

GST for Mutual Fund Distributor Commission - FAQs

1. What is GST and when is this effective?

Goods and Service Tax (GST) is a single tax rate levied on goods and services at a National level and is effective 1st July 2017.

2. Who is required 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 INR 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. What happens to Service Tax?

Service tax will no longer exist as it gets subsumed into GST.

4. What are the types of taxes under GST?

The new GST regime will comprise of the following taxes -

Central Goods and Services Tax (CGST) – This tax will be levied on intra-state (within same state) supply of goods and services.

State Goods and Services Tax (SGST)- This tax will also be levied on intra-state (within same state) supply of goods and services.

Union Territory Goods and Services Tax (UTGST) – This tax will be levied on the supply of goods and services within the same Union Territory

Integrated Goods and Services Tax (IGST) – This tax will be levied on inter-state (among different states and union territories) supply of goods and services

Please note, all these taxes will be levied basis location of distributor as a supplier of services and the location of the Asset Management Company (AMC HO) as a receiver of services.

5. What is the GST rate applicable on Brokerages?

18%.

6. Are distributors required to be registered under GST?

Yes. It is mandatory for the distributors where the service receiver is on other state, in the case of MF the AMCs are registered in Maharashtra; hence the distributors from other the state of Maharashtra have to be registered compulsorily.

7. What is the impact of GST on Commission Payments?

a. Registered distributors: Brokerage payments will be paid in full.

b. Un-Registered distributors: Brokerage will be paid net of service tax (Rs

100 - Rs.18 (Rs.82 will be paid to the distributor).

8. Who is a registered distributor?

Any person who is registered with GST and has obtained the GST Number is a registered distributor.

9. Under GST, does brokerage payment come under forward charge or reverse charge?

Distributor commission is under forward charge only. However under GST if the company is receiving the service from an unregistered service provider (distributor), the obligation is on the service recipient (AMC / MF) to pay GST.

10. Where will the distributor communicate his GST Number?

AMFI have facilitated the distributors to submit the GSTIN centrally to AMFI through the following options. Alternatively the distributors can submit the GSTIN details with supporting to respective AMCs individually.

i. Option I

ARN holders may send email from their registered email ID to amfigst@camsonline.com with details of the GST numbers along with scanned copies of GST Registration certificates attached. This facility will be available from 28th June 2017 onwards.

ii. Option II

Hard copies of GST Registration certificates along with a covering letter can be submitted at the nearest CAMS Service Centre. These will be scanned and entered into the AMFI ARN database. This facility will also be available from 28th June 2017 onwards.

iii. Option III

A link will be provided on the AMFI website which the distributor will be required to click and input his ARN code and PAN details. Based on the details given, an OTP will get triggered to the ARN holder's registered mobile phone and email address. The distributor will be required to input the OTP in the relevant box and update state-wise GSTIN numbers & upload the Registration certificate images. This facility will be enabled on AMFI's website from 30th June 2017.

11. Is distributor rendering the service to Branch Office or Head Office?

All distributor relating services are performed centrally at Head Office like distributor agreement, empanelment, and other communications & support services.

12. Is the distributor required to submit invoices?

All registered distributor will be required to submit the invoice to the company. The invoice should be addressed to Respective AMC's Head Office,

13. Whether the distributors are facilitated for filing the invoice?

Yes, CAMS will facilitate by providing the transaction level data for the distributors with respective state_code for identification so that the Invoice can be raised by the Distributors.

14. Can a person operate in various states with a centralized registration?

No. Every person 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.

15. 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 of GST paid by him.

16. Whether GST will applicable for Transaction Charges?

Yes, Already Transaction charges are subject to Service Tax, hence GST will also be applicable.

17. 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)

18. 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

19. 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.

20. Would NRI distributors be liable to pay GST?

No, as NRI distributors are outside purview of GST.

Would a recipient be required to reverse input tax credit claimed in case of nonpayment of value of services along with tax thereon?

Where a recipient fails to pay to the supplier, the amount towards the value of supply along with tax payable thereon within a period of 180 days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon. However, the recipient shall be entitled to avail credit of input tax on payment of the amount towards the value of supply along with the tax.

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

Yes, one can take credit of 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.

22. 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.

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

Input tax credit can be availed on the basis of 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.

24. 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 the case GST is paid by the recipient under the reverse charge, the supplier shall not be eligible to avail ITC benefit.

25. 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 AMC/MF or GSTIN of ISD of AMC, 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

26. 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 with regard to RTA statement being accepted as an invoice for services provided by distributor and hence, registered distributors will have to issue the prescribed invoices.

27. Within what time should an invoice be issued?

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

28. 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.

29. 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.