**GST AWARENESS PROGRAMME CONDUCTED BY THE COUNCIL FOR LEATHER EXPORTS**

SOME FREQUENTLY ASKED QUESTIONS ON GST

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**Preliminaries and types of taxes:**

1. **What is GST?**

GST is an acronym for Goods and Service Tax which is set to come into force from 1 July 2017.

1. **What are the different types of taxes under GST?**

Depending on whether the transactions are intra state or interstate, there are 3 types of taxes under GST as under:

* Central GST (CGST) which is collected by the Central Government
* State ( or Union Territory) GST which is collected by the State or Union Territory
* Integrated (IGST) which is collected by the Central Government

A Compensation Cess is also collected on some de-merit goods by the Central Government.

1. **Why do we have different taxes under GST when GST is said to bring in “One Nation One Tax”?**

India has a federal system of governance under which both the Centre and States have the right to collect taxes. Therefore, under the GST regime, the taxes are so devised that theyare shared between Centre and the State.

1. **What happens to the Old taxes and duties?**

Excise Duty, Cess, Service Tax and certain other industry specific duties were levied by the Centre. These taxes will no longer be collected. Instead these will be absorbed under the CGST.

Similarly, VAT, Cess, Entry Taxes, State-Octroi levy,Purchase Tax and other taxes were levied by the State. These taxes will no longer be collected. Instead these will be absorbed under the SGST.

Additional Duty of Customs ( otherwise known as Countervailing Duty), Special Additional Duty (SAD) and Central Sales Tax (CST) shall be subsumed under IGST.

**Interstate and Intrastate supplies:**

1. **I am moving my finished goods from my factory to my buyer’s location in my own state. What type of supply is this and what taxes should I collect?**

The location of the supplier and the place of supply are in the same State. Hence this is an intra-State supply. All intra State supplies will be taxed under CGST and SGST.

1. **I am supplying my finished goods ex-works my factory. My customer from outside my State engages a transporter and takes it to his State. What type of supply is this and what taxes should I collect?**

In this case, the supplier does not move the goods from his place. It is the customer who engages the transporter from the other State and takes it to his own State. Even in such a situation, it has been clarified that since the movement of goods terminates only in the place of the customer, the place of supply is the place of the Customer. As such, in the given example, since the supplier is in one State and the place of supply is in another State, it is an Inter State Supply and you have to collect IGST.

1. **What are the taxes on imports?**

Imports currently suffer Basic Customs Duty (BCD), Additional Duty of Customs, cess and Special Additional Duty (SAD). Under the GST regime, the Additional Duty of Customs, Cess( other than customs) and SAD will not be levied and instead be subsumed under IGST. It may be noted that BCD shall continue to be collected under the Customs Act.

1. **Why is the word ‘supply’ used instead of ‘sale’ or ‘manufacture’?**

Under GST, tax is to be collected only on supply. In other words, whether the supply is on account of a sale or not, the transaction will give rise to tax. In contrast to Excise duty where the liability of pay tax arises on manufacture ( though the collection is done later on removal), the concept of manufacture is irrelevant in GST regime for taxability.

**Registration:**

1. **Who should register under GST?**

Any one may voluntarily register under GST. However those who do a total turnover of more than Rs. 20 lacs in the financial year and have taxable supplies have to mandatorily register themselves under GST. Existing assessees under Excise, Service Tax or State VAT are automatically migrated into GST (upon electronic enrolment process), but can opt out of GST if they are not otherwise liable to registration. There are also other situations where registration is necessary such as when you need to pay GST on reverse Charge, when you do Inter State Sale etc where the registration is compulsory irrespective of the turnover.

1. **Where are the places where one should register under GST?**

You should register in all states where you have a place of business from where you do taxable supplies. Also refer answer to Question 9.

1. **I am in Kanpur and I import leather through Mumbai Port. I engage my transporter to bring the goods to Kanpur. Should I register in Mumbai as I have received it in Mumbai itself?**

It is not required to register yourself in Mumbai merely because you are receiving the imports at Mumbai.

**Rates of Taxes:**

1. **What the different rates of taxes under GST?**

GST has 5 rates of taxes for Goods and for Services. They are subject to Nil, 5%, 12%, 18% or 28% depending on the type of goods or Services. Recently, gold and raw uncut diamond have been classified under 3% and 0.25% GST. Export of Goods and Services are classified as ‘Zero Rated’.

1. **What are the rates applicable for Leather Industry?**

The following table shows the rates for leather industry:

|  |  |
| --- | --- |
|  | GST (IGST rates) |
| Raw and Tanned Hides and Skins | 5% |
| Finished Leather | 12% |
| Leather Goods and Garments | 28% |
| Footwear upto Retail Selling Price Rs. 500 per piece | 5% |
| Other Footwear and Components | 18% |
| Wattle Extract, Quebracho Extract | 5% |
| Other tanning Chemicals | 18%, 28% |
| Finishers, polishes etc | 28% |
| Job work charges for processing of leather | 5% |
| Other Job Work charges | 18% |
| Effluent Treatment Charges | 18% |

The above rates indicate the total of CGST and SGST rates. The division of the rates would be equal.

1. **Is there GST on export?**

Exports are taxed under GST regime at 0%. This is similar to the current regime.

1. **Do we get any exemptions from input taxes under GST?**

Under the current regime, certain inputs were exempted from duties by notifications such as Notification 12/2012-Customs, 12/2012-Excise and 25/2012-Cus. Similar exemption notifications have not been issued under the GST regime.

1. **Are job-work charges taxable under the GST regime?**

Job Work charges ( Heading 9988) are chargeable at 5% or 18% ( refer Chart above) under the GST regime as there is no exemption notification. Notification 214/86-Excise or 25/2012-ST ( old 8/2005-ST)are no longer relevant.

1. **Services by way of effluent treatment by CETPs were exempt from service tax. Are they taxable now and if so, under what rate?**

These services ( 9994) were forming part of the Mega Exemption Notification 25/2012. There is no similar notification under GST regime. Hence these services shall be subject to tax at 18%.

**Input Tax Credit:**

1. **Under GST, taxes are paid at every stage of supply by the buyers. Does it not add to the total tax cost?**

The taxes paid at every stage can be adjusted against the taxes to be paid in the subsequent stage. For example, A buys finished leather from the same State for Rs. 10,00,000 and pays Rs. 120,000 as GST ( CGST RS. 60,000 and SGST RS. 60,000). He sells the finished leather to B in the same State for Rs. 12,00,000 and collects RS. 1,44,000 ( CGST Rs. 72,000 and SGST Rs. 72,000). A shall pay to the government only Rs. 24,000 after adjusting the taxes he paid to his vendor. This ensures that there is no ‘cascading’ effect, i.e., tax does not add to the cost of subsequent supplies.

1. **Please explain how input tax credit is to be taken as there are so many types of taxes.**

Obviously depending on whether you purchase intra state or inter-state and whether you supply intra state or inter-state, you may have a mixed bag of input credits and output liabilities at any given point of time. The following rules may be followed in this regard:

* Use CGST input credit against CGST out put liability. If you have excess credit, adjust against IGST liability if any. Else carry forward to next month.
* Use SGST input credit against SGST out put liability. If you have excess credit, adjust against IGST liability if any. Else carry forward to next month.
* Use IGST input credit against IGST out put liability. If you have any excess input credit, first adjust against CGST liability and then against SGST liability.

It may be noted that SGST and CGST credits cannot be used to meet CGST and SGST liabilities respectively. That is, between these two taxes no cross credits are allowed.

**Job Worker:**

1. **Since GST is levied on every supply, will supply of goods by a Principal Manufacturer to a Job worker and its return back to the Manufacturer suffer GST?**

Goods supplied to a Jobworker are not a taxable supply if the said goods are returned back by the Jobworker within 1 year. In the case of Capital Goods, the time limit is 3 years. If the inputs or capital goods are not returned within the said time ( or extension granted if any), then the original supply to the Jobworker is considered as a taxable supply and GST will be levied, along with Interest for delay.

1. **What is the Challan under which the Principal Manufacturer should sent materials to Jobworker?**

The Principal Manufacturer may issue a delivery challan, serially numbered not exceeding sixteen characters, containing the following details, namely:-

1. date and number of the delivery challan;
2. His name, address and Goods and Services Tax Identification Number
3. name, address and Goods and Services Tax Identification Number or Unique Identity Number of the Jobworker, if registered;
4. Harmonised System of Nomenclature code and description of goods;
5. Quantity
6. taxable value
7. tax rate and tax amount – central tax, State tax, integrated tax, Union territory tax or cess,
8. place of supply, in case of inter-State movement; and
9. signature.
10. **Will the Job work charges suffer GST?**

As already answered, Jobwork charges will be subject to GST.

1. **Can I send the goods to the Job worker within my State and then instruct the Job worker to directly supply the finished product to my customer in the same State? What is the GST in that case?**

Under GST, you can clear the finished goods from the Jobworker’s premises directly to the customer’s place without having to bring it back to your premises subject to certain time lines. However, in such a case, the Jobworker from whom you are moving the goods directly to the customer, should be a registered person. Alternatively, you may include the place of business of the Jobworker as your additional place of business. Where you want the semi-finished goods to be moved from one Jobworker to another, the law permits you to do the same subject to conditions and provided you bring back the finished goods within a period of 1 year from the date of sending the inputs.

1. **Do I have to disclose the materials sent to Job worker or received back from Job worker in any form?**

You have to disclose the above information in GST ITC 04 on a quarterly basis. The form is available at [www.cbec.gov.in](http://www.cbec.gov.in) under Notification 10/2017-CT.

**Transfers between HO and Branch; or Branch to Branch:**

1. **If GST is not on sale but on supply, will GST have to be paid even on mere ‘branch transfers’. Can I give Form F to avoid taxes?**

Branch transfers (also called transfers to Distinct Persons)will be considered as taxable supply. Please refer answer to Question 25 also. There is no concept of Form F in the GST regime.

1. **But since it is merely a branch transfer, there will be no value. In such a case, how do I raise a tax invoice and collect tax?**

Rules have been prescribed for valuation of branch transfers. However, where the transferee branch is able to take full input credit and has output liabilities, then the value stated in the Invoice can be taken as the value of supply. The law gives this leeway only because eventually the transferee branch will clear the goods by paying appropriate taxes.

1. **Suppose I have a branch in my own state and I do not have separate registration. I transfer goods from my Head Office to the said branch ( which is mentioned as an additional place in my registration). Is the above procedure applicable where my branch is not registered under GST?**

In case of transactions between branches, each branch should have separate registration to attract GST on inter-branch transfers. In the above case, the transfer to the branch does not meet the above criterion. Hence the transfer does not attract GST.

1. **If I keep collecting and paying taxes even on branch transfers, I end up paying more taxes. Am I right?**

No, not really because the tax paid at every stage is offset against subsequent taxes collected. However, a working capital issue may arise if the duration of ultimate sale is longer.

1. **I have 2 separate units - tannery and a shoe factory in the same company and in the same State. I transfer leather from my tannery to my Shoe factory. Will it attract GST? What if the tannery and shoe factory are in different States?**

If the transferee unitdoes not bear separate registration (but included as additional place of business in the main registration), then transfers interse the units will not be taxable supply.

However, if the units are in different States, then registration of each unit is mandatory under GST law. Since the transfers in this scenario is between two registered persons, the transfer will fall under taxable supply and will be subject to GST.

**Migrating to GST:**

1. **All leather and leather products are taxable under GST whereas leather upto finished stage was not subject to excise duty in the current regime. However, there will be excisable chemicals and other inputs that I would have purchased and kept in stock as of 30 June 2017. Is there a way I can claim that excise credit on chemicals and other accessories in the GST regime?**

You can take credit on raw materials held in stock that were purchased for manufacture of finished leather, subject to meeting conditions including availability of tax paid invoices ( not older than 12 months). You also have to file GST TRAN 1 within 90 days of the appointed date.

1. **In the above example, suppose I have only traders’ invoices without excise duty. Is there a way I can claim the excise suffered?**

You can take credit to the extent of 40% ( 60% if the CGST is 18% or more ) of the CGST paid on supply of the said finished goods in the GST regime, subject to conditions. However, in respect of products that were exempt from excise such as leather, you cannot avail of this option. Further it may be noted that you have to pass on the credit that you receive under this option to the Customer.

1. **I am a leather goods / leather garments manufacturer and have been claiming cenvat credit in my returns. Can I carry over the credit to the GST era?**

You can directly carry over the balance in CENVAT/VAT return for the month of 30 June 2017 subject to filing GST TRAN 1 within 90 days of the appointed date and other conditions. Please note that his is not available if the input credit relates to goods manufactured and cleared under exemption notifications as are notified by the Government.

**Exports and refunds:**

1. **Are exports subject to GST? If so, at what rate?**

Exports are taxable at Zero rate under IGST.

1. **How do I get relief from input taxes on my exports?**

You can get relief from input taxes by way of two methods. Under the first method, you may export under bond or LUT and apply for refund of all input taxes. Under the second method, you pay IGST on exports (after adjusting input credits) and apply for refund of entire IGST as a rebate. The second method proves useful to those having substantial input credit and/or having capital goods input credit which is not eligible for refund. Please refer answer to Question No. 33 also.

1. **Will the present duty draw back scheme and rates continue?**

The present Duty Drawback scheme will continue upto 30 Sept 2017. Post 30 Sept 2017, Duty Drawback will be restricted only to the Basic Customs Duty portion.

1. **Will the present other export incentives schemes and rates continue?**

The export incentives in the form of MEIS, Advance Authorisation etc will continue. However,such incentives/scrips cannot be used to pay GST on imports or local procurements from 1 July 2017.

1. **What is the time frame for grant of refund under GST?**

Provisional refunds for exports made by payment of IGST will be issued within 7 days of acknowledgement issued after filing of claim under GST RFD 01. The remaining 10% will be issued by the 60th day.

1. **Where can I find the format for Bond/LUT and should I give Bank Guarantee along with Bond?**

The format of Bond / LUT is as per GST RFD 11 which is available in [www.cbec.gov.in](http://www.cbec.gov.in) in Notification 15/2017-CT. While the Bond format provides for Bank Guarantee, the Government is yet to notify exporters who need not furnish Bank Guarantee.

1. **Should I follow the same Shipping Bill and Bill of Entry format of the old regime?**

New formats have been notified vide 60/2017-Cus (NT) and 65/2017-Cus( NT) respectively which should be followed.

*Note:*

*The above FAQ is intended purely to familiarize the reader with certain aspect of GST and do not constitute legal advice of the Council or the Contributors. Readers are advised to take expert legal advice before taking any decision.*