

RJA

# RAJPUT JAIN & ASSOCIATES

## CHARTERED ACCOUNTANTS

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association of international  
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IMPACT



**Potential impact of model GST Law**





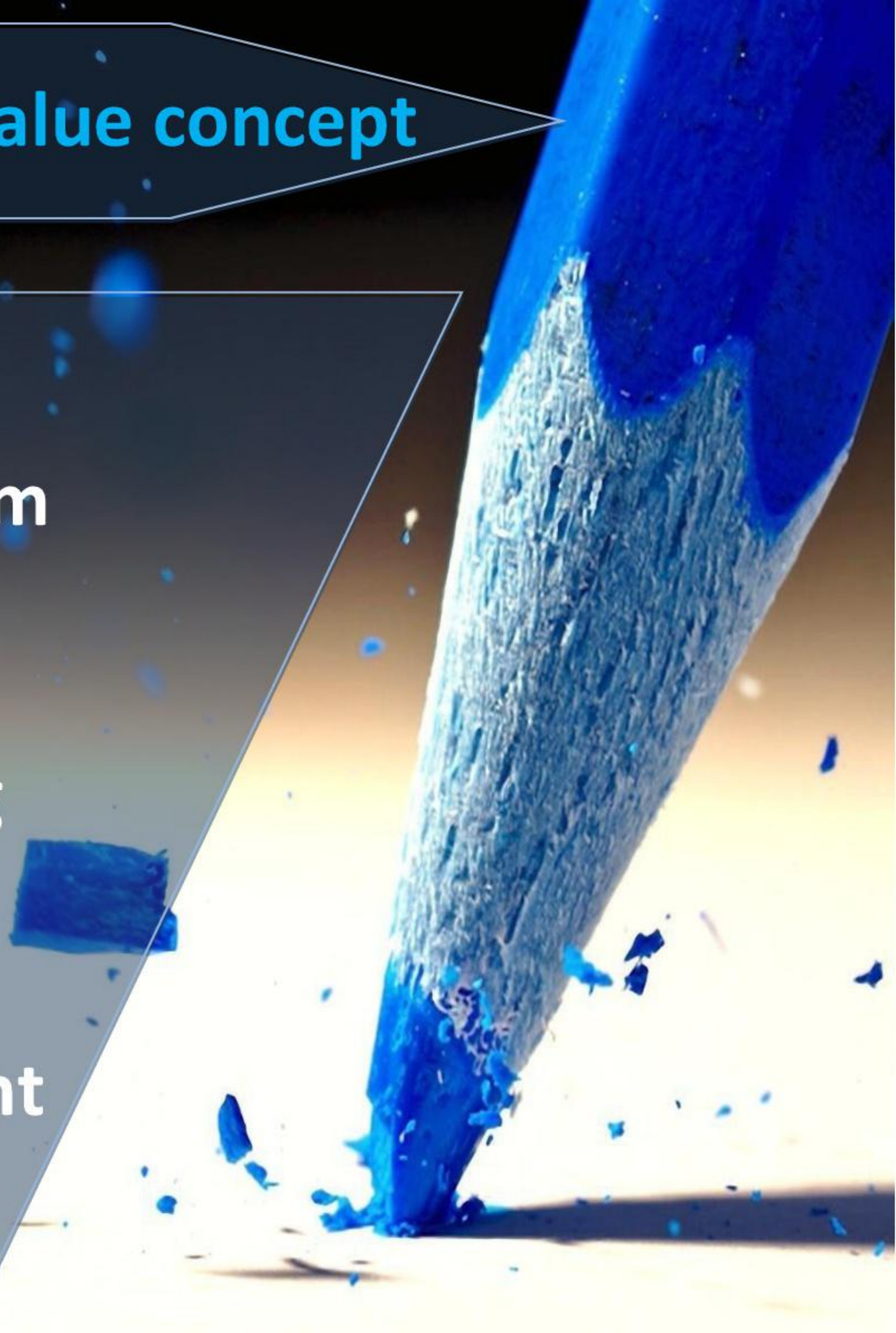
# About Us

**Rajput Jain & Associates is a Chartered Accountants firm, with its headquarter situated at New Delhi (the capital of India).The firm has been set up by a group of young, enthusiastic, highly skilled and motivated professionals who have taken experience from top consulting firms and are extensively experienced in their chosen fields has providing a wide array of Accounting, Auditing, Taxation, Assurance and Business advisory services to various clients and their stakeholders. Focus at providing tailor made solutions to challenging problems of our clients, and perform with high quality and timely service. Rajput Jain & Associates, a professional firm, offers its clients a full range of services, to serve better and to bring bucket of services under one roof, the firm has merged with it various Chartered Accountancy firms pioneer in diversified fields Our main office is located at Delhi. Incidentally, Delhi is the Capital of India. Our other offices are in Mankapur & Moradabad (U.P.). We have associates all over India in big cities. All our offices are well equipped with latest technological support with updated reference materials. We have a large team of professionals other than our Core Team members to meet the requirements of our prospective clients including the existing ones. However, considering our commitment towards high quality services to our clients, our team keeps on growing with more and more associates having strong professional background with good exposure in the related areas of responsibility. Further to meet the growing demands of the fiercely competitive market we are constantly looking forward for team of associates comprising of highly skilled professionals to cater the needs ever increasing clientele.**



## **MRP regime to Transaction value concept**

**At the outset, GST will see a transition from the maximum retail price (MRP) regime prevalent under the existing excise law to a transaction value concept with attendant valuation rules.**





**Will effect areas where MRP regime exists**

**This will turn the clock back and have an impact across sectors such as retail, consumer electronics, FMCG, pharma, etc., where currently the MRP regime exists.**



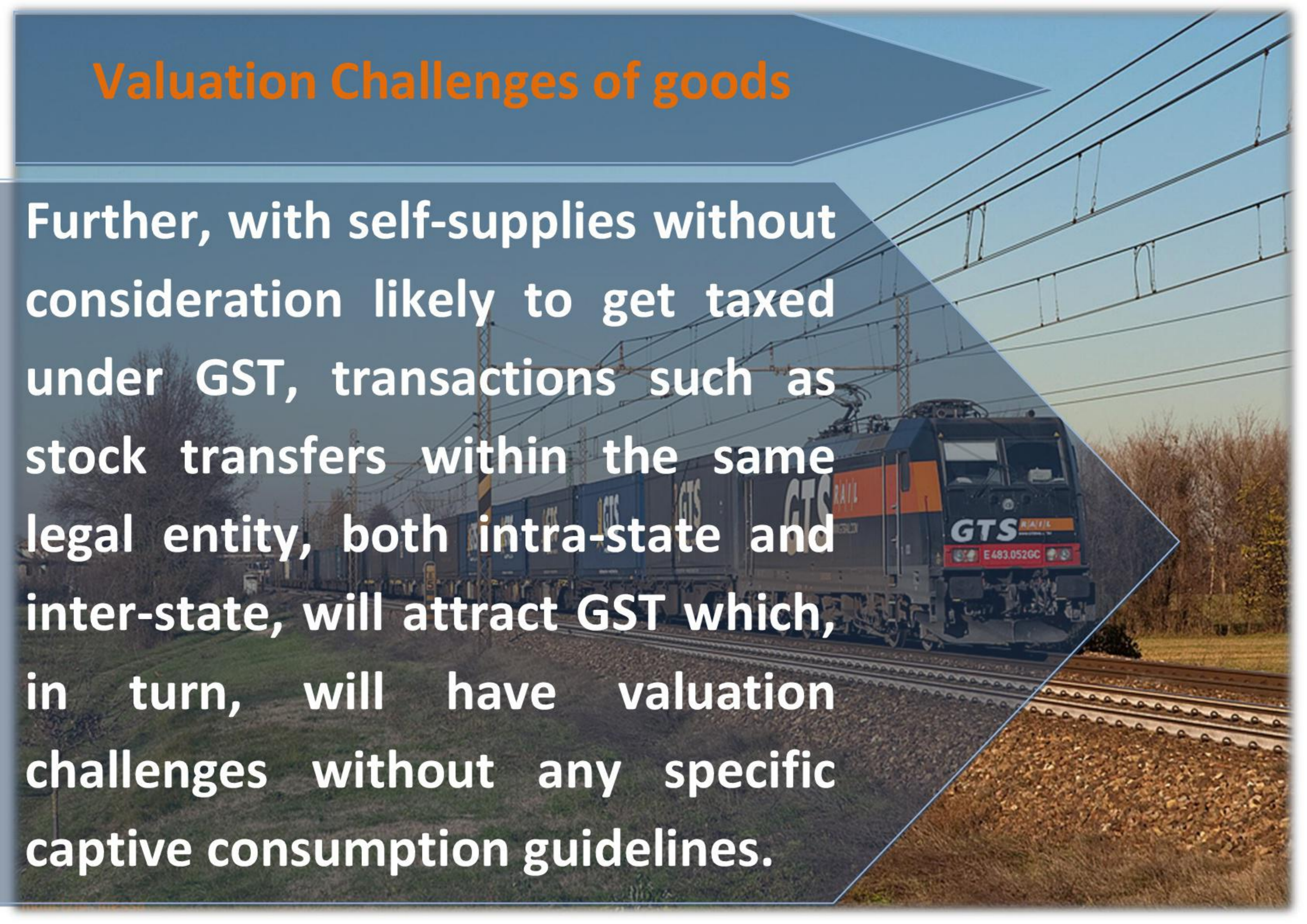
## Transaction value concept challenges

Transaction value will have its challenges. The law as envisaged does not address specific rate scenarios, exposes potential inclusion of other taxes, cess and duties outside GST within the base, inclusion of potential subsidies linked to products, etc.



## Valuation Challenges of goods

Further, with self-supplies without consideration likely to get taxed under GST, transactions such as stock transfers within the same legal entity, both intra-state and inter-state, will attract GST which, in turn, will have valuation challenges without any specific captive consumption guidelines.







**Issue of  
treatment  
of trade  
incentives  
and  
discounts**

Treatment of trade incentives and discounts is another critical issue, as these would be available as adjustments only if they are on invoice or are known in advance of a transaction and are relatable to such transactions. Industries across sectors have various types of incentives linked to festivals, year-end clearance, turnover, etc., which need to be examined closely.



## Impact on service sector

The services sector, which currently deals with just central service tax, will now have to contend with multiple states where they have business operations requiring registration plus the centre, unless the government finds alternative solutions.



**Will effect financial and telecom  
service sector**

**This will impact key sectors such as  
financial services, telecom, etc. from  
compliance prospective and has been a  
point of intense engagement by these  
sectors.**





A photograph of three business professionals in a meeting. A woman in the foreground is pointing at a laptop screen. Two men are looking on, one holding a pen. The scene is brightly lit, suggesting an office environment.

## **Tax Input will be allowed within a company**


**What we see is the continuing restrictive definition of input and input services from the legacy framework, though the definition of input credits appears to be wide. So the jury is out on this and will require some clarification. What is welcome is the proposed mechanism of input service distributor, which allows credits to be passed within a company.**



## Transitional provision of Tax credit

Another critical area is the transition provisions that allow taxes and duties paid in the existing regime that are either lying as eligible credits or embedded in finished goods to be transitioned as credit for payment of GST in the new regime. This is literally cash for industry, and hence very important for industry to comprehend the provisions for discussions.



A close-up photograph of a person's hand using a silver and black calculator. The calculator is placed on top of a printed spreadsheet with various numerical data. The background is slightly blurred, focusing attention on the calculator and the hand. The text is overlaid on the top-left portion of the image.

The draft law envisages that credit that was eligible under existing laws (service tax, excise and VAT) and also eligible under the proposed GST regime will only be carried forward for transition.

So industry has to closely watch the eligible credits reported at the year-end, besides trying to minimize the embedded taxes/duties in finished goods, especially those not available as credit today.



# **New Tax collection concept for E-Commerce sector**

**The law envisages a new tax collection concept at source for e-commerce marketplaces, besides mandatory registration for vendors in such marketplaces without any threshold. It's important to see how this plays out for this emerging but critical channel from an ease-of-doing-business perspective.**



## Effect on area based and state based tax incentives

The law is still silent on critical aspects such as the treatment of area-based and state incentives, which are very important issues for several sectors. States such as Himachal Pradesh and Uttarakhand have large investments based on such incentives and would like early clarity on the transition to the GST regime—would these be transitioned to a refund mechanism for avoiding GST chain breakage and in what form?



# **GST in states with their specified industrial policies**

**Similarly, large investments have been made in specified states based on their industrial policies. What would be the status of these under GST, considering there will be no central sales tax kitty going forward for states versus collection of SGST (state GST) on services? These are significant issues which will need clarity sooner than later for industry to plan from a GST-implementation perspective.**



# Levy and collection of CGST SGST and Integrated GST

- ✓ On Intra state supplies of goods and/or services: CGST & SGST shall be levied by the Central and State Government respectively, at the rate to be prescribed.
- ✓ On Inter-State supplies of goods and/or services: IGST shall be levied by the Central Government at the rate to be prescribed.



## Reverse charge basis

Notification may be issued for providing specific categories of supply of goods and/or services, on which, GST is payable by the person receiving such goods and/or services, on reverse charge basis.



## Composition Levy

A registered taxable person, whose aggregate turnover in a financial year does not exceed Rs. 50 lakhs, shall be provided an option to pay, in lieu of the tax payable by him, an amount calculated at such rate as may be prescribed, but not less than 1% of the turnover during the year, subject to following conditions:







**The benefit of composition scheme shall not be granted to a taxable person who affects any Inter-State supplies of goods and/or services.**

**The taxable person opting for composition levy shall not collect any tax from the recipient to whom goods and/ or services are supplied.**

**No credit of input tax shall be allowed.**





## CONTACT US

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