

# Issue of reports of committees on business processes to be followed in GST regime for registrations, payment of tax and refunds

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## In brief

The Government has released reports of the Joint Committee on business processes for GST. The Joint Committee has released three separate reports on GST registration, payment and refund. We have summarised below the key proposals of each report.

## In detail

### **Business processes for GST registration**

**PwC Comments:** The focus of the registration process is to grant the registration on an automated basis, with least interface with the tax authorities. The process also provides for grant of automatic registration in case of non-response from tax authorities in the specified time. These are welcome measures, and would facilitate the ease of compliance.

### **Key features of the report of committee on business process for GST registration**

- Registration mandatory on exceeding the specified threshold of Gross Annual Turnover (including exports and exempted supplies) computed on all-India basis
- Mandatory registration for person liable to pay tax under reverse charge or

carrying out inter-State supplies. No compounding available in such cases.

- Existing registered persons having turnover below threshold limit have option to remain in GST chain
- Tax authorities to grant *suo moto* registration in enforcement cases
- Input Service Distributor concept may continue for common services by obtaining a Goods and Services Tax Identification Number ('GSTIN')
  - No final decision taken for distribution of credit on goods
- Option of compounding scheme available if Gross Annual Turnover is within specified threshold
- A non-registered person can obtain registration for a limited period as a casual dealer. A casual dealer would be required to pay tax in advance and can

claim input tax credit ('ITC') on procurements

- No composition scheme available
- A person registered in a State can obtain registration in another State, even without any presence in the other State, as a non-resident dealer and would be subject to provisions similar to casual dealers
  - No advance tax or security deposit to be paid by a non-resident dealer, unlike casual dealer
- New registrations
  - Application to be made within 30 days of becoming liable for registration
  - Authorities to examine the registration application and respond back within 3 working days

- In case of any queries/error, the applicant to revert with details within specified period (tentatively 7 working days)
- Post that, relevant tax authority to respond within 7 working days
- Deemed registration if the tax authorities in the Centre and State do not respond within 3 working days/ 7 working days, as the case may be
- Registration to be cancelled if signed extract of application not submitted within 60 days
- Registration not be granted if either of the Authorities (Centre/State) rejects the application
- For existing State VAT/Excise registrations
  - If PAN is validated, GSTIN will be generated by NSDL and sent to the respective State Tax authorities
  - On communication of GSTIN to taxpayer, he would be required to fill the remaining required data, if any, on the GST portal
  - If PAN has not been validated, State VAT Authorities to collect it from taxpayers
- For existing Service Taxpayers
  - Taxpayers would be asked to intimate States where they want to get registered
  - GST portal to generate GSTIN and communicate to Service Tax authorities
  - On communication of GSTIN to taxpayer, he would be required to fill the remaining required data, if any, on the GST Portal
- Separate registrations to be obtained for different States
- GSTIN to be State wise, PAN based 15-digit number, as under

State code		PAN										Entity code	Blank	Check digit
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

- State code – Numeric code, would be adopted as defined under Indian Census 2011
- Entity – It would depend on number of registrations of an entity in one State (1-9 and then A-Z)
- Blank – Left blank for future use

- Multiple registration within one State may be permitted to business verticals of a taxable person
  - ITC across business verticals allowed only on actual supply of goods or services
  - All business verticals may be treated as a single legal entity for recovery of dues
- Registration application can be made directly at the GST Common Portal or through the FC
- GSTN to be linked with various government database for verification of details in registration application
- No ITC available on purchases made prior to obtaining registration
- Tax authorities may cancel registration in following situations:
  - Non-submission of signed copy of summary extract of submitted application even after reminder
  - Contravention of specified provision of GST law
  - Non-filing of returns during a pre-determined period

**Business process for GST payment**

**PwC Comments:** The focus of the process of GST payments is on making payments electronically with least interaction with the tax authorities. This is a welcome measure. However, there is no clarity on how IGST related to each different recipient-State would be accounted. It is hoped that there is adequate clarity in other processes to determine the amount of IGST payment pertaining to each of the recipient States.

*Key features of the report of the committee on business process for GST payment*

- GST payment allowed only by way of a challan. No other means of payment, e.g., payment by book adjustment in case of Government departments or payment by debit to export scrips etc., to be allowed.
- Challan to be generated only from GSTN and no manual challan to be used. Challan can be generated
  - In case of a registered taxpayer, by the taxpayer or its authorised representative by logging on to GSTN
  - In case of an unregistered taxpayer, by the tax authorities by granting a temporary registration number or creating a challan for an unregistered person for payment of tax by any other person without registration of the taxpayer
- Three modes of payment of tax under GST regime are proposed. Salient features of payment by each of the above modes are as under:
  1. **MODE I – Through internet banking or through credit cards/ debit cards**
    - payment of tax would be made either through internet banking (through authorised banks) or credit cards/ debit cards, using payment gateways;
  2. **MODE II – Over the counter (OTC) payment through authorised banks**
    - Payment to be made through single cheque/DD or cash

for various taxes (CGST, SGST, etc.);

- Payments of only upto Rs. 10,000 per challan can be made under this mode
- Option to make payment by this mode to be discontinued in case of a taxpayer, whose cheque has bounced

3. **MODE III – Payment through NEFT/RTGS**

- Can be made using banks, including other than authorised banks. Process would be same as any other payment through NEFT/RTGS. Payment should be made in favour of RBI.
- Detailed procedures for sharing of information by GSTN, banks, RBI and Tax authorities have been prescribed.
- Proposed four main accounting codes being CGST, SGST, IGST & Additional Tax. Further, five sub-codes for each accounting code being tax, interest, penalty, fee & other receipts.

**Business process for refund**

**PwC Comments:** The focus of the process of refund is to grant refunds with least possible submission of documents, which will substantially ease the process of making refund claims.

*Key features of the report of the committee on business process for GST refund*

The report prescribes processes in following situations where refund arises:

- **Excess payment of tax due to mistake or inadvertence:**
  - Taxpayer to apply for refund, if arising due to wrong mention of GSTIN or nature of tax. Tax authorities to verify and decide on the refund claim within specified time.
  - Refund arising due to inadvertent excess payment of tax (and not due to difference of opinion between taxpayer and Authorities), at the option of taxpayer, can either be adjusted against future liability or refunded. The return itself may be treated as a refund application.
- **Export (including deemed export) of goods/ services**
  - For exports of goods*
    - Exporter to upload mate's receipt and bill of lading with online refund application
    - Refund of GST paid on exported goods to be sanctioned based on verification of sales invoices uploaded in GSTN
    - Refund of GST paid on inputs and input services used for export of goods to be granted on the basis of proportionate credit in the ratio of export turnover to total turnover. Exporter may be required to give a declaration regarding utilization of inputs in exported goods.
    - Refund may be subject to submission of Bank Realisation Certificates within specified period

For export of services

- In case of refund of GST paid on services exported/ inputs and input services used for services exported, bank realization certificate required before sanction of refund.
- Separate refund applications to be filed for export of goods and services

For deemed export of goods or services as per foreign trade policy

- Refund can be claimed by the supplier or buyer, depending on whether the IGST is recovered by supplier or not. The fact of claim of input tax credit by the buyer also to be verified
- Application for refund needs to be filed along with CA certificate, certifying the fact of non-passing of GST burden
- Other procedures similar to procedures prescribed for exports of goods/services

General features

- Refund of GST paid on inputs and input services used for exported goods, which are subject to customs export duty, may not be admissible
- The amount of input tax credit ('ITC') claimed as refund may be blocked at the time of submission of refund application. In case of rejection of refund claim (wholly or partially), the amount of rejected ITC to be restored

• **Finalisation of provisional assessment**

- Returns to mention whether the tax payment

is provisional or final and reason for tax payment on provisional basis

- The return/ assessment to remain provisional, if the tax authorities agree with reason for provisional payment
- Once the issue due to which tax is provisionally paid is settled, the return has to be finalised within prescribed period (90 days period is proposed). A speaking order to be passed.
- For any refund, the principle of unjust enrichment to be applicable. The taxpayer may submit a CA certificate certifying the fact of non-passing of GST burden by him
- Differential amount claimed as refund to be reflected in the return in month of finalisation. ITC claimed by buyer to be reversed to the extent of refund granted to seller.

• **Refund of pre-deposit including refund arising in pursuance of an appellate authority's order**

- Taxpayer to file a simple refund application along with a CA certificate certifying the fact of non-passing of GST burden by him
- Unless higher appellate authority grants stay of the order in favour of taxpayer, refund not to be kept in abeyance

• **Payment of duty/ tax during investigation but less liability arises at the time of finalisation of investigation/ adjudication**

- Taxpayer to file a simple refund application along

with a CA certificate certifying the fact of non-passing of GST burden by him

- Refund to be sanctioned only after the lapse of time available for filing an appeal by the Tax authorities
- Refund to be withheld if the Tax authorities have obtained a stay order on operation of the adjudication order

• **Refund of tax payment on purchases made by UN bodies, supplies to CSD canteens, paramilitary forces canteens, etc.**

- Refund on purchases made by UN bodies to be granted only from one office of both the tax administrations within one State
- UN bodies may be assigned a unique identification number ('ID') which would be uniform across the States
- Taxpayers to indicate ID on the invoices to UN bodies
- UN bodies to file refund claims along with their purchase statements
- The IT system to carry out matching with sales statements of the suppliers and the matched invoices to be verified by the jurisdictional authority and refund to be granted on such basis
- In case of non-declaration of supply by the supplier, refund may be granted in subsequent period if supplier pays GST and files return subsequently
- The above procedure for refund would also apply

in respect of supplies to CSD canteens, paramilitary forces canteens etc.

- **Tax credit on inputs used for manufacturing/ generation/ production/ creation of tax free supplies or non-GST supplies**

- No credit/ refund of GST paid on inputs, input services or capital goods available to suppliers of exempted/ NIL rated/ non-GST goods or services. In case of such supplies as well as supplies taxable under GST, ITC may be allowed proportionately.

- **Refund of carry forward input tax credit**

- Accumulated ITC due to accumulation of stock or capital goods to be allowed to be carried forward to the next tax period, and may not be refunded
- ITC accumulated due to inverted duty structure would be refunded
- Refund of accumulated ITC also allowed to service providers whose services are taxable under partial reverse charge mechanism
- Utilisation of ITC claimed as refund to be blocked

- **Refund on account of**

- **year-end or volume-based incentives provided by supplier through credit notes**

- Taxpayer may file a simple application along with a CA certificate certifying the fact of non-passing of GST burden
- The ITC at buyer's end and output liability at supplier's end to get reduced simultaneously
- Reduction of output tax liability of supplier would be reversed in case of mismatch between credit note issued by the supplier and debit note issued by the buyer

- **Tax refund for international tourists**

- Refund of GST paid on retail purchases by foreign tourists during their stay in India to be allowed at designated airports/ ports only
- Part of the eligible refund may be deducted as handling fee for services rendered

**Other features**

- Refund application to be submitted online in prescribed form within one year from the prescribed relevant date along with other supporting documents like CA certificate for unjust enrichment and/ or any other document prescribed

- Option to file refund application either on GSTN portal or through respective State/Central tax portals
- Preliminary scrutiny of refund applications to be carried out within 30 working days
- Refund to be paid by the Government electronically through NEFT/RTGS/ECS
- For refund in excess of specified amounts, pre-audit of refund application has to be carried out
- Recommended rates of interest: for delayed payment of refund @6% and for default in payment of GST @18%
- Interest on refund to be payable from last date when refund should have been sanctioned
- GST Law may provide for adjustments of refund claims with outstanding tax demands

***Let's talk***

For a deeper discussion of how this issue might affect your business, please contact:

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