



Frequently Asked Questions

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 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 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 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 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, 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%.

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.

b) In cases (a) and (b) set out above, credit of ITC paid on packing material will be available.

If complimentary bags or expensive packing, over and above the usual packaging, 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.

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%.

QUERY 15

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 16

For section 25 company registered under Companies Act, earlier (as per Notification 30/2012-ST) any services provided or agreed to be provided by way of sponsorships to any corporate or partnership firm located in taxable territory, the liability to pay service tax is on service receiver. What will be the case in the present GST regime and rate for the same? However we provide services to individuals by way of sponsorship. In such cases we are liable to collect and discharge service tax. What will be the case in the present GST regime and rate for the same?

ANSWER

- As was the case under Service Tax, sponsorship services supplied to only body corporates or partnership firms is under reverse charge for GST. Reverse charge does not however apply to sponsorship services supplied to individuals.
- The rate of GST in such cases is 18% (with full ITC).

QUERY 17

1) If client supplies 50 cts of Diamonds and we add our diamonds of 30 cts and our Gold of 100 Gms and 10 cts of Color Stones (Total Jewellery : 80 Cts of Diamonds), then please let us know which invoice to be prepared and what will be the GST Rate applicable.

2) If Client supplies Diamonds and Gold for Job Work and we add our color stones and pearls, then please let us know which invoice to be prepared and what will be the GST Rate applicable.

3) If Client supplies Diamonds and Gold for Job Work and we add nominal Diamonds (0.20 cts to 1.00 cts) and Gold (1 gms to 3 gms), then please let us know which invoice to be prepared and what will be the GST Rate applicable.

4) If Client supplies only Diamonds and Gold for Job work and we add our alloys, then please let us know which invoice to be prepared and what will be the GST Rate applicable.

Request you to please let us know the Invoice Format, Jobwork Invoice Format, Debit and Credit Note Format.

ANSWER

It is presumed that the client is a 'registered person' under GST law.

1) Separate invoice should be prepared for the material that is supplied by you (30 cts of diamonds, 100 gms of gold and 10 cts of colour stones), and separate invoice for the labour charges. All the materials will be taxed @ 3%. Labour (i.e. making charges) will be taxed @ 5%.

2) Same as 1) above.

3) Same as 1) above.

4) If the labour is the principal supply and alloy the incidental supply and a single price charged, then the transaction will be a composite supply, and, the rate of tax will be that applicable to the principal supply of 'labour' - GST will be payable @ 5%.

5) If the alloy falls under HSN -tariff item 71 and both the alloy and labour are separate principal supplies, then 3% GST on alloys and 5% GST on labour is required to be paid. Separate prices should be charged for the alloy and the labour work.

For the formats, please see the following provisions of the CGST Rules:

- Rule 46 for invoice

- Rule 53 for debit and credit note

- Rule 55 for delivery challan which can be issued when the goods are sent to job worker. Job worker can issue invoice as per Rule 46 for services of job work.

TAXABLE PERSON

QUERY 18

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 have been 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 19

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 on supply of goods or services.

QUERY 20

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 21**

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 22

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 23

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 24

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 25

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 26

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 27

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 no tax is charged in the first instance to the recipient.

QUERY 28

Is the dealer under composition eligible to avail ITC?

ANSWER

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

QUERY 29

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 30

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 31

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 needs to issue an invoice for the supply.
- Recipient also needs to issue a payment voucher when making payment to the karigar

QUERY 32

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 through the usual process of showing the tax paid under reverse charge in the Returns – there is no auto adjustment.

QUERY 33

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 34

Reverse Charge

- a) In case of purchase of goods or services from unregistered dealer, is there any limit beyond which only "Reverse charge mechanism" will apply?
- b) If yes, what is the limit?
- c) 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.
 - h) For reverse charge scenarios, the tax will paid as per the time of supply of goods, which is the earliest of the following:
 - i. the date of the receipt of goods,
 - ii. the date of payment as entered in the books of account of the recipient,
 - iii. the date on which the payment is debited in his bank account,
 - iv. the date immediately following 30 days from the date of issue of invoice or any other document
 - v. 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.

QUERY 35

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 36

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).

REGISTRATION**QUERY 37**

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 38

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.

QUERY 39

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 40

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 41

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.

QUERY 42

If a jeweller is participating in a B2B exhibition organized in another State, what are the documents he needs to submit ? The intent of exhibition is 'Not for Sale'. Does the jeweller need to opt for a Casual Trade License? Also what is the rule number for such cases?

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 [Rule 55 of the CGST Rules].
- The Central government is yet to notify the document in lieu of e-way bill to be carried while transporting the goods (please see Rule 138 of the CGST Rules).
- There would be no need to obtain registration as a casual taxable person if no supply of the goods will be made in that State.

RATE

QUERY 43

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

- 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 44

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

ANSWER

- Following exemptions are available to the gem and jewellery sector, which have been continued under the GST regime:
 - Re-import of cut and polished precious and semi-precious stones sent abroad for treatment [Notification No. 94/96-Cus.]
 - Import of Diamonds for Certification / Grading & Re-export in terms of Para 4.42 of the FTP 2015-20, by the agencies mentioned in Para 4.42 of FTP, without payment of all Customs duties after executing bond with Customs [Notification No. 40/2015-Cus.]

– An exporter (with annual export turnover of Rs 5 crore for each of the last three years) may export cut & polished diamonds (each of 0.25 carat or above) to specified testing agencies/laboratories abroad [as mentioned under paragraph 4.74 of the Handbook of Procedures] for testing – Exemption will be available on their re-import [within 3 months from the date of export] such cut and polished diamonds are exempt from all customs duties, including IGST [Notification No. 9/2012-Cus.]

- Central Government is empowered to issue further exemptions under Section 11 of the CGST Act.

QUERY 45

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 6 digits, but for GST, a maximum 4 digit code has been used.

QUERY 46

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 47

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.

QUERY 48

Our head office is located in Mumbai and is registered for the purposes of GST. We have planned an event called NJA (National Jewellery Award) in Mumbai during July 2017 and shall be receiving administration charges (Application Fees) from Jeweller(s) & student(s) in the range of Rs. 3500 to 7500/- per entry from all over India. Please let us know what tax we need to charge and rate/SAC code for the same.

ANSWER

- We understand that the charges collected from jewelers / students are application fees for them to be considered as nominees for the awards in the various categories to be announced at the event.

- Such services will be covered by HSN code 9997.
- Such services are subject to GST @ 18% (with full ITC).
- If the jeweller / student is located in Maharashtra, CGST plus SGST will be payable. If the jeweller / student is located elsewhere, IGST will be payable.

QUERY 49

Ours is a company registered under section 25 of the Companies Act. As a trade federation for the Gems & Jewellery industry, we provide services to our members & charge membership fees. Earlier we were charging 15% service tax on the same. However, in the preset GST regime, we would like to know what type of GST will be applicable, & the applicable GST rates for the same? Our office is located in Mumbai, for which we have a GST registration, and, payments will be collected from all over India for the membership services.

ANSWER

- Such services will be covered by HSN code 9995.
- Such services are subject to GST @ 18% (with full ITC).
- If the member is located in Maharashtra, CGST plus SGST will be payable. If the member is located outside Maharashtra, IGST will be payable.

QUERY 50

We have a magazine through which we earn advertisement revenues from all over India. Earlier in the service tax regime, these services were not taxable (i.e. no Service tax was applicable on sale of space). Now in the present GST regime, we would like to know what taxes need to be charged and the applicable tax rates?

ANSWER

- Selling of space for advertisement in print media is covered under HSN Code 9983 and is subject to tax @ 5%.

TIME OF SUPPLY

QUERY 51

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 52

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 53

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 54

Will there be any effect of GST if a customer gives us an advance payment? Suppose a customer has placed an order on 2nd July and has paid Rs. 10,000/- by cheque. Subsequently, on 20th 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.

QUERY 55

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.

QUERY 56

Whether Advance which is refundable against order will attract GST?

ANSWER

Advances received are liable to GST to the extent of the advance so received. Advances as commonly understood are normally not refundable but adjusted against payment due.

PLACE OF SUPPLY**QUERY 57**

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

B2B

Location of service recipient

B2C

Location of the recipient where the address on record exists; else location of supplier

QUERY 58

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.

VALUATION

QUERY 59

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 60

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 61

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 62

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 63

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 64

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 65

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 66

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 67

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 68

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 be available to Gems & Jewellery sector. ITC is available on motor vehicles only if 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 69

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

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. However, this would not affect the ITC availed by the supplier.

QUERY 70

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 30th June 2017?

ANSWER

No offset is available for LBT paid.

QUERY 71

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.

QUERY 72

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 73

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.

QUERY 74

Can ITC be claimed for the period wherein the payment is made through schemes (18/24/36 months) to facilitate easier purchase of gold and gold ornaments or can it be claimed only at the end of the maturity of the scheme?

ANSWER

It is understood that though payment will be received in monthly instalments, the supply of goods will happen once all the instalments are paid. GST is required to be paid on advances received to the extent of the advance so received.

ITC is available on goods used or intended to be used in the course or furtherance of business. Therefore, even during the period when there is no outward supply under the scheme, ITC will be available as the inputs are to be used in the course or furtherance of business. The availment of ITC is subject to satisfaction of the conditions prescribed under the CGST/SGST legislation, especially section 16 of the said legislation.

The assessee is not required to wait till the maturity of the scheme period to avail ITC.

QUERY 75

We have been conducting events all over India. In the past, we received Service Tax, CENVAT credit through hotels, event agencies, etc which was set off against our tax liability. However, in GST regime, if we conduct an event in other states, are we eligible for such set-off of the credit available with the GST liability, or how does it work for our federation? Please advise.

ANSWER

- For hotel accommodation and event-related services, the location of supplier and the place of supply will be in the other States, and hence CGST plus SGST will be charged in that State.
- CGST and SGST can be set-off against output tax liability of CGST and SGST of that particular State only.
- The federation cannot offset such CGST and SGST which is paid in another State unless it has a registration, and, corresponding output tax liability in such other State.

ISD QUERY 76

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 77

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

INVOICE QUERY 78

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

ANSWER

Yes.

QUERY 79

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.

STOCK TRANSFER / BRANCH TRANSFER QUERY 80

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 81

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 82

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 83

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 84**

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 provisions are yet to be notified.
- 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 85

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 86

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 87

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 88

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 10th of the following month;
 - Details of inward supplies by the 20th of the following month;
 - Monthly Return by the 20th 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 31st of the following FY).

QUERY 89

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 90

GST liability, in case of goods supplied to jobworker after 30th 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 91

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.

QUERY 92

When the principal sends material to the job-worker (karigar) for undertaking job-work, what documents are required to be prepared/maintained?

ANSWER

The following documents are required to be prepared/maintained by the 'principal' in relation to job work.

- When goods are transported from the Principal to the job worker:
 - Delivery challan in terms of Rule 55 of the CGST Rules, 2017.
 - The details of challans in respect of goods dispatched to a job worker or received from a job worker or sent from one job worker to another during a quarter shall be included in FORM GST ITC-04

furnished for that period on or before the twenty-fifth day of the month succeeding the said quarter. [Rule 45(3) of the CGST Rules, 2017].

– Proper accounts of inputs and capital goods, as well as semi-finished goods and finished goods received from the job worker is to be maintained by the Principal in terms of section 143(2) of CGST Act.

When the job-worker (karagir) removes goods from his premises and delivers them to the Principal, what documentation is needed from the job-worker's end so as to complete the transaction?

ANSWER

The goods are to be returned under a delivery challan in terms of Rule 55 of the CGST Rules, 2017.

QUERY 93

Since the value of gold is not fixed and it keeps changing frequently, the making charges are decided on the day the job-worker delivers the goods to the 'Principal'. Is there any format under GST for determining the making charges as per the prevalent gold rate?

ANSWER

No such format is prescribed under GST law as the issue is not a legal but a commercial issue.

QUERY 94

If goods delivered by the job-worker are returned by the Principal for quality reasons, then what changes are to be made by the job worker in his document, e.g. if the delivery challan has 5 items, out of which 4 items are accepted and one is returned. How should these changes be incorporated by the job worker?

ANSWER

The goods will require to be sent back by the principal under a separate delivery challan under Rule 55 of the CGST Rules, 2017.

No change is required in the delivery challan sent by the job-worker.

EXPORT QUERY 95

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 96**

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 97

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 98

Sales Return

- a) In case goods sold before 30th June to an unregistered dealer and it is returned by the customer within 6 months from 1st July 2017. How the VAT charged in the sale invoice will be refunded or can be adjusted against the SGST liability?
- b) In case goods sold before 30th June to an unregistered dealer and it is returned by the customer > 6 months from 1st 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 99**

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 until such time as any specific documentation is prescribed under the GST law.

QUERY 100

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 101

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 102

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 103

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 104

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 105

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:

- 6) Rule 1
- 7) Rule 8
- 8) Rule 8
- 9) Rule 5
- 10) Rule 6
- 11) 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 106

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 107

What is the treatment if there is a combined sale bill ?

For Ex:-

Total Sale Value 1,50,000

Purchase URD 1,00,000

Cash 50,000

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 108

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.

QUERY 109

What is the delivery challan format for inter-state branch transfer?

ANSWER

Notification 4/2007- Integrated tax dated 28.06.2017, has made applicable the CGST Rules to inter-state supplies under the IGST Act. Therefore, the Delivery challan is required to be in the format set out under Rule 55 of the CGST Rules, 2017.

RETURNS QUERY 110

When are returns to be filed?

ANSWER

- Details of outward supplies by 10th of the following month
- Details of inward supplies by 15th of the following month
- Monthly return by 20th of the following month
- Annual Return by 31st 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 111

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.

QUERY 112

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-1.
- 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.

REFUND QUERY 113

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 114

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 115

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 116

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 117

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 118

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 119

I have a metal gold loan, have an initial invoice showing the provisional price but the final price is fixed post 1st 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 120

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 121

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 122

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 123

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-1. 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 124

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

- If done within six months from 30th June, 2017

a) Manufactured goods

b) Return of original goods (in total or partial)

- If done after six months from 30th 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 30th June, 2017, there is no need to pay GST or reverse ITC.
- If the goods are returned after six months from 30th 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 125

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 1st 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 1st 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 1st 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 126

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

QUERY 127

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.

MISCELLANEOUS QUERY 128

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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