

## **Corporate Update - October 2009\***

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**TAX****Income-Tax****Goods and Services Tax (GST)**

The Empowered Committee of State Finance Ministers has released the First Discussion Paper on GST which is planned to be introduced w.e.f. 1<sup>st</sup> April, 2010.

Major highlights of proposed GST structure are as under:

**1.1 Dual GST Module**

- In consistent with the federal structure of the country, GST will have two components, one levied by the Central Government and the other levied by the State Governments.
- Central GST (CGST) and States GST (SGST) will apply on all transactions of goods and services, except the exempted goods and services.

**1.2 GST would have 3 components as under:**

- a) Central GST (CGST) – to be administered by the Centre
- b) State GST (SGST) – to administered by the state government
- c) Inter State GST (IGST) – it will be levied on inter state trade and administered by the centre.

**2. Taxes to be Subsumed (included).**

The taxes proposed to be subsumed in Central GST are:

- Central Excise Duty
- Additional Excise Duties
- The Excise Duty levied under the Medicinal and Toiletries Preparation Act
- Service Tax
- Additional Customs Duty (CVD)
- Special Additional Duty of Customs - 4% (SAD)
- Surcharges, and
- Cesses.

Following State taxes and levies would be subsumed under state GST :

- VAT / Sales tax
- Entertainment tax (unless levied by the local bodies).
- Luxury tax
- Taxes on lottery, betting and gambling.
- State Cesses and Surcharges relating to supply of goods and services.
- Entry tax (other than in lieu of Octroi).

There is lack of consensus about the inclusion of **purchase tax**. Further, the Paper is silent about the levies of **stamp duty, toll tax, passenger tax and road tax**. It is expected that these would not be subsumed under the dual GST.

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### 3. GST Credit:

- 3.1 Tax paid against Central GST shall be available as input tax credit only for Central GST payable.
- 3.2 Tax paid against State GST shall be available as input tax credit only for State GST payable.
- 3.3 No credit between CGST and SGST would be permitted. However, taxes paid under IGST module shall be available as input tax credit for both CGST and SGST.

### 4. Imports:

With necessary Constitutional Amendments, both CGST and SGST will be levied on import of goods and services into the country. The incidence of tax will follow the destination principle and the tax revenue in case of SGST will accrue to the State where the imported goods and services are consumed.

Full and complete set-off will be available on the GST paid on import on goods and services.

- 5.1 Businesses with annual turnover of below Rs.10 lakh would be exempt from State GST.

- 5.2 Businesses below annual turnover of Rs.1.5 crore would be exempt from Central GST.

- 6. GST payer to be allotted a unique ID number linked to PAN number.

### 7. Compounding Scheme

It is proposed to have a compounding scheme, where businesses work contractors, dealers and hotels with a gross annual turnover of Rs 50 lakh can opt to pay GST at the compounded rate to be specified.

### 8. GST Rate Structure

A two-rate structure has been proposed -a lower rate for necessities and goods of basic importance and a standard rate for goods in general.

There will be a special rate for precious metals and there will be a list of exempted items. For CGST relating to goods, a two-rate structure, with conformity in the levels of rate under the SGST may be adopted.

For taxation of services, there may be a single rate for both CGST and SGST.

The exact value of the SGST and CGST rates, including the rate for services, will be made known duly in course of appropriate legislative actions.

### 9. Exports

Exports would be zero-rated. Similar benefits to be given only to the processing zones of the SEZs. No benefit to the sales from an SEZ to Domestic Tariff Area (DTA) will be allowed.

### 10. Legislation

A separate legislation would be provided for Central GST. Each state would have its own legislation to levy and collect SGST. However, the basic features of the law would be uniform.

## Registration of TAN

The I.T. department has suggested all deductors to **register their TAN**, so that they can view the status of statements filed, retrieve e-TDS statements filed earlier, retrieval of information relating to challan status etc.

The deductor can register their TAN at the following link <http://www.tin-nsdl.com/onlinetanintro.asp>

Procedure for registration and other details are enclosed herewith.

### Procedure for online registration of TAN:

Once registered, the deductors will be provided User ID and password for authenticated access.

### Benefit of registration

The access will result in the following benefits to the deductors:

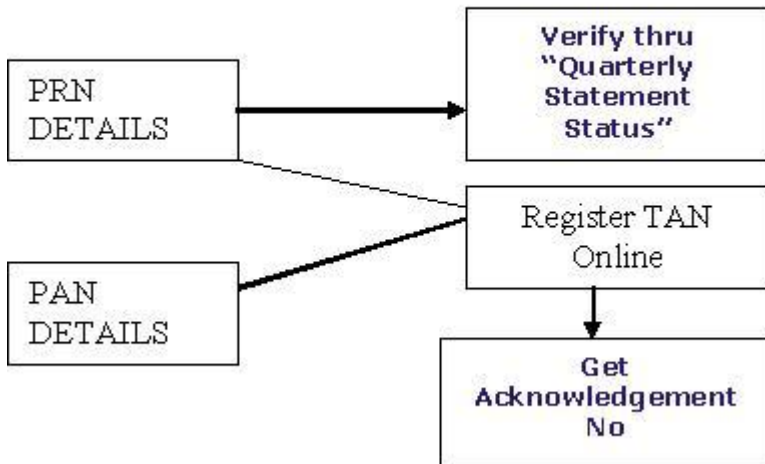
- View of status of all statements filed;
- Download of consolidated quarterly e-TDS / TCS statement for preparation of correction statement; and
- other functionalities related to quarterly TDS /TCS statement.

### Before registration

- Keep Provisional Receipt Number (PRN) of any eTDS Statement filed on or after 01-04-2008.
- Go to "Quarterly Statement Status". Enter TAN and PRN Number. Ensure that this statement is accepted by TIN. You will have to enter details of such statement during registration.
- Keep PAN details

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### Registration Form

TAN registration should be done online at the website of the Tax Information Network [www.tin-nsdl.com](http://www.tin-nsdl.com). Deductors must register all active TANs.

Use the following link to register the TAN : <http://www.tin-nsdl.com/onlinetanintro.asp>. Online form will appear. The details to be filled in are explained below :

#### ***Details of Deductor***

- Enter TAN and Company Name
- Enter PAN. Mention "PANNOTREQD", in case PAN is not available i.e. deductor is not required to have PAN as per the statute.
- Select appropriate deductor category from the dropdown.
- For Govt deductors additional information is required to be filled in
  1. PAO Code and DDO Code are mandatory for deductor category "Central Government".
  2. If PAO Code is not available then mention value "PAOCDNOTAVBL".
  3. If DDO Code is not available then mention value "DDOCDNOTAVBL".
  4. For PAO/ DDO Registration number, mention registration number allotted, if any, by Central Record Keeping Agency (CRA) under New Pension Scheme (NPS).

#### ***Contact Details of Deductor***

- Mention complete address and contact details of deductor.

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- Provide valid email id and telephone no. / Mobile no.
- Provide details of responsible person and designation.

### **Statement Details**

- Mention details of any regular e-TDS / TCS quarterly statement accepted in TIN on or after April 01, 2008.

### **Generation of Acknowledgement**

- After filling up the information, click “submit”. On submission of details if system shows any errors, rectify and re-submit the form.
- A confirmation screen with all the data filled by the user will be displayed. The same can be either confirmed or edited.
- On confirmation, an acknowledgement number will be displayed.
- Print the acknowledgment and preserve the same for future use.
- For future correspondence mention the TAN registration number provided by TIN along with the TAN.
- You can re-generate the “Acknowledgement for TAN Registration” by registering again.

### **Comments**

This is very useful facility and will make the task of deductor simpler.

- The biggest advantage is ability to retrieve eTDS Statement filed earlier. Several deductors do not keep backup of eTDS statement FVU files and when a correction is to be filed, they have no recourse.
- Another problem being faced by deductors is to keep track of original FVU and correction FVU. Many times several correction statements need to be filed e.g. when valid PAN become available. Hopefully, NSDL should be able to provide the updated FVU online for further creation of correction.
- At present, a deductor has to go to several links for information retrieval e.g. Challan Status Enquiry, quarterly statement status, eTDS online filing. With this new facility it is expected that all these services will be available in a single window.

**LEGAL**

**Agreement between The Republic of India and  
The Federal Republic of Germany  
on Social Insurance**

1. The above Agreement has come into force from 1<sup>st</sup> October, 2009.
2. The Agreement provides for exemption from the applicability of the social security legislation of the host country, Germany or India, as the case maybe, when sent on posting to the host country.
3. So far as the employees employed by employers in Germany are concerned, the following provisions will apply:
  - (a) When such an employee is sent by his employer in Germany to India to perform services in India for the German employers who deputed him to India, the German legislation shall continue to apply with regard to that employment;
  - (b) An exemption would be available from contributions to social security system in India for short-term assignments upto 48 months, extendable to 12 months.
  - (c) The exemption would be applicable to the following categories of employees:
    - German nationals who are already posted on pre-determined short term assignments in India as on 1st October 2009 , or
    - German nationals posted to India on short-term assignments after 1st October 2009.
  - (d) The period of 48 months shall start from the first day of the calendar month in which the employee takes up employment in India. In case of existing employees, the period of 48 months shall start from the date of coming into force of the Agreement i.e. 1<sup>st</sup> October,2009
  - (e) In order to claim exemption from contributions in India, an application for Certificate of Coverage ('Detachment Certificate') is required to be made to the local authorities of the home country i.e. Germany.
4. It is seen that an exemption in terms of the Agreement will not be available to a German national on local employment by a German/Non-German employer directly in India. In such cases, such personnel will necessarily have to comply with Indian Social Security System.
5. Where German legislation is applicable in terms of this Agreement, the German national should make an application for Certificate of Coverage to the health insurance institution to which the pension contributions are paid or the Deutsche Rentenversicherung Bund (German Federal Pension Insurance), Berlin, as the case may be.  
*The detachment certificate once obtained would serve as proof of exemption from social security contribution in India.*
6. In cases where the German national is on local employment directly in India and at the same time providing services to the parent German company, a clarification on the applicable social security legislation for coverage, would have be obtained from the appropriate authority.

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7. A statement showing when an employee is coverable under the German social security system is given below, which is self-explanatory.

	<b>Nature of Employment</b>	<b>Coverage under</b>
1.	Sent on short-term posting by a German employer for a period of less than 48 months.	German system
2.	Sent on Long-term posting by a German employer for a period of more than 48 months.	Indian system
3.	On local employment by a German employer directly in India.	Indian system
4.	On local employment by a Non-German employer directly in India.	Indian system

## IMPORTANT DATES TO REMEMBER

### Due Date

Service Tax Payment for the month of November 2009 for assesses other than individual, proprietorship firm or partnership firms  
in case of e-payment

5<sup>th</sup> December, 2009  
6<sup>th</sup> December, 2009

TDS/TCS payment for tax deducted/deductible in November, 2009

7<sup>th</sup> December, 2009

Advance Income-tax payment for all assesses

15<sup>th</sup> December, 2009

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