

GST Concept, Rates and FAQ on Apparel Sector



Apparel Export Promotion Council

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Important Concepts and Facts

- 1) GST is a tax on supply as against tax on manufacture (Central Excise) or sale (VAT).
- 2) GST has subsumed a large number of central and state taxes i.e. central excise duty, service tax, additional duties of excise, CVD, SAD, state VAT, purchase tax, entry tax, luxury tax, entertainment tax, taxes on advertisements, lotteries, cesses and surcharges, etc.
- 3) It is a dual GST i.e. there will be a central tax known as CGST and a state tax known as SGST/UTGST.
- 4) Intra-state supplies (within the same state/UT) are chargeable to CGST+SGST/UTGST.
- 5) Inter-state supplies (from one state/UT to another state/UT) are chargeable to IGST (Integrated GST) which is equal to the sum total of central and state tax.
- 6) Imports and exports are treated as inter-state supplies and are chargeable to IGST.
- 7) Exports and supplies to SEZ developers and SEZ units are zero-rated. Option to export on payment of tax under claim for rebate or exports under bond or letter of undertaking without payment of IGST is there.
- 8) Exporters are entitled for claiming refund of unutilized input tax credit.
- 9) ITC is available in respect of taxes paid on any supply of goods or services used or intended to be **used in the course or furtherance of business** (i.e. for business purposes).
- 10) Liability to pay tax arises at the time of supply. The **time of supply** is **earlier** of the following dates:
 - i. Date of issue of invoice by the supplier, or
 - ii. Date of receipt of payment by the supplier

Note 1: The supplier of goods is required to issue the invoice before or at the time of removal or delivery of goods.

Note 2: The date of receipt of payment is the date on which payment is entered in supplier's books of account or the date on which the payment is credited to his bank account, whichever is earlier.
- 11) Value for levy of GST is the transaction value i.e. price actually paid or payable when supplier and recipient are not related and price is the sole consideration for supply.

REGISTRATION: MIGRATION OR NEW

- 1) Apply for migration (if not already done) of existing registration under central excise/service tax/VAT as the case may be, to the GSTN.
- 2) Obtain ID and password from the central excise/service tax/VAT department if not already received so far. Migration would not be possible unless you have the ID and password assigned to you by the department.
- 3) Apply for new registration (if you are not already registered under central excise/service tax). Facility for new registration is open on the GSTN portal from 25th June.
- 4) Before applying for registration declare your PAN, mobile no., E-mail, state or UT in PART A of Form GST REG-01.
- 5) On successful verification of above particulars a temporary reference no. shall be generated by the system and communicated to the applicant on the said mobile no. and E-mail.
- 6) Using the said reference no. submit electronically an application in PART B of FORM GST REG-01.
- 7) If everything is in order the registration shall be granted within 3 working days of date of submission of the application. If certain clarifications are sought by the proper officer the same should be submitted by you within 7 working days. In that case the registration may be granted within 7 working days of the receipt of clarification.
- 8) If the proper officer fails to take any action within 3 working days of submission of application or 7 working days of receipt of clarification, as the case may be, the registration is **deemed** to have been approved.
- 9) The certificate of registration shall be made available on the common portal in FORM GST REG-06 showing principal place of business and additional places of business.
- 10) A Goods and Services Tax Identification Number shall be assigned to you.
- 11) Apply for separate state wise registration if you have units in more than one state.
- 12) Separate registration for multiple business verticals within a state/UT is also possible at your option.
- 13) If you have units in SEZ or you are an SEZ developer, apply for a separate registration as a business vertical distinct from other units located outside SEZ.
- 14) You should display your registration certificate in a prominent location at your principal place of business and at every additional place of business.

15) You should also display your GSTIN on the name board exhibited at the entry of your principal place of business and every additional place of business.

Invoice

As per the GST Law and Rules all supplies have to be made under an invoice. The following points may be noted:

- (i) There is no prescribed format for invoice.
- (ii) Only the particulars/details which are to be given in the invoice have been prescribed.
- (iii) Therefore you may design your own format, if you so desire, but ensure that all the prescribed particulars are there in your format.
- (iv) Please also ensure that your invoice format is ready immediately.

INVOICE SHALL INCLUDE THE FOLLOWING PARTICULARS

- a) Name, address and GSTIN of supplier;
- b) A consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters hyphen or dash and slash symbolized as “-” and “/” respectively, and any combination thereof, unique for a financial year;
- c) Date of its issue;
- d) Name, address and GSTIN or UIN, if registered, of the recipient;
- e) Name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is unregistered and where the value of taxable supply is fifty thousand rupees or more;
- f) Name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is less than fifty thousand rupees and the recipient requests that such details be recorded in the tax invoice;
- g) HSN code of goods;
- h) Description of goods;
- i) Quantity in case of goods and unit or Unique Quantity Code;
- j) Total value of supply of goods;
- k) Taxable value of supply of goods taking into account discount or abatement;
- l) Rate of tax (Central tax, State tax, Integrated tax, Union Territory tax or cess);

- m) Amount of tax charged in respect of taxable goods (Central tax, State tax, Integrated tax, Union Territory tax or cess);
- n) Place of supply along with the name of the State, in case of a supply in the course of inter-state trade or commerce;
- o) Address of delivery where the same is different from the place of supply;
- p) Whether the tax is payable on reverse charge basis; and
- q) Signature or digital signature of the supplier or his authorized representative

NOTE 1. HSN code: No code is required to be mentioned by registered person having annual turnover in the preceding year of upto Rs. 1.5 crore. Those having turnover between Rs. 1.5 crore and 5 crore are required to be only 2 digits of HSN and those with turnover of more than Rs. 5 crore are required to mention 4 digits of HSN (Authority Notification No. 12/2017-Central Tax dated 28.06.2017).

NOTE 2. Exports: In the case of the export of goods or services, the invoice shall carry an endorsement "SUPPLY MEANT FOR EXPORT ON PAYMENT OF INTEGRATED TAX" or "SUPPLY MEANT FOR EXPORT UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX", as the case may be, and shall, in lieu of the details specified in clause (e), contain the following details, namely,- (i) name and address of the recipient; (ii) address of delivery; and (iii) name of the country of destination:

SYSTEMS/IT

The GST law compliance is very heavily dependent upon use of Information Technology and computers. All returns are to be filed online on GSTN portal and invoices need to be uploaded. You should therefore ensure:

- (i) You have adequate systems and requisite personnel to man them.
- (ii) Some of your staff is familiarized (preferably have some hands on experience) with operation of GSTN modules.
- (iii) Appropriate arrangements are in place for uploading of invoices (which will depend upon the no. of invoices generated). Uploading can be done through specially designed software (which are available in the market) or manually. You may take a call depending upon your workload.

RETURNS

Every registered person has to file electronically 3 returns every month and an annual return. The monthly returns are:

- (i) Return of outward supplies (GSTR-1) – to be filed by 10th of the following month.
- (ii) Return of inward supplies (GSTR-2) – to be filed from 11th to 15th of the following month.
- (iii) Return of Inward and Outward supplies, ITC, tax payable and tax paid (GSTR-3) – to be filed by 20th of the following month.
- (iv) Annual return (GSTR-9) – to be filed by 31st December of every year

For seamless operations under GST please ensure the following:

- (i) All your outward supplies and inward supplies are properly accounted for and entered in your system.
- (ii) Periodical invoice matching is done with your suppliers as well as buyers to avoid any mismatch of credit. The periodicity may be decided according to your volumes/workload.
- (iii) Proper coordination with the suppliers as well as buyers for uploading and matching of invoices should be worked out and followed.
- (iv) Mismatch if any should be preferably rectified before submission of the final return.
- (v) A track of payments for the supplies is kept as the credit is denied if the payment is not made within 6 months.
- (vi) The returns are filed in time as late filing will attract late fee as below:
 - @ Rs. 100/day (max Rs. 5000/-) in case of monthly returns
 - @ Rs. 100/day (max 0.25% of turnover in state) in case of annual return.

PAYMENTS

- (i) The **due date** for making payment of tax liability is the **20th of the next month**.
- (ii) There will be electronic cash ledger, electronic credit ledger and electronic liability ledger on GST Portal for each registered person.
- (iii) You can deposit the tax by internet banking, NEFT, RTGS, CREDIT/DEBIT card and Over the Counter. However there is a limit of rs. 10000/- per tax period on over the counter payments.

- (iv) Date of credit to the government account is the date of payment for credit in electronic cash ledger.
- (v) You may make the payment of tax by way of debit in the electronic cash or credit ledger or both.

MANNER OF UTILISATION OF INPUT TAX CREDIT (ITC)

You can use your ITC in the following manner:

- (i) Credit of IGST to be first used for payment of IGST, remaining for CGST & balance for SGST/UTGST
- (ii) Credit of CGST to be first used for CGST, remaining for IGST
- (iii) Credit of SGST to be first used for SGST, remaining for IGST
- (iv) No cross utilization of credit of CGST and SGST is allowed i.e. the credit of CGST cannot be utilised for payment of SGST and vice versa.

INPUT TAX CREDIT (ITC)

ITC is available in respect of taxes paid on any supply of goods or services used or intended to be **used in the course or furtherance of business** (i.e. for business purposes).

The following points need to be noted:

- (i) **ELIGIBLE TAXES:** Credit is available in respect of the input taxes namely, CGST, SGST, UTGST, IGST and GST payable on reverse charge or payable when purchase is made from unregistered suppliers.
- (ii) Conditions for availing ITC include:
 - 1. You are in possession of invoice/debit note/bill of entry or other prescribed document;
 - 2. You have received the goods or services;
 - 3. Tax has actually been paid by the supplier to government;
 - 4. Requisite returns have been furnished.
 - 5. If goods are received in lots or installments, credit shall be taken on receipt of last lot or installment.
 - 6. No depreciation of the tax component of cost of capital goods and plant and machinery is claimed under the Income Tax act.
- (iii) **Last date for availing credit:** ITC cannot be availed after filing of return for the month of September of next Financial Year or filing of Annual Return whichever is earlier

- (iv) Full ITC is allowed on capital goods in one go.
- (v) Only Proportionate credit is allowed in case inputs, inputs services and capital goods are partly used for business and partly for non-business purposes.
- (vi) Similarly only proportionate credit is allowed in case inputs, inputs services and capital goods are used for taxable including zero rated and exempt (including non-taxable) supplies.
- (vii) ITC available only on provisional basis for a period of two months until payment of tax and filing of valid return by the supplier.
- (viii) Matching of supplier's and recipient's invoice details will be done on the GST Portal. ITC to be confirmed only after matching of such information. ITC to be reversed in case of mismatch.
- (ix) The Input Service Distributor mechanism for distribution of ITC of input services is also there.

NEGATIVE LIST FOR ITC

Input tax credit will not be available on the following inward supplies.

- (i) Motor vehicles except when they are used for transportation of goods, etc.
- (ii) Food and beverages, outdoor catering, health services, etc.
- (iii) Membership of a club, health and fitness centre
- (iv) Rent-a-cab, life insurance, health insurance except where notified by Government as obligatory for employers to provide its employees
- (v) Travel benefits extended to employees on vacation
- (vi) Works contract services for construction of immovable property (other than plant and machinery)

Plant and machinery means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services and includes such foundation and structural supports but excludes –

- (i) Land, building or any other civil structures;
 - (ii) Telecommunication towers; and
 - (iii) Pipelines laid outside the factory premises
- b. Goods or services received for construction of an immovable property (other than plant or machinery) on his own account
 - c. Goods or services used for personal consumption
 - d. Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples

ACCOUNTS AND RECORDS

You should maintain a true and correct account of the following at your principal place of business, as mentioned in the certificate of registration:

- (a) production or manufacture of goods;
- (b) inward and outward supply of goods or services or both;
- (c) stock of goods;
- (d) input tax credit availed;
- (e) output tax payable and paid; and
- (f) such other particulars as may be prescribed:

where more than one place of business is specified in the certificate of registration, the accounts relating to each place of business shall be kept at such places of business.

ACCOUNT OF STOCK

Accounts of stock in respect of each commodity received and supplied, and such account shall contain particulars of the opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples and balance of stock including raw materials, finished goods, scrap and wastage thereof.

You should maintain separate account of advances received, paid and adjustments made thereto

Separate account of IGST, CGST, SGST, UTGST have to be maintained.

PERIOD FOR RETENTION OF ACCOUNTS/RECORDS

The records/accounts have to be maintained by you:

- (i) For 72 months from the date of filing of the annual return in normal cases
- (ii) However if any appeal/revision/litigation/investigation is pending the accounts/records are to be maintained till one year after disposal of such appeal/revision/litigation/investigation or 72 months as mentioned above, whichever is later

REFUNDS

You are entitled for claiming refund of duties paid on your exports or inputs or input services used in making such zero rated supplies or refund of unutilized input tax credit.

1. You can claim refunds within a period of two years from the relevant date i.e.

- (i) In case of exports by sea or air, the date on which ship or the aircraft on which goods are loaded leaves India
 - (ii) In case of exports by land, the date on which the goods passed the frontier
 - (iii) In case of exports by post, the date of dispatch of goods by the post office
2. All refund claims have to be filed online
 3. You are entitled for provisional refund of 90% of the total amount claimed within 7 days of the date of acknowledgment of your refund application. Therefore you should file your refund application complete in all respects so that they are acknowledged at the earliest.

Guide to claim refund on GST Portal

RFD – 01:

Step 1: Login to GST Portal.

Step 2: Go to 'Services' > 'Refunds' > 'Application for Refund'

Step 3: Select 'Refund of Excess Balance in Electronic Cash Ledger' and click on 'CREATE'.

Step 4: Once you click on 'CREATE' in the above step a screen will appear reflecting all balances in the Electronic Cash Ledger which can be claimed as refund.

You can enter values of the refund to be claimed in the editable 'Refund Claimed' table.

Step 5: Select the Bank Account (in which you want the refund to be credited) from the drop-down and click on 'SAVE'.

Step 6: Click on the checkbox in the declaration. Select the name for the 'Authorized Signatory' from the drop-down'

Based on the type of your organization click on 'SUBMIT WITH DSC' or 'SUBMIT WITH EVC'

Once RFD – 01 is filed Refund ARN Receipt is generated in PDF format. After inspection by a GST officer refund will be credited to the bank account.

For Details of Refund and its related forms, click the following link - <https://cbec-gst.gov.in/pdf/refund-formats17052017-revised3.pdf>

JOB WORK

1. The principle has to give an intimation to the jurisdictional officer regarding job work. List of job workers may be submitted.

2. You may send inputs or capital goods to job worker for job work without payment of tax.
3. Inputs or capital goods can also be sent from one job worker to another job worker and likewise.
4. The inputs or capital goods must come back after completion of job work or otherwise within 1 year and 3 years respectively.
5. In case you don't receive back the goods within the above mentioned stipulated time limit it will be treated as a deemed supply by you to the job worker on the day when the inputs or capital goods were sent out.
6. You can supply such inputs or capital goods from the place of business of job worker, subject to the following:
 - (i) Either the place of business of job worker is declared as an additional place of business of the principal, or,
 - (ii) The job worker himself is a registered person
7. The responsibility for keeping proper accounts for inputs or capital goods shall lie with the principal.
8. Waste and scrap generated during the job work can be supplied directly from the place of business of the job worker on payment of tax if the job worker is registered or by the principal if the job worker is not registered.

DOCUMENT FOR JOB WORK

For sending the goods on job work, the principal is not required to issue an invoice. For transportation of goods for job work, the principal may issue a delivery challan, serially numbered not exceeding sixteen characters, in one or multiple series, in lieu of invoice at the time of removal of goods for transportation, containing the following details, namely:-

- (i) date and number of the delivery challan;
- (ii) name, address and Goods and Services Tax Identification Number of the consigner, if registered;
- (iii) name, address and Goods and Services Tax Identification Number or Unique Identity Number of the consignee, if registered;
- (iv) Harmonised System of Nomenclature code and description of goods;
- (v) quantity (provisional, where the exact quantity being supplied is not known);
- (vi) taxable value;

(vii) Tax rate and tax amount – central tax, State tax, integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee;

(viii) Place of supply, in case of inter-State movement; and

(ix) Signature.

(2) The delivery challan shall be prepared in triplicate, in case of supply of goods, in the following manner, namely: –

(a) The original copy being marked as ORIGINAL FOR CONSIGNEE;

(b) The duplicate copy being marked as DUPLICATE FOR TRANSPORTER; and (c) the triplicate copy being marked as TRIPLICATE FOR CONSIGNER.

GST RATES on Textile Value Chain

GST on Raw materials for Garments, Garments & Job Work	
Material	Rate of GST
	(In %)
Yarn	
Silk [5004, 5005, 5006]	5
Yarn of wool or of animal hair [5106, 5107, 5108, 5109, 5110]	5
Cotton yarn, other than khadi yarn [5205, 5206, 5207]	5
Synthetic filament yarn such as nylon, polyester, acrylic, etc. [5402, 5404, 5406]	12
Artificial filament yarn such as viscose rayon, Cuprammonium, etc. [5403, 5405, 5406]	
Yarn of manmade staple fibres [5509, 5510, 5511]	12
Fabric	
Woven fabrics of silk or silk waste [5007]	5
Fabrics of wool or of animal hair [5111, 5112, 5113]	5
Cotton fabrics [5208, 5209, 5210, 5211, 5212]	5
Fabrics of manmade textile materials [5407, 5408]	5
Fabrics of manmade staple fibres [5512, 5513, 5514, 5515, 5516]	5
Garment	
Readymade Garment (All goods of sale value not exceeding Rs. 1000 per piece)	5
Readymade Garment (All goods of sale value exceeding Rs. 1000 per piece)	12

GST on Raw materials for Garments, Garments & Job Work	
Material	Rate of GST
	(In %)
Accessories	
Thread (Cotton, Silk, wool)	5
Thread (MMF)	12
Button	18
Zipper	18
Laces	12
Gota	5
Labels	18
Interlining	12
Dyes	18
Job Work	
5%	
Freight	
GST Rate	
Air Freight*	Nil
Sea Freight*	Nil

Note :

- The inputs stated are based on the information available on public domain as on 12th January 2018. For regular updates kindly visit www.gst.gov.in or www.cbec.gov.in

* The exemption of Air & Sea freight is upto 30th September, 2018 and link of the notification is:

<http://www.cbec.gov.in/resources//htdocs-cbec/gst/notfctn-02-2018-cgst-rate-english.pdf>

- Ministry of Finance in its Notification No. 1/2018-Central Tax (Rate) dated 25th January, 2018 had reduced GST on Services by way of treatment of effluents by a Common Effluent Treatment Plant from 18% to 12%. For Full Notifications click the following link: <http://www.cbec.gov.in/resources//htdocs-cbec/gst/notfctn-01-2018-cgst-rate-english.pdf>
- Ministry of Finance in its Notification No. 1/2018-Central Tax (Rate) dated 25th January, 2018 had reduced GST on tailoring service from 18% to 5%. For Full Notifications click the following link: <http://www.cbec.gov.in/resources//htdocs-cbec/gst/notfctn-01-2018-cgst-rate-english.pdf>

Concept of e-way bill

Under GST, transporters should carry an e-Way Bill when moving goods from one place to another. e-way bill is a document required to be carried by a person in charge of the conveyance carrying any consignment of goods of value exceeding fifty thousand rupees as mandated by the Government. It is generated from the GST Common Portal by the registered persons or transporters who cause movement of goods of consignment before commencement of such movement.

Goods and Services Tax Act mandates that the Government may require the person in charge of a conveyance carrying any consignment of goods of value exceeding such amount as may be specified to carry with him such documents and such devices. Government mandated to carry e-way bill for transportation of goods of consignment of value more than rupees fifty thousand. Hence e-way bill generated from the common portal is required to be carried.

Every registered person who causes movement of goods of consignment value exceeding fifty thousand rupees in relation to supply; or reasons other than supply; or inward supply from unregistered person shall generate e-way bill. It means, the consignor or consignee, as a registered person or a transporter of the goods can generate the e-way bill. The unregistered transporter can enroll on the common portal and generate the e-way bill for movement of goods for his clients. Any person can also enroll and generate the e-way bill for movement of goods for his/her own use.

E-Way Bill can be generated on the e-Way Bill Portal www.ewaybill.nic.in . The e-way bill portal provides all the related information regarding e-way bill.

Frequently Asked Questions

Q. What is the Drawback rate after the transition period of GST in GST Regime?

Response: The transition period of GST had over on 30th September, 2017. The new drawback rates effective from 1.10.2017 are given below:

Duty Drawback for RMG (61 & 62)			
		Drawback rate effective from 1.10.2017	
Tariff Item	Product	Rate (%)	Value Cap/ piece (Rs.)
61 & 62			
	Of cotton	2%	37.9
	Of blend containing cotton and MMF fibre	2.50%	28.9
	Of MMF fibre	2.50%	29.3
	Of Silk (other than containing Noil silk)	4.80%	107.4
	Of Wool	3.50%	162.5
	Of Blend containing Wool and Man Made Fibre	3.00%	103.4
	Of Others	2%	26.3

For full notifications of the rate, click the following link: <http://www.cbec.gov.in/resources/htdocs-cbec/customs/dbk-schdule/dbk-sch2017.pdf;jsessionid=8D1A4DEF2B0F290035B64226C6E0115C>

Q. What is the ROSL rate after the transition period of GST in GST Regime?

Response: The transition period of GST had over on 30th September, 2017. The new drawback rates effective from 1.10.2017 are given below:

- Cotton – 1.45% - 1.75%
- Blend containing cotton and MMF fibre – 1.30% - 1.48%
- MMF – 1.16% - 1.25%
- Silk - 1.16% - 1.25%
- Wool - 1.16% - 1.25%
- Blend containing Wool and Man Made Fibre - 1.25% - 1.45%
- Others - 1.16% - 1.25%

For full notifications of the rate, click the following link:

<http://egazette.nic.in/WriteReadData/2017/180456.pdf>

Q. We are getting drawback @ 2% which has been reduced from 7.5% to 2% post GST regime. How we can claim GST refunds and is it advisable to tick declaration even if we are getting 2% drawback on export.

Response: The declaration regarding non-availment of drawback as mentioned in the mail is required in terms of 3rd proviso to section 54 (3) of the CGST Act which reads as under

"Provided also that no refund of input tax credit shall be allowed, if the supplier of goods or services or both avails of drawback in respect of Central Tax or claims refund of integrated tax paid on such supplies"

As per the definition of " Drawback" in the Drawback Rules as notified in the notification no.88/2017-Cus NT dated 21.09.2017 the drawback is rebate of duty on imports (excluding IGST) and excisable materials. Therefore the Drawback now is not in respect of GST/IGST.

In view of the above the exporter can give the declaration as stipulated for exports after 30th September, 2017

Q. Does challan have to mention GST Rate and Value when sent for any job work? If so can you advise the section under law or rule details under which it has to be mentioned? If it is a statutory requirement how will value per pc be calculated?

Response: The relevant provision is Rule 55 of the CGST Rules 2017 as per which for supply of goods for job work the consigner may issue a delivery challan in place of invoice at the time of removal of goods for transportation. The challan should contain the details including taxable value. As regards the tax rate and tax amount, it is required to be shown only if the transportation is for supply to the consignee. Since removal for job work is not a supply, it is not necessary to show the rate and the tax amount in the challan.

The value is determined under section 15 of the CGST Act read with CGST Rules (Rules 30 and 31 are the most relevant in this case)

Q. As per the third point in the Notification No. 41/2017--Integrated Tax (Rate) we the registered recipient of goods should show GST and Invoiced number and Date of Supplier. As we have

multiple suppliers in a single shipment our CHA informed that it is not possible to show the same. Please advice in which page and column our CHA can show the same.

Response: The GSTIN and INVOICE Number of the supplier can be shown in the list of documents under entry ANY OTHER (SPECIFY) in the original and duplicate copy of shipping bill or bill of export for exports under claim of drawback.

Q. The exporter is sending design for which design charge invoices are being raised to the buyer. Should it include IGST incidence, which can be waived through LuT or there is no need to put IGST in invoice?

Response: Editing of Return 3B is possible as on date if the return has been submitted but not yet finally filed. However, if the return has been finally filed, it cannot be edited. A provision for making adjustments in such returns by way of showing and paying additional tax liability and reversing/claiming ITC wrongly shown in the next month's return is expected soon by way of a circular from the CBEC.

Q. How will we get the reimbursement of IGST/CGST/CGST paid to our suppliers on several bills, when the same is been shown in our Credit Ledger on GST portal?

Response: A case of exports without payment of IGST under LUT/Bond and the exporter wants to claim refund of unutilized ITC. It shall be governed by provisions of Rules 89 & 96(A) of the CGST Rules. The procedure to be followed is briefly as under:

The exporter should file an application in FORM GST RFD-01 through the common portal either directly or through a facilitation center. This application can be filed only after the EGM is issued and a copy of the same should be filed along with the claim. The exporter should fill up complete details in statement 3 & 3A annexed with the above said form. The amount of refund admissible is governed by Rule 89(4) (enclosed) as per the following formula:

Refund Amount = (Turnover of zero-rated supply of goods + Turnover of zero-rated supply of services) x Net ITC ÷ Adjusted Total Turnover

Further in terms of Rule 96A (2) the details of the export invoices contained in FORM GSTR-1 furnished on the common portal shall be electronically transmitted to the system designated by Customs and a confirmation that the goods covered by the said invoices have been exported out of India shall be electronically transmitted to the common portal from the said system.

Once the matching is done and the refund is found in order, the same is to be sanctioned by the proper officer and the amount is to be credited in exporter's account. The electronic credit ledger shall have to be debited by the applicant by an amount equal to the refund so claimed in terms of Rule 89 (3).

Q. What is “Adjusted Total Turnover?”

Response:

"Adjusted Total turnover" means the turnover in a State or a Union territory, as defined under clause (112) of section 2, excluding the value of exempt supplies other than zero-rated supplies, during the relevant period;

Clause (112) of section 2 reads as under:-

“Turnover in State” or “turnover in Union territory” means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis) and exempt supplies made within a State or Union territory by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person but excludes central tax, State tax, Union territory tax, integrated tax and cess;

Thus, the adjusted total turnover shall be the aggregate value of all taxable supplies from a state/UT including zero rated supplies during the relevant period but shall not include the following:-

1. Exempt supplies including supplies attracting nil rate of tax, fully exempted supplies and non taxable supplies
2. Central tax, state tax, UT tax, integrated tax and cess

Q. How will Job Work done outside the factory through a contractor be treated under GST?

Response: There is no difference between job work done in relation to garments by a contractor (i.e. a job worker) inside the same factory or outside the factory. Job work will attract GST @ 5%. It is advisable for the job worker to be a registered person so that the reverse charge mechanism for taking ITC may be avoided.

Q. Below are the list of expenses and GST on the same which is not available as Input credit

Sr. No	Nature of Expense	Rate of Tax	Whether registered supplier will levy tax	Reverse Charge (if supply is from unregistered)	Whether Eligible for Input Credit
1	Conveyance Expense - Radio Taxi like OLA & UBER or other AC vehicle	5%	Yes	Yes	No
2	Travelling in Train by AC or First class	5%	Yes	Yes	No
3	Food & Beverages Expense (Non AC restaurant)	12%	Yes	Yes	No
4	Food & Beverages Expense (AC restaurant)	18%	Yes	Yes	No
5	Club & Membership fees	18%	Yes	Yes	No
6	Health Insurance	18%	Yes	No	No
7	Repair - Building / Electrical/ P&M / Others	18%	Yes	Yes	Refer Note 1
8	Payment for Sponsorship Services	18%	Yes	Yes	No
9	Food & Beverages Expense (AC restaurant)	28%	Yes	Yes	No
10	Wall Paint	28%	Yes	Yes	No
11	Travelling Expenses International	28%	Yes	Yes	No
12	Cold drink	40%	Yes	Yes	No
13	Electrical Fittings	18% / 28%	Yes	Yes	No
14	Plant & Machinery purchase	Actual Rate	Yes	Yes	Refer Note 2
15	Furniture & Fixture purchase	Actual Rate	Yes	Yes	Refer Note 2
16	Motor Car purchase	Actual Rate	Yes	Yes	No
17	Building	Actual Rate	Yes	Yes	No
18	Office Equipment including Computer, Software & Hardware	Actual Rate	Yes	Yes	Refer Note 2
19	Free Gift given to staff (Exempt upto Rs.50000/- per staff p.a)	Applicable Rate	Yes	Yes	No

Notes:

1. If repair & maintenance expenses resulted into immovable property then input credit is not available
2. Input credit is available fully. However if it is sold/disposed off/ scrapped/ thrown away within 5 years, then input credit @ 5% per quarter is available for the used period and balance is to be reversed for not used fully at the time of date of sale.
3. Details of all purchase of goods or services debited to Trading A/c or purchase of any fixed asset are required to be submitted in GST return whether purchased from registered person or unregistered person or from composition dealer.

Response: Most of the expenses mentioned in the above list are not eligible for ITC of GST as the same are included in the negative list under section 17 (5) of the CGST Act. The broad categories excluded from Input Tax Credit cover motor vehicles and other conveyances, food and beverages, outdoor catering, health services, membership of a club, health and fitness centre, rent a cab, life insurance, health insurance, travel benefits to employees on vacation, works contract service, goods or services for construction of immovable property, gifts or free samples etc. From among the list items other than train travel (sr no. 2), international travel (sr no. 11), purchase of plant and machinery and furniture and fixtures (sr no. 14 & 15) and office equipment (sr no. 18) are clearly hit by section 17 (5) and thus are not eligible for ITC. As regards expenses on train travel and international travel the ITC is admissible provided the billing is on account of the company and the GSTIN no. of the company is reflected in the invoice. In so far as plant and machinery and furniture is concerned it is excluded from the scope of section 17 (5) (c) & (d). Therefore, ITC is available on the same. Likewise office equipment including computer software and hardware is also not covered in the negative list under section 17 (5) and the credit is admissible on the same.

Q. Job Work done outside where part of material may be like sewing thread or buttons etc. could be from the job worker/ job contractors.

Response: If the job worker is using some of the materials like sewing thread or buttons on his own, it does not make any difference so far as chargeability of GST is concerned. The rate of GST will remain the same. Obviously the job worker will include the expenses on such items in his job work charges and discharge the GST on such charges inclusive of cost of materials used by him. However, the job worker shall be entitled to take ITC on the items procured by him and used in the job work.

Q. What is the GST on export of samples through courier?

Response:

Liability to Tax

Export of free samples through any mode like sea, air, courier is treated as a "zero-rated supply" under Section 16(1) of the IGST Act. The exporter can follow any of the two options under Section 16(3) of IGST Act i.e. either without payment of IGST under bond/LUT or on payment of IGST under refund. Since execution of bonds/LUT would be a tedious and burdensome process for small consignments of samples, it would be advisable to follow the other option of paying IGST and taking refund of the same.

Valuation

As regards the valuation, since there is no consideration/payment to be received for the samples the invoice may mention that the commercial value of the sample is zero but an approximate value for like goods may be shown for IGST and customs purposes and tax be calculated & discharged on the same. Samples valued up to Rs. 25000/- can be sent through courier mode without any requirement of remittances. However, if the value is between Rs.25000/- and Rs. 50000, a GR waiver is required.

Input Tax Credit

In so far as the entitlement for ITC is concerned, the exporter of the sample would be eligible for the same in terms of Section 16(2) of the IGST Act, which provides that credit of input tax may be availed for making zero-rated supplies even if such supplies are exempt supplies.

Q. What is the procedure for Merchant Exporters?

Response:

- The merchant exporters are free to follow any of the two options for export i.e. they can export without payment of IGST under bond /LUT or on payment of IGST under refund.
- Procurement of supplies by the merchant exporters whether from manufacturers or from the market are chargeable to GST or IGST as they are at par with any supply within the country.
- Since merchant exporters shall have ITC on their procurements, they may often resort to exports on payment of IGST under refund, 90% of which would be available very quickly on the strength of shipping bill itself.

Q. We are constructing a new factory, whether we will be able to get GST refund for new factory construction for 100% Exports. We will be paying GST on entire construction material, labour contract, etc. Will we get refund in case of Industrial Expansion / Factory Construction?

Response: ITC of GST paid on construction material for construction of factory building is not admissible in view of the negative list contained in section 17 of CGST Act.

Q. What is the process for claiming IGST for tax paid on import of machinery, if claiming drawback?

Response: For claiming ITC of IGST paid on import of machinery, the standard procedure for claiming ITC would apply as contained in Section 16 of the CGST Act which inter-alia include the following:

1. Possession of Bill of Entry
2. Receipt of machinery
3. Actual payment of IGST to government
4. Submission of return in FORM GSTR-2 depicting the particulars of the Bill of Entry

Q. We are functioning in a rented building and the owner is not yet registered under GST. Whether it is mandatory for us to register and how to book the bill for July'17, if the owner has not furnished the Regn details. We are in a system called SAP, hence may not be allowed to proceed without giving the Regn No. please clarify.

Response: Building under question is a commercial building hired on rent from where the business is being run. If the rental income of the owner is more than Rs. 20 lakh in the preceding year he is required to take registration. In case his income from rent is below Rs. 20 lakh, you may advise him to take voluntary registration so that your SAP compliance is also satisfied.

Q. How to proceed with the accounting of advance payment collected from customers against Proforma invoice. Whether it is mandatory to collect GST amount along with advance payment. If so, while executing the order whether we need to bifurcate the in the Bill, please clarify.

Response: GST is payable at the time of receipt of advance payment or raising of the invoice whichever is earlier. If advance payment is received before issue of invoice the tax is payable at that stage. At the

time of final billing the full amount of the value of supply may be shown and tax be paid after making adjustment for the advance payments.

Q. I am importing & buying locally capital goods for garments industry; which are still to arrive and will pay GST & IGST on all above. I am entitled to claim ITC refund on capital goods. Thus the refund of capital goods is related to drawback on my finished export products. If any relationship exists between refunds of capital goods ITC V/S draw back on exported products, please specify.

Response: ITC on capital goods purchased locally or imported is admissible. There is no relationship between ITC on capital goods and drawback on export products. The restriction regarding availment of ITC while claiming composite rate of drawback are confined to ITC on inputs and input services only.

Q. Can you please advice how will bill be available of staff travelling on business since air tickets and Hotel bills are issued in the name of the person travelling. Since individuals will not have GST number while the Corporate on whose behalf they travel will have GST number How ITC will be claimed in this case?

Response: ITC of GST paid on air tickets and hotel bills in the name of individuals would not be available. For claiming ITC on receipt of such supplies it is advisable to incur such expenses in the name of the corporate.

Q. For orders booked and shipped on C & F basis, the invoice and Shipping Bill is prepared is based on estimated freight which differs from actual freight invoice received after shipment. Can drawback be availed on C&F basis?

Response: The export benefits like drawback or refund of IGST paid on export goods is linked to the FOB value of exports. Even if the invoice is prepared on C&F basis, the FOB value will have to be deduced based upon the BRC.

Q. Samples/garments are sent outside the country which are free for recipient/Buyer. These samples can be for size-set, Photo-shoot, AND/OR sales. These samples are free and the overhead cost of free samples are built in product pricing. Can we get GST exemption for them?

Response: Samples sent outside the country are treated like any other export goods and can be cleared without payment of duty. However, if the same are sent through courier, there is a value limit of Rs. 50000.

Q. Can I claim input credit for the GST charged by the house owner on rent?

Response: Rent of residential houses is chargeable to nil rate of tax. Therefore, no ITC.

Q. What is definition of laces in pieces given in chapter 57? Is that means embroidery badges or any kind of lace badges pls clarify.

Response: Laces in piece, in strips or in motifs are classified under heading 5804 and are chargeable @ 12%.

Q. When we are importing machines under ECGC Licence, how much GST has to be paid?

Response: IGST is exempted for import of machinery under EPCG.

For Full Notification: <http://aepcindia.com/sites/default/files/pdfs/GST%20Notification.pdf>

Q. When we are importing fabrics under Advance Authorization scheme, how much GST has to be paid?

Response: IGST is exempted for of fabrics under Advance Authorization.

For Full Notification: <http://aepcindia.com/sites/default/files/pdfs/GST%20Notification.pdf>

Q. For sewing machines GST rate is 12%. What about balance machines like embroidery machines, cutting machines, digital printing machines, dry cleaning machines , steam pressing machines etc?

Response: The rates on embroidery machines, cutting machines, digital printing machines, dry cleaning machines, steam pressing machines is 18%. Reference serial no. 339 and 342 in Schedule III of Notification No. 1/2017 (CGST rates). ITC of tax paid on machinery is admissible

Q. If factory building is given on rent to someone for industrial production, GST on rent GST applicable or not. If yes than what is the rate?

Response: GST would be payable on the rental income of factory building @ 18%. It will be CGST + SGST in case intra state supply and IGST in case of interstate supply. There is no separate exemption limit for rental income.

Q. As per procedure shown for Invoicing of the Export goods, the exporter is required to file an application before the "concerned" Authority for removal of the goods from the Factory. Reference has to be made of this APPLICATION in the Export invoice. However, it is not clarified whether this is to be done manually or through electronic means. If the same is to be sent manually, it requires additional work. On most occasions, the ACTUAL quantities of exportable pieces are known late in the night while final packing and the truck leaves for the Port even during late night hours. SO, how can we send MANUALLY this application prior to removal? If this application is to be made electronically, this is possible even in the middle of the night. We should be made aware of the web-site or the link through which this can be done.

Response: As per the invoicing rules there is no such requirement of filling an application before the concerned authority for removal of goods from the factory for exports. The exporter is required to issue an invoice containing the particulars specified in Rule 46 of the CGST Rules. The only additional requirement for export is that the invoice shall carry an endorsement "Supply meant for export on payment of integrated tax" or "supply meant for export under bond or LUT without payment of integrated tax" as the case may be.

The intimation/information to the concerned authority is however required only when permission for self-sealing of containers from the factory is sought. For the time being it seems it has to be submitted manually.

Q. A list of the job-workers has to be submitted. But no link on their GST site is seen where this can be done. Is this also required to be done manually?

Response: In the absence of any link on the GST site the list of job workers has to be submitted manually only.

Q. Before GST Regime, when we issue thread to Embroiderer for Job work (Embroidery) and raise a debit note against issue of thread. Now, what type of transaction we need to maintain our account of thread with embroiderer or can we continue to raise debit note against thread.

Response: As per the job work procedure outlined in section 143 of the CGST Act the principal may send any inputs or capital goods without payment of tax to a job worker for job work and bring back such inputs/capital goods after completion of job work or otherwise without payment of tax.

No invoice or debit note is required to be issued for sending goods from the principal to the job worker as no tax is required to be paid on the same.

As per Rule 55, (Chapter VI) of CGST Rules 2017, for transportation of goods for job work the principal is required to issue a delivery challan in lieu of invoice containing the following details:

- (i) date and number of the delivery challan;
- (ii) name, address and Goods and Services Tax Identification Number of the consigner, if registered;
- (iii) name, address and Goods and Services Tax Identification Number or Unique Identity Number of the consignee, if registered;
- (iv) Harmonised System of Nomenclature code and description of goods;
- (v) quantity (provisional, where the exact quantity being supplied is not known);
- (vi) taxable value;
- (vii) tax rate and tax amount – central tax, State tax, integrated tax, Union territory tax or cess, where the transportation is for supply to the consignee;
- (viii) place of supply, in case of inter-State movement; and
- (ix) signature.

The principal will have to maintain record of details of goods/capital goods sent to job worker and received back in Form GST ITC-04

In view of the above in the specific case mentioned in the query no debit note would be required to be issued for transportation of embroidery thread by the principal to the job worker. The principal would issue only delivery challans as and when thread is sent to job worker and maintain accounts in Form GST ITC. It may also be mentioned that the principal is entitled for Input Tax Credit on the embroidery thread sent to the job worker.

Q. What is the GST on sale of license/scrips (like MEIS)?

Response: The GST on sale of license is 0%

Q. Can the company surrender the GST no since they fall below the 20 Lakhs limit?

Response: Presuming that the sales are intrastate, if the total turnover is below Rs. 20 lakhs registration is not required. The company can apply for cancelation of registration in terms of section 29 (1)(c) of the CGST Act read with rule 24 (4) of the CGST Rules. They will have to fill up FORM GST REG -29 at the common portal.

Q. Company needs to change from the composite scheme to General scheme what is the form or the procedure to change over?

Response: As per Rule 6(2)& (3) of the CGST Rules the registered person who intends to withdraw from the composition scheme shall before the date of such withdrawal, file an application in FORM GST CMP -04 on the common portal.

Q. The company has imported some goods and paid 28% GST + 10% customs duty on it so when the product is sold in the Indian markets can they claim rebate of this 28% GST paid

Response: The company cannot take the ITC of IGST of 28% paid on imported goods while working under composition scheme (Reference sec10 (4) of CGST ACT). However, after exit from the composition scheme the company is entitled for taking input tax credit on the stock on the date of exit (Reference sec 18 (1) (c) of CGST ACT).

Please Note the following:

1. *Exporters are advised to read relevant notifications/circular issued by the government for full information.*
2. *Concerns and issues by exporters may be sent to advisorcc@apecindia.com or wagas@apecindia.com.* For More Information and notifications, follow the link below:
 - <http://www.cbec.gov.in/htdocs-cbec/gst/index>
 - <https://www.gst.gov.in/>
 - <http://www.apecindia.com/resource-center?qt-resources=5#qt-resources>
3. *For any subsequent amendment or changes, exporters are advised to reach out to websites of the respective authorities for obtaining updated information.*
4. *Information contained in this document is only for general assistance to the exporters and exporters are advised to follow guidelines contained in circular/notifications.*