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PERTINENT ISSUES FOR TRANSITION TO GST REGIME

With the Government giving a major thrust to the GST introduction, we are now at a stage where the GST Law is going to become a reality quite soon. While the effects of the law, the rates etc are being heavily debated there remains one segment which is relatively hidden behind the scenes but could have a major impact on the industry at large. This segment relates to issues which could arise at the time of transition from the current law into the GST Law. While the whole lot of issues are too vast to discuss at one go, today we will have snapshot view of the same.

Major Issues which could arise at the time of Transition:

- Migration of Registration from Existing Central Excise regime to GST.
- Carry forward of **Unutilised** input credit i.e Credit balance reflected in Books of Accounts and Returns filed under existing Law as on *Appointed day under Cenvat Credit Rules 2004 and State VAT Act into GST Regime.
- Carry forward of **Un-availed** credit on **Capital goods** i.e Balance 50% credit on Capital goods as per existing Cenvat Credit Rule 2004 and Balance input credit on Capital goods not availed as per respective State VAT Laws as on *appointed day.
- Credit of eligible Duties and taxes on Inputs held in stock, where person is not liable to register under existing law and who became liable to register under GST Regime.

For instance:

- i)The Person is Small Service Provider in Existing Law and is required to register under GST Regime. Or;
- ii)He is engaged in manufacture of exempted goods under existing law, but those goods will be liable to tax under GST Regime.

- Duties paid on goods sold by the Manufacturer or Trader under existing law and which are returned to factory or place of Business after appointed day.
- Input materials or semi-finished goods removed for job work under existing Law and returned to factory after appointed day.
- Recognition of Point of Taxation and Rate of Tax in case of Progressive and periodic (Continuous) Supply of services, where liability to pay Taxes falls after the Appointed day as per existing Laws.
- Pending Refund claims of Input Credit under existing law.
- Disposal of existing Appeals or Revisions pending in respect of Input Credit.
- Finalisation of pending assessments.

Note:1) Above is the illustrative list of issues which may arise while transiting to GST Law. Most of these issues are addressed in Chapter XXV of Proposed Model GST Law.

2) For every business entity the current business model be analyzed and the GST Transition impact points be identified and addressed in order to ensure a smooth transition into the GST legislation. This would help in mitigating risks and taking advantage of any benefits that can be claimed at the time of transition.