



## Are you doing business in India or evaluating entering the Indian market?

### Salient points to consider on the soon to be rolled out GOODS AND SERVICES TAX (GST)

One of India's biggest economic reforms, GST is set to be rolled out on July, 1st 2017. GST will significantly benefit Indian businesses and foreign investors alike. In particular, for foreign investors, GST will mean a more simplified and efficient tax system. While the previous tax system allowed different states to tax the same items at different rates and in different ways, GST harmonise tax rates and processes to a large extent.

#### FEATURES

- GST is a stage wise destination based consumption tax
- It is a broad based and a single comprehensive tax levied on goods and services consumed in an economy
- GST will be levied and collected on value addition at each stage of sale or purchase of goods or supply of services based on input credit method but without state boundaries
- GST is a uniform single tax across the supply chain
- It provides improvement in international cost competitiveness of indigenous goods and services.
- GST enhances efficiency in manufacture and distribution due to economies of scale.
- GST encourages an unbiased tax structure that is neutral to business processes, business models, organization structure, product substitutes and geographical locations.

#### TAXES COMPOSITION

| Taxes subsumed in GST       | Taxes not subsumed in GST                  |
|-----------------------------|--|
| Property Tax and Stamp Duty | Excise Duty on Alcohol (human consumption) |
| Professional Tax            | Customs Duty                               |
| Electric Duty               | Excise Duty on Petroleum products          |

#### TYPES OF TAX

- Intra State supply of goods and services: Central GST (CGST), State GST (SGST)
- Inter-state supply of goods and services / Integrated GST (IGST)
- Imports: Basic Customs Duty, IGST
- Exports: Zero rated

| Situation   | Supply                    | Applicable Tax |
|---|---------------------------|----------------|
| Location of Supplier and Place of Supply in same State          | Intra State               | CGST & SGST    |
| Location of Supplier and Place of Supply in different States    | Inter State               | IGST           |
| Import of Goods or Services from outside India                  | Inter State               | IGST           |
| Location of Supplier in India and Place of Supply outside India | Exports                   | Zero Rated     |
| Supply of Goods and / or Services                               | SEZ Developer or SEZ Unit | Zero Rated     |

#### RATE STRUCTURE

The GST council has approved tax rates for various products. The links below provide an overview of the rates

##### Goods

- <http://gstcouncil.gov.in/sites/default/files/gst%20rates/chapter-wise-rate-wise-gst-schedule-18.05.2017.pdf>
- <http://gstcouncil.gov.in/sites/default/files/gst%20rates/chapter-wise-rate-wise-gst-schedule-03.06.2017.pdf>
- [http://gstcouncil.gov.in/sites/default/files/gst%20rates/gst\\_rates\\_approved%20\\_by\\_gst\\_council%20\\_11.06.2017.pdf](http://gstcouncil.gov.in/sites/default/files/gst%20rates/gst_rates_approved%20_by_gst_council%20_11.06.2017.pdf)

##### Services

- <http://gstcouncil.gov.in/sites/default/files/gst%20rates/Schedule%20of%20GST%20rates%20for%20services.pdf>

Additional updates on rates can be found on the following website - <http://gstcouncil.gov.in/gst-rates>

## AVAILABILITY OF CREDIT

| To be Setoff in the same order | Credit of CGST | Credit of SGST | Credit of IGST |
|--------------------------------|----------------|----------------|----------------|
| 1                              | CGST Liability | SGST Liability | IGST Liability |
| 2                              | IGST Liability | IGST Liability | CGST Liability |
| 3                              | X              | X              | SGST Liability |

\*The above is subject to the applicable conditions for input tax credit

## REGISTRATION

- State wise, business vertical wise and voluntary registration options are available.
- Concept of Input Service Distributor (ISD) to continue.
- Single threshold limit for goods and services will be INR 20 Lakhs (approximately CHF 30'700) for normal category and INR 10 Lakhs (approximately CHF 15'400) for special category states

## PAYMENT

- Single threshold limit for goods and services will be INR 20 Lakhs (approximately CHF 30'700) for normal category and INR 10 Lakhs (approximately CHF 15'400) for Northern Eastern State including Sikkim.
- Three modes of payment of tax under GST regime are proposed, i.e., through internet banking / credit or debit card, Over the Counter payment (upto INR 10'000 per challan / approximately CHF 150) and payments through NEFT/RTGS.
- The input tax credit as self-assessed in the return of a taxable person shall be credited to his / her electronic credit ledger to be maintained in the manner as may be prescribed.

## REFUND

- Refund claim is required to be filed within two years from relevant date.
- Refund order to be passed within ninety days from the date of receipt of application.
- 80% refund can be released provisionally and balance 20% after verification.
- For refund application less than INR 5 Lakhs (approximately CHF 7'700) only declaration and proof for incidence of tax is required.

## RETURNS

| Types of Return                                | Form    | Period for filing Return   |
|--|---------|--|
| Outward supplier                               | GSTR -1 | 10th of next month   |
| Inward supplier                                | GSTR-2  | 15th of next month   |
| All assessee except specified                  | GSTR-3  | 20th of next month   |
| Composition Dealer                             | GSTR-4  | 18th of next month following end of quarter  |
| Non - Resident taxable person                  | GSTR-5  | 20th of next month   |
| ISD  | GSTR-6  | 13th of next month   |
| Person paying TDS                              | GSTR-7  | 10th of next month   |
| Supplies affected through E- commerce operator | GSTR-8  | 10th of next month   |
| Annual Return                                  | GSTR-9  | 31st December following F.Y.   |
| Final Return                                   | GSTR-10 | 3 months from the date of cancellation or order of cancellation whichever is later |

## SPECIFIC ISSUES FOR FOREIGN COMPANIES TO CONSIDER

- Any supply of goods or services from a foreign HQ to an Indian subsidiary or branch (even if there is no contribution flow) will have to be valued and GST will be applicable
- For any procurement made from an unregistered supplier, the company procuring the good or service will have to pay GST on reverse charge on all such procurements. Therefore it is essential to ensure that all suppliers are GST registered.

- 
- *The CHF rates are based on the exchange rate CHF 1 = INR 65*
  - *As the government is introducing and refining procedure and rules on an ongoing basis at this initial stage, it is recommended to check with a relevant consultant before making any business decisions based on the interpretation of law*

## Require clarification related to GST implementation? Please contact us

### Zurich

#### Beat Ineichen

Switzerland Global Enterprise  
Senior Consultant South Asia / ANZ  
bineichen@s-ge.com  
+41 44 365 54 35  
+41 79 817 96 85

### Lausanne

#### Nader Erfani

Switzerland Global Enterprise  
Senior Consultant  
nerfani@s-ge.com  
+41 21 545 94 98  
+41 79 647 25 55

### Lugano

#### Monica Zurfluh

Switzerland Global Enterprise  
Head of S-GE Southern Switzerland  
mzurfluh@s-ge.com  
+41 91 601 86 86  
+41 79 220 40 71