

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



NOIDA BRANCH OF CIRC



For in house Circulation Only

No. – 09 (2016-2017)

November -2016



Respected Members,

Greetings of the day

It is my enormous gratification to intermingle with the glory of the profession and honor to converse through this Newsletter.

Friends, I wish to communicate that ICAI is organizing the Commerce Talent hunt (ICAI COMMERCE WIZARD)through Career Counseling Committee(CCC) of ICAI. This is the Diagnostic test of commerce ability and a primary step to groom the seed of commerce and future ICAI. Noida branch is shouldering the initiative to attain the true perspective of the aim of CCC.

Friends, in this month Noida branch is organizing the most awaited Forensic Audit Course for the members, those who wish may apply online.

Friends, Noida branch is looking forward for organizing the two days National Conference in the month of December and as the GST is around the corner and likely to be implemented from April-2017, we are taking care to have sessions on GST in details seminar in national conference.

Friends, this year, 2016 is the last year of the 3years block period and we are trying to have more seminars so that not only the CPE hours can be attained but the knowledge thriving seminars can be served to the members of profession.

I, thanks to all the members who are regularly providing the articles for the newsletter and serving the profession flawless with their subjective write-up and invite all the members to generously come forward for knowledge sharing among the members.

I, sincere pledge my gratitude and thanks to the all members and wish a great time ahead.

Sincere Regards & Thanks

CA SANJAY SHARMA

CHAIRMAN, NOIDA BRANCH

9899709954

SANNJAY3@GMAIL.COM

*Thank
you*



Secretary writes.....

Respected Professional Colleagues,



Friends, now it is a breathing time to all my professional colleagues as all deadlines of filing of our professional assignments are over.

Friends, technology is one of the globally tested chief drivers of growth, which plays an important role in running the borderless knowledge economy. It adds an immense potential to the human productivity. Information Technology essentially empowers us to do what we want to do. Chartered Accountants (CAs), an integral part of Indian economy, have to come to the fore. If they do not take note of this development and honour the technological advancements, our profession as well our national economy will suffer. With inherent potential to excel, CAs can appropriate all uncharted orbits of their profession and conquer all professional challenges. The ICAI has been constantly updating the knowledge base of our members through its various Committees. With the implementation of biggest indirect tax reform i.e. GST law, all reporting shall be on-line, accordingly all CAs have to be equipped themselves with advanced technology.

Friends, October month was quite as far as branch activities were concerned due to members prior commitments in their respective professional works even than your branch had organised a workshop on Concurrent Audit of Banks on 21st October with Internal Audit Standards Board of ICAI and Ghaziabad Branch. In workshop, eminent speakers like CA Amarjit Chopra, our past president and other eminent speakers retired from banks as well our members delivered their deliberation. It was a large gathering in ICAI Audi in Sector-62, Noida.

Friends, if we have to survive in our practicing profession, we have to be innovative and to think beyond traditional practice. Considering the new fields and areas of our practice, your branch is organising the course on Forensic Audit starting from 12th of this month. Members who are interested in this course may come forward and join this course.

Friends, the entire management committee shall always welcome all your suggestions for the betterment of profession as well better functioning of branch.

My best wishes for the entire festive season.

CA SUDHIR KUMAR
SECRETARY, NOIDA BRANCH
Mob 9312221420
E-mail ID: caskg2006@gmail.com

*Thank
you* 

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CHALLENGES IN FILING RETURN IN GST

Background

GST is basically destination based consumption tax. This tax is levied on the supply of goods or services. Centre and State both can levy and collect GST. However, the Centre has the exclusive power to levy and collect tax on supply of goods and / or services in the course of inter-state trade or commerce. Various type of GST which were introduced are CGST (Central GST), SGST (State GST) and IGST (Integrated GST).

Under proposed Article 270 (1A) of the Constitution of India, Central GST and the Centre's portion of IGST shall be distributed between the Union and the States. A percentage of net proceeds of CGST and Centre's share of IGST, prescribed by the President after considering the recommendations given by the Finance Commission shall be assigned to the consuming States. Balance of net proceeds would form part of Consolidated Fund of India (CFI).

Returns to be filed in GST regime

In the new GST law, following returns are required to be filed:

- a. **First return / welcome return:** Every registered taxable person paying CGST/SGST on all intra -state supplies of goods and / or services shall have to furnish the first return from the date on which he become liable to registration till the end of each month in which the registration has been granted.
- b. **Monthly sales / outward supply return:** By 10th of succeeding month, one needs to file a return specifying all the sales / outward

supplies made in the previous month. One needs to report the details of all invoices and GST number of clients / customers to whom these supplies are made.

- c. **Monthly return of purchase / inward supplies:** The above data shall be eventually used by the customer to furnish the monthly purchase / inward supplies.
- d. **Return for Input service distributor:** This return has to be filed within 15 days after end of each month.
- e. **Combined return:** It is a combination of auto populated data of the above two returns plus details of tax challan paid and input credit availed. This return is required to be filed by 20th of succeeding month.
- f. **Consequences of not filing the return**
If you fail to file any single return, the penalties are Rs.100 per day. If you fail to file your return and pay tax, your customers cannot avail tax credits on goods sold by you.

Above requirements is only for one state. With every state, the number of returns would multiply. Further, GST common portal will populate this data to respective client's screen for validation. This data shall eventually be used by respective client / customer to furnish the returns of monthly purchase / inward supplies.

- g. **Annual return:** This needs to be filed by 31st December following the end of financial year. This return must be in concurrence of the annual financial results and summation of your 12 monthly returns.
- h. **TDS return:** The person who has deducted the tax will be liable to file this TDS return within 10 days after end of each month. This return is similar to Form 26Q / 24Q.

Impact on the business

Many returns are required to be filed in the GST regime. If a person wants to do business in multiple states, the number of return multiplies. The GST portal plays an important role in this regard. It will populate the data which is punched by the seller / outward supplier to the respective vendor's screen for validation. This data will eventually be used by respective client / customer to furnish the returns of monthly purchase / inward supplies.

Let us assume that the sales data is punched wrongly by your client. The vendor cannot claim the credit for the wrong information submitted by the client. For example party "A" which sells goods to party "B" wrongly punches Rs. 1 lakhs instead of Rs.10 lakhs. Now party "B" which wants to claim credit is only 1 lakhs instead of Rs.10 lakhs. Further, one has to pay interest on disputed amount if there are delays in depositing the amount of GST.

If the mistakes are not rectified within September following the end of the financial year, the vendor should be ready to forego the refund of the excess GST amount paid.

It is important that your vendor monetarily always remains in good health and is able to file his GST return in timely manner thrice a month.

Implementation activities to be undertaken

Budgeting:

One needs to do proper budgeting of working capital (especially who has lower margin) as once you generate sales invoice the GST become payable. However, in case of claiming inputs, actual receipt of goods / services is precondition. You are not allowed to furnish return for a

period if valid return for any previous period has not been furnished.

Identification of credit to be availed:

- a) The exempted credit those are allowed under GST needs to be identified and listed.
- b) Ascertaining the WIP / closing stock lying at the year end.
- c) Work out the credit portion pertaining to the closing stock through appropriate method
- d) Get permission from the tax authority to avail the credit.

Improvement in the IT structure

- a) Deactivation of existing GL in the accounting software
- b) Creation of new ledger. At the present scenario, 6 new GL are required to be created
- c) Invoice wise customized report for credit (Purchase / Sales register , register for taking credit)
- d) List of **Scheme of Entry** to be passed monthly with name of responsible person.
- e) Fixing appropriate condition in Material / Inventory module
- f) Fixing appropriate condition for sale of product in Supply Chain Module
- g) The exempted credit those are allowed under GST needs to be identified and listed
- h) Ascertaining closing stock / WIP lying at the year end
- i) Work out the credit portion pertaining to the closing stock through appropriate method
- j) Get permission from the Tax authority to avail credit.

Discussion with Purchase Department

- a) Educate the purchase department to procure as much as from the registered vendors. To avoid any kind of litigation in the future
- b) Educate to understand the Input Tax Credit wherever the same is not allowed (after the publication of rules) by the Accounts Department

- c) Ensure not to purchase from the tax defaulter parties (Defaulter list will be circulated by the Department)
- d) Master data updating with the GST number / PAN number and proper address of vendors

Discussion with Marketing Department

- a) Tax needs to be charged for the sales to SEZ units (the final confirmation will be available after the Rules are published)
- b) Understand the tax incidence with percentage
- c) Provide Product Code (HSN) to the marketing department by the Accounts Department
- d) Update the master data of client with GST number / PAN number and proper address

Discussion with Stores Department

- a) The invoice needs to be forwarded as and when the GRN is accounted, this will enable accounts department to avail credit
- b) Identify wherever the credit is not allowed which is needed to be included in the cost of inventory at the time of GRN.

Role of Professionals in GST

Impact Analysis

Analyze the structural changes in marketing and procurement including the effect on the cash flow of the organization. This could be rates once the rates are prescribed.

Maintenance of Accounts & other records

Every registered taxable person whose turnover during the financial year exceeds the prescribed limit shall get his accounts audited by a Chartered Accountant or Cost Accountant and submit proper copy of audit financial statement.

Procedural Compliance

- a) **Input tax credits:**
Although GST is meant for seamless flow of Input Tax Credit, (ITC) there are certain restrictions on availing input tax. Professionals can advise the eligibility of the tax credits.
- b) **Maintenance of ITC register:**

ITC register will be maintained in electronic form based on the transactions uploaded by the assessee. Hence the transactions needs to be uploaded in the prescribed manner and periodic review of the same is required to confirm availability of ITC.

c) **Computation of accurate liability:**

The GST liability has to be paid on monthly basis. The liability will be calculated as outward tax payable *less* input tax credit available. Short payment will attract liability and excess payment will result in blockage of funds.

d) **Matching of tax credit reconciliation:**

Input tax will be allowed only when the data is matched with respective data filed by suppliers or customers. Hence the input tax credit as per our filing and as per other parties need to match. Tax credit will not be allowed if the data is not matching. Such mismatch has to be rectified within a span of two months.

e) **Audit & Assurance:** Apart from the statutory audit, the professionals are required to conduct audit as per S.42(4) who crosses the prescribed limit.

Special Audit

At any stages of scrutiny, enquiry or investigation or any other proceedings if the Assessing Officer feels that the value has not been properly determined, direct the books to be examined by any professional. The service can also include monthly or quarterly compliance checks and correction of errors on ongoing basis.

Thanks & Regard

AMRITA CHATTOPADHYAY

Mem. No.215764

Mobile: 9717067979

Amritac80@gmail.com

Thank you 



REFUND IN GST

1. In the Following Situations , Refund can be claimed in GST:

Export of Goods or Services (Including Deemed Export)
Refund of Unutilized Input Tax Credit
Refund from Manufacturing / Generation/ Production - tax free supplies
Excess payment due to mistake and inadvertence
Finalization of Provisional Assessment
Refund for Tax payment on transactions by UN bodies, CSD Canteens, Para-military forces canteens, etc
Refund of pre deposit in case of Appeal.

1.1 Export of Goods or Services (Including Deemed Export)

- A. In case of exports of goods and/ or services out of India on which **export duty is not payable then** tax paid inputs and claiming refund of the paid taxes at the time of export.
- B. In case of exports of goods and/ or services out of India on which **export duty is payable then** availing the input tax credit of duty paid inputs and exporting finished goods after payment of duty (after utilizing such input tax credit) and thereafter claiming the rebate of the duty paid on export. Refund of the unutilized input tax credit can't be claimed.

1.2 Refund of Unutilized Input Tax Credit

Refund of the unutilized input tax credit can be claimed at the end of any tax period If rate of tax on inputs is higher than the rate of tax on outputs.

1.3 Refund from Manufacturing / Generation/ Production/creation of tax free supplies

Refund of tax paid on inputs used for the Manufacturing / Generation/ Production/creation of tax free supplies.

1.4 Excess payment due to mistake and inadvertence

Refund of Excess payment of tax either by mistake or by inadvertence resulting in more payment of tax than due to the Government.

1.5 Finalization of Provisional Assessment

When assessee will be entitled to Refund in the consequent to the order for final Assessment.

1.6 Refund for Tax payment on transactions by UN bodies, CSD Canteens, Para-military forces canteens etc.

Supply to UN Bodies, Embassies, CSD Canteens and Para-military forces canteen will be taxed, which later on can be claimed as refund by them.

UN Bodies, Embassies, CSD Canteens and Para-military forces canteen will be required to take a Unique Identity Number and purchases made by them will be reflected in the return of outward supplies of the supplier and refunds of taxes can be granted.

1.7 Refund of pre deposit in case of Appeal

Where an amount deposited by the appellant for appeal is required to be refunded consequent to any order of the First Appellate Authority or of the Appellate Tribunal.

2. Relevant Date for Claiming Refund

For claiming refund, application shall be made within 2 years from the relevant date. If refund of tax and interest has been paid under protest then the limitation of 2 years shall not be apply.

Relevant Date means:-

Situation	Relevant Date
Goods are exported by sea or air	Date on which the Ship or the Aircraft in which such goods are loaded, leaves India
Goods are exported by land	Date on which such goods pass the frontier
Goods are exported by post	Date of dispatch of goods by Post Office concerned
Goods regarded as deemed exports	Date on which the return relating to such deemed exports is filled.
Services exported out + supply of service had been completed prior to the receipt of payment	Date of Receipt of payment
Services exported out + payment received in advance prior to the date of issue of the invoice	Date of Issue of invoice
Tax refundable in consequence of judgment, decree, order or direction of Appellate Authority, Appellate Tribunal or any Court	Date of communication of such judgment, decree, order or direction
Unutilized input tax credit	End day of the financial year in which such claim for refund arises
Tax is paid provisionally under this Act	Date of adjustment of tax after the final assessment

3. Eligibility for getting Refund by Applicant

Refund shall be **paid to the applicant**, if such amount is relatable to –

- Refund of tax and interest or any other amount paid by the applicant + he had not passed such tax and interest to any other person
- Tax or interest borne by such other class of applicants notified by as the Central or State Government on the recommendation of the Council.

On receipt of any application, if proper officer is satisfied that the whole or part of the amount claimed as refund is **not eligible** for refund then he may make an order accordingly and amount so determined shall be credited to the **Consumer Welfare Fund**.

4. Time Limit for Granting Refund

Refund order will be sanctioned **within ninety days** from the date of receipt of complete application.

If any refund amount is **not refunded** within three months from the date of receipt of application then **interest at such rate** as may be specified in the notification issued by the Central or a State Government on the recommendation of the Council shall be payable in respect of such refund from the date immediately after the expiry of the due date till the date of refund of such tax.

5. Other Important Provisions

➤ If refund amount is less than Rs. 1,000/- then **no refund** shall be paid.

➤ where an order giving rise to a refund is the subject matter of an appeal or further proceeding or where any other proceeding under this Act is **pending** and the Commissioner / Board is of the opinion that grant of such refund is likely to **adversely affect the revenue** then after giving an opportunity of being heard to assessee **withhold the refund** till such time as it will determine in appeal or proceeding as the case may be.

➤ Where a refund is withheld in previous provision and assessee shall be entitled to interest on such refund, if result of the appeal or proceeding will be in favour of assessee.

➤ The applicant must submit documentary evidences including invoice or similar document which are issued by him to establish the fact that incidence of tax/interest/amount paid was not passed on by the applicant to any other person.

If the amount of refund claim is **less than Rs.5 lakhs**, there is **no need of filing such documentary evidence** instead, a self-declaration based on the documentary and other evidences by the

applicant certifying that he has not passed on the incidence of such tax and interest is **sufficient to claim refund**.

➤ It is also provided that in case of refund claim by notified registered taxable person where refund is on account of **export of goods and/or services**, refund will be limited to 80% of the total amount claimed (excluding input tax credit not yet finalized).

This refund of 80% will be on a provisional basis, and will be subject to certain conditions. Remaining 20% may be refunded after due verification of documents furnished by the applicant.

Thanks & Regard

CA RISHI GOYAL

Con. No. - 9716665748

Email ID - carishi.rg@gmail.com

*Thank
you* 



GST and E-Commerce

Diwali Greetings !!!

As per Schedule III of Model GST law every person who supply goods and/or services, other than branded services, through E -commerce operator, every electronic commerce operator and an aggregator who supplies services under his brand name or his trade name Is required to obtain registration compulsorily, irrespective of the threshold specified which is 20 lacs for suppliers of all states, other than North Eastern States, and 10 lacs for suppliers of North Eastern States.

As per CHAPTER – XIB section 43B

‘aggregator’ means a person, who owns and manages an electronic platform, and by means of the application and a communication device, enables a potential customer to connect with the persons providing service of a kind under the brand name or trade name of the said aggregator;

‘electronic commerce’ shall mean the supply or receipt of goods and / or services, or transmitting of funds or data, over an electronic network, primarily the internet, by using any of the applications that rely on the internet, like but not limited to e-mail, instant messaging, shopping carts, Web services etc whether or not the payment is conducted online and whether or not the ultimate delivery of the goods and/or services is done by the operator;

‘electronic commerce operator’ shall include every person who, directly or indirectly, owns, operates or manages an electronic platform that is engaged in facilitating the supply of any goods and/or services or in providing any information or any other services incidental to or in connection there with but shall not include persons engaged in supply of such goods and/or services on their own behalf.

What GST proposed?

Section 43C of The draft act has proposed tax collection at source for e-commerce operators at the rates notified in this regard means Electronic commerce operators who are engaged in operating or managing online platforms or websites through which supply of goods/services are

facilitated, would be required to collect tax at source (out of the total amount payable to the supplier), and deposit the same with the government. Such tax collection at source (TCS) is to be made at the time of credit of the amount payable to the account of the supplier or at the time of payment to the supplier, in cash or any other mode (whichever is earlier).

Scope of Applicability

Online retailers who supply goods/services on their own behalf are not covered under the definition of electronic commerce operator and therefore the process of tax collection at source and other requisite compliances in the Chapter will not be applicable.

As we all know every coin has two sides, the same way GST has its own plus and minuses over Ecommerce sector. The Major issues for consideration are:

Higher compliance costs

The obligation of TCS will significantly increases the onus and compliance burden on electronic commerce operators, as many of them have a large number of vendors.

Moreover, in the current regime, e-commerce players are treated only as service providers and are therefore required to comply with only one central service tax legislation. Under GST, with the burden of TCS, such electronic commerce operators will also be required to undertake additional compliances in States where the supplier is located.

No threshold limit Exemption

Despite the availability of tax exemption (based on their turnover) to small service providers, it appears that GST will still need to be collected at source by e-commerce operators from small suppliers, even when their turnover does not exceed the threshold exemption. Further, it is not clear whether refund of tax paid would thereafter be available to small suppliers.

Ambiguity on certain Issues

Further the TCS provision stipulates that tax is to be collected by an electronic commerce operator at the time of credit of amount to the supplier, however, no carve-out has been made for certain electronic commerce operators who do not receive any payment or who do not act as a payment pass through, such as Quickr, Olx. Such operators merely facilitate supply, with the payment being made directly between the supplier and the end customer and therefore they cannot be expected to comply with the TCS requirement, even though they

are currently covered in the definition of an electronic commerce operator, Thus it open up other issues that would require further clarity and certainty.

Stock transfers to be taxed

Under the Model GST Law, specified transactions without consideration would also be treated as supplies. Intra-state and inter-state stock transfers, between branches or warehouses of a single ecommerce entity, would be deemed to be supplies, subject to GST. Though the tax paid would be available as credit to the entity, this may result in cash flow blockages. Example, where large quantities of goods are stock transferred, tax liability would arise at this first stage which can only be offset at the time of final supplies by the e-commerce entity.

Credit available only when tax is paid.

Valuation issues on discounts/incentives to continue

Under the Model GST Law, the 'transaction value' is taken as the value of goods/services. Whether discounts get included in the 'transaction value' depends on the category they fall in.

- Pre-supply discounts: Discounts allowed before or at the time of supply, which are permitted in the normal course of trade practice and reflected in invoices, will not form part of the 'transaction value'.
- Post-supply discounts: Discounts given after effecting supply are included in the 'transaction value' only in cases where such post-sale discount, as per agreement, is known at or before the time of supply, and specifically linked to relevant invoices.

Under the current Value Added Tax (VAT) regime, VAT authorities often insist on including these discounts in the assessable value and e-commerce retailers in general, therefore charge VAT on the non-discounted price to avoid disputes. Current definitions do not adequately put to rest this controversy. Cash backs, promo codes etc. would be in the nature of post supply discounts and may have to be re-analyzed in view of these changes.

Return Matching:

Both e-commerce player and seller should upload invoice wise details of supplies in their respective returns and the GST system will match them. In case of any supply reported by platform and not reported by marketplace, unless reconciled will be added to the liability of the seller which appears to be unjustified.

Key Advantages

Removal of cascading taxes:

The e-commerce sector will gain significantly from the removal of restrictions on cross utilisation of credits. Currently, traders are denied credit of service tax paid on input services such as warehousing, logistics, commission of marketplace and service providers are not allowed to claim credit of VAT paid on goods that are used for providing output services. This cascading results in a significant blocked input tax cost for this sector since VAT is applicable on the output side, whereas most input costs are services.

The GST model will therefore facilitate seamless credit across supply chains, with tax set offs available across the production value-chain, both for goods and services. This will result in reduction of cascading effect of taxes, therefore bringing down the overall cost of supplies.

Consolidated tax rates:

Currently, there are differential rates of VAT for the same goods in different States with further fragmentation of VAT rates. This has in the past resulted in classification disputes. However, GST rates at both the Central and State level are expected to be uniform and harmonised which would reduce disputes.

Impact on E-commerce

The Model GST Law has incorporated a separate chapter on e-commerce transactions. The Existing indirect tax structure with different tax regimes in various states has led to confusion and uncertainty on the tax treatment of online marketplaces and aggregators. It is felt that having clear and defined laws will help remove the ambiguity that currently exists in this sector, and insulate such operators from ad hoc laws and arbitrary levies imposed by State governments.

Conclusion:

The 'legal recognition' to e-commerce model in India as per GST Act is appreciable but it will lead to greater compliances for E commerce trade, but if the system and execution is smoothened, it will bring a positive impact for boosting the sector and the economy.

Thanks & Regard

CA Preeti Gupta

Prop. Preeti D. Gupta & Co.

M:8447033833

Thank you 



COMPOSITION SCHEME UNDER GST

In line with the provisions of existing Sales Tax laws, Model GST Law also provides for Composition Scheme for small suppliers. Section 8 of the Model GST Law reads as follows:

*(1) Notwithstanding anything to the contrary contained in the Act but subject to sub-section (3) of section 7, on the recommendation of the Council, the proper officer of the Central or a State Government may, subject to such conditions and restrictions as may be prescribed, permit a registered taxable person, whose **aggregate turnover in a financial year does not exceed [fifty lakh of rupees]**, to pay, in lieu of the tax payable by him, an amount calculated at such **rate as may be prescribed, but not less than one percent of the turnover** during the year:*

Provided that no such permission shall be granted to a taxable person who effects any inter-State supplies of goods and/or services.

Provided further that no such permission shall be granted to a taxable person unless all the registered taxable persons, having the same PAN as held by the said taxable person, also opt to pay tax under the provisions of this sub-section.

(2) A taxable person to whom the provisions of sub-section (1) apply shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.

(3) If the proper officer has reasons to believe that a taxable person was not eligible to pay tax under sub-section (1), such person shall, in addition to any tax that may be payable by him under other provisions of this Act, be liable to a penalty equivalent to the amount of tax payable as aforesaid:

Provided that no penalty shall be imposed without giving a notice to show cause and without affording a reasonable opportunity of being heard to the person proceeded against.

Careful analysis of the entire section 8 gives an understanding that availing Composition scheme is studded in many conditions making the scheme exercisable only for few businesses. Most importantly, the threshold limit of aggregate turnover for availing the scheme is Rs. 50 lacs and the definition of "Aggregate Turnover" includes non-taxable supplies, exempt supplies, export supplies and zero rated supplies. In other words, the scheme cannot be availed even if majority of supplies made by a businessman are outside the taxable ambit but the total amount of supplies made are higher than the threshold limit. It is important to note that the scheme has to be availed by all the suppliers registered with the same PAN across the country which means that all the branches of a business will have to adopt for the scheme concurrently.

Even if a business qualifies to opt for the scheme meeting the criteria of threshold limit (Annual Aggregate Turnover of all the businesses registered under a single PAN should be less than 50 lacs) it will need to meet another set of stringent requirements. One of the conditions is that the business should not be making any inter-state supply. Even a single inter-state supply (even if a dealer makes one inter-state transfer of goods), will disqualify the business from availing the scheme.

There will be a fixed rate of tax (not less than 1%) to be paid by the Composition dealer on all its supplies.

The Composition dealer will neither be allowed to avail any input tax credit nor it will be entitled to charge any output tax from its buyers. In other words, the Composition dealer will have to forego the entire input credit paid by him on its procurements and the composition levy will have to be shelled out of his own pocket.

The Composition dealer will play the spoil spot by breaking the free flow of input tax credit as the recipient of supplies from a Composition dealer will not be entitled to claim any credit of the tax paid by the Composition dealer.

Sub section (3) is the most draconian provision as it mentions that ***If the proper officer has reasons to believe that a taxable person was not eligible to pay tax under sub-section (1), such person shall, in addition to any tax that may be payable by him under other provisions of this Act, be liable to a penalty equivalent to the amount of tax payable as aforesaid.*** In simple words, a hanging sword will always be faced by the Composition dealers as they can be treated as regular taxable persons with retrospective effect liable to not only pay the taxes but penalties also.

It is clear from the above discussion that the Composition scheme will be a rare species under the given circumstances. Then who will be the real user/beneficiary of the Composition scheme? Let's try and figure out a few situations where Composition Scheme can actually be beneficial to the business.

1. A business where input tax credit is either not available at all or is very limited. **(A Service Provider with negligible input tax credit can be the best fit in this case.)**
2. A business which is not normally required to effect inter-state supplies. **(A retail shop not having multiple branches)**
3. A business which affects his supplies to retail consumers or other recipients who do not want to avail any input tax credits. **(A retail shopkeeper or a retail Service Provider such as an Architect)**

Only a limited set of businesses will qualify and get benefitted out of the scheme given its nature and conditions attached. It is also very important to understand that while on one side it has been provided that approval from the proper officer will have to be obtained before availing the scheme but still the dealer will have to be working under a hanging sword of a show cause notice where he may still be asked to explain as to why he should not be treated as a regular tax payer.

It is worthwhile to note that the intentions of the law makers are very clear that it does not want to encourage the scheme as it wants as many suppliers to fall under

the tax net as possible. The rationale behind this is very clear as the success of GST is heavily dependent on the fact that maximum number of businesses should fall under the tax net to ensure free flow of input tax credit till the ultimate consumption of a supply of goods/services.

In the present regime, Excise duty exemption (SSI exemption) is available up to the annual turnover of 1.5 Crores. The annual turnover in the present excise law does not include non-taxable supplies. This means that many of small manufacturers who are exempt under the existing excise law will not be entitled to avail benefits of the proposed composition scheme as proposed under the model GST Law. This situation will bring many small manufacturers under the tax net creating a level playing field for the big manufacturers. This step will also ensure free flow of tax credit being passed on till the end consumption of a product or a service.

If we look at the success of the concept of GST internationally, it is easy to observe that they have tried to bring in maximum businesses under the GST net so that the input tax credit chain is not broken at any stage. By bringing in many new businesses/ products in the tax net the average tax liability can certainly be brought down.

To conclude, one can say that the Composition Scheme is only intended to be used by micro level businesses to exempt them from the rigorous tax compliance requirements but the reasonably big businesses should not be allowed to avail the scheme.

Thanks & Regards

CA MANOJ KUMAR GOYAL
Partner RHMS & Company Chartered
Accountants
4F CS02, Ansal Plaza, Vaishali,
Ghaziabad- 201010
manojgoyal@rhms.in
M: 9810148436

Thank you 

SNAPS DURING STUDENTS SEMINAR



SNAPS DURING DIWALI POOJA







MOTTO

Ya esa suptesu jagarti kamam kamam Puruso nirmimanah ।

Tadeva sukram tad brahma tadevamrtamucyate ।

Tasminloka sritah sarve tadu natyeti Kascan । etad vai tat ॥

य एष सुप्तेषु जागर्ति कामं कामं पुरुषो निर्मिमाणः ।

तदेव शुक्रं तद् ब्रह्म तदेवामृतमुच्यते ।

तस्मिंल्लोकाः श्रिताः सर्वे तदु नात्येति कश्चन । एतद् वै तत् ॥

(That person who is awake in those that sleep, shaping desire after desire, that, indeed, is the pure. That is Brahman, that, indeed, is called the immortal. In it all the worlds rest and no one ever goes beyond it. This, verily, is that, kamam kamam : desire after desire, really objects of desire. Even dream objects like objects of waking consciousness are due to the Supreme Person. Even dream consciousness is a proof of the existence of the self.

No one ever goes beyond it : cf. Eckhart : 'On reaching God all progress ends.'

Printed & Published By:

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P 19, (Basement), Sector-12, Noida-201301 ☐ Ph # : 0120-4280419, 4202175
☐ E-mail : infoicainoida@gmail.com ☐ Web : www.noida-icai.org