

SUPPLY

QUERY 1

A trader located in Karnataka purchases Bullion (Raw material) from outside the State (say from a bullion trader located in Coimbatore). The said bullion trader delivers the same to job worker in Coimbatore. Only jewellery (finished product) enters into Karnataka. What is the GST implication?

ANSWER

- When the bullion is purchased, it constitutes one supply. It will be treated as an inter-state supply in terms of section 10(1)(b) of the IGST Act, the place of supply being the place of principal business of the person who placed the order, though delivery of goods may be to a third person.
- When the bullion is handed over to the job worker, it constitutes another supply. However, under Section 143, this supply is not taxable.
- When the job worker works on the bullion, converts it to an ornament, it will be another supply (in this case a supply of services). This will be treated as an inter-state supply and IGST will be applicable on the labour cost.

QUERY 2

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 the case of supplies where the gold and labour are of equal importance, like creating an ornament as per the design of the customer, since both material and labour are equally important and individual components are for separate consideration, there will be no single principal supply and ancillary supply. In such cases, the gold will be taxed at 3% and the labour at 5%.

In the case of off-the-shelf ornaments, where only gold is sold, it will be treated as a sale of gold ornament for a total value of Rs. 3,20,000/- which will be taxed @ 3%. In such a case, no separate labour should be charged.

QUERY 3

If a customer gives an order for an ornament as per a particular design and he supplies 8 gms, but 10gms of gold was required to complete the ornament, will the GST be levied on 10 gms or 2 gms?

ANSWER

This is more like a job work situation where the labour is applied on the material owned by the customer. The additional 2 gms of gold supplied by the supplier and the supply of the labour are both equally important supplies and there is no one principal supply and one ancillary supply in the transaction.

Therefore, in this case, separate bills should be raised for the 2 gms supplied (GST @3%) and for the labour charges (GST @5%) or they should be separate line items in the same tax invoice.

QUERY 4

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, 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 tax credit ('ITC') 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) If a single price is charged for the gold and the packing material, it will be treated as a composite supply, the packing material being the incidental supply and the transaction will be taxed @3%.
- b) Even if the packing material is charged for separately, the same will be included in the transaction value of supply of gold, as being in the nature of incidental expenses as specified under section 15(2)(c) of the CGST Act.
- c) In cases (a) and (b) set out above, credit of ITC paid on packing material will be available.
- d) If complimentary bags or expensive packing is given as a free or complimentary gift and shown as the same, while no GST is applicable on gifts to an unrelated person, no ITC will be available in terms of section 17(5)(h) of the CGST Act.

TAXABLE PERSON

QUERY 1

If a taxable person was operating under the composition scheme under the existing law, and, opts to continue under composition scheme under GST, is he required to file any returns for transition of stock?

ANSWER

- No.
- However please note that there is no composition scheme for services under GST except for catering services.

QUERY 2

What are the tax rates under composition scheme?

ANSWER

The tax rates are as follows:

- 1% for manufacturers
- 2.5% for catering services
- 0.5% for other suppliers (not excluded otherwise)

RATE

QUERY 1

Copper is one of the alloys mixed with Gold to make lower purity gold. Rate of tax for copper is 18%. Will it be treated as composite/mixed supply where the higher rate of tax is applicable?

ANSWER

- If the low purity gold is classifiable under chapter 71 of the HSN, it will attract GST @ 3%.
- For instance – ‘other articles of precious metal or of metal clad with precious metal’ under heading 7115 of the HSN, attracts GST @ 3%.

QUERY 2

When the jewellery is packed in jewellery box made out of plastic or resin (rate of tax for jewellery box is 28%), will it be treated as composite/mixed supply and will higher rate of tax be applicable?

ANSWER

- It will be treated as a composite supply, the principal supply being the supply of gold. Therefore, the transaction will be taxed at the rate applicable to gold i.e. 3%, as the supply of packing material (‘jewellery box’) is only an incidental supply.

TIME OF SUPPLY

QUERY 1

When does the tax liability arise under GST in the case of monthly gold savings schemes, when payments are received in monthly instalments in advance?

ANSWER

- In the case of monthly gold savings schemes, the tax liability under GST in respect of each instalment arises when the instalment is paid by the customer and received by the merchant.

PLACE OF SUPPLY

QUERY 1

If a walk in customer gives his address of another State (where he resides), whether SGST/CGST or IGST is payable?

ANSWER

- Whether SGST/CGST or IGST is payable on a supply depends on the place of supply. If the place of supply and the location of the supplier are in the same state or union territory, then SGST/CGST are applicable. If they are in different states or Union territories, then IGST is applicable. The place of supply in case of goods is as follows:
 - If there is movement of goods, then the location of goods when the movement terminates; or
 - If there is no movement of goods, then location of the goods at the time of delivery to the recipient.
- Address of the recipient *per se* is not a determining factor.
- Ordinarily, when the walk in customer makes purchase of gold and takes delivery at the outlet premises itself, there is only an intra-state supply which will be liable to SGST + CGST.

ITC

QUERY 1

Can we claim GST paid on Rent of Showroom, Workshop (Production facility) and Corporate Office?

ANSWER

- Yes. ITC can be availed.
- The restriction on taking credit under section 17 of the CGST Act is only on works contract services when supplied for construction of an immovable property.

QUERY 2

Is PAN compulsory to claim Input Tax Credit on supplies received from Unregistered Dealers (URD)? If the unregistered Dealer is not having PAN what is the alternative?

ANSWER

- No PAN of the URD is not compulsory to claim input tax credit on supplies received from URDs, where the recipient is liable to pay tax under the reverse charge mechanism.

INVOICE

QUERY 1

Whether we should show SGST and CGST separately in Tax Invoice?

ANSWER

Yes.

QUERY 2

Whether we should upload all sale bills or only the bills issued to Registered Dealers and Bills of above Rs.2,50,000/-?

ANSWER

- For B2B supplies where there is a possibility of the recipient taking credit, all invoices, whether Intra-state or Inter- state supplies, will have to be uploaded.

- In the case of inter-state B2C supplies, invoices of value more than Rs.2.5 lacs will have to be uploaded.
- For inter-state invoices below Rs. 2.5 lacs and all intra-state invoices, state wise summary will be sufficient.

RETURNS

QUERY I

Whether the details of supplies uploaded by the supplier in GSTR1 will get auto populated in GSTR 2 or the recipient will have to upload the details again?

ANSWER

- The details of supplies received by a recipient will be auto populated on the basis of the details furnished by the counter-party supplier in his GSTR-I.
- A large part of GSTR-2 will be auto-populated, and, there may be some details that only a recipient can fill in, such as details of imports, details of purchases from non-registered or composition suppliers and exempt/non-GST/nil GST supplies etc.

MISCELLANEOUS

QUERY I

Whether wastage on gold manufacturing is allowed or not. If allowed what percentage will be allowable on

(a) Plain Gold Jewellery

(b) Studded Gold Jewellery

ANSWER

- The permissible limit of wastage under GST has not been notified so far.

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