

FREQUENTLY ASKED QUESTION (FAQs) **ON GOODS AND SERVICE TAX (GST)**

As the GST has been rolled out with effect from 1st July 2017, it is important to analyze the impact of GST on our Bank. For smooth functioning by all Branches/Offices of our Bank we have compiled the FAQ's outlining key aspects / action points relevant for compliance with GST.

1) What is GST?

Goods and Service Tax (GST) is a comprehensive levy of Indirect Tax on manufacture, sale and consumption of goods and services. After introduction of GST all existing Indirect Taxes like Central Excise Duty, Service Tax, Value Added Tax, Octroi etc has been repealed. GST has replaced the existing origin based indirect tax with destination/consumption based indirect tax.

2) Which of the earlier indirect taxes that have been subsumed under GST?

GST has replaced several taxes levied by the Centre as well as States. These include

i. Taxes currently levied and collected by the Centre:

- a) Central Excise duty
- b) Duties of Excise (Medicinal and Toilet Preparations)
- c) Additional Duties of Excise (Goods of Special Importance)
- d) Additional Duties of Excise (Textiles and Textile Products)
- e) Additional Duties of Customs (commonly known as CVD)
- f) Special Additional Duty of Customs (SAD)
- g) Service Tax
- h) Central Surcharges and Cesses so far as they relate to supply of goods and services

ii. State taxes that has been subsumed under the GST are:

- a. Value Added Tax ('VAT')
- b. Central Sales Tax ('CST')
- c. Luxury Tax
- d. Entry Tax
- e. Entertainment and Amusement Tax (except when levied by the local bodies)
- f. Taxes on advertisements
- g. Purchase Tax
- h. Taxes on lotteries, betting and gambling
- i. State Surcharges and Cesses so far as they relate to supply of goods and services

3) How will the goods and services be classified under GST regime?

Harmonised System of Nomenclature (HSN) code shall be used for classifying the goods under the GST regime. Services will be classified as per the Services Accounting Code (SAC).

4) Framework of GST

- GST is a destination based tax, as per provisions laid down in CGST, IGST and SGST Act, any taxable supply having the origin (location of supplier) and destination (place of supply) within the same state will attract both the component of GST i.e. CGST and SGST simultaneously/concurrently at the base value,
- Whereas the taxable supply having origin (location of supplier) at one state and destination (place of supply) at other state will attract Integrated Goods and Service Tax (IGST). This also includes the import of goods and services from outside India. Hence the goods imported from outside India will attract IGST apart from Custom duties.
- Export of Goods/Services and supply to a SEZ developer or an SEZ unit are zero rated in GST regime.

5) What is supply?

All forms of supply of goods or services or both made for a consideration by a person in the course or furtherance of business are considered as supply, however **following** transactions/activities related to bank **are not treated as supply** hence no GST will be applicable on them:-

- a. Activities or transactions undertaken by the Central Government, a State Government or any local authority notified by the Government, shall be treated neither as supply of goods nor a supply of services
- b. Services by an employee to the employer in the course of or in relation to his employment.
- c. Services by any court or Tribunal established under any law for the time being in force.
- d. The duties performed by Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
- e. Sale of land
- f. Actionable claims, other than lottery, betting and gambling.

6) What is the meaning of 'Goods' under GST?

'Goods' have been defined to mean every kind of movable property other than money and securities but specifically include actionable claim.

7) What is the meaning of ‘Services’ under GST?

‘Services’ have been defined to mean anything other than goods, money and securities. The definition also specifically includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

8) What is the place of supply?

a) For Goods

| S.no. | Conditions | Place of supply of goods |
|--------------|---|---|
| 1 | Movement of Goods involved | Location of goods at the time at which movement of goods terminates for delivery to the recipient |
| 2 | Goods are supplied by the supplier to the recipient on the direction of third person whether acting as agent or otherwise | Principal place of business of such third person |
| 3 | Movement of Goods not involved | Location of goods at the time of delivery to the recipient |
| 4 | Goods are installed or assembled at site | Place of such installation or assembly |
| 5 | Goods are supplied on board a conveyance | Location at which such goods are taken on board i.e. from where movement starts |
| 6 | Import of goods | Location of importer |
| 7 | Export of goods | Location outside India |

b) Services:

| S.no. | Services | Place of supply of services |
|--------------|--|--|
| 1 | a) Directly in relation to an immovable property including services provided by architects, interior decorators, surveyors, engineers and other related experts or estate agents, any service provided by way of grant of rights to use immovable property or for carrying out or co-ordination of | Location at which the immovable property or boat or vessel, as the case may be, is located or intended to be located Provided that if the location of the immovable property or boat or |

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|---|---|--|
| | <p>construction work; or</p> <p>(b) by way of lodging accommodation by a hotel, inn, guest house, home stay, club or campsite, by whatever name called, and including a house boat or any other vessel; or</p> <p>(c) by way of accommodation in any immovable property for organizing any marriage or reception or matters related thereto, official, social, cultural, religious or business function including services provided in relation to such function at such property; or</p> <p>(d) any services ancillary to the services referred to in clauses (a), (b) and (c),</p> | vessel is located or intended to be located outside India, the place of supply shall be the location of the recipient. |
| 2 | Restaurant and catering services, personal grooming, fitness, beauty treatment, health services including cosmetic and plastic surgery | Location where the services are actually performed |
| 3 | services in relation to training and performance appraisal to a registered person | Location of registered person; |
| 4 | Banking and other financial services including stock broking services to any person | Address of recipient as per the records of the supplier and if address is not available then the location of the supplier of services. |

Please note that, in view of the provision of place of supply, the Locker Rent will not attract IGST.

9) What is Time of supply?

i) For Goods

a) Forward Charge Basis

The time of supply of goods shall be the earlier of the following dates, namely,

- a) The date of invoice by the supplier or the last date on which he is required, under section 31(1) to issue the invoice with respect to the supply or

b) The date on which supplier receives the payment with respect to the supply

b) Reverse charge Basis

The time of supply of goods shall be the earliest of the following dates, namely,

- a) The date of the receipt of goods or
- b) The date of payment or
- c) 30 days from the date of issue of invoice by the supplier.

ii) For Services

a) Forward Charge Basis

The time of supply of services shall be

- a) The date of issue of invoice by the supplier, if the invoice is issued within the period prescribed under sub section (2) of section 31 or the date of receipt of payment, whichever is earlier, or
- b) The date of provision of service, if the invoice is not issued within the period prescribed under sub section (2) of section 31 (i.e. 45 days for Banking and Insurance companies and 30 days for others or time period as may be approved by the council) or the date of receipt of payment, whichever is earlier

b) Reverse charge Basis

The time of supply of services shall be the earlier of the following dates, namely,

- a) The date of payment as entered in the books of account of the recipient (Bank) or the date on which payment is debited, whichever is earlier, or
- b) The date immediately following 60 days from the date of issue of invoice by the supplier.

In case it is not possible to determine the time of supply under the above clauses, the time of supply shall be the date of entry in the books of account of the recipient of supply.

10) What is Value of supply?

A. Value of supply of goods or services or both plus:-

- Any taxes, duties, cess, fees and charges levied under any statute other than SGST/CGST Act and GST (Compensation to the States for Loss of Revenue) Act Plus
- Incidental expenses like commission and packing

- Interest or late fees or penalty for delayed payment of any consideration
- Subsidies directly linked to the price excluding subsidies provided by the Central and state Governments.

But shall not include any discount which is given:

1. Before or at the time of supply has been made and the same has been mentioned in the invoice.
2. After the supply has been made, if-
 - The discount can be established by way of an agreement entered into on or before the time of supply and specifically linked to the invoices and
 - Input Tax Credit has been reversed by the receiver to the extent of discount

a) Purchase or sale of Foreign Currency including money changing, transaction value shall be: Valuation as per HOIC 15094 dated 01-07-2017.

b) In case of booking of air Travel Ticket by an Air Travel Agent, transaction value shall be:

- i) for Domestic Booking, transaction value of supply will be 5% of Basic Fare and
- ii) for International Booking, transaction value of supply will be 10% of Basic Fare.

applicable GST will be charged on such Transaction Value.

11) What commodities / products are proposed to be kept outside the purview of GST?

As of now, alcoholic liquor for human consumption has been kept outside the purview of GST. Additionally, Petroleum Products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel, even though included under the GST regime, the same would be made taxable with effect from such date as the Government may notify based on the recommendations of the GST Council.

Till the time the said petroleum products are made taxable under the GST regime, the indirect taxes applicable under the current regime will continue to be applicable on the same.

12) What is GST ID?

GST ID is a 15 digit GST registration no. (state specific) where First 2 digit is state code, next 10 digit is PAN no., thirteenth digit is entity number of the same PAN holder in a state, fourteenth digit is alphabet 'Z' by default and last digit is check sum digit.

13) What are the contents of a tax invoice?

A tax invoice to be issued by a registered taxable person should contain the following details:

- name, address and GSTIN of the supplier;
- a consecutive serial number not exceeding 16 characters containing only alphabets and/or numerals, unique for a financial year;
- date of its issue;
- name, address and GSTIN/ Unique ID Number, if registered, of the recipient;
- name and address of the recipient and the address of delivery, along with the name of State and its code no. if such recipient is unregistered and where the taxable value of supply is INR 50 thousand or more;
- HSN code of goods or Accounting Code of services;
- description of goods or services;
- quantity in case of goods and unit or Unique Quantity Code thereof;
- total value of goods or services;
- taxable value of goods or services taking into account discount or abatement, if any;
- rate of tax (CGST, SGST or IGST);
- amount of tax charged in respect of taxable goods or services (CGST, SGST or IGST);

14) Are there exemptions for SEZ? How will a SEZ transaction happen in GST regime?

Supplies to SEZs are zero-rated supplies as defined in Section 16 of IGST Act.

15) What is the taxable event under GST?

GST would be applicable on supply of goods and services

Supply includes all forms of supply of goods and/or services such as sale, transfer, barter, exchange, license, rental, lease or disposal, for a consideration by any person in the course or furtherance of business. It also includes Import of services.

16) Unregistered purchase made prior to 30th June 2017 but payments are being made in the month of July 2017. Whether such payments will attract GST liability under RCM as supply has been completed prior to 30th June 2017.

If the invoice is dated prior to 30/06/2017 then there is no need to pay GST under RCM.

17) Bank received some concurrent audit bills for the quarter ended June 2017. Some of the Audit firms claiming Service Tax and some of the audit firms claiming GST.

You may pay the taxes as claimed by them.

18) Bank purchased capital goods in the month of June 30, installed in the month of July 30, invoice on purchase was issued by dealer charging VAT only (excise duty charged by manufacturers or dealers is included in cost), whether as a service provider, Bank can use Duty Transfer document (to be issued by manufacturer) for availing credit under GST regime. No, Bank can't use such document to avail credit under GST.

19) Whether the hiring of cash van (not goods) by Bank for carrying cash shall be covered under the specified list of RCM?

If the service is from GTA or unregistered then RCM is applicable.

20) Whether GST is applicable on sale of assets, as well as sale of assets under SARFAESI?

Yes. GST is to be paid on the sale of Repossessed moveable assets including under SARFAESI.

21) What are the RCM Liability on procurement of Specified Services

Following are the input services used/received, where at the time of making payment, Bank shall be liable to pay GST under RCM.

| S.no | Input Services received from (where RCM is applicable) | GST obligation as recipient of Services |
|-------------|---|---|
| 1 | Service of Recovery Agent | Liable to pay GST @ 18% on 100% invoice value of service received. (HSN code 9971) |
| 2 | Service of Arbitral Tribunal | Liable to pay GST @ 18% on 100% invoice value of service received. (HSN 9982) |
| 3 | Individual advocate or a firm of advocates by way of legal services, directly or indirectly | Liable to pay GST @ 18% on 100% invoice value of service received. (HSN 9982) |
| 4 | Services by Government or local authority by way of support services Excluding- Renting of immovable property Services specified in sub-clauses Service by Dept of Post Service in relation to air craft or vessel and Transport of goods or passengers. | Liable to pay GST @ 18% on 100% invoice value of service received. Any payment to Police dept for deployment of police personnel is subject to RCM on 100% on such payment made. |
| 5 | Payment of Director's fees | Liable to pay GST @ 18% on 100% invoice value of service received. (HSN 9983) |
| 6 | Supply of Services by a goods | Liable to pay GST @ 18% on 100% |

| | | |
|---|--|--|
| | transport agency (GTA) | invoice value of service received. (HSN 9965) |
| 7 | Import of services | |
| a | Import of Services like Financial Services (NOSTRO, SWIFT) | Liable to pay GST @ 18% on 100% invoice value of service received (HSN 9971) |
| b | Import of service (Master & VISA card Charges) | Liable to pay GST @ 18% on 100% invoice value of service received (HSN 9971) |

22) RCM Liability on procurement of goods and services from unregistered vendors, suppliers (Who don't have registration under GST)

In case of procurement of goods or services by a registered person from an unregistered person (Vendor/Suppliers who has no GSTIN), the registered person shall pay GST on reverse charge basis.

Procurement of any exempted goods/services from unregistered vendor/supplier shall not attract any GST Liability under RCM. Please refer to HOIC No. 15103 for detailed list of exempted services.

Q23) Is there any concept of Area Based exemption under GST?

A. There will be no area based exemption in GST.

Q24) How would the sale and purchase of goods to and from SEZ will be treated?

A. Supply to SEZs is zero rated supplies and supplies by SEZs are treated as imports.

Q25) When goods are being imported from SEZ who will pay IGST?

A. Such supply is treated as import and present procedure of payment of duty continues with the variation that IGST is levied in place of CVD.

Q26) Can one State SGST or CGST or IGST be used to pay another state SGST/CGST/IGST?

A. The CGST, SGST & IGST credit for a state can be utilized for payment of their respective CGST/SGST/IGST liabilities within that state for the same GSTIN only.

Q27) How will the credit/debit notes from unregistered supplier be reported to GSTN and ITC be claimed?

A. Like invoice, credit/debit notes on behalf of unregistered person will be given by registered person only. Further GSTR2 provides for reporting of same by the recipient.

Q28) If both the taxable & exempt products are being provided to the same person (B2C), is it required to issue tax invoice and bill of supply separately?

A. In such a case the person can issue one tax invoice for the taxable invoice and also declare exempted supply in the same invoice.

Q29) Do registered dealer have to record Aadhar/PAN while selling goods to unregistered dealers?

A. There is no requirement to take Aadhar/PAN details of the customer.

Q30) Should we issue self invoice for GST liability discharge on RCM or GST can be discharge through expenses booking voucher?

A. For RCM liabilities tax invoice has to be issued on self.

Q31) Whether stipend paid to intern will also come under GST under RCM?

A. Stipend paid to interns will be employer-employee transactions. Hence, not liable for GST.

Q32) How will disposal of scrap be treated in GST?

A. If the disposal is in the course or furtherance of business purposes, it will be considered as supply.

Q33) Whether GST will be liable if Employer provides bus service, meal coupon, telephone at residence, gives vehicle for official and personal use, uniform and shoes?

A. Where the value of such supplies is in the nature of gifts, no GST will apply if value of such gifts does not exceed Rs.50, 000/-.

Q34) Which tax to be applied by the Service Provider on invoice issued on or after 1st July 2017 for services rendered up to 30th June 2017?

A. The Time of Supply will be issuance of invoice under GST Act, having occurred in July 2017 or thereafter, supplier must levy GST in such situation.

Q35) Is it necessary for Banks to report details of exempt and non-GST supplies in GSTR Returns?

A. In the case where Banks have opted for reversal of 50 percent of the Input Tax Credit, Banks may opt not to report exempt and non GST supplies in the GSTR returns.

Q36) what type of record to be maintained?

A. Records related to inward & outward supply of goods or services or both, input tax credit availed, output tax payable and paid and such other particulars are to be kept by each nodal offices for 72 months from the due date of filing annual return.

Q37) A customer may avail numerous services from the Bank in a given taxable period. Is it mandatory for Banks to issue a tax invoice for each transaction or can the Bank issue a consolidated invoice for the service rendered during the tax period?

A. Banks may issue a consolidated statement/ invoice/ advice to the customer at the end of the month, with the details of all the charges levied and recovered during the period and GST levied thereon.

Q38) In respect of debit card transactions, reversals on account of disputed or failed transactions are required to be made. These may in respect of the amounts charged to card-holders or to merchants. Will the Banks / Acquirers require to issue credit notes for such reversals?

A. No. In the case of reversals of failed or disputed transactions, the reversals may be reflected in the periodical statements / invoices issued to be card-holders or to the merchant establishments and there will not be requirement to issue separate credit notes for reversals.

Q39) Is E-Way bill mandatory for shifting of assets of a person holding single GST registration covering different locations within same State?

A. E-Way bill is not required in the case where the movement of goods takes place between offices or branches of the same person, that is, between offices within the State which have the same GSTIN.

Q40) Is a “Bill of Supply” to be issued by a bank for exempt services like interest on loans and advances, inter se sale or purchase of foreign currency amongst banks?

A. The bank advice to the customer or the loan agreement or the customers’ bank account statement evidencing such debit of the Interest or discount on the loans or advances may be treated as a Bill of Supply.

Similarly, inter se sale or purchase of foreign currency amongst banks or authorized dealers is supported by an electronic deal ticket or broker note and is reported daily to CCIL, as required by RBI. These documents may also be treated as a Bill of Supply.

Q41) Which address should be considered for determining the ‘place of supply’ in the case of Banking services?

A. The address which is ordinarily used by the Banks for communication with the customer may be used for determining the place of supply. If the customer provides any other address and GSTIN for a transaction, the address provided by the customer may be considered as the ‘place of supply’.

Q42) With respect to registered customers, whether the Bank is required to ascertain the place of consumption of service or whether the Bank can rely upon the GSTIN provided by the Customer?

A. Bank can rely upon the GSTIN of the State as provided by the registered customer.

Q43) Can a value of services be enhanced by invoking Determination of Value of Supply Rules to services provided at a concessional / differential rate when supplied to a recipient other than ‘related party’ / ‘distinct person’?

A. Banks provide various services to customers for a charge. However, at times, account holders / customers are provided services free or at a concessional / differential rate.

Such services provided to persons who are not related persons will be taxable only on the transaction value, that is, the value of the services charged or recovered from the customers or account holders.

Q44) Where GST is charged on a supply of service and the amounts due from the customer become irrecoverable as a bad debt in commercial practice, would such GST paid on accrual basis be refundable to the service provider by the Government?

A. The adjustment of GST already paid is allowed only by way of issuance of credit /debit note. If bad debts are on account of deficiency in supply of services, GST paid on the same is refundable subject to fulfillment of the prescribed conditions.

However, if the amount is recovered subsequently, GST is again required to be paid.

Q45) Are the amenities / facilities / services provided by employer to employee taxable under GST?

A. If the amenities, facilities or any perquisites are provided by employers to employees in terms of the employee policy or employment contract and / or as part of CTC, such amenities, facilities or perquisites is consideration for the services provided by the employee to the employer in course of his or her employment. Therefore, these are not considered as 'supply' by the employer to the employee.

Q46) What should be the treatment in respect of payment of petty expenses?

A. Petty expenses are classified into two categories viz.

- i) Petty expenses purchases related to unregistered vendors (casual labour, daily office expenses) and
- ii) Petty expenses purchase related to registered vendors (purchase from spencer, haldiram etc. who provide B2C invoice).

In case of petty purchases from unregistered vendors (reimbursement to staff) Bank is required to pay GST under (Reverse Charge Mechanism) RCM.

On the other hand petty purchase from registered vendors (like haldiram, spencer etc. who provide B2C GST invoice) is not subject to GST.

Branches and offices are required to make entry above payment bills in SARAL GST accordingly.

Q47) Whether bank is entitled for input credit on purchase of such furniture because bill is raised in bank name?

A. Yes. The bank can avail ITC subject to fulfilment of the conditions prescribed.

Q48) When the remaining book value of furniture is recovered from the employee at the time of death, resignation and retirement then whether GST will be charged by bank by treating the transfer as sale?

A. In case of furniture owned by Bank (on which bank had availed Input Credit), sold to the staff for a sum following procedure to be followed:

- Charge depreciation on the original cost at 5% straight line method per quarter and find out the written down value at the time of sale.
- Sale value to the staff – Written down value is to be arrived at for each furniture sold.
- If the sale value exceeds the written down value, then GST has to be collected from the staff at applicable rate applicable for the furniture on the sale value
- If the sale value is less than the written down value, then GST has to be collected from the staff on the written down value.

Q49) Sometimes Bank takes security services form Police. As per RCM rules under GST any service taken from government and local authority (except some specified) are covered under RCM. Now whether the bank has to charge GST under RCM or not?

A. The bank has to charge GST under RCM.

Q50) Dry Generator is provided by the owner for electricity to Branch. Whether this would be taxable under GST or it is exempt by treating it as an electric supply?

A. Rent paid for Generator is liable to GST at 18%. Bank shall be liable to pay GST under RCM if such service provider is unregistered.