

# **GOODS & SERVICES TAX (GST)**

# PRESENTATION PLAN

- ❖ WHY GST : PERCEIVED BENEFITS
- ❖ EXISTING INDIRECT TAX STRUCTURE
- ❖ FEATURES OF CONSTITUTION AMENDMENT BILL
- ❖ 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

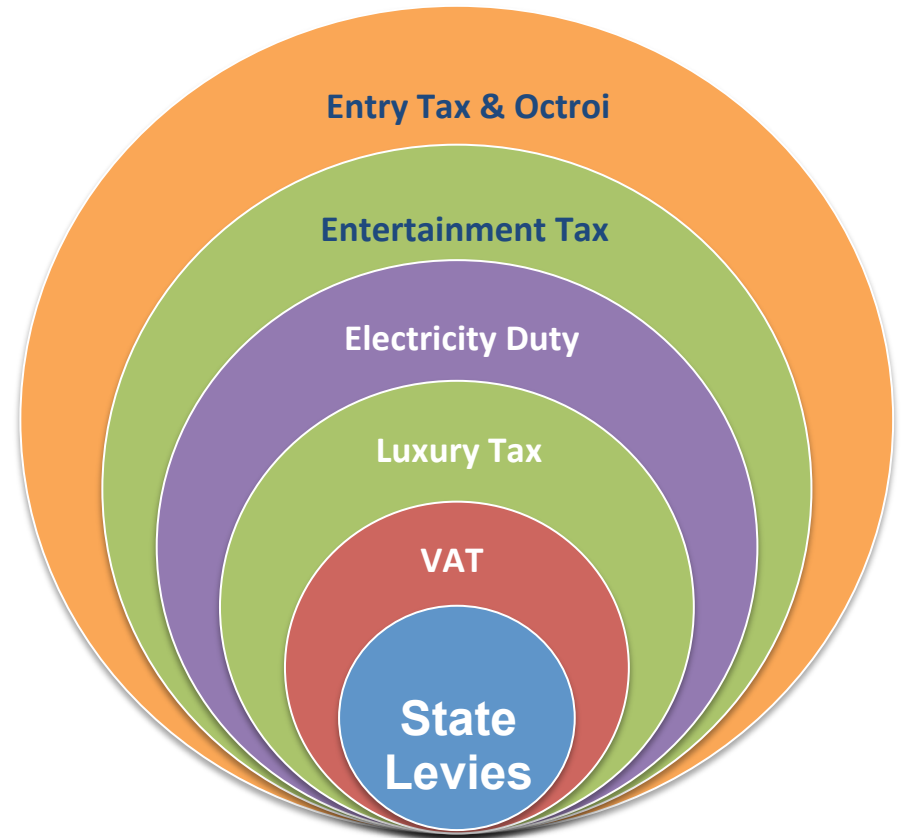
- ❑ Reduction in multiplicity of taxes
- ❑ Mitigation of cascading/ double taxation
- ❑ M o r e e f f i c i e n t neutralization of taxes especially for exports
- ❑ Development of common national market
- ❑ Simpler tax regime
  - F e w e r r a t e s a n d exemptions
  - Distinction between Goods & Services no loner required

## ❖ To Consumers

- ❑ Simpler Tax system
- ❑ Reduction in prices of goods & services due to elimination of cascading of taxes
- ❑ U n i f o r m p r i c e s throughout the country
- ❑ Transparency in taxation system
- ❑ I n c r e a s e i n e m p l o y m e n t opportunities

# EXISTING INDIRECT TAX STRUCTURE

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# **FEATURES OF CONSTITUTION AMENDMENT BILL (CAB)**

# FEATURES OF CAB....

- ❖ CAB passed by Rajya Sabha on 03.08.2016 & Lok Sabha on 08.08.2016
- ❖ 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



# ....FEATURES OF CAB....

## ❖ 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 CAB....

## ❖ 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 CAB

## ❖ Key Features contd.

- ❑ GSTC - proposed Article 279A
  - Weightage of votes:
    - Centre – 1/3<sup>rd</sup> of total votes cast
    - States (all taken together) – 2/3<sup>rd</sup> 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

# FEATURES OF PROPOSED GST MODEL

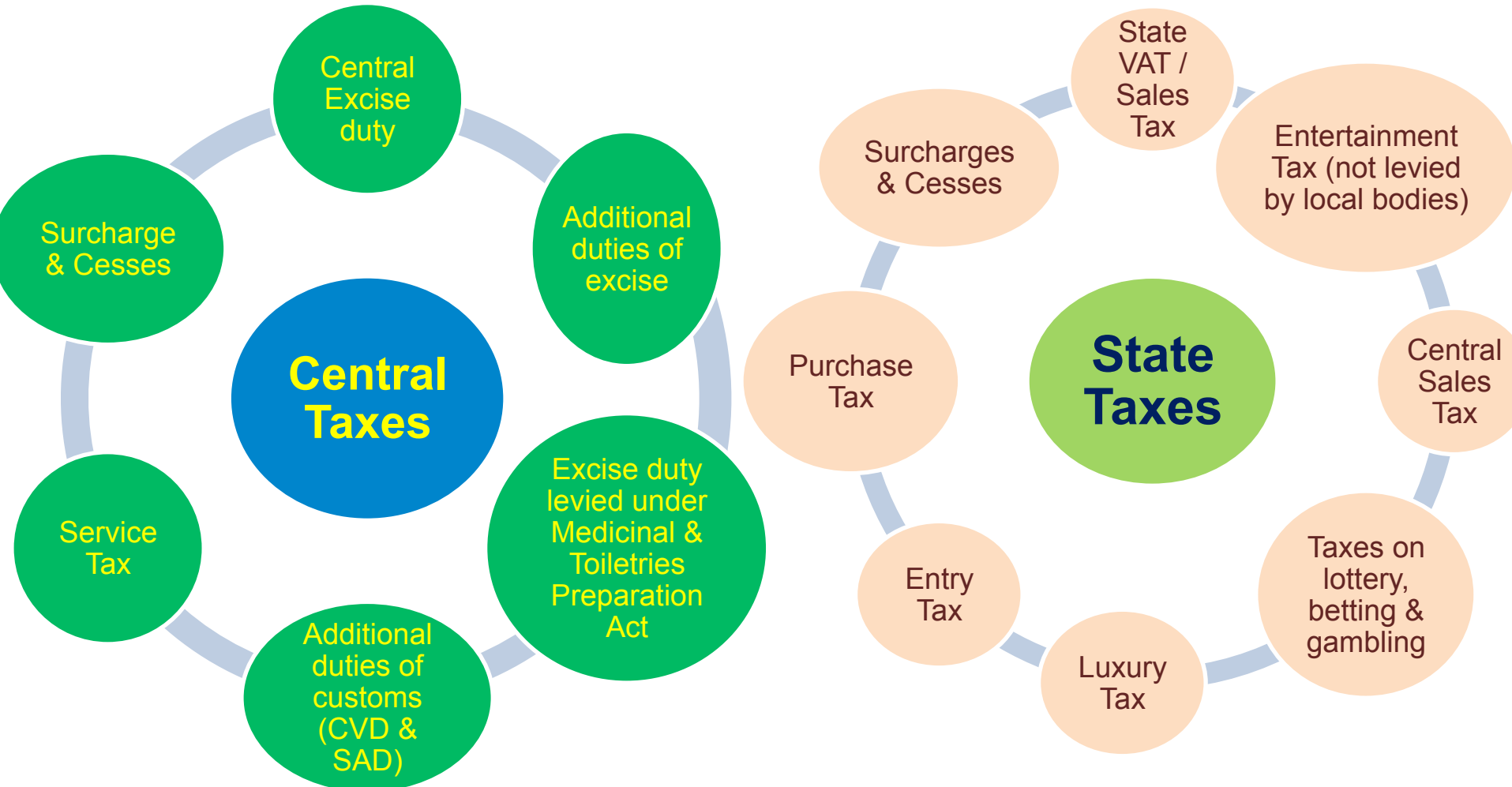
# GST – FEATURES....

- ❖ 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

# ....GST – FEATURES....



Central & State Taxes to be subsumed in GST

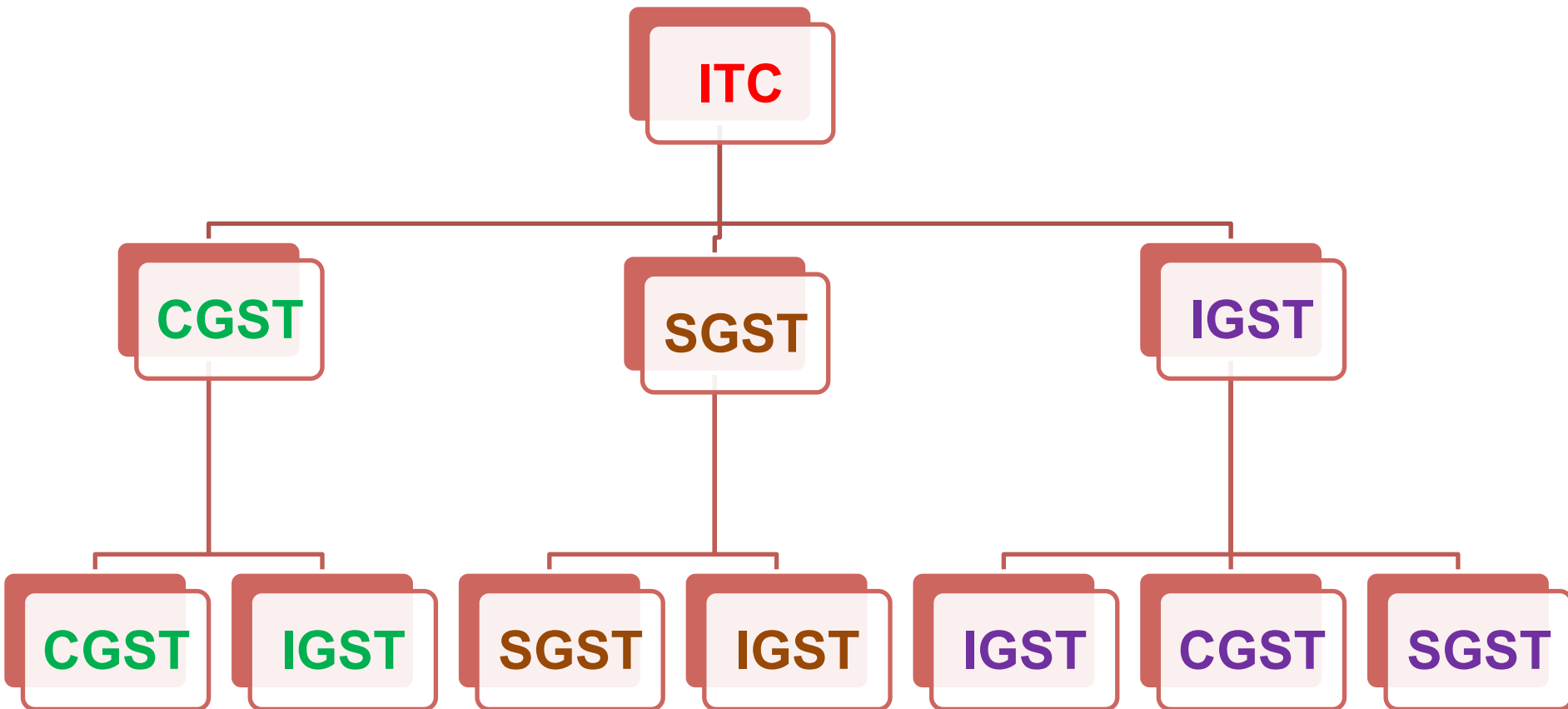
# ....GST – FEATURES....

- ❖ GST Rates – based on RNR : Four rates -
  - ❑ Merit rate - essential goods or services
  - ❑ Standard rate - goods or services in general
  - ❑ Special rate - precious metals
  - ❑ Nil rate - exempted goods or services
- ❖ 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



# ....GST – FEATURES....

## 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 or of neither – Schedule II
- ❖ 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
- ❖ On Inter -State supplies of goods and/ or services - IGST shall be levied by the Central Government, at the rate to be prescribed
- ❖ 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-III
- ❖ Provision for levy of fixed tax 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

# ....FEATURES OF MGL....

- ❖ 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

# ....FEATURES OF MGL....

- ❖ Proportionate credits allowed in case inputs, inputs services and capital goods are used for business and non-business purposes
- ❖ Proportionate credits allowed in case inputs, inputs services and capital goods are used for taxable and non-taxable supplies
- ❖ ITC cannot be availed on invoices more than one year old
- ❖ 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 31<sup>st</sup> 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



# ....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
- ❖ 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) 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 90 days from the date of receipt of complete application
- ❖ Interest is payable if refund is not sanctioned within 90 days
- ❖ Refund claim along with documentary evidence is to be filed online without any physical interface with tax authorities
- ❖ Immediate provisional sanction of 80% 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
- ❑ Adjudication order to be issued within 3/5 years of filing of annual return in normal cases & fraud / suppression cases respectively

# ....FEATURES OF MGL

- ❖ No separate time lines for issue of SCN and adjudication order
- ❖ 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 such as advance ruling, Settlement Commission provided for
- ❖ Comprehensive transitional provisions for smooth transition to GST
- ❖ Provision for Job work provided
- ❖ System of GST Compliance rating provided

# **GST NETWORK (GSTN)**

# GSTN

- ❖ Incorporated on 28.03.2013 as Section 25 private limited company with authorized equity of Rs. 10 Crores
- ❖ 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

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- ❖ Prominent role 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....

- ❖ Constitution (101<sup>st</sup>) Amendment Act already notified on 08.09.2016
- ❖ GST Council already notified wef 12.09.2016
- ❖ 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
- ❖ Notification of GST Rules
- ❖ Establishment 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!