For May-2018 Exam Students – Note on IDT – Paper 8

GST

1. ICAI has given some **practice questions**, hosted on following address: https://www.icai.org/post.html?post_id=14562

   This is divided in three parts and you must study them all along with answers given therein. Part III is specifically important and contains few good practical questions.

2. **RTP for May-2018** exams must be referred to along with all answers given therein. Revised RTP is hosted on following address: https://resource.cdn.icai.org/48680bos32650p8.pdf

3. All **Circulars given in Statutory Updates** given by ICAI (52 pages) is important and may appear in exams as it is.

4. **In case of composition scheme for relevant for May-2018 exams, please note that –**

   - Eligibility limit is Rs. 100 lakhs for all states including J&K and Uttrakhand. For special category states excluding J&K and Uttrakhand, it is Rs. 75 lakhs. This is to be counted on all India basis. If a person has turnover in any special category states (excluding J&K and Uttrakhand), then eligibility limit will reduce to Rs. 75 lakhs for all the states. Eligibility limit turnover will not include turnover of exempted services.

   - Rate of tax in composition scheme will be 2% for manufacturers, 5% for restaurants and 1% for other traders.

   - While calculating tax, take turnover in a state / UT only and not all India turnover. Registration in Composition scheme will be required in all the states separately. While calculating tax, turnover will not include turnover of exempted services but will include turnover of exempted goods.

5. If a person wishes to opt for composition, then he needs to intimate the proper officer before commencement of a financial year. But, for FY 2017-18, facility has been given to give intimation before any month and opt for composition from 1st of next month. In this case, GSTR 4 will be applicable from the date when composition is opted but before that month, GSTR 1 / 2 / 3 / 3B needs to be filed.

6. In **Time of Supply**, for supplier of goods having turnover up to Rs. 1.50 Crores in last Financial year, TOS will be earlier of date when invoice is issued or date when invoice should have been issued u/s 31 (1). In such a case, date of payment by the customer is not relevant. For such suppliers, topic of advances up to Rs. 1,000/- received will not be relevant as date of payment is not important for such suppliers.

7. In case of **Registration**, aggregate turnover limit is Rs. 20 lakhs for all states including J&K if any taxable supplies are made. But, if any taxable supplies are made from any special category states (excluding J&K), limit of aggregate turnover of Rs. 10 lakhs will be applicable.

   It is important to note that if a person has taxable turnover in any special category states (excluding J&K), then Rs. 10 lakhs limits will be applicable for registration in all the states including non-special category states also.

8. Without obtaining registration, a person may supply taxable services inter-state but cannot supply taxable goods inter-state.

9. In case of **zero rates supplies**, all registered assesses have option to file LUT (rather than bond) except when prosecution has been initiated against an assessee. LUT is an easy option as compared to bond. With LUT, no security / surety are required. Also, LUT is given on letterhead of the assessee whereas bond is furnished on stamp paper.

10. In **Input tax credit**, in case of **supply of capital goods**, reverse ITC by reducing ITC @ 5% per quarter / part thereof or GST payable on transaction value, whichever is higher. 5% per quarter method is to be used as suggested by ICAI.

    Similarly, when exempted goods / services became taxable and person opts for registration, ITC on capital goods shall be taken after reducing 5% per quarter / part thereof from the date when capital goods are purchased. This is also in accordance with ICAI solutions.

11. In case of **return filing**, it is now provided that –

    - GSTR 3B is to be filed in place of GSTR 3 till March-2018 by 20th of next month.
    - GSTR 1 and 2 will be filed as and when government will notify the dates.
    - In case of GSTR 3, Part A consisting of sales and ITC availed shall be auto populated from GSTR 1 & 2. But, Part B containing payments made and ITC utilised will be populated from GSTR 3B. Therefore, if amount of sales is

increased in GSTR 1 as compared to GSTR 3B, then additional tax is payable while filing GSTR 3 on sales reported in GSTR 1 with interest. If sales figure reduces in GSTR 1 as compared to GSTR 3B, then additional tax paid shall be credited to electronic cash / credit ledger when GSTR 3 will be filed.

- As GSTR 1 due dates are notified, therefore government has also prescribed that with GSTR 3B, export sales can be entered invoice wise by way of filing table 6A separately.

Customs

12. New **Concessional Removal Rules**, 2017 have been notified and given in 52 pages of statutory update given by ICAI. These Rules are similar to earlier rules and will be used for claiming end-use based exemptions in Customs. *The rules are important in exams.*

13. In case of **duty drawback** under Sec. 75, AIR will not consist of excise duty on petroleum products used in manufacturing exported goods and BCD paid on imported inputs used in manufacturing exported goods. All other taxes (i.e. GST) paid on other inputs and input services will not be given as duty drawback as ITC refund can be claimed. It may be noted that duty drawback and ITC refund both can be claimed in case of supply of goods outside India by submitting LUT.

It may be noted that prior to this amendment, duty drawback of Customs, Excise and Service tax used to be given. Also, when drawback is claimed, CENVAT Credit Refunds were not allowed.

New duty drawback rules as given in statutory update (52 pages) are same as earlier one in all procedures and for brand rate / special brand rate and should be read once.

14. For **Types of Duties**, please understand the following –

In the calculation, BCD is to be calculated first followed by EC & SHEC on BCD only. Then all other duties are to be collected such as safeguard, anti-dumping etc., if any.

At the end, on (value of goods + BCD + EC & SHEC + all other duties), IGST and Compensation Cess is to be calculated.

15. In **Foreign Trade Policy**, under EPCG and Advance Authorisation, capital goods and inputs can be imported without payment of custom duty. Therefore, the exemption will be applicable for BCD as well as IGST & Compensation cess. When goods will be procured locally by using EPCG / AA, then for domestic supplier, it will be a deemed export under GST law. In case of deemed export under GST, supplier will charge GST but may or may not collect from the EPCG / AA holder. GST paid by the supplier will be refunded by the government to either supplier or to the EPCG / AA holder.

16. In **Custom Valuations**, please note the following sequence –

(a) Price of Goods at which Indian importer is buying the goods

(b) **Add**: All expenses incurred in foreign country itself including those incurred at foreign port such as freight in foreign country or loading / unloading etc. incurred at foreign port

(a) & (b) taken together is FOB value of goods. Most of the times, this FOB value will be directly given in the question

(c) **Add**: Adjustments covered under Rule 10 (1) i.e. related to Commission / Brokerage / Designing etc.

(a) + (b) + **(c)** taken together is revised FOB value of goods.

(d) **Add**: Adjustments covered under Rule 10 (2) i.e. only two adjustments of insurance and freight. Insurance will be actual cost or 1.125% of revised FOB, if unascertainable. Freight will be freight up to Indian custom Station only or 20% of revised FOB, if unascertainable.

(a) + (b) + **(c)** + **(d)** taken together is CIF value of goods.

Duties will be calculated on CIF value of goods.

Now, based on recent amendments, following points are important –

- If FOB or revised FOB is given including freight figure but insurance is unascertainable, then insurance will be 1.125% of FOB or revised FOB including freight figure;
- If FOB or revised FOB is given including insurance figure but freight is unascertainable, then freight will be 20% of FOB or revised FOB including insurance figure;
- Loading, unloading or handling charges incurred at foreign port / airport is included in the value as part of FOB i.e. in (b) above.

- Loading, unloading or handling charges incurred **<u>up to</u>** Indian port / airport is included in freight itself under Rule 10 (2) and no separate treatment is warranted;
- Loading, unloading or handling charges incurred **<u>at</u>** Indian port / airport is not to be considered at all.
- Freight, insurance, Loading, unloading or handling charges incurred in India for the purpose of transfer of imported goods from one port / airport to another port / airport / ICD shall not be considered at all as cost of transhipment is not to be taken.