held on the appointed day have to submitted separately only in cases, where CENVAT Credit/ Input Tax Credit has to be carried forward by either an unregistered dealer or by person engaged in manufacture of exempted goods or engaged in providing exempted services or who is providing works contract service or availing the benefit of abatement under Notification No. 26/2012 ST dated 20/06/2012, or who is a first stage dealer, second stage dealer, importer or depot of manufacturer or by a person paying duties and taxes either at fixed rate or paying fixed amount in lieu of tax payable – i.e. lump-sum amount. **Units availing SSI Exemption from Excise will be required to submit the details of stock where Cenvat Credit is to be carried forward in order to get Input Tax Credit of Cenvat in closing stock of raw material, semi finished & finished goods.**

4. TRANSITIONAL PROVISIONS RELATING TO JOB WORK:

If any Inputs, semi-finished goods and finished goods are sent to job worker for further processing, testing, repair, reconditioning, or for carrying out other manufacturing processes, before the appointed day and such inputs, semi-finished goods or finished goods are returned to the place of business of the registered person after the appointed day, then no tax shall be payable if such inputs, semi-finished goods or finished goods, after completion of the said job work, are returned to the said place within six months from the appointed day.

The said period of six months may be extended on sufficient cause being shown by the taxable person to the Commissioner, by a further period of two months.

If the said goods are not returned to the place of business within the specified time limit, the input tax credit will be recovered from the registered taxable person who has sent the goods for job work, as arrears of tax under the GST Act and the amount so recovered, will not be admissible as input tax credit.

The Tax is not payable by the registered taxable person as referred above, who has sent his inputs, semi-finished goods and finished goods for job work, **if the manufacturer and the job worker** declare the details of inputs, semi-finished goods and finished goods, held in stock by the job worker on behalf of the manufacturer on the appointed day, in such form and manner as may be prescribed. Such information has to be filed in **FORM GST TRAN-1**, to be filed within 60 days from the appointed day (both by the Principal manufacturer and job worker both specifying the details of stock held at the job worker's premises).

5. UPDATING THE ERP/ SOFTWARE SYSTEM:

Currently there are multiple taxes which are to be charged in the Invoice (for e.g. manufacturer who is registered with Central Excise, will be charging Excise duty and VAT in case of Intra State transaction, whereas he will be charging Excise duty and CST against C form in case of Inter State transaction). Similarly Service Provider will be charging Service Tax in his Invoice, apart from VAT/ CST wherever applicable.

However w.e.f. 1st July 2017, only one tax i.e. GST will be levied. In case of Intra State Transaction, CGST and SGST will be levied and in case Inter State transaction, IGST will be levied.

The GST Council in its meeting on 31st March 2017, have finalized and approved the Rules relating to Tax Invoice and Debit and Credit Notes. Rule 1 of the said Rules, list out the particulars required in the Tax Invoice.

The Council in its meeting on 18th and 19th May 2017, have also finalized the GST rates on Goods and Services and the list of services which will be covered by Reverse charge mechanism.

These developments will require updating the Software / ERP System, which in turn will take care of the updation of the billing system, to avoid disruption to the business activities during the initial days of the transition period.

6. TAKING CARE OF THE ANTI-PROFITEERING CLAUSE:

Anti-profiteering provisions have been incorporated in the GST Act to ensure that the benefit of reduced rate or benefit of input tax credit is passed on by the taxpayer to his Customer/ recipient.

The Anti-profiteering law is aimed at ensuring that post GST, Companies/ business organizations, passes on the benefit arising on account of implementation of GST throughout the country, to its Customer.

The Government will set up Agency or Authority, which will monitor whether the taxpayer is complying with the Anti-profiteering clause or not.

It is very important for the business organization to consider the cost of their product, post the implementation of GST. It will not suffice that the Organization has not increased the prices of its product, post GST. On the converse, if the Company is benefiting due to reduction in the rate of tax or by increase in the amount of input tax credit, it is bound to pass on the benefit to its Customer, by way of corresponding reduction in the prices.

Currently there are no prescribed guidelines for computing the benefits; however one can deduce the benefits that will accrue, post implementation of GST. One can fairly arrive at the conclusion whether the rates are reduced or not, comparing the GST rates with the Excise duty and State VAT rate on their products.

One can also factor, the amount of Input Tax Credit, to which one will be entitled, post GST. Currently Input Tax Credit is not admissible on the amount of CST paid on inputs procured against form C. Similarly, Service providers who are paying Service Tax on abated value cannot claim Input Tax Credit on material used in providing the output service.

Thus Companies will have to rework out their product cost/ service cost and ensure that they are not hit by the Anti-profiteering clause.

7. PURCHASE & PLA PLANNING:

Although, Input Tax Credit will be available on Inputs/Input Services dispatched prior to appointed GST date but received after the date subject to prescribed conditions, it is advisable to plan purchases so as to receive the goods charged to tax under existing tax laws, prior to appointed date.

At present CST Purchases into West Bengal attract 2% CST with "C" Form & Entry Tax @ 1%, which is a cost to the buyer, post GST, IGST will be charged in place of Excise, Paper Cess, CST & Entry Tax, hence purchase planning may be done accordingly as Input Tax Credit will be available on IGST.

It will be prudent to fully utilize the PLA account for payment of Excise Duty for the month/quarter ended prior to the appointed date, as till date there is no provision for carrying forward the balance in the PLA account; hence only refund application can be made.

8. TRAIN THE MANPOWER:

Last but not the least; it is equally important that employees of the organization are given exhaustive training. Such training should not be limited to Finance and Accounts Team but should be extended to other department of the organizations also such as Marketing, Procurement, Supply chain and Logistics, Production etc.

The more proactive the organizations will be, the more it will be easier for them to implement the change and to align the business activities with the new tax regime.