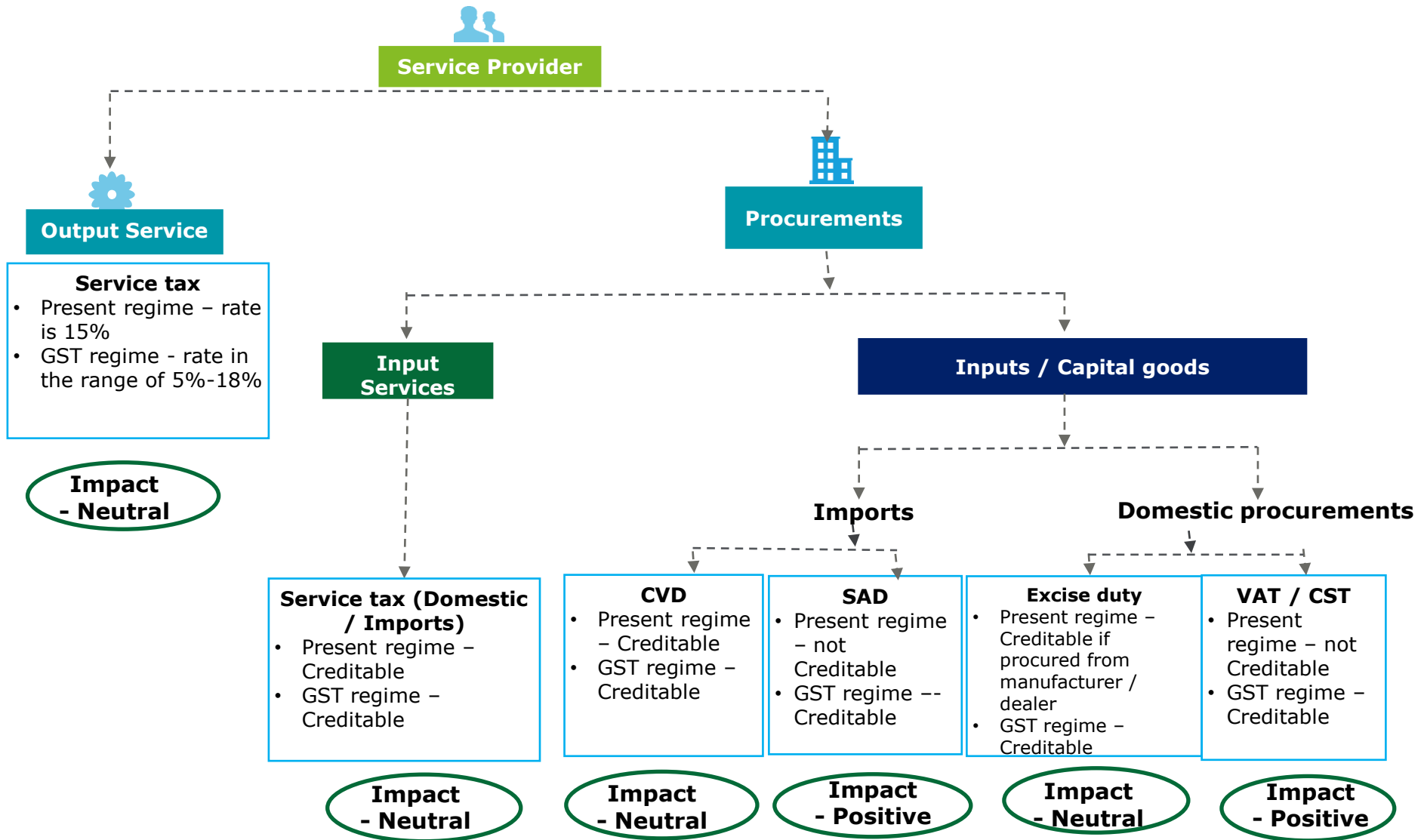


Impact of GST on various sectors



Overview of GST implications

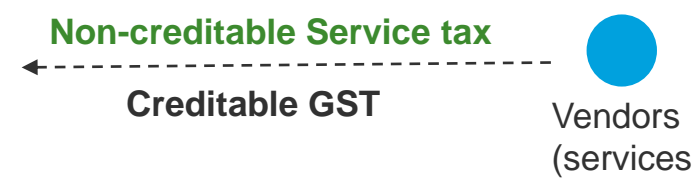


Potential Implications : Trading

Trading business expected to benefit

Customs duty (except basic custom duty)

Service tax on services procured



Particulars	Import of goods	
	Present	GST
Value of Import (A)	1000	1000
BCD @ 10% on (A) = (B)	100	100
CVD @ 12.5% on (A+B) = (C)	137	-
Edu. Cess @ 3% on (B+C) = (D)	7	*
SAD @ 4% on (A+B+C+D) = (E)	50	-
GST @ 18%	-	198
Eligible credit / refund	-50	198
Effective Cost	1244	1100

Particulars	Import of services	
	Present	GST
Value of Services	1000	1000
Service Tax @ 15%	150	-
GST @ 18%	-	180
Eligible credit	Nil	-180
Effective Cost	1150	1000

Notes (for both the tables):

1. Value of import and services is assumed at Rs. 1000
2. GST is assumed @ 18%
3. SAD is considered as refundable on the traded products on the basis of customs notification 102/2007 dated September 14, 2007

* Cess on BCD in GST not considered in above table

Legends:

Text in **dark green**: Existing i.e. pre-GST
Text in **gray**: Proposed i.e. GST

Potential Implications on Retail Sector

Particulars	Present scenario	GST scenario
Discounts offered to distributors/dealers	<ul style="list-style-type: none"> Excise duty on discounts deductible from transaction value No adjustment from VAT liability 	<p>Post supply discounts excludable from the transaction value provided</p> <ul style="list-style-type: none"> the same is established as per the agreement; known at or before the time of supply; and specifically linked to relevant invoices
Free Scheme to customers/supply against redemption	<ul style="list-style-type: none"> Currently, no VAT paid on free scheme i.e. supply against redemption of points Input VAT paid on items meant for free supply reversed 	<p>Both SGST as well as CGST would apply on supply without consideration. Consequently, Input credit would be available</p>
Seamless Credit	No ED or input service credit in the absence of output liability	<p>GST paid on input services like rentals, freight, sales promotion and advertisements, consultancy, etc. would be eligible as credit and available for offset against output GST liability on traded goods</p>
GST Implication on opening stock	Not Applicable	<ul style="list-style-type: none"> Excise Duty charged by the manufacturers, added to cost in the books of distributors/retailers. Sale by retailer subject to higher rate of GST, inspite of ED being a cost.

Potential Implications on Electronic Commerce

Particulars	Present scenario	GST scenario
Supplies through e-Commerce and Tax Collection at Source	No such concept under current regime	Under Model GST Law, electronic commerce operator has to deduct tax at prescribed rate out of the amount payable or paid to the supplier towards supply of goods/services made through it. Tax so collected and paid will be deemed to be tax on behalf of concerned supplier and supplier can claim credit for the same This will be an additional compliance requirement
Logistics/ Transportation	Every State has its own Rules regarding forms to be filed and compliances to be met during the entry and exit of goods, along with entry taxes levied by each State, if any	Entry tax will be subsumed. Further, the filing of various forms is likely to be done away with and replaced with a uniform system throughout India

Potential Implications on Software

Particulars	Present scenario	GST scenario
Classification of software – Goods or service?	On account of dispute regarding classification of software as goods/service, the industry suffers from double taxation i.e. both VAT and service tax are levied	Under GST, “services” include intangible property and “goods” exclude the same, which is expected to provide clarity regarding the classification. However, ambiguity may persist in case of software supplied on tangible media.
Refund	Time period for claiming refund of unutilized CENVAT credit on input services used in export is 1 year	Time period for claiming refund of unutilized CENVAT credit on input services used in export is 2 years The order has to be issued within 90 days from receipt of application
Exemption to SEZ	SEZ units currently enjoy upfront exemption from service tax, VAT, excise duty, customs duty, subject to conditions.	It is expected that exemptions are replaced with refund. This may have impact on working capital.

Potential Implications on Online Information and Database access or retrieval services

Particulars	Present scenario	GST scenario
Classification disputes	Sale or download of digital content such as e-books, music albums is subject to classification disputes due to absence of clarity in this respect and suffers from dual taxation of both service tax and VAT	Under GST, "services" include intangible property and "goods" exclude the same, which is expected to provide clarity regarding the classification
Cloud computing	<p>In case the servers are present outside India: Service Tax is applicable on RCM basis, towards service so received</p> <p>In case the servers are present within India: Lack of clarity as to whether it is goods or service. Thus, suffers from dual taxation of both Service Tax and VAT being levied</p>	<p>Model GST Law provides that</p> <ul style="list-style-type: none"> • transfer of right in goods without transfer of title thereof • transfer of right to use any goods for any purpose for cash, deferred payment or other valuable consideration <p>to be treated as supply of service. Hence, it is likely that cloud computing will be treated as service</p>

Potential Implications on Cement Manufacture

Particulars	Present scenario	GST scenario
Valuation issue on inter-unit transfer of clinker/loose cement	Ambiguity on whether to apply Rule 4 or Rule 8 of Excise Valuation Rules	Valuation would be done on the basis of comparison/arms length (similar to present Rule 4 of Valuation Rules)
Seamless credits	Credit on entry tax, CST, SBC and KKC not available	Entry tax, CST and other cesses except clean energy cess would be subsumed under GST and hence creditable.
Works Contract	In case of certain works contracts (AMC contract), the aggregate of taxation base for the purpose of VAT and service tax exceeds 100 per cent	The taxation base is expected to remain below or equal to 100 per cent of transaction value
Supply Chain Management	Warehouses/ Depots placed in multiple states to circumvent excess tax costs	Seamless credit across states would enable placement of warehouses/ depots in line with corporate strategies

Questions

