

TURNOVER UNDER GST REGIME

Introduction

Goods and Service Tax (GST) is likely to be rolled out in India from April 2017. In any Indirect Tax system, “Turnover” is extremely critical – both from the point of view of the taxpayer as also the Government. It is the summation of all transactions made in the course of Business, Trade or an adventure in the nature of trade - goods and/or services on which the levy of tax becomes applicable. It is, therefore, critical to know what is Turnover, what are exempted from levy of tax, what is the point of time at which a transaction will take the colour of turnover, etc.

Turnover under VAT:

In the current regime, some of the important types of Turnover are as follows:

- Inter State Turnover - Sale made outside the State
- Exempt Turnover - Sale relating to goods that are exempt from Tax
- Export Turnover - Sale made outside the country
- Taxable Turnover - Sale on which Tax is leviable
- Total Turnover - Sum of all the above items

Turnover under GST:

Currently, CST/VAT is levied on sale of goods, Service Tax is levied on sale of services while Excise Duty is levied on manufacture. Under the proposed GST regime, these and certain other levies are proposed to be subsumed and Tax is leviable on any “supply”, be it goods or services or a blend of both. The concept of “supply” and what forms part of Turnover, would be significant. The scope of “supply” is quite wide and includes:

- a. sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made;
- b. importation of service, whether or not for a consideration; and
- c. specified in Schedule I, made or agreed to be made without a consideration.

Under the proposed GST regime, “turnover in a State” has been defined as “the aggregate value of all taxable and non-taxable supplies, including exempt supplies and exports of goods and/or services made within a State by a taxable person and inter-state supplies of goods and/or services made from the State by the said taxable person excluding taxes, if any charged under the CGST Act, SGST Act and the IGST Act, as the case may be’.

To summarise, “Turnover”:

Includes:

- ☐ supplies in Goods or Services or in both effected within state or outside the state;
- ☐ Stock Transfer, Barter, Gift in kind, Samples, Exchange of services, etc.;
- ☐ Exempted supplies, supplies made in the course of export; and

Excludes:

- ☐ taxes leviable under the GST enactments

Aggregate Turnover

| Nature of Supply | Description |
|---|---|
| Supply of Goods and/or Services | Chargeable to Tax at any prescribed rates (including zero rate) |
| Non-Taxable Supply of Goods and/or Services | Not chargeable to tax since Government would not have any power to tax – Liquor, Petrol, etc. |
| Exempted Supply of Goods and/or Services | Chargeable to tax but due to exempted by notification |
| Transfers (Goods and/or Services) with or without Consideration | Chargeable to tax on every movement in Goods or provision of services |
| Exports of Goods and/or Services | Not chargeable to tax – supply outside taxable territory |
| Samples, Gifts in kind, Barter, etc. to all States | Chargeable to tax |
| Aggregate Turnover | Total of all above, excludes taxes under GST legislation |

Significant Changes:

The re-definition of “Turnover” would bring with it certain significant differences of which the Trade/ Industry and the Profession need to be cautious.

| Issue | Particulars | Impact |
|---|---|---|
| Threshold proposed as exemption for small businesses | Aggregate (countrywide) Turnover over Rs.9 lakhs for registration and Rs.10 lakhs for levy of Tax | <ul style="list-style-type: none"> – More businesses coming into the Taxation net – Improved benefits with respect to Input Credits – Compliance requirements for small businesses |
| Persons exclusively dealing in exempted goods/services or Exports | Currently, registration requirements are required only selectively. Under GST, registration requirements would be mandatory | <ul style="list-style-type: none"> – Improved tracking of the supply chain – Increased Compliance requirements for such businesses |
| Branch Transfers to be treated as Turnover | Turnover inflated to that extent | <ul style="list-style-type: none"> – Improved tracking of the supply chain – Requires changes in accounting process – Requires additional reconciliations |
| Sale of Capital asset | Sale of capital asset was not liable to tax under present statutes. For example slump sale etc. As per turnover definition sale of Capital asset is liable to tax under GST | |
| Different thresholds for North-eastern States | Aggregate (countrywide) Turnover over Rs.4 lakhs for registration and Rs.5 lakhs for levy of Tax (as against 9 and 10 lakhs respectively) | <ul style="list-style-type: none"> – Lack of clarity in respect of persons carrying on businesses in both NE States and other States |

Conclusion:

The author is of the opinion that the changes are far reaching and each business needs to relook at every aspect of their business and apprise themselves with new concepts and definitions in the proposed GST dispensation at the earliest and get ready for the new taxation era.