

E-circular dated 10th August 2017 :
GST – ITC - GTA

Integrated Association of Micro, Small & Medium Enterprises of India

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Rajive Chawla
Chairman, IamSMEofIndia

Proud to say
IamSMEofIndia



Sangeet Kr Gupta
Hon. Consultant,
IamSMEofIndia

Dear Members,

Goods Transporters – ITC (Input Tax Credit) on GTA

Short Summary

- 1) They have option, 12% with ITC and 5% without ITC
- 2) Yes **you can take 100% Modvat** of their GST in both cases
- 3) Do not waste this GST.....
- 4) If somebody says otherwise, guide him

Benefit ?

If you are a Manufacturer of Automobile Parts, or Packaging products, or anything else
And suppose your Turnover is say Rs 50 Crores p.a.

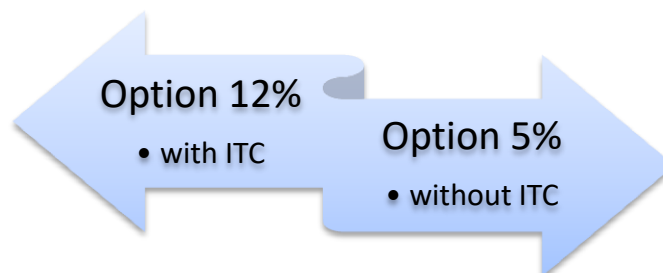
There are reasonable chances that

Your company will get a BENEFIT of Rs 10 lakhs p.a. due to this E-circular



How ? Suppose your Freight is Rs 1 Crore p.a. GST paid on that (average of 12% and 5%) ... about say Rs 10 lakhs And this is 100% MODVATABLE (in new language – Full ITC is available on this)

Now in Detail



The government has allowed the goods transport agencies (GTA)..... to charge GST in two options



Option 1 is to **charge 12% GST under forward charge** just like any other normal service provider in this case they can charge 12% forward charge of GST and take full modvat of all the inputs they are using.

This means the Transporters of the organised sector like all large registered big Transporters will most likely shift to this system.

They will charge GST under forward charge on their bill to you and you will pay them the GST.

They will file their GST returns as usual just like you do.
They will pay GST to the government like you do.
And you can take full modvat or ITC on the tax paid to them just like normal you take ITC of all other goods and services.



The second option that the government has given to the GTA is to charge 5% GST on their bill. And they will mention "Subject to 5% Reverse Charge"

In this case, they will charge GST 5% but not claim it from you

You, the "Recipient of service" will pay the basic Cartage & Freight value to the transporter. And the 5% GST , you would pay directly to the government.

the **BIG** **QUESTION**

Input Tax Credit Under GST

Let us say as a Finsys ERP Client or I-am-SME-of-India member, you are a manufacturer of packaging products or automobile components or white goods or electronic equipments,

Your Question is "Am I allowed to take the modvat or ITC of the GST in both the cases 12% forward charge or 5% reverse charge ?"

Answer

The answer is YES. A full "yes".

Please note this very carefully.

Let us take an Example

Your yearly freight Bill could be a significant % value of your turnover. It could be let us say Rs 1.00 Crore per annum. And on that your GST could be a big Rs. 10 lakhs

So, if you are not taking the ITC of this Rs. 10 lakh you are missing something.
You are doing a self inflicted loss.



As per the new GST law there is **no distinction whatsoever between inward or outward freight**

The concept is simple.

“you get ITC on all inputs and on all input services, which you take for the furtherance of your business”

And there is a small negative list. **Everything apart from the negative list is allowed.**

So, **freight is a valid input**. It is not in the negative list of ITC.

You can and you must take ITC on every Penny of GST you are paying whether to the government under 5% RCM scheme or 12% forward charge scheme

The simple 3 Essential Conditions to take ITC are

1. Vendor must make a proper invoice with your GST NUMBER.
2. Vendor must upload his invoices data ... to the GST portal. With your GST number.
3. You are eligible to take the GST credit. (example : Same state where you have a registered GST address // or a IGST bill in case of other state).

Source :

<http://www.cbec.gov.in/resources/htdocs-cbec/gst/Decisions-in-20th%20-GST-council-meeting.pdf>

The 12% Forward Charge notification is a new Dimension. It has been decided and adopted by the GST council just yesterday (on 5th August 2017)

Super Benefit

This notification has laid to rest the confusion in minds of some people whether ITC is available or not.

See the file attached (downloaded from the CBEC website)

Decisions taken in 20th GST Council Meeting 5 August 2017

Agenda Item 8 : Goods Transport Agency Service (GTA)	Allowed option of 12% GST with full ITC under forward charge. 5% GST with no ITC will also continue. (However, the GTA has to give an option at the beginning of financial year)
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Conclusion

Things are easy.

GST is making life easy.

Always Seek guidance of your CA team / relevant consultants in case of doubt.

For queries, suggestions and feedback , you can e-mail us

Sangeet Kumar Gupta, FCA, DISA, ACMA, PGDMM, B.Com(Hons), Honorary Consultant, Integrated Association of Micro Small and Medium Enterprises of India and Faridabad Small Industries Association, 93126-08426, Camp Off : TB-06, 3rd Floor, Crown Plaza, Sector-15A, Faridabad, Haryana 121007 skgupta[at]mlgassociates.org

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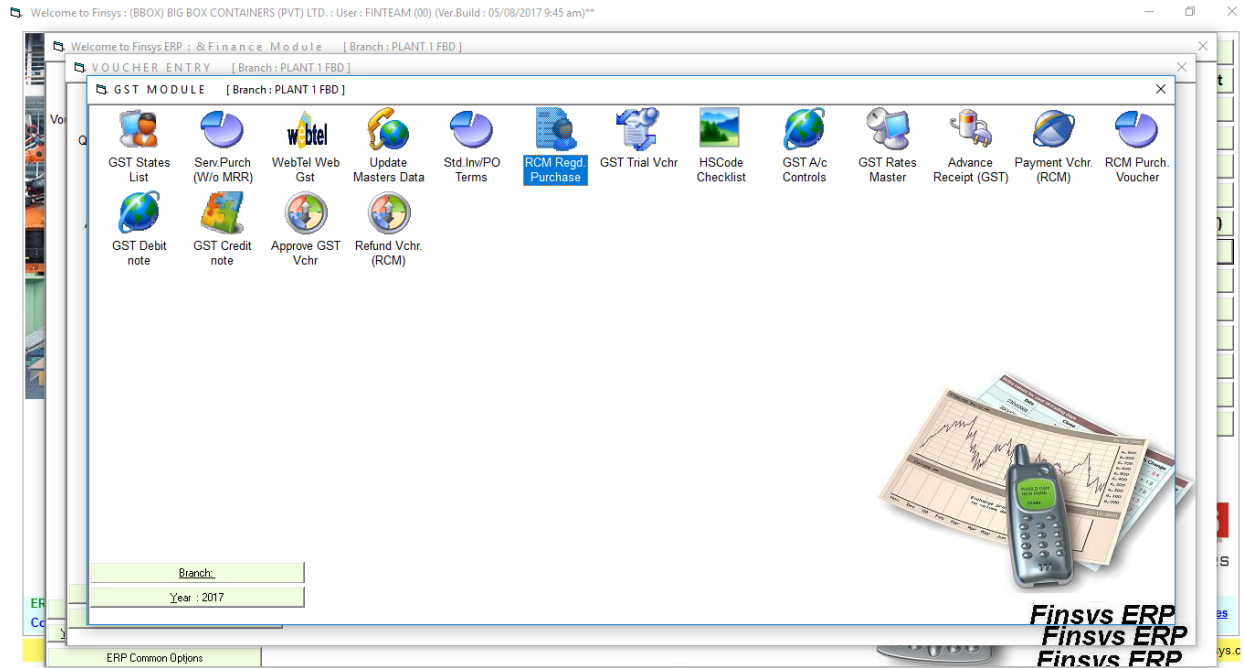
For personalised suggestions, and solutions, contact our I am SME of India Team and Consultants

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Exhibit 1 : Training Manual

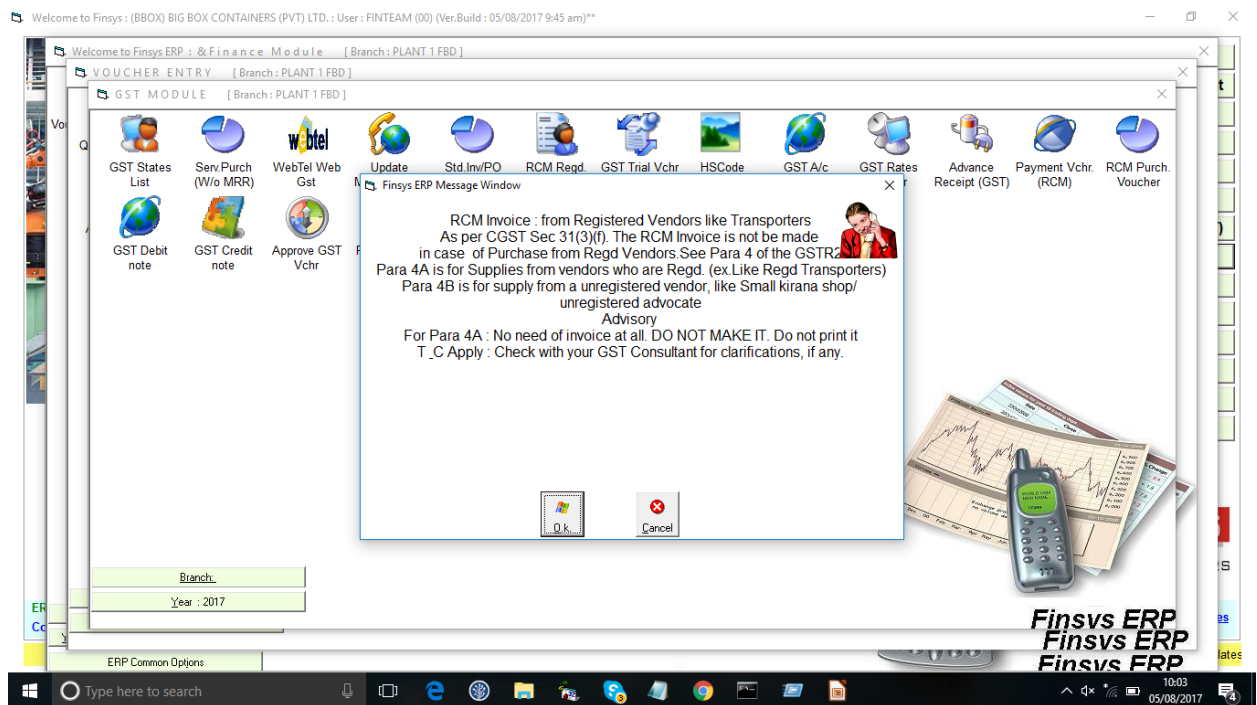
Finsys GST Module Screen



Showing the specific Options made for GST

S.No.	Icon	Purpose	Benefit
1	RCM Purchase Voucher	for Purchases from purely unregistered Transporters (and all other unregistered service providers.)	<p>For 5% RCM Plus raising the RCM Invoice</p> <p>You have to mention the serial number of these invoices in GSTR-1. And full invoice wise detail in GSTR-2.</p> <p>Finsys ERP creates the Purchase voucher and the RCM invoice, both Automatically</p>
2	RCM Regd Purchase Button	for Purchases from Registered Transporters who opts for 5% (No ITC Route)	<p>For 5% RCM But <u>it will NOT raise the RCM Invoice</u></p> <p>This is as per the section 31(3)(f) You cannot make RCM invoices for the Regd transporters</p> <p>This intelligence is automatic in</p>

			<p>Finsys ERP.</p> <p>This is the Law And made for GST in Finsys ERP</p>
3	Serv Purch (w/o. MRR)	For Purchases from Regd Transporters who charge 12% Forward Charge	<p>For 12% normal Forward Charge ITC as you take from all other service providers.</p> <p>Example : A bill of a registered CA who is charging you GST. Finsys has in-built special options for the service providers. Same to be used for 12% Transporters also.</p>



Do, Read these instructions in Finsys,
before you enter the vouchers


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AKITO KOWA INDIA LIMITED
 PLOT NO. 123/4, SECTOR 43,
 NOIDA, U.P. INDIA
 Phones: +91-0129-3453533 Email: info@akito.com Website : www.akito.com
 GST No. 22KLKB3434B023 CIN No. U77555PL2002PTC119454 PAN No. KLKB3434B




Details of Supplier Ashoka Transport Company HOUSE NO 22, SECTOR 3, FARIDABAD - State :HARYANA Code :06 GSTIN :06AAHJK9819k1m9 PAN No.AAHJK9819k				RCM INVOICE 57 Serial No. 000005 Date of Issue 04/07/2017 Against Doc No. - Doc Dt. 04/07/2017			
SNo	HSN / SAC Code	Description of Goods or Service	Taxable Amount	CGST	SGST / UTGST	IGST	
1	995431	Goods Transport Agency Service	15000.0000	% Rate 9.00 Amt. 1350.00	% Rate 9.00 Amt. 1350.00	% Rate Amt.	
Total Value (In Words) Seventeen Thousand Seven Hundred And Paise Zero Only				Taxable Amount 15000.000 CGST 1350.00 SGST 1350.00 IGST Total Invoice Value (In Figures) 17700.00			
Remarks :				For AKITO KOWA INDIA LIMITED			

Exhibit of a RCM invoice made automatically from Finsys ERP



Mr Rajiv Chawla Chairman, I am SME of India,
 with Mr M L Gupta, and Mr Puneet Gupta, mentors of Finsys ERP Team
 at
 the GST Conclave At Hotel Vibe by Lalit, Faridabad

	See the GST Advisories , GST Powerpoints & GST Hotel Vibe Videos at www.finsys.in
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p.s. Finsys Infotech Limited (GST Consultancy Division), offers its "GST Audit services" to you too.
 Offer open to non-Finsys users too. Call our Vice President Sanjay Bansal (9310008912)