



## FAQs on GST

### 1. What is GST?

Goods and Service Tax (GST) is an indirect tax rate levied on the supply of goods and services at a national level in India. It came into force on 1<sup>st</sup> July 2017.

### 2. Who is liable to pay GST?

GST is payable by any person making taxable supplies of goods/ services and whose turnover [on a pan-India basis of all offices having the same Permanent Account Number (PAN)] exceeds ₹20 lakhs. However, where a person who is registered under GST receives goods or services from an unregistered vendor, the registered recipient will be required to pay GST on the goods or services procured. Additionally, on certain goods and services specified by the Government, tax is to be paid by the recipient, under reverse charge instead of the supplier.

### 3. How many types of taxes are there in GST?

- **Central Goods and Services Tax (CGST)** - This tax is levied on intra-state (within same state) supply of goods and services and is deposited with the Central Government.
- **State Goods and Services Tax (SGST)** - This tax is also charged on intra-state (within same state) supply of goods and services and is deposited with the State Government.
- **Union Territory Goods and Services Tax (UTGST)** - This tax is charged on the supply of goods and services within the same Union Territory.
- **Integrated Goods and Services Tax (IGST)** - This tax is charged on inter-state (among different states and union territories) supply of goods and services, on both imports and exports into/from India.

All taxes are levied based on the distributor's location as a supplier of services and the location of the Asset Management Company (AMC HO) as a receiver of services.

### 4. How much GST is applied on Brokerages?

18% GST is applied on brokerages.

### 5. Which distributors are required to be registered under GST?

Distributors must register under GST when the recipient of the service is in another state. For Sundaram Mutual Fund, GST Registration is available for Tamil Nadu only.



Hence, distributors from other than the state of Tamil Nadu need to register under GST.

**6. What is the impact of GST on Commission Payments?**

- **GSTIN Registered distributors:** Brokerage will be paid in full.
- **Unregistered distributors:** Brokerage will be paid net of service tax (₹100 - ₹18 i.e. ₹82 will be paid to the distributor).

**7. Under GST, is brokerage paid as a forward charge or reverse charge?**

**Forward charge** or direct charge is where the supplier of goods/ services is liable to pay tax. For instance, if a Chartered Accountant (CA) provides a service to his client, the service tax will be payable by the CA. **Reverse charge** is where the receiver of services is liable to pay the tax. In the example of the CA, the client would be liable to pay tax.

- **For GSTIN Registered distributors:** Forward charge is applicable on brokerage i.e. payable by distributor.
- **For Unregistered distributors:** Reverse charge is applicable on brokerage i.e. payable by AMC/MF.

**8. Should the distributor submit invoices?**

All registered distributors must submit an invoice to the company. The invoice should be addressed to Sundaram Mutual Fund.

**9. Can a person collect tax without GST registration and claim Input Tax Credit (ITC)?**

No, a person without GST registration can neither collect GST from his customers nor can claim any ITC on GST paid by him.

**10. Is GST applicable on Transaction Charges?**

Yes, GST is applicable on transaction charges, as they are subject to service tax.

**11. What is the place of supply for services provided by distributors?**

The place of supply for services provided by distributors would be the location of service recipient. Recipient is the person who is liable to pay the consideration.



Accordingly, the recipient of service provided by a distributor would be the person with whom the distributor has executed the contract (AMC/MF).

**12. When does the liability to pay tax on supply of services arise?**

The liability to pay tax on supply of services shall arise at the time of supply of services, which is earlier of:

- Date of supply of service, if invoice not issued within 30 days of supply of service
- Date of invoice, if invoice issued within 30 days of supply of service
- Date of receipt of payment in bank account
- Date of receipt of payment recorded in books

**13. Does the distributor have to pay tax where his turnover is less than INR 20 lakhs and if such a distributor is unregistered?**

No. The AMC/MF will pay tax under reverse charge with respect to payments to unregistered distributors.

**14. Would NRI distributors be liable to pay GST?**

No, NRI distributors are not liable to pay GST.

**15. Is there any time limit for claiming input tax credit?**

Yes, one can take credit for an invoice or debit note only till the date of filing of consolidated return (Form GSTR 3) for the month of September of the following financial year or the date of filing of annual return, whichever is earlier.

**16. Can input tax credit be claimed for all the procurements?**

No, input tax credit cannot be claimed for following procurements:

- Inputs used for non-business use
- Inputs used from providing exempt supplies
- Motor vehicles and other conveyances except when used for providing transportation of goods
- Food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, membership of a club, health and fitness centre, rent-a-cab, life insurance and health insurance except where such services are to be provided by employer to its employee under any law for the time being in force



- Travel benefits to employees on leave
- Works contract service for immovable property
- Goods and services used for construction of immovable property
- Goods/ services from composition dealer, used for personal consumption, goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples

**17. What are the documentary requirements for claiming input tax credits?**

Input tax credit can be availed based on the following documents:

- an invoice;
- a debit note;
- a bill of entry;
- an invoice issued by a person on account of procuring services from an unregistered person;
- a document issued by an Input Service Distributor.

**18. Can a supplier avail ITC, if the GST on his activity is paid under reverse charge by the recipient of supply?**

In terms of the provisions of GST Law, a transaction in which the recipient is liable to pay tax under reverse charge would be treated as an exempt supply in the hands of the supplier. Accordingly, if in case GST is paid by the recipient under the reverse charge, the supplier shall not be eligible to avail ITC benefit.

**19. What are the important things to be included in an invoice?**

An invoice must contain the following -

- Type of invoice – tax invoice or export invoice
- GSTIN of the MF or GSTIN of ISD of MF, as the case may be
- SAC – correct SAC along with the service description
- Correct type of GST – CGST, SGST/UTGST or IGST
- Signature of the issuer

These invoices will be issued in duplicate as per the below format -

- The original copy being marked as ORIGINAL FOR RECIPIENT, to be sent to AMC/MF
- The duplicate copy being marked as DUPLICATE FOR SUPPLIER



**20. Is it compulsory to issue tax invoice?**

As per the GST Law, every registered person providing taxable services to another registered person is required to issue a tax invoice and carry out reporting at a transaction level for the recipient to avail the input tax credit. Presently, there is no clarification issued by the Government regarding RTA statement being accepted as an invoice for services provided by distributor and hence, registered distributors will have to issue the prescribed invoices.

**21. Within what time should an invoice be issued?**

An invoice is to be issued within 30 days of the provision of service.

**22. What will be the process to cancel/ reverse an invoice issued under GST regime?**

Under the GST regime, an invoice once raised cannot be reversed. However, if there is a need to reverse the invoice, a credit note will have to be issued.

**23. What are other situations in which a credit note is required to be issued?**

Credit notes will have to be issued for reduction in value of services, for example, renegotiation of price, claw back, etc.

**24. What should a distributor do if he does not want an invoice to be generated for the brokerage paid?**

If a distributor is a GSTIN registered distributor and his GSTIN is registered in our records, an invoice will be generated for the brokerage payable to him every month. In case the distributor does not want the invoice to be generated, necessary GSTIN cancellation process in AMFI records will have to be followed.

**25. Who is liable to pay GST on brokerage – the distributor or Sundaram Mutual Fund/AMC?**

Depending on the registration status of the distributor, the GST payment is either discharged by the distributor (if registered) or by the MF/AMC (in case of unregistered distributor). As the commission rates are inclusive of all taxes, payment of commission to unregistered distributors will be net of GST. The payment of GST on such commission shall be made by the MF/AMC directly to the government. Pursuant to SEBI circular SEBI/HO/IMD/DF2/CIR/P/2018/137 dated 22/10/2018; all scheme related expenditure including brokerage will be paid by scheme only.



Sundaram Mutual Fund (SMF) has its GST registered office in Chennai. Accordingly, all brokerage to distributors (including Maharashtra distributors) hitherto paid by Asset Management Company (CGST and SGST component) will be paid by the schemes (SMF). This means that all distributors (excluding Tamil Nadu distributors) would be considered as rendering inter-state taxable services and accordingly would have to raise a bill for IGST component only.

**26. What is a SAC and HSN code? Which code needs to be mentioned on an invoice?**

HSN means Harmonized System Nomenclature. HSN code number is widely used in many countries to classify goods for taxation purposes, claiming benefits etc. India has adopted a Service Accounting Code (SAC) for all its services. GST will subsume the service tax, which covers all kinds of services at a national rate. The distributor may mention either SAC or HSN code in the invoice.

**27. Which date should be mentioned on the invoice raised by a distributor and what is Sundaram Mutual Fund's GST number?**

The invoice date should be the brokerage payment date. GSTIN 33AAATS2554B1ZZ is of Sundaram Mutual Fund.

**28. How is GST calculated?**

As brokerage amount is inclusive of GST, the GST amount is calculated on the Gross Brokerage earned during a month by a distributor.

$$\text{IGST} = \text{Gross Brokerage} \times (18 \div 118)$$

$$\text{CGST} = \text{Gross Brokerage} \times (9 \div 118)$$

$$\text{SGST} = \text{Gross Brokerage} \times (9 \div 118)$$

**Disclaimer:** These FAQs are meant to serve merely as a guide and consequently have no legal merit. They can be subject to amendments.