

# Compensation Cess & IGST Settlement

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# Overview of the Presentation

## **Compensation Cess**

- Why Compensation
- How Compensation is Calculated
- From where is the Compensation met ? –Levy & Collection of Cess – On what goods & services ?
- What happens to Cess in the Fund at the end of transition period ?

## **IGST Settlement**

- Why Settlement ?
- Provisions related to settlement
- Procedure of Settlement

# THE GOODS AND SERVICES TAX (COMPENSATION TO STATES) ACT, 2017

➤ Act provides for compensation to the States for the loss of revenue arising on account of implementation of the GST for a period of 5 years from implementation of GST.

➤ How much compensation is received ?

Projected Revenue – Actual Revenue

➤ The financial year ending 31st March, 2016, shall be taken as the base year :2015-16

➤ The projected growth rate : 14% per annum.

## **Base Year Revenue Consists of :**

- The Telangana Value Added Tax Act, 2005
- The Telangana Entertainments Tax Act, 1939
- The Telangana Horse Racing and Betting Tax Regulations, 1358f
- The Telangana Tax on Luxuries Act, 1987
- The Telangana Tax on Entry of Motor Vehicles into Local Areas Act, 1996
- The Telangana Tax on Entry of Goods into Local Areas Act, 2001
- The Hyderabad Municipal Corporations Act, 1955, [clause (f) of sub section (1) of section 197]
- The Telangana Municipalities Act, 1965, [section 114]
- The Telangana Panchayat Raj Act, 1994, [section 63]
- The Telangana Municipal Corporations Act, 1994, [section 14]
- The Telangana Rural Development Act, 1996
- The Central Sales Tax Act, 1956

- Base year revenue includes revenue from acts administered by both State and Local bodies – taxes which are subsumed into GST.
- Does not include:
  - ❖ any taxes and cess levied by the state on liquor and petroleum products
  - ❖ the entertainment tax levied by the State but collected by local bodies
- If the base year revenue for 2015-16 for a Concerned State is Rs. 100 then projected revenue of financial year 2019-20 will be  $100(1+14/100)^4$

# Levy and Collection of CESS

- Cess levied on both inter – state and intra state supplies.
- No Cess shall be leviable on supplies made by a composition taxable person.
- Valuation for charging CESS will be same as CGST/IGST and Customs valuation rules for import
- No CESS is charged on goods exported by exporter under bond.
- The compensation payable to a State shall be *provisionally calculated* and released at the end of every 2 months period

# Levy and Collection of CESS

The CESS – levied - goods and services as notified < the rate in the Schedule. Major notification specifying the rate of CESS are:

Supply of  
GOODS  
(Entries 6)

- Notification No.1/2017-CC (R) dt.28.06.2017 (w.e.f 1.07.2017) along with Corrigendum

Supply of SERVICES  
(Entries 4)

- Notification No. 2/2017-CC (R) dt.28.06.2017 w.e.f 1.07.2017) along with Corrigendum dt.1.07.2017 as amended from time to time

Notification No. 207/2017-CC (R) dt. 13-10-2017 prescribes the CESS rate (65% of cess rate) on the leasing of motor vehicles from time to time

➤ Goods and services on which CESS is being levied :

Pan Masala

Tobacco & related products

Aerated Water

Coal

Motor Vehicles

and any other supplies as notified

➤ ***Input Tax Credit*** in respect of CESS on supply of goods or services can be utilised only towards payment of the CESS on supply of goods or services.



# Crediting proceeds of CESS to Fund

The proceeds of the CESS leviable and such other amounts as may be recommended by the Council, shall be credited to a **non-lapsable Fund known as the *Goods and Services Tax Compensation Fund***, which shall form part of the public account of India

All amounts payable to the States under section 7 (compensation) shall be paid out of this Fund.

# Crediting proceeds of CESS to Fund

Amount remaining unutilized in the Fund at the end of the transition period shall be

Transferred to Consolidated Fund of India as the share of Centre - **50%**

Distributed amongst the States - **REST**  
**50%**

In the ratio of their total revenues from the State tax or UTGST, as the case may be, in the last year of the transition period-

# IGST Settlement

# Why IGST Settlement ?

In order to settle the cross utilization of credits between centre and states

To Pay IGST

- Take Input Tax Credit from IGST, CGST & SGST paid on purchases

To Pay CGST

- Take Input Tax Credit from CGST & IGST paid on purchases

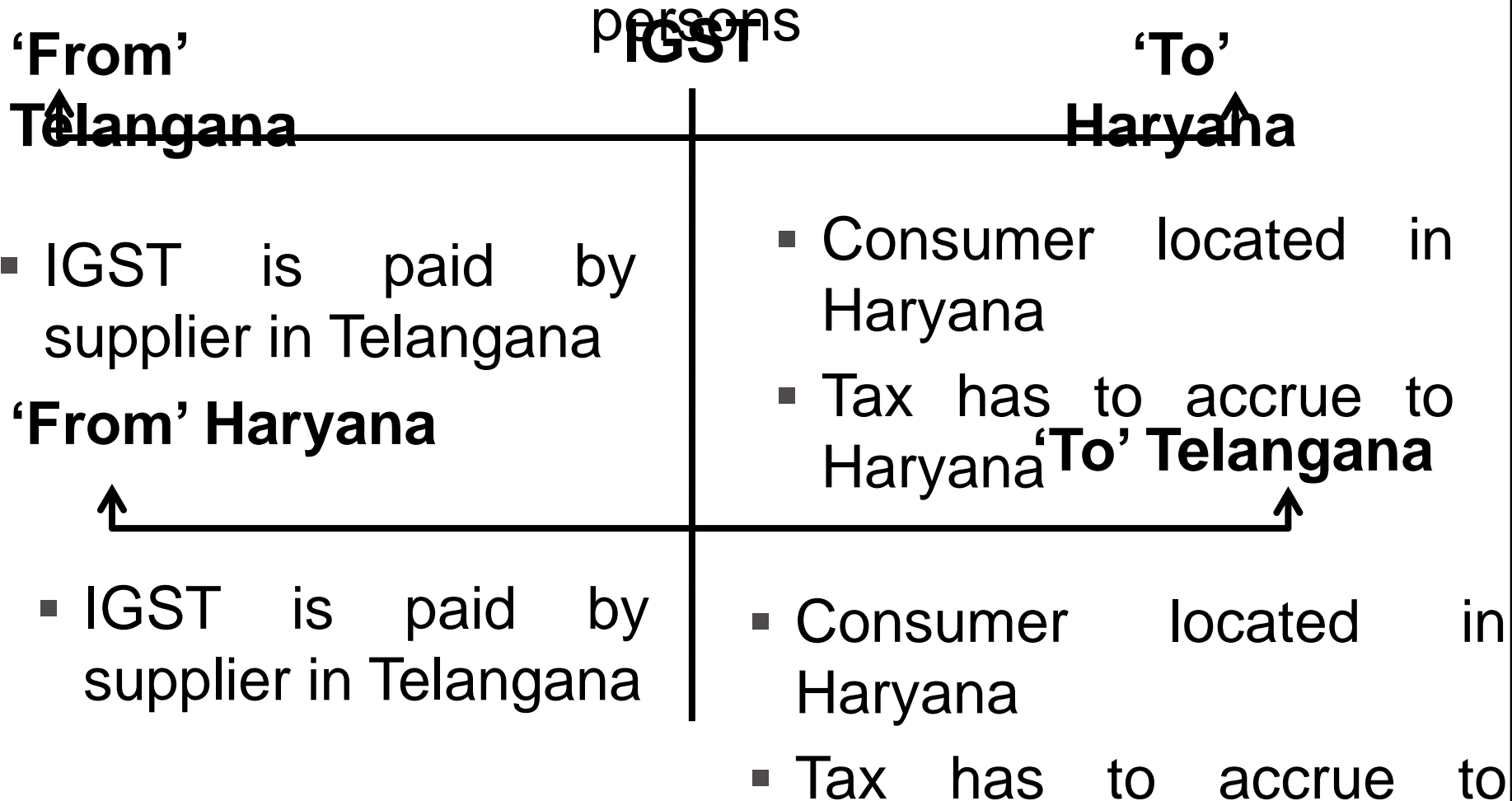
To Pay SGST

- Take Input Tax Credit from SGST & IGST paid on purchases

Credit of the taxpayer is a burden to the state/centre.

# Why IGST Settlement

- Inter-State Supply to Un-registered persons



**Hence , GST Settlement of Haryana Rules ,2017.**

# Sec 17

Inter-State Supply (to)	IGST Paid (on)	Quantum of IGST	Transfer (to)
Unregistered recipient	IGST paid on inter-State supplies and import of goods or services	Equivalent Central tax applicable on said supplies in intra-State supply	Union
Composition taxable person			
Registered taxable person not eligible to input tax credit		Balance amount of IGST	State in which is the place of supply.
Registered taxable person eligible to input tax credit but does not avail it			Centre in case place of supply fall

# Transfer of input tax credit - Sec 18

IGST/SGST	Appropriation	Allocation (to)
<b>Credit of IGST availed</b>	Utilized to pay CGST	Union – Central tax account
	Utilized to pay SGST	State – State tax account
<b>Credit of SGST availed</b>	Utilized to pay IGST	Transfer funds from State to Centre

# Procedure of Settlement

- By 25<sup>th</sup> of every month , an electronic report containing taxpayer wise particulars shall be generated by GSTN

Form GST	Description
STL 1.02	SGST Credit utilised to pay IGST Liability
STL 1.03	IGST Credit utilised to pay SGST Liability
STL 1.04	IGST supplies made to un-registered person in Telangana
STL 1.06	In – Eligible IGST ITC for a taxpayer located in Telangana
STL 1.08	IGST paid by an un-registered importer
STL 7.01	Monthly Consolidated Settlement Register



## Quick Evaluation

1) Compensation to the States on account of implementation of GST has been guaranteed for a period of \_\_\_\_\_ by the 101<sup>st</sup> Constitutional Amendment Act.

2) Revenue from which of the following Acts (Taxes are subsumed into GST) is not included while calculating the base year revenue for the purpose of Compensation Cess ?

- 1) The Medicinal and Toilet Preparations (Excise Duties) Act
- 2) The Central Sales Tax Act, 1956
- 3) The Telangana Rural Development Act, 1996
- 4) Telangana Tax on Professions, Trades, Callings and Employments Act

3) If the base year (2015-16) revenue for a particular state is Rs. 1000 Crores and the actual revenue realised by the state during 2016-17 is Rs. 1050 Crores, what is the amount of compensation received by the state?

- 1) 140 Cr      (b) 1140 Cr      (c) 90 Cr      (d) No Compensation is reqd.

4 .Compensation Cess cannot be levied upon a Composition taxable person. **True/ False**

5.Compensation Cess can be refunded to the taxpayer.  
**True/ False**

6.On which of the following goods Compensation Cess is not levied at present.

(a) Coal Briquettes (b) Tobacco

Products

(c) Electronic goods (d) Motor Vehicles

7. If a taxpayer in Telangana supplies goods to a taxpayer in Rajasthan, who in turn supplies the same goods to a consumer in Karnataka, to which state are the SGST portion of taxes finally apportioned to?

(a)Telangana (b) Rajasthan (c)Karnataka

(d) Amount goes to IGST head.

imports furniture from China at Chennai Port and unloads them at Tirupathi; To which state does the tax accrue to ?

- 1) Telangana (c) Tamil Nadu
- 2) Andhra Pradesh (d) To Centre as he imported the goods.

9) A petrol bunk "ABC" having registration under GST in Hyderabad purchases a tanker from Ashok Leyland dealer "DEF" located in Maharashtra. In this situation IGST paid by M/s Ashok Leyland reaches Telangana through which of the following means :

- 1) SGST credit used for payment of IGST Liability by "DEF"
- 2) IGST credit used for payment of SGST Liability by "ABC"
- 3) In-eligible IGST ITC declared by "ABC"
- 4) IGST declared as "B2C" by "DEF" with place of Supply as Telangana.

10) Majority of the taxpayer wise settlement is done through which of the following settlement forms?

- (a) STL 1.02 & STL 1.03 (b) STL 1.01 & STL 1.02
- (c) STL 1.04 & STL 1.06 (d) STL 7.01 & STL 1.03

**Thank  
You**