



GST Update



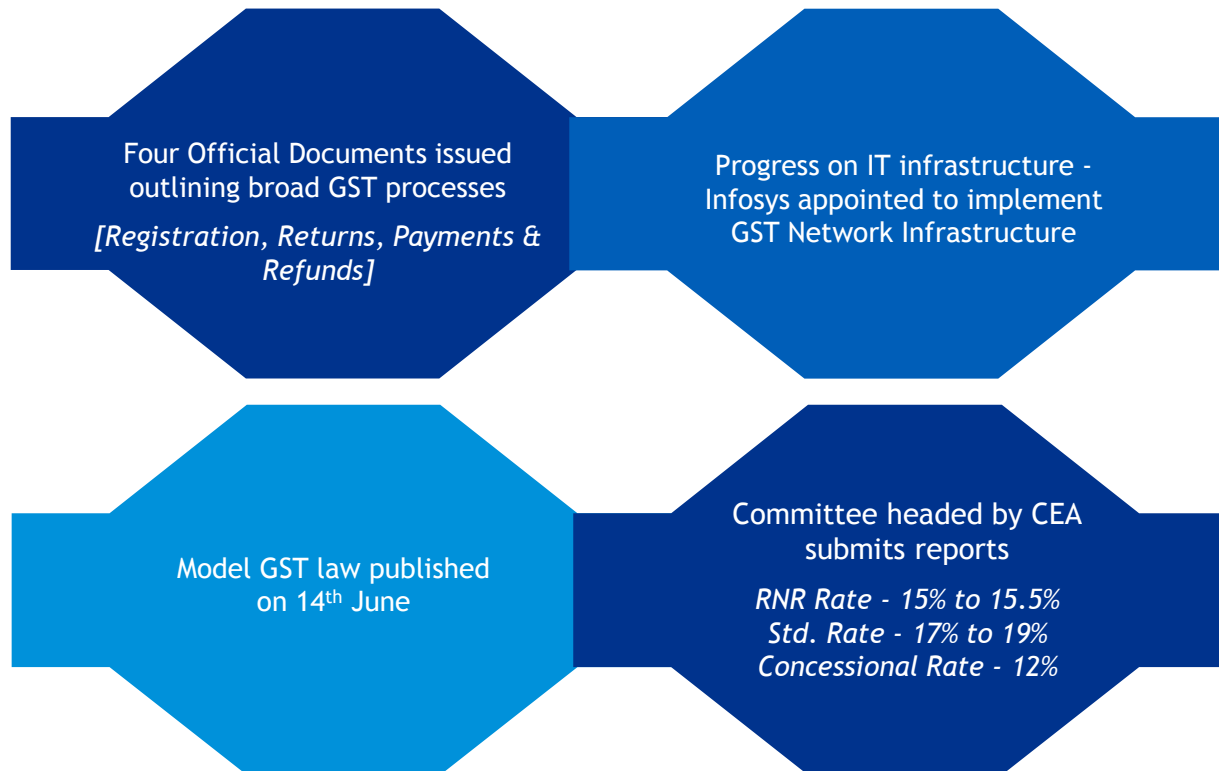


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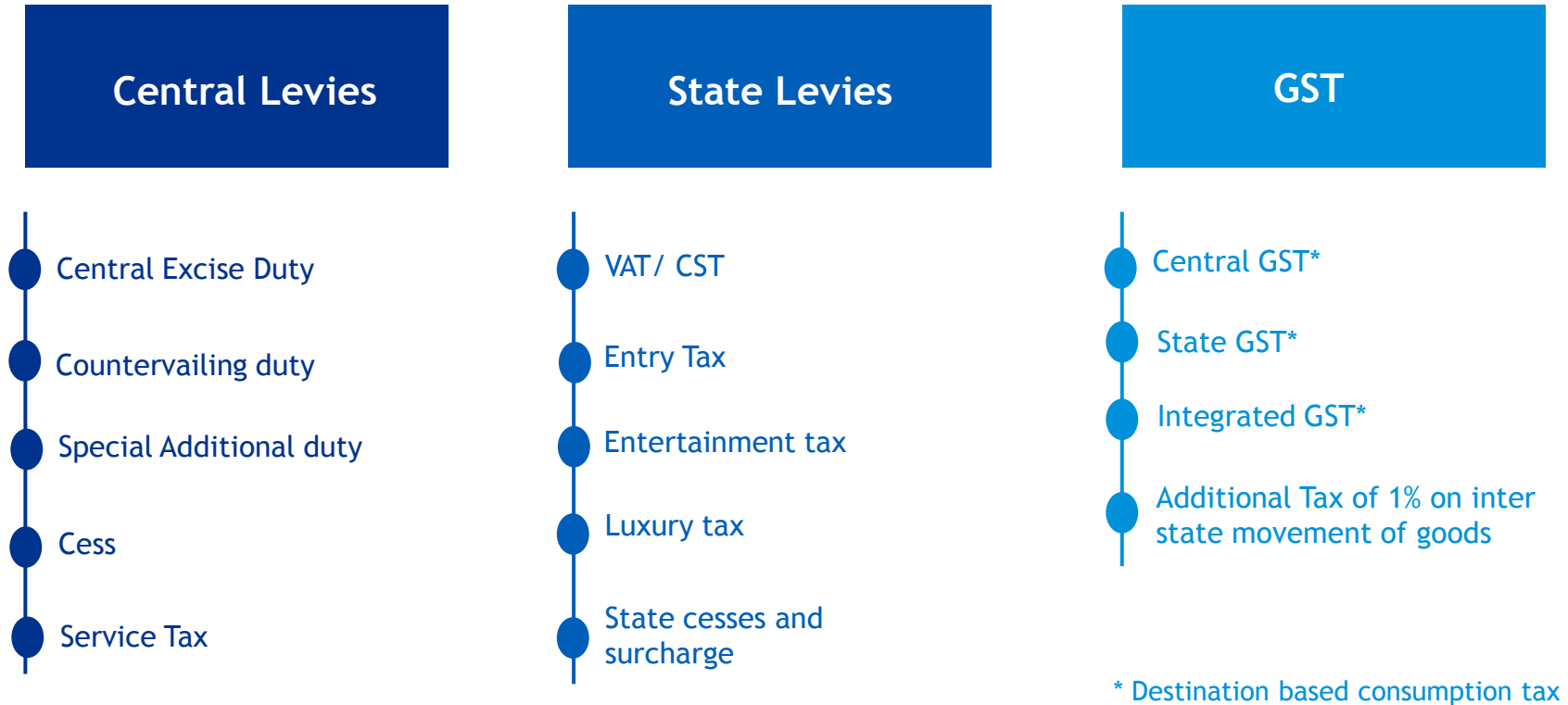


GST-Progress Update



The Government is set to aggressively push the Constitutional Amendment Bill for implementing the GST in the Monsoon session of parliament
[18th July16 - 12th August16]

Proposed GST structure - What it replaces



- Basic Customs Duty will remain outside GST whereas CVD / SAD will be replaced by GST
- All supplies to SEZ units may be zero rated akin to export out of India
- Duty Exemption Schemes such as STP / EOU may be phased out - replaced with refund?

Taxable Event

1

Framework

- Dual GST for Centre and States, IGST on inter-state transactions
- Additional 1% tax proposed on inter-state supplies of goods
- Place of Supply Rules for determining 'situs' of services and goods

2

Coverage

- Excise duties/ Service tax/ CVD/ SAD
- VAT/ Entry tax/ Octroi/ Purchase tax/ Entertainment tax/ Luxury tax
- Cesses & Surcharges on goods & services supply

3

Rates

- Varying rates proposed, no final consensus yet
- Concessional rate for select goods (not for services)?
- Place of Supply Rules for determining 'situs' of services and goods



Procedures - Snapshot

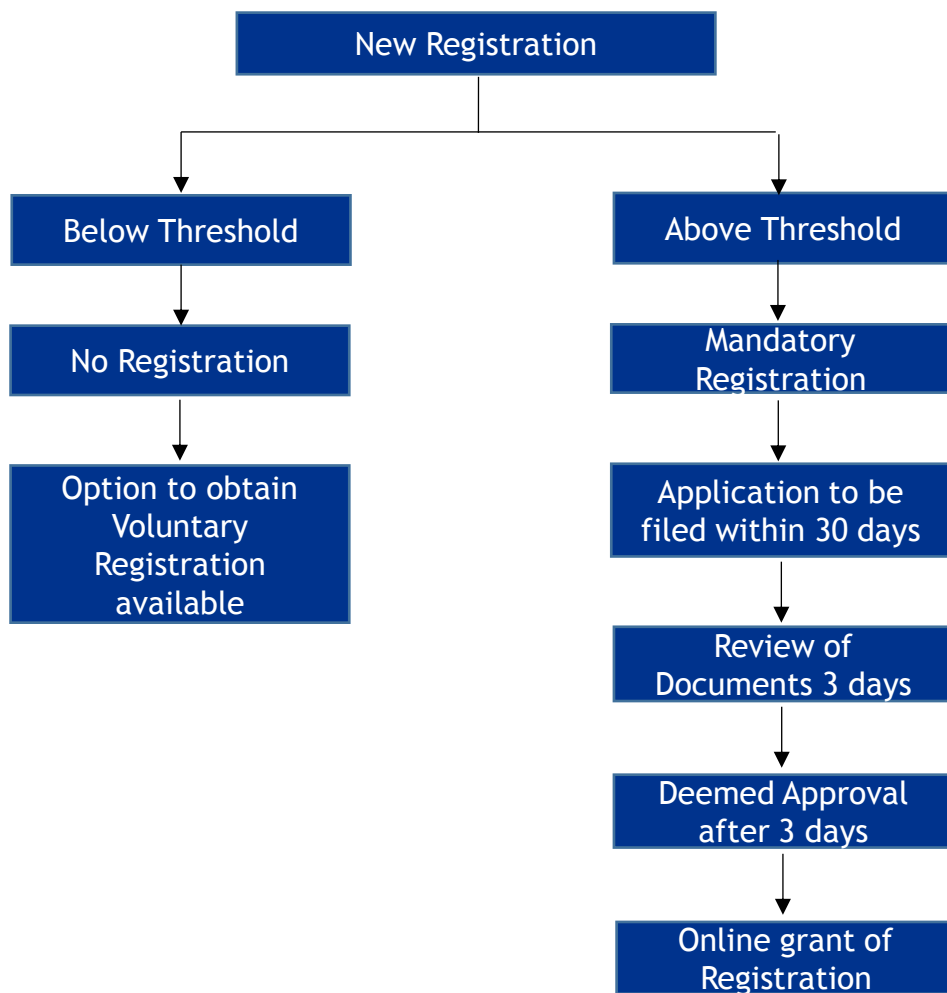


Registration - Type

- **Mandatory Registration on crossing the threshold**
- **Voluntary Registration - Below threshold**
- **Compounding Dealer Registration**
- **Input Service Distributor Registration**
- **Casual Dealer Registration**

It is important to note that Businesses will always prefer to transact with registered business, so that Credit is not lost. Therefore, if registrations are not obtained, businesses may not find it viable to transact.

Steps for Registration



Other points:

- Pan Based Registration, hence PAN is mandatory
- Unified application for both Tax authorities - State and Centre
- For separate business verticals, different GST registrations can be obtained within 1 State
- 15 digit alpha numeric structure
- Application can be filed by using Digital Signature. In such case, no hard copy to be filed.
- Refusal to register by one Tax authority, deemed as refusal by both
- For migration of registration, prescribed documents need to be uploaded

Filing of Returns

- To be filed by taxpayer at GST Common portal :
 - Either by himself logging on to the GST system using own user ID & Password; or
 - Through authorized representative using the user ID & password) allotted to the authorized representative by the tax authorities), as chosen at the time of registration, logging on to the GST system.
- Filing may be done through Tax Return Preparer / Facilitation Centre
- Filing may be done either directly or by using applications developed by accounting companies / IT companies which will interact with GST system using API's.
- However, the final signoff has to be made by the Tax Payer

Key Points:

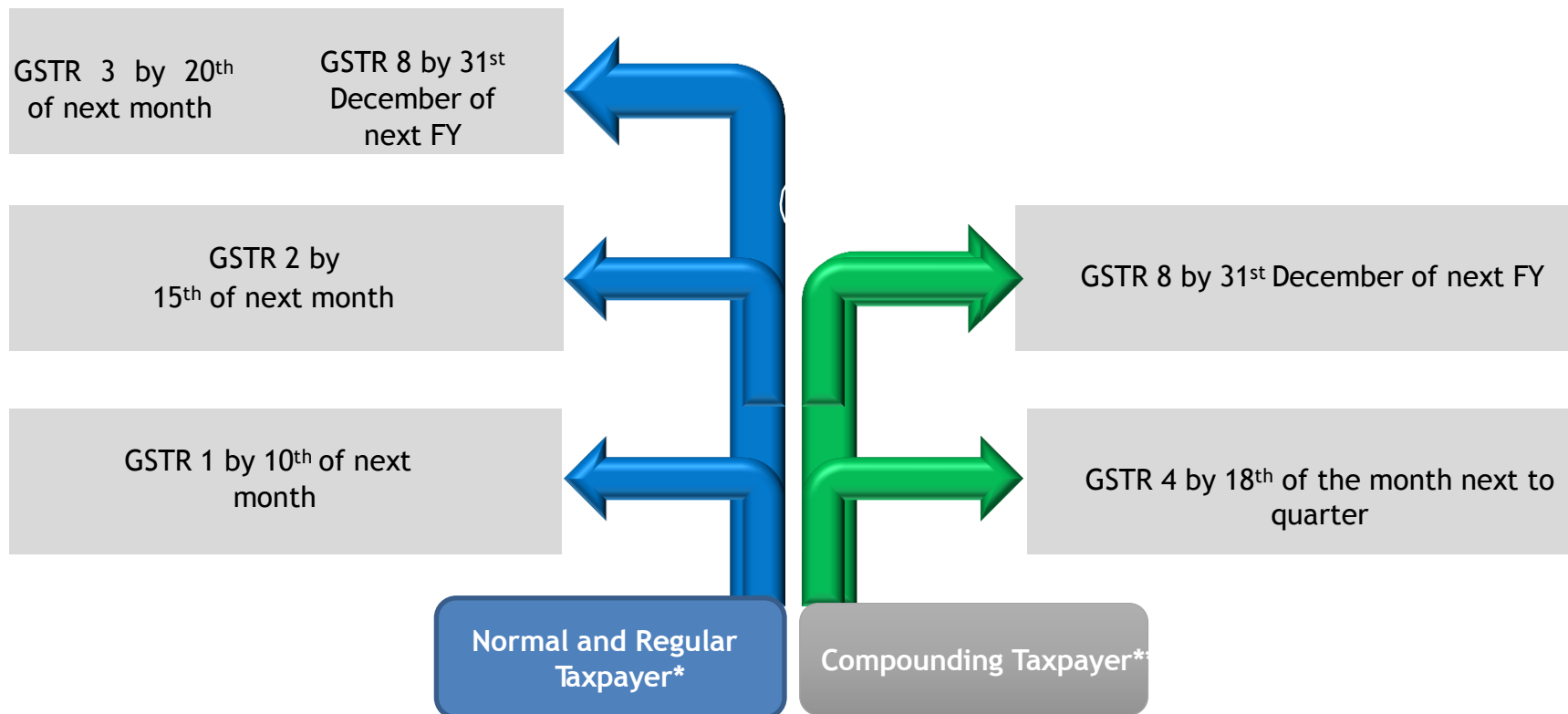
- **All registered Dealers in GST need to upload procurement/ supply details, etc. as per the GST Law in the portal on or before the relevant due dates**
- Credit will automatically flow from details of supply uploaded by the Supplier, and therefore accuracy of information on the portal, becomes critical

Types of Returns under GST

- GSTR 1 - Outward Supplies made by Taxpayer (other than compounding & ISD)
- GSTR 2 - Inward Supplies received by Taxpayer (other than compounding & ISD)
- GSTR 3 - Monthly return by Taxpayer (other than compounding and ISD)
- GSTR 4 - Quarterly return by Compounding Taxpayer
- GSTR 5 - Periodic return by Non-Resident Taxpayer
- GSTR 6 - Monthly return for ISD
- GSTR 7 - Monthly return for Tax Deducted at Source
- GSTR 8 - Annual return
- ITC, Cash and Tax ledger

The GSTN System will provide Rankings for each of the registered Dealers based on the Compliance Level - which will be made public

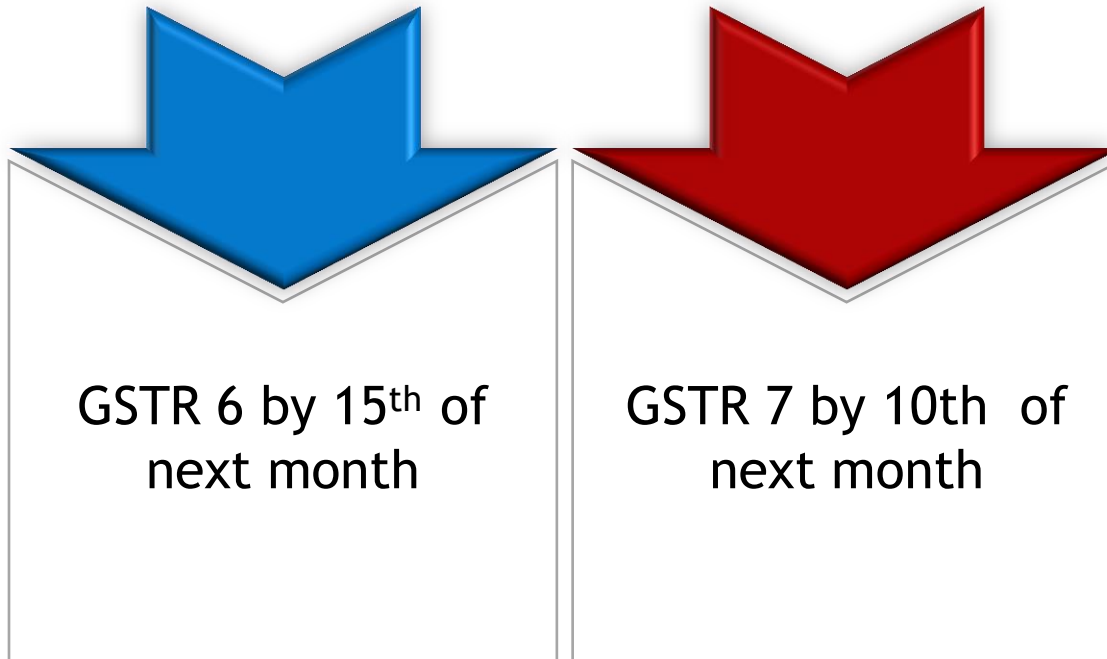
Periodicity of Filing of Returns



*Multiple returns for multiple registrations within the same State

**Taxpayers otherwise eligible for the compounding scheme can opt against the same and file monthly returns

Periodicity of Filing of Returns



Refunds

- **10 situations** listed wherein Refund can arise:-
 - ✓ Excess payment of tax due to mistake
 - ✓ Export of Goods/ Services
 - ✓ Finalisation of Provisional Assessment
 - ✓ Credit accumulation due to inverted duty structure
 - ✓ Others such as Pre-deposit refunds, tax payments during investigation, year-end or volume based incentives, etc.

- **Export of Goods**
 - ✓ An option to procure Duty Free inputs will not be available in GST regime
 - ✓ **Available Option** - Refund of Duty/ or Rebate [**Export to be treated as Inter-State supplies**]

Refunds

Key points

- **Treatment of accumulated ITC arising out of following scenarios:-**
 - ✓ **Stock Accumulation or capital Goods** - ITC to be carried forward to the next period
 - ✓ **Inverted Duty Structure** - Cash refund [Present Scenario - No refund available]
 - ✓ **Partial Reverse Charge Mechanism** - Cash refund [Present Scenario - No Refund available]
- Time period for filing refund claim - 1 year from relevant date [Relevant dates for different types of refund provided]
- Suppliers of exempted/NIL rated/non-GST goods or services would not be entitled to the Input Tax Credit (ITC) of GST paid on inputs/input and hence no refund
- In case of both Taxable as Non-taxable supplies, ITC allowed proportionately



GST Impact on Tea Industry

- Areas of Representation

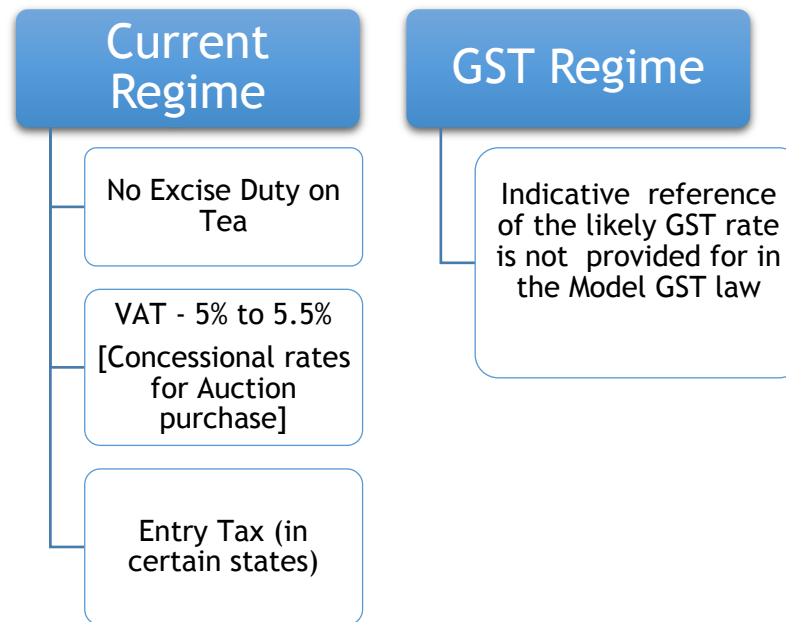


Impact on GST on Tea Industry

Introduction

- India is the second largest producer of Tea in the World after China with plantations predominantly found in states of Assam, West Bengal, Tamil Nadu and Kerala
- Tea industry is of considerable importance in the national economy of India in terms of income generation, earning foreign exchange, employment generation and contribution to the national exchequer

Tax rate



Lower Rate of GST on Tea

GST Sub - Committee recommendations on possible Tax Rates

- The Empowered Committee of State Finance Ministers had formed a sub- Committee under Chief Economic Advisor, Dr. Aravind Subramanian to determine the possible Tax Rates under GST
- The Sub-Committee has submitted its report to the Finance Minister indicating the range of proposed GST rates to achieve Revenue Neutral Rate

Summary of Recommendations

The RNR to achieve the Revenue at the current level should be 15% or 15.5% at a single rate structure

Committee prefers a two rate structure with a lower rate @ 12% and a standard rate in the range of 16.9% to 18.9%

Demerit goods (like Tobacco, Pan Masala, aerated beverages etc.,) to be taxed at a rate as high as 40%

Additional taxes on inter state trade of 1% should be eliminated and replace them with one GST

Lower Rate of GST on Tea

Impact on the Industry

Higher GST rate would increase the cost of procurement of Tea

Higher tax incidence could result in high inflation

Impact on large workforce who are dependent on Tea Plantations

Impact on pricing to final consumers

Our request

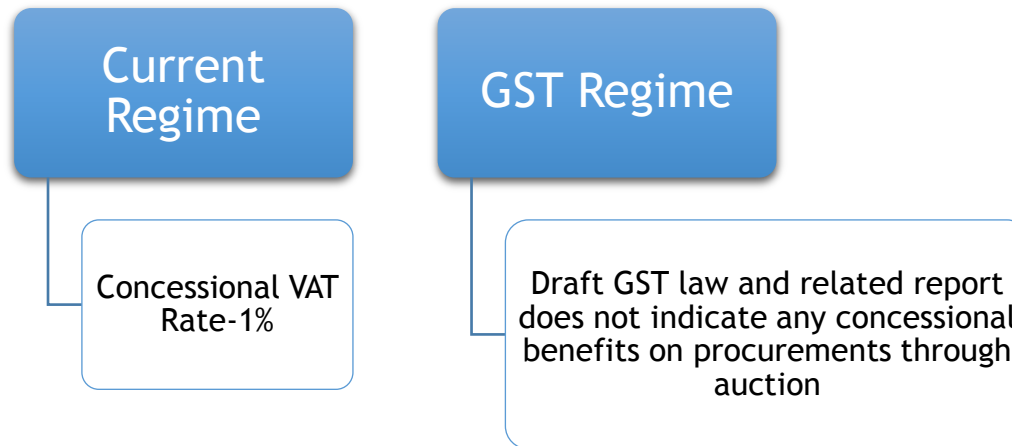
Tea being a product of mass consumption, we request the GST rate on supply of Tea should be on par with current Tax regime, around 6%

Minimal Rate of Tea's sold through Public Auction

Introduction

- Auction is a platform for right Price discovery. There exists certain costs associated with auction procurements and therefore State Government levy concessional rate of VAT on use of such platform
- For the country as a whole more than 50 per cent of sales (Raw Tea) are routed through auctions

Tax rate



Minimal Rate of Tea's sold through Public Auction

Impact on the Industry

Additional Tax burden on Working Capital since the time period from procurement of Raw Tea to sale of Blended Tea is 5-6 months

Since purchases in Auction are necessarily in Bulk quantity by the organized sector, there is no loss of revenue to Govt. Exchequer.

Impact on the Consumers

Auction Buying would become costlier for Tea Producers which in turn would increase the prices for the final consumer.

Our request

Request for lower GST rate for Auction buying in comparison to normal rate on Tea, preferably @ 1% as it exists today.

Waiver of Additional Tax on Inter State Supply of goods

Introduction

- Currently, no tax on Inter-State Stock Transfer of goods between two locations of the same Entity or from Principal to a Consignment Agent
- The Constitutional Amendment Bill provides for levy of Additional Tax @ 1% (Non-creditable) on Inter state movement of goods, in addition to the IGST

Impact on Industry

Additional Tax burden resulting in additional Cost - Cascading effect

Impact on Supply Chain - decisions may continue to be driven by Tax arbitrage

Impact on Pricing structure - Since 1% Additional Tax would be a Cost

Our request

In light of aforementioned impact on the business, it our request that such Additional Tax may not be levied at all

Refund of Unutilized Credits

Introduction

- Currently the Company incurs various expenses including Service Tax or VAT on Rent or storage material in the Branch Office. Since Service Tax credits are not available, it is additional Cost to the Company in the current scenario.
- In the GST regime, credits would be available. However, if the GST credits on such expenses is not utilized by the Branch Office to offset its liability on outward supplies in a given financial Year, there would be additional unutilized Credit in the hands of the Branch.

Treatment under GST regime

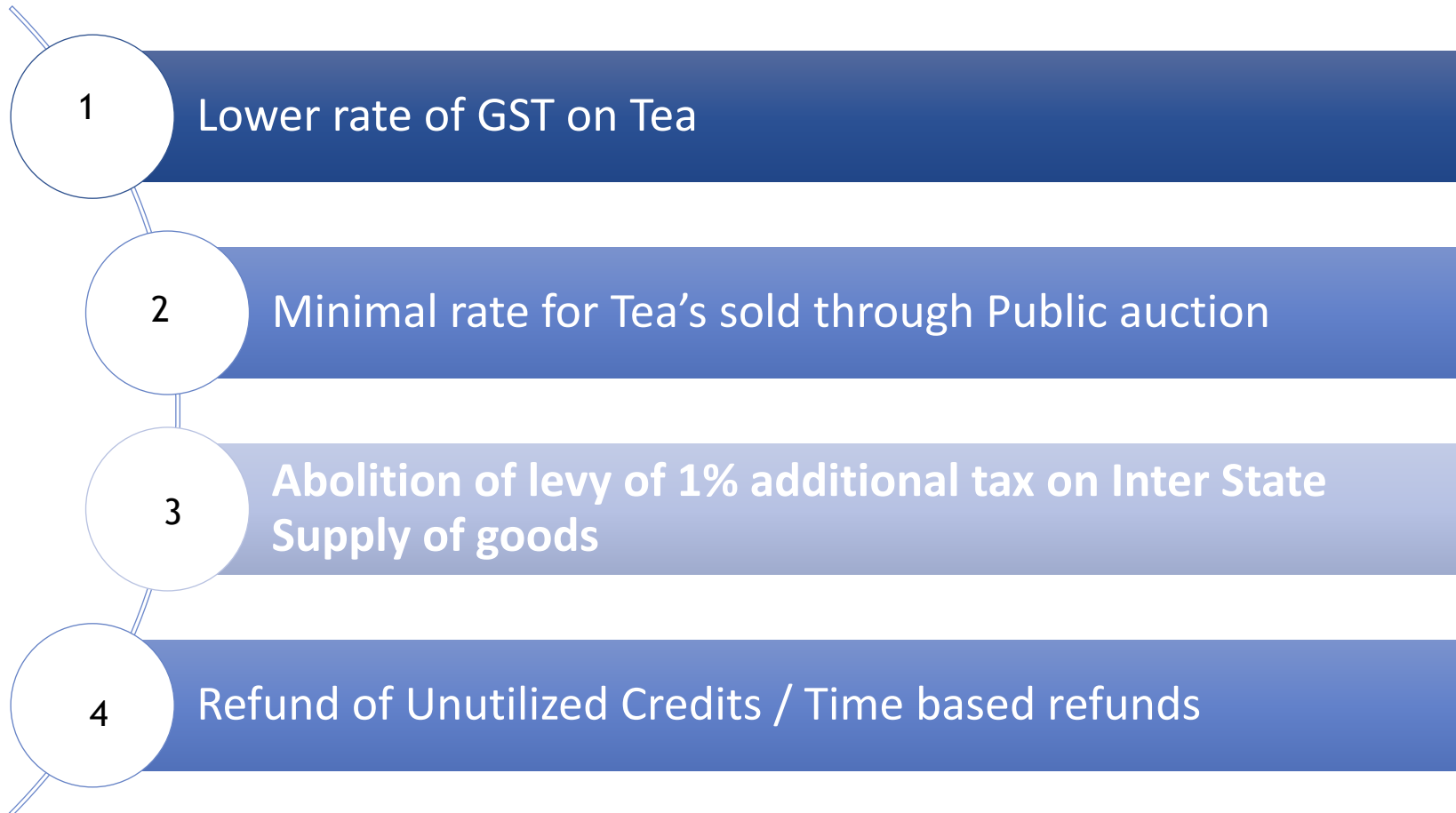
Report of Joint Committee on Refund
(Para (H) (ii))

- Refund of accumulated taxes lying in the Books of Account is not possible and the same would need to be carried forward to the next Financial Year.

Recommendation

Since huge accumulation of credits would unnecessarily block the Working Capital, an option may be given for claiming a refund or carry forward to the next Financial Year

Summary - Key Identified Areas of Advocacy in GST regime



Way Forward Strategy

Step 1

- Meeting with other Associations (Plantations as well as other Traders) to discuss our key representation points

Step 2

- Merging/ Aligning the ideas/ thoughts of various Associations in order to finalize the key asks

Step 3

- Filing Representation before the identified authorities
 - Hon'ble Chairman, GST Empowered Committee
 - Hon'ble Additional Secretary, Ministry of Finance
 - Hon'ble Finance Minister of States of Assam and West Bengal
 - Hon'ble Secretary of States of Assam and West Bengal
 - Tea Board
 - Hon'ble Ministers of other key States

Way Forward Strategy

Step 4

- *Series of press releases on impact of GST on Tea industry*

Step 5

- *Meeting with Mr. Amit Mitra, Chairman, Empowered Committee [Timing and Attendees of meeting - To be strategized]*
- *Meeting with State finance ministers*

Step 6

- *Meeting with Tea Board, [Timing and Attendees of meeting - To be strategized]*



Thank You

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