GSTIndia.biz

# Seminar on GST (Issues and Implications- Industry wise)

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## SERVICE TELECOM


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# ECONOMY & SERVICE INDUSTRY

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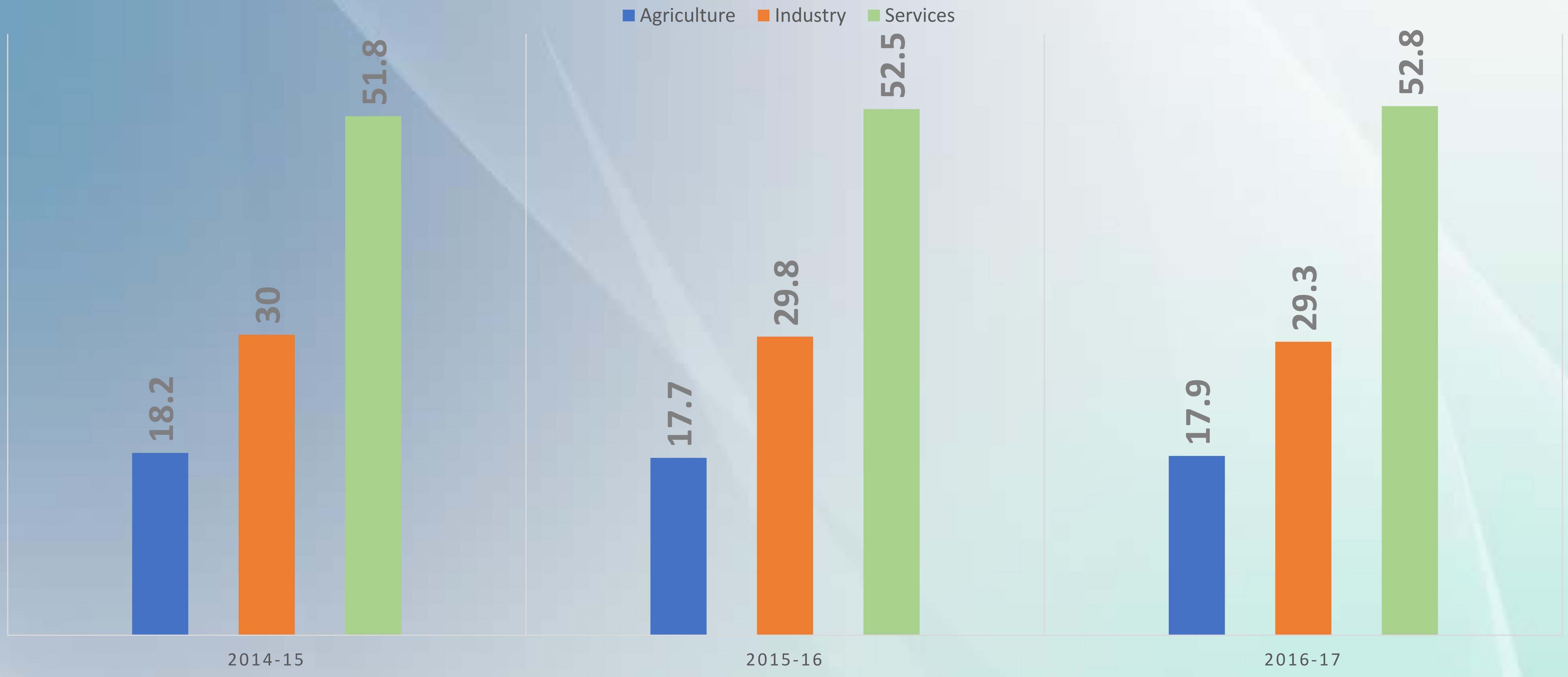
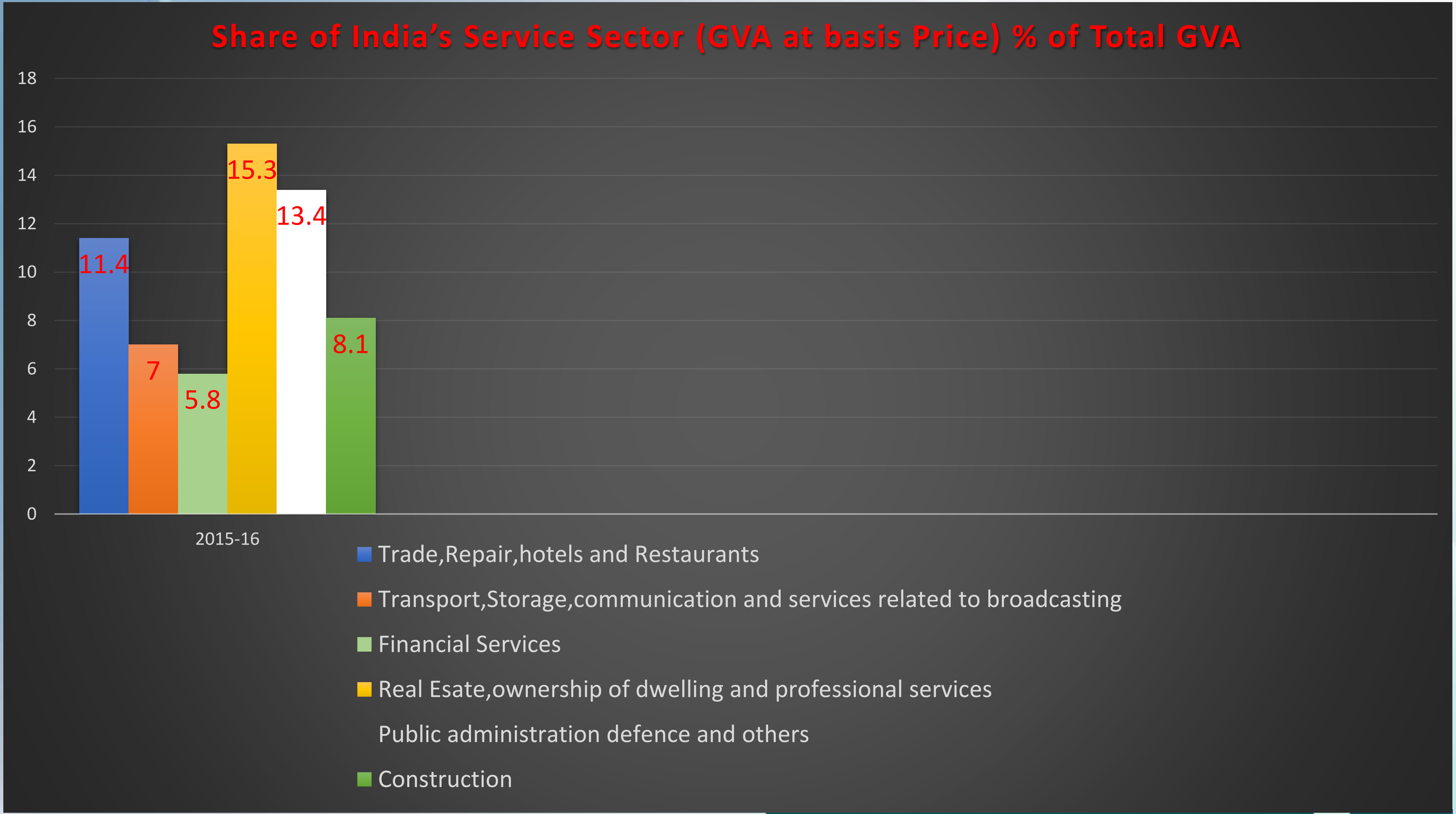
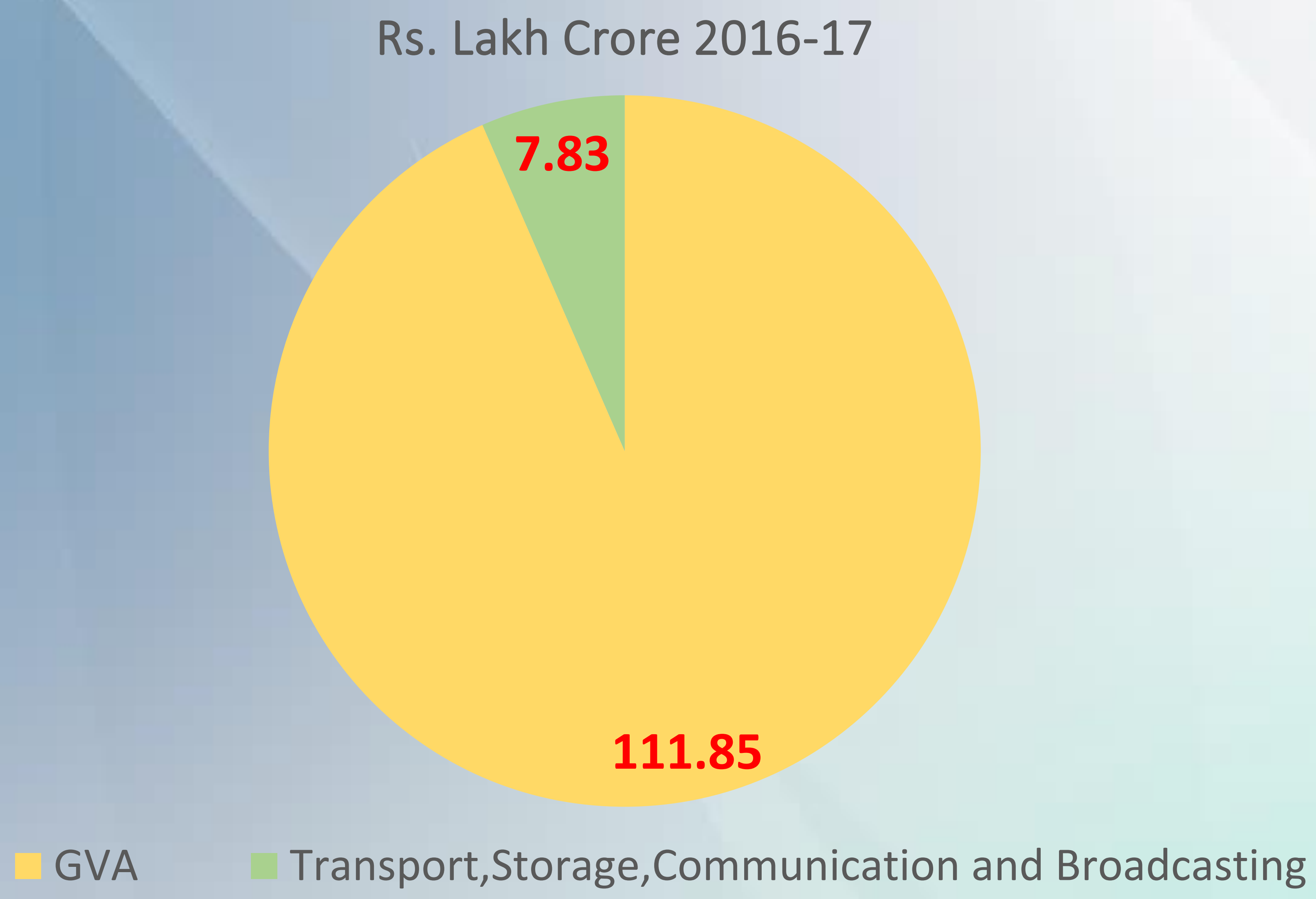
# CHART SECTORAL SHARE IN GVA AT BASIC PRICE AT CURRENT PRICES (2011-12 SERIES) (IN %)





Share of India's Service Sector (GVA at basis Price) % of Total GVA
18
16
14
12
10
8
6
4
2
0
11.4
7
5.8
15.3
13.4
8.1
2015-16
Trade,Repair,hotels and Restaurants
Transport,Storage,communication and services related to broadcasting
Financial Services
Real Esate,ownership of dwelling and professional services
Public administration defence and others
Construction


Rs. Lakh Crore 2016-17
7.83
111.85
GVA
Transport,Storage,Communication and Broadcasting


IMPACT ON
SERVICES-FF

- **Out Put Tax**
  - Taxability
  - Rate
  - Valuation
- **Input Tax**
  - Blocked/Unblocked
  - Availability
- **Documentation & Compliance**

# FF SERVICES

- Air Export
- Air Import
- Sea Export
- Sea Import
- Warehousing
- Local Transport
- Commission

# Input

Direct Cost

Common Cost

# Input Tax

Available as Deduction

- Against Taxable Supply
- Against Exempt Supply
- For Both Taxable & Exempt Supply

Restricted Input Tax

# Restrctied ITC

In respect of Motor Vehicle and Other Conveyance

**except** when they are used for:

- Making the following taxable supplies
  - Further supply of such vehicles or conveyance; or
  - Transportation of passengers ; or
  - Imparting training on driving, flying, navigating such vehicles or conveyance
- Transportation of goods

# Restrctied ITC

Specified supplies

- Food and beverages
- Outdoor catering
- Beauty treatment
- Health services
- Cosmetic and plastic surgery

**Except** where said category of inward supply of goods or services are used for making an outward supply of goods or service of same category or as an element of Composite or Mixed Supply of same category.

- Rent-a-cab
- Life insurance
- Health insurance

- Membership of a club, health and fitness center
- Travel benefits extended to employees on vacation such as leave or home travel concession

**Except** where the government notifies the services which are obligatory for an employer to provide to its employees **&** where said category of inward supply of goods or services are used for making an outward supply of goods or service of same category or as an element of Composite or Mixed Supply of same category

# Restrctied ITC

## Works Contract Services

- When supplied for construction of immovable property (other than plant and machinery)
- **except** where it is an input service for further supply of works contract service

## Goods or Services or Both

- When it is received by a taxable person for construction of an immovable property on his own account (other than plant and machinery)
- even when **used in course or furtherance of business**

the expression “Construction” includes re-construction, renovation, additions or alterations or repairs to the extent of capitalization, to the said immovable property.

# Meaning of Plant & Machinery

the expression “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 or both 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

| | | | | |
|---|---|---|---|---|
| | | GST Rate | | |
| S. No. | Particulars | Before 25.01.2018 | After 25.01.2018 | Remarks |
| 1 | **Ocean Import Shipment** | | | |
| | Ocean Freight | 5% | 5% | |
| | Other Charges on Imports | 18% | 18% | |
| | Reimbursement of Expenses | 0% | 0 | If satisfy the condition of pure agent |
| 2 | **Ocean Export Shipment** | | | |
| | Ocean Freight | **5%** | **0%** | Changes made through NN-02/2018-CT Rate dated 25.01.2018 |
| | Other Charges on Exports | 18% | 18% | |
| | Reimbursement of Expenses | 0% | 0 | |

**Note:- Zero rated supply has not been considered in above tax rates**

| GST Rate | | | | |
|---|---|---|---|---|
| S. No. | Particulars | Before 25.01.2018 | After 25.01.2018 | Remarks |
| 3 | **Air Import Shipment** | | | |
| | Air Freight | **0%** | **0%** | |
| | Other Charges on Imports | 18% | 18% | |
| | Reimbursement of Expenses | 0% | 0 | |
| 4 | **Air Export Shipment** | | | |
| | Air Freight | **5%** | **0%** | Changes made through NN-02/2018-CT Rate dated 25.01.2018 |
| | Other Charges on Exports | 18% | 18% | |
| | Reimbursement of Expenses | 0% | 0 | |

**Note:- Zero rated supply has not been considered in above tax rates**

Principal to Principal

or

As Agent

# Pointers to Decide:

Whether freight forwarders negotiate the terms of the freight with shipping lines

Who negotiate the selling rate with the exporters

Are Payment Terms similar between

Line and Forwarder

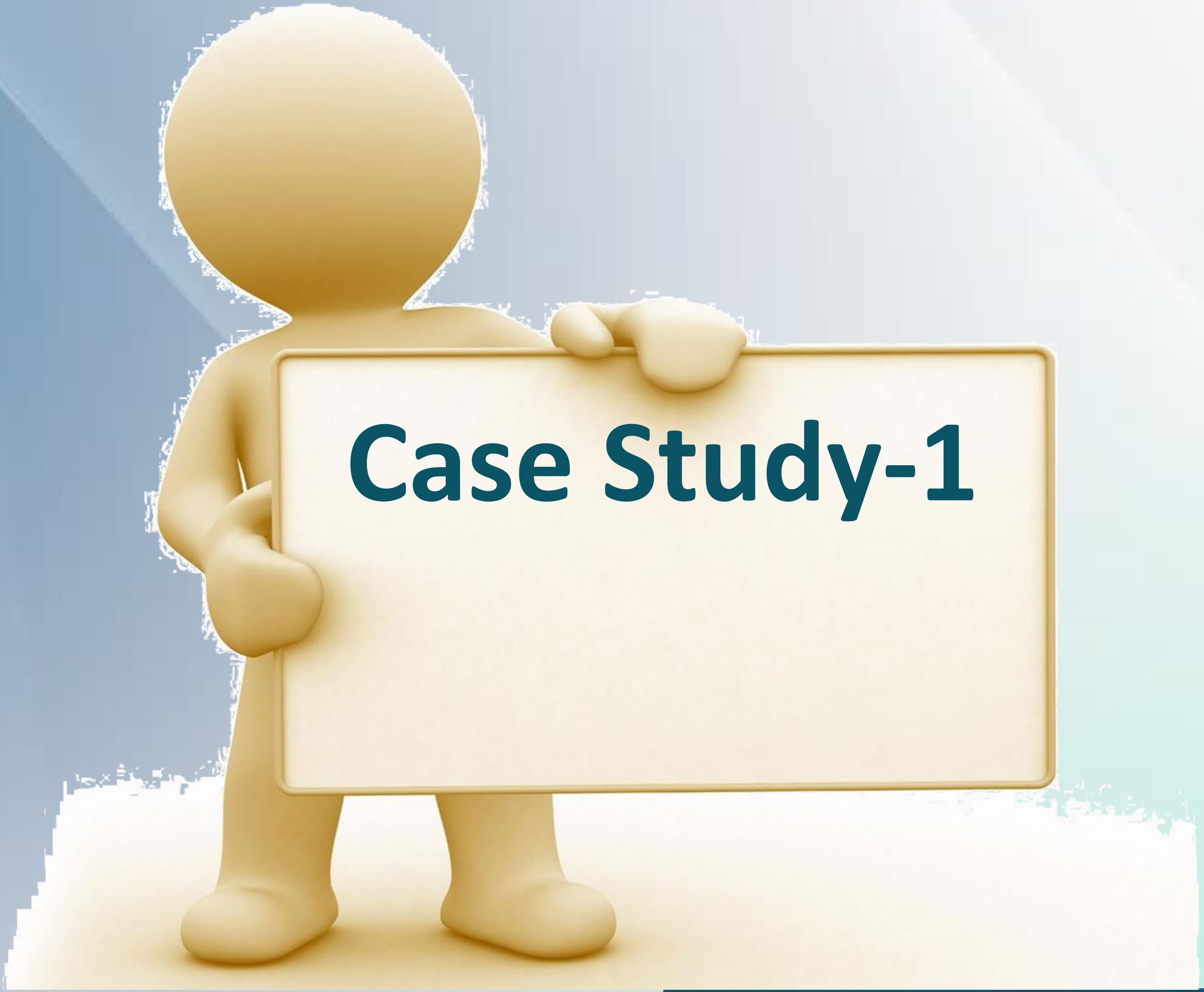
Forwarder and Customer

Whether invoices are being raised by shipping lines on freight forwarders for full price and payment also made accordingly

Any Expense Reimbursable to FF

Can Shipping line recover from Customer

How FF do Accounting


Case Study-1

# EXPORT OF SERVICE

the supplier of service is located in India

the recipient of service is located outside India

the place of supply of service is outside India

Payment Received in convertible foreign exchange

not merely establishments of a distinct person

# PLACE OF SUPPLY FOR SERVICE-WHEN RECIPIENT AND SUPPLIER BOTH IN INDIA

- The place of supply of service by way transportation of goods, including by mail or courier to,

a) A registered person , shall be the location of such person ;

a) A person other than a registered person , shall be the location at which such goods are handed over for their transportation.

# PLACE OF SUPPLY FOR SERVICE-WHEN ONE OF RECIPIENT OR SUPPLIER IS OUT OF INDIA

- The place of supply of service by way transportation of goods, including by mail or courier

Place of destination of Such Goods

INDIAN EXPORTER

INDIAN FREIGHT FORWARDR

CONSIGNEE (OUT OF INDIA)

Fright charges

- Taxable till 25th Jan /Exempt Post 25th Jan

Following is financial data of Company M/s Harmony Limited for a period :-

| **Direct and Indirect Income (Suppose all sales other than Zero rated supply)** | |
|---|---|
| **Particulars** | Amounts(Rs.) |
| **Sales Air Export** | |
| Air Export Freight | 8,20,300.00 |
| Other Charges | 3,45,200.00 |
| **Sales Air Import** | |
| Air Import Freight | 3,24,520.00 |
| Other Charges | 1,20,400.00 |
| **Sales Sea Export** | |
| Sea Export Freight | 10,23,400.00 |
| Other Charges | 4,52,000.00 |
| **Sales Sea Import** | |
| Sea Import Freight | 15,20,000.00 |
| Other Charges | 6,72,000.00 |
| **Total** | **52,77,820.00** |
| Other Misc Income | 1,65,200.00 |
| Interest Income | 45,200.00 |
| **Grand Total** | **54,88,220.00** |

| **Indirect Expenses** | | |
|---|---|---|
| **Particulars** | **Amounts** | **Tax (Assumed IGST @ 18%)** |
| Courier Charges | 80,000.00 | 14,400.00 |
| Rent | 1,20,000.00 | 21,600.00 |
| Printing and Stationary Charges | 45,000.00 | 8,100.00 |
| Professional Charges | 32,000.00 | 5,760.00 |
| Audit Fees | 60,000.00 | 10,800.00 |
| Communication Expenses | 43,200.00 | 7,776.00 |
| Repair and Maintenance | 40,000.00 | 7,200.00 |
| **Total** | **4,20,200.00** | **75,636.00** |

# IMPACT ON OUTPUT TAX LIABILITY

| Particulars | | Before 25/01/2018 | | After 25/01/2018 | |
|---|---|---|---|---|---|
| Sales Air Export | Amounts | Rate of GST | Amounts | Rate of GST | Amounts |
| Air Export Freight | 8,20,300.00 | 5% | 41,015.00 | 0% | - |
| Other Charges | 3,45,200.00 | 18% | 62,136.00 | 18% | 62,136.00 |
| Sales Air Import | | | | | |
| Air Import Freight | 3,24,520.00 | 0% | - | 0% | - |
| Other Charges | 1,20,400.00 | 18% | 21,672.00 | 18% | 21,672.00 |
| Sales Sea Export | | | | | |
| Sea Export Freight | 10,23,400.00 | 5% | 51,170.00 | 0% | - |
| Other Charges | 4,52,000.00 | 18% | 81,360.00 | 18% | 81,360.00 |
| Sales Sea Import | | | | | |
| Sea Import Freight | 15,20,000.00 | 5% | 76,000.00 | 5% | 76,000.00 |
| Other Charges | 6,72,000.00 | 18% | 1,20,960.00 | 18% | 1,20,960.00 |
| Other Misc Income | 1,65,200.00 | 18% | 29,736.00 | 18% | 29,736.00 |
| Interest Income | 45,200.00 | 0% | - | 0% | - |
| **Total** | | | **4,84,049.00** | | **3,91,864.00** |

# IMPACT ON REVERSAL OF ITC UNDER RULE 42

| | Particulars | Before 25/01/2018 Amount (Rs.) | Integrated Tax | After 25/01/2018 Amount (Rs.) | Integrated Tax |
|---|---|---|---|---|---|
| | Total ITC for the month | - | 75,636.00 | - | 75,636.00 |
| Less: | ITC exclusively used for "Purposes other than business" | - | - | - | - |
| Less: | ITC exclusively used for effecting "Exempt supplies" | - | - | - | - |
| Less: | ITC not avalable u/s 17(5) | - | - | - | - |
| Less: | ITC exclusively used for effecting "Supplies other than exempted but including Zero-rated supplies" | - | - | - | - |
| | **Common Credit** | **-** | **75,636.00** | **-** | **75,636.00** |
| Less: | ITC pertaining to "Exempt Supplies" | | 5095.30 | | 15,777.36 |
| | **Exempt Supplies (Note 1 and 2)** | **3,69,720.00** | | **1,144,820.00** | |
| | Total Turnover | 54,88,220.00 | | 54,88,220.00 | |
| Less: | ITC pertaining to "Non-businesses purposes" | | - | | - |
| | **Eligible Credit** | | **70,540.70** | | **59,858.64** |
| | **Ineligible Credit** | | **5,095.30** | | **15,777.36** |

Note No.1:-Exempt supplies includes Air Import Freight and Interest Income (as per the Rule 42)

Note No.2:-Exempt supplies includes Air Import Freight and Air Export Freight (as per Rule 42 read with NN 03-CT dated 23.01.2018)

# TELECOM

# Telecom

## Mobile (wireless)

Comprises establishments operating and maintaining switching and transmission facilities to provide **direct communications via airwaves Internet**

## Fixed-line (wireline)

Consists of companies that operate and maintain switching and transmission facilities to provide direct **communications through landlines, microwave or a combination of landlines and satellite link-ups**

## Internet services

Includes Internet Service Providers (ISPs) that offer **broadband internet connections through consumer and corporate channels**

## Telecom-Service Provider Wise

- Telecom service providers
- Infrastructure providers
- Equipment manufacturers

# REGISTRATION

# CIRCLE VS STATE

# Telecom Circle

22 Circles

Example  Delhi Circle Includes:
National Capital Region

Local areas served by Delhi, Ghaziabad, Faridabad, Noida, and Gurgaon telephone exchanges

# PLACE OF SUPPLY

It is important to determine the state that will receive the revenue of the SGST so paid and hence, the telecom companies will require a detailed explanation as to what could be perceived as the Place of Supply of Service

# PLACE Supply of telecommunication services including data transfer, broadcasting, DTH, cable etc.

| | |
|---|---|
| (a) Services of **fixed** telecommunication line, leased circuits, internet leased circuit, cable or dish antenna | Location where device installed |
| (b) **Post-paid** mobile connection for telecommunication and internet services* | Location of billing address of the recipient on record |
| (c) **Pre-paid** mobile connection for telecommunication and internet services | Through internet: Location of recipient on record<br>Through selling agents: Location of selling agent on record of supplier<br>Though others: Location where pre-payment received |

# Telecommunication towers are not plant and Machinery

# FEW MORE CHALLENGES:

SIM CARD SALE

RETURN AND AUDIT COMPLIANCE

DISTRIBUTION OF CREDIT- ISD MODEL

MOBILE WALLET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