

**GOODS & SERVICE TAX
ADVANTAGES AND PRECAUTIONS**



SHARNAM LEGAL

ADVOCATES & SOLICITORS

"Building longterm relations through our work."

GST – AN OPPURTUNITY FOR ALL

UNIQUE EXAMPLE OF FEDERAL CO-OPERATION

IDEAL GST - A GAME CHANGER

GEARING UP FOR GST

GST STAR RATING – A UNIQE IDEA

UNIQUE IDEA OF 'ANTI PROFITEERING CLAUSE'

GST NOT INFLATIONARY SO WIN – WIN FOR ALL

MAJOR DOWNSIDES OF GST MODEL UNDER IMPLEMENTATION

IMPACT OF GST ON BUSINESS & INDUSTRY

PREPRATIONS NEEDED IN BUSINESS FOR GST

GST A GAME CHANGER-A GROWTH CATALYST

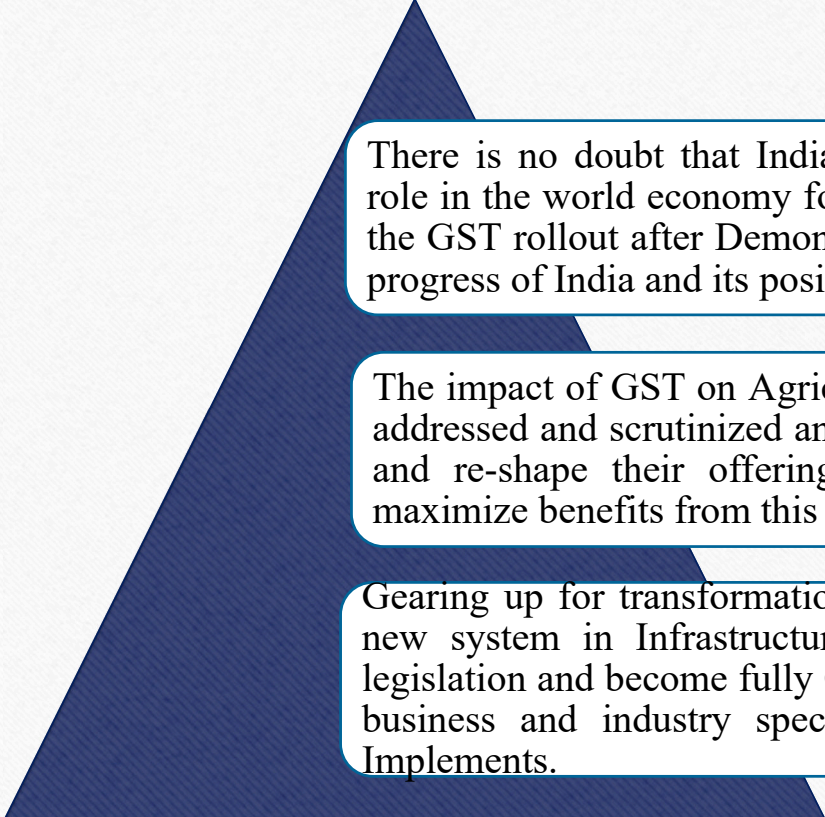
GST is certainly a Game Changer because it creates a unified market for goods and services
One Tax One Nation



Simplifies the tax code and allows for the substantial utilization of input tax credits across the supply chain.

The Agricultural Implements Manufacturer and Trading sector in India is possibly one such sector which has probably not been fully assimilated from a tax-payer perspective while framing the GST Model, some distinct provisions need to be applied to make this sector compliant for GST.

GEARING UP FOR GST



There is no doubt that India is projected to play an important role in the world economy for years to come, the world looks to the GST rollout after Demonetization as a catalyst for economic progress of India and its positive effect on world economy.

The impact of GST on Agricultural Implements is needed to be addressed and scrutinized and then the organization should plan and re-shape their offerings to principals / consumers and maximize benefits from this new taxation regime.

Gearing up for transformation in the processes for adoption of new system in Infrastructure Sector, understanding the new legislation and become fully GST compliant is the need of every business and industry specially in the area of Agricultural Implements.

IMPACT OF GST ON BUSINESS

Given that GST represents the biggest tax reform undertaken in India since independence, there is inevitably a great degree of interest in GST from commercial perspective, analysts are trying to fully understand the likely impact of GST on multiple business sectors spread across the business eco-system specially in Infrastructure Sector.

REDUCED LOGISTICS COSTS

The ripple effect of GST will be felt in lower logistic costs. Organized and un-organized players are now coming equally under the tax ambit, it will inevitably lead to a level playing field as costs equalize for all components of logistics. A tough competitive era for logistic support essentially required to business, this sector needs efficiently adopting new process.



IMPACT OF GST ON BUSINESS

A LARGER & UNIFIED MARKETPLACE

With the **removal of bottleneck**, the free movement of transport vehicles across the border of the states shall be possible which shall certainly **reduce the period of carrying the goods** from one part of country to another resulting in **reduced requirement of working capital**.

Interstate movement/supply of goods will become cheaper with available Input Tax Credit with competitive and uniformly regulated market.

With GST in the offing, the **whole Indian market opens up** for large manufacturers having consumers all over the country, as **interstate supply becomes tax-neutral extending competition**. This will also bring down **costs associated with maintaining depots/consignment agents** at multiple locations and also **maintaining high stocks**, as there will be **un-disrupted fast movement of goods with assured deliveries**. Thus, realignment of purchase / supply transactions shall be essential for every business in the new scenario of GST.





IMPACT OF GST ON BUSINESS



REQUIREMENT OF RE-CLASSIFICATION OF GOODS AND SERVICES:

With the adoption of HSN / SAC Code system of classification of goods and introduction of Categories of services after removal of old, whimsical and controversial system of classification of goods under VAT/Sales Tax there is a requirement to re-visit the classification of supply of goods & services to **avoid excess payment of tax or litigation for the classification issues.**

Mutually exclusive and well defined Rates of Taxes will bring certainty of levy of GST resulting stability in the business.

As an opportunity, the **multiplicity of slabs of tax rates in GST** on goods as well as **separate rates for various services** should certainly be utilized to the advantage of the business in the newly introduced system.

COMPLEXICITES IN TAXATION OF AGRICULTURAL IMPLEMENTS

The present complications of taxability on Work Contract as involving composite or mixed supply of goods as well as supply of services may continue to remain in GST, but intricate issues about their classification, rates and taxability needs to be addressed in these two important areas of business or industry not only to minimize the adverse effect of GST, but more importantly to make correct & transparent compliance of the provisions of the law.

IMPACT OF GST ON BUSINESS

TAXATION OF GOODS OUTSIDE THE PURVIEW OF GST

Separate accounting & respective tax compliance would be required for the items like Petroleum Products & Electricity etc. which are not covered under GST, these goods will continue to be taxed under the present system of Indirect Tax Law with continued adverse effect of cascading of taxes.

MAJOR EFFECT ON BUSINESS DUE TO INTREPRETATIONS OF NEW GST LAW

Business requirements in the changed regime of GST needs be assessed and strategy should be changed to avail the maximum benefit of new provisions.

The cumulative effect of GST will result in different requirement of cash at a different points of time as well as in different amount.

CONCEPT OF GST STAR RATING OF BUSINESS



Since, GST as a system has been devised in such a way that every activity of business **transaction gets automatically populated to operate in a digital environment**, the unique idea of GST COMPLAINT RATING has been introduced.

Putting compliance rating in the **public domain** will allow dealers to **choose their trade partners** better. This to be done keeping in mind that **everything will be digitalized** and **Input Tax Credits would be allowed throughout the country** without any opportunity of personal interaction against what was done in the past.

CONCEPT OF ANTI-PROFITEERING CLAUSE

The effect of **anti profiteering** clause based on the Malaysian experience of GST shall be a challenge for every business in finalizing the price structure of the goods and services which are being dealt-in by them. The reduction in price due to availment of Input Tax Credit in the supply chain as well as reduction in GST tax-rate has to be passed on to the ultimate consumer. A high level of transparency shall be needed specifically immediately after the introduction of GST.

REQUIREMENTS IN BUSINESS UNDER GST

ZERO DEFECT COMPLIANCE & LEGAL ANALYSIS OF TAX DATA

For worry free business the supplier must ensure that records and mapping are kept up to date and that systems are perfectly placed and executed according to the GST rules and after identifying the correct nature of business. Analysis and Review of the tax data before it is submitted to the Government shall be the most essential need as once the data of the transaction is uploaded in a particular category, it would be subjected to tax accordingly by the software in the GSTN Portal.

SELECTION/ADOPTION OF SOFTWARE FOR ANALYSIS OF TAX DATA FOR GST

Data analytics tools to suit the needs of your business and environment is absolutely essential. Normally Accounting Software/ERP are not providing the support for GST nor can perfectly tackle the complexity and variations inherent to the world of tax specifically in the context of Indian GST Law which is absolutely unique and have its own specified definitions/meanings of various terms as applicable for interpretation of the specific provisions in the GST Law subjecting the calculation of due amount of GST on the transaction of supply of goods or services.

REQUIREMENTS IN BUSINESS UNDER GST

Utilizing the provision in GST law for Elimination of Cascading Effect

- With GST becoming a mandatory reality, the way companies spend will change completely after understanding the provisions and compliance mechanism.
- Innovative practices help companies identify the recoverable taxes in every spend.
- The software must help with the actual recovery of taxes paid at all earlier stages in the trail of supply chain so as to fully claim companies money in the shape of ITC

FOCUS AREAS UNDER GST FOR BUSINESS

Financial Impact due to Change in Law for collecting and payment of Indirect Tax

Cash Flow Impact of change in rates and other aspects

Timing Effect on requirement of finance for GST

Logistics Optimization Opportunities

Restructuring of Transactions vis-à-vis actual impact of GST

Re-visiting the contracts - assessing and effectuating the GST Impacts

Transition of IT Systems providing Zero defect compliance of GST

Stakeholders Training as a Team for better Compliance

Assistance in Compliance and Advisory Support

Analysis of available Composition / Abatement Schemes / Anti profiteering measures.

Transition of Processes and Rationalization of Compliance Mechanism



EFFECTS ON BUSINESS & INDUSTRY

GST will bring discipline and make business more organized needing better governance and zero defect compliance. A fully geared business will lead the way and take competitive edge over others.

Enterprises must look for a GST ADVISORY TEAM that is both tax and technology expert, to help them in transition as well as to critically examine the transactions and accordingly automate their GST compliance.

A well prepared team of GST legal experts, understands the tax domain system's complexity, scale and security to build a superior experience for tax payers.

[TO BE PUBLISHED IN PART II, SECTION 3, SUB-SECTION (i) OF THE GAZETTE OF INDIA, EXTRAORDINARY]

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Department of Revenue)

Notification No.1/2017-Integrated Tax (Rate)

New Delhi, the 28th June, 2017

G.S.R. (E).- In exercise of the powers conferred by sub-section (1) of section 5 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), the Central Government, on the recommendations of the Council, hereby notifies the rate of the integrated tax of-

- (i) 5 per cent. in respect of goods specified in Schedule I,
- (ii) 12 per cent. in respect of goods specified in Schedule II,
- (iii) 18 per cent. in respect of goods specified in Schedule III,
- (iv) 28 per cent. in respect of goods specified in Schedule IV,
- (v) 3 per cent. in respect of goods specified in Schedule V, and
- (vi) 0.25 per cent. in respect of goods specified in Schedule VI

appended to this notification (hereinafter referred to as the said Schedules), that shall be levied on inter-State supplies of goods, the description of which is specified in the corresponding entry in column (3) of the said Schedules, falling under the tariff item, sub-heading, heading or Chapter, as the case may be, as specified in the corresponding entry in column (2) of the said Schedules.

Schedule III – 18%

S. No.	Chapter / Heading / Sub-heading / Tariff item	Description of Goods
325.	8424	Mechanical appliances (whether or not hand-operated) for projecting, dispersing or spraying liquids or powders; spray guns and similar appliances; steam or sand blasting machines and similar jet projecting machines [other than fire extinguishers, whether or not charged]

[TO BE PUBLISHED IN PART II, SECTION 3, SUB-SECTION (i) OF THE GAZETTE OF INDIA, EXTRAORDINARY]

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Department of Revenue)

Notification No.2/2017-Integrated Tax (Rate)

New Delhi, the 28th June, 2017

G.S.R. (E).- In exercise of the powers conferred by sub-section (1) of section 6 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017), the Central Government, being satisfied that it is necessary in the public interest so to do, on the recommendations of the Goods and Services Tax Council, hereby exempts inter-State supplies of goods, the description of which is specified in column (3) of the Schedule appended to this notification, falling under the tariff item, sub-heading, heading or Chapter, as the case may be, as specified in the corresponding entry in column (2) of the said Schedule, from the whole of the integrated tax leviable thereon under section 5 of the Integrated Good and Services Tax Act, 2017 (13 of 2017).

Schedule

S. No.	Chapter / Heading / Sub-heading / Tariff item	Description of Goods
137.	8201	Agricultural implements manually operated or animal driven i.e. Hand tools, such as spades, shovels, mattocks, picks, hoes, forks and rakes; axes, bill hooks and similar hewing tools; secateurs and pruners of any kind; scythes, sickles, hay knives, hedge shears, timber wedges and other tools of a kind used in agriculture, horticulture or forestry.

[TO BE PUBLISHED IN PART II, SECTION 3, SUB-SECTION (i) OF THE GAZETTE OF INDIA, EXTRAORDINARY]

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Schedule

S. No.	Chapter / Heading / Sub-heading / Tariff item	Description of Goods
137.	8201	मान्तीय रूप से प्रचावलत या पशुओं द्वारा चावलत उपकरण अर्थात् हार् के औजार जैसे फाड़ि, शालि, गैती, कुदाल, ह , कांटे और पंजे ; कुल्हाड़ी, बांका और िैसे ही काटने के औजार, वकसी भी प्रकार के कैंचा ; और कलम कैंची, दराती हंसए, घास कवतथत्र, झाड़ समाकवतथत्र, प्रकाष्ठफान और अन्य औजार, वजनका कृवष, उद्यान कृवष, िावनकी में उपय ग वकया जाता है

THANK YOU

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