



## GST

# Customised FAQs for Gems and Jewelry industry

Updated on: June 17, 2017

## SUPPLY

### QUERY 1

**Is there separate GST on gold bullion and gold jewellery?**

#### ANSWER

- The rate of GST applicable on gold bullion and gold jewellery is the same – 3%.
- However, when the bullion is purchased, GST will be applied once @3% and when the bullion is converted to jewellery, there will be another GST on the outward supply of such jewellery @3%.

### QUERY 2

**Is the service of skilled artisans who make the jewellery taxable or not?**

#### ANSWER

- If the artisan is engaged on a principal to principal or business to business level, it is taxable
- If they are directly employed by the principal, the services will not be taxable under GST, as services by employee to employer are not liable to GST

### QUERY 3

**How will the rate be determined for levying tax on supplies involving two or more goods/ services or both?**

#### ANSWER

- If the supplies are independent for independent consideration, then the rate as applicable for such supplies will apply.
- If the transaction is a 'composite supply' or a 'mixed supply', then the treatment will be as set out below.

#### **Composite supply:**

- Composite supply means a supply consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply (e.g. sale of goods with packing material)
- A composite supply shall be treated as a supply of principal supply and the rate applicable to the said supply will be applied to the entire transaction (e.g. as per the rate for the goods and not the packing material which is incidental)

**Mixed supply:**

- Mixed supply means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply (e.g. services of re-making along with supply of additional gold and stones)
- A mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax (e.g. as per the higher rate of 5% for re-making)

**QUERY 4**

**If gold ornaments of 100 gms (with packing) is sold for Rs. 2,80,000/- and labour charges totaling to Rs. 40,000/- is also charged on the same transaction, total value of transaction being Rs. 3,20,000/- then what will be the tax liability?**

**ANSWER**

In this case, since individual components are for separate consideration the gold will be taxed at 3% and the labour at 5%.

**QUERY 5**

**How will the exchange of old jewellery worth Rs. 10,000 plus cash of Rs. 5,000 for new jewellery priced at Rs. 15,000 be treated under GST?**

**ANSWER**

- GST is to be paid on the “open market value” (i.e. retail price) of the new item of jewellery, i.e. Rs. 15,000.
- If the “open market value” is not known, GST will be paid on the amount of money paid by customer plus the value of old gold jewellery given by customer (i.e. Rs. 5,000 plus Rs. 10,000).

**QUERY 6**

**Is recycling of old gold taxable?**

**ANSWER**

- Recycling process *per se* done for oneself, would not be liable to GST, and GST would only be payable once there is a supply of the recycled gold to another person
- If gold is recycled for a specific customer, this would be treated as a supply of services, which is liable to GST

For the buying of old items / scrap from individuals/ companies (from which gold can be recycled / extracted), GST will be payable by the recycler under reverse charge (if those persons are unregistered), or by those persons (if registered). GST will be paid on the value which is paid by the recycler for such scrap.

#### QUERY 7

**How can a supply be determined as intra-state or inter-state?**

#### ANSWER

- If the location of the supplier and the place of supply are in the same State or Union Territory, then the supply is an intra-state supply.
- If the location of the supplier and the place of supply are in different States or Union Territories, the supply is an inter-state supply.

#### QUERY 8

**In which state should the tax be paid in the case of an 'inter-state supply'?**

#### ANSWER

- The IGST is to be paid by the supplier in the State in which he is located
- The adjustment of the tax will be done by the Governments
- In case the tax is paid under reverse charge, the tax is to be paid in the state where the recipient is located

#### QUERY 9

**How will consignment stock be treated under GST?**

#### ANSWER

- Under GST, supplies of goods by principal to agent are taxable; and
- The agent can avail the ITC and offset it against output GST once he sells the goods to third parties.

#### QUERY 10

**I am a gold wholesaler. My staff normally travels to retailer's door to door for selection of goods, selected goods are then sold with a sales invoice. How will my goods be taxed when they are out to retailers for booking orders, before sale is final?**

#### ANSWER

Tax is only when goods are supplied to a retailer

#### QUERY 11

**If a customer gives an order for an ornament of 10 gms and he supplies 8 gms, will the GST be levied on 10 gms or 2 gms?**

#### ANSWER

The delivery of 8 gms from the customer to the supplier is not a transaction of 'supply' as defined under Section 7 of the CGST Act. Since the transaction value is the price paid for the supply made by the supplier, GST will only be payable on the 2 gms supplied.

Separate bills should be raised for the 2 gms supplied (GST @3%) and for the labour charges (GST @5%).

#### QUERY 12

**Will I get input tax credit on handbags given to the customer as packing material?**

#### ANSWER

Normally, packing material is an ancillary part of the supply of the goods. However, the handbags are not the typical packing material.

If the handbags are given as complimentary items for free, no GST will be payable, the input tax credit will have to be reversed.

### QUERY 13

#### Packing Material

- a) Whether packing material or complimentary bags, which are distributed to customer needs to be billed in the Invoice, if so, at what value?, if not does than whether it needs to be listed with zero value in the invoice or can be omitted?
- b) Since the value at which the packing material is sold will be usually zero price, whether input credit will be available on GST charged by the supplier?
- c) What kind of inventory records the dealer has to maintain for packing material?

#### ANSWER

- a) There is no requirement to show the complimentary packing material in the invoice.
- b) No input tax credit will be available if such bag is sold at zero price.
- c) The dealer will have to maintain the same inventory details as for other goods – the bags can be shown under supply as a gift.

### QUERY 14

In case of Repair, suppose some gold is added by us while repairing and single bill is prepared for repair charge and Gold, then at which rate of GST will be applicable 3% or 5%?

- If invoice value has breakup of gold value and repair value separately?
- If invoice value does not have separate breakup of gold value and repair value?

#### ANSWER

- Ideally, separate bills should be prepared to avoid confusion.
- Where the invoice has a breakup, GST will be at 3% for gold and 5% for repair value (labour charges)
- Where there is no break-up in the invoice, this will be a mixed supply and tax should be paid at the higher rate of 5%.

## TAXABLE PERSON

### QUERY 1

#### What is reverse charge?

#### ANSWER

- Normally, the liability to pay tax is on the supplier. Reverse charge means that the liability to pay tax is transferred to the recipient of supply or any other designated person.
- Unlike the current law, reverse charge is applicable to goods also

- In case of receipt of any supply (of goods or services) from an unregistered supplier, the registered person who is receiving those supplies is liable to pay tax under reverse charge
- Import of services will fall under reverse charge
- Certain other supplies will also be notified by the Government and will fall under reverse charge where the recipient will need to pay GST
- There is no minimum threshold (of INR 20 lakhs) for reverse charge, and the registered recipient will need to pay tax for any supply under reverse charge
- Tax paid under reverse charge can be taken as ITC (subject to restrictions)

#### QUERY 2

**Is there purchase tax under GST?**

#### ANSWER

- There is no purchase tax under GST
- However, there is a reverse charge mechanism, where in some cases, the recipient needs to pay the GST

#### QUERY 3

**Is there any liability to GST on a registered recipient who receives goods/services from an unregistered person?**

#### ANSWER

**Yes.** The registered recipient will be required to pay GST under the reverse charge mechanism, and undertake related compliances under GST.

#### QUERY 4

**If a registered dealer takes services from an unregistered job worker should he pay GST on reverse charge on such services?**

#### ANSWER

**Yes.** He would be required to pay tax on a reverse charge basis.

#### QUERY 5

**Suppose there is a purchase of old gold/ jewellery wherein a customer is selling back old jewellery (which he had purchased 5 years back) and the repurchase price is INR 1 lakh. What is my tax liability on this repurchase of INR 1 lakh?**

#### ANSWER

If the customer (who sold the jewellery in this case) is unregistered, then you have to pay tax of INR 3,000 on reverse charge basis (tax calculated at the rate of 3% on INR 1 lakh)

#### QUERY 6

**Who can avail composition scheme under GST?**

#### ANSWER

- A supplier may opt for composition scheme if:
  - his turnover does not exceed Rs. 75 lakhs in the preceding financial year

- he is not engaged in the supply of services other than supplies, as part of service, of food, drinks or any other article for human consumption (i.e. catering service);
- he is not engaged in making any supply of goods which are not leviable to tax under GST;
- he is not engaged in making any inter-State outward supplies of goods;
- he is not engaged in making any supply of goods through an electronic commerce operator; and
- he is not a manufacturer of certain goods, as notified by the Government
- he does not avail any ITC
- he does not collect any GST from the recipient
- all persons under a single PAN must opt in for composition

#### QUERY 7

**Can a karigar opt for composition scheme?**

#### ANSWER

No, job work is a 'supply of service' under GST, and composition scheme is not available for services

#### QUERY 8

**Can a jewellery manufacturer/ wholesaler/ retailer opt for composition scheme?**

#### ANSWER

Yes, subject to meeting the conditions under Section 10 of the CGST Act

#### QUERY 9

**Should a registered dealer pay GST to a dealer who is operating under composition scheme, when he purchases goods from such dealer?**

#### ANSWER

**No.** The dealer under the composition scheme cannot charge GST separately from the registered recipient. Therefore, the registered dealer need not pay GST to the dealer who is operating under the composition scheme.

#### QUERY 10

**Is the registered dealer who receives supply from a dealer operating under composition scheme entitled to any credit?**

#### ANSWER

No ITC will be available to the recipient as not tax is charged in the first instance to the recipient.

#### QUERY 11

**Is the dealer under composition eligible to avail ITC?**

#### ANSWER

No ITC will be available to the dealer under the composition scheme.

#### QUERY 12

**If a person becomes ineligible for composition scheme due to crossing of threshold limit, is he eligible to avail ITC?**

#### ANSWER

Yes. He can avail ITC in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock and on capital goods (reduced by 5% per quarter) held on the day immediately before the date from which he ceases to be eligible for the composition scheme.

#### QUERY 13

**When there is more than one distinct person with the same PAN number, can one of them opt for composition scheme while the others don't?**

#### ANSWER

No. All registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one registered person opts for normal scheme, others become ineligible for composition scheme

#### QUERY 14

**If the Karigar who supplies services, is below the 20 lakhs threshold limit, and, is an Unregistered Dealer ('URD'), what documentation requirements does the recipient need to comply with under the 'reverse charge mechanism'?**

#### ANSWER

- Recipient needs to pay the tax directly to the Government under reverse charge
- Recipient also needs to issue an invoice for the supply [Section 31(3)(f) read with rule 1 of the Invoice Rules]
- Recipient also needs to issue a payment voucher when making payment to the karigar

#### QUERY 15

**Under reverse charge, will tax have to be paid first and then adjusted or is it an auto-adjustment?**

#### ANSWER

Recipient needs to pay the tax under first reverse charge and then adjust the credit after through the usual process of showing the tax paid under reverse charge in the Returns – **there is no auto adjustment**

#### QUERY 16

**Is there any TDS provision in GST applicable to this sector?**

#### ANSWER

The TDS provision under GST is applicable only to Government and Government undertakings receiving goods or services under a contract value of more than Rs. 2.5 lakhs. Government will also notify some other persons who will fall under the TDS requirement. Unless notified, TDS will not apply to the gems and jewellery sector.

#### QUERY 17

##### Reverse Charge

- In case of purchase of goods or services from unregistered dealer, is there any limit beyond which only "Reverse charge mechanism" will apply?**
- If yes, what is the limit?**
- Is the limit applicable per transaction or per vendor in a financial year?**

- d) Is “Reverse charge mechanism” is applicable in case of certain class of unregistered dealers or it is applicable for all unregistered persons?
- e) In case of low value purchases (like snacks from a street vendor) where purchase value is < INR 100, in such cases also invoice has to be prepared and GST has to be paid?
- f) In case of reimbursement of expenses to employees, whether reverse charge mechanism is applicable?
- g) What is the format of invoice for purchases from unregistered dealers?
- h) Whether purchase of goods or services from unregistered dealer tax liability emanates on cash basis or accrual basis and what will happen in case of advance / part payment?

#### ANSWER

- a) There is no threshold limit for reverse charge.
- b) Not applicable
- c) Not applicable
- d) Reverse charge is applicable in case of receipt of supplies from all unregistered persons
- e) If the purchase is by an individual for his/ her consumption, there is no need to raise invoice or pay GST
- f) Services provided by employee to employer in the course of employment are excluded from GST. Hence, no tax is payable under reverse charge if the reimbursement is in relation to the employment.
- g) The format for purchase from unregistered dealers is the same as the usual Tax Invoice format [Rule 1 of the Invoice Rules]
- h) For reverse charge scenarios, the tax will be paid as per the time of supply of goods, which is the earliest of the following:

the date of the receipt of goods,  
the date of payment as entered in the books of account of the recipient,  
the date on which the payment is debited in his bank account,  
the date immediately following 30 days from the date of issue of invoice or any other document  
if it is not possible to determine the time of supply as above, the time of supply shall be the date of entry in the books of account of the recipient of supply.

The above rule will also apply in case of advance payment/ part payment.

## REGISTRATION

### QUERY I

Are there any special conditions regarding registration under GST for the Gems and Jewellery sector?

#### ANSWER

- Registration conditions are the same as for other sectors



- Suppliers having turnover of more than 20 lakhs (10 lakhs in special category of states) need to take registration under GST [Section 22 of the CGST/SGST Act]
- Those who are registered under the existing law can migrate their current registrations to GST
- Apart from this, there is compulsory registration of certain categories of persons to whom the minimum threshold limit does not apply. This category includes:
  - Persons liable to pay tax under reverse charge
  - Persons making inter-state supplies
  - Persons making taxable supply on behalf of other taxable persons, whether as agent or not
  - Input Service Distributor
  - Persons who supply goods and services through e-commerce operators

[Section 24 of the CGST Act]

#### QUERY 2

**Will manufacturing, selling and repairing of ornaments be treated as separate business verticals with separate registration required for each of them?**

#### ANSWER

- Business verticals are defined as per the Accounting Standards (AS) [Section 2(18) of the CGST/SGST Act]
- The taxable event under GST is the intra-state or inter-state supply of goods and/or services. There is no bifurcation like under the previous law such as manufacture, sale and repair which were independent taxing activities under separate legislations under the pre-GST regime
- **There is no legal requirement for such activities to be treated as separate business verticals requiring separate registration under GST**
- A person having separate business verticals may choose **at his option** to take separate registration for each vertical, even within a State. [Section 25(2) of the CGST/ SGST Act and Rule 4 of the Registration Rules]

#### QUERY 3

**Is centralized registration for all locations in India possible under GST?**

#### ANSWER

- There is no provision which provides for centralized registration applicable throughout the country.
- Registration must be obtained in each state separately, even for CGST.
- Every person liable to register under the Act shall apply for registration in each state in which he is so liable to register, and shall be granted a single registration throughout the State. [Section 25(1) & (2) of the CGST Act]
- The Government has the power to provide special procedures for registration for notified class of registered persons, however no such provisions or persons have been notified as on date [Section 148 of the CGST Act]

#### QUERY 4

**For selling goods at exhibition(s), is there a need to obtain a casual trader registration?**

## ANSWER

If the goods are supplied at the exhibition venue in another State where the supplier does not have an office, he would need to obtain registration as a casual taxable person under GST and make an advance deposit of the likely GST which would be payable

## QUERY 5

**What will be the consequence when the goods are taken to an exhibition in a state where the trader does not have an office, but no sale takes place?**

## ANSWER

- If the goods are simply transported for exhibition purposes, and not for supply, the goods may be taken to the exhibition venue under a delivery challan. No documents have been prescribed under GST law at present.
- There would be no need to obtain registration as a casual taxable person as no supply of the goods will be made in that state

## RATE

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## QUERY 1

**What are the rates of tax applicable to supply of goods i.e. gold, silver, platinum, other precious metals, precious/semi-precious stones, jewellery; and services, i.e. jewellery making and repairing?**

## ANSWER

- As per the schedule published on 03.06.2017, all precious metals and precious/semi-precious stones (other than rough diamonds) are to be taxed at a special rate of 3%.
- Rough diamonds are to be taxed @0.25%.
- For imports, the 3% rate of levy equivalent to IGST under section 3(7) of the Customs Tariff Act, 1975 will be in addition to the rate of Basic Customs Duty (BCD) levied under the Customs Act and Customs Tariff Act.
- All job work in relation to cut and polished diamonds; precious and semi-precious stones, or plain and studded jewellery of gold and other precious metals is taxable @ 5% (with full ITC)

## QUERY 2

**Are there any IGST exemptions for import available to Gem & Jewellery sector under GST regime?**

## ANSWER

- As per the list of IGST exemptions and concession under GST published based on the discussions in the GST council meeting held on 18<sup>th</sup> and 19<sup>th</sup> May, 2017, the following exemptions are available to the gem and jewellery sector, which are expected to be continued under the GST regime:
  - Commercial samples up to Rs.3 lakh in value in case of gem and jewellery industry and not exceeding 50 units in number in a year, imported as personal baggage by *bona fide* commercial travellers or businessmen or imported by post or air [Notification No. 154/94-Cus.]

- Re-import of cut and polished precious and semi-precious stones sent abroad for treatment [Notification No. 94/96-Cus.]
- Central Government is empowered to issue further exemptions under Section 11 of the CGST Act

### QUERY 3

#### What is HSN?

#### ANSWER

Harmonized System of Nomenclature (HSN) is an internationally accepted system for classification of goods. Most of the countries in the world today use HSN as the basis for the classification of goods and thus a certain amount of uniformity has been brought into the system of classification of goods. The HSN was being used as the basis for classification in customs and excise laws in India. Under the said scheme, each product is given a code. HSN goes up to 8 digits, but for GST, a maximum 4 digit code has been used.

## TIME OF SUPPLY

### QUERY 1

#### When does the tax liability arise under GST in respect of 'supply of goods'?

#### ANSWER

- In the event of supply of goods, the earliest of the following:
  - Date of issuance of invoice
  - Last date for issuance of invoice
  - Date of receipt of payment by the supplier

### QUERY 2

#### When does the tax liability arise under GST in respect of supply of service?

#### ANSWER

- In the event of supply of services, earliest of the following:
  - Date of issuance of invoice or date of payment, whichever is earlier, if the invoice is issued within prescribed time
  - If the invoice is not issued within prescribed time, date of provision of service or date of payment, whichever is earlier
  - In all the other cases, the date on which the recipient shows the receipt of services in his books of account

### QUERY 3

#### When does the tax liability arise under GST in respect of supply of goods or service in the event of reverse charge?

#### ANSWER

- In the event of supply of goods in respect of which tax is liable to be paid under reverse charge, earliest of the following:
  - Date of receipt of goods

- Date of payment as entered in the books of the recipient of supply or date on which bank account is debited
- Date immediately following 30 days from the date of issuance of invoice
- In the event of supply of goods in respect of which tax is liable to be paid under reverse charge, earlier of the following:
  - Date of payment as entered in the books of account of the recipient or the date on which the payment is debited in his bank account, whichever is earlier; or
  - Date immediately following sixty days from the date of issue of invoice
  - If the above are not applicable, date of entry in the books of account of the recipient of supply

#### QUERY 4

Will there be any effect of GST if a customer gives us an advance payment? Suppose a customer has placed an order on 2<sup>nd</sup> July and has paid Rs. 10,000/- by cheque. Subsequently, on 20<sup>th</sup> September sales bill is made Rs. 1,00,000 + Rs. 3,000 (GST) = Rs. 1,03,000. Do I need to pay 3% GST (Rs. 300) on Rs. 10,000/- advance amount received in July? Is this Rs. 300 payable in the month of August?

#### ANSWER

- Advances received are liable to GST.
- Tax liability arises when the payment is received by the supplier.
- Therefore, GST of Rs. 300 on Rs. 10,000 will be payable in August.

## PLACE OF SUPPLY

#### QUERY 1

How is the 'place of supply' to be determined under GST?

#### ANSWER

The general rules are set out below. Apart from this, there are various special rules for specific types of supplies of goods and services [Sections 10-14 of the IGST Act]

For supply of goods:

Scenario	Place of supply
Where supply involves movement of goods	Location of such goods at the time at which the movement of goods terminates for delivery to the recipient
Where supply does not involve movement of goods	Location of such goods at the time of delivery to the recipient
For imported goods	Location of importer
For exported goods	Location outside India to which the goods are exported

For Supply of Service:

Scenario	Place of supply
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B2B	Location of service recipient
B2C	Location of the recipient where the address on record exists; else location of supplier

## VALUATION

### QUERY 1

**On what amount should GST be paid on supply of repair services to customer?**

#### ANSWER

- If only labour is charged from the customer, GST is to be paid only on labour charges @5%
- If repair involves supply of goods and services, separate bills should be made for the goods and services, and the same should be taxed at 3% (for goods) and 5% (for services) respectively

### QUERY 2

**How will gold and silver be valued for the purpose of levying tax equal to IGST during import?**

#### ANSWER

- Basic Customs duty (BCD) on gold and silver will be levied on the tariff value fixed by the government by notification [Section 14(2) of Customs Act, 1962]
- As per Section 5 of the IGST Act, tax equivalent to IGST will be levied on imports in accordance with the provisions of Section 3 of the Customs Tariff Act
  - Hence, tax equivalent to IGST is payable on Transaction Value+BCD or on Tariff Value+BCD.
- Tax equal to IGST for gold and silver imports will accordingly be levied on the Tariff Value+ Basic Customs Duty

### QUERY 3

**What is the treatment of discounts under GST?**

#### ANSWER

- A discount which is given before or at the time of the sale can be excluded from GST
  - However, such discount must be recorded in the invoice
  - If the discount is not shown in the invoice, it will not be excluded from GST
- A discount which is given after the supply has been made is excluded from GST if the following three conditions are met:
  - The discount is established in terms of an agreement entered into at or before the time of sale
  - The discount is specifically linked to relevant invoices
    - Linkage to be created through a Credit Note which will link the discount to the relevant invoices

Input tax credit attributable to the discount has been reversed by the recipient

### QUERY 4

**Value of Invoice:**

- **Intra-State**
  - a) **Job Worker**
  - b) **Approval Voucher**
  - c) **Branch transfer Voucher**
- **Inter-State**
  - d) **Job Worker**
  - e) **Approval Voucher**
  - f) **Branch transfer Voucher (this will be normal invoice)?**

**ANSWER**

- **Intra-State**
  - a) The value in the invoice will be the job work charges
  - b) There is no GST on approval voucher
  - c) There is no GST payable on intra-State branch transfer
- **Inter-State**
  - d) The value in the invoice will be the job work charges
  - e) There is no GST on approval voucher
  - f) The value in the invoice can be shown as 90% of price at which branch sells the goods (if branch is eligible for input tax credit, value declared in invoice will be accepted)

**ITC**

**QUERY I**

**What are the various main input services related to Gem and Jewellery sector and the rates at which they are taxable under GST (available as ITC)?**

**ANSWER**

Services	Rate of tax
Travel Logistics and transportation	5% (No ITC) or 12% (Full ITC)
Rent for property/premises	18%(Full ITC)
Hallmarking and Gemstone certification	18%(Full ITC)
Marketing and advertising	5% or 18% (Full ITC)
Housekeeping and Maintenance	18% (Full ITC)
Safes and vaulting	18% (Full ITC)
Security	18% (Full ITC)
Banking and insurance services	18% (Full ITC)
Software	18% (Full ITC)
Legal	18% (Full ITC) Exempted if provided to any non-business entity or to a business entity with turnover less than Rs.

	20 lakhs (Rs. 10 lakhs in special category state) in the preceding FY.
Exhibition	18% (Full ITC)

Credit for certain input services is restricted – please refer to Section 17(5) of the CGST/ SGST Act.

#### QUERY 2

**While availing ITC of tax paid in the transition to GST, is there any restriction on age of stock on which ITC can be transitioned?**

#### ANSWER

For a person registered under GST, who was not liable to be registered under existing law, Stock in respect of which ITC is allowed must have been received under an invoice or other prescribed document for availing credit under the existing law, which has been issued on July 1, 2016 or thereafter [assuming that GST is effective from July 1, 2017].

#### QUERY 3

**Is the recipient entitled to avail ITC if the supplier has not paid GST to the appropriate Government?**

#### ANSWER

**No.** ITC can be availed only after the supplier has paid GST to the appropriate Government.

#### QUERY 4

**Will I have to reverse the GST credit on wastage?**

#### ANSWER

No prescribed wastage limits have been notified as on date under GST. If and when such prescribed limits are prescribed, then no ITC will require to be reversed if the wastage is within the prescribed limits.

#### QUERY 5

**When dead stock is melted and remade do we need to reverse the GST credit?**

#### ANSWER

No need to reverse the credit, so long as GST is paid once the remade items are supplied

#### QUERY 6

**What are the expenditure I can claim under GST? Will I get credit of GST under ITC for capital expenditure like cars or real estate construction cost for office or factory purposes?**

#### ANSWER

- As a general rule, ITC is available in respect of goods and services used in the course of or furtherance of business
- However, certain categories of ITC are specifically restricted:
  - ITC for motor vehicles will not available to Gems & Jewellery sector. ITC is available on motor vehicles only is further used for motor vehicle leasing business.
  - ITC for construction cost will also not be available where what is being constructed is immovable property – however, ITC will be available for plant & machinery.

#### QUERY 7

**When gold is sold on discount or premium, will it affect the input tax credit?**

#### ANSWER

- If the discount is given before or at the time of supply, and is shown in the invoice, ITC will not be affected
- If the discount is given after the supply, and credit note is issued to claim reduction of GST paid on the discount amount, there can be a reduction in output tax liability only if the ITC to the extent of the discount is reversed by the recipient (but not by the supplier)

#### QUERY 8

**When gold is sold on discount or premium, will it affect the input tax credit?**

#### ANSWER

- If the discount is given before or at the time of supply, and is shown in the invoice, ITC will not be affected
- If the discount is given after the supply, and credit note is issued to claim reduction of GST paid on the discount amount, there can be a reduction in output tax liability only if the ITC to the extent of the discount is reversed by the recipient (but not by the supplier)

#### QUERY 9

**Currently on all purchases the dealer is paying Local Body Tax (LBT) and no credit has been availed against it. Whether any set off against SGST or CGST will be made available for goods lying in the stock as of 30<sup>th</sup> June 2017?**

#### ANSWER

No offset is available for LBT paid.

#### QUERY 10

**List of expenses where the dealer is not eligible to claim input credit, like fuel, repair & maintenance charges for immovable properties, vehicles, food (including for customers), grocery, banquet and employee benefits (insurance benefits etc.)**

#### ANSWER

Please refer Section 17(5) of CGST and relevant SGST Act for the expenses which are not permitted to be availed as ITC.

## ISD

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#### QUERY 1

**What is the mechanism available for distribution of 'common credit' pertaining to input services under GST?**

#### ANSWER

- The concept of 'Input Service Distributor' has been continued under the GST regime



- The common credit can be distributed by an Input Service Distributor on pro rata basis, i.e. based on the ratio of the turnover of each recipient to the aggregate turnover of all the recipients to whom credit is distributed
- ITC available for distribution in a month shall be distributed in that month itself
- Credit of CGST, SGST, UTGST and IGST shall be distributed separately
- Credit of IGST to be distributed as IGST itself
- Credit of CGST, SGST and UTGST shall be distributed as follows:
  - Where ISD and recipient are in the same State/ UTS, distribute it as ITC of CGST and SGST/UTGST respectively
  - Where ISD and recipient are in different States/ UTs, distribute it as IGST

#### QUERY 2

**What are the documents required for credit distribution by an ISD?**

#### ANSWER

- Invoice or other document issued by the supplier for availing the credit
- ISD Invoice/Credit note

## STOCK TRANSFER / BRANCH TRANSFER

#### QUERY 1

**Will branch transfers be liable to tax under GST?**

#### ANSWER

- Yes – Branch transfer/stock transfer of goods or services between ‘distinct persons’ (i.e. separately registered locations) on an inter-state basis will be subject to a levy of IGST.
- However, intra-state stock transfers will not be taxable as the branches will be under the same registration.
- Tax paid will be creditable to the receiving branch (subject to any restrictions).

#### QUERY 2

**For branch transfers, on what value is GST to be paid?**

#### ANSWER

- The GST is payable on the open market value of the goods; however, if credit is available to the receiving branch, the value declared in the invoice will be accepted as the open market value of the goods or services
- Alternatively, for goods, the GST can be paid at 90% of the price at which the receiving branch will supply such goods to unrelated third parties

## JOB WORK

### QUERY 1

**Will labour activity undertaken by job-worker be liable to tax under GST?**

#### ANSWER

- Job work will be treated as a **'supply of service'** & karigar charges will be subject to GST @5% for cut and polished diamonds; precious and semi-precious stones, or plain and studded jewellery of gold and other precious metals.
- If the annual turnover of the karigar crosses the threshold limit (20 lakhs INR and 10 lakhs for Special Category States), GST will be payable by the karigar.
- If the karigar is not registered, the GST will be payable by the principal under the reverse charge mechanism.

### QUERY 2

**Can principal send goods for job-work without payment of any GST?**

#### ANSWER

- **Yes.** Inputs and capital goods may be sent to a job worker without payment of tax, under intimation and subject to conditions as may be prescribed.
- The procedure prescribed for job-work under section 143 of CGST Act requires to be complied with – inputs and capital goods need to be received back within 1 or 3 years, respectively.
- It may further be sent to another job worker from there without payment of tax.
- However, if the goods are not returned to the principal manufacturer within the required period of time, it is deemed that the inputs or capital goods were supplied to the job worker when they were originally sent and the principal is liable to pay the GST along with interest.

### QUERY 3

**What are the documents to be prepared in relation to job work?**

#### ANSWER

- Delivery challan [Rule 10(1)(b) of the Invoice Rules]
- E-Way bill, where applicable [Rule 1 of Electronic Way Bill Rules] **[Please note that this is the requirements as per the current draft of the E-Way bill Rules which may undergo some change as per news reports]**
- Proper accounts of inputs and capital goods, as well as semi-finished goods and finished goods received from job worker to be maintained by the Principal [Section 143(2) of CGST Act, Rule 1 of Accounts and Records Rules]

### QUERY 4

**Can goods be cleared directly from the premises of job worker?**

#### ANSWER

- Goods can be cleared directly from the premises of the job worker in the following situations:

- If the premises of the job worker is registered as an additional place of business of the principal manufacturer; OR
- If the job worker is registered under the GST Act; or
- However, the Commissioner may notify certain goods for which the principal need not register the job worker's premises as an additional place of business.
- Waste and scrap can be removed by the job worker himself on payment of tax, if he is registered or otherwise by the principal

#### QUERY 5

**If the job work was not satisfactory and the goods have to be sent to the job worker to re-do the work, how will that be treated?**

#### ANSWER

- It will be treated the same as normal job work for procedural and compliance requirements
- If the job worker does not charge for re-doing the work, no additional GST will be payable
- If the job worker charges for re-doing the work, in addition to the charges for the original job work, then the additional GST will be payable on the charges of the job worker for re-doing the work
- It is preferable that even the re-doing of the job work is done within the 1 year period

#### QUERY 6

**Is the intimation to be provided to the Commissioner for job work, a one-time intimation or is to be provided every time, the goods are sent for job-work?**

#### ANSWER

This is yet to be prescribed

#### QUERY 7

**I am only a job worker – what statements/returns must I file and what details go into it?**

#### ANSWER

- Job worker having aggregate turnover above INR 20 lakhs must file the following:
  - Details of outward supplies by the 10<sup>th</sup> of the following month;
  - Details of inward supplies by the 20<sup>th</sup> of the following month;
  - Monthly Return by the 20<sup>th</sup> of the month, including the details of inward and outward supplies, any rectification of entries, and also GST payment details; and
  - Annual return consolidating the details for the entire FY (by December 31<sup>st</sup> of the following FY).

#### QUERY 8

**I am a principal manufacturer and have given wastage and making charges for the job work to an URD. On what consideration, should the tax liability on a reverse charge basis be discharged by me as manufacturing loss is not recoverable for me?**

#### ANSWER

- This will have to be evaluated on a case-by-case basis:
  - The making charges will be liable to GST under reverse charge.

- If the quantum of wastage offered to the karigar impacts the amount of making charges, then the wastage should also be included when paying the GST under reverse charge.
- If it can be clearly shown that the wastage does not impact the amount of making charges, wastage need not be included when paying GST under reverse charge.

#### QUERY 9

**GST liability, in case of goods supplied to jobworker after 30<sup>th</sup> June, 2017 and returned subsequently**

- **If done within 0-12 months**
  - a) **Manufactured goods**
  - b) **Return of original goods (in total or partial)**
- **If done after >12 months from**
  - c) **Manufactured goods**
  - d) **Return of original goods (in total or partial)**
    - **What will be the effective date of sale in above cases?**
    - **How the GST liability will be computed in above cases?**
    - **In case individual lot tracking is not done, whether FIFO method can be applied to compute the above time limit?**

#### ANSWER

- If the goods are returned within 0-12 months, there is no need for payment of GST or reversal of ITC.
- If the goods are returned after >12 months, the goods will be treated as having been supplied by the principal to the job worker.
  - The effective date of sale will be the initial date of removal of the goods.
  - GST will be payable at the rate prescribed for the goods which have been sent to the job worker. Interest will also have to be paid.
  - As per the current law, there is no contemplation of applying FIFO method.

#### QUERY 10

**Whether unregistered Job Worker's place of business is required to be mentioned as additional place of business even though there is no sale of goods / dispatch of goods to customer from that place?**

#### ANSWER

No, there is no requirement in such a case.

## EXPORT

#### QUERY 1

**Will we be charged GST for Gold purchase from nominated agencies for export purpose? And, if so, what is the refund process?**

#### ANSWER

- Yes, this will be a taxable supply, and GST will be payable at the rate of 3% by the nominated agency. There is no exemption under GST for inputs used for export purposes.
- Export can be made under bond without payment of IGST, and refund of unutilized ITC can be claimed
- Alternatively, export can be made on payment of IGST, and rebate of IGST can be claimed
- For exports, provisional refund of 90% will be granted on *prima facie* satisfaction within 7 days, and the balance 10% within 60 days after scrutiny of the application and documents (including details of shipping bills, invoices, FIRC's etc.)

## SALES RETURN/ SALE ON APPROVAL

### QUERY 1

Does GST law provide for the concept of 'supply of goods on approval basis'?

#### ANSWER

- **Yes.** For goods sent on 'sale on approval' basis, there is no GST applicable till there is a supply of the goods and invoice is raised, provided such supply takes place within 6 months
- Beyond 6 months, invoice must be raised and GST must be paid

### QUERY 2

Where goods have been sent on 'sale on approval' basis prior to GST, what are the implications under GST?

#### ANSWER

- Where goods have been sent on approval basis, not earlier than 6 months before GST, and the goods are rejected or not approved by the buyer, and returned to the seller within 6 months of introduction of GST, no tax will be payable
  - Period of 6 months may be extended by a further 2 months by Commissioner
- If the goods are returned beyond 6 months, GST is payable by the person who has sent the goods on approval basis
- If the goods are not approved, GST is payable by the person returning the goods
  - Credit of the GST paid by the supplier is available as credit

### QUERY 3

Sales Return

- In case goods sold before 30<sup>th</sup> June to an unregistered dealer and it is returned by the customer within 6 months from 1<sup>st</sup> July 2017. How the VAT charged in the sale invoice will be refunded or can be adjusted against the SGST liability?**
- In case goods sold before 30<sup>th</sup> June to an unregistered dealer and it is returned by the customer > 6 months from 1<sup>st</sup> July 2017. How the VAT charged in the sale invoice will be refunded or can be adjusted against the SGST liability?**

- c) Whether the VAT refund amount will be adjusted only against SGST liability or can be adjusted against CGST liability also?

**ANSWER**

- a) The VAT charged in the invoice will be refunded under the existing VAT law.
- b) No refund/ adjustment possible in this case.
- c) There is no adjustment of VAT against SGST. As stated above, refund will be granted under the existing law, where the unregistered customer returns the goods within 6 months of GST.

## DOCUMENTATION, ACCOUNTS AND RECORDS

### QUERY 1

What are the documents to be maintained on receipt of old jewellery or gold for repairs or making new ornaments?

**ANSWER**

The transaction of receipt of goods to be worked on is not a transaction of supply under GST. Hence, no document is prescribed under GST for receipt of old gold/ jewellery. Internal documentation may be maintained for the same till specific documentation is prescribed.

### QUERY 2

Is there any special documentation required at the time of return of goods by the karigar(s)?

**ANSWER**

The goods are to be returned under a delivery challan.

### QUERY 3

What are the invoicing requirements under the GST?

**ANSWER**

- Invoice pertaining to supply of goods must be issued at the time of removal or delivery of goods
- Invoice pertaining to supply of service must be raised within 30 days from the date of supply of service
- Invoice shall contain all the particulars specified under the Invoice Rules
- Goods must be classified as per HSN (Harmonised System of Nomenclature) and services as per SAC (Services Accounting Code)

### QUERY 4

How will the goods be classified under GST regime?

**ANSWER**

- HSN (Harmonised System of Nomenclature) code shall be used for classifying the goods under the GST regime.
- Taxpayers whose turnover is above Rs. 1.5 crores but below Rs. 5 crores shall use 2-digit code.
- Taxpayers whose turnover is Rs. 5 crores and above shall use 4-digit code.

- Taxpayers whose turnover is below Rs. 1.5 crores are not required to mention HSN Code in their invoices, but they are required to provide the description of the goods supplied.

#### QUERY 5

**What are the 'essential or must' compliances under GST?**

#### ANSWER

- The following are the broad mandatory compliances under GST:
  - Registration once the threshold is crossed or if registration is compulsory
  - Issuance of invoices or other prescribed documents
  - Filing of details, returns on monthly basis, annual return
  - Payment of tax by the due date
  - Maintaining the prescribed accounts and records
  - Implementing any pricing changes which may be required by the anti-profiteering clause

#### QUERY 6

**Do we have to maintain separate records for manufactured jewellery and trading jewellery, as we currently do for excise purpose?**

#### ANSWER

No, this is not required under GST as the singular taxable event is the supply of goods on an intra-state or inter-state basis.

#### QUERY 7

**Is there any specific provision under GST law dealing with the format and contents of the following documents:**

1. Invoice
2. Debit Note
3. Credit note
4. Advance receipt
5. Advance refund
6. Sales Return

**Also who can sign the said documents, and, whether a digital signature is mandatory?**

#### ANSWER

Please refer to the below mentioned provisions of the GST Invoice Rules, which prescribe the format and content related requirements:

1. Rule 1
2. Rule 8
3. Rule 8
4. Rule 5
5. Rule 6

6. Rule 8

A duly authorised representative can sign the said documents.

Option is given to the registered person to use a manual signature or a digital signature.

**QUERY 8**

**Format and contents of Invoice in case material is issued to and subsequent return:**

- **Intra-State**
  - a) **Job Worker**
  - b) **Approval Voucher**
  - c) **Branch transfer Voucher**
- **Inter-State**
  - d) **Job Worker**
  - e) **Approval Voucher**
  - f) **Branch transfer Voucher (this will be normal invoice)?**

**ANSWER**

- **Intra-State**
  - a) Delivery challan
  - b) No GST format prescribed
  - c) Delivery challan
- **Inter-State**
  - d) Delivery challan
  - e) No GST format prescribed
  - f) Tax invoice

**QUERY 9**

**What is the treatment if there is a combine sale bill ?**

**For Ex:-**

<b>Total Sale Value</b>	<b>1,50,000</b>
<b>Purchase URD</b>	<b>1,00,000</b>
<b>Cash</b>	<b>50,000</b>

**ANSWER**

- This will not be a combined Tax Invoice.
- A separate invoice is to be raised for 1,00,000, and separate invoice for 1,50,000.
- GST paid under reverse charge on 1,00,000 will be available as credit to offset against GST payable on outward supply of 1,50,000

**QUERY 10**

**GST Return - Sales to an unregistered dealer:**



- **What is the limit of an invoice, beyond which the individual invoice details have to be uploaded in GST return?**
- **In case the invoice value is below the threshold, whether aggregate value of all such invoices has to be uploaded?**

#### ANSWER

- The limit is INR 2.5 lakh for inter-State invoices.
- For inter-state invoices below INR 2.5 lakh and all intra-state invoices, state wise summary of invoices will be sufficient.

## RETURNS

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### QUERY 1

**When are returns to be filed?**

#### ANSWER

- Details of outward supplies by 10<sup>th</sup> of the following month
- Details of inward supplies by 15<sup>th</sup> of the following month
- Monthly return by 20<sup>th</sup> of the following month
- Annual Return by 31<sup>st</sup> December of the following FY
- Apart from these, specific returns have to be filed by certain persons such as ISD, e-commerce operator etc. within prescribed timelines

### QUERY 2

**What is the penalty for late submission of monthly returns?**

#### ANSWER

A registered person who files return beyond the prescribed date will have to pay late fees of Rs. 100 for every day of delay subject to a maximum of Rs. 5,000. For failure to furnish Annual Return by due date, late fee of Rs. 100 for every day during which such failure continues subject to a maximum of 0.25% of his turnover in the State.

## REFUND

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### QUERY 1

**What is the refund process if input tax is more than output tax?**

#### ANSWER

- There is a refund only if the rate of tax on inputs is more than the rate of tax on output supplies i.e. there exists what is referred to as an 'inverted duty structure'
- Refund application is to be filed on the portal along with documents to show that the refund is due (mainly invoice details)

- If the application is complete, refund order is to be issued within 60 days from receipt of application
- Any outstanding GST dues may be adjusted from the refund amount

## TRANSITIONAL PROVISIONS

### QUERY 1

#### Whether existing tax credits can be transitioned into GST?

#### ANSWER

- **Yes.** The same can be transitioned if the person is registered under the existing law and is showing the credits in his returns.
- No ITC can be transitioned:
  - where the said amount of credit is not admissible as ITC under GST; or
  - where he has not furnished all the returns required under the existing law for the period of 6 months prior to the introduction of GST;
  - where the said amount of credit relates to goods manufactured and cleared under such exemption notifications as are notified by the Government; and
  - Other conditions prescribed under section 140 of CGST Act.
- A person who was not liable to be registered under the current law, or if the person is a first stage dealer or second stage dealer, 100% credit is available if the following conditions are met:
  - such inputs or goods are used or intended to be used for making taxable supplies under GST;
  - the said registered person is eligible for input tax credit on such inputs under GST;
  - the said registered person is in possession of invoice or other prescribed documents evidencing payment of duty under the existing law in respect of such inputs; and
  - such invoices / prescribed documents were issued not earlier than 12 months prior to date of introduction of GST.
- In case the invoice or other prescribed documents evidencing payment of duty is not available, in case of Excise credit, ITC of 40% of the CGST payable on outward supply of the goods under GST can be availed, if the following conditions are met:
  - such credit shall be credited after the CGST has been paid on the outward supply;
  - the scheme shall be available for **6 tax periods** from the introduction of GST;
  - such goods were not wholly exempt or nil rated under existing law;
  - document for procurement of such goods is available with the registered person;
  - the stock of goods on which the credit is availed is so stored that it can be easily identified by the registered person.
- If the goods are taxable @ 18% or more, 60% of the CGST payable on outward supply will be available as ITC
- In case IGST is payable on outward supply, 20% or 30%, respectively, is available as ITC.

### QUERY 2

#### How will the credit of opening stock be treated?

### ANSWER

- Existing credits (CENVAT, VAT) will be 100% available for opening stock if the credit is already shown in the returns
- Existing credits (CENVAT, VAT) will be 100% available if the credit is not being shown in the returns but the duty-paying document is available
- Existing credits (CENVAT, VAT) will be 40% available if the credit is not being shown in the returns, and the duty-paying document is not available (60% credit will be available if the output rate is 18% or more under GST; 20% or 30% credit will be available if output IGST is paid)
- The above is subject to conditions

### QUERY 3

#### How to arrive on age of stock?

### ANSWER

- In the case of Transition stock, age of stock is determined as per:
  - Date of invoice or other prescribed duty-paying document for availing credit under the existing law
  - In case such document is unavailable, the age of stock must be determined as per the document of procurement under which the goods were purchased/ the date on which procurement was recorded in the books of account of the registered person

### QUERY 4

#### Where goods have been sent on 'sale on approval' basis prior to GST, what are the implications under GST?

### ANSWER

- Where goods have been sent on approval basis, not earlier than 6 months before GST, and the goods are rejected or not approved by the buyer, and returned to the seller within 6 months of introduction of GST, no tax will be payable
  - Period of 6 months may be extended by a further 2 months by Commissioner
- If the goods are returned beyond 6 months, GST is payable by the person who has sent the goods on approval basis
- If the goods are not approved, GST is payable by the person returning the goods
  - Credit of the GST paid by the supplier is available as credit

### QUERY 5

#### Where goods sold prior to GST are returned, how will such sales return be treated under GST?

### ANSWER

- For goods sold not earlier than 6 months prior to GST, if they are returned within 6 months of the date of introduction of GST by an unregistered person, and such goods are identifiable, the supplier will be eligible for refund of the tax/duty under existing law paid at the time of supply

- If the goods are returned by a registered person, the return of such goods will be deemed to be a supply liable to GST, and such person will have to pay GST

#### QUERY 6

I have a metal gold loan, have an initial invoice showing the provisional price but the final price is fixed post 1<sup>st</sup> July, 2017. What is the impact of GST – is it on difference or on the entire amount?

#### ANSWER

- In this case, when the initial invoice is issued, tax will be payable under the current regime, if any
- Thereafter, when the price is revised post July 1, 2017, a supplementary invoice will have to be issued, and GST will have to be paid by the supplier on the differential amount if there is an upward revision resulting in increase in the final price [Section 142(2)(a) of the CGST Act/SGST Act]
- If there is a downward revision in prices, the registered supplier of the metal gold can issue a credit note to the recipient, and all provisions relating to credit note under GST shall apply to the transaction in question

#### QUERY 7

How will work in process be treated under GST for opening stock?

#### ANSWER

- Transition credits will be available for inputs contained in semi-finished and finished goods in stock
- Price of such stock may need to be revisited in terms of the anti-profiteering clause when intended for supply under GST

#### QUERY 8

Will the credit amount still pending with the VAT department be carried forward as IGST/SGST/CGST?

#### ANSWER

It will be carried forward as SGST credit, subject to meeting the conditions for transition of credit.

#### QUERY 9

How long can we carry forward GST credit. Is it only for that particular financial year or we can carry forward it to next year also?

#### ANSWER

Credit can be carried forward to the next year also.

#### QUERY 10

Additional details in GST invoice, in case of goods earlier dispatched on approval and later confirmed as sales

- **Goods dispatched before 30-06-2017**
  - **Intra-State**
    - a) **0-180 days**
    - b) **>181 days**

– Inter-State

- a) 0-180 days
- b) >181 days

Any intimation required to the GST authorities of transition position as of June 30, 2017, if yes? Whether any CA certificate required or self certification will do and what is the time limit?

• Goods dispatched After 30-06-2017

– Intra-State

- c) 0-180 days
- d) >181 days

– Inter-State

- c) 0-180 days
- d) >181 days

**ANSWER**

As there is no prescribed format under GST, please continue to indicate whatever is currently indicated in the invoice for sale on approval basis.

The details of goods sent on approval basis are to be submitted in Form GST TRAN-I. No CA certificate is required. The time limit for this purpose is 90 days from the date of introduction of GST.

No intimation to the tax authorities is required when sending the goods on 'sale on approval' basis.

**QUERY II**

**Transitional Provisions (June 30, 2017) for inventory: Treatment of stock lying with jobworker and returned subsequently:**

- If done within six months from 30<sup>th</sup> June, 2017
  - a) Manufactured goods
  - b) Return of original goods (in total or partial)
- If done after six months from 30<sup>th</sup> June, 2017
  - c) Manufactured goods
  - d) Return of original goods (in total or partial)

Any intimation required to the GST authorities of transition position as of June 30, 2017, if yes? Whether any CA certificate required or self certification will do and what is the time limit?

**ANSWER**

- If the goods are returned within six months from 30<sup>th</sup> June, 2017, there is no need to pay GST or reverse ITC.
- If the goods are returned after six months from 30<sup>th</sup> June, 2017, CENVAT credit availed in respect of the original goods will be recovered as arrears of tax under GST, and the amount so recovered shall not be admissible as input tax credit under GST.

The details of goods sent for job work are to be submitted in Form GST TRAN-1. No CA certificate is required. The time limit for this purpose is 90 from the date of introduction of GST.

#### QUERY 12

- a) To arrive at computation of deemed tax payment / actual tax payment (input credit) for closing stock as of June 30, 2017, whether FIFO method can be used (as the same method is used for valuation of inventory)?
- b) In case a supplier has not charged excise duty separately on invoice, however, it is mentioned that excise duty has been paid on goods, whether deemed credit will be available only to the extent of 40% or full 100%.
- c) Further, how the 40% or 100% of input credit will be computed?
  - i. Example: if 1 kg gold bullion purchased on June 30, 2017, VAT paid @ 1.2%. On 1<sup>st</sup> July 2017 it is sold, CGST and SGST is charged @ 1.5% each. Against this, how much input credit the dealer will get, assuming dealer has availed input credit of VAT @ 1.2% paid on purchase value?
  - ii. Example: if 1 kg gold jewellery purchased on June 30, 2017, VAT paid @ 1.2%, excise paid (but not shown separately in invoice). On 1<sup>st</sup> July 2017 it is sold, CGST and SGST is charged @ 1.5% each. Against this, how much input credit the dealer will get, assuming dealer has availed input credit of VAT @ 1.2% paid on purchase value?
  - iii. Example: if 1 kg gold jewellery purchased on June 30, 2017, VAT paid @ 1.2%, excise paid (and shown separately in invoice @ 1%). On 1<sup>st</sup> July 2017 it is sold, CGST and SGST is charged @ 1.5% each. Against this, how much input credit the dealer will get, assuming dealer has availed input credit of VAT @ 1.2% paid on purchase value?
- d) Further, VAT credit, to the extent not utilized can be adjusted only against SGST liability?

#### ANSWER

- a) No, as per the current law, the inputs need to be matched to the invoices which have been issued less than 12 months prior to introduction of GST (i.e. from 1 July 2016 onwards).
- b) As the amount of Excise duty will not be mentioned in the invoice, 100% credit may be disputed. The conservative option will be to avail 40% credit.
- c)
  - i. **VAT credit available for transition**– Input credit availed of 1.2% paid on purchase value  
**Excise credit** – 40% of 1.5% CGST
  - ii. **VAT credit available for transition** – Input credit availed of 1.2% paid on purchase value  
**Excise credit available for transition** – 40% of 1.5% CGST (100% credit may be disputed since the amount of Excise duty will not be shown in the invoice)
  - iii. **VAT credit available for transition** – Input credit availed of 1.2% paid on purchase value  
**Excise credit available for transition** – 100% as shown in invoice
- d) Can be adjusted first against SGST liability, and balance (if any) against IGST.

### QUERY 13

**What will be the treatment of advance received before June 30, 2017 and customer purchases goods after 1st July 2017**

### ANSWER

GST will be payable on such goods since the supply will be made post introduction of GST, and VAT would not have been paid on advance.

## ANTI-PROFITEERING

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### QUERY 1

**Is anti-profiteering applicable to the GJ industry, and if yes, under what circumstances will it apply**

### ANSWER

- Yes, anti-profiteering applies to all industries. However the rules for effectuating the anti-profiteering provisions have not been prescribed.
- Anti-profiteering applies under the following circumstances:
  - There is a reduction in rate of tax on any supply (which is not the case for the GJI sector); or
  - There is a benefit of input tax credit which becomes available on account of introduction of GST.
- In the above cases, the pricing must be commensurately adjusted to pass on the benefits to the consumers.

*DISCLAIMER: The FAQs are for general informational purposes only, and are not intended as a substitute for legal advice. No part of the contents thereof should be construed as, or acted upon, as legal advice, without seeking professional or legal counsel on the particular facts and circumstances of the relevant matter.*