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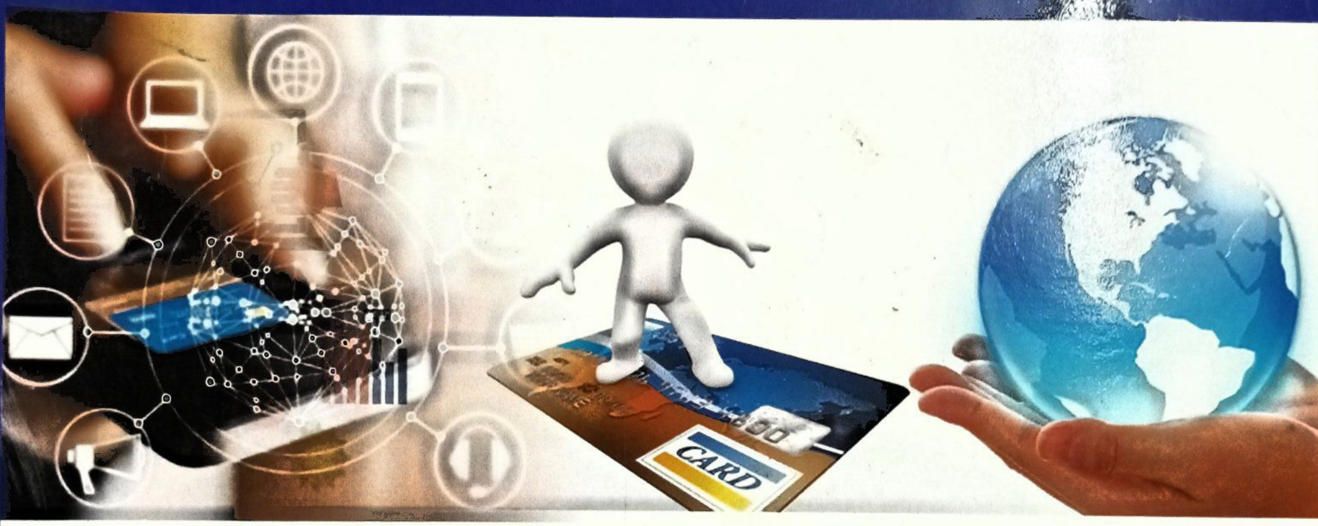

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TAXABILITY OF PROMO SCHEMES UNDER GST

Usha C[1]

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Abstract

In today's environment, promotional offers provided by the business makes the strongest weapon for promoting the product or a brand. Supply of goods without consideration like free supplies, buy one get one free, extra units, etc. are not subject to VAT earlier but is deemed to be a 'supply' under Goods and Services Tax (GST). Further, it is a major relief to the manufacturers, distributors, marketers and direct sellers of consumer products, that the Government on Thursday (7th March, 2019) clarified the extent of tax liability and eligibility of input tax credit on promotional offers such as 'free samples' and 'buy one, get one free'. Industries were worried about the increased burden of tax on promotional offers because of ambiguity of tax laws. Now, the notifications from Central Board of Indirect Tax and Customs (CBITC) makes it clear that tax would be applicable and input tax credit would be available for the entire package sold, including the free items. This article will try to discuss the legal position on promotional schemes based on judicial precedence and provision of Law.

Keywords: *GST, Promotional offers, Distributors, Judicial Precedence, Eligibility.*

Introduction

The current indirect tax regime in India provides a highly complex tax environment due to multiplicity of taxes, convoluted compliance obligations, tax cascading and extensive litigation. To address such problems, GST, a comprehensive consumption tax to be levied on the supply of all goods and services, has been proposed. The introduction of GST is the most awaited and single biggest tax reform in India. It intends to rationalise the current indirect tax regime, thereby providing a stable economic environment favourable for growth and development. GST is being introduced not only to revamp the current patchwork of indirect taxes that suffers from infirmities but also to improve tax compliance. A unified GST will not only help streamline different types of indirect taxes but also be in line with international practices. GST will subsume the majority of indirect taxes, thus eliminating the need for different sets of indirect tax legislation. The motto of the GST regime seems to be 'one tax, one market', which aims at providing a cohesive tax approach across India.

Objectives of the study

The study aims at the followings objectives

- To know the definition of supply as per GST law
- To discuss the legal position and tax treatment on promotional schemes based on judicial precedence and provision of Law.
- To understand the availability of input tax credit (ITC) for the various promo schemes

Scope of the Study

The aim of present study is limited to know the treatment of GST towards promotional offers like discounts, free samples, buy one get one, combo offers, etc. and provisions of availing ITC for the same. For the purpose of the study, researcher collected data from various secondary sources like various websites, newspaper reports, journal papers, articles reported in magazines on GST, etc.

Review of Literature

NitinGoel (2019), stated in his article that, different promotional schemes have different tax implications. In this regard, it is imperative for businesses to examine the same to arrive at the correct cost of the promotional tools being used by them and hence to avoid future litigation exposure.

CMA PratyushChattopadhyay(2018), discussed the provision relating to discount and treatment of the same in GST. He also explains that, with the current legislative structure, other modes of disbursement of discount, such as redeeming loyalty points or giving freebees could create operational challenges if the supplier desires to consider such discount for computing his GST liability.

CA ShafalyGirdharwal (2017), specifies that the price for free samples is also added to the cost of entire product. But in GST law it is clearly given that when something is given as free sample then its credit will be disallowed. He opined that, in case free samples the credit shall be reversed. Although based on specific case the stand may change.

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PERFORMANCE EVALUATION OF FMCG COMPANIES IN POST GST REGIME IN INDIA

Smt. Usha C.*
Dr. B. Shekhar**

ABSTRACT

Fast Moving Consumer Goods (FMCG) are the goods which can be sold easily and quickly to the consumers at lower cost. FMCG is the fourth largest sector in the Indian economy. Food and beverages, healthcare and personal care accounts for 50% of the FMCG sector. Implementation of GST has affected all the sectors similarly, FMCG sector. GST has replaced various indirect taxes which has led to changes in the cost, price and marketing strategies of the FMCG companies. The evolution of GST simplifies the indirect tax system by subsuming multiplicity of tax, eliminating cascading effect of tax, made easy claiming of input tax credit and others. Likewise, GST has brought various benefits to the economy and encouraged FMCG companies by making policies simpler. In this paper, the researcher tries to analyze the impact of GST on the performance of FMCG companies in India before and after its implementation. This study consists of 50 Indian FMCG companies considering four years financial statements i.e. from 2015-16 to 2018-19. The data collected through the financial statements of these selected companies were analyzed using paired sample t-test.

Keywords : Goods and Services Tax (GST), One Nation One Tax, Fast Moving Consumer Goods (FMCG).

Introduction :

Goods and Services Tax (GST) with a slogan of 'One Nation, One Tax' was came into existence from 1st July 2017. It is considered as one of the biggest reforms in India after independence. Implementation of GST has changed Indian taxation system from very complex structure to simpler tax regime by subsuming various indirect taxes into one. Under GST, rates are classified into four categories, i.e. 5%, 12%, 18% and 28% which are levied by both Central and State Government. Since, different products are taxed at different rates based on the needs of the consumers,some products becomemore expensive and othersare cheaper.

Further, GST has largely benefitted to the Indian economy and encourages various sectors, especially FMCG sector. FMCG sector is the fourth largest and fastest growing sector in the Indian economy. FMCG companies deals with production, distribution and marketing of consumer goods. They supplies both essential and non-essential goods to the consumers. Products in this sector are sold in large quantities with less profit. Thus, companies can earn more profit by selling of products in large quantities with less profit. Therefore, this industryis unique one. GST has great impact towards wholesale and retail sector of FMCG market.

FMCG industries are the important contributor to the India's GDP.Indian FMCG sector consists of three major segments such as Food and Beverages accounts for 19%, Healthcare consists of 31% and Household and Personal Care accounts for 50% of the total sector is shown in figure-1.

Gst Rate On Fmcg Products :

Indian Government has announced GST rates for all the products of FMCG. For most of the FMCG products, the GST rates are neutral or marginally positive

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Contents

TAXABILITY OF STOCK TRANSFER UNDER GST & IMPACT ON WORKING CAPITAL

Usha C.

Abstract:

India, being a federal country has dual taxes. As far as changes are concerned, Goods and Services Tax is the biggest indirect tax reform in the history of India since Independence. Finally, Goods & Services Tax (hereafter referred to as GST), is implemented with effect from 1st July 2017 is expected to result in greater transparency, an improved flow of credit and reduced trade barriers from a tax perspective. It is also expected that consequent to elimination of cascading effect of tax, then goods and services will become cheaper as well as broaden the tax base across the entire supply chain and across all the States / Union Territories. At present Stock Transfer from one State to another take place free of tax by way of issuance of Form F. However, under GST tax is required to be paid on inter-state stock transfers leading to additional working capital requirement depending on GST rate, valuation and availability of credit for utilization at the transferee state. This paper starts with a brief overview of GST, structure of GST, IGST and scope of supply. Finally this paper aims at identifying the mechanism to be adopted for valuation of interstate stock transfers to estimate the impact on the working capital.

Key Words:

GST, Cascading Effect, Stock Transfer, Transparency, Mechanism

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GST COMPENSATION EFFECT ON REVENUE GROWTH: A STUDY IN KARNATAKA STATE

Smt. Usha C Research Scholar, DoS & R in Commerce, Tumkur University, Tumkur and Assistant Professor, DoS & R in Commerce, Karnataka State Open University, Mysuru.
Dr. B. Shekhar Professor, DoS & R in Commerce, Tumkur University, Tumkur.

Abstract
The main source of revenue to the government is its Direct and Indirect Taxes. When taxation policies are changed, it will have direct impact on the revenue generation of the country. Hence there was strong opposition from all the states of India to introduce GST. After various hiccups, the Government of India has succeeded in implementing GST in the year 1st July 2017. However, there was fear to various states about the loss of revenue as GST is benefited only to the consuming states and all the manufacturing states are going to lose their revenue. Hence, GST council has introduced GST (Compensation to States) Act, 2017 in March 2017. This GST Compensation Act ensures for the states to compensate their loss of revenue for the first 5 years of its implementation. The compensation would be calculated at projected annual growth rate of 14% taking 2015-16 as a base year and released the calculated amount on bi-monthly basis. An attempt is made in this article to analyse the tax collection of Karnataka State before and after GST implementation. The researcher also throws a light on the compensation effectiveness to Karnataka State.
Keywords: *GST Compensation, GST Council, Taxation Policies, Growth Rate.*

Introduction

Constitution of India empowers both Central Government and State Government to levy and collect various taxes in India. Accordingly, Dual GST is implemented in India where CGST is central tax levied by Central Government on inter-state goods and services and SGST/UTGST is a state/union territory tax levied by state/union territory government on intra-state goods and services. Primary objective of charging tax is to generate tax to meet the public expenditure and to develop the nation (Nayaka, 2020). Hence there is necessary to reform the taxation system often. The journey to implement GST has taken more than 25 years due to political issues and opposition from various states. This new indirect taxation reform in India was considered as a biggest reform in the history of India after its independence. Goods and Services Tax in India subsumed various central and state indirect taxes to have uniform taxation throughout the country and achieved the motto of "One Nation, One Tax". The tax regime transformed from origin based taxation system to destination based taxation system. Hence, there was a fear for manufacturing states as they lose revenue after GST implementation. GST is benefitted to those state where there is more consumption of goods and/ services.

When VAT was introduced, the Central Government had given an assurance for the states to compensate their loss of revenue but, in practical Central Government could not compensate the loss revenue to the states. Hence, there was a panic for all the states that if same happens after GST implementation. For this, central government has come out with GST (Compensation to States) Act, 2017 in accordance with the GST Council to compensate the loss of revenue for the states for the first 5 years from the year of GST implementation. This compensation would be calculated at 14% annual projected growth by taking the financial year 2015-2016 as a base year and this would be released on bi-monthly basis.

State tax revenue for the base year shall include the revenue collected by the state and local bodies during the base year through tax levied by respective state or union and net refunds which includes the taxes shown in figure-1 that are subsumed under Goods and Services Tax, namely: