



# Impact of GST Law on Financial Planning & Income Tax Planning

# Goods and Service Tax ( GST )

## Why is GST so important for all in the business ?

- ✓ Single largest tax reform after independence.
- ✓ Everybody in the country would get impacted.
- ✓ Seamless credit of tax (GST) paid.
- ✓ Removal of cascading effect.

# Goods and Service Tax ( GST )

## Why is GST so important for all in the business ?

- ✓ Complete electronic operations – GST Portal.
- ✓ Reduce the cost of compliance as 17 different indirect taxes subsumed.
- ✓ Boost to organised sector – lower net tax liability, even sharing of tax burden.
- ✓ Reduced corruption as streamlined law.

# Goods and Service Tax ( GST )

## Why is GST so important for all in the business ?

- ✓ Business will focus on “business planning” rather than “tax planning”. One country – One market.
- ✓ Investment in a geographical area not directed due to tax reliefs. Prevention of National waste.
- ✓ GST will increase Govt. revenue on account of wide spread coverage.
- ✓ GDP, Investment, FDI growth expected.

**GST**  
will make us all  
**LEARN, UNLEARN**  
&  
**RELEARN**

# GST impact on financial Planning

Costing will have to be reworked.

- ✓ Seamless Credit.
- ✓ Credit of all GST paid items available. Raw material, Capital Goods, Consumables etc.
- ✓ All taxes on all expenses of Trading A/c, P & L A/c & additions to Balance Sheet subject to GST Credit, with few exceptions.

# GST impact on financial Planning

Items will become more expensive is myth, in most cases.

	Before GST	After GST (as claimed)
Cost of the equipment with local trader	1,00,000/=	1,00,000/=
VAT @ 5 %	5,000/=	---
GST @ 18 %	---	18,000/=
Total	1,05,000/=	1,18,000/=

# GST impact on financial Planning

Items will become more expensive is myth, in most cases.

Will the local trader really pay Rs. 18,000/= which he has charged ?

NO

- ✓ IGST charged to him will be input credit against the said Rs. 18,000/=, which is similar to Excise (12.5%) + CST (2%), which he used to pay earlier.
- ✓ He can even claim input credit on other expenses.



# GST impact on financial Planning

Costing will have to be reworked.

✓ Export competitiveness.

✓ Uncertain export incentives may be abolished.

# GST impact on financial Planning

Business to Business (B2B) dealings only  
worthwhile with parties not claiming exemptions.

- ✓ Turnover below 20 Lakh - exempted.  
Turnover below 75 Lakh - composite levy.  
They cannot claim or pass input credit.
- ✓ Increased compliance cost when we deal with such parties.

# GST impact on Financial Planning

Business to end user ( B 2 C)

dealings with high value addition suppliers

It is worthwhile dealing with :-

Turnover below Rs. 20 lakh – exempted category

Turnover below Rs. 75 lakh – composite levy

They cannot claim or pass input credit, but in any case credit not available to end users.

# GST impact on financial Planning

Increased cost if we work with non-standard parties.

- ✓ GST input credit available only if our supplier has paid taxes.
- ✓ Cost of follow-up.
- ✓ Supplier compliance rating important.

# GST impact on financial Planning

## Input Credit of goods & services consumed

- ✓ GST levied on transactions within the state.
- ✓ IGST levied on goods taken out of state.
- ✓ Registered for GST in Gujarat.  
Hotel bills and Goods consumed in Maharashtra ?  
Options : Casual taxable person or Input Service Distributor (ISD).
- ✓ Assets should be in name of supplier not in the name of Partner / Director.

# GST impact on financial Planning

All authorised to spend money on expenses should be well informed.

✓ Made business related purchases.  
Example : stationery, instruments etc.

✓ Made business related expenses.  
Example : Hotel, Taxi bills etc.

they all need to quote GST Number with proper name of the company.

Give laminated card to each Director & Employee who are supposed to procure the bills. Put details in company Whatsapp Group.

# GST impact on financial Planning

## Increased requirement of working capital.

- ✓ Input credit reversed if supplier does not pay taxes, increasing our fund requirements.
- ✓ Imports liable to IGST.
- ✓ Exports liable to GST and then tax shall be refunded, or bond to be issued.
- ✓ Advance against goods subject to GST.

# GST impact on financial Planning

## Interest cost will decline.

- ✓ Business showing healthy turnover & profit which will improve their rating & hence reduction in interest rates.
- ✓ Banking system will be loaded with more & more money, which will reduce interest rates.



# GST impact on financial Planning

## Opening doors for Private Equity Funding & Stock Exchange listing.

- ✓ GST will make business more transparent.
- ✓ Investor other than non core promoters will be more comfortable being stake holders.

# GST impact on financial Planning

Online real time billing & strong accounts department –  
key to success.

- ✓ All our bills of sale, have to be uploaded.
- ✓ All the purchases have to be tallied with transactions uploaded by suppliers.
- ✓ Generation of E-way bills.
- ✓ Account software should support GST Law, manual operations non viable.
- ✓ Create GST, SGST, (statewise)IGST Accounts.  
Block VAT, CST, Excise, Service Tax etc. Accounts.

# GST impact on financial Planning

## Credit under GST for Stock

For supplier (manufacturer & trader) :-

- ✓ All input credit for VAT can be availed on all purchases till 30/06/2017 and credit unutilized can be carried forward.
- ✓ No credit for CST available.
- ✓ All input credit for Excise shall be available to supplier who is not under excise on availability of evidence for payment of excise duty ( excise levy showing invoice ).
- ✓ Goods in stock before 12 month not eligible.

# GST impact on financial Planning

## Credit under GST for Stock

For supplier (trader) who are not in position to produce evidence for payment of excise duty :-

- ✓ All input credit for VAT can be availed on all purchases till 30/06/2017 and credit unutilized can be carried forward.
- ✓ No credit for CST available.
- ✓ Credit to the extent of 40% of CGST ( rate below 9%), 60% of CGST (rate 9% and above). In case of out of state sale 20% of IGST (rate below 18%) 30% of IGST (rate 18% & above) available if documents of procurement are available subject to :
  - Such goods are not exempted or at nil rate in excise.
  - Credit available only after payment of CGST.
  - Credit available only for 6 months.

# GST impact on financial Planning

## Credit under GST for Stock

- ✓ For products with brand name & serial number manufacturer can issue credit transfer document as per prescribed conditions enabling claim full credit of excise paid.
- ✓ Evidence for payment of excise duty means only invoice showing excise duty or even a certificate from the manufacturer that excise on these goods have been paid ???

# GST impact on Income Tax Planning

No more expenses adjustments at later date (year end).

- ✓ All expenses subject to GST calculation month on month, even from unregistered supplier.
- ✓ No unilateral adjustment from registered supplier.
- ✓ Freezing of books of accounts monthly.

# GST impact on Income Tax Planning

## Movements of unaccounted goods.

- ✓ Removal of check post.
- ✓ E-way bill requirement.
- ✓ Entire country becomes a check post.

# GST impact on Income Tax Planning

Closing stock under reported  
(reduced) for profit adjustment.

## Implication

No input credit available for the  
stock in hand.



# GST impact on Income Tax Planning

## Information availability seamless.

✓ Who purchased what from whom.

Who sold what to whom.

Information available to Income Tax Department at all times.

✓ Concept of Information return under GST (like AIR in Income Tax).

# GST impact on Income Tax Planning

## Comparative analysis of data.

- ✓ Consumption of Raw material.
- ✓ Direct expenses.

Comparison between different players in the industry very easily.

# GST impact on Income Tax Planning

## Disclosure during Survey, Search.

- ✓ Unaccounted sales, purchase, stock.
- ✓ Capital expenditure.
- ✓ Personal expenditure.

# GST impact on Income Tax Planning

Ongoing contracts may have to be reviewed.

- ✓ Advance payments.
- ✓ Time, value & place of supply.
- ✓ Reverse charge mechanism.

# Suggestion

For simple & authentic understanding of GST listen to the Press meet of Union Revenue Secretary Dr. Hasmukh Adhiya.



Duration : 02:12:47

Impact of GST Law on Financial Planning  
& Income Tax Planning

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# Suggestion

**Frequently Asked  
Questions  
(FAQs)  
On  
Goods And Service  
Tax (GST)**

[http://www.cbec.gov.in/resources//htdoc-s-cbec/deptt\\_offcr/faq-on-gst.pdf](http://www.cbec.gov.in/resources//htdoc-s-cbec/deptt_offcr/faq-on-gst.pdf)

**જી. એસ. ટી.  
પર  
વારંવાર પુછાતા  
પ્રશ્નો**

<http://www.cbec.gov.in/resources//htdoc-s-cbec/gst/gst-faq-gujarati.pdf>

**Impact of GST Law on Financial Planning  
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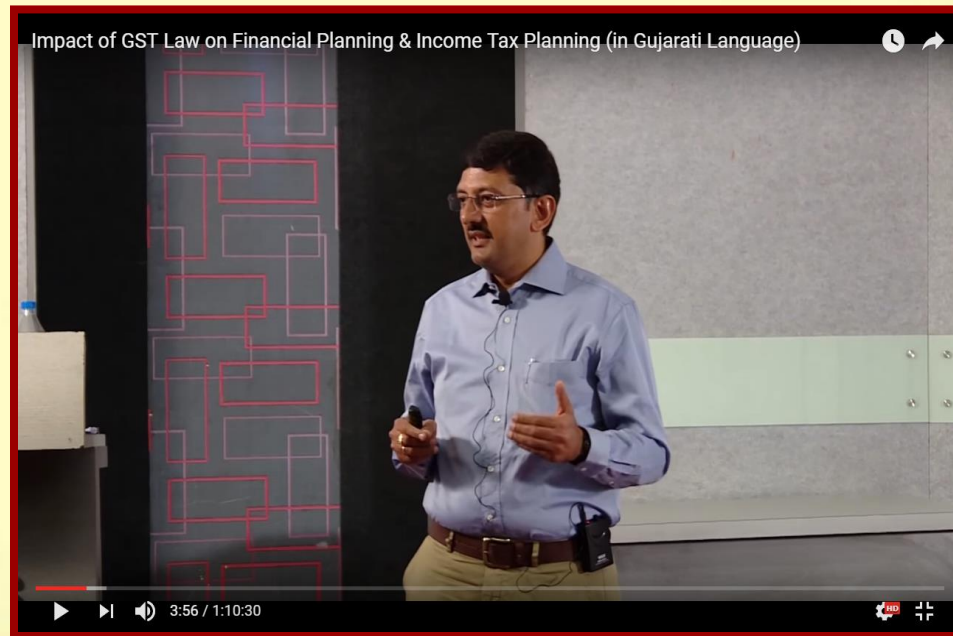
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# Reference

This presentation is available on

You tube : ashutosh finserv

“ Impact of GST Law on Financial Planning & Income Tax Planning (in Gujarati Language) ”



Impact of GST Law on Financial Planning  
& Income Tax Planning

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Is this law good or bad ?

You don't have a choice

The secret is how fast  
we recalibrate our  
business to take its best  
advantage.





# Thank you...

# Questions ?



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