

A high-angle, close-up photograph of a person's hands working on a silver laptop. The person is wearing a dark and light striped long-sleeved shirt. Their left hand is on the keyboard, and their right hand is holding a silver smartphone. Several white papers are scattered on the desk surface. The text 'Tax Credit (Capital Goods, Services & Inputs) Matching concept' is overlaid on the image in white and blue fonts.

Tax Credit (Capital Goods, Services & Inputs) Matching concept

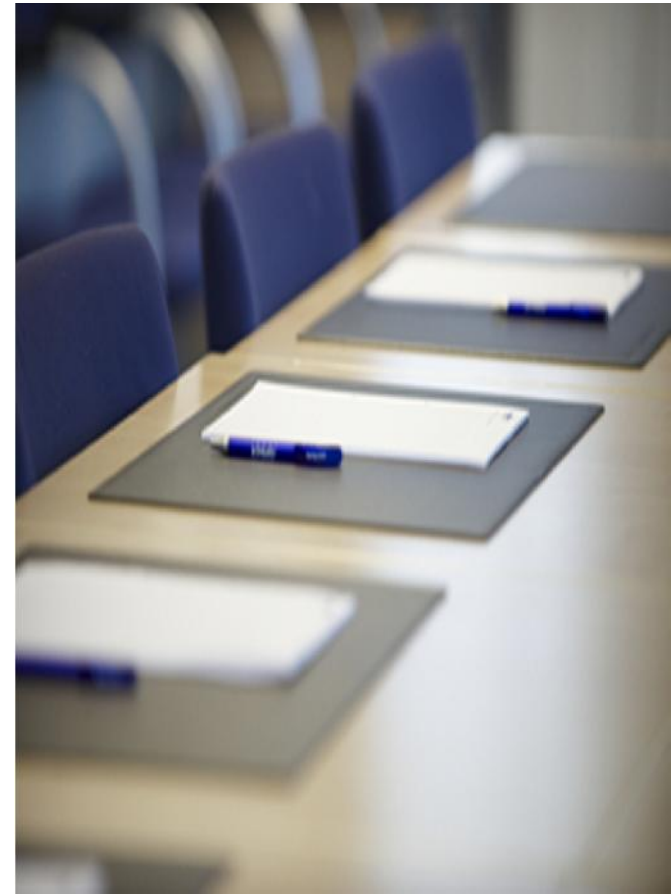
Parivarthan – Two day Conference on GST

December 17, 2016
Bengaluru

CA. Kalyan Kumar K

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Input Tax Credit - ITC

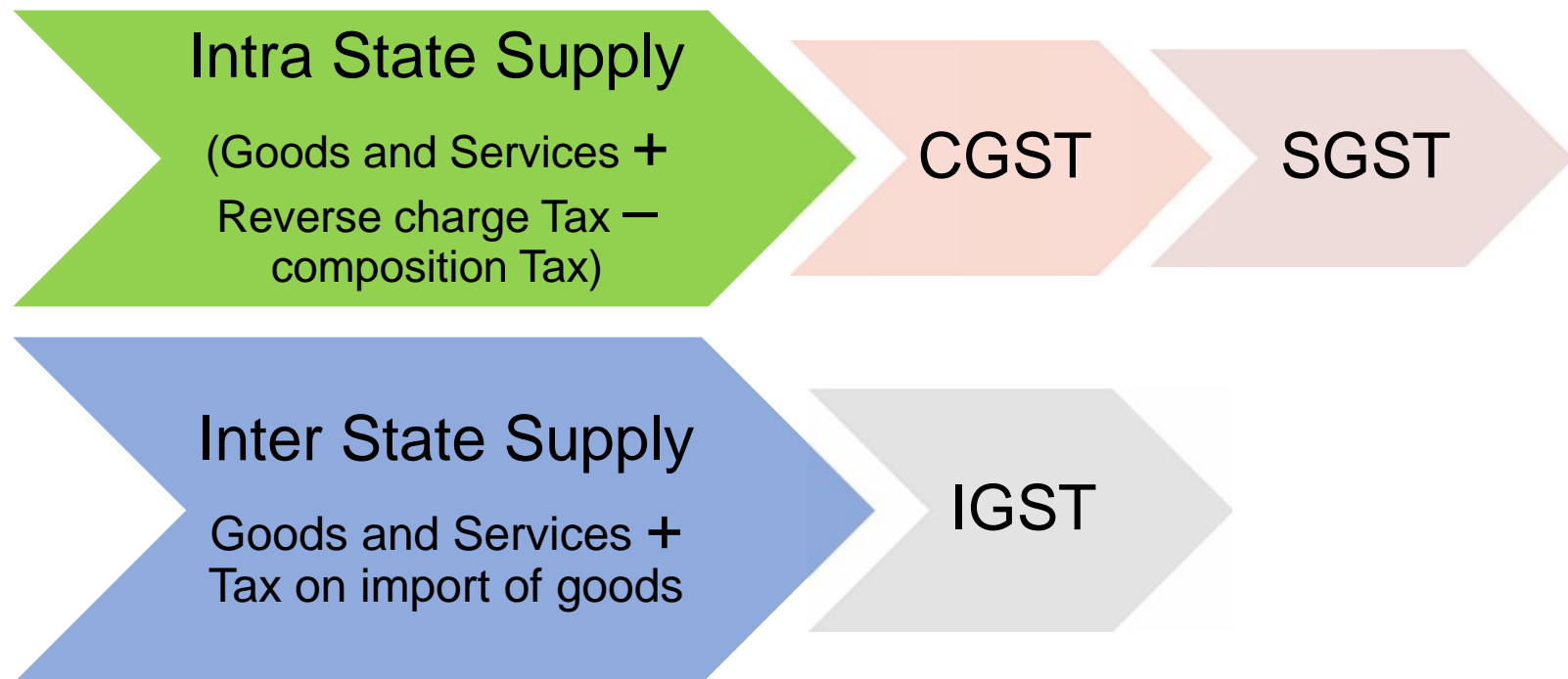
Background - Present Indirect Tax Structure

Central Taxes	Parameters	Mfg	Trading	Service
Custom Duty	Import / Export of goods	10%	10%	10%
Additional Duty of Customs	On Import of goods - in lieu of Excise Duty	12.50 %	12.50 %	12.50 %
Special Additional Duty	Import of goods - in lieu of VAT	4%	4%	4%
Central Excise	Manufacturing of goods	12.50%	12.50%	12.50%
Service Tax	Provision of Services	14%	15%	14.50%
Central Sales Tax (CST)	Inter-state sale of goods	2%	2%	2%
State / Local Taxes	Parameters	Rate	Rate	Rate
VAT	Sale of goods within a state	5/15%	5/15%	5/15%
Entry Tax / Octroi	Movement of goods into local territories	**	**	**

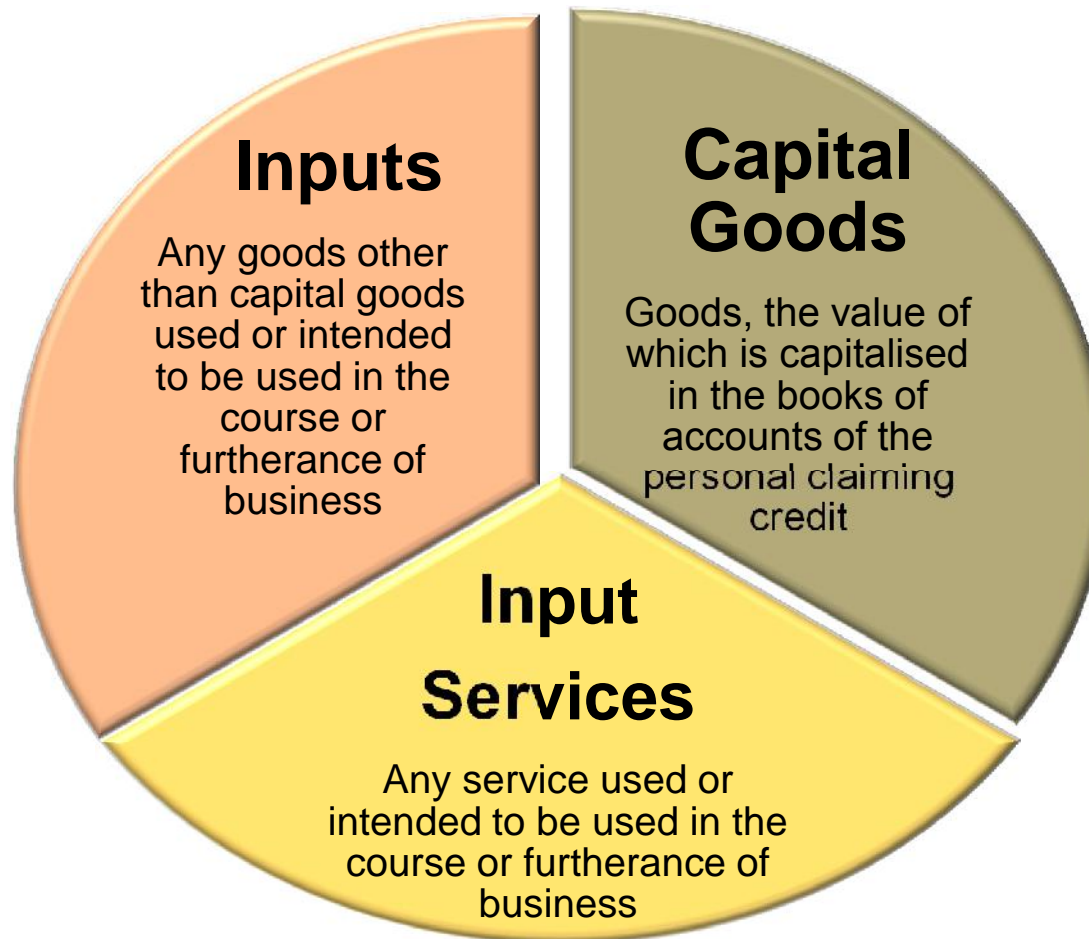
** Rate depends on the State / Municipality where the goods are consigned

■ Cost ■ Pass through

Background - Input Tax

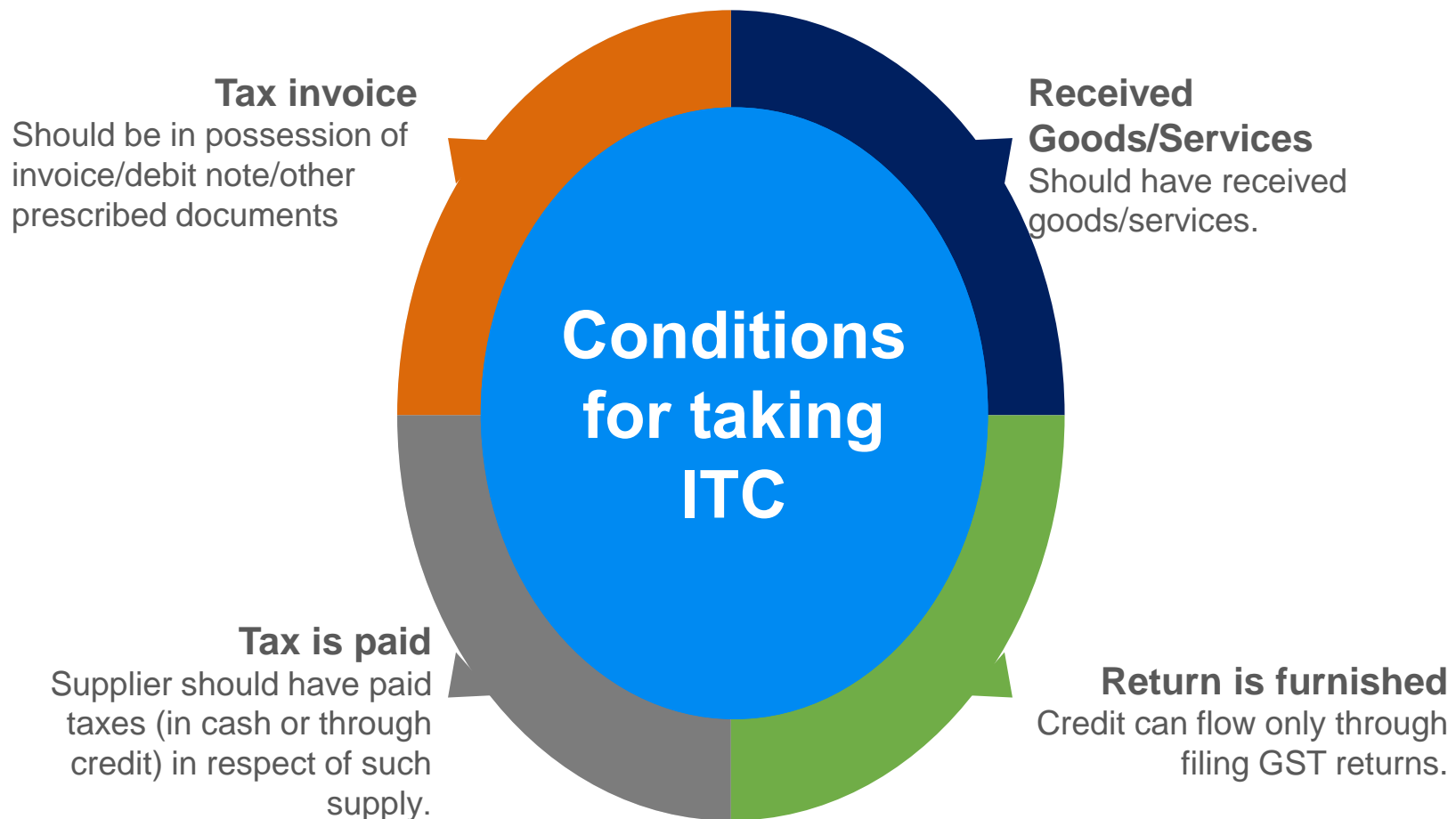


Background -Input Tax - Components



- Inputs – used in the course of business
- Capital goods – Definition rationalized
- Input service – Nexus between input & output not required

Conditions for taking Input Tax Credit



- Goods received in installments – upon last installment
- Payment to supplier of services within 3 months

Credit restrictions - Special cases



Credit restrictions - Special cases

Bank / FI / NBFC

To reverse

- 50% of eligible ITC or
 - Proportionate ITC attributable to exempt supply
- Mo
- Except when used for further supply of such vehicles/transportation of passengers/imparting training
 - Transportation of goods



Primarily meant for personal consumption

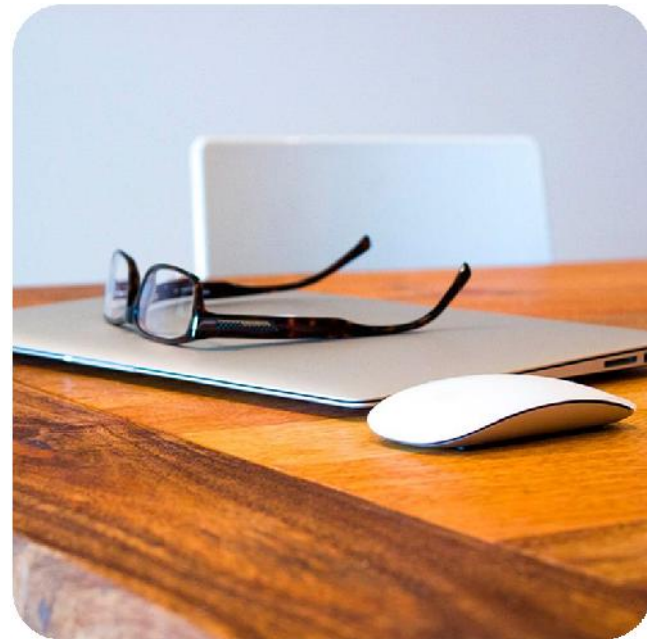


- Food & beverages, outdoor catering, beauty treatment, health services etc (except when used for supplying same category of goods/services)
- Membership of club etc
- Rent-a-cab, life insurance, health insurance (except statutory obligation) etc
- Travel benefits extended to Works contract
- Works contract services when supplied for immovable property (other than plant & machinery) except where it is an input service for further supply of works contract service
- Self construction (other than plant & machinery)

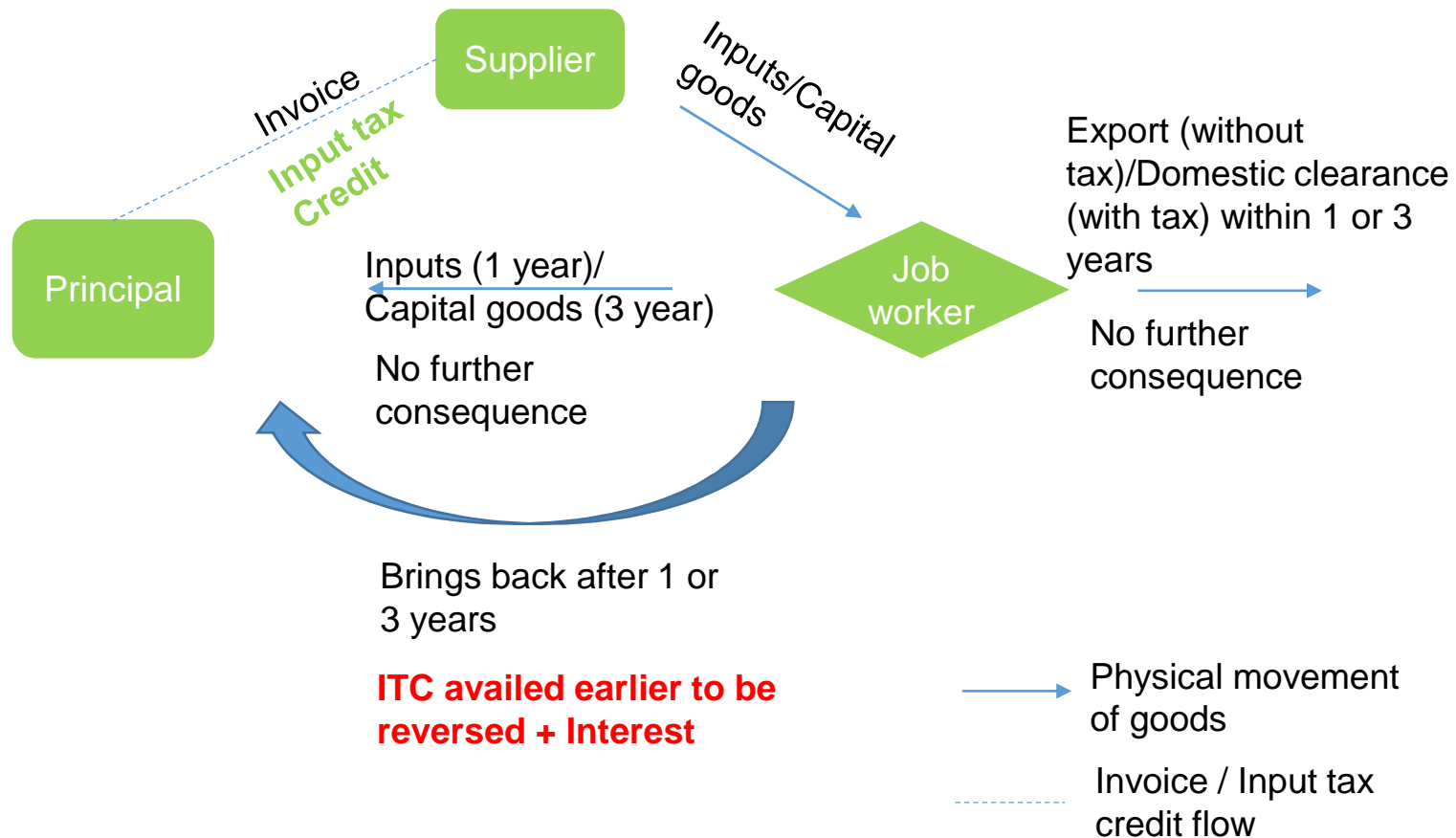
➤ Goods lost, destroyed, stolen or written off – Input Tax to be reversed

Food for thought

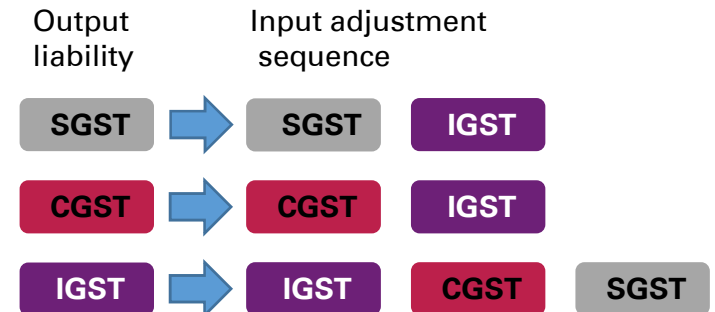
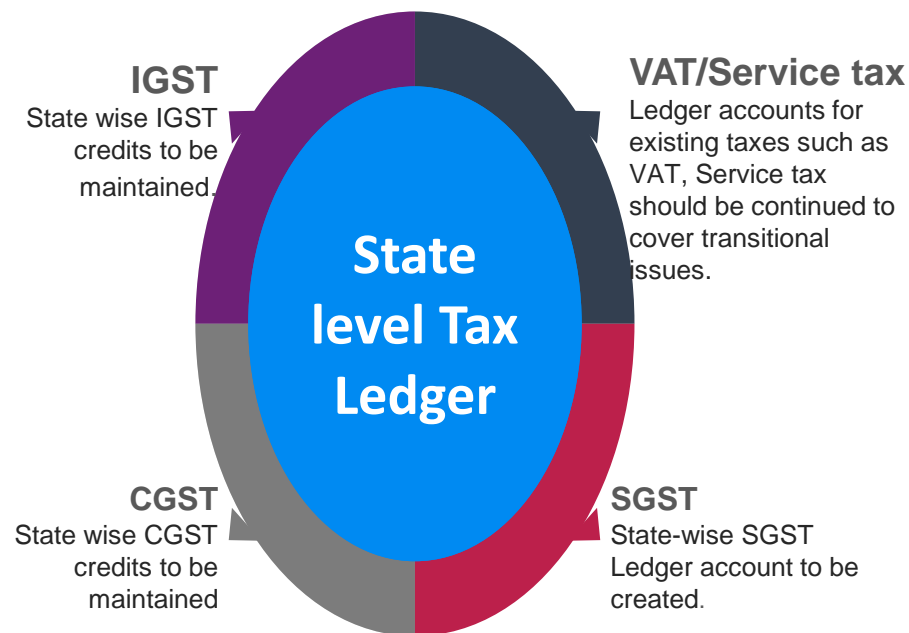
- Capital Goods – 100% credit available in the first year?



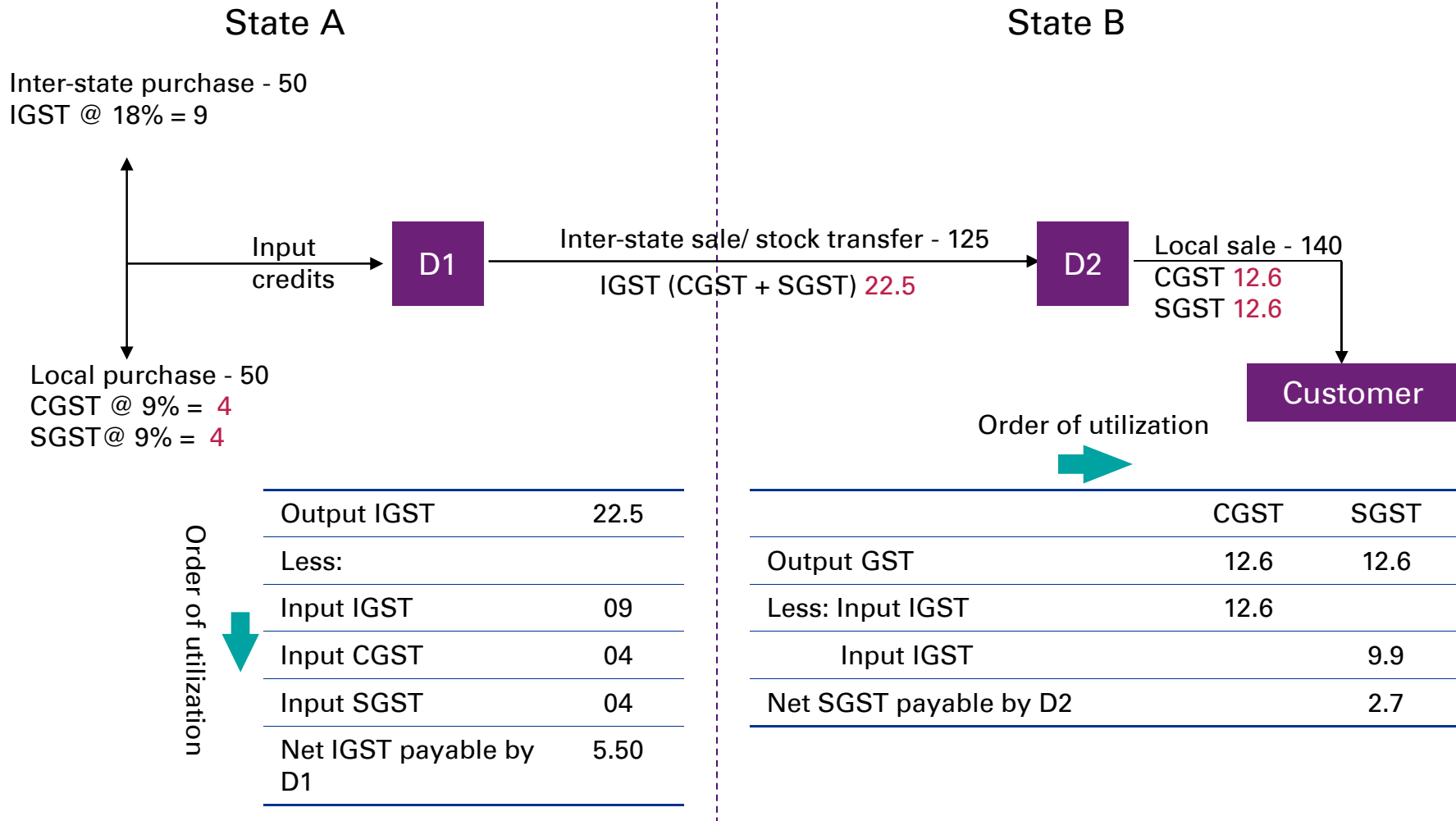
Input Tax Credit - Job work



Tax Credit – Utilization sequence



IGST model – Levy and Credit



MATCHING

CONCEPT

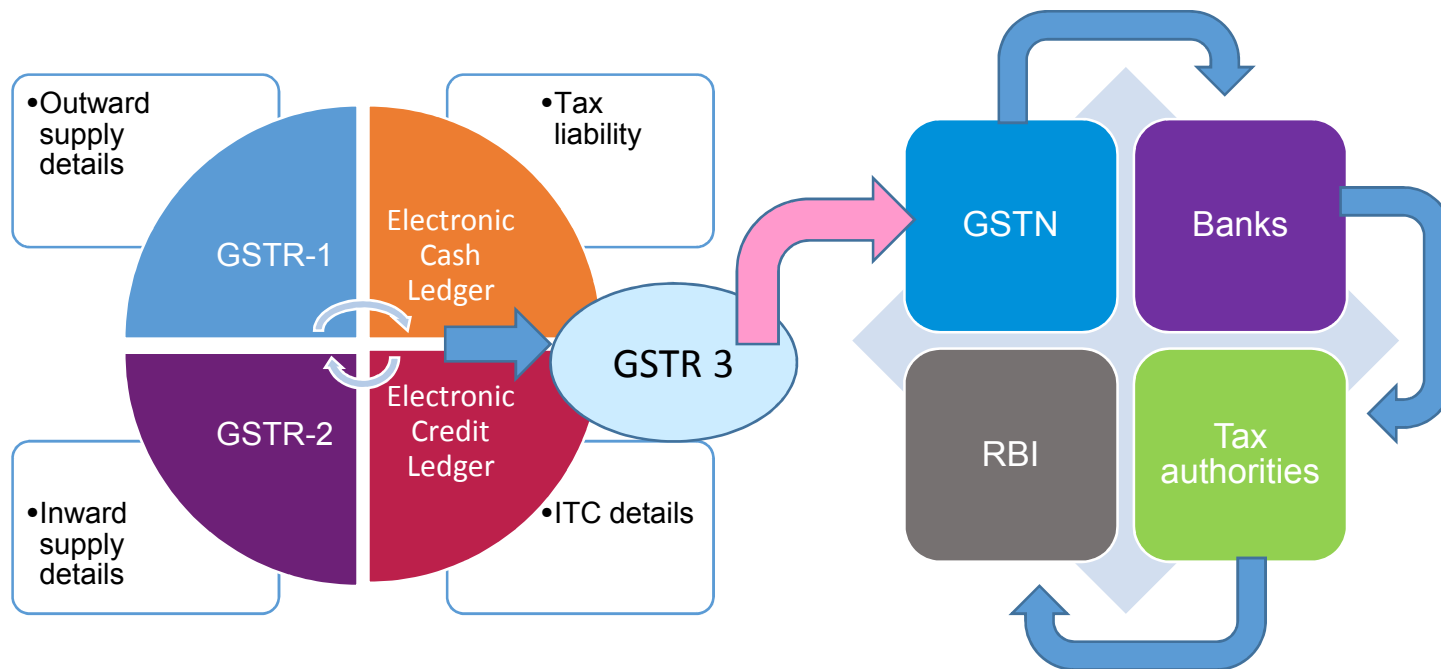
Due date for returns

Nature of return/ details	Due date
Details of outward supplies of goods/ services* - GSTR 1	10 th day of the month succeeding the month for which the return pertains to
Details of inward supplies of goods/ services* GSTR 2	15 th day of the month succeeding the month for which the return pertains to
Monthly return* GSTR 3	20 th day of the month succeeding the month such the return pertains to
Annual return along with audited financial statements** GSTR 9	31 st December following the end of the financial year
Return for input service distributor (ISD) GSTR 6	Within 13 days after the end of the month
Return for person required to deduct tax at source GSTR 7	Within 10 days after the end of the month
Quarterly Return for person paying tax under composition GSTR 4	Within 18 days from the end of the quarter
Return for Non-Resident Foreign Taxable Person GSTR 5	Last date of registration

**Not required to be filed by persons paying tax under composition/ persons paying tax as deductor*

*** Not required to be filed by persons paying tax as deductor/ ISD/ casual taxable person/ non-resident taxable person*

GST Return - Overview



GSTR Returns - Snapshot

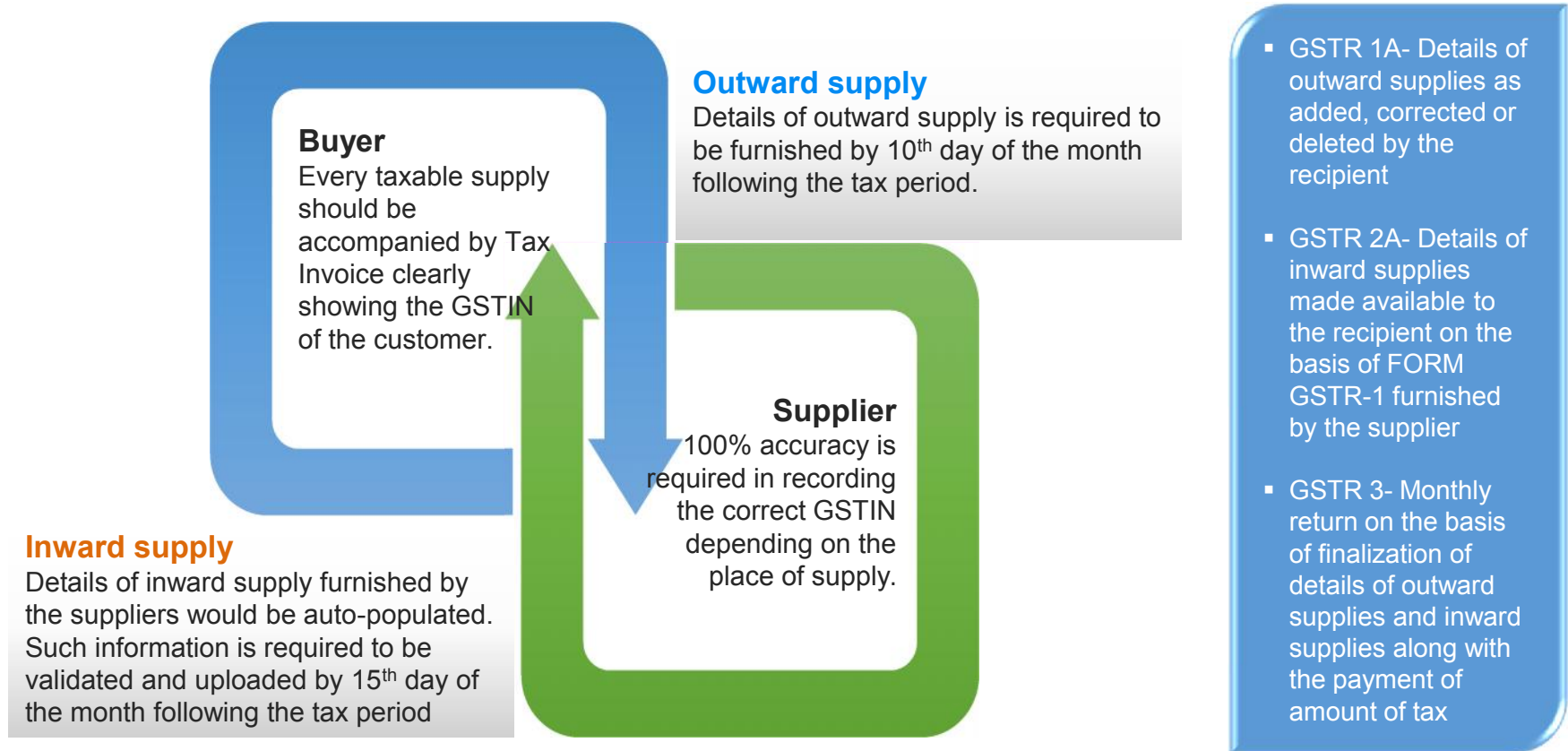
GSTR -1

GSTIN/ UIN	Invoice						IGST		CGST		SGST		POS (only if different from the location of recipient)	Indicate if Supply attracts reverse charge	Tax on this Invoice is paid under provisional assessment (Checkbox)	GSTIN of e-commerce operator (if applicable)
	No.	Date	Value	Goods/ Services	HSN/ SAC	Taxable value	Rate	Amt	Rate	Amt	Rate	Amt				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)

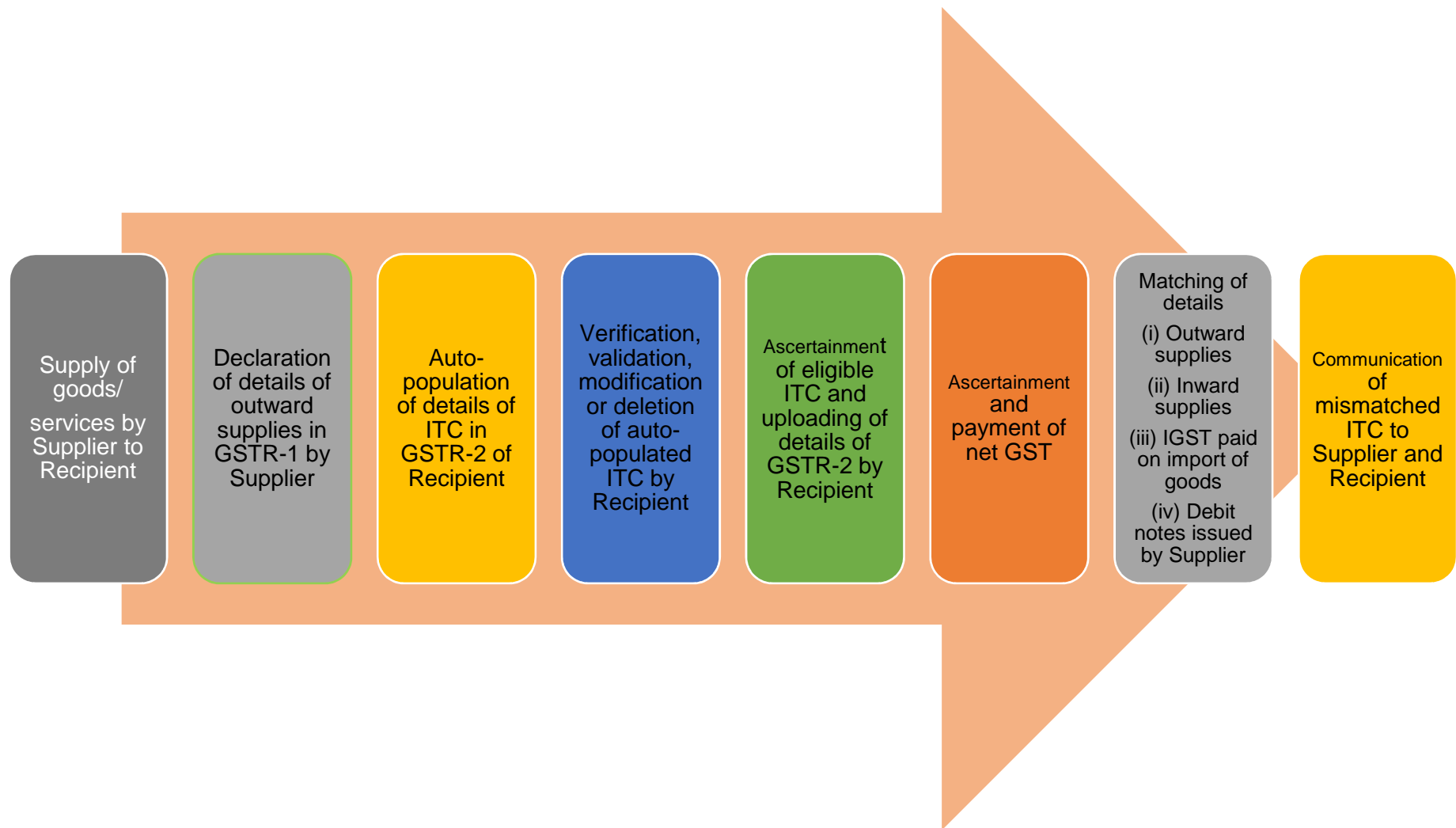
GSTR -2

GSTIN/ Name of unregist ered supplier	Invoice						IGST		CGST		SGST		POS (only if different from the location of recipient)	Eligibility of ITC as inputs/ca pital goods/ input services/ none	Total Tax available as ITC			ITC available this month		
	No.	Date	Value	Good/ Services	HSN/ SAC	Taxable value	Rate	Amt	Rate	Amt	Rate	Amt			IGST	CGST	SGST	IGST	CGST	SGST
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
Auto Populated																				
Not Auto populated (Claimed)																				

Mapping of invoices



Matching of Invoices - Process



ITC Mismatch - Illustration

				As per Supplier									As per Receiver								ITC availed liable to be added to the output liability						
Sr No.	Receiver's GSTIN	Receiver's Name	Invoice/debit note No.	Invoice / debit date	HSN/SAC	Taxable value (as per line item)	Output Tax (as per in GSTR 1/5)						Invoice / debit date	HSN/SAC	Taxable value (as per line item)	Input Tax (as per in GSTR 2/6)											
							IGST		CGST		SGST					IGST		CGST		SGST					IGST	CGST	SGST
							Rate	Amount	Rate	Amount	Rate	Amount				Rate	Amount	Rate	Amount	Rate	Amount						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25			
1	29AAZCF1123110	ABC Limited	1	1/4/2017	8471	100,000	12	12000	6	6,000	6	6,000	1/4/2017	8471	100,000	Auto populated		6	6000	6	6,000						
2	29AAZCF1123110	ABC Limited	2	1/4/2017	00440057	250,000			9	22,500	9	22,500	1/4/2017	00440057	250,000			9	22500	9	22,500						
3	29AAZCF1123110	ABC Limited	3	1/4/2017	00440410	200,000			9	18,000	9	18,000	1/4/2017	00440410	200,000			9	18000	9	18,000						
4	29AAZCF1123110	ABC Limited	4	1/4/2017	00440057	400,000			9	36,000	9	36,000	1/4/2017	00440057	400,000			9	36000	9	36,000						
5	27AAZCF1123110	ABC Limited	5	1/4/2017	00440057	300,000	18	54000																			
Wrong GSTIN captured by																Added manually		9	27,000	9	27,000	27,000	27,000				

Mismatch – Possible causes

- ▶ GSTIN captured wrongly
- ▶ Credit note issued by the supplier not received/recorded by recipient (timing difference)
- ▶ Duplication claims by recipient
- ▶ Clerical mistake
- ▶ Omission by supplier
- ▶ Deliberate non-reporting by the supplier

Variance which may not result in mismatch report

- ✓ Inward supplies identified as ineligible by Recipient
- ✓ Invoice/Debit note issued by supplier not received by recipient
- ✓ Self assessed tax not paid by Supplier???



Due date for rectification of omission/ errors

Particulars	Due date for revision
Any omission/ error in details of outward supplies of goods/ services	Date of filing of return for the month of September following the end of the financial year (or) date of filing of annual return for that period whichever is earlier
Any omission/ error Details of inward supplies of goods/ services	
Any omission/ error in the monthly return	
Any omission/ error in the quarterly return to be filed by person paying tax under composition	Date of filing of return for quarter ended September following the end of the financial year (or) date of filing of annual return for that period whichever is earlier

Blacklisting of dealers

A system of “GST Compliance Rating” is proposed to be introduced. Any dealer having a rating below a prescribed level would be counted as a **blacklisted dealer**.

Purchases made from a blacklisted dealer would not be eligible for ITC.

A continuous rating system for dealers would be maintained and profiles of all dealers would be posted in public domain.

Triggers for blacklisting

1

Continuous default for a period of 3 months in paying reversed ITC

2

Continuous default of 3 months or any 3 month-period over duration of 12 months in uploading sales details

3

Continuous short reporting of sales beyond a prescribed limit of 5% (of total sales) for a period of 6 months

Action points

Continuous monitoring of vendor ratings

Contract restructuring including indemnity clause- with key vendors

Educate vendors on how to remain compliant

Thank
you
😊

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