GOODS & SERVICES TAX (GST)
PRESENTATION PLAN

- WHY GST : PERCEIVED BENEFITS
- EXISTING INDIRECT TAX STRUCTURE
- FEATURES OF CONSTITUTION AMENDMENT ACT
- GST COUNCIL
- FEATURES OF PROPOSED GST MODEL
- FEATURES OF DRAFT GST LAW
- GSTN
- ROLE OF CBEC
- WAY FORWARD
WHY GST?

PERCEIVED BENEFITS
WHY GST : PERCEIVED BENEFITS

To Trade
- Reduction in multiplicity of taxes
- Mitigation of cascading/double taxation
- More efficient neutralization of taxes especially for exports
- Development of common national market
- Simpler tax regime
  - Fewer rates and exemptions
  - Distinction between Goods & Services no loner required

To Consumers
- Simpler Tax system
- Reduction in prices of goods & services due to elimination of cascading
- Uniform prices throughout the country
- Transparency in taxation system
- Increase in employment opportunities
EXISTING INDIRECT TAX STRUCTURE
EXISTING INDIRECT TAX STRUCTURE
FEATURES OF CONSTITUTION AMENDMENT ACT (CAA)
FEATURES OF CAA....

- CAB passed by Rajya Sabha on 03.08.2016 & Lok Sabha on 08.08.2016
- Notified as Constitution (101st Amendment ) Act, 2016 on 08.09.2016
- Key Features:
  - Concurrent jurisdiction for levy & collection of GST by the Centre & the States – Article 246A
  - Centre to levy & collect IGST on supplies in the course of inter-State trade or commerce including imports – Article 269A
    - to be apportioned between Union & States on recommendations of the GST Council (GSTC)
    - Parliament to have powers to formulate principles for determining when a supply takes place in course of inter-State trade or commerce
Key Features contd.

- Compensation for loss of revenue to States for five years on recommendation of GSTC – Clause 19
- GST defined as any tax on supply of goods or services or both other than on alcohol for human consumption – Article 366 (12A)
- Goods includes all materials, commodities & articles – Article 366 (12)
- Services means anything other than goods – Article 366 (26A)
- GST on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas & aviation turbine fuel to be levied from a later date on recommendations of GSTC
FEATURES OF CAA....

Key Features contd.

- GSTC - Article 279A
  - To be constituted by the President within 60 days from the coming into force of the Constitution Amendment
  - Consists of Union FM & Union MOS (Rev)
  - Consists of Ministers in charge of Finance / Taxation of each State
  - Chairperson – Union FM
  - Vice Chairperson - to be chosen amongst the Ministers of State Government
  - Quorum is 50% of total members
  - Decisions by majority of 75% of weighted votes of members present & voting
FEATURES OF CAA

Key Features contd.

- GSTC - proposed Article 279A
  - Weightage of votes:
    - Centre – $1/3^{rd}$ of total votes cast
    - States (all taken together) – $2/3^{rd}$ of total votes cast
  - Council to be guided by need for
    - a harmonized structure of GST; and
    - a harmonized national market for goods & services
  - Council to make recommendations on
    - Taxes, etc. to be subsumed in GST
    - Exemptions & thresholds
    - GST rates
    - Band of GST rates
    - Model GST Law & procedures
GST COUNCIL....

- GST Council constituted w.e.f. 12.09.2016
- Seven Meetings held so far: Decisions
  - Threshold limit for exemption to be Rs. 20 Lakhs (Rs. 10 lakhs for special category States)
  - Compounding threshold limit to be Rs. 50 Lakhs – not available to service providers & manufacturers (except of notified goods)
  - Government may convert existing Area based exemption schemes into refund based scheme
  - Formula for calculating compensation finalized
Seven Meetings held so far: Decisions

- CGST & SGST Model Law broadly approved
- Tax rates
  - Four tax rates namely 5%, 12%, 18% and 28%
  - Some goods and services would be exempt
  - Separate tax rate for precious metals
  - Cess over the peak rate of 28% on specified luxury and sin goods
FEATURES OF PROPOSED GST MODEL
GST – FEATURES....

- Destination-based Consumption Taxation
- Applies to all supplies of goods / services (as against manufacture, sale or provision of service) made for a consideration except –
  - Exempted goods / services – common list for CGST & SGST
  - Goods / services outside the purview of GST
  - Transactions below threshold limits
- Dual GST having two concurrent components
  - Central GST (CGST) levied & collected by Centre
  - State GST (SGST) levied & collected by States
- CGST & SGST on intra-State supplies of goods / services in India
GST – FEATURES

- IGST levied & collected by the Centre applicable to:
  - Inter-State supplies of goods / services in India
  - Inter-State stock transfers of goods
  - Import of goods / services
  - Export of goods / services (if made on payment of GST under claim of rebate)

- Export of goods / services – Zero rated

- All goods or services likely to be covered under GST except:
  - Alcohol for human consumption - State Excise + VAT
  - Electricity - Electricity Duty
  - Sale / purchase of Real Estate - Stamp Duty + Property Taxes

- Five specified petroleum Products – to be brought under GST from a later date on recommendation of GSTC

- Tobacco Products – under GST + Central Excise
Central & State Taxes to be subsumed in GST
GST – FEATURES

- Floor rate with a small band of rates for standard rated goods / services for CGST & SGST
- Optional Threshold exemption in both components of GST
- Optional Compounding scheme for taxpayers having taxable turnover up to a certain threshold above the exemption
Utilization of Input Tax Credit (ITC)
FEATURES OF DRAFT GST LAW (MGL)
FEATURES OF MGL....

- Tax on **supply of goods or services** rather than manufacture / production of goods, provision of services or sale of goods
- Powers to declare certain supplies as supply of goods or of services – Schedule II
- Powers to declare certain activities/transactions as neither supply of goods nor of services - Schedule III
- On Intra-State supplies of goods and/ or services - CGST & SGST shall be levied by the Central and State Government respectively, at the rate to be prescribed
  - Maximum rate ring fenced in law
- On Inter-State supplies of goods and/ or services - IGST shall be levied by the Central Government, at the rate to be prescribed
  - Maximum rate ring fenced in law
- Elaborate Rules provided for determining the place of supply
  - Intra-State supply of goods and/or services - where the location of the supplier and the place of supply are in the same State
  - Inter-State supply of goods and/or services - where the location of the supplier and the place of supply are in different States
FEATURES OF MGL....

- Liability to pay tax arises only when the taxable person crosses the exemption threshold
- Taxable person is a person who is registered or required to be registered under Schedule - V
- Provision for levy of tax on fixed rate on aggregate turnover upto a prescribed limit in a financial year (Composition scheme) without participation in ITC chain
- Elaborate principles devised for determining the time of supply of goods and services with following being crucial determinants with certain exceptions:
  - Date on which supplier issues invoice
  - Date on which supplier receives the payment, whichever is earlier
Tax is to be paid on Transaction value (TV) of supply generally i.e. the price actually paid or payable for the supply of goods and/or services

ITC is available in respect of taxes paid on any supply of goods and/or services used or intended to be used in the course or furtherance of business (i.e. for business purposes)

Negative list approach for non-allowance of ITC

ITC of tax paid on goods and/or services used for making taxable supplies by a taxable person allowed subject to four conditions:
- possession of invoice;
- receipt of goods or services;
- tax actually paid by supplier to government;
- furnishing of return

Full ITC allowed on capital goods in one go except in respect of pipelines and telecommunication tower where ITC would be allowed in three equal annual instalments
FEATURES OF MGL....

- Input Service Distributor mechanism for distribution of ITC of input services
- Proportionate credits allowed in case inputs, inputs services and capital goods are partly used for business and partly for non-business purposes
- Proportionate credits allowed in case inputs, inputs services and capital goods are used for taxable including zero rated and exempt (including non-taxable) supplies
- ITC cannot be availed after filing of return for the month of September of next Financial Year or filing of Annual Return
- ITC available only on provisional basis for a period of two months until payment of tax and filing of valid return by the supplier
- Matching of supplier’s and recipient’s invoice details
  - ITC to be confirmed only after matching of such information
  - ITC to be reversed in case of mis-match
FEATURES OF MGL....

- PAN based Registration
  - required to be obtained for each State from where taxable supplies are being made
- A person having multiple business verticals in a State may obtain separate registration for each business vertical
- Liability to be registered:
  - Every person who is registered or who holds a license under an earlier law;
  - Every person whose turnover in a year exceeds the threshold
- A person, though not liable to be registered, may take voluntary registration
- Certain suppliers liable for registration without threshold
FEATURES OF MGL....

- Registration to be given by both Central and State Tax Authorities on a common e-application
- Deemed registration after three common working days from date of application unless objected to
- Self-serviced Amendments except for certain core fields
- Provision for surrender of registration and also for suo-moto cancellation by the tax authorities
- Normal taxpayers, compositions taxpayers, Casual taxpayers, non-resident taxpayers, TDS Deductors, Input service Distributors (ISDs) to file separate electronic returns with different cut-off dates
- Annual return to be filed by 31st December of the following Financial Year along with a reconciliation statement
- Short-filed returns not to be treated as a valid return for matching & allowing ITC and fund transfer between Centre and States
- Tax Return Preparers scheme to assist taxpayers mainly in filing of returns
....FEATURES OF MGL....

- System of electronic cash ledger and electronic ITC ledger
- Tax can be deposited by internet banking, NEFT / RTGS, debit/credit card and Over The Counter
- Date of credit to the Govt. account in the authorized bank is the date of payment for credit in electronic cash ledger
- Payment of Tax is made by way of the debit in the electronic cash or credit ledger
- Cross-utilization of ITC between CGST & IGST, between SGST & IGST allowed
- Hierarchy for discharging payments of various tax liabilities
- Provision for TDS on certain entities
- E-Commerce Operators, facilitating supplies by other suppliers, to collect Tax at source (TCS), at the time of supply, out of payments to be made to such suppliers
FEATURES OF MGL:

- Time limit for refund of tax or interest is two years
- Refund of accumulated ITC allowed in case of exports or where the credit accumulation is on account of inverted duty structure
- Refund to be granted within 60 days from the date of receipt of complete application
- Interest is payable if refund is not sanctioned within 60 days
- Refund claim along with documentary evidence is to be filed online without any physical interface with tax authorities
- Immediate provisional sanction of 90% of refund claim on account of exports
- Principle of “Unjust enrichment” to be satisfied
- Tax refund will be directly credited to the bank account of applicant
- Refund can be withheld in specified circumstances even without any stay from any higher appellate fora
FEATURES OF MGL:

- Self-assessment of tax
- Provisions for assessment of non-filers, unregistered persons & summary assessments in certain cases
- Provision made for provisional assessment on request of taxable person – to be finalized in six months
- Audit can be conducted at the place of business of the taxable person or at the office of the tax authorities, after prior intimation to taxable person
- Audit to be completed within 3 months, extendable by a further period of 6 months
- On conclusion of audit, the taxable person to be informed about findings, his rights and obligations and reasons for the findings
FEATURES OF MGL

- Adjudication order to be issued within 3/5 years of filing of annual return in normal cases & fraud / suppression cases respectively
- SCNs to be issued at least 3 months and 6 months prior to last date of passing adjudication order in normal cases and in fraud etc. respectively
- Taxable person can settle at any stage, right from audit/investigation to the stage of passing of adjudication order and even thereafter
- Officers to have power of search & seizure with inbuilt safeguards
- Restricted power to arrest and for prosecution provided for
- Elaborate provisions made for appeals up to Supreme Court
- Alternate dispute resolution mechanism of advance ruling provided for
- Comprehensive transitional provisions for smooth transition to GST
- Provision for Job work provided
- System of GST Compliance rating provided
- Anti-profiteering provision made to dis-incentivize non-passing of price reduction benefits to consumers
GST NETWORK (GSTN)
Incorporated on 28.03.2013 as Section 25 private limited company with authorized equity of Rs. 10 crore
Strategic control to remain with Government
Equity Holders
- Central Government - 24.5%
- EC and all States together - 24.5%
- Financial Institutions – 51%
To function as a Common Pass-through portal for taxpayers-
- submit registration application
- file returns
- make tax payments
Appointed Infosys as Managed Service Provider (MSP)
ROLE OF CBEC
ROLE OF CBEC

- Prominent role as custodian of Centre’s fiscal destiny in relation to indirect taxes
- Role in Policy making: Drafting of GST Law, Rules & Procedures – CGST & IGST Law
- Assessment, Audit, Anti-evasion & enforcement under CGST & IGST Law
- Levy & collection of Central Excise duty on products outside GST – Petroleum Products & Tobacco
- Levy & collection of Customs duties
- Evolving a joint Dispute resolution mechanism
- Developing linkages of CBEC - GST System with GSTN
- Training of officials of both Centre & States
WAY FORWARD
WAY FORWARD....

- Recommendation of Model GST laws by GST Council
- Cabinet Approval for the CGST and IGST laws by Centre and for SGST laws by all states
- Passage of CGST and IGST laws by Parliament and passage of SGST laws by all State legislatures
- Recommendation of Model GST Rules by GST Council
- Notification of GST Rules
- Recommendation of GST Tax rates by GST Council
- Establishment and upgradation of IT framework
...WAY FORWARD

- Meeting implementation challenges
- Effective coordination between Centre & State tax administrations
- Reorganization of field formations
- Training of Officials and Trade & Industry
- Augmentation of human resources
- Spreading Accounting Literacy
- Developing IT skills
- Reorganisation of Audit procedures
- Harmonization of processes & procedures between CGST / IGST & SGST Law
Thank you!