

CTRPFP

Evolving Taxation and Finance in India



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EVOLUTION OF INDIRECT TAXES IN INDIA

1800	Industrial Revolution in the early 1800's, European markets were inundated with machine-made material. Selling manufactured items was becoming impossible due to market saturation. Imposed a tax known as "Excise Duty" on goods manufactured in India. "Swadeshi Movement" led by Gandhiji in the early 1900's.
Post Independence 1950's	"Excise Duty" was not abolished but an additional tax known as "Customs Duty" was imposed on imported goods to provide protection to Indian industries. Two Point Excise introduced
1960-1970's	Indian Technology had become obsolete as compared to their foreign competitors.
1980's	India didn't have Foreign Reserves even to support 3 weeks to imports. International Monetary Fund (IMF) imposed liberalization as a prerequisite for providing a bail-out to India which was reflected in the Budget presented by the then finance Minister Mr. Man Mohan Singh
1994	Service Tax was Introduced
2003-2004	VAT was introduced
2017	GST

<i>Budget at a Glance</i>		
		<i>(In ` crore)</i>
1	Revenue Receipts	1725738
	2. Tax Revenue	1480649
	3. Non-Tax Revenue	245089
4	Capital Receipts¹	716475
	5. Recovery of Loans	12199
	6. Other Receipts	80000
	7. Borrowings and Other Liabilities ²	624276
8	Total Receipts (1+4)	2442213
9	Total Expenditure (10+13)	2442213
10	On Revenue Account	
	of which	2141772
11	Interest Payments	575795
12	Grants in Aid for creation of capital assets	195345
13	On Capital Account	300441
16	Fiscal Deficit [9-(1+5+6)]	624276
		-3.3

Supply & Levy

- 1. As per Sch I, supply of service between distinct persons even without a consideration is a supply of service. So where an HO has a Server installed, in its premises where data of all locations are stored, then is it supplying the services and should GST be charged**
- 2. As per Sch I, Import or service from related person is taxable. So where the mother company has a Server installed, in its premises where data of all locations are stored, then is it supplying the services and should GST be charged**
- 3. Which Credit to take in ISD and which to take in Normal Registration. Eg : GST on Insurance premium for the company if taken in a branch would be denied or not**
- 4. Would Construction and lease both be supplies for the same property**
- 5. Tolerating an Act**

GST Law Clarity

Supply & Levy

6. Supply of moulds, dies, jigs & fixtures to job workers

Reverse Charge

1. Ocean Freight – Cases where the C&F Agent pays the Shipping Line

Composite Supply & Mixed Supply

Description	% (approx.)	
(i) Total supply of goods		
(a) Solar Module (This item is completely movable from one place to other without damaging in structure even after installation.)	70%	85%
(b) Other parts/sub-parts such as inverters, cables, structures, switchgear items etc. for fixing and connecting the solar modules to harness its power such as controllers and switches (All these items are movable from one place to another without damaging the structure even after installation and commissioning)	15%	
(ii) Civil work and other services		15%
Total		100%

Valuation

- 1. For the actionable claims – In VAT most states had excluded from definition of goods but under GST u/s 2(52) it is goods**
- 2. Pure Agents – Pure Agents should not hold “title” to goods/ Services. Eg. Electricity bills**
- 3. Hard Copy of Credit notes shown for various invoices , however on the Portal done on FIFO basis**
- 4. Service Invoice raised for Credit Notes**

ITC

1. **What is furtherance of Business. Examples -**
 1. **Charitable Trust also has certain allied activities like sale of books**
 2. **What is Business u/s 2(17). Is anything incidental to charity be business**
 3. **Can same entity having business & non business activities take ITC**
2. **Capital Goods Definition** “(19) “capital goods” means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business;” **Is Capital goods credit only confined to “goods” or “services” also like installation also**
3. **Sec 16(2) condition of receipt of services, Eg. Insurance, AMC, etc**
4. **Whether mixed supply of conferencing will be eligible as ITC**
5. **ITC “in respect of” Motor Vehicles**
6. **Canten supply ITC**

TAX REFORM REQUIRED

2nd Provisio to Sec 16(2)

1. Retention money

Sec 16(4)

1. ITC availed in 3B post 20th Oct but argued being taken before the time barring period
2. No ITC on Debit Notes in relation to the invoices. Would a Debit Note be a Supplementary Invoice
3. Will Reimbursement be an 'exempt supply'

Mismatching

- 1. Gheru Lal Bal Chand, J K Graphics, Quest Manufacturing**
- 2. Formicas case (SC)**
- 3. GSTR 3B Vs GSTR 2A Notices –**
 - 1. Portal Issues**

Amendment to Bills

1. Even if GSTIN amended, the invoice not appearing

E Wallet Provisions

1. Tax Is paid on Imports even when there is sufficient

Courier Shipping Bill

1. Dealers not getting Export Refunds

Export Related Issues -

- 1. Export of Services “Merely Establishments”**
- 2. No Refunds for Input Services for Inverted Duty Structure**
- 3. Synchronization with Icegate for On Payment of Duty**

GST Annual Return & Audit

Reconciliation with Books of accounts

- 1. Amount disclosed in Income Tax Returns and books**
- 2. Amount netted off with expenses**
- 3. GST Annual Return – Amt disclosed should be actual or as per return**
- 4. GST Audit applicability**

TAXCONNECT

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THANK YOU

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