



# RAIPUR BRANCH OF ICAI



FEBRUARY 2019 EDITION

# CHAIRMAN'S MESSAGE

Greetings from the Heart of the Chairman...

First and foremost, I would like to thank The Almighty for his divine blessings. Please accept my heartfelt gratitude for entrusting me with the responsibility of leading the Raipur Branch of CIRC of ICAI.

Leading the branch is an opportunity which is accompanied with a lot of responsibilities. This is added with the expectation to perform well. But I strongly believe that it is not I or YOU; it is WE who can and will do it.

It gives me a sense of great pride and honor to be chosen as the Chairman. I would like to take this opportunity to thank my immediate predecessor CA Sureshji Agrawal under whose Chairmanship the Chapter had a wonderful year and saw many new initiatives taking shape. I also like to thank you all from bottom of my heart for giving me an opportunity to serve the Chapter.

The standards at the Chapter have been continually raised high which by all the previous Chairmen and their committees. Our endeavor would be to take the Chapter to further heights. We will strive for the best events- both professional and social.



# AID-TO-SUCCESS...

Well, in this era of competition, every one talks about the Success.. I know its embarrassing to share our failure. Let the Raipur Branch gets an opportunity to be an AID-to-SUCCESS, yes my dear, you heard it right, after the result month (January), I being in the capacity of Branch Chairman very pleasingly announcing to conduct some of the doubt clearing session and revision lecture for FREE OF COST. Its hard to fail and fall..but not difficult to fall and rise. Rise above the failures and let the glory make shine in you..

Your Well Wisher..

CA CP BHATIA

CHAIRMAN, RAIPUR BRANCH OF CIRC

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# Such a Pleasure to have an Interim Budget from our Fraternity Member...CA PIYUSH GOYAL JI

#Budget2019

## BUDGET HIGHLIGHTS...



No tax on Notional Rent of second Self-Occupied House - Two house properties can be considered for exemption while calculating Income from House property.



Limit for Tax Rebate under section 87A increased from Rs. 3,50,000 to Rs. 5,00,000



TDS limit hiked from Rs. 10,000 to Rs. 40,000 on Post Office Savings and Bank Deposits.



Standard Deduction for the salaried class increased from Rs 40,000 to Rs 50,000.



Section 54 exemption now available on the second house property, provided the capital gains is less than or equal to Rs. 2 crores, once in a lifetime



# Upcoming Events...

**Seminar on Bank Audit for Members to be held on 28/03/2019 by CA Ajay Kumar Jain, Delhi and CA Amarjit Chopra, Delhi, Past President ICAI.**

**Seminar on GST for Students to be held on 17/03/2019 by CA Bhavesh Mittal.**

## **\*SPECIAL ATTENTION TO MEMBERS:**

A new scheme called ARS is being enacted in Raipur Branch, where members will have to pay a One-Time-Fee and will be attending all the seminars in the calendar without any extra charge. Members are requested to take the benefit at large.

# CLARIFICATION ON SALES PROMOTION

## ACTIVITIES UNDER GST

### CLARIFICATIONS ISSUED...

There are several promotional schemes which are offered by taxable persons to increase sales volume and to attract new customers for their products. Some of these schemes have been examined and clarification on the aspects of taxability, valuation, availability of ITC in the hands of the supplier in relation to the said schemes is detailed hereunder:

#### **>>FREE SAMPLES AND GIFTS :**

- Free samples and gifts given free of cost will not be treated as supplies unless it falls within Schedule I (Supplies without consideration).
- If the activity does not fall within Schedule I, ITC in respect of inputs, input services and capital goods will not be available to the extent they are used in relation to the gifts or free samples distributed without any consideration.
- Where the activity falls within supply as per Schedule I, the supplier would be eligible to avail of the ITC.

#### **Brief Comments :**

#This clarifies the position that there cannot be a double whammy to any registered person. If there is a supply without consideration involved, ITC reversal is not required. Only if there is no supply involved, ITC is required to be reversed.

#However, it must be clear whether supply is involved or not. If a supply is involved but is not shown, then mere ITC reversal may not be sufficient. Also, if there is no supply involved but is disclosed as a supply incorrectly, ITC may still be required to be reversed.



## >> BUY ONE GET ONE OFFER :

- It may appear at first glance that in case of offers like “Buy One, Get One Free”, one item is being “supplied free of cost” without any consideration. In fact, it is not an individual supply of free goods but a case of two or more individual supplies where a single price is being charged for the entire supply.
- Taxability of such supply will be dependent upon as to whether the supply is a composite supply or a mixed supply (i.e. whether they are naturally bundled or not).
- It is also clarified that ITC shall be available to the supplier for the inputs, input services and capital goods used in relation to supply of goods or services or both as part of such offers.

## Brief Comments :

- #This establishes the principle that nothing is free in this world
- #If two or more items are naturally bundled, the rate of the principal supply will be taken (being a composite supply).
- #If it is not naturally bundled, the highest rate out of all the supplies will be adopted (being a mixed supply).
- #This should discourage businesses to club supplies which are not naturally bundled particularly wherein the ‘free item’ is attracting a higher tax rate. This is because it will result in the entire supply being taxed at a higher rate.
- #Further, the fact that there is no ITC reversal involved comes as a huge welcome relief for the industry wherein provision of free items is part of their regular supply policies.





## >> DISCOUNTS INCLUDING 'BUY MORE, SAVE MORE' OFFERS :

- Sometimes, the supplier offers staggered discount to his customers (increase in discount rate with increase in purchase volume). For example- Get 10 % discount for purchases above Rs. 5000/-. Such discounts are shown on the invoice itself. .
- Some suppliers also offer periodic / year ending discounts / volume discount to their stockists, etc. For example- Get additional discount of 1% if you purchase 10000 pieces in a year. Such discounts are established in terms of an agreement entered into at or before the time of supply though not shown on the invoice as the actual quantum of such discounts gets determined after the supply has been effected. Such discounts are passed on by the supplier through credit notes.
- It is clarified that such discounts offered will be reduced from the total value of supply for charging GST. However, the recipient should reverse the ITC in respect of the portion of the discount reduced.
- Supplier shall be entitled to avail the ITC for such inputs, input services and capital goods used in relation to the supply of goods or services or both on such discounts.

### Brief Comments :

- # The industry has been issuing credit notes without GST because of lack of clarity regarding the nature of discounts on which the reduction of GST is allowed.
- # This clarifies the position that where the discounts are established as per the agreement, then the same is allowed to be reduced from the total value in case of staggered/periodic/year end/volume discounts.
- # This will provide certainty to the industry as to when credit notes with/without GST should be issued in case of discounts.





## >> SECONDARY DISCOUNTS:

- These are the discounts which are not known at the time of supply or are offered after the supply is already over.
- For example, M/s A supplies 10000 packets of biscuits to M/s B at Rs. 10/- per packet. Afterwards M/s A re-values it at Rs. 9/- per packet. Subsequently, M/s A issues credit note to M/s B for Rs. 1/- per packet
- It is hereby clarified that financial / commercial credit note (without charging GST) will be issued by the supplier since the conditions for post supply discount is not satisfied.
- This discount will not be reduced while determining the value of supply by the supplier.
- There is no impact on availability or otherwise of ITC in the hands of supplier in this case i.e. the supplier can take the entire ITC

### Brief Comments :

- # Quite a few players in the industry had been issuing credit notes with GST showing the same as a valuation difference in terms of Section 34 even though the conditions of post supply discount were not satisfied.
- # This brings clarity that the satisfaction of the condition of post supply discount is pertinent even though the same is shown as a downward valuation difference
- # The biggest welcome relief is the clarification that ITC is not to be reversed by the recipient when commercial credit note is issued by the supplier



# SUMMARY..



S. No	Details of Transaction	Impact on Valuation	Impact on ITC
1	Free Sample and Gifts	No Supply in absence of consideration except in situations covered in Schedule I	No ITC will be available under section 17(5)(h). However, ITC will be available in case transaction covered in Schedule I
2.	Buy One get one free offer	Either will be composite or Mixed Supply.	ITC will be available.
3.	Discounts including 'Buy more, save more' offers: Referred as Volume discounts	Such discounts will be excluded from valuation subject to satisfaction of parameters of Section 15(3)	ITC will be available on the valuation as per Section 15
4.	Secondary Discounts- Not Known at the time of Supply	Financial/commercial Credit Notes can be raised as credit note u/s 34 cannot be issued in these situations. Secondary discounts shall not be excluded while determining the value of supply	ITC will be available on full value i.e. no impact of Financial/commercial Credit Notes on ITC

Compiled By :

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**National Faculty GST**



# *Something from Editor's Desk*

Knock-Knock!!! Sorry..who's this???

I am miss. Opportunity....WHATTTT???? Yess... ICAI is constantly endeavoring to provide its members and student a platform to shine, Monthly Newsletter is one of those platform to show your talent. So, grab the chance and please share your thoughts, ideas, knowledge or any infotainment articles with us, and get an opportunity to be published with us..

**As per the Tradition.. Here comes the second Question for the Readers...**

**Do You Know!!!**

**The Person who secured AIR-2 in CA Final Examination, who served the nation as a politician for 28years, also got an opportunity to present the Interim Budget 2019-20 in Lok Sabha on 1st february, 2019...**

**Can You Name Him???**

**If yes.. Mail us @ [raipurbranchcirc@gmail.com](mailto:raipurbranchcirc@gmail.com) or Text us to 8319147851..**

***THANK YOU READERS...***

**CA DIVYA JAIN**

**EDITOR**

**RAIPUR BRANCH CIRC**

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