



# GST MODEL LAW

EVERYTHING ABOUT GOODS AND SERVICE TAX

## WHAT'S INSIDE?



In this presentation, we will learn the following topics:

- **Introduction of GST**
- **Coverage of Supply & Services under GST**
- **Section 19: Registration**
- **Various Services & Its Taxability**
- **Section 13: Time of Supply of Services**
- **Valuation services under GST**
- **Reverse Charge Mechanism under GST**
- **Valuation in case of Pure Agent**
- **Section 16: Manner of taking input tax credit**
- **Return**
- **Priority of utilization of credit**



## INTRODUCTION OF GST



For Every Business Or Profession , GST Stands For:

**G – GOOD** (Goods)  
**S – SIMPLE** (Service)  
**T – TRANSPARENT** (Tax)

- Goods and Service Tax (GST) is a comprehensive tax levy on Manufacture, Sale and Consumption of Goods and Service at a National level.
- GST subsumed various taxes in itself like:
  - ✓ Service Tax
  - ✓ Entertainment Tax
  - ✓ VAT
  - ✓ Various Cess.
- In India, Dual model of GST is proposed to subsumed state as well as central level taxes.





## COVERAGE OF SUPPLY & SERVICES UNDER GST

Supply includes all forms of supply of Goods or Services or both such as

- ❖ Sale
- ❖ Transfer
- ❖ Barter or Exchange
- ❖ License
- ❖ Rental or Lease
- ❖ Disposal

Made or agreed to be made for [Consideration in furtherance of Business](#).



Thus the services provided by Credit Co-operative society will be taxable unless specifically exempted under any notification issued by Government.

### Services Means

ANYTHING OTHER THAN goods, money and securities

**But includes** activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged;

# REGISTRATION UNDER GST

## REGISTRATION UNDER GST

- ❖ GST Being the tax on the event of Supply and Supply includes everything in its ambit; every supplier is required to take registration under GST.
- ❖ Specific Exemption has been given for Small Business Units having all India turnover Below Rs. 20.00 Lakh. Now question arises what to include in Turnover and what to be excluded.
- ❖ So Turnover Includes
  - All Taxable Supplies
  - Exempt Supplies
  - Export of Goods or Services
  - Interstate supplies of person Having Same PAN
  - And all the supplies made by Agent on behalf of his Principal.
- ❖ Every person is required to take registration within 30 days of crossing the turnover limit specified under GST.



## COMPULSORY REGISTRATION UNDER GST

Following persons are compulsorily required to take registration under GST irrespective of their turnover limit:

- Making inter-state taxable supply except Interstate supply of Service where turnover does not exceed Rs. 20.00 Lakh.
- Casual Taxable person
- Person requires to pay tax under RCM
- Non-Resident Taxable person
- Person requires to deduct tax u/s 37.
- Input Service Distributor
- Person who supplies goods/service through electronic commerce system
- Electronic Commerce operator
- Aggregators who supply services under his brand name or trade name. (eg. Ola, Uber)



## DOCUMENTS REQUIRED FOR REGISTRATION

Following are the documents required for registration of Credit Co-operative Society

- ✓ PAN Card of each Member of Management Committee and Society
- ✓ Registration Certificate
- ✓ Electricity Bill for address proof of Place of business
- ✓ Bank Statement (last one month)
- ✓ Proof of Appointment of Authorized Signatory.
- ✓ Photo of Each Member.
- ✓ Aadhaar Card of Each Member.





## REGISTRATION CERTIFICATE



- On Filing Online Application for Registration, Relevant authority will issue Registration Certificate within prescribed form.
- The person shall be Deemed to be Registered if:
  - i. Registration is not done by Department within prescribed time. **AND**
  - ii. Registration is not rejected within prescribed time by the Department for any valid clause.
- The taxpayer will be allotted a State wise, PAN based, 15 digit Goods and / or services Taxpayer Unique Identification Number (**GSTIN**). The various digits in the GSTIN will denote the following:-

State Code		PAN										Entity Code	Blank	Check Digit
1	2	X	X	X	X	X	8	9	10	11	X	13	14	15

# VARIOUS SERVICES PROVIDED BY CREDIT CO-OPERATIVE SOCIETY

## SOURCE OF INCOME FOR CREDIT CO-OP. SOCIETY

Some of the services provided Credit Co-operative Society are –

- ❖ Interest
- ❖ Income from Investment
- ❖ Issuance of Demand Draft
- ❖ Loan Processing Fees
- ❖ Interest on Credit Cards
- ❖ Loan Prepayment Charges
- ❖ Locker Rent
- ❖ Guarantee Commission
- ❖ Membership Fees
- ❖ Dividend
- ❖ Levy of Penal Interest
- ❖ Renting of Immovable Property



## TAXABILITY OF ABOVE INCOME FOR CREDIT CO-OP. SOCIETY

### ❖ **INTEREST**

As Per Notification No. 12/2017 dated 28<sup>th</sup> June, 2017, Services by way of— (a) extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount is exempted from GST and but this **exemption is not applicable to interest in relation to Credit Card Services.**

### ❖ **INCOME FROM INVESTMENT**

Shares or Securities is specifically been excluded from the definition of SERVICES and hence it is not liable for Tax.

### ❖ **ISSUANCE OF DEMAND DRAFT**

Society charge commission on issuance of Demand Draft. This income is included in the definition of Services and it is not specifically been exempted via exemption notification and hence it is liable for GST.

### ❖ **LOAN PROCESSING FEES**

Society charge processing fees for loan sanctioned to its member. This income is included in the definition of Services and it is not specifically been exempted via exemption notification and hence it is liable for GST.



## TAXABILITY OF ABOVE INCOME FOR CREDIT CO-OP. SOCIETY

### ❖ **INTEREST ON CREDIT CARDS**

As Per Notification No. 12/2017 dated 28<sup>th</sup> June, 2017, Services by an acquiring bank, to any person in relation to settlement of an **amount upto two thousand rupees** in a **single transaction transacted** through credit card, debit card, charge card or other payment card service.

### ❖ **LOAN PREPAYMENT CHARGES**

If any member repay its loan before its tenure get complete, the society may charge prepayment charges for such early payment and is liable for GST.

### ❖ **LOCKER RENT**

Locker rent charge on providing Locker facility to its member is taxable under GST.

### ❖ **LEVY OF PENAL INTEREST**

Penal Interest carry same nature as of normal interest charge on loan or deposits etc. and hence exempted from levy of GST.

### ❖ **MEMBERSHIP FEES & DIVIDEND INCOME**

It does not come into the ambit of definition of Services and hence exempted from tax.

## TAXABILITY OF ABOVE INCOME FOR CREDIT CO-OP. SOCIETY

### ❖ **RENTING OF IMMOVABLE PROPERTY**

As Per Notification No. 12/2017 dated 28<sup>th</sup> June, 2017,  
Services by a person by way of –

(a) conduct of any religious ceremony;

(b) renting of precincts of a religious place meant for general public, owned or managed by an entity registered as a charitable or religious trust under section 12AA of the Income-tax Act, 1961 or a trust or an institution registered under sub clause (v) of clause (23C) of section 10 of the Income-tax Act or a body or an authority covered under clause (23BBA) of section 10 of the Income-tax Act.

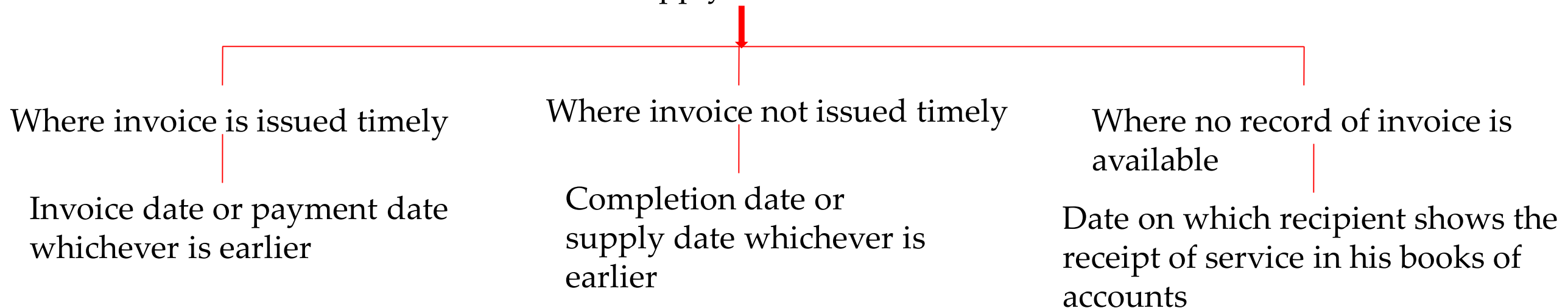
Hence Rental Income of Co-operative Society is not exempted from tax and will be liable for GST.

# TIME OF SUPPLY OF SERVICES

## TIME & VALUE OF SUPPLY OF SERVICES-GENERAL PROVISION

□ Section 13 decides the Time & Value of Supply of **SERVICES**

Time of supply of service shall be:



✓ **Date of payment**: payment is enter in books of supplier or date on which the payment is credited to his bank account whichever is earlier

**NOTE:** Time within which invoice should be issued within 45 Days of Date of Supply of Services where supplier is Banking Company or a Financial Institution including Non Banking Financial Company



## TIME & VALUE OF SUPPLY OF SERVICES-GENERAL PROVISION

To understand the above provision the following example is quoted:

<b>Situation</b>	<b>Date of completion of service</b>	<b>Date of invoice</b>	<b>Date of payment</b>	<b>Date on which recipient shows the receipt of service</b>	<b>Time of supply of service</b>
Invoice issued within prescribed period of completion of service	01.11.17	20.11.17	28.11.17	21.11.17	20.11.17
Invoice issued after the prescribed period of completion of service	01.11.17	20.12.17	28.11.17	21.11.17	01.11.17

## REVERSE CHARGE MECHANISM OF SERVICES

When the tax is payable on Reverse Charge Basis i.e. the Service Recipient is liable to pay tax on Services availed by him. Following are the services where service recipient is compulsorily liable to pay tax on Reverse Charge Basis –

- ✓ Legal Services by Advocate
- ✓ Services Supplied by an Arbitral Tribunal to Business Entity
- ✓ Services Provided by way of sponsorship to any body corporate or Partnership firm

The **Point of Supply** for the **services liable to Reverse Charge** are –

- Making payment to supplier or
- Within 60 days from the date of issue of Invoice by the supplier, **Which ever is earlier**
- Where above 2 is not available the date of making entry in the books of Recipient.

E.g. The above provision can be better explained with the help of following example:

Particulars	Date of receipt of service	Date of receipt of invoice	Date of making the payment	Date of debit in books of accounts	Time of supply
CASE I	01.11.17	22.11.17	21.11.17	25.11.17	21.11.17
CASE II	01.11.17	22.11.17	28.11.17	25.11.17	28.11.17
CASE III	Not Available	Not Available	Not Available	30.11.17	30.11.17

Where we receive services from a supplier, who is not registered, Tax in relation to such supply shall be paid by such Registered Person Under Reverse Charge Basis.

Accordingly, whenever a registered person procures supplies from an unregistered supplier, he needs to pay GST on reverse charge basis. However, supplies where the aggregate value of such supplies of goods or services or both received by a registered person from any or all the unregistered suppliers is less than five thousand rupees in a day are exempted.

For Example –

Y Credit Co-operative Society receive Recovery Agent Services from Mr. X, who is not registered under GST Act. According to above Rule, Y Credit Co-operative Society will have to pay tax on receipt of services from Mr. X. Y Credit Co-operative Society can avail such tax paid as input tax credit in same month also.

**Note – But above provision of RCM has been deferred till 1st Feb 2019 vide Notification No. 38/2017 dated 13<sup>th</sup> October, 2017 and hence Registered Person will not be liable to Pay tax on receipt of any services or goods from an unregistered dealer till Jan 2019**

## VALUATION OF TRANSACTION WITH PURE AGENT



To understand this rule, let's take an example of a Pure agent:

*E.g: Mr. X is a pure agent engaged in providing recovery services to Y Credit Co-operative Society (the recipient of his service). The Recovery services are provided in the state of Maharashtra. On demand of Y Credit Co-operative Society, Mr. X makes some legal expenses.*

Value of expenditure incurred by a pure agent shall be excluded from the value of service if all the following conditions are satisfied:

- **Acted as pure agent & make payment of such expenditure to 3<sup>rd</sup> party.**  
(i.e. Mr. X is making a payment to Mr. Z )
- **Such goods/services are used by recipient of service & not by pure agent.**  
(i.e. The Legal Services were in relation to Loan Recovery of Y Credit Co-operative Society)
- **Recipient is known of transaction & he authorises pure agent to make payment on his behalf**  
( i.e. Y Credit Co-operative Society is known of all the facts of the transaction and authorises Mr. X to make payment to Mr. Z)
- **Such expenses should be separately shown in the invoice of pure agent.**
- **Pure agent recovers only such amount as paid by him for such expenses.**  
(i.e. Mr. X should not charge any commission or any income for such above transaction.)



# INPUT TAX CREDIT

## Input Tax Credit-General Provision

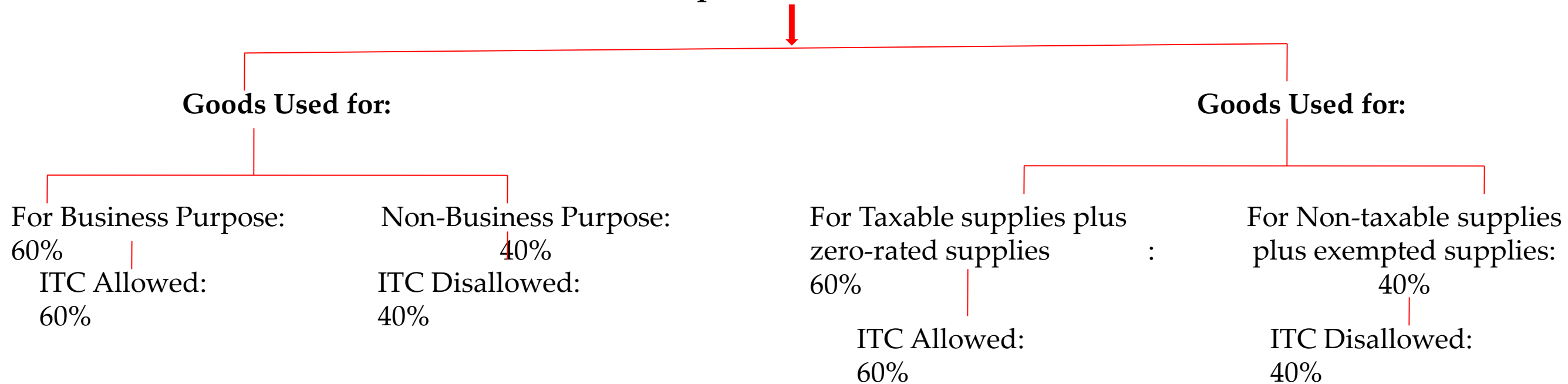
As per Section 16 of the Model GST Law,

- ❑ Every Registered Taxable person shall be entitled to take credit of Input Tax subject to the following conditions
  - ✓ Goods or services or both used or intended to be used in furtherance of business
  - ✓ In Possession of Tax Invoice
  - ✓ Has already received or availed the services
  - ✓ Supplier has uploaded the relevant invoice on the GSTN
  - ✓ Supplier has paid the tax to appropriate Government
  - ✓ The recipient has furnished the GSTR 2
  - ✓ If goods are received in installment under single invoice than credit can be taken upon receipt of last installment of goods.
  - ✓ The payment against such invoice has been made within 180 days from the date of invoice.
  - ✓ Recipient can not claim credit of any invoice after the due date of furnishing return under Section 39 for the month of September or furnishing of annual return, which ever is earlier.

NOTE – Financial Institution has two Option to claim Input Tax Credit Under GST, either to take 50% credit of all the eligible Input Credit available or other by Normal Way as explained.

## Proportionate Credit Concept

### Proportionate Credit



In case, goods and/or services are partly used in taxable supplies and partly in non-taxable supplies the amount of credit shall be restricted to the taxable supplies. Taxable supplies include zero rated supplies and non-taxable supplies shall include exempted supplies.

## INELIGIBLE CREDIT

- ❑ Motor vehicles except used for usual course of business or for providing taxable services of – Transportation of passengers, goods or Imparting training or motor driving skills.
- ❑ Specified goods and / or services as are used primarily for personal use or consumption of employee
- ❑ Goods and/or services acquired by principal in the execution of works contract which resulted in construction of immovable property other than plant and machinery.
- ❑ Goods acquired by a principal, the property in which is not transferred (whether as goods or in some other form) to any other person, which are used in the construction of immovable property, other than plant and machinery.
- ❑ Goods and/or services on which tax has been paid under composition scheme.
- ❑ Goods and/or services used for private or personal consumption to the extent they are so consumed.

**NOTE: Where the tax component has been capitalised to the asset and depreciation is claimed on it under Income-Tax Act, then no input tax credit shall be allowed on such tax component.**



## Input Tax Credit – Banking/Financial Institution

Other Option Specially available to Banking or Financial Institution is explained below –

1. Avail 100% credit on Inter Branch supply of Services of the Banking or Financial Institution and
2. Avail 50% credit of all other Input Tax Credits.

Note – All Other Credit refers to Input Tax Credit that would have been available before considering ineligible Credit explained in previous slide.

## Input Tax Credit – Illustration

### Illustration –

Input Tax Credit in relation to

- Legal Service	2,000
- Printing & Stationary	15,000
- Rent	2,500
- Services from Inter Branch	25,000
<b>Total Credit Available</b>	<b>44,500</b>

### Calculation of Final Credit

<b>Total Credit excluding credit in relation to services from Inter Branch</b>	<b>19,500</b>
<b>Credit in Relation to services from Inter Branch</b>	<b>25,000</b>
<b>Eligible Credit (20,300 * 50% + 25,000)</b>	<b>34,750</b>

# RETURN

## RETURN UNDER GST

1

- Upload the detail of outward supplies-including taxable supplies, exempt, export, deemed supplies, etc BY 10<sup>TH</sup> OF NEXT MONTH under GSTR-1

2

- Auto-draft of provisional GSTR-2 based on the detail uploaded under GSTR-1 by supplier. By 15<sup>th</sup> of next month

3

- Accept/reject/modify such auto-drafted provisional GSTR-2

4

- Add additional purchase detail in GSTR-2 which has not been uploaded by the supplier

5

- Reconcile the GSTR-1 & GSTR-2 & finalize using online/offline facility

6

- GSTR-3 automatically generated on finalization as in Step:5

7

- Pay the amount as shown in payable under GSTR-3 & file the return by the 20<sup>th</sup> of next month.

## PERIODICITY OF RETURNS

Periodicity of Returns are as follows –

If turnover does not exceed Rs. 1.50 Crore

Quarterly

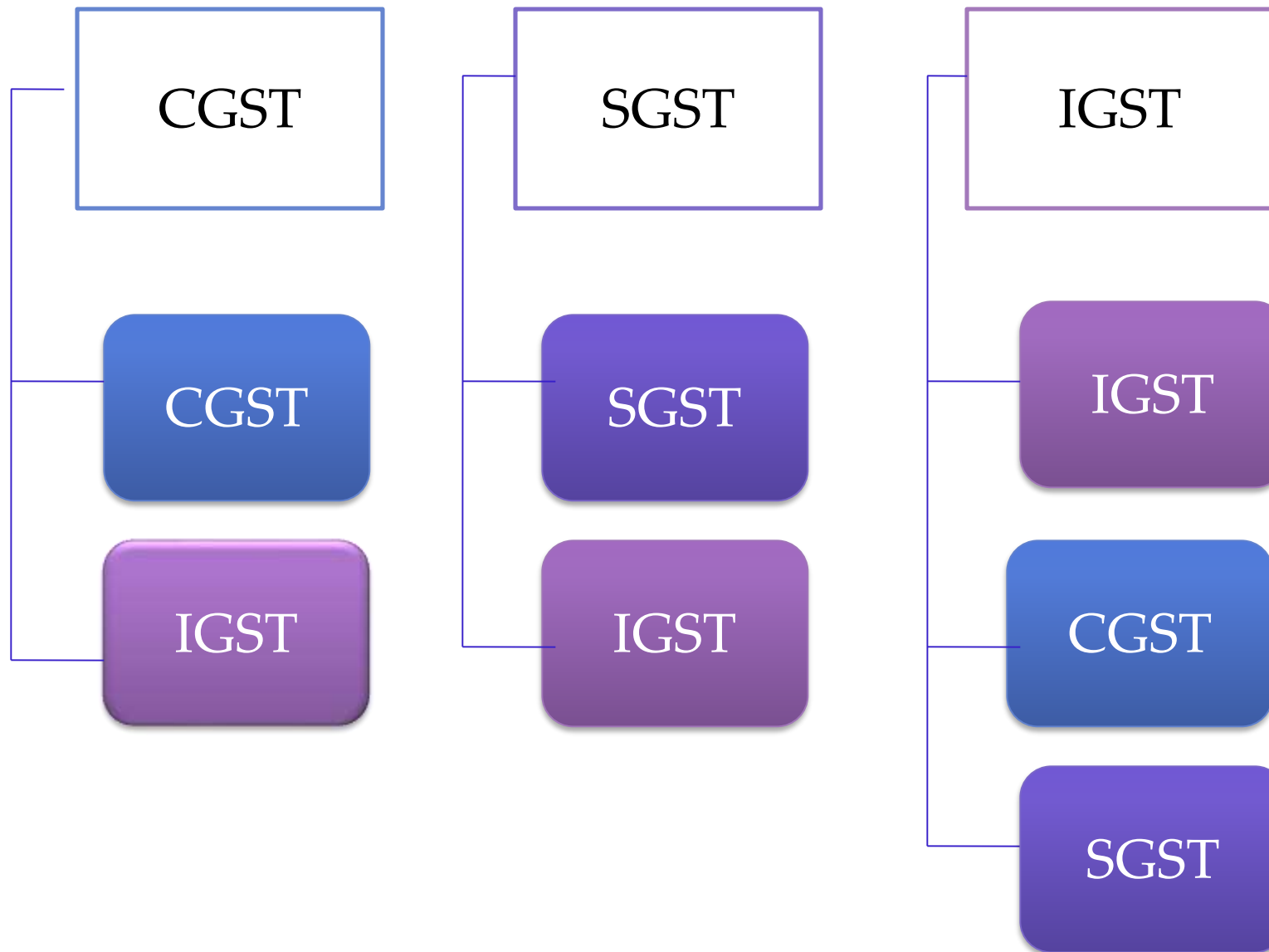
If turnover is more than 1.50 Crore

Monthly

Note – Till December 2017, One additional return GSTR 3B is require to be file for payment of GST Liability. Such return is to be filed within 20<sup>th</sup> of next Month.



## PRIORITY OF UTILIZATION OF CREDIT



Taxes Particular	CGST	IGST	SGST
Input	10000	30000	10000
Output	25000	10000	25000
Net (Refund)/ Payable	15000	(20000)	15000
Payable	-	-	10000



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