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GOODS AND SERVICES TAX (GST) SERVICE OFFERING





GOODS AND SERVICES TAX

The introduction of Goods and Services tax (GST), a destination based consumption tax replacing several Central and State levies, has heralded transformational change of the indirect tax landscape of the country.

The GST framework has subsumed majority of the indirect taxes levied by Central and State Governments like Central Excise Duty, Service tax, State Value Added Tax, Central Sales Tax, Entry tax, Purchase tax, Entertainment tax, Luxury tax.

GST has a business-wide impact on the entire value chain of operations like. procurement, manufacturing, sales and pricing, finance, information technology, supply chain, warehousing.

GST and Make in India

One of the key components to enable the success of the 'Make in India' campaign is to eliminate red tape and ambiguities in tax laws and procedures, thereby enhancing the ease of doing business.

GST will achieve the desired objective of creating a pan-India market for goods and services, eliminating the cascading effect of taxes and providing seamless credit across goods and services.

GST will in turn also seek to simplify the process of registrations and filing of returns by increased reliance on automation, thereby enhancing the ease of doing business in India.

GST architecture

India has adopted the dual GST approach with taxes imposed by the Central Government and the State Government simultaneously, in the form of CGST and SGST/UTGST on the supply of goods, services or both. IGST will be levied on inter-state transactions.

GST applies on supply of all goods and services, except the supply of alcoholic liquor for human consumption. Furthermore, petroleum crude, high-speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel will be brought within the ambit of GST at a later date as determined by the GST Council.

Key features of the Constitution Amendment Act

The Constitution Amendment Act provides for the following:

- Concurrent powers to the Central and the State governments to make laws on the taxation of goods and services
- Exclusive powers to Centre to make laws for levy and collection of GST on inter-state trade or commerce
- Constitution of GST Council

The GST Council is an overarching body converging the interests of the Centre and State. It is empowered to make recommendations on:

- Central/state taxes to be subsumed, goods/services to be exempted, model GST laws, principles of levy and place of supply rules, threshold limits, tax rates, apportionment of IGST, special provision for certain States, etc
- Date of levy of GST on petroleum products, natural gas

GST rates

The determination of revenue neutral rate was a matter of intense discussion in the GST Council meetings to ensure that introduction of GST does not become inflationary and states do not incur revenue loss. After considerable deliberation, debate and discussion, the following rate structure has been effected:

| Rate | Goods |
|------------|---|
| 0% | Essential commodities |
| 0.25% / 3% | Diamond, Gold, silver and such other precious metals or jewellery |
| 5% | Items of mass consumption |
| 12% | Standard rate |
| 18% | Standard rate |
| 28% | White goods, luxury goods and demerit goods |

GST on services has been pegged at 5%, 12% and 18%.

IT Infrastructure

A Special Purpose Vehicle (SPV) called Goods and Service Tax Network (GSTN) (Network) had been created to provide IT infrastructure and service support for the implementation of GST. The GSTN has implemented the PAN-based registration, returns filing and payments processing for all States on a shared platform.

The SPV is owned by the Centre, States and few partner banks.

Additionally, various GST Suvidha Providers have been roped in to provide a platform for interaction between the tax-payers and the GST system for registration, filing of returns etc.

GST Rules

The initial CGST Rules were notified in June 2017 pursuant to which the same have undergone amendments. The States followed the Centre in publishing their respective Rules based on the CGST Rules.

Registration Rules

The Registration Rules have completely automated the registration process and reduced the interface between the taxpayer and the authorities.

There is a provision for separate registration of various business verticals within the same legal entity. One must carefully evaluate before opting for this, as it may entail implications for cross-vertical transactions, additional compliances, etc.

Invoice Rules

Invoice Rules under GST have meticulously carved out different scenarios under which varied documents are to be issued. The same have been tabulated below:

| Document | Scenario |
|---------------------|--|
| Tax invoice | Taxable supply |
| Bill of supply | Exempt supply or supply under composition scheme |
| Receipt voucher | Receipt of advance |
| Refund voucher | Refund of advance received |
| Tax invoice by self | Supplies received from unregistered person |
| Payment voucher | Payment for supplies attracting reverse charge |
| Delivery challan | Transportation of goods without invoice |

Also, it is required to mention the place of supply and place of delivery separately. The supplier shall be required to maintain a GSTIN/Unique ID Number for every transaction.

Payment Rules

The Payment Rules provide for maintaining the following three registers on the Common Portal:

- Electronic Tax Liability Register;
- Electronic Credit Ledger; and
- Electronic Cash Ledger.

A unique identification number will be generated at the Common Portal for each debit or credit to the electronic cash or credit ledger.

The unique identification number relating to the discharge of any liability will be indicated in the corresponding entry in the electronic tax liability register.

Return Rules

The Return Rules provide for 27 different returns and statements to be submitted under different scenarios. The number of returns to be filed by a business would multiply with the number of States in which it operates.

The concept of matching the withholding tax deduction under the Income-tax with the amount claimed as payment of tax in the return of income has been introduced in GST as well. The major difference is that the volume of transactions would be significantly higher, as opposed to Income-tax where the withholding is for certain specified services.

Furthermore, the entire concept of credit matching is going to be very critical. In the event that the vendor does not pay taxes or does not record the transaction properly, and where it is not rectified within given time limit, businesses would lose input tax credit.

Refund Rules

The refund applications would be required to be filed state-wise.

Provisional refund of 90% of the amount claimed within 7 days of acknowledgement is a welcome move for the assessee, since the same would resolve the issue of long pending refund claims under the pre-GST laws. It would be interesting to see how the said provision is given effect, considering that the officer has to first acknowledge the authenticity of the claim.

E-way bill Rules

E-way bills have been a matter of debate since it is perceived that they would create supply chain bottlenecks and run contrary to the idea of one nation one market. Despite resistance, Government has decided to go ahead with the E-way bills and the Rules have already been published with effective date yet to be notified.

As per the said rules, e-way bill must be generated for movement of goods of consignment value exceeding Rs. 50,000 under following circumstances:

- In relation to supply; or
- For reason other than supply or
- Inward supply from an unregistered person.

Furthermore, the scenarios and products for which e-way bill need not be generated have also been prescribed.

Way forward

As an organisation, it would be critical to function smoothly pursuant to changes brought about by the introduction of GST taking into account the continuous amendments being made due to the law being at a nascent stage. Readiness under the newly implemented indirect tax regime would encompass:

- Keeping abreast with the continuous amendments. Identifying the impact of such amendments and plotting the changes required from a business standpoint.
- Modifying the operational strategies in line with the amendments.
- Undertaking regular compliances mandated under GST, especially the quantum of returns to be filed.
- Revisiting the requirements of E-way bills under the GST compared to the VAT regime.
- Identifying policy issues and making representation before the concerned authorities.
- Re-considering product pricing, in light of the anti-profiteering provisions.
- Re-examining the supply chain management.
- Upgrading IT systems.
- Introducing new/modified operational strategies.



How we can assist

GST being the biggest and most significant tax reform in the fiscal history of India since independence, the businesses have already planned and evaluated the impact of GST.

Despite GST being a tax reform, it has an impact on the operations of various business functions including finance, IT, supply chain, marketing. Since the impact of GST was predicted to be multi-fold, effective and seamless transition to GST regime had become a mammoth task.

Pursuant to this major transformational process, it has now become critical for businesses to align with the requirements of the new law. In this regard, we would assist the clients in the following manner:

Implementation review

Implementation was an enormous exercise which accompanied analysis of not only the tax changes but also changes in various functional aspects of the organisation. A successful implementation of such a land mark change requires an external review to avoid long term issues. This would necessitate review of the tax positions adopted and process established at the time of implementation of GST. We would assist in strengthening the foundation laid down by the Company by re-examining the implementation approach and explore areas of tax optimization.

Obtaining new/amendment in registration

Assistance in obtaining new/amending registrations under GST regime by making the application and submitting requisite information/details.

Assisting/handholding to ensure compliance by periodic review of:

- Systems adopted by the Company to compute and discharge tax liability;
- Approach and processes adopted by the Company for identification of input tax credit;
- Invoices, documents and registers maintained under GST provisions;
- Financial records;
- Identify the changes/alterations required based on sample review of:
 - Master data (e.g. Details about the vendor, services provided, tax rate master, etc.);
 - Purchases (Purchase Order, Vendor Invoice, etc.);
 - Purchase/Sales returns (Debit note, credit note, delivery challan etc.); and
 - Information required to be captured in tax returns
- Various returns to be filed under GST at periodic intervals;

Assistance in filing return

In addition to undertaking review of various return to be filed, we assist clients in filing periodic GST returns.

GST Suvidha Provider ('GSP')/Application Service Provider ('ASP'):

Assistance in smooth interaction with the GST system through GSP/ASP. Some of the key benefits offered by the application are:

- Advanced reconciliation engine for automatic reconciliation
- Two stage validation process wherein invoice authenticity is done while importing the invoice as well as filing returns
- Built-in rule engine to process and distribute invoices to appropriate section in GSTR-1 and 2
- Integration with the Companies ERP system/ accounting software
- E-mail and SMS notifications for return filing
- Access across multiple platforms – On-premise, portal of the GSP, mobile etc.

Review of identified transactions

Review of identified transactions and treatments adopted from GST perspective and identify gaps, if any

Regular advisory services

Provide comments from a GST perspective on queries raised from time to time. This would also encompass contract review from tax perspective.

Identifying areas of representation/advocacy:

GST law being at a nascent stage, there may be un-addressed issues which may require Government attention. We would assist the organisations in:

- Identifying key issues/areas of representations.
- Engaging into a dialogue with relevant officials.

Foreign Trade Policy

Assistance in identifying potential benefits based on Company's operations. Subsequently, we would assist in making application before the relevant authority along with requisite documents and obtaining the benefits.

Advance Ruling

Assistance in obtaining advance ruling by undertaking the following:

- Drafting the application;
- Submitting the application with relevant documents and records; and
- Representation before the Advance Ruling Authority/ Appellate Authority for obtaining the ruling;

Litigation support

Our litigation support services encompass the following broad range of activities

- Filing reply to notices,
- Drafting appeals/submissions,
- Representation before relevant authority at the time of hearing,
- Co-ordination and briefing the issue to senior counsel for matters before higher courts.

The above also encompasses litigation support of issues pertaining to pre-GST indirect tax laws.



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Dhruva Advisors LLP is a boutique tax and regulatory services organization, working with some of the largest multinational and Indian corporate groups. We bring a unique blend of experience, having worked for the largest investors in India, advising on the largest transactions and on several of the largest litigation cases in the tax space. We work closely with regulators on policy issues and our clients on tax advocacy matters. We believe in thinking out of the box, handholding our clients in implementation and working to provide results.

Key differentiators:

- Strategic approach to complex problems
- In-depth, specialised and robust advice
- Strong track record of designing and implementing pioneering solutions
- Trailblazers in tax controversy management
- Long history of involvement in policy reform
- Technical depth and quality

Dhruva has presence in Mumbai, Ahmedabad, Bengaluru, Delhi, Singapore and Dubai. The key industries that the team advises on include financial services, IT and IT-enabled services (ITES), real estate and infrastructure, telecommunications, oil and gas, pharmaceuticals, chemicals, consumer goods, power, as well as media and entertainment.

Dhruva Advisors is a member of the WTS Alliance, a global network of selected firms represented in more than 100 countries worldwide.

Our recognitions

- Dhruva Advisors has been named "India Tax Firm of the Year 2017" at International Tax Review's Asia Tax Awards 2017.
- Dhruva Advisors has been consecutively recognized as a Tier 1 Firm in the International Tax Review, World Tax Guide 2016 and 2017 to the world's leading tax firms.
- Dhruva Advisors has also been awarded the Best Newcomer of the Year 2016 - ASIA by the International Tax Review.

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