GST – IMPLICATIONS ON CHANGE /EXPANSION OF BUSINESS

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- **Business Models**
  - Store / Warehouse
    - Single State
    - Multiple State
  - Trading – with Delivery
  - Business on record
- **Key factors**
  - Registration under GST
  - Input Tax Credit / Output Tax

CGST Act – Registration

- Supplier liable to be registered in the State **from where he makes a taxable supply of goods** (Section 22)
- Supplier shall be granted **single registration** in a State - Section 25(2)
  - As per Proviso, **multiple registration in a state may be granted** for such place of business
- If separate registrations obtained in one state, each such registration to be **treated as distinct persons** – Section 25(4)
- Registrations obtained in states for establishments located in different states, **each to be treated** as establishment **of distinct persons** – Section 25(5)

GST Acts – Place of Supply (Destination)

- Location of supplier of goods and place of supply
  - Two different states
  - Two different Union territories
  - a State and Union territory

– **Inter-State supply** as per Section 7(1) of IGST Act

- Location of supplier of goods and place of supply
  - In the same state or same Union territory

– **Intra-State supply** as per Section 8(1) of IGST Act

- Import of goods till crosses customs frontier

– **Inter-State supply** as per Section 7(2) of IGST Act

- Export: Supplier in India and place of supply outside India

– Inter-State supply as per Section 7(5) of IGST Act

GST Acts – Output tax

- CGST to be levied on all **intra-State supplies** of goods Section 9(1) of CGST Act
- SGST to be levied on all **intra-State supplies** of goods Section 9(1) of KSGST Act
- UGST to be levied on all **intra-State supplies** of goods Section 7(1) of UGST Act
- IGST to be levied on all **inter-State supplies** of goods Section 5(1) of IGST Act

Input Tax Credit - Eligibility

- Registered person entitled to take credit of input tax charged on **any goods or services supplied to him**
  - Goods and services to be **used in the course** or furtherance of his business

- Section 16(1) of CGST Act

- For sale of goods before or during movement of goods, it shall be deemed that registered person has received the goods – Explanation to Section 16(2) of CGST Act
- Input tax credit not to be reversed for transaction specified in Schedule III to CGST Act – Section 17(3) :-
  - Supply of goods, non-taxable territory to non-taxable territory without goods entering into India (Sl. No. 7)
  - Supply of warehoused goods before clearance for home consumption (Sl. No. 8a)
  - Endorsement of document to titles to goods before clearance for home consumption (Sl. No. 8b)

Single Store– Purchase/Sale both INTRA

"UKEA" Single Store in Hyderabad

- Goods are purchased only from Telangana
- Goods are sold only within Telangana
- *"Place of business" – Telangana*
- *"Place of Supply"- Telangana*
- *Implications*
  - *Registration to be obtained only in Telangana*
  - *Input tax credit of CGST and TSGST*
  - *Output tax – CGST and TSGST*

Single Store: Purchase INTER Sale INTRA

"UKEA" Single Store in Hyderabad, Telangana

- Goods are imported, purchased from Telangana /Other states
- Goods are sold only within Telangana
- *"Place of business" – Telangana*
- *"Place of Supply"- Telangana*
- *Implications*
  - *Registration to be obtained only in Telangana*
  - *Input tax credit of IGST (Import and Inter-State), CGST and TSGST*
  - *Output tax – CGST and TSGST*

Single Store- Purchase/ Sale both INTER

"UKEA" Single Store in Hyderabad, Telangana

- Goods are imported, purchased from Telangana /Other States
- Goods are sold to customers in Telangana, Other States and exports
- *"Place of business" – Telangana*
- *"Place of Supply"- Destination of goods*
- *Implications*
  - *Registration to be obtained only in Telangana*
  - *Input tax credit of IGST (Import and Inter-State), CGST and TSGST*
  - *Output tax – CGST and TSGST , IGST (Inter-State, export either exempt or on payment of IGST)*

Multiple Stores – SINGLE STATE

"UKEA" Second Store in Hyderabad, Telangana

- *Implications*
  - *No separate registration to be obtained in Telangana for New Store*
  - *No GST on movement of goods between stores*
  - *No GST on services provided by one store to another*
  - *Option to obtain separate registration for new store*
    - *GST applicable on movement of goods between store*
    - *GST applicable on services provided by one store to another*

Multiple Stores - Multiple States

"UKEA" Third Store in Bangalore, Karnataka

- *Implications*
  - *Registration to be obtained in Karnataka*
  - *Input tax credit of IGST (Import and Inter-State), CGST and KSGST*
  - *Output tax – CGST and KSGST , IGST (Inter-State, export either exempt or on payment of IGST)*
  - *Movement of goods between Hyderabad and Bangalore Store also liable for GST*
  - *Services provided to other Store also liable for GST*

Trading – Domestic (Delivery based)

"UKEA" Sets up office in Mumbai, Maharashtra

- *Goods purchased from Uttar Pradesh and sold*
  - *To Customer located in Uttar Pradesh*
  - *To Customer located in New Delhi*

- ***Implications***
  - *Registration to be obtained in "Place of business"*
  - *Input tax credit to be taken at "'Place of business" GST Registration*
  - *Output tax to be discharged at "Place of business" GST Registration*

Trading – Domestic (Delivery based)

"UKEA" Sets up office in Mumbai, Maharashtra

- *Goods imported from China at Chennai port and sold*
  - *To Customer located in Tamil Nadu*
  - *Customer located in Karnataka*

- ***Implications***
  - *"Place of Supply" of goods imported in India is the* ***location of the importer***
  - *Registration to be obtained in Tamil Nadu*
    - *State from where taxable supplies are made (**Avoid litigation**)*
  - *Input tax /Output tax – State from where supplies are made – Tamil Nadu*

Trading: Exports – Supply outside India

"UKEA" Sets up office in Mumbai, Maharashtra

- *Goods procured from supplier located in Chennai meant for exports to customer located outside India*

- ***Implications***
  - *"Place of Supply" of goods exported from India is the* ***location outside India***
  - *Registration to be obtained in Tamil Nadu*
    - *State from where taxable supplies are made (**Avoid litigation**)*
  - *Input tax /Output tax – State from taxable supplies are made – Tamil Nadu (Only if direct export from Chennai)*
  - ***Supplier to charge GST @ 0.10%***

BUSINESS ON RECORD

"UKEA" set up office in Mumbai

- Goods are imported, purchased from Maharashtra and other States in India
  - **Without taking delivery of the goods**
- Goods are sold to customers in Maharashtra, other States and to customers located outside India
  - **Goods are sold before or during movement of goods**
- Goods are purchased from suppliers located outside India and sold to customers located outside India
  - **Without goods entering territory of India**

BUSINESS ON RECORD - Domestic

"UKEA" set up office in Mumbai

- Goods are sold **Without taking delivery of the goods (Bill to Ship to or Transfer of Documents of title to the goods)**
- ***Implications***
  - *"Place of Supply" for Seller of goods shall be Principal place of business of "UKEA" i.e. Maharashtra*
  - *Registration required only in Maharashtra and not in any other States in India*
  - *Input tax /Output tax – State from where Sale invoice is issued – Maharashtra*
  - ***Supplier to charge GST as per location of 'UKEA'***

BUSINESS ON RECORD - Imports

"UKEA" set up office in Mumbai

- Goods are imported from outside India and sold in India
  - Warehoused goods sold before clearance for home consumption
  - Goods are sold by endorsement of documents of titles to the goods (High Sea Sales, Sale in the course of Export)
    - after dispatch from port of origin but before clearance for home consumption
- ***Implications***
  - *Transactions treated* ***neither a supply of goods nor a supply of services*** *– Entry No. 8 of Schedule III*
  - *No Input tax and Output tax for UKEA*
  - *Not an exempt supply for Input tax credit reversal*
  - *Buyer in India to pay customs duty on UKEA price*

BUSINESS ON RECORD – Outside India

"UKEA" set up office in Mumbai

- Goods are imported from outside India and sold to customers located outside India
  - **Without such goods entering into India**
- ***Implications***
  - *Transactions treated* ***neither a supply of goods nor a supply of services*** *– Entry No. 8 of Schedule III*
  - *No Input tax and Output tax*
  - ***Not an exempt supply for Input tax credit reversal***

THANK YOU