

INMACS | CA Vaibhav Jain | 8th June, 2017



Goods & Services Tax (GST) FAQ for Stock & Commodity Brokers

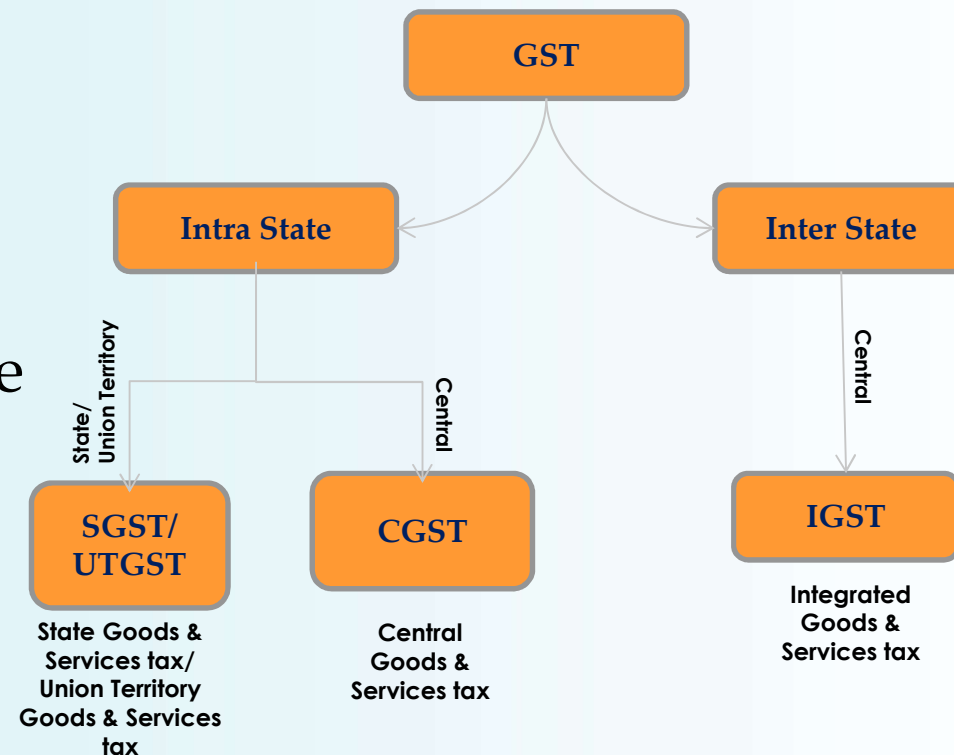


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Agenda

- Registration
- Input Credit & CENVAT
- Case Study: Interstate or Intrastate
- Authorised Person (APs)
- Compliances



Registration



Query	Response
I have not done GST Migration. How will I work in GST Regime.	Provisional Registration shall be given to all assessee by default while they shall have option to surrender in case their turnover is below the Aggregate Turnover prescribed for GST.
If I currently hold Service Tax Registration and my Revenue is less than 20 Lakhs neither in 2016-17 nor in 2017-18, will I be liable to pay GST	An assessee whose turnover is below limit prescribed may surrender provisional GSTIN allotted to him in this case only if there are no inter state supply of services i.e. All Clients to be serviced from a dealing office in their state and no interstate supply of services. There is no prohibition to have multiple offices in multiple states.
An Authorised Person (AP) earlier known as Sub Broker need to get registered	<p>If Broker has a dealing office in the state and AP raises an invoice to that office then he may not register if his Commission Income is lower than 20 Lacs (10 Lacs for Hilly and North eastern states)</p> <p>If Broker does not have a dealing office every AP needs to be registered as the supply of services by AP are Inter-state and basic exemption limit do not apply.</p>

Registration



Query	Response
How will a Service Provider currently holding Centralised Registration and having multiple premises register branches outside the state in which his principal place of business is situated ?	He may take registration based on multiple usernames and passwords if generated in his case or if the same has not been received then he may go for voluntary registration in other states on the date of transition or within 30 days thereafter.
If we have pure marketing or business development offices and use them for KYC, Cheque and DIS Collection Centres, whether we require to take registration ?	<p>We need to ensure that Supply of Service is not happening from such location and In this case Input Service Distributor (ISD) Registration may be obtained for transfer of input credits to Head Office.</p> <p>If the Input Credit are not considered material then registration may not be obtained.</p>

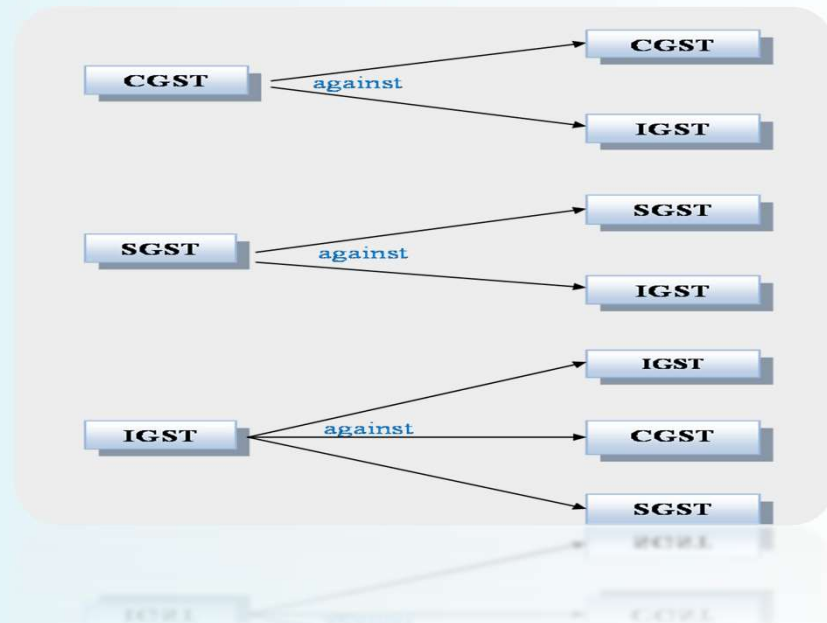
Input Credit & CENVAT



Query	Response
How will a Service Provider currently holding Centralised Registration and having multiple premises in different states, carry forward and utilise his credit ?	The Service Provider can transfer the credit to multiple GSTIN under same PAN, as per his requirement subject to rules as may be prescribed through 'Tran-1' as per Section 140 (8).
How will Proprietary Trading Impact Input Credit ?	<p>The Input Credit on direct expenses related to Proprietary Trading shall be disallowed since they do not form an input for output services.</p> <p>The Input Credit on all expenses related directly to Client business shall be fully allowed.</p> <p>The Input Credit on indirect expenses which cannot be related to Proprietary or Client business shall be bifurcated on a reasonable basis. Generally gross turnover can be a basis though in specific circumstances where the same is not suitable, other basis may be developed.</p>
Whether Input Credit which have not been recognised in the last return of 'Existing Law' can be recognised in GST ?	The Credit can be recognised subject to certain conditions and after following the prescribed process to ensure the same is credited to Cenvat Credit Ledger under GST.

Input Credit & CENVAT

- Electronic matching critical for credit eligibility, coupled with payment of tax by the supplier criteria
- Credit not available for goods or services used for personal use or employee consumption
- Credit Mechanism:
 - CGST can be set off against CGST
 - SGST can be set off against SGST
 - IGST can be set off against IGST, CGST and SGST in that order.
 - CGST can not be set off against SGST and vice versa.



Case Study: Interstate & Intra State

The Transaction of Brokerage involves multiple parties and complex situation which may be required to be understood with help of following combinations:

Facts						Conclusions		
Registered Office	Place of Signing Contract Notes / Head Office	Dealing Branch Office	Client (Location of Recipient of Service)	AP	Server	CGST & SGST / IGST	State raising Brokerage Invoice	Whether AP require to be registered if his aggregate turnover less than 20 Lacs / 10 Lacs?
Delhi	Noida	Kolkata	Patna	Patna	Mumbai	IGST	West Bengal	Yes – Interstate
Delhi	Noida	Patna	Patna	Patna	Mumbai	CGST& SGST	Bihar	No – Intrastate
Delhi	Noida	Not Defined	Patna	Patna	Mumbai	IGST	Uttar Pradesh	Yes – Interstate
Delhi	Noida	Not Defined	Patna	No AP	Mumbai	IGST	Uttar Pradesh	Not Applicable
Delhi	Noida	Not Defined	Lucknow	No AP	Mumbai	CGST& SGST	Uttar Pradesh	Not Applicable

In case of NRI Clients, the Indian Communication Address shall be taken as Location of Client.

Authorised Persons (APs)

Authorised Persons (APs) earlier known as Sub Broker are major inputs for broking firms having a large AP Network:

Compliance

It may be noteworthy that Authorised Persons (APs) are mostly unorganised and may not have the infrastructure for filing returns in a timely basis and it may be recommendatory to

- Centrally file returns of all APs and
- Even GST Output payments can be made directly by Main Broker net off credits (if any)
- This amount can be adjusted from commissions

Summary: Registration of Authorised Person

- If Broker has a dealing office in the state and AP raises an invoice to that office then he may not register if his Commission Income is lower than 20 Lacs (10 Lacs for Hilly and North eastern states)
- If Broker does not have a dealing office every AP needs to be registered as the supply of services by AP are Inter-state and basic exemption limit do not apply.

Debit Note / Credit Note



Debit Note

If output tax liability increased then supplier is liable to issued Debit note or supplementary invoice and declare the same in the return for the month during which such debit note has been issued.

Credit Note

If output tax liability decreased then supplier is liable to issued Credit note and declare the same in the return for the month during which such credit note has been issued but not later than September return of successive year or filing of relevant annual return.

Please note that no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to the buyer or any other person.

Compliances



List of GST Returns to be furnished by Registered Persons

S. No	Form No.	Frequency	Due Date (Next Month)	Details to be furnished
1	Form GSTR-1	Monthly	10 th	Details of outward supplies of goods and/or services effected.
2	Form GSTR-2A	Monthly	11 th	Auto Populated details of input tax and inward supplies made available to the buyer on the basis of Form GSTR-1 of the supplier.
3	Form GSTR-2	Monthly	15 th	Details of inward supplies of goods and/or services effected to a buyer.
4	Form GSTR-1A	Monthly	17 th	Auto Populated details of input tax and inwards supplies as modified, corrected, accepted or deleted by the buyer.
5	Form GSTR-3	Monthly	20 th	Monthly return of outward supplies and inward supplies along with tax liability, ITC credit, TDS/TCS credited, tax payable, tax paid or refund claimed details of a taxable person.
6	Form GSTR-6	Monthly	15 th	Input service distributor return
7	Form GSTR-9	Annually	31 st Dec	Annual Return by taxable person.

Rectification of Mistake

Note: All Dates assuming Financial Year under question is 2018-19

- Return cannot be revised under GST Act. Mistake can be rectified by showing transaction in the month in which such mistake is noticed by the dealer. Limitation period is earlier of the period on which next year September return is filed or annual return is filed.
- If mistake relates to April-2018 then mistake can be corrected up to 10/10/2019(Sales) or 15/10/2019 (Purchase) if return and annual return are filed in due date. (Around 18 months). If September return filed late then mistake can be corrected up to 31/12/2019 (Around 21 months)
- If mistake relates to March-2019 then mistake can be corrected up to 10/10/2019(Sales) or 15/10/2019 (Purchase) if return and annual return are filed in due date. (Around 6 months). If September return filed late then mistake can be corrected up to 31/12/2019 (Around 9 months)
- Means as close as to the end of financial year lesser is the time permitted for rectification of Mistake.
- In case Annual return filed earlier say in June-2019 then correction can be made up to June-2019 only for all the monthly returns for the financial year 2018-19 thus reduced the time of limitation for rectification of mistake.

Ask following questions to know if you are GST Ready ?



- What is or are the rates of GST applicable to my products and services?
- Which of the current indirect taxes such as customs duty, excise duty, VAT, CST, service tax, etc. will cease to be applicable to me on introduction of GST?
- What tax credits would I be able to claim against my GST liability?
- What is CGST, IGST and SGST and is there a seamless credit available across these taxes?
- On which date will the GST replace the present indirect taxes?
- What is the last date for registration and migration of existing registration under the GST law? Is it already overdue?
- What will happen to my credit balances and refunds against the present indirect tax laws such as CENVAT credit, VAT refunds and set offs and tax holidays?
- Is there any reverse charge applicable for my input goods and services and import?
- Will the branch transfers continue to be exempt?
- Will there be any additional input cost due to vendors charging a higher GST rate? will I be able to claim set off?
- Do I have to file a single tax return or there are multiple tax returns and state wise tax returns?
- Do I need to rework my prices and costs?
- Do I need to rework my customer and vendor contract to ensure recovery of GST and grant/receipt of input credit?
- Do I need to relook at my supply chain, warehousing and distribution system?
- Is there any additional working capital or blockage of funds?
- Are there any credits for which I need to claim refunds from the government and if so, what is the time line and certainty of refund?
- What is the GST treatment of my on-line sales and e-commerce business?
- Is my IT and ERP system ready to ensure GST compliances and tax credits?
- Can I improve my bottom line by optimizing GST taxes, set offs and operating costs?

Way Forward



Mapping transactions/Business model with Pre-GST scenario Indirect Taxes



Understanding impact on transactions/Business model with provisions & rates under GST



Identifying key aspects – Rates applicable on outward supplies and major inward supplies, set off related eligibility, additional compliance requirements under GST Law



Understanding changes required to be made in the existing ERPs used



Making a to-do list of actions to be taken for transition in GST without missing on eligible set offs, impact of dual taxation, proper intimation to departments, wherever required

How INMACS can Further Help

Our GST Offerings:

- ▶ GST Migration & Transition
- ▶ Carry forward and recognition of Credit
- ▶ Designing of Formats for Billing, Vendor & Customer Information Collection Form
- ▶ Advisory on Specific Instances / Typical Transactions
- ▶ GST Liability Computation
- ▶ Input Credit Reconciliation
- ▶ GSP & ASP Identification & Integration
- ▶ GST Return Filing
- ▶ Assessments
- ▶ Advance Ruling
- ▶ Compliance of Anti Profiteering Rule
- ▶ Identifying GST Optimisation Opportunities and Compliance Planning

Other Offerings:

- ▶ INMACS provides industry-focused assurance, tax and advisory services for public and private clients.
- ▶ The delivery of our services is generally optimized using the right balance of multi disciplined business teams that comprise Auditing, Transaction Services, Tax and Legal Services and Global Human Resources Solutions.
- ▶ Well versed with Indian scenario, economy, GST, IFRS and US GAAP.
- ▶ Inmacs can also help in preparing business plan and provide services like advisory, compliances, investor interface, MIS related issues.
- ▶ SEBI, SAT, FEMA, ED, Stock & Commodity Exchange Related Regulation Advisory, Compliances & Litigation

Our Locations

- ▶ Delhi
- ▶ Mumbai
- ▶ Kolkata
- ▶ Gurgaon
- ▶ Indore
- ▶ Chandigarh
- ▶ Bengaluru
- ▶ Chennai
- ▶ Jaipur
- ▶ Kanpur

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Best Practices

- ▶ Integrity & Ethics
- ▶ Excellence
- ▶ Professionalism
- ▶ Timeline Adherence
- ▶ Systematic Approach
- ▶ Responsive To Changing Needs
- ▶ Confidentiality