

Goods and Services Tax (GST)

Frequently Asked Questions

DSP BLACKROCK
MUTUAL FUND

GST is one of the most significant tax reforms of the country towards a seamless indirect tax regime. The new tax regime is transformational and will affect every business (including Manufacturing, Sales, or Consumption of Goods & Services).

Here are answers to some Frequently Asked Questions (FAQs) from DSP BlackRock Investment Managers Pvt. Ltd. ("DSPBRIM") to assist and aid the Independent Financial Advisors (IFAs) in few aspects of GST.

1. What is Goods and Service Tax (GST)?

Goods and Service Tax (GST) is an indirect tax throughout India to replace some significant taxes levied by the central and state governments. It is a destination based tax on consumption of goods and services.

It is proposed to be levied at all stages, right from manufacture up to final consumption, with credit of taxes paid at previous stages available as setoff. In a nutshell, only value addition will be taxed and burden of tax is to be borne by the final consumer.

2. What is the taxable event under GST?

Supply of goods and/or services is the taxable event. In some cases there would be supply even if it is not for a consideration. Certain activities would also be considered as supply e.g. gifts linked to sales, stock transfer; captive consumption in another location; inter unit services i.e. Branch to Head Office.

3. What are the types of GST?

Sr.	Type of GST	Levied on	Levied by
1.	CGST	Supply of goods/service within a state or union territory (UT)	Central Government
2.	SGST	Supply of goods/service within a state	State Government
3.	UTGST*	Supply of goods/service within a UT	Union Territory
4.	IGST	Supply of service/goods across two states/UT	Central Government

*Currently, UTGST is applied to union territories of India namely Chandigarh, Lakshadweep, Daman and Diu, Dadra and Nagar Haveli, Andaman and Nicobar Islands.

4. How the above types of GST be applied?

1.	For Supply of goods and/or services within a state (Intra-State):	CGST + SGST
2.	For Supply of goods and/or services within Union Territories (Intra-UT)	CGST + UTGST
3.	For Supply of goods and/or services across States and/or Union Territories (Inter-State/ Inter-UT):	IGST

5. Who are the persons liable to take a Registration under the GST Act?

Under GST laws, any supplier of Goods or Services, who carries on any business at any place in India and whose aggregate turnover on all India basis exceeds threshold limit, as prescribed, in a year is liable to get himself registered.

However, certain categories of persons mentioned in Section 24 of GST Act are liable to be registered irrespective of this threshold of aggregate turnover. For example:

- (i) persons making any inter-State taxable supply,
- (ii) persons who are required to pay tax under reverse charge.

6. What type of GST will be applicable to distribution of Mutual Funds?

The type of GST applicable is based on the combination of “Location of the Supplier” (Distributor) and the “Place of Supply”.

For Supply of Distribution Services, the location of Recipient i.e. Mutual Fund/AMC (MF/AMC) is considered as the “Place of Supply” and the Head Office of the MF/AMC shall be recognised as the Recipient of Service. It may be noted that the locations of MF/AMC and the Distributor are determined based on the location of the respective entities as per the contractual agreement.

Therefore, if the Distributor and the MF/AMC are in the same state, then CGST+SGST will be applicable and if the Distributor and the MF/AMC are in different states then IGST will be applicable.

Illustration: Head office of MF/AMC is in Maharashtra:

Distributor (Location of Supplier)	MF/AMC (Place of business)	Type of GST
Maharashtra	Maharashtra	CGST + SGST
Any other State	Maharashtra	IGST
Any Union Territory	Maharashtra	IGST

7. Are all distributors liable to take a registration under the GST Act?

Every distributor is liable to be registered under GST if his aggregate turnover on all India basis during a financial year exceeds 20 lakhs (Rs 10 lakhs for special category states – NE states, HP, Uttarakhand).

However, for distributors making an inter-state supply of services, registration is compulsory even if their turnover is below the threshold of Rs 20 lakhs (or Rs 10 Lakhs for special category states) which is explained as under.

Illustration:

Location of the Supplier - Distributor	Location of the Recipient (Place of Supply) - MF/AMC	Type of Supply	GST Registration Requirement
Maharashtra	Maharashtra	Intra State	Based on aggregate turnover as state above
Any other State	Maharashtra	Inter State	Yes, irrespective of turnover
Any Union Territory	Maharashtra	Inter State	Yes, irrespective of turnover
Maharashtra	Any other State	Inter State	Yes, irrespective of turnover

Given the above scenarios, almost all distributors located outside Maharashtra will have to take registration and pay GST. As regards distributors located in Maharashtra, if they have a distribution agreement with a MF/AMC located outside Maharashtra, they will be required to take registration irrespective of their turnover being below the threshold. It is important to note that once a distributor takes registration for supply to one entity then he is deemed registered vis-à-vis all other entities.

8. What is Aggregate Turnover?

Aggregate turnover includes the aggregate value of (i) all taxable and non-taxable supplies, (ii) exempt supplies, and (iii) exports of goods and/or service of a person having the same PAN. This shall be computed on all-India basis and excludes taxes charged under the CGST Act, SGST Act and the IGST Act. Aggregate turnover does not include value of inward supplies on which tax is levied on reverse charge basis.

9. What are the consequences or impact of not registering under GST?

A person who is required to obtain a registration but has failed to do so would be liable for penal consequences and punishment as specified in GST Laws.

If any person, (including distributor) does not register under GST, they are considered as 'Unregistered person'. Consequently, the MF/AMC receiving the supply of services from an unregistered distributor shall be liable to pay GST to the Government on every payment made to the unregistered distributor under 'Reverse Charge Mechanism'.

Further, such unregistered distributors will not be able to issue Tax Invoices and also cannot avail input tax credit on the tax paid by them on expenses incurred in their normal course of furtherance of business.

10. Will the commission earned by an Unregistered Distributor be outside the ambit of GST?

Depending on the registration status of the distributor, the GST payment is either discharged by the distributor (if registered) or by the MF/AMC (in case of unregistered distributor). As the commission rates are inclusive of all taxes, payment of commission to unregistered distributors will be net of GST. The payment of GST on such commission shall be made by the MF/AMC directly to the government.

Illustration

Sl.	Particulars	Registered Distributor	Unregistered Distributor
	Commission inclusive of taxes	100	100
1	Value of Service	85	85
2	GST @ 18%	15	15
3	Amount due inclusive of taxes	100	100
4	Less payment under RCM		(15)
5	Net Payment	100	85

Thus for an unregistered distributor, the GST of Rs 15/- (deducted and paid by MF/AMC) would be a cost but for a registered distributor the GST cost would be less than Rs. 15 as he will be able to set-off GST paid on business expenses (input services) like Rent, Telephone, etc.

Hence distributors would be advised to register under GST, give their GSTIN to MF/AMC so that it gets registered in MF/AMC records. Further they would also be advised to issue tax invoice containing all details as per rules which would inter alia include GSTIN of AMC/MF.

11. If a person is operating in different states, whether he can operate with a single registration?

No. Every person who is liable to take a registration will have to get registered separately for each of the States where he has a business operation and is liable to pay GST. However for the activity of distribution of mutual funds contractual relationship and billing will be from Distributor's Head Office to MF/AMC Head Office.

12. Can a distributor who has taken GST registration voluntarily avail of the basic exemption threshold of Rs 20 lakhs / Rs 10 lakhs (depending on the state) and not pay GST?

No. Every registered person would be required to pay GST on every rupee of supply of service or goods by him.

13. Is there a requirement to provide the GSTIN to MF/AMC?

A mutual fund distributor who has registered under GST should communicate his GSTIN to the MF/AMC as explained above. This will ensure that the payments from MF/AMC towards commission are not subject to RCM as stated earlier.

14. How should a distributor communicate his GSTIN to all MFs/AMCs?

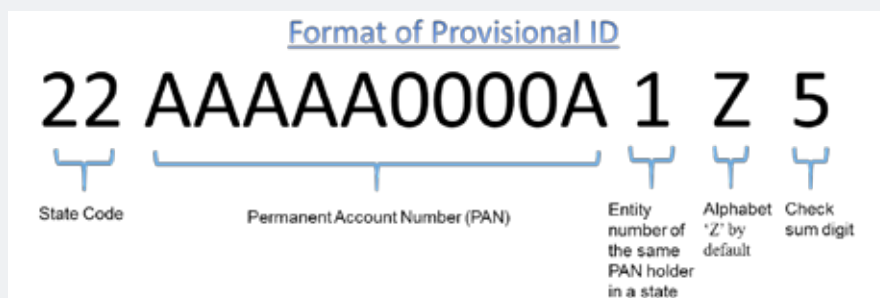
For the convenience of distributors and to avoid the operational hassles of informing each MF/AMC separately, AMFI is taking steps whereby the distributor will need to communicate his GSTIN centrally to AMFI – ARN cell only which will be passed on to all RTAs of all MFs/AMCs. AMFI will communicate the modalities of this to all ARN holders, shortly.

15. What is GSTIN?

GSTIN stands for Goods and Services Identification Number. Each taxpayer who registers on GST network will be allotted a State wise PAN-based 15-digit Goods and Services Taxpayer Identification Number (GSTIN).

16. How to decode 15 digits of GSTIN?

- The first two digits of this number will represent the state code as per Indian Census 2011.
- The next ten digits will be the PAN number of the taxpayer.
- The thirteenth digit will be assigned based on the number of registration within a state.
- The fourteenth digit will be Z by default.
- The last digit will be for check sum digit.



17. What is Input Tax and Input Tax Credit?

Input tax means the GST paid on good and services received by a registered person. It includes GST paid on input goods, input services and capital goods. A registered person is entitled to take credit of input tax charged on supply of goods and services which are used for his business, subject to certain conditions and restrictions.

18. How can Input Tax Credits (ITC) be utilized?

Credit in	ITC Utilization matrix		
	IGST	CGST	SGST
IGST	1st	2nd	3rd
CGST	2nd	1st	Not allowed
SGST	2nd	Not allowed	1st

This means one will need to maintain separate records for each of the above three credits.

19. Is there a time limit for availing ITC?

A registered person cannot take input tax credit in respect of any invoice/debit note after the due date of furnishing of the return for the month of September (October 20th) following the end of financial year to which such invoice/debit note pertains or furnishing of the relevant annual return, whichever is earlier.

20. What MIS and other details a distributor can expect from the MF/AMC or its RTA?

RTAs are gearing up and modifying their systems to provide transaction level, state level data to distributors for commission paid. In addition, RTAs will also assist distributors with system populated invoices (and credit notes towards clawback) that the distributors can use. All these reports and details will be available through RTA mail back services. RTAs will send detailed communication to distributors as and when systems are ready.

21. What are the types of GST Returns and their Due Dates?

Under the GST law, a normal taxpayer will be required to furnish three returns monthly and one annual return in respect of each registration, details of which are given below.

Return Form	What to file?	By Whom?	By When?
GSTR-1	Details of outward supplies of taxable goods and/or services effected	Registered Taxable Supplier	10th of the next month
GSTR-2	Details of inward supplies of taxable goods and/or services effected claiming input tax credit – auto populated data to be confirmed / modified	Registered Taxable Recipient	15th of the next month
GSTR-3	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax.	Registered Taxable Person	20th of the next month
GSTR-9	Annual Return	Registered Taxable Person	31st December of next financial year

Similarly, there are separate returns for a taxpayer registered under the composition scheme, taxpayer registered as an Input Service Distributor, a person liable to deduct or collect the tax (TDS/ TCS) etc.

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