

Subject: **FW: REQUEST REGARDING GST IMPLICATIONS ON BILLS AGAINST IMPREST ADVANCE...REG**

Date: 04/08/17 09:05 AM

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contingency vouchers.pdf (8.6MB)

Dear Sir,

In furtherance to our discussion on taxability and reporting of inward supplies of goods and/or services for which payment is made out of imprest advances, below please find the relevant GST provisions along with their implications on the various transactions:

Section 38(1) of the Central Goods and Service Tax Act ('CGST Act') 2017 prescribes that every registered person (other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52), **shall verify, validate, modify or delete**, if required, the details relating to outward supplies and credit or debit notes communicated under sub-section 37(1) to prepare the details of his inward supplies and credit or debit notes and may include therein, the details of inward supplies and credit or debit notes received by him in respect of such supplies that have **not been declared** by the supplier under section 37(1).

On perusal of the above and rules made thereunder, the aforesaid reporting requirement applies to every registered dealer irrespective of the fact whether the Input tax Credit is being claimed or not.

Furthermore, nothing has been prescribed as on date with respect to materiality of reporting the inward and outward invoices/debit notes/credit notes etc. Accordingly, all transactions would need to be reported.

Accordingly, every registered person shall ensure that the inward supplies are duly recorded in his GSTR-2 under the applicable table therein.

Also as per rules prescribed under the GST law, any changes made by the recipient in his GSTR-2 would be communicated to the concerned supplier in the form of GSTR-1A and accordingly supplier would need to either accept or reject the said changes.

Section 9(4) of CGST Act prescribes that any registered person procuring taxable goods and/or services from any unregistered person would need to discharge the GST liability under reverse charge, as if he is the person liable for discharging the tax liability.

In this regard, a relaxation has also been prescribed vide notification no. 8/2017-Central Tax (Rate) dated 28th June 2017 which prescribes that in case total purchases made by any registration from all the unregistered persons in a day doesn't

exceed INR 5,000 then liability to discharge the tax would not arise on such registered recipient. Considering the spread of business operations, it may be unlikely that such procurements from unregistered dealers by the regional office, district offices and the depots/godowns in a State put together does not exceed INR 5,000 per day.

Section 31(3)(f) of CGST Act prescribes that such registered recipient would need to issue a tax invoice for the taxable purchase made from any unregistered vendor. Having said so, a relaxation has been provided with respect to issue of tax invoice which mentions that a monthly tax invoice can be issued by the said registered recipient at the end of the respective month for all the purchases made from unregistered vendors.

Section 31(3)(g) of CGST Act, registered recipient would need to issue a payment voucher each time for making payment to unregistered person for procurement of taxable goods/services as well as to registered persons for availing the taxable services (covered under reverse charge mechanism) from them.

Implication of the abovementioned provisions are mentioned hereunder against the respective nature of taxable procurements to be made by FCI:

- Procurement of taxable goods/services by FCI office from **unregistered** vendor:
 - Concerned FCI office would need to issue payment voucher for each time making payment to unregistered vendors,
 - Said purchases would be taxable in the hands of concerned FCI office and accordingly a monthly tax invoice would need to be issued,
 - Thereafter the tax invoice shall be reported in GSTR-2 and accordingly tax liability would need to be discharged.

- Procurement of taxable goods/services by FCI office from **registered** vendor:
 - Concerned FCI office would need to ensure that required particulars as per GST law are coming on the tax invoice given by vendor (most importantly the Name and GSTIN of the FCI office),
 - Concerned vendor would report the transaction as B2B supply in his GSTR-1 and the same would reflect in GSTR-2A of the FCI office basis which GSTR-2 can be prepared by the office,
 - In case of any mismatch between details available with FCI office and actual reporting done by concerned vendor, rectification would need to be done by FCI at the time of filing the GSTR-2,
 - Concerned vendor would then accept or reject the changes (if any) made by the concerned FCI office. In case, vendor rejects the changes, the same will reflect in mismatch report.

If GSTIN of the concerned FCI office is not available on the tax invoice, below issues might be faced:

- Concerned vendor would be reporting the said transaction as B2C supply in his GSTR-1,
- Therefore the same would not be reflected in GSTR-2A of the concerned FCI office as no GSTIN of the customer is available,
- Now concerned FCI office would be reporting the inward supply in its GSTR-2 as made from registered person,
- In such case, the addition done by FCI office would be reflected in GSTR-1A of the concerned registered vendor who has already reported the transaction as B2C in his GSTR-1 and would be discharging the tax liability accordingly,
- Now if he accepts the additions done by FCI in his GSTR-1A, the same would become B2B transaction in his GSTR-1 and he would again need to discharge the tax liability on the same invoice. However in such case, there may be an option available to him to amend the details furnished as B2C in his GSTR-1 of the next tax period and accordingly his liability may reduce by the extent of abovementioned change done from B2C to B2B
- In case the vendor rejects such addition done by FCI office, the same would become part of the mismatch report.

Apart from the above scenarios, there would also be the cases of reimbursements made to employees for the expenses incurred in their names such as hotel bills, conveyance charged etc. Below would be the tax implication on the same:

- Reimbursement made to employees for the expenses incurred by them in their own names need not be reported as inward supply in GSTR-2.
- Furthermore, liability to pay GST under reverse charge on taxable goods and/or services procured from unregistered person by them in their individual capacity would not attract the tax liability under reverse charge on concerned FCI office.

For any further clarification, kindly let us know.

Thanks and Regards,



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