



IDFC Asset Management Company Limited

FREQUENTLY ASKED QUESTIONS ON GST

1. Overview of Goods and Services Tax

Q1. What is GST? When is GST going to be implemented?

Goods and Services Tax (GST) is a destination based consumption tax and is levied on the supply of goods and services. Destination based consumption tax would imply that the tax would be paid in the State where the goods or services are consumed by the recipient, in other words 'the place of supply'.

GST will be levied at all stages in the chain of the supply of goods or services with the availability of credit of taxes paid by the recipient.

The Government will be implementing GST with effect from **1 July 2017**.

Q2. Which of the existing taxes are proposed to be subsumed under GST?

Taxes to be subsumed	Taxes not to be subsumed
Central taxes	
Central excise duty	Basic customs duty
Additional Duties of Excise (Goods of Special Importance)	
Additional Duties of Excise (Textiles and Textile Products)	
Duties of Excise (Medicinal and Toilet Preparations)	
Additional Customs Duty (CVD)	
Special Additional Duty (SAD)	
Service Tax	
Central Sales Tax	
Surcharge and Cesses	
State taxes	
Value Added Tax	Stamp duty
Purchase tax	State excise duty
Entry tax, octroi, local body tax	Profession tax
Entertainment and Amusement Tax (except when	

levied by the local bodies)	Motor vehicle tax
Luxury tax	Electricity duty
Taxes on lotteries, betting and gambling	State levies on petroleum products
State Surcharges and Cesses so far as they relate to supply of goods and services	

Q3. Is GST applicable to Mutual Fund distributors?

Yes. GST is payable by a distributor whose turnover [on a pan-India basis of all offices having the same Permanent Account Number (PAN)] exceeds INR 20 lakhs than GST will be applicable to him.

Q4. How does a distributor determine the nature of the GST that will be applicable on such services?

Nature of transaction	Description	Taxes applicable
Intra-state supply (within the same State)	Service provider and place of supply are in same state	CGST + SGST
Intra-state supply (within the same Union Territory)	Service provider and place of supply are in same union territory	CGST + UTGST
Inter-state supply (different states)	Service provider and place of supply are in different states/ union territories	IGST

Rendering of services will be considered as **interstate** where the **location of the distributor** and the **place of recipient of service**, i.e. IDFC AMC / IDFC MF are in:

- i. two different States; or
- ii. a State and a Union territory

Services will be considered as an **intra-State** supply where the **location of the distributor** and the **place of recipient of service**, i.e. IDFC AMC / IDFC MF are in the same State.

CGST and SGST / UGST will not be levied along with IGST on the same transactions.

Q5. What will be the rate of GST for mutual fund distributor?

For such distribution services, the rate of GST is 18%.

With respect to IDFC MF / AMC, all brokerage rates or the amount of brokerage will be **inclusive** of GST, similar to what it is for Service tax at present.

2. Registration

Q6. When a distributor is required to obtain registration under GST?

Every distributor whose total turnover in a financial year exceeds INR 20 lakh (10 lakh in case of special category states) shall be liable to register himself.

Special category States comprise of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand.

Q7. In case if a distributor having turnover below threshold and makes an inter-state taxable supply of services to AMCs/ MFs, will he be required to obtain GST registration?

Yes. Any person who makes an **inter-state supply** of services will be **mandatorily** required to obtain registration irrespective of the threshold limit.

Q8. Can a distributor operate in various states with a centralized registration?

No. Every distributor who is liable to take a registration will have to get registered separately for each of the States where he has a place of business.

Q9. Can a distributor claim Input Tax Credit and collect tax without GST registration?

No, a distributor without GST registration can neither collect GST from AMCs/ MFs nor can claim any input tax credit of GST paid by him.

In such scenarios where distributors opt not to get himself registered under GST, IDFC MF /AMC **will deduct** GST @ 18% from their brokerage pay-outs **irrespective of their total turnover** (even if it is less than INR 20 lakhs)

Q10. How distributors will communicate their GST number to IDFC AMC?

CAMS will be sending email to distributors approximately by 25th June asking them to provide the GST numbers. Distributors are required to revert to the email accordingly with their GST number along with the **GST provisional certificate** within the specified timelines.

3. Levy of tax, place of supply and invoicing

Q11. What is the taxable event under GST?

GST would be applicable on **supply** of goods and services. Supply includes all forms of supply of goods and/or services such as sale, transfer, barter, exchange, license, rental, lease or disposal, for a consideration by any person in the course or furtherance of business. It also includes import of services.

Q12. What is the relevance of 'Place of supply' under GST?

The nature of tax i.e. whether CGST + SGST / UTGST or IGST will be determined on the basis of whether the transaction is an inter-State supply or an intra-State supply.

Where the service provider and the place of supply are in the same State, it will be considered as an intra-State supply and local CGST and SGST / UTGST will be applicable.

However, if the service provider and the place of supply are in different States, IGST will be applicable as the transaction is in the nature of an inter-State supply.

All the distributors providing services to IDFC MF / AMC, the place of supply would be Mumbai as IDFC MF / AMC HO is located in Mumbai and accordingly the state would be Maharashtra. So all the distributors registered in Maharashtra it would be Intra-state supply (CGST + SGST) and for remaining distributors located out of Maharashtra it would be Intra-state supply and hence IGST.

Q13. Is a distributor required to issue invoice?

As per the GST law, issuing of invoices are mandatory. Distributors are required to issue invoices addressing IDFC Mutual Fund (GST No 27AAETS9556K1ZP), VI Floor, Tower 1C, One Indiabulls, Senapati Bapat Marg, Elphinstone West, Mumbai - 13, Maharashtra, **for regular brokerage** (i.e. brokerage other than NFO), the modalities of doing the same has to be finalized considering the nature of the industry.

For **NFO brokerage**, distributors have to raise an invoice on IDFC AMC Ltd (Head Office - GST No 27AACCA3262H1ZW), VI Floor, Tower 1C, One Indiabulls, Senapati Bapat Marg, Elphinstone West, Mumbai - 13, Maharashtra. The process will be finalised after taking cognizance of the industry practice.

In no case an invoice is to be raised on IDFC AMC branches.

4. Input tax credit

Q14. In case of a registered distributor charging GST on services rendered to the IDFC AMC / IDFC MF, what compliances will the distributor require to carry out broadly?

- (i) The distributors will have to issue a tax invoice in a prescribed format to the IDFC AMC / IDFC MF.
- (ii) The distributor will have to upload the services made to IDFC in his outward supply GST return along with the prescribed details;
- (iii) The distributor will have to file the GST returns on a timely basis as prescribed in the law.

Q15. Which GST number should distributor use for return filing of GST?

- (i) For NFO brokerage, distributors compulsorily have to raise an invoice on IDFC AMC Ltd (Head Office), VI Floor, Tower 1C, One Indiabulls, Senapati Bapat Marg, Elphinstone West, Mumbai - 13, Maharashtra. Further, distributors should be filing GST return citing the GST number of **IDFC AMC Ltd, Maharashtra**.
- (ii) For regular brokerage (brokerage other than NFO): In this scenario, distributors have to raise an invoice on **IDFC Mutual Fund**, VI Floor, Tower 1C, One Indiabulls, Senapati Bapat Marg, Elphinstone West, Mumbai - 13, Maharashtra

Q16. What would be the consequences if the distributor does not provide the GST number?

IDFC MF/ IDFC AMC would be required to do the compliance under the GST Law for the services rendered by distributors if they do not share the GST number with IDFC or if they are unregistered.

In such cases, IDFC MF/ IDFC AMC will be deducting GST @ 18% from the brokerage pay-out and will pay GST amount to the government considering them as unregistered.

Q17. What would be the consequences if the distributor does not carry out the prescribed compliances under the GST Law?

- No availment of input tax credit: For NFO brokerage, IDFC AMC will not be eligible to avail the input tax credit of the GST charged by distributor if the payment is already made **basis the invoice copy** and at a later date the distributor does not carry out the required compliances, the amount equivalent to GST unpaid would be withheld from the future brokerages due.
- Compliance rating: The distributor being non-compliant on account of the aforesaid will affect his compliance rating under the provisions of GST Law. Further, such repeated offences can lead to input tax credit denial and blacklisting of such a distributor.

5. Transition provision

Q18. What tax would be applicable in a case where the services, with respect to a contract entered into before the transition date, are supplied on or after the transition date?

GST / Service tax can be said to be leviable in the following cases during the transition period:

Supply of service	Invoicing	Payment	Tax Applicable
Before GST	Before GST	Before GST	Service Tax
Before GST	After GST	Before GST	Service Tax
Before GST	Before GST	After GST	Service Tax
After GST	Before GST	Before GST	Service Tax
After GST	After GST	Before GST	Service Tax
After GST	Before GST	After GST	Service Tax
Before GST	After GST	After GST	GST

Hence, IDFC AMC will be breaking the brokerage pay-out June cycle into 2 parts:

- Brokerage till 20 June, 2017 is paid on 23 June, 2017 – Service Tax applicable
- Brokerage from 21 to 30 June 2017 – GST applicable