



**GST - MEDIA AND
ENTERTAINMENT SECTOR
PRESENTATION**

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Impact of GST on supplies made and received by **Producers**

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Impact of GST on supplies made and received by **Studios**

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Impact of GST on supplies made and received by **Distributors**

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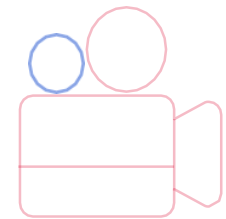
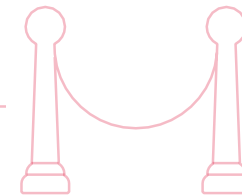
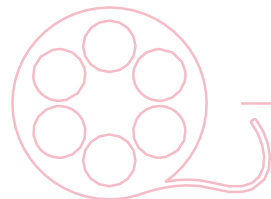
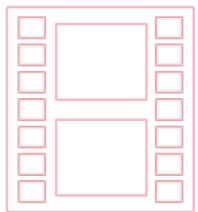
Impact of GST on supplies made and received by **Exhibitors**

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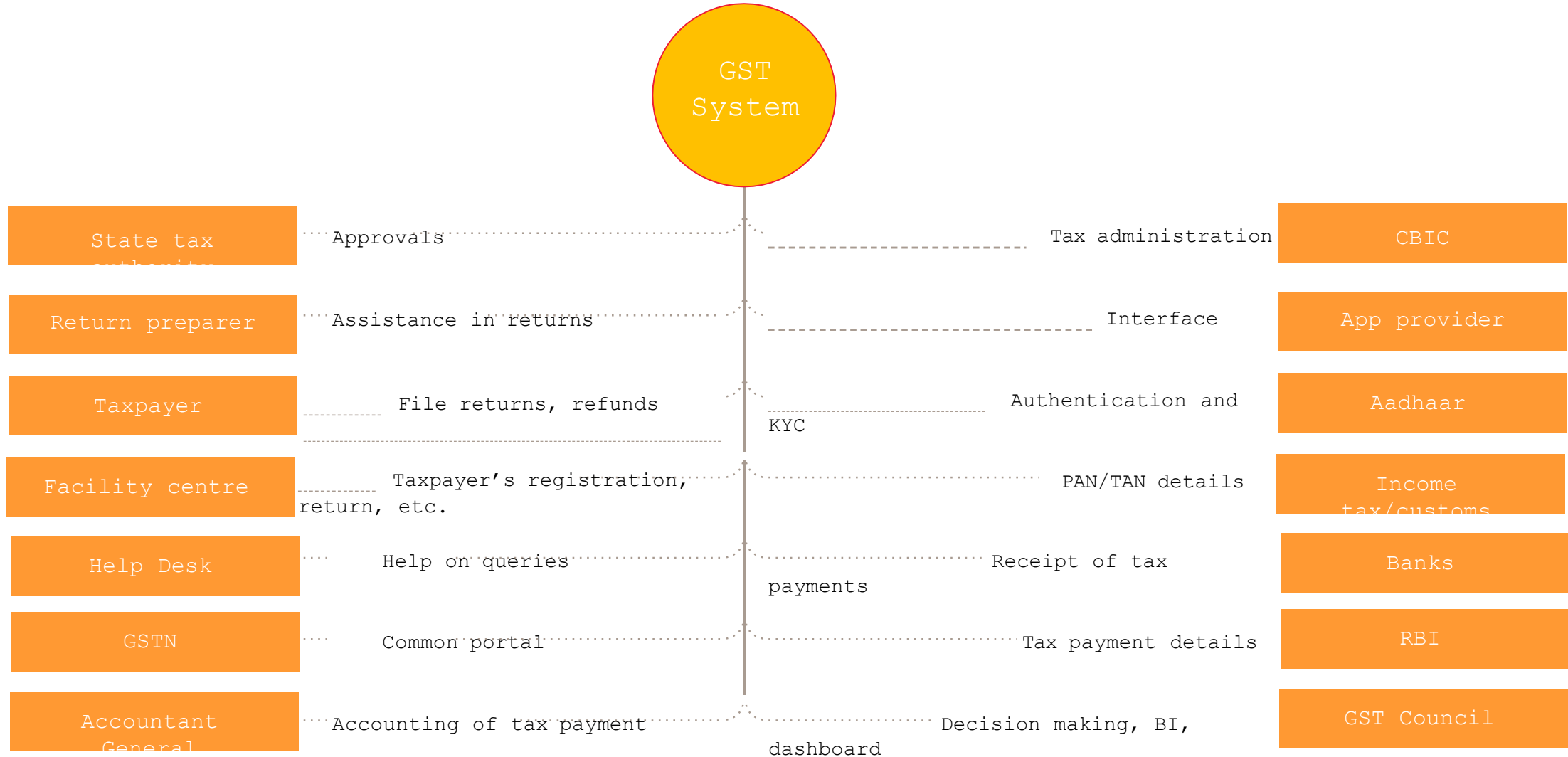
Current Challenges

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Local Body Entertainment Tax



GST ecosystem



1

REGISTRATION



- The process of obtaining new GST registrations has been fairly smooth.
- There is no centralised registration for service providers.
- There is no composition scheme for a majority of service providers.

2

INVOICING



- Tax invoice for supply of taxable goods and/or services.
- Bill of supply for supply of exempted goods and/or services.
- Self-invoice to be issued in respect of goods and services received from unregistered vendors.
- Payment voucher at the time of making payment to the supplier under RCM.
- Credit note/debit note for subsequent adjustments (linking with original document mandatory)
- Receipt voucher/refund voucher for advances.

3

LIABILITY UNDER REVERSE CHARGE MECHANISM



- Import of services
- Goods transportation service by Goods Transport Agency
- Legal services by an advocate/firm of advocates
- Goods transportation service in vessel from outside India
- Sponsorship services
- Services by government or local authorities except certain specified services
- Supply of services by an author, music composer, photographer or artist by way of transfer or permitting the use or enjoyment of a copyright of original works
- Services provided by a non-executive director to a company
- Recover Agent, Insurance Agent, Individual Direct Selling Agents.
- Services of Business Facilitator and Business Correspondent.
- Security services.
- Services of members of overseeing committee of RBI.
- Services by way of transfer of development rights or Floor Space Index (FSI) (including additional FSI) for construction of a project.
- Long term lease of land (30 years or more) against consideration in the form of upfront amount (called as premium, salami, cost, price, development charges or by any other name) and/or periodic rent for construction of a project.
- Services of hiring of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration paid by service recipient.
- Services of lending of securities under Securities Lending Scheme, 1997

4

TAX PAYMENT



- Electronic tax liability register shall be maintained on a common portal for each person liable to pay tax.
- The assessee must first discharge the tax and dues related to previous tax periods (if any), then for the current tax period.
- Electronic challan to be generated from the GST common portal.
- Uniform payment dates for all taxes (by 20th of the next month).

5

RETURNS



- Common portal for all types of tax payment and returns.
- Separate returns for different categories of taxpayers.
- Frequency of filing returns: Monthly/quarterly and annually.
- GSTR 2 (return for inward supply) for matching of credits deferred until further notice.
- Late fees for delayed filing of returns.
- GST Council to further deliberate and simplify compliances on representations from trade and industry.



Taxation under GST regime

Time of supply for services



Time of supply of services is the earliest of the

Date of issue of invoice

Date of receipt of advance/payment.

Date of provision of services (if invoice is not issued within prescribed period)

Time of Supply under Reverse Charge

In case of reverse charge, the time of supply for service receiver is the earliest of the following

Date of payment (For services only)

30 days from date of issue of invoice for goods (60 days for services)

Place of Supply

Place of Supply for Services

- Place of supply of services is the location of the service recipient.
- In cases where the services are provided to an unregistered dealer and their location is not available, the location of the service provider will be the place of provision of service.

Place of Supply at Movie Halls



Place of supply is place where the services are actually performed i.e., movie hall itself.



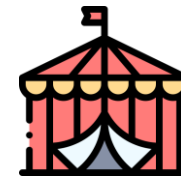
Place of Supply in Events

Admission to an event or amusement park or any other place. Services ancillary to above.



Place where the event is held or place where the amusement park is located.

Entertainment events and services ancillary to the above.



Supply to:

Registered person - Location of the registered person

Unregistered person - Location of the event.



Value of Supply of Goods and/or Services

- The amount collected by the seller / service provider from the buyer or service recipient respectively is the value of supply.



IMPACT OF GST ON SUPPLIES MADE AND RECEIVED BY PRODUCERS

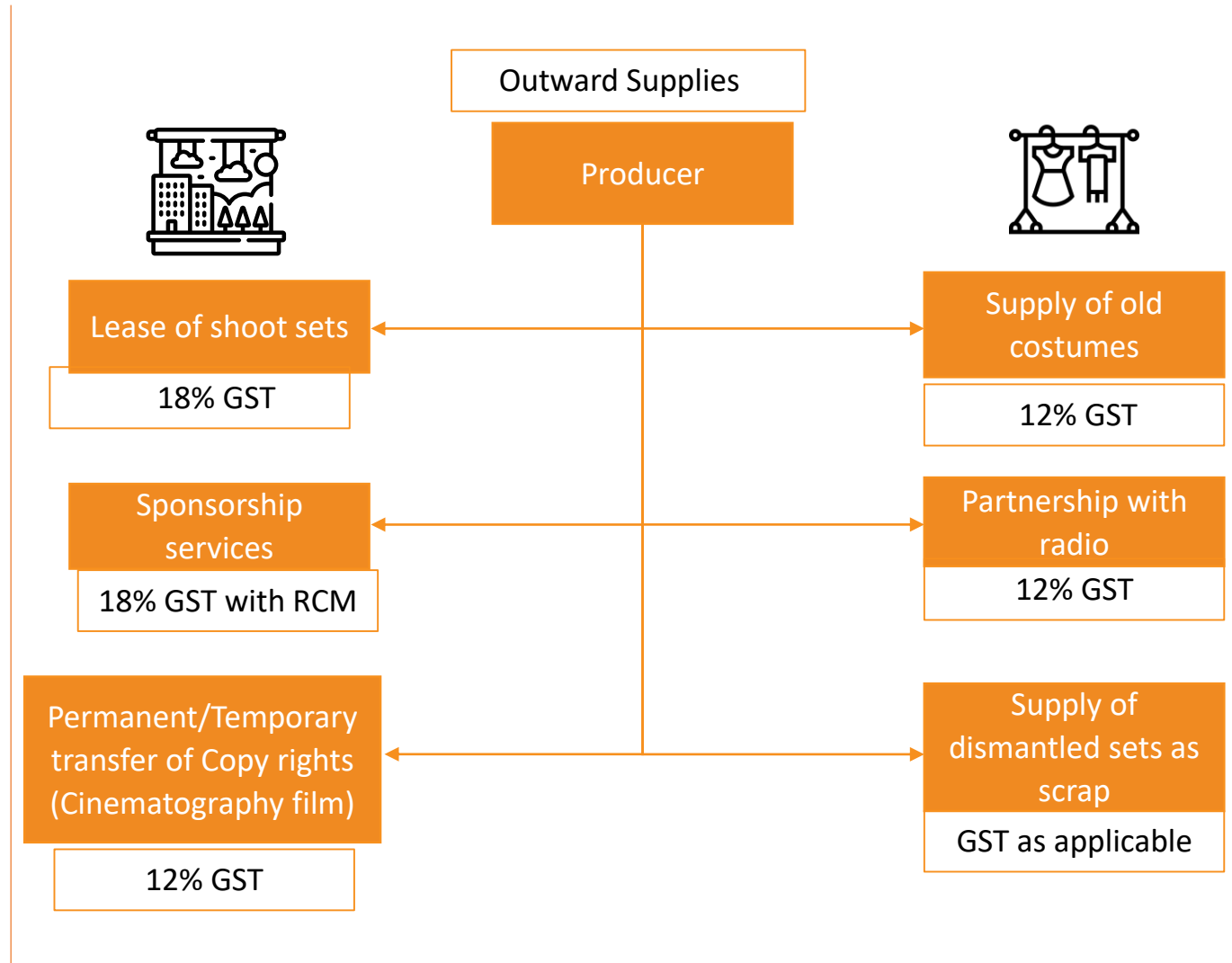
Impact of GST on supplies made by producers

Supply of all the **intellectual property rights** (in respect of goods other than information technology software) attracts GST at the rate of **12%**.

Both **permanent and temporary transfer of copy rights** is taxable at an equivalent rate of **12%**.

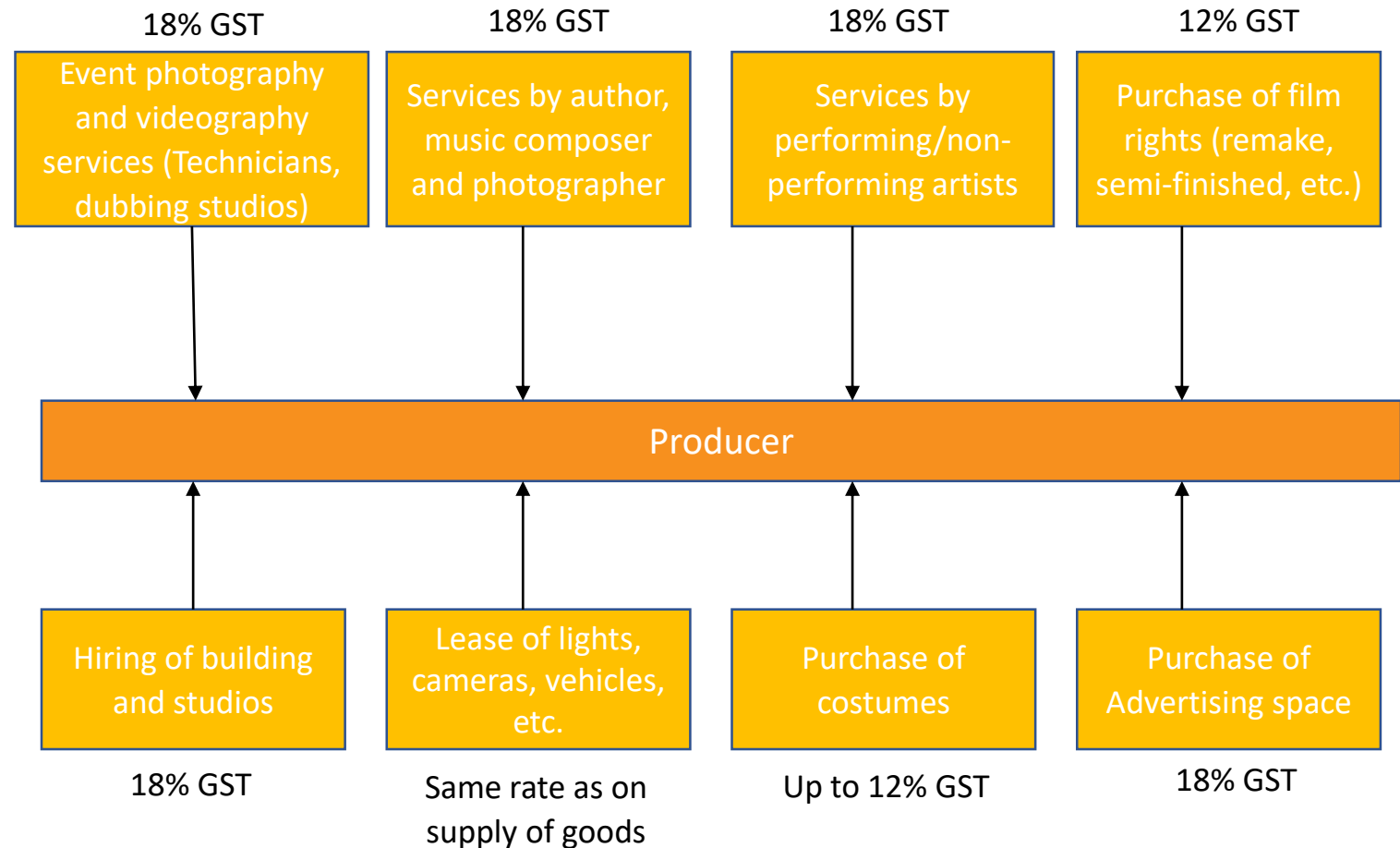
The rest of the **routine supplies** by the producer, such as renting services, sale of old costumes, sponsorship, and partnership services attract **18% GST**.

The **credit of taxes paid in goods** can be **used for payment of liability on services**.



Impact of GST on supplies received by producers

- Services (temporary transfer of copyright) by an author, music composer or photographer, artists or the like by way of transfer or permitting the use or enjoyment of copyright relating to an original literary, dramatic, musical or artistic work are taxable under reverse charges in the hands of the recipient.
- In the above case If there is no transfer or permitting the use or enjoyment of copyright, It Is taxable at 18% GST under forward charge mechanism
- Payments made to directors are charged @18% GST under forward charge mechanism
- Other major service procurements, such as brand promotion services, advertisement expenses and hiring of



The producer is entitled to avail input tax credit of taxes paid on all procurements for business purposes, except for a few cases such as food, beverages, outdoor catering and vehicle hire.

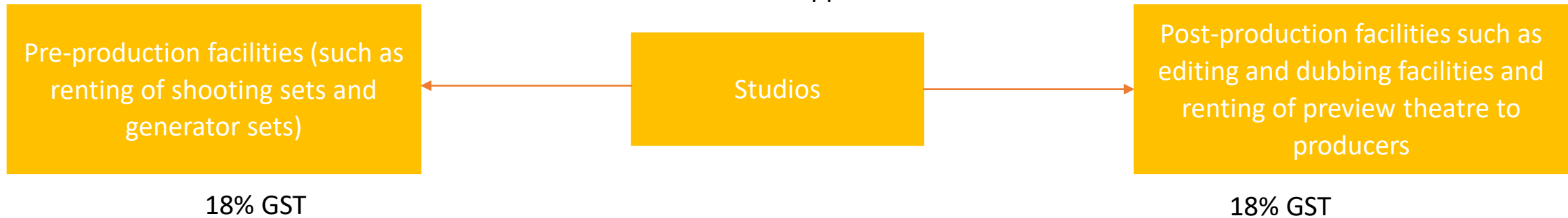


IMPACT OF GST ON SUPPLIES MADE AND RECEIVED BY STUDIOS

Impact of GST on supplies made by studios

Studios provide both pre-production and post-production facilities to the producers of movies and television shows.

Outward supplies

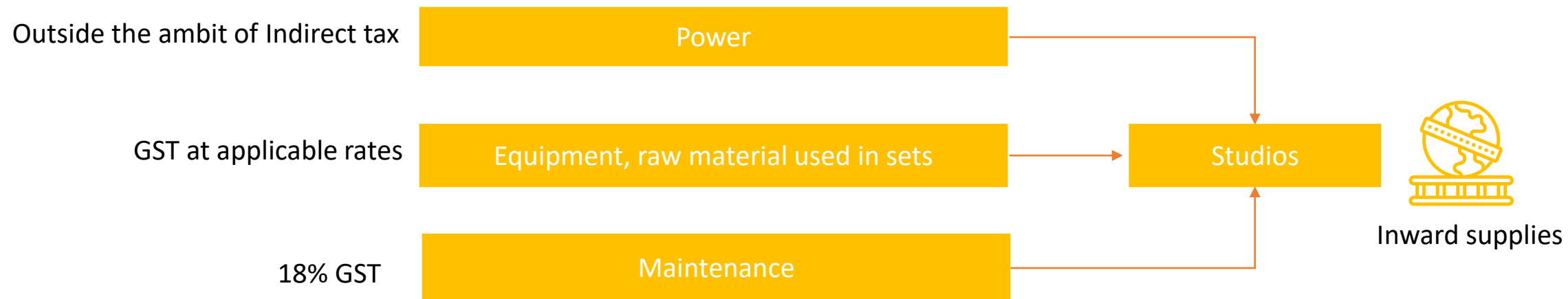


▲ Pre-production facilities primarily include supply of shooting sets (on an 'as is' basis) on rent to producers. The producer may incur additional expenses on further design and maintenance of the sets, for which he directly engages third-party vendors, procures goods and services and makes payment to them. On renting of shooting sets, they will be required to charge 18% GST.

▲	Renting of generator sets
without transfer and effective control	with transfer and effective control
treated as 'supply of tangible goods'	was treated as right to use
classified as services & taxed @18%	considered as deemed sales

▲ Renting of theatres to producers for showcasing films to limited invitees, including the Central Board of Film Certification are subject to 18% GST.

Impact of GST on supplies received by studios



- The major input cost of the studios involves maintenance of the sets and studios. For maintenance purposes, the studios procure goods and services from third-party vendors and these goods and services are subject to GST, and the input tax paid on procurement of the goods can now be used to set off GST liability on renting of shooting sets and preview theatres.
- Studios also incur a major cost on electricity, which was outside GST. Thus, there was **no GST on the procurement of electricity** from the state board.
- **In case studios enter a works contract** for building, construction, fabrication, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation etc., of any immovable property wherein transfer of property in goods is involved in the execution of such contract, **then it will be treated as a supply of services** (works contract) in GST.
- **ITC is not available for Works contract** services when **supplied for construction of an immovable property**



IMPACT OF GST ON SUPPLIES MADE AND RECEIVED BY DISTRIBUTORS

Impact of GST on supplies made by distributors

The distributor, who purchases the rights from the producer for further distribution, is the second important aspect of the industry.



own theatres to exhibit



sale of movie tickets

State-specific Entertainment Tax

15-11%
An average of 30%

Under Goods and Service tax

18% Ticket price ≤ 100
28% Other Cases

Temporary transfer on principal-to-principal

Under GST

12%
supply of copyrights

when a movie is exhibited by the theatre owner on his own account the distributor will charge 12% GST on the supply of copyrights.

Theater taken on rent from



Exhibitor to Distributor
Under GST **18%** Rentin g

Distributor to Exhibitor
Under GST **On sale of tickets**

Joint venture b/w exhibitor and

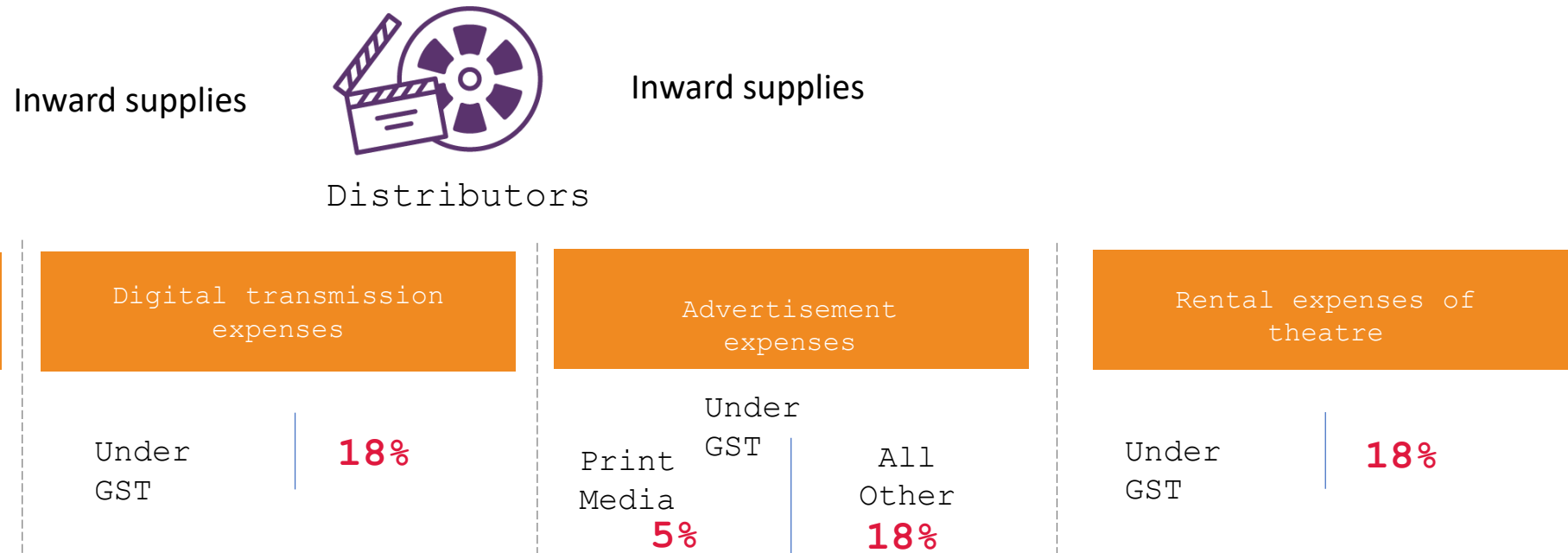


no services are rendered by the distributor to the theatre owner or vice versa.

So No GST

Impact of GST on supplies received by distributors

The major input cost in the hands of the distributor includes procurement of broadcasting rights, rental expense of theatres, digital transmission expenses, advertisement cost and other support services.



With the withdrawal of the exemption on the transfer of copyright on cinematographic films, the service becomes taxable, and the input tax charged by the producer will be used by film distributors against their output tax liability. As taxes paid on these expenses are creditable, this may not result in any additional cost burden to the distributor.



IMPACT OF GST ON SUPPLIES MADE AND RECEIVED BY EXHIBITORS

Impact of GST on supplies made by exhibitors

Exhibitors either acquire the cinematographic film's rights temporarily/permanently from the distributor or rent out the theatre they own to exhibit movies or may enter a revenue arrangement with the distributor.



movie is exhibited on his own

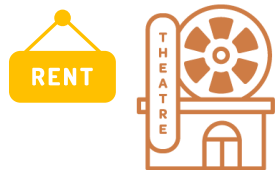


sale of movie tickets

+ Local Body Entertainment tax (LBET) in some states

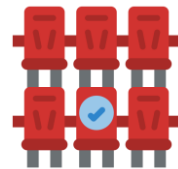
Under GST
18% Ticket price \leq 100
28% Other Cases

Theater given on rent to



Exhibitor to Distributor
18%
 Under GST Renting

Online sales commission



Under GST

18%
 Online sales

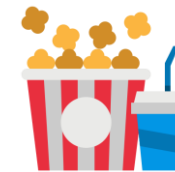
Leasing of food courts,



Under GST

18%
 Leasing to food courts

Supply of food and beverages



Under GST

5%
 Without Input Tax Credit

Supply of advertisement



Under GST

18%
 supply of advertisement space

Impact of GST on supplies received by exhibitors

Exhibitor



Inward supplies

Procurement of broadcasting



Under GST

12%

Temporary transfer of copyrights from distributor

Rental expenses of theatre



Under GST

18%

On rental expense

Contract staffing services

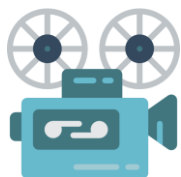


Under GST

18%

GST with no Reverse Charge Mechanism

Lease of lights, cameras, projectors and other equipment



Under GST

18%

Same as on supply of goods

Digital transmission



Under GST

18%

Digital Transmission

Supply of security services from non-body corporates, tax on said supply is payable under reverse charge. Tax on supply of manpower services is payable under forward charge.

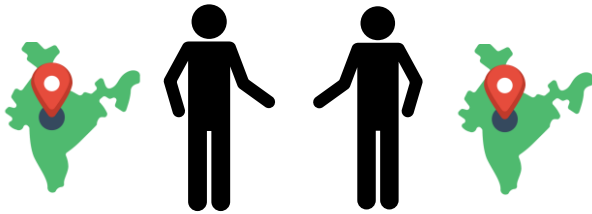


GST ON ONLINE SUPPLIES OF DIGITAL CONTENT

GST on Online supplies of Digital Content (Music, Movies, Television Shows, etc.)

Online supplies of Digital Content (Music, Movies, Television Shows, etc.) are known as OIDAR i.e., **Online Information Database Access and Retrieval services.**

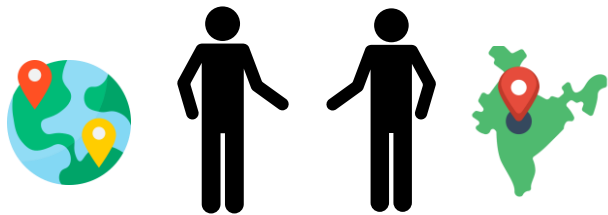
Case 1: Both Service Supplier and Service Recipient are in India



18% Under
GST

the Service Supplier should be registered in India and shall collect GST@ 18% from the Service Recipient.

Case 2: Service Supplier is outside India and Service Recipient is



Place of supply would be India

I. Service Recipient is a Business entity registered under GST

The service recipient is liable to tax under the Reverse Charge Mechanism

II. Service Recipient is not registered under GST

Service provider would also be required to get registered in India under the GST Law, collect GST from the service recipient and then deposit GST with the Govt.

. The manner of levy of GST on such transactions would depend on whether the Service Recipient is a Business or is a Consumer i.e., Non-Business.

Current challenges

1

Additional compliance burden on M&E as certain services for this sector which were exempt under the service tax regime have now been put to **tax in recipient's hand** under GST.

2

Earlier, the temporary transfer or permitting the use or enjoyment of a **copyright** covered under sub-section 13(1) (a) and (b) of the Indian Copyright Act, 1957, **relating to** original literary, dramatic, musical or artistic works or **cinematograph films was exempt**

3

made taxable and that too in the hands of the recipient. This would lead to an additional burden on the recipient as payment of tax under reverse charge requires raising of a self-invoice and other necessary disclosures in returns.

4

Further, the scope of taxability on services which are put to tax under reverse charge is expanded with the use of the words 'the like' in the notification. This has led to some confusion about which all services, other than those mentioned in the notification, would be taxed under **reverse charge basis**.

5

There is likely to be a room for interpretation and this might result in **unwarranted litigation**.



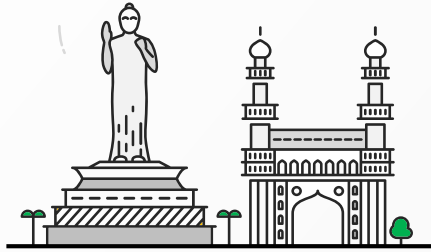
Local Body Entertainment Tax

LBET is levied on the sale of movie tickets. The municipal and local bodies are allowed to levy a parallel Entertainment Tax along with GST, which may vary from state to state ranging from 15% to 110% (an average of 30%). The levy of LBET's is at the discretion of the states, which would result in an additional tax burden to the end users. The following is the list of applicable states and the rate of tax:

S.No.	Applicable State	Rate of Entertainment Tax
1	Andhra Pradesh	20% (15% for Telugu Films)
2	Assam, Himachal Pradesh, Jammu & Kashmir, Rajasthan, Punjab and Uttaranchal	Nil
3	Bihar	50%
4	Delhi	20%
5	Gujarat	20% (Nil for Gujrati Films)
6	Haryana	30%
7	Jharkhand	110% (Nil for Jharkhand Films)
8	Karnataka	30% (Nil for Kannada Films)
9	Kerala	30%
10	Madhya Pradesh	20%
11	Maharashtra	Marathi Films – Nil Ticket Fare – Rate Up to Rs.250 – 45% Rs.251 to Rs.350 - 49.5% Rs.351 to Rs.500 - 51.75% Above Rs.500 – 54%
12	Odisha	25% (Nil for Odia Films)
13	Tamil Nadu	15% (Nil for Tamil Films)
14	Uttar Pradesh	30% to 40%
15	West Bengal	30% (2% for Bengali Films)

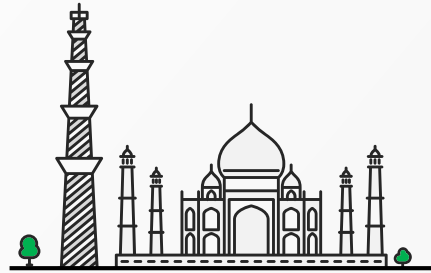
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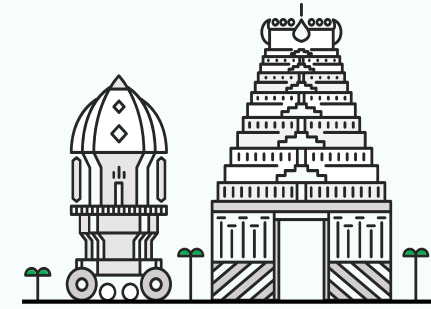
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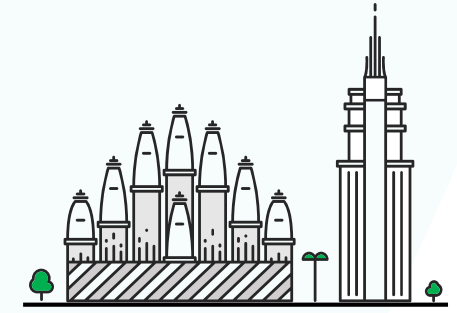
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Overseas :

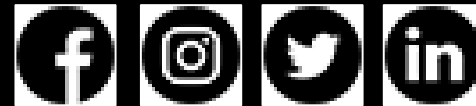


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