Frequently Asked Questions (FAQs) on GST

(1) How the goods can be sent as sample to customer?

Ans. Non-returnable sample can be issued on delivery challan paying GST. Returnable sample can be issued without paying GST but must be returned within six months; otherwise GST has to be paid with interest.

(2) How the display material can be sent to dealers?

Ans. Display material can be sent to dealers issuing tax invoice.

(3) How Sales Return of Finished Goods to be treated under GST?

Ans. Dealer can return the goods on delivery challan **without** charging GST while referring the sales invoice no. The company will issue the credit note to customer/dealer with GST and reduce own output tax liability wherein Dealer will reverse input tax accordingly. Another Option is that Dealer can also return the goods issuing Tax Invoice.

(4) In the case of Sales return, whether company can issue one credit note against materials returns of multiple invoices or separate credit note document shall be generated for each invoice return.

Ans. Separate credit note shall be issued against each invoice to adjust the output tax liability. If goods cannot be linked with invoices, one credit note can be issued without considering GST amount but it's not appreciable.

(5) Goods supplied in old regime (before 1st July) and return in current regime, what document should be prepared by dealer?

Ans. These goods should be returned issuing tax invoice and charging GST by dealer. In other words, it shall be treated as fresh sales and purchases.

(6) What is the procedure to be followed if goods are supplied in short/excess, damage of material in transit or rate difference in invoice?

Ans. Such issues can be settled by issuing credit/debit notes by company after charging due GST amount. The required protocols of submitting claims need to be followed strictly.

(7) What's procedure in case of material to be given for replacement?

Ans. The procedure of Sales return mentioned in Point No. 3 to be followed i.e. Old material which needs to be replaced, can be sent on delivery challan by dealer if Invoice reference is given. But, if Invoice is not traceable then, GST invoice is to be raised in the name of company. Tax invoice will be issued for fresh material by the company.

(8) How GST has to be applied on discount / Incentive payment to dealers post sales?

Ans. The company shall issue a credit note to the dealer for discount on the basis of sales amount and dealer performance.

If these discounts can be directly linked with sales invoices, amount of GST should be considered in credit notes and dealer would need to reduce his input tax credit by the corresponding amount. Separate credit notes are required to be issued against each original invoice. This can't be done on consolidated basis.

The credit note can be issued at the earliest of the following:

- September following the end of the financial year in which such supply was made, or
- Date of filing of the relevant annual return,

If the Invoices can't be traced out then company shall issue credit notes without GST amount and dealer will also not reverse input credit of GST amount correspondingly.

(9) GST impact on free supply of Sales Promotional items, warranty / QC rejected replacement.

Ans. The company can issue free of cost supply of sales promotional items based on either delivery challan or issuing tax invoice. But in either case, the company is required to pay GST on free supply of sales promotional items. Dealer will be providing e-way bill to company wherever it's applicable.

Replacement of parts /goods during the warranty period can be made by issuing delivery challan but giving reference of respective Invoice.

If replacement cannot be linked with sales invoice, Company is required to pay tax on finished goods being issued against warranty.

In case of destroyed /written off goods, input tax credit won't be available hence tax amount to be reversed correspondingly.

(10) For sales promotion purposes, Company incurred expenses on development of display area of dealer's showroom. What shall be Impact of GST on such type of expenses?

Ans. If Company has GST registration in the same state, the input tax credit may be taken since goods were used for business promotion.

The authorities may take different view that this is a free supply by company to dealer and the input credit ought to be reversed.

(11) When the dealer become eligible for GST input credit against the purchase invoice?

Ans. Invoice-wise details of outward supplies are shown in monthly GST return in form GSTR-1 by company. The same details are shown in the inward supply return GSTR-2 of dealer referring to GSTR-2A. Consequently dealer may claim the Input tax credit against such invoices.

As the company will pay net outward liability of GST while filing monthly return - GSTR-3, dealer may assume that amount has already been paid by company and can take credit.

(12) Whether dealer should keep Duplicate copy of invoice to take the input credit?

Ans. It should be kept in record as proof of transportation of goods. GST authority may verify at the time of audit.

(13) Presently some project customer takes material from company directly on concessional sales tax rate (CST against C form), what is the impact of GST on such supply?

Ans. There is no difference on the entitlement of input tax credit in respect to GST paid on supply of goods whether procured directly or via dealers. Hence in both the ways, concerned buyer would be eligible for claiming credits subject to other relevant conditions of the law with respect to eligibility of credit on that particular supply of goods/services.

(14) Impact of GST on overriding commission on project supply?

Ans. In this case, one service is being provided by the dealer to company hence commission would accordingly attract GST on full amount as per applicable rate.

(15) In some cases where Sales invoice had been generated but material was not dispatched.

Please clarify if we have to show same in GST return under Sales and then Sales Return or we can cancel such invoices and do not report transactions in both cases i.e. sales and sales return. But, biggest concerning is that such situations will lead to gap in serial number of Sales invoices.

Ans. No need to report such invoice in GSTR-1 as outward supply made. Simply specify the total number of invoices cancelled in column 6 of Table 13 of GSTR-1.

(16) What will be the complete process of Advance received from customer?

Ans. Advances received from customers would be liable for discharging the output tax liability as mentioned in table hereunder:

In case of advance receipt, the most important pre-requisites are location from where supply is to be made, location where supply is to be made and goods that would be supplied by the supplied by the supplier. In this context, there may be certain following situations arise that should accordingly be handled:

Situation 1	**Situation 2**	**Situation 3**	**Situation 4**
Goods & Place of Supply are Identified	**Goods to be supplied are identified** **Place of Supply is not identified**	**Goods to be supplied is not identified.** **Place of Supply is identified**	**Both Goods to be supplied & Place of Supply are not identified**
Pay the applicable tax basis place of supply as per applicable rates	Pay the tax as per applicable rates considering it to be inter-state supply	Pay the tax at the rate of 18% on basis of place of supply	Pay the tax at the rate of 18% considering it to be inter-state supply

Company would need to issue the advance receipt voucher for such advance receipts and pay tax on the advances and accordingly report in GSTR-1. In case, the tax invoice is issued in the same month of receiving advances then such advances need not be reported separately.

In case of invoice issued in subsequent month(s), then once after the tax invoice is issued by the company, amount of tax paid earlier on the advances can be settled against the total output tax liability in respect to such invoice.

(17) What would be invoicing pattern in GST? Whether Credit of GST shall be available for traders?

Ans. There would be 4 GST tax components:

- CGST
- SGST/UTGST
- IGST
- CESS

All of the above taxes/Cess to be calculated on taxable value (net of discount and abatement, if any) only and any of the GST tax should not be included for calculating the other GST tax. Further credit of GST can be utilised against the output liability by traders as **per prescribed rule** only.

(18) In the invoice format, "Bill To" and "Ship To" information is required to be shown. Please clarify the following issue on this matter as listed below:

a. Is it permitted if customer / dealer requests us to bill to them but ship to customer or project directly?

Ans. Company may do so under 'Bill to' 'Ship to' model. In this case, Company will be the supplier and "Bill to" would be in the name of Dealer who is ordering the material. But, place of delivery would be the location of the customer who is marked as 'Ship to'. Accordingly, the GST would be levied on the basis of location of "Bill to" Dealer, irrespective of the fact that actual delivery is made to someone else within state or different state. further the dealer would need to issue another invoice in the name of actual 'Ship to' party.

b. What GST number has to mentioned in such situation and in reporting to GST return under which GST number this sales shall be reported.

Ans. Company would need to mention the GSTIN of its customer/dealer who is marked under 'Bill to'. Accordingly the outward supply in GSTR-1 of Company would be reported in the name of said 'Bill to' GSTIN.

c. If both the parties (**Bill to and Supplier**) are in same state what GST type shall be applied on the invoices

Ans. It is explained by below mentioned scenario:
Supplier: Jaquar Manesar (Haryana)
Bill to location: Faridabad (Haryana)
Ship to location: Bawal (Rajasthan)

Jaquar Manesar will raise invoice on Faridabad and this would be an intra-state supply. Hence CGST & SGST would be levied.

d. If both the parties (**Bill To, Supplier and Ship To**) are in different state what GST type shall be applied on the invoices

Ans. It is explained by below mentioned scenario:
Supplier: Jaquar Manesar (Haryana)
Bill to location: Delhi (Delhi)
Ship to location: Noida (UP)

Jaquar Manesar will raise invoice on Delhi being inter-state supply and accordingly IGST would be levied.

e. How E-WAY bill shall be generated for above situations?

Ans. Jaquar/transporter would raise the e-Way bill mentioning the consignee's name to whom goods are actually to be delivered.

(19) What is reverse charge (RCM) in GST?

Ans. Reverse charge means service receiver is required to pay tax to Government and need not to pay the tax to supplier/service provider. Procurement from unregistered dealer, Goods transport agency, import of services etc. are covered under RCM. Input tax credit can be availed only after payment of tax. Further the RCM liability cannot be set off against input tax credit available.

(20) Can a trader claim the Cenvat credit on the stock held on the appointed date viz 1st July, 2017 based on duty paying documents?

Ans. Yes, a trader having duty paying documents can claim Cenvat Credit as per section 140(3) of the CGST Act, 2017 subject to fulfillment of following conditions:

(a) such inputs are used or intended to be used for making taxable supplies;

(b) the said taxable person is eligible for input tax credit on such inputs;

(c) the said taxable person is in possession of invoice and/or other prescribed documents evidencing payment of duty under the earlier law;

(d) such invoices and /or other prescribed documents were issued not earlier than twelve months immediately preceding the appointed day;

(e) the supplier of services is not eligible for any abatement.

(21) Dealers are presently not entitled to take cenvat credit. They will be having duty paid stock as on 1st July, 2017. However, it is possible that the traders may not have duty paid documents in respect of such stock. Is there any scheme under GST, where such traders will be able to get credit of such taxes under GST?

Ans. Yes. If duty paid invoices are available with them, then full credit of ITC on existing stock can be carried over to GST (refer answer to Q 20 above). If duty paid invoices are not available, then a deemed credit scheme is made available to the traders as per the details below:

Sr.No	Category of Taxpayer	Details to be provided	Amount of ITC available
1	Trader (not liable to be registered under Central Laws) (**Form TRAN-1** is to submitted on or before 29.09.2017)	Stock of Inputs (held as inputs/ semi-finished / finished goods) to be used for making taxable supplies where duty paying documents are available with the trader	Amount of duty paid as per invoice details submitted
2	Trader (not liable to be registered under Central Laws) (**Form TRAN-2** is to be submitted at the end of each month till 31-12-2017)	Stock of Inputs (held as inputs/ semi-finished / finished goods) to be used for making taxable supplies where duty paying documents are not available with the trader	In case of intra-State supplies: • 60% of the Central Tax paid (in case rate of total tax is 18% or 28%) • 40% of the Central tax paid (in case rate of total tax is 5% or 12%) In case of inter-State supplies, 30% or 20% of integrated tax paid will be allowed.