Understanding Goods and Services Tax
Agenda

- Design of GST
- Main features of GST Law
- Administration and IT Network
- Benefits of GST and Way Forward
# The Effort and Work Done

10 Years... In Making

<table>
<thead>
<tr>
<th>14 EC Meetings in 10 years and 13 GSTC Meetings in 6 months</th>
<th>30 + Sub-Groups &amp; Committees</th>
<th>18000 + Man Hours of discussion by GST Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>175 + Officers Meetings</td>
<td></td>
<td>Constitution Amendment and 5 Laws approved by collaborative effort</td>
</tr>
</tbody>
</table>
Existing Indirect Tax Structure in India

Central Taxes
- Central Excise duty
- Additional duties of excise
- Excise duty levied under Medicinal & Toilet Preparation Act
- Additional duties of customs (CVD & SAD)
- Service Tax
- Surcharges & Cesses

State Taxes
- State VAT / Sales Tax
- Central Sales Tax
- Purchase Tax
- Entertainment Tax (other than those levied by local bodies)
- Luxury Tax
- Entry Tax (All forms)
- Taxes on lottery, betting & gambling
- Surcharges & Cesses

Constitution amended to provide concurrent powers to both Centre & States to levy GST (Centre to tax sale of goods and States to tax provision of services)
Understanding CGST, SGST, UTGST & IGST

- Foreign Territory
- Union territory without legislature
- State 1
- State 2

CGST + SGST

IGST
Features of Constitution Amendment Act

- **Alcohol for human consumption**: Power to tax remains with the State.
- **Five petroleum products – crude oil, diesel, petrol, natural gas and ATF**: GST Council to decide the date from which GST will be applicable.
- **Tobacco**: Part of GST but power to levy additional excise duty with Central Government.
- **Entertainment tax levied by local bodies**: Power to tax remains with the State.
GST Council - Constitution

- Chairperson – Union FM
- Vice Chairperson – to be chosen amongst the Ministers of State Government
- Members - MOS (Finance) and all Ministers of Finance / Taxation of each State
- Quorum is 50% of total members
- States - 2/3 weightage and Centre - 1/3 weightage
- Decision by 75% majority
- Council to make recommendations on everything related to GST including laws, rules and rates etc.
GST Council - Decisions (1/2)

- Threshold limit for exemption to be Rs. 20 lac (Rs. 10 lac for special category States)
- Compounding threshold limit to be Rs. 50 lac with -

<table>
<thead>
<tr>
<th>Categories</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traders</td>
<td>1%</td>
</tr>
<tr>
<td>Manufacturers</td>
<td>2%</td>
</tr>
<tr>
<td>Restaurants</td>
<td>5%</td>
</tr>
</tbody>
</table>

- Government may convert existing Area based exemption schemes into reimbursement based scheme
- Four tax rates namely 5%, 12%, 18% and 28%
- Some goods and services would be exempt
- Separate tax rate for precious metals
GST Council - Decisions (2/2)

- Cess over the peak rate of 28% on specified luxury and sin goods
- To ensure single interface – all administrative control over
  - 90% of taxpayers having turnover below Rs. 1.5 cr would vest with State tax administration
  - 10% of taxpayers having turnover below of Rs. 1.5 cr. would vest with Central tax administration
  - taxpayers having turnover above Rs. 1.5 cr. would be divided equally between Central and State tax administration
Compensation Mechanism for States

- Revenue of all taxes subsumed in GST by the State for 2015-16 as the base
- Assumption of 14% Annual Growth Rate
- Compensation to be provided through Cess
- Cess only on few specified luxury and demerit goods
Main Features of the GST Act (1/4)

- All transactions and processes only through electronic mode – Non-intrusive administration
- PAN Based Registration
- Registration only if turnover more than Rs. 20 lac
- Option of Voluntary Registration
- Deemed Registration in three working days
- Input Tax Credit available on taxes paid on all procurements (except few specified items)
Main Features of the GST Act (2/4)

- Credit available to recipient only if invoice is matched – Helps fight huge evasion of taxes
- Set of auto-populated Monthly returns and Annual Return
- Composition taxpayers to file Quarterly returns
- Automatic generation of returns
- GST Practitioners for assisting filing of returns
- GSTN and GST Suvidha Providers (GSPs) to provide technology based assistance
Main Features of the GST Act (3/4)

- Tax can be deposited by internet banking, NEFT / RTGS, Debit/ credit card and over the counter
- Concept of TDS for certain specified categories
- Concept of TCS for E-Commerce Companies
- Refund to be granted within 60 days
- Provisional release of 90% refund to exporters within 7 days
Main Features of the GST Act (4/4)

- Interest payable if refund not sanctioned in time
- Refund to be directly credited to bank accounts
- Comprehensive transitional provisions for smooth transition of existing tax payers to GST regime
- Special procedures for job work
- System of GST Compliance Rating
- Anti-Profiteering provision
GST Network (GSTN)

- A section 25 private limited company with Strategic Control with the Government

- To function as a Common Pass-through portal for taxpayers-
  - submit registration application
  - file returns
  - make tax payments

- To develop back end modules for 25 States (MODEL –II)

- Infosys appointed as Managed Service Provider (MSP)

- 34 GST Suvidha Providers (GSPs) appointed
Return Process (Example: Return for July 2017)

**Taxpayer**
- Invoice Details upload from 1st of July to 10th of August

**GSTN**

**Recipient**
- Amend or modify and file GSTR-2 by 15th of August
- Auto-Population of invoice details in GSTR-2 of recipient
- Amend or modify and file GSTR-2 by 15th of August

**Supplier and Recipient**
- To reconcile details by 17th of August

**Supplier**
- File GSTR-3 by 20th of August & pay tax
- File GSTR-I by 10th of August
Role of CBEC (Now CBIC)

- Role in Policy making: Drafting of GST Law, Rules & Procedures – CGST, UTGST & IGST Law
- Assessment, Audit, Anti-evasion & enforcement under CGST, UTGST & IGST Law
- Levy & collection of Central Excise duty on products outside GST – Petroleum Products & Tobacco
- Levy & collection of Customs duties
- Developing linkages of CBEC - GST System with GSTN
- Training of officials of both Centre & States
- Outreach programs for Trade and Industry
Benefits of GST (1/2)

1. Reduction in Cascading of Taxes
2. Overall Reduction in Prices
3. Common National Market
4. Benefits to Small Taxpayers
5. Self-Regulating Tax System
6. Non-Intrusive Electronic Tax System

- Decrease in Inflation
- Ease of Doing Business
- Decrease in “Black” Transactions
Benefits of GST (2/2)

1. Simplified Tax Regime
2. Reduction in Multiplicity of Taxes
3. Consumption Based Tax
4. Abolition of CST
5. Exports to be Zero Rated
6. Protection of Domestic Industry - IGST

- More informed consumer
- Poorer States to Gain
- Make in India
Way Forward

- SGST law to be passed by the State Legislatures
- GST Council to fit tax rates to various categories of Goods or Services
- Sector Wise guidance notes to be prepared
- Migration and handholding of existing tax payers
- Outreach program for trade and industry
- Change Management
Thank You

The following material is available on
www.cbec.gov.in

- Presentation on GST
- GST – Concept & Status
- FAQs on GST in Hindi and English
- CGST, UTGST, IGST & Compensation Acts
- Draft 14 Rules
- Constitutional Amendment Act
Cost of production of goods is Rs. 100.

Cumulative taxes of 32% levied.

- Rs. 132
- 32%
- Rs. 100

All other taxes are replaced by GST.

- Rs. 128
- 28%
- Rs. 100

Overall incidence of tax will be reduced.

Reduction in Price of Goods under GST:

- Service Tax – 1%
- VAT 14.5%
- Entry Tax 2%
- Excise 12.5%
- CST 2%
- GST @ 28%
Cost of production of goods is Rs. 97

Service tax 15% and embedded VAT of ~3%

Overall incidence of tax will be same

Service tax replaced by GST

Reduction in Price of Goods under GST