GST Training for Indian Railways

August 29, 2018
1. Overview of GST

2. Input Tax Credit

3. IT Architecture

4. Transactional Issues

5. GST Audit

If user have any queries at their end, it may please be addressed to the following email ID with complete facts, figures and information.

v.prakash@nic.in
Module 1: Overview of GST
GST and Indian Railways- Complex Structure

Challenges:

1. IR exercise control over its operations through various Zonal Railways.
2. One State may fall within the jurisdiction of more than one Zone.
3. Books and records are maintained zone wise.
4. GST allow state wise registration.
5. Representation to MOF for allowing Zone based registration in vain.

Actions taken:

1. IR took registration in all States and Union Territories except Lakshwadeep.
2. Nodal officer were appointed by RB for all GSTINs.
Various Taxes under GST

Goods and Services Tax

One tax in many forms

- CGST
- SGST
- UTGST
- IGST
- Compensation
- Cess
Meaning of Supply

Supply means
Any sale, transfer, barter, exchange, etc. + in the course or furtherance of business + for consideration

Includes
- Import of services for a consideration
- Supplies without consideration (Schedule I)

Excludes
- Activities not to be treated as Supply (Schedule III)
- Activities undertaken by Central/ State Govt/ Local authority as notified - not to be treated as Supply

Major Supplies by IR

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation of Passenger</td>
<td>5%</td>
</tr>
<tr>
<td>Transportation of Goods</td>
<td>5%</td>
</tr>
<tr>
<td>Renting of Retiring Rooms</td>
<td>0/12/18/28%</td>
</tr>
<tr>
<td>Way Leave Charges</td>
<td>18%</td>
</tr>
<tr>
<td>Sale of Rail Coaches</td>
<td>5%</td>
</tr>
<tr>
<td>Intra IR supply of goods</td>
<td>Exempt</td>
</tr>
<tr>
<td>Sale of Unclaimed Goods/ Scraps</td>
<td>As applicable on Goods</td>
</tr>
</tbody>
</table>

Copyright (c) 2018. Lakshmikumaran & Sridharan / Confidential.
Schedule I - Supply without a consideration

Permanent transfer/ disposal of business assets *where input tax has been availed on such assets*

Supply between related persons or *distinct persons specified in section 25* when made in the course or furtherance of business

**Gift** not exceeding fifty thousand rupees in value in a financial year by an employer to employee to not to be treated a supply of good or services or both

**Supply of goods**
1. By principal to agent where agent undertakes to supply such goods on behalf of the principal
2. By agent to principal where agent undertakes to receive goods on behalf of principal

Importation of services by taxable person from related person or any of his establishments outside India, in the course or furtherance of business
## Schedule III - Activities or transactions which are neither
Supply of Goods Nor Supply of Services

<table>
<thead>
<tr>
<th>Employment</th>
<th>Courts</th>
<th>Funeral</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Services by an employee to an employer in the course of or in relation to his employment</td>
<td>• Services by any court (including district court, high court and supreme court) or tribunal established under law for the time being in force</td>
<td>• Services of funeral, burial, crematorium or mortuary including transportation of the deceased</td>
</tr>
</tbody>
</table>

### Elected Representatives/ Government officials
- Functions performed by an MP, MLA, members of panchayats, municipalities and local authorities
- Person who hold post under constitution
- Duty by any person as chairman/member/director in a body established by CG/ SG or local authorities

### Actionable Claim
- Other than Lottery.

### Sale of Land and Building
- Sale of land and, subject to 5(b) of Schedule II, sale of building
Nature of Supply

- **Inter-state Supply**
  - Location of Supplier and Place of Supply are in-
    - Two different States
    - Two different Union territories
    - A State and a union territory
  - Special Economic Zone
  - Any supply in taxable territory not being an intra-state supply and not covered elsewhere

- **Intra-state Supply**
  - Location of Supplier and Place of Supply are in-
    - Same States
    - Same Union territory

IGST
CGST + SGST/UTGST
Applicability – CGST, SGST, UTGST and IGST

IGST Transaction (Inter State Supply)

CGST+SGST Transaction (Intra State Supply)

CGST + UTGST Transaction (Intra State Supply)

Location of Supplier | Place of Supply
A Andhra Pradesh | B Telenga | C Chandigarh
Composite & Mixed Supply

**Composite Supply**

- Supply comprising of two or more **taxable** supplies
- Naturally bundled
- Supplied in conjunction with each other
- One of which is a principal supply

✓ Supply shall be treated as a supply of such principal supply

(e.g. Goods + Transportation + Transit Insurance)

**Mixed Supply**

Supply comprising of two or more individual supplies made in conjunction with each other for a single price, **not being a composite supply**.

✓ Supply shall be treated as a supply of that particular supply which attracts the highest rate of tax

(e.g. Pack containing juices, chocolates, soft drinks, fruits and chips)
**Tax Charge Mechanism**

### Forward Charge Mechanism
- Forward charge is the mechanism where supplier of goods and/or services is liable to discharge tax liabilities.

### Reverse Charge Mechanism
- Reverse charge is the mechanism where recipient of goods and/or services is liable to discharge tax liabilities.

---

**Tax Charge Mechanism on Major Supplies by IR**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Supply</th>
<th>Tax Charge Mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Transportation of Passengers</td>
<td>Forward Charge</td>
</tr>
<tr>
<td>2</td>
<td>Transportation of Goods</td>
<td>Forward Charge</td>
</tr>
<tr>
<td>3</td>
<td>Renting of Retiring Rooms</td>
<td>Reverse Charge*</td>
</tr>
<tr>
<td>4</td>
<td>Way Leave Charges</td>
<td>Reverse Charge*</td>
</tr>
<tr>
<td>5</td>
<td>Sale of Rail Coaches</td>
<td>Forward Charge</td>
</tr>
<tr>
<td>6</td>
<td>Sale of Scraps</td>
<td>Reverse Charge</td>
</tr>
</tbody>
</table>

* Summary on Reverse Charge Applicability on Renting of Immovable Property by IR in next slide
Summary with respect to Renting of Immovable Property

Supply of Renting of Immovable Property by Indian Railways-

(1) To **registered business entities** is covered under **Reverse Charge**

(2) To **unregistered business entities** is to be taxed under **Forward Charge**

(3) To **non business entities** is **Exempt** from levy of GST
Place of Supply

1. Transportation of Goods
   - Registered Recpt: Location of recipient
   - Unregistered Recpt: Location where goods are handed over

2. Transportation of Passengers
   - Registered Recpt: Location of recipient
   - Unregistered Recpt: Place of Embarkment for Continuous Journey

3. Renting of Immovable property
   - Location of Immovable Property

4. Sale of Coaches, Scrap, etc.
   - When movement involved: Place where movement terminates for delivery

5. Sale of Coaches, Scrap, etc.
   - When movement not involved: Location at the time of delivery
Invoice Issuance – Time limit

**Services**

- Goods/Passenger Transport Services, etc.
  - Within 30 days from date of supply of services
  - Before or at time of recording of such supply in books of Accounts of IR or
  - Before expiry of the quarter during which the supply is made (whichever is earlier)

**Intra Railway Supplies**

- • Before/at time of removal of goods (where movement involved)
- • Before/at time of delivery of goods (where movement not involved)

**Goods**

- Sale of Coaches, Scrap, etc.
### Time of Supply for Goods

#### Taxable under Forward Charge

**Earlier of**
- Date of issuance of invoice
- Last date on which invoice has to be issued
- Date of receipt of payment*
  
  *(not relevant - N/N: 66/2017- CT)*

**Sale of Coach**
- Date of Invoice: 26/07/2018
- Last date to Issue Invoice: 25/08/2018
- Date of Receipt of payment: 24/07/2018
- Time of Supply: 26/07/2018

#### Taxable under Reverse Charge

**Earlier of**
- Date of receipt of goods
- Date when payment is made
- Date immediately following 30 days from the date of invoice

**Purchase of Silk Yarn**
- Invoice Date: 26/07/2018
- Date of Receipt: 31/07/2018
- Date of Payment: 2/09/2018
- 30 days from Invoice Date: 25/08/2018
- Time of Supply: 31/07/2018
Time of Supply for Services

**Taxable under Forward Charge**

- **Invoice issued in 30 days**
  - Earlier of:
    - Date of issuance of invoice, or
    - Date of receipt of payment

- **Invoice not issued in 30 days**
  - Earlier of:
    - Date of provision of service, or
    - Date of receipt of payment

**Taxable under Reverse Charge**

- Earlier of:
  - Date of payment
  - Date immediately following 60 days from the date of invoice

- In case of Intra IR Supplies, date of entry in the books of accounts of recipient of supply

### Transportation of Goods by Rail Service
- **Date of Provision of Service**: 25/08/2018
- **Date to Issue Invoice**: 31/08/2018
- **Date of Receipt**: 02/09/2018

### GTA Service
- **Invoice Date**: 25/07/2018
- **Date of Payment**: 25/10/2018
- **60 Days**: 23/09/2018

---

Copyright (c) 2018. Lakshmikumaran & Sridharan / Confidential.
# Types of Documents under GST

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Documents</th>
<th>Purpose of Documents</th>
<th>IR Specific Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Invoice</td>
<td>Taxable Supply</td>
<td>RR, Tickets (AC/First Class Coaches)</td>
</tr>
<tr>
<td>2.</td>
<td>Bill of supply</td>
<td>Exempt supply</td>
<td>RR, Tickets (Non AC Coaches)</td>
</tr>
<tr>
<td>3.</td>
<td>Delivery Challan</td>
<td>Transportation of goods without issue of invoice</td>
<td>Delivery Challan</td>
</tr>
<tr>
<td>4.</td>
<td>Debit Note</td>
<td>Amend the value of tax invoice on the higher side</td>
<td>Excess Fare Ticket</td>
</tr>
<tr>
<td>5.</td>
<td>Credit Note</td>
<td>Amend the value of tax invoice on the lower side</td>
<td>Cancelled RR, Tickets</td>
</tr>
<tr>
<td>6.</td>
<td>Advance Receipt voucher</td>
<td>On receipt of advance</td>
<td>Advance Receipt voucher</td>
</tr>
<tr>
<td>7.</td>
<td>Refund Voucher</td>
<td>On repayment of advance received due to non supply</td>
<td>Refund Voucher</td>
</tr>
</tbody>
</table>
## Details to be mentioned in Invoice

<table>
<thead>
<tr>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name, Address and GSTIN of Supplier</td>
</tr>
<tr>
<td>Consecutive Serial no. (unique for a FY)</td>
</tr>
<tr>
<td>Date of Issuance of Invoice</td>
</tr>
<tr>
<td>Place of supply (State Name) &amp; code</td>
</tr>
<tr>
<td>Place of Delivery (if different from Place of Supply)</td>
</tr>
<tr>
<td>HSN Code of Goods/Accounting code of services</td>
</tr>
<tr>
<td>Recipient Details - B2B: Name, Add. &amp; GSTIN</td>
</tr>
<tr>
<td>B2C: Name, Address (State Name &amp; Code) – If taxable value &lt; 50,000/-</td>
</tr>
<tr>
<td>Description of goods/services</td>
</tr>
<tr>
<td>Quantity in case of goods and unit</td>
</tr>
<tr>
<td>Taxable value of goods/services</td>
</tr>
<tr>
<td>Rate of Tax</td>
</tr>
<tr>
<td>Amount of tax charged</td>
</tr>
<tr>
<td>Total value of goods/services</td>
</tr>
<tr>
<td>Tax payable on Reverse Charge Basis</td>
</tr>
<tr>
<td>Signature/Digital Signature</td>
</tr>
</tbody>
</table>

*Line Item Reporting: Invoice containing more than one tax rate / one HSN code to be mentioned separately*
Module 2

Input Tax Credit
What is Input Tax Credit?

IR shall, subject to certain conditions, be entitled to take credit of input tax charged on any supply of goods or services to IR which are used or intended to be used in the course or furtherance of its business and the said amount shall be credited to the electronic credit ledger of IR.

We can understand the concept of ITC with the help of following example-

Suppose: IR buys tools, raw materials costing Rs 15,75,000/- including GST of Rs. 75,000/- to manufacture a railway coach Rs. 75,000/- GST paid by IR is available as ITC

IR manufactures Railway Coach and supplies it to IRFC charging Rs 1,05,00,000/- including GST of Rs. 5,00,000/-

GST Liability: Rs 5,00,000/-
ITC available: Rs. 75,000/-
IR liable to pay only Rs 4,25,000/- in cash to the government as balance liability of Rs 75,000/- can be paid by utilising ITC

- GST paid by IR on its procurements is available ITC subject to conditions.
- ITC availed by IR can be utilised against its GST liability arising on account of outward supplies.
- However, ITC availed can not be utilised against all kind of GST liabilities. There are certain restrictions in the manner of utilization of ITC to pay off GST liability.
## Relevant Definitions

- *Input* means any **goods other than capital goods** used or intended to be used by a supplier in the course or furtherance of business.

### Major Input (Goods) procured by IR

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Inputs (Goods)</th>
<th>ITC Credit Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Full Credit (Flag T4)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Partial Credit (Flag C2)</td>
</tr>
<tr>
<td>1</td>
<td>Parts used to <strong>manufacture</strong> coaches/wagons for sale to IRFC</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>e.g. Transformers, Steel, Wires, Bearings, etc.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Parts used as <strong>repair &amp; maintenance</strong> of coaches/wagons</td>
<td>X*</td>
</tr>
<tr>
<td>3</td>
<td>Cements etc. for construction of Immovable Property</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>e.g. Bridges</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Medicines</td>
<td>X</td>
</tr>
</tbody>
</table>

* No credit is being availed as credit cannot be utilised for rail transportation
### Relevant Definitions (Cont.)

- **“Input service”** means any service used or intended to be used by a supplier in the course or furtherance of business

### Major Input Services procured by IR

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Inputs (Goods)</th>
<th>ITC Credit Eligibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Full Credit (Flag T4)</td>
</tr>
<tr>
<td>1</td>
<td>Cleaning/Housekeeping Services at Station or Coaches</td>
<td>✓</td>
</tr>
<tr>
<td>2</td>
<td>Services in relation to construction of Immovable Property e.g. Staff Quarters</td>
<td>X</td>
</tr>
<tr>
<td>3</td>
<td>GTA Services</td>
<td>✓</td>
</tr>
<tr>
<td>4</td>
<td>Services used for manufacturing of coaches</td>
<td>✓</td>
</tr>
<tr>
<td>5</td>
<td>Works contract services for Laying of Railway Tracks</td>
<td>✓</td>
</tr>
</tbody>
</table>
Conditions for availment of ITC by IR

Time Limits (E.g. FY 17-18)

Earliest of:
- Filing of return for September 2018 (last date: 20th Oct 2018)
- Filing of Annual Return for FY 17-18 (last date: 31st Dec 2018)

No Credit beyond specified period

Supplier has reported its sale in GSTR1 and 3B

Possession of prescribed documents

Limiting factors

Monthly returns are filed e.g. GSTR 3B

Payment to be made within 180 Days

Receipt of Goods/Services

- Tax Invoice issued by supplier of goods or services
- Debit note issued by supplier
- Purchase invoice issued by IR on supply of goods or services by an unregistered person on which IR is liable to pay tax under reverse charge
Conditions for availment of ITC (Cont.)

IR fails to pay to the supplier of goods or services the amount towards the **value of supply along with tax payable** within a period of **180 days** from the date of Invoice.

ITC availed on such invoices is to be reversed by adding it in the output tax liability, along with interest.

IR can re-avail credit once payment of consideration towards value of supply along with tax portion is made to supplier.

**Takeaway:** Re-credit option available but interest paid would be a cost

---

**Payment to SAIL made up to 25.10.18? (180 days from Date of Invoice)**

- ITC availed by IR needs to be reversed
- To be added to output tax liability of Oct, 18
- Interest

Re-Availment of ITC in the return of Jan, 19
Manner of Utilization of ITC for Tax Payment

The amount of ITC available in the ledger shall be utilized in the following order of utilization:

1. IGST
2. CGST
3. SGST
4. UTGST

- CGST cannot be used for paying SGST or UTGST
- SGST or UTGST cannot be used for paying CGST

As per The Central Goods and Services Tax (Amendment) Bill, 2018 passed by Lok Sabha, the Government may, on the recommendations of the GST Council, prescribe the order and manner of utilization of the ITC on account of IGST, CGST, SGST/UTGST, as the case may be, towards payment of any such tax.
Blocked Credits [Section 17(5)] – IR Specific

- Car/ Taxi taken on hire
- Food and beverages
  Except provided at stations/ in trains
- Works Contract Service, Goods or services used in construction of any Immovable Property *
- Inputs used for providing Transportation Services**
- Membership of a clubs, health and fitness centers
- Motor Vehicles & other conveyances except when used for:
  - Transportation of passengers (Taxable)
  - Transportation of goods

* “construction” includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalization, to the immovable property
**5% GST rate on transportation service by IR provided no credit is taken in respect of inputs. (N. No. 11/2017-CT(R) dated 28.06.2017)
ITC on Works Contract Service for laying of Railway Track

- ITC is not available in respect of the **works contract services** when supplied for construction of **immovable property** such as Retiring Rooms, etc.

- However, there is no bar to ITC in respect of works contract services supplied for construction of an immovable property which is in the **nature of a plant & machinery** such as Laying of Railway Tracks.

- “Plant & Machinery” has been defined to mean -
  - apparatus, equipment, and machinery fixed to earth by foundation
  - used for making outward supply
  - exclude land, building or any other civil structure

- Railway tracks consisting of the **rails & sleepers** is “Plant” and ITC of works contract service of laying railway track will be **eligible**.
# ITC Utilization-Check List

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Nature of goods / services</th>
<th>ITC Flagging</th>
<th>Utilization ITC (Y/N)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Goods procured for capital works such as manufacturing of coaches, wagons, locomotives for sale to IRFC</td>
<td>T4 – full Credit</td>
<td>Y</td>
<td>To be utilized only for discharging GST liability on outward supply of finished goods to IRFC on payment of 5% GST and not to be utilised for discharging GST liability on Goods and Passenger transportation services by respective GSTIN.</td>
</tr>
<tr>
<td>2.</td>
<td>Services provided by various contractors for capital works such as manufacturing of coaches, wagons, locomotives for sale to IRFC</td>
<td>T4 – full Credit</td>
<td>Y</td>
<td>No restriction.</td>
</tr>
<tr>
<td>3.</td>
<td>Goods procured for use in repairing wagons, coaches, locomotives etc.,</td>
<td>T3-No Credit</td>
<td>N</td>
<td>ITC pertains to these purchases not to be utilised for discharging GST liability on Goods and Passenger transportation services by respective GSTIN.</td>
</tr>
<tr>
<td>4.</td>
<td>Services received at workshop in relation to procurement of goods for repair of coaches, wagons, locomotives, etc.</td>
<td>C2 – Partial Credit</td>
<td>Y</td>
<td>No restriction</td>
</tr>
</tbody>
</table>
## ITC Utilization-Check List (Cont.)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Nature of goods / services</th>
<th>ITC Flagging</th>
<th>Utilization ITC (Y/N)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td>Services provided by various contractors in relation to repair of wagons, coaches, locomotives, etc.</td>
<td>C2 – Partial Credit</td>
<td>Y</td>
<td>No restriction</td>
</tr>
<tr>
<td>6.</td>
<td>Procurement of goods and services for creation of new assets which are in the nature of Immovable Property (other than plant and machinery) like Bridges, Tunnels, Roads, Buildings etc.</td>
<td>T3 - No Credit</td>
<td>N</td>
<td>Not to be availed. Respective accounting codes can be mapped as T3 – No credit in order to avoid wrong availment of credit on these line items</td>
</tr>
<tr>
<td>7.</td>
<td>Procurement of goods relating to Plant and Machinery like Railway track, Signalling and Telecommunication equipments, lathe machines, cranes.</td>
<td>T3 - No Credit</td>
<td>N</td>
<td>Not be utilized for discharging GST liability on Goods and Passenger transportation services by respective GSTIN</td>
</tr>
<tr>
<td>8.</td>
<td>Procurement of works contract services, repair and maintenance services, etc. relating to laying of railway track (Plant and Machinery)</td>
<td>C2 - Partial Credit</td>
<td>Y</td>
<td>Can be utilized for discharging GST liability on Goods and Passenger transportation services by respective GSTIN</td>
</tr>
</tbody>
</table>
### ITC Utilization-Check List (Cont.)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Nature of goods / services</th>
<th>ITC Flagging</th>
<th>Utilization ITC (Y/N)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.</td>
<td>Goods Transport Agency services</td>
<td>C2- Partial Credit</td>
<td>N</td>
<td>In this case, both the consignor and consignee, being Indian railways, GST on GTA services to be discharged by IR. If the GTA service provider discharges GST under forward charge (12%) then IR is not liable to pay GST to the department under RCM but in any case, tax paid can be availed as credit.</td>
</tr>
<tr>
<td>10.</td>
<td>Taxi hire by IR at different locations by the staff / officers for any use.</td>
<td>T3 – No Credit</td>
<td>N</td>
<td>ITC on Rent-a-cab service is covered under the negative list as per Section 17(5) of CGST Act, 2017 and hence no credit is available on this service. Respective accounting codes can be mapped as T3 – No credit in order to avoid wrong availment of credit on these line items.</td>
</tr>
<tr>
<td></td>
<td>All goods and services received and used exclusively for making exempt outward supplies as well as outward supplies on T2</td>
<td>T2 – No Credit</td>
<td>N</td>
<td>IR must identify these transactions and ensure...</td>
</tr>
</tbody>
</table>
Apportionment of ITC- Flag C2 Credits

- Where credit is attributable to goods and/or services which are used partly for taxable supplies and partly for non-taxable supplies, credit is restricted to so much of the input tax as is attributable to taxable supplies.

- **Flag C2- Partial Credit**- It comprises of credits of such goods and/or services which are used partly for taxable supplies and partly for non-taxable supplies. Ineligible portion of ITC needs to be reversed using the following formula:

  Ineligible ITC = \( \frac{\text{Amount of credit flagged under C2}}{\text{Taxable Supplies + Exempt Supplies}} \)

  **Exempt Supplies** includes:
  - Supplies which are exempted from tax e.g. Intra IR transfer of goods, Transport of passengers in non air-conditioned coach
  - Supplies not covered under GST Act e.g. Diesel, etc.
  - Supplies which are liable to RCM. e.g. Renting of Immovable Property, etc.
  - Supplies which attract nil rate of tax.

  ✓ Capturing of exempt supplies is necessary for computation of correct amount of eligible credit.
  ➢ Non compliance will attract interest

Copyright (c) 2018. Lakshmikumaran & Sridharan / Confidential.
Apportionment of ITC - Capital Goods

- Exclusively used for providing exempted supplies:
  No credit

- Exclusively used for providing taxable supplies:
  Full credit

- Used for making partly exempt & partly taxable supplies:
  Full credit in the month of purchase
  Subsequent reversal of ITC towards exempt supplies

\[
\text{Amount to be Reversed monthly} = \frac{\text{Amount of ITC taken}}{60 \text{ (5 years deemed as useful life)}} \times \frac{\text{Exempt Turnover of relevant month}}{\text{Total Turnover of relevant month}}
\]

- Amount to be reversed along with applicable interest to be added to output tax liability during every tax period
Module 3
IT Architecture
IT Architecture

Inward Side – IPAS
i. 100% automation to record inward data
ii. Exhaustive data capturing

Outward side - PRS/PMS/IREPS/UTS/FOIS/
Manual utility
i. 100% supplies were not automatically captured
ii. Manual Utility for station level manual data
iii. Majority exempt supplies remains uncaptured.

Role of CRIS
i. On time data collation
ii. Data Sharing through URL
iii. Need based MIS Reports

NSDL - the GSP Service provider
i. Processing of data received from CRIS
ii. Validation check of data before filing of returns
iii. Assistance in finalizing data for filing GSTR-3B Return
**IT Architecture**

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
</table>
| **IPAS**  | - System Software to record inward transactions  
            - 100% data captured  
            - ITC also captured  
            - ITC flagging is the key feature |
| **PRS / UTS** | For recording division and station level data  
              - Captures all postal baggage and MR transactions.  
              - Exempt supplies not fully captured. |
| **PMS**    | Parcel management |
| **FOIS**   | records good transactions |
| **IREPS**  | caters procurements through tender |
| **MANUAL UTILITY** | Processing of data  
                      - Validation check to avoid last moment rush  
                      - Generate data in respective returns  
                      - Share GSTIN wise information with Zonal Railway |
IT Architecture- How is it helping?

• Avail eligible credit on time and save unnecessary stress on working capital

• Partial credit flagged as ITC Flag C2- Compute eligible ITC correctly

• Less burden on the users to clear last moment rush

• Avoid delay in filing of return

• Can save transaction cost: Interest and late fees

• Assistance in GST Audit
Manual Utility

Internet based: www.gst.indianrail.gov.in
## Login Screen

![Indian Railways GST Information]

### GST Online MODULE

<table>
<thead>
<tr>
<th>User ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Password</td>
</tr>
</tbody>
</table>
| User Type   | Railway / PU User  
| Railway     |  

**Login**

- Login
- Forgot Password

**GSTIN DETAILS CAN NOW BE MODIFIED FOR OLD AND WRONGLY ENTERED INVOICES**

---

**Copyright (c) 2018. Lakshmikumaran & Sridharan / Confidential.**
Add Invoice

- New Invoice
- Advance
- Refund
- Adjustments
  - Debit
  - Credit
**Input Form for Manual Utility**

**Form for Entry for GST Manual Transactions of Receipt**

**Part A. To be filled by Representative of Vendor / Contractor (Recipient)**

<table>
<thead>
<tr>
<th>1. Transaction Type:</th>
<th>2. Transaction Mode: Goods / Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Old Invoice No.</th>
<th>4. Transaction Made at: Station / Cash Office</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. Station / Cash Office Name:</th>
<th>6. Railway Department:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>10. Goods and Services Transaction Description:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(e.g. Panel, EFF, Sale of Scrap &amp; Loose etc.)</td>
</tr>
</tbody>
</table>

**11. Recipient’s Details**

<table>
<thead>
<tr>
<th>11.1 Name:</th>
<th>11.2 Registered with GSTIN (Y/N):</th>
<th>11.3 GSTIN:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>11.4 Is Tax Payable on Reverse Charge Basis (Y/N):</th>
<th>11.5 State of Registration:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>11.6 Registered Address:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>11.7 Email Id:</th>
<th>11.8 Phone:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>11.9 Address of Place of Supply:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>11.10 Address of Place of Delivery:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>11.11 Signature / Name of Representative / Vendor:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

**Part B. To be filled by Railway Official (Supplier)**

<table>
<thead>
<tr>
<th>1. Invoice No.:</th>
<th>2. Invoice Issue Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. MR/PW No.:</th>
<th>4. Station / Cash Office Code:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. GSTIN (State-Rly):</th>
<th>6. State Code of The Supplier:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7. Accounts Allocation Code:</th>
<th>8. Department Code:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>9. Transaction Category (select applicable): Regular / Exempted / Non-GST</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>10. Railway’s GSTIN Registered Address:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>11. State of Place of Supply:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>12. Code Type: Service Accounting / HSN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>13. SA / HSN Code:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>14. Quantity: (e.g. 10, 100, 1000 etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>15. Units (UOC): (e.g. Rgs, tonnes, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>16. Applicable Taxes: Inter-State / intra-State</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

**17. Invoice and Tax Charged Details**

<table>
<thead>
<tr>
<th>17.1 Total Value of Supply:</th>
<th>17.2 Total Taxable Value:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>17.3 I GST Rate:</th>
<th>17.4 I GST Amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>17.5 CGST Rate:</th>
<th>17.6 CGST Amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>17.7 SGST / UGST Rate:</th>
<th>17.8 SGST / UGST Amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**(Signature of Railway Official) (Stamp)**
Instructions to fill up the Utility
Key Functionalities PU bulk upload
Key Functionalities

PU - Bulk Upload for Input Tax Credit (IPAS)

UPLOAD THE FILE

The date in the uploaded file should be in 'DD/MM/YYYY' format

Acc Year Month(YYYYMM) 201807

Choose the file To Upload:

Browse...

Upload File

Click here to download format of file

* Note: For PU Units which are not in IPAS System
User Management User IDs Creation, modification
Rejected data by NSDL for view & Download
Invoice Modification

- Current: all fields except tax liability
- Old: specified fields
Tax liabilities Zone wise Dr/Cr adjustments `
# Key GST related Links

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST awareness at Central Board of Indirect Taxes and Customs</td>
<td><a href="http://www.cbic.gov.in/">http://www.cbic.gov.in/</a></td>
</tr>
<tr>
<td>GST CBEC FAQ</td>
<td><a href="https://gstawareness.cbec.gov.in/faq">https://gstawareness.cbec.gov.in/faq</a></td>
</tr>
<tr>
<td>GST FAQ link at Railways</td>
<td><a href="http://www.indianrailways.gov.in/GST/FAQs.pdf">http://www.indianrailways.gov.in/GST/FAQs.pdf</a></td>
</tr>
<tr>
<td>GST related Railway Board Circulars</td>
<td><a href="http://www.indianrailways.gov.in/railwayboard/view_section.jsp?lang=0&amp;id=0,1,304,366,498,1891">http://www.indianrailways.gov.in/railwayboard/view_section.jsp?lang=0&amp;id=0,1,304,366,498,1891</a></td>
</tr>
</tbody>
</table>
Tax liabilities Zone wise

Dr/Cr Adjustments:

<table>
<thead>
<tr>
<th>Home</th>
<th>Rules</th>
<th>FAQ</th>
<th>Important Links</th>
<th>Login</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Invoice Form effective from 01 October 2017</td>
<td></td>
</tr>
</tbody>
</table>

### GST DISTRIBUTION ZONE-WISE

- Principal Officer: ALL
- Application Group: ALL
- Tax Paid For: ALL
- Month-Year: 2018
- Principal Officer: NR
- Tax Paid For: NE-North Eastern
- Application: ALL
- Month Year: 07-2018

<table>
<thead>
<tr>
<th>SNO</th>
<th>TAX PAID FOR</th>
<th>TAXABLE AMOUNT</th>
<th>IGST AMOUNT</th>
<th>CGST AMOUNT</th>
<th>SGST AMOUNT</th>
<th>CGST AMOUNT</th>
<th>UGST AMOUNT</th>
<th>CGST AMOUNT</th>
<th>Total GST</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>NE</td>
<td>79,885,652.38</td>
<td>2,546,105.21</td>
<td>750,427.15</td>
<td>750,580.75</td>
<td>-153.60</td>
<td>0.00</td>
<td>4,046,959.51</td>
<td></td>
</tr>
<tr>
<td></td>
<td>GRAND TOTAL</td>
<td>79,885,652.38</td>
<td>2,546,105.21</td>
<td>750,427.15</td>
<td>750,580.75</td>
<td>-153.60</td>
<td>0.00</td>
<td>4,046,959.51</td>
<td></td>
</tr>
</tbody>
</table>

Summary of Earning and Tax collected by NR on behalf for NE in July 2018
## Challenges faced in IT structure

<table>
<thead>
<tr>
<th>Incorrect practice</th>
<th>Impact on operations</th>
<th>Action taken</th>
</tr>
</thead>
</table>
| Wrong GSTIN of Vendors mentioned in the RR                                          | - Rejection by GSTN portal (validation error)  
- Denial of credit to the recipient  
- Interest cost on late reporting of details | - RR details with correct invoice were furnished in the subsequent months                                                               |
| Inward supply was wrongly flagged                                                  | - Lead to excess availment of credit  
- Short payment of taxes                                                             | - Flagging finalised w.r.t. HSN/Description vis-a-vis Accounting unit code  
- Ineligible portion for July-March month reversed                                  |
| Exempt supply not exhaustively captured                                            | - User did not record exempt supply data  
- Incorrect determination of ITC reversal ratio                                         | - Instruction to capture exempt supply exhaustively for July-March                                                                           |
| Wrong capturing of Description                                                     | - Wrong ITC flagging  
- ITC eligibility inaccurately captured  
- HSN heading used as description is misleading                                       | - Instruction for correct description circulated  
- Text bar provided in the system software to capture description.                      |
## Challenges faced in IT structure

<table>
<thead>
<tr>
<th>Incorrect practice</th>
<th>Impact on operations</th>
<th>Action taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of tax not as per the prescribed tax rates</td>
<td>- Rejection by GSTN portal</td>
<td>- System updated to check the reasonable accuracy of the tax amount as a product of taxable value and tax rate.</td>
</tr>
<tr>
<td></td>
<td>- Mismatch with the counter party data</td>
<td></td>
</tr>
<tr>
<td>Classification of tax</td>
<td>- Rejection by GSTN portal</td>
<td>- Determining the nature of transaction based on the place of supply rules embedded in the system</td>
</tr>
<tr>
<td></td>
<td>- Restriction on availment of credit</td>
<td></td>
</tr>
</tbody>
</table>
Compliance made easy

1. Legal provisions have been converted into business/functional rules for CRIS System.

2. Endeavour was to ensure 100% compliance through system itself.
   - Necessary fields were added/retained in the system to ensure completeness and reasonable accuracy of the information captured.
   - GSP validation were inserted to minimize the number of transactions in reverse flow data.
   - Field level validation checks were embedded in the system to check validation errors like; capturing incorrect structure of GSTIN.
   - Mapping Account allocation codes with HSN/Tax rates to ensure accurateness of the tax amount to avoid mismatching
   - System automated to determine the correct classification of tax.
Important that all the transactions are correctly captured to avoid last moment hustle.

Non reporting/ Non compliances attracts serious consequences

- **Late fee**: Late fee of up to Rs 100 per day can be levied in case of delay in filing of return.
- **Interest**: Up to 24% Interest can be recovered on the short payment of tax.
- **Penalty**: Penalty equivalent to the amount of tax short paid can be imposed.
1. ITC on invoices/ debit notes pertaining to FY 2017-18 to be availed by 30.09.2018, if missed.

2. Any mismatch of inward supplies with the vendor to be corrected latest by 30.09.2018

3. Any excess/short reversal of credit should be corrected latest by 30.09.2018 to avoid penalties. Interest @ 18% p.a. will be applicable on the differential amount payable by IR.

Module 4 – Transactional Issues
4.1 - Outward Supplies
### Outward Supply-Way Leave Charges

Grant of Way Leave Facility/ Easement Right on Railway Land.

The Nature of supply of way leave facility: Renting of Immovable Property Service

## Renting of Immovable Property Service by Railways

<table>
<thead>
<tr>
<th>Type of Entity</th>
<th>GST Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered business entities</td>
<td>Reverse charge-payable by Business entities</td>
</tr>
<tr>
<td></td>
<td>(w.e.f. 25.01.2018 vide Notification No. 3/2018 – Central Tax (Rate) )</td>
</tr>
<tr>
<td>Unregistered business entities</td>
<td>Forward charge-payable by Railways</td>
</tr>
<tr>
<td></td>
<td>(Sr. No.5 Notification No. 13/2017-Central Tax (Rate) dated 28.07.2017)</td>
</tr>
<tr>
<td>Non business entities</td>
<td>Exempt from levy of GST</td>
</tr>
<tr>
<td></td>
<td>(Sr. No. 7 Notification No. 12/2017-Central Tax (Rate) dated 28.07.2017)</td>
</tr>
</tbody>
</table>

Outward Supply-Zero Rated Supply

Zero rated Supply means:

- Export of goods/services; or
- Supply of goods/services to SEZ Unit/SEZ Developer

Railways making supply to SEZ Unit (Vedanta)=Zero Rated Supply

Endorsement in Invoices issued

ITC for Zero rated supply is available to Railways

Supply to Vedanta (SEZ Unit)=Zero Rated Supply.
Railways can opt for either of:

- Pay GST and claim refund
- Execute LUT/Bond without payment of GST

OR

Outward Supply-Haulage Service

Railway provides service of:

- Haulage of the wagons to Container Train Operator (Gateway Rail Freight Limited) &
- Maintenance of the wagons.

Haulage charge constitutes 95% while 5% charges are reckoned towards maintenance.

Haulage Charge + Maintenance Charge

Haulage + maintenance = Single supply or multiple supplies (composite supply)?
Sale of Goods

Sale of Scrap amounts to supply of goods

Place of supply for sale of scrap to a registered person is determined based on the GSTIN of the recipient.

Auction of unclaimed goods

Auction of unclaimed goods amounts to sale of goods by Railways.

Railways to raise an invoice charging GST on goods (rate and HSN depending on nature of goods) and discharge GST liability on forward charge basis.

In case old and used goods are auctioned by Railways, the registered recipient will be liable to discharge GST under reverse charge.

Wharfage and Demurrage charges

Demurrage:
charge for the detention of any rolling stock after the expiry of free time.

Wharfage:
charge on goods for not removing them from the wharf after the expiry of free time.

Demurrage and wharfage charge-
an integral part of supply of transportation service or a separate supply?

Practice of charging GST on first RR by Railways

Outward Supply-Catering Service

Catering service in trains

Transportation in Rajdhani + food & beverage (IRCTC as licensee)

Vs.

Transportation in other trains + food and beverage (other licensee)

Whether a Composite supply/Mixed supply?
Rate of Tax?

Supply of food and beverages on platform

Supply of food in train

Before 26.07.2018

[clarificatory order-31.03.2018]

After 26.07.2018

5% Rate
No ITC

Supply of food on platform

GST Exemptions pertaining to specific supplies made by Government

- Services related to any function entrusted under Article 243W (Municipality) or Article 243G (Panchayat) of the Constitution.
- Any Service provided to any person other than business entity or to a business entity with an aggregate turnover of up to Rs. 20 lakhs in the preceding FY or where consideration for such services does not exceed Rs 5,000 [Exceptions]

**Transportation of Passengers** by-
(a) railways in a class other than—
   (i) first class
   (ii) an air-conditioned coach

(b)...

- Services by way of transportation by rail or a vessel of the following—
(a) relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap
(b) defence or military equipments
(c) newspaper or magazines registered with the Registrar of Newspapers
(d) railway equipments or materials
(e) agricultural produce
(f) milk, salt and food grain including flours, pulses and rice; and
(g) organic manure

- Upfront amount payable for providing long term lease of 30 years or more of industrial plots or plots for development of infrastructure for financial business provided by specified entities
- Services of tolerating non-performance of a contract for which consideration is received in the form of fines or liquidated damages
4.2 Inward Supplies
Inward Supply - Purchase of Rails

Railway procures Rails from SAIL on FOR destination basis

Railway supplies transportation service to SAIL

Supply from SAIL to Railways:
Rails (goods) + transportation (service) = composite supply

ITC utilization - blocked for Railways

Need for an alternative arrangement

Supply of Rails on FOR destination basis at 18%

Supply of transportation service at 5%
Purchase of Rails—proposed position

It is proposed that Railways shall procure rails from SAIL on Ex-factory basis

Rails shall be inspected and loaded on rakes and shall be the property of Indian Railways.

SAIL to issue invoice for cost of rails only (and not for transportation service)

Supply of Rails
Ex-Works

Services by way of transportation of railway equipment or materials (Rails in the instant case) by rail from one place in India to another is exempt from levy of GST vide sl.no.20 of Notification No.12/2017-Central Tax (Rate) dated 28.06.2017, as amended.
Railways supplies raw materials such as steel, CTRBS and Wheelsets to manufacturer on FOC basis.

Manufacturer manufactures wagon using other materials like couplers, draft gears, bogies etc. procured by them.

Supplies received from wagon manufacturer –

Goods (wagons) or job work services?
Inward Supply - Yatri Ticket Suvidha Kendra (YTSK)

Service Charge shared between IR and YTSK in 25:75 i.e. YTSK issues invoice on IR for its share (75%) in service charge along with GST at the rate of 18%.

GST leviable on fare + service charge collected from passenger @ 5%

Passengers may book ticket through YTSK counter

Issue Invoice for service of facilitating passengers in booking tickets [@ 75% service charge]

FOC-ticket rolls and access to the PRS and UTS

GST Exemptions pertaining to specific supplies made to Government

Service Provider

- Government
- Governmental Authority
- Government Entity
- Any Other Person

Service Recipient: Government

- Pure services (excluding works contract service) related to any function entrusted under Article 243G (Panchayat) or Article 243W (Municipality) of the Constitution

- Composite supply related to any function entrusted under Article 243G (Panchayat) or Article 243W (Municipality) of the Constitution (the value of supply of goods should not constitute more than 25% of the value of such composite supply)

- Services provided by an arbitral tribunal or Legal services by a partnership firm of advocates or an individual as an advocate

- Services provided under any insurance scheme

- Any training programme
4.3 Miscellaneous Issues
Liquidated Damages

Liquidated Damages - Damages on breach of contract that are pre-estimated.

- Exemption vide SNo. 62 of Notification No. 12/2017-Central Tax (Rate) dt. 28.06.2017
- CBEC FAQ

Liquidated damages received by Railways from customers exempted from GST.
What is e-way bill?

An electronic way bill (E-way Bill/EWB) to be generated for transportation of goods of consignment value exceeding fifty thousand rupees*

EWB briefly contains details of supplier, recipient, transporter.

EWB is to be generated for intra-state as well as inter-state movement of goods
• in relation to supply; or
• for reasons other than supply; or
• due to inward supply from an unregistered person.

EWB not required to be generated in case of:

For transportation of goods specified in Rule 138(14) of CGST Rules and in Annexure thereto

Where the consignor of goods is the Central Government, Government of any State or a local authority for transport of goods by rail.
Who is required to generate e-way bill?

Goods of value more than 50,000:

- Registered person causing movement of goods-(Consignor) or
- Recipient of Supply (Consignee) of goods
- Transporter in case of goods handed over for transportation by road

Goods irrespective of value:

- Job work- by principle or job worker when good are send from one State/UT to another.
- Handicraft goods- transported from one State/UT to another (by person exempt from registration under section 24 of CGST Act).

Validity of e-way bill

<table>
<thead>
<tr>
<th>Distance</th>
<th>Validity period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 100 km</td>
<td>One day in cases other than Over Dimensional Cargo</td>
</tr>
<tr>
<td>For every 100 km. or part thereof thereafter</td>
<td>One additional day in cases other than Over Dimensional Cargo</td>
</tr>
<tr>
<td>Upto 20 km</td>
<td>One day in case of Over Dimensional Cargo</td>
</tr>
<tr>
<td>For every 20 km. or part thereof thereafter</td>
<td>One additional day in case of Over Dimensional Cargo</td>
</tr>
</tbody>
</table>
## E-way Bill (EWB)

### Details to be disclosed in E-way bill

<table>
<thead>
<tr>
<th>Part A</th>
<th>Part B</th>
</tr>
</thead>
<tbody>
<tr>
<td>GSTIN of Supplier</td>
<td>Vehicle number for Road</td>
</tr>
<tr>
<td>Place of Dispatch</td>
<td>Transport Document Number/Defence Vehicle No./ Temporary Vehicle</td>
</tr>
<tr>
<td>GSTIN of Recipient</td>
<td>Registration No./Nepal or Bhutan Vehicle Registration No.</td>
</tr>
<tr>
<td>Place of Delivery</td>
<td></td>
</tr>
<tr>
<td>Document Number</td>
<td></td>
</tr>
<tr>
<td>Document Date</td>
<td></td>
</tr>
<tr>
<td>Value of Goods</td>
<td></td>
</tr>
<tr>
<td>HSN Code</td>
<td></td>
</tr>
<tr>
<td>Reason for transportation</td>
<td></td>
</tr>
</tbody>
</table>

### E-way bill requirement in case of Railways:

1. Railways as consignor of goods- exempt from filing E-Way Bill

2. Railway as consignee of goods (and the consignor is not registered)- need to generate EWB? Rule 138(3) second proviso

3. Railways as transporter-exempt from filing EWB in most cases*

---

Contract Clauses to be re-visited

- Contracts entered in pre-GST regime – Terms and clauses to be revisited and modified to address GST implications
- Clauses related to breaches, damages, penalties to be reviewed for possible GST implication
- Pricing clause should be exclusive of taxes
- Person liable to pay tax, RCM or forward charge, place of supply, type of tax (CGST / IGST) should be clearly defined
- Liability as to expenses on freight, insurance, etc., to be reviewed
- Composite contracts – Decision to be taken from tendering stage
- SPV/JV/PSUs- contract clauses need to be re-visited
Module 5 - GST Audit
GST Audit – Audit by CA/CMA

Legal Provisions & requirement:

• Section 2(13) of CGST Act states that “audit” means the examination of records, returns and other documents maintained or furnished by the registered person under this Act or the rules made thereunder or under any other law for the time being in force to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess his compliance with the provisions of this Act or the rules made thereunder.

• Section 35(5) of CGST Act states that every registered person whose turnover during a financial year exceeds the prescribed limit shall get his accounts audited by a chartered accountant or a cost accountant and shall submit a copy of the audited annual accounts, the reconciliation statement under sub-section (2) of section 44 and such other documents in such form and manner as may be prescribed.
Further, Rule 80 of CGST Rules inter-alia states that every registered person whose aggregate turnover during a financial year exceeds two crore rupees is required to get his accounts audited as specified under section 35(5) and furnish a copy of audited annual accounts and a reconciliation statement.

As per the Act, the limit of Rs 2 crore is registration wise whereas as per the Rules the same is entity wise.
### Types of Audit

<table>
<thead>
<tr>
<th>Section</th>
<th>Type of Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>35</td>
<td>Audit by CA/CMA for registered persons having turnover more than Rs. 2 Crores*</td>
</tr>
<tr>
<td>66</td>
<td>Special Audit</td>
</tr>
<tr>
<td>65</td>
<td>Departmental Audit/Audit by tax authorities</td>
</tr>
</tbody>
</table>

*As per The Central Goods and Services Tax (Amendment) Bill, 2018, as passed by Lok Sabha, it is proposed to provide that any Department of the Central or State Government / Local Authority which is subject to audit by CAG of India need not get their books of account audited by any Chartered Accountant or Cost Accountant. Since, account of IR, a Department of Central Government, is subject to audit by CAG, audit stipulated under Section 35 may not be applicable to IR.
Importance of GST Audit

- Identification of Discrepancy and Risk and taking corrective measures in timely manner
- Identification of Business Opportunities, if missed out!
- Rectification of all mistakes committed in GST returns by 30th September
- Department Audit & litigation to play major role based on this GST audit report
- First GST Audit report to be blue-print for future
# Role of Auditor

Verify and comment on compliance of provisions of entire GST law at business transaction level

- Taxability of Business Transaction
- Classification / Exemptions / abatements
- Reversal of input tax credit
- Compliance with Anti-profiteering
- Transitional credit
- Impact of Advance Rulings / ongoing litigations
- Valuation / Discounts
- Supplies without consideration/Related Party Transaction
- Documentation/Returns/Waybill
- Determination of Place of supply and Time of Supply
- Reverse Charge Applicability
- Mechanism of availing, reporting and utilising input tax credit in books & GST returns
Scope of GST Audit

Part A

• Financial reconciliation/ certification

Part B

• Legal Audit

Two types of reports/certification under GST Audit report
Part A – Financial reconciliation/certification

**Step 1:**
- Preparation of State wise Balance Sheet and Profile and Loss Account

**Step 2**
- Preparation of GST Annual Return

**Step 3**
- Preparation of Outward Reconciliation Statement

**Step 4**
- Preparation of Inward Reconciliation Statement
Part B – Legal Audit Involves

- Audit of tax implications on all business transactions and processes.

- Verification of existing Classification for each and every transaction
  - Correctness of rate of tax
  - Availability of exemption Notification
  - Whether transaction is single supply / composite supply / mixed supply

- Verification of Nature of Supply of every business transaction
  - IGST vs CGST/SGST
  - Correctness of Place of Supply
  - B2B to B2C and vice versa

- To identify the documentation requirements for GST raising of tax invoice, bill of supply, debit note / credit note, payment voucher, advance voucher, self-invoice etc.

- To verify whether all the substantive and procedural requirements of GST Laws are being complied with or not.

- To scrutinise GST returns (GSTR-1 & GSTR 3B) and refund applications submitted/filed by respective plants.

- Verification of entire Input Tax Credit mechanism
  - Eligible vs Non Eligible Credit
  - Conditions of Credit
  - Reversal of Credit etc
Grievance Redressal & Dispute Resolution Mechanism under GST

- GST Council- A Constitutional body chaired by Union FM, with State FMs – Representations by industry considered by GSTC.
- GST Implementation Committee: Central and State level GST Commissioners
- Advance Ruling & Appellate Authority (AAR) for providing clarity in 90 days
  (a) Limited to:
  - Classification
  - Liability to pay tax
  - Applicability of notification
  - Admissibility of credit
  (b) State-level authorities: State-wise application to be filed. Not optimally useful.
If you wish to subscribe to GST updates, please send an e-mail to gst@lakshmisri.com