

Updates on GST

GST Hope For Betterment
Released..... For ICMAI
Members
Here Today



WELCOME DELEGATES

Humble Request : Silence Please and Urgent Calls Only

**CMA Dr. Pawan Jaiswal
Special Invited Member
on GST & DTC Matters Govt. of India**

GST



Finance Minister Arun Jaitley Confident of GST Rollout by 2016

on September 21, 2015



HONG KONG: Finance Minister Arun Jaitley today expressed his confidence that the new goods and services tax (GST) regime will roll out from next fiscal despite the pending issues regarding direct tax.

Mr Jaitley has gone to Singapore and Hong Kong on a four-day official tour. He expressed his confidence that the GST will be passed in the Rajya Sabha in the next session.

"It (GST) can come up on the first of any month. Delay from April 1 does not mean that it will go to April 1 of the next year. That only happens in income tax," he added.

Source : NDTV

Infosys Gains on Buzz of Bagging GST Contract

on September 22, 2015



Infosys shares jumped as much as 2.8 per cent to hit an intraday high of rs. 1,135.95 after press trust of india, citing sources, reported that the it major has bagged a rs. 1,320 crore contract to build goods and services tax (gst) network system, which will be used for the roll-out of the new indirect tax regime.

Tata Consultancy Services (TCS), Wipro, Tech Mahindra and Microsoft had also bid for building the GST network, the Press Trust of India report said.

The government plans to implement GST, which would subsume central excise, service tax and other local levies, from April 1, 2016. Despite the inability of the government of pass the GST bill in the monsoon session of Parliament, Finance Minister has expressed optimism about rolling out the new tax regime next year.

Source : NDTV

GST

..

2006-07

1 ,

2010

()

-

-

,2008 "

-

"

-

-

10

,2009

-

,

source :

dor.gov.in

GST

..

‘ ‘
()
()

source : dor.gov.in

What is GST ?...

- A tax on goods and services.
- Leviable at each point of sale or provision of service.

At the time of sale of goods or providing the services the seller or service provider can claim the input credit of tax which he has paid while purchasing the goods or procuring the service.

- very similar to VAT.
- Or say National level VAT on Goods and Services.
- Not only goods but also services are involved.
- Rate of tax on goods and services are Almost the same.



What is “Goods”

Goods as Defined under SOG Act :

- ❑ Every kind of moveable property and includes stock and shares, growing crops, grass, and things attached to or forming part of the land, which are agreed to be severed before sale or under the contract of sale.
- ❑ Actionable claims and money are Excluded.

The test is if the property on shifting its situation, does not lose its character, the said property shall be movable and fall within the definition of `Goods`.



What is “Service”

Services Defined under ST Act :

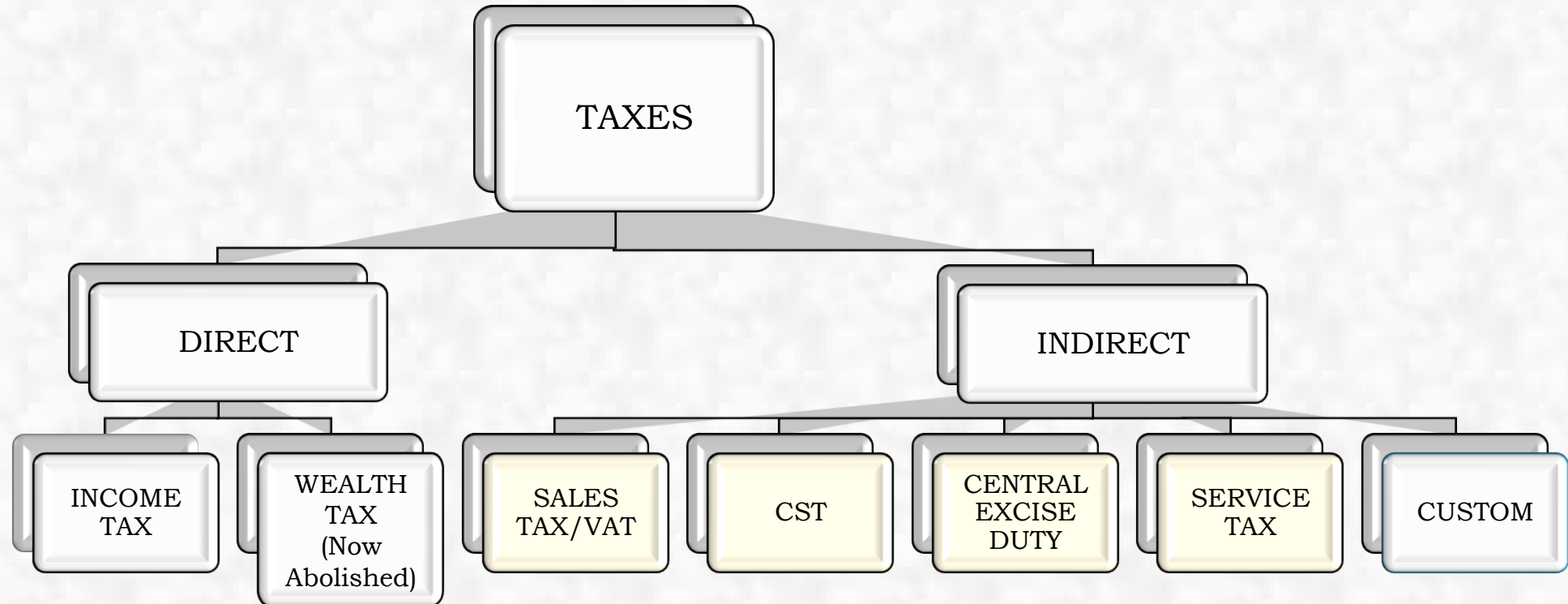
- Any activity
- For consideration
- Carried out by a person for another
- And includes a declared service

Doesn't include

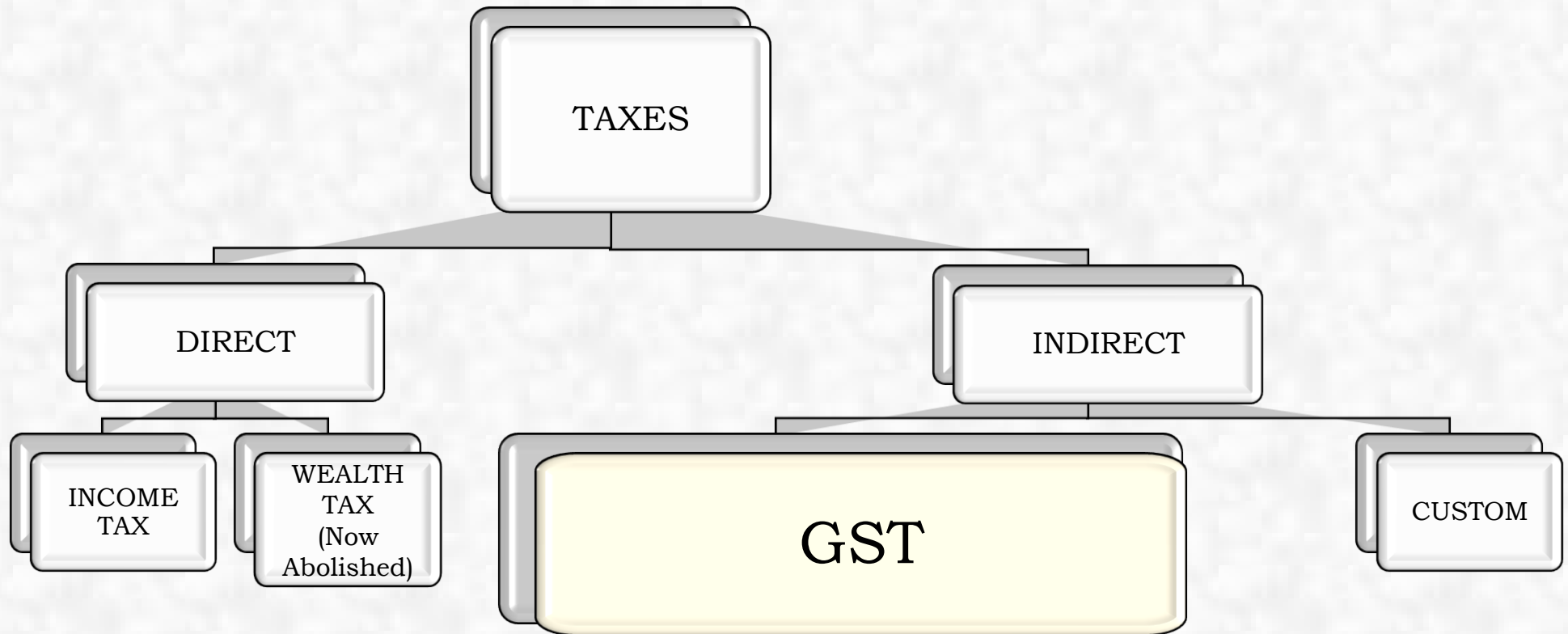
- Any activity which merely constitutes a transfer in title of
 - Goods
 - Immovable property by way of sale, gift or in any other manner.
- A transaction merely in
 - Money or
 - Actionable Claim
- Any service provided by an employee to an employer in the course of employment.
- Fees payable to a court or a tribunal set up under a law for the time being in force.



GST- What All It Includes



GST- WHAT ALL IT INCLUDES



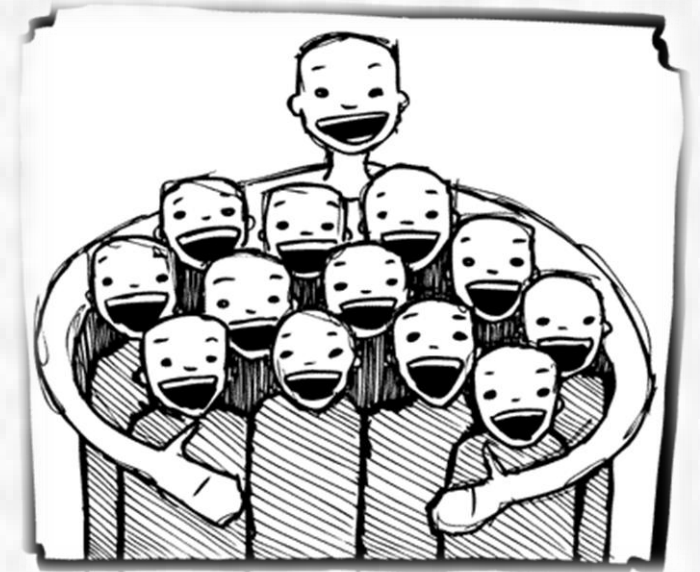
Taxes Proposed to be included in....

Central Taxes

- Excise Duty
- Additional Excise duty
- Service Tax
- CVD, SAD
- Surcharge

State Taxes

- VAT
- Entertainment tax levied by states
- Luxury Tax
- Tax on Lottery
- Entry tax other than for local bodies



Taxes Not Be Included In

Central Taxes

- Specific Cess
- Excise duty on tobacco products

State Taxes

- Items containing alcohol
- Entertainment tax (Local Bodies)
- Entry tax for local bodies
- Electricity duty



How is GST Applied ?

- ❑ GST is a consumption based tax/levy. It is based on the “Destination principle.” GST is applied on goods and services at the place where final/actual consumption happens.
- ❑ GST is collected on value-added goods and services at each stage of sale or purchase in the supply chain. GST paid on the procurement of goods and services can be set off against that payable on the supply of goods or services. The manufacturer or wholesaler or retailer will pay the applicable GST rate but will claim back through tax credit mechanism.
- ❑ But being the last person in the supply chain, the end consumer has to bear this tax and so, in many respects, GST is like a last-point retail tax. GST is going to be collected at point of Sale.



Supply Chain of GST with an example

GST Supplychain example (Assuming GST rate @ 8%)				
Supply of Goods	GST Flow	Input Costs (ex-GST)	Sale Price (ex-GST)	GST Collected
A weaver sells a fabric to a tailor for Rs 108 per metre	The weaver pays GST of Rs 8	0	Rs 100	Rs 8
The tailor sells a ready made completed shirt to a retailer for Rs 270	The tailor pays GST of Rs 12 (After input tax claim. Weaver claims tax credit for Rs 8)	Rs 100	Rs 250	Rs 12
The retailer sells the readymade shirt in his showroom for Rs 540	The retailer pays GST of Rs 20 (After input tax claim. Tailor claims tax credit for RS 12)	Rs 250	Rs 500	Rs 20
You purchase the shirt for Rs 540	No Tax credit claim. You pay entire GST Rs 40 @ 8%	NA	NA	Total : Rs 40

How is GST Levied ?

GST will be levied on the place of consumption of Goods and services. It can be levied on :

- Intra-state supply and consumption of goods & services
- Inter-state movement of goods
- Import of Goods & Services

Indirect Taxes	GST	Goods/Services Produced & Consumed in same State	Goods/Services Produced & Consumed in different States (Inter-State)	Goods & Services Exported	Goods & Services Imported
Excise Duty	CGST	CGST rate + SGST rate Levied	Integrated GST	GST not Applicable	CGST rate + SGST rate Levied
Service Tax					
Custom Duties					
Central Sales Tax					
State Sales Tax	SGST	CGST rate + SGST rate Levied	Integrated GST	GST not Applicable	CGST rate + SGST rate Levied
Entertainment Tax					
State VAT					
Professional Tax					

Key Features of Credit Mechanism

- CGST can be set off against CGST
- SGST can be set off against SGST
- CGST cannot be used for set off against SGST and vice versa.



GST Rates (%)

The rate (percentage) of GST is not yet decided. As mentioned in the above table, there might be CGST, SGST and Integrated GST rates. It is also widely believed that there will be 2 or 3 rates based on the importance of goods. Like, the rates can be lower for essential goods and could be high for precious/luxury items.

Govt looking at 11% for Centre, 12% for states; may figure in Budget

Tax rates firmed up as GST gets set for 2016 rollout

SHRUTI SRIVASTAVA

NEW DELHI, NOVEMBER 6

THE government is giving final touches to one of the most important aspects of the proposed Goods and Services Tax (GST) — the revenue-neutral rate (RNR) — as it prepares to table the Constitution Amendment Bill for GST in the upcoming Winter Session of Parliament.

A senior official told *The Indian Express* that the government is considering 11 per cent and 12 per cent rate for the Centre and states, respectively, under the GST.

With the government looking at a 2016 deadline for rolling out GST, which has been touted as one of the most ambitious reforms, indications are that finance minister Arun Jaitley may make an announcement regarding the same in February in the new Budget.

Meanwhile, the Cabinet note detailing the final amendments to the Constitution Amendment Bill, vital for introducing GST, has been drafted and will be cir-

BIGGEST TAX REFORM



THE CABINET note detailing the amendments to the Constitution Amendment Bill has been drafted and will be circulated soon

THE GOVERNMENT has completed its process of redrafting the Bill and has agreed to most of the demands made by the states including having a floor rate with bands to allow states the freedom to have a high or low tax rate

ALTHOUGH THE Centre has included petrol under the GST, opposed to the states' demand, it has allowed them to levy taxes over and above the GST on the product

culated soon, the official added.

"After making the calculations by including petrol and octroi in the GST as opposed to the states' demand of keeping them out, the rate that has been arrived at is 11 per cent and 12 per cent for the Centre and states, respectively," the official said.

According to the Thirteenth Finance Commission chaired by Vijay Kelkar, the rate for both the Centre and

states was set at 6 per cent, with the combined rate of 12 per cent. He further added, "We are looking at a combined RNR of not more than 24 per cent which is still very high because the GST design we are adopting is distortionary in nature. However, going forward the distortions will be gradually removed, thereby reducing the rates."

Further, the government has completed its process of

redrafting the Bill and has agreed to most of the demands made by the states including having a floor rate with bands to allow states the freedom to have a high or low tax rate.

Although it has included petrol under the GST, opposed to the states' demand, it has allowed them to levy taxes over and above the GST on the product.

The official said that the Centre will collect taxes from traders having a turnover of over Rs 1.5 crore while the states will tax those having a turnover between Rs 25 lakh and Rs 1.5 crore.

Currently, the threshold for excise duty is annual turnover of Rs 1.5 crore and for service tax it is Rs 10 lakh. The Bill has to be approved by two-thirds majority of Parliament and ratified by 50 per cent states to be passed.

The government is looking at the GST, which will subsume most of the indirect taxes of both states and centre, as a route to improve the ease of doing business by bringing down the incidence of multiple taxes.

Why does India need the GST?

- ❑ Will simplify India's tax structure, broaden the tax base, and create a common market across states, Lead to increased compliance, support India's GDP growth.
- ❑ Beneficial for Indian Setup as the average tax burden on companies will fall due to transparent set-off mechanism and elimination of cascading taxes leading to reduced production costs and increased export competitiveness.
- ❑ Over a period of time the consumer will reap the benefits of the process through lower costs.
- ❑ In Indian economy the service sector contributes over 55%.
- ❑ Separate taxation of goods and services is neither viable nor desirable
- ❑ Value added in manufacture and sale of goods require inputs of both — goods and services and vice versa, which is often not separable

Why does India need the GST?

- Reduced Price
- Increased Government Revenue
- Less Compliance and Procedural cost
- Taxes which cannot be set off will reduce
- All India tax will be based on value added
- No value added implies no tax to be paid to the government
- Creation of a tax neutral supply chain.
- You follow any route; the tax given to the government will remain the same.

Our Place and Role in GST



- Knowledge Management
- Preparatory advisory
- Cost benefit analysis
- GST implementation
- Training / seminars / awareness
- Planning compliances
- Advance ruling representation
- Employment with corporates
- Client retainer ships
- GST Audit

Powers of Centre for Revenue Collection

- ❑ Income Tax – on income, other than agricultural income
- ❑ Excise Duty – on goods manufactured or produced in India
- ❑ Custom Duty – on imports and exports
- ❑ Service Tax – on specified services
- ❑ Central Sales Tax – on inter-State sale of goods

Bookman-Old Style

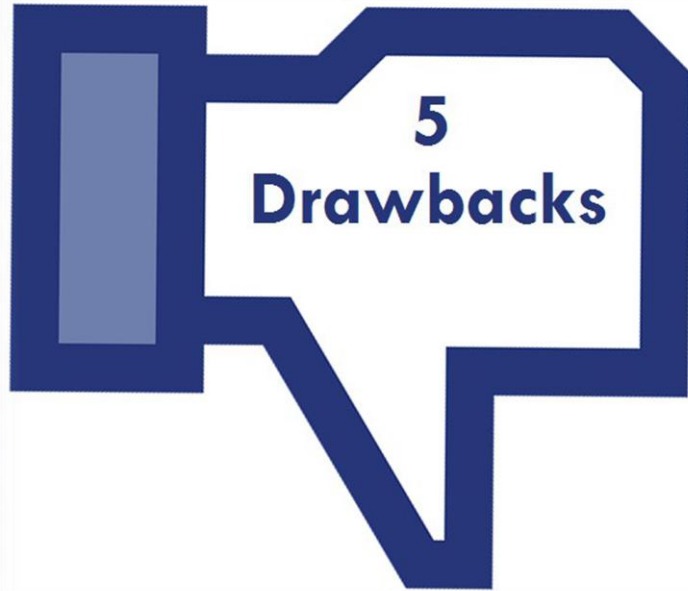


Powers of States for Revenue Collection

- VAT/Sales Tax – on purchase or sale of goods, other than newspapers, within a State
- Excise duty - on alcoholic liquor for human consumption
- Stamp Duty
- Land Revenue
- Tax – on agricultural income
- Toll tax
- Taxes on: Land and buildings
- Entry of goods in a local Area (Entry Tax or Octroi)
- Consumption or sale of electricity
- Goods and passengers carried by road or inland waterways
- Vehicles
- Professions, Trades, Callings and Employments
- Luxuries, including Taxes on Entertainment, Betting and Gambling



Drawbacks of Current System



- Confusion and Mistrust
- Complex and lacking in stability
- Hidden tax on exports, no state tax on imports
- High transaction costs
- Narrow base

GST Council / Board to be Constituted Soon...



- Union FM Shall Chair and Vice Chair & Member From State.
- Special Invited Members Having Financial and Tax Expertise.
- All Decisions through Council.
- Right to Vote “One Third with centre and Two Third with State.”

GST- Know Taxes Paid by You



- We all will pay GST on every product or service we buy.
- Since all indirect taxes levied by the States and the Centre will be merged into one GST, we would exactly know how much tax we pay which at present is difficult to understand.
- No distinction would be made between imported or Indian goods and they would be taxed at the same rate.
- The sellers or service providers collect the tax from their customer.
- Before depositing the same to the exchequer, they deduct the tax they have already paid.
- The success of GST would rest upon efficiency, equity and simplicity.

GST : Key Features



- Dual GST : Central GST & State GST
- Destination based State GST
- Common Base
- Uniform Classification
- Uniform Forms – Returns, Challans etc
- No cascading of Central and State taxes
- Cross credit between Centre and State not allowed
- Tax levied from production to consumption
- HSN to be applied for goods
- Uniform return & collection procedure for central and state GST
- 13 digit PAN based common TIN Registration
- TINXSYS to track transactions

GST : Authorities

- ❑ CGST – To be administered by Central Government.**
- ❑ SGST – To be administered by State VAT Department**
- ❑ Inter State Transaction – To be administered by A
common Centralized Authority**



GST- As We Look At

- ❑ India to have only two indirect taxes namely GST, both Central GST & State GST, and Customs duty.
- ❑ Central GST to include central excise, service tax and education cess.
- ❑ State GST to include a combination of all taxes presently levied by the state and octroi by municipalities. CST needs to be phased out before introduction of GST.
- ❑ Both Central GST and State GST to be levied on the common base price from manufacturing stage to retail stage on goods and similarly on services.
- ❑ Tax on sale of property to be levied on the value addition under state GST and not on the total amount as applicable presently
- ❑ Input tax credit to be available for Central GST as well as State GST paid irrespective of the collecting agency.
- ❑ Selection of services for imposing GST should continue with the Central Government. States can be allowed to collect dual GST on certain services, which are directly consumed like beauty treatment, health club etc. State should Choose and not the Centre should impose such services on them?
- ❑ Dual GST should be levied on imports also with facility of credit for the tax paid.
- ❑ Exports must be zero rated i.e. there should be no tax element in the price of goods exported.

GST- IT'S SYSTEM

- Invoice System.
- In this system, the credit of GST paid is claimed on the basis of invoice.
- It is claimed when the invoice is received.
- It is immaterial whether payment is made or not.
- The GST (Output) is accounted for when invoice is raised.
- The time of receipt of payment is immaterial.
- The advantage of invoice system is that the input credit can be claimed without making the payment.
- The disadvantage of the invoice system is that the GST has to be paid without receiving the payment.

GST- IT'S SYSTEM

There are 3 Recognized Systems of GST worldwide:-

- ❑ Invoice System:- In this system the GST (Input) can be claimed on the basis of acknowledgement of invoice, put aside the matter whether payment is cleared or not. The GST (Output) is accounted for when invoice is raised. Here the time of receipt of payment keeps no value.
- ❑ Payment System:-In this system the GST (Input) can be claimed at the time of making the payment for purchases and the GST (Output) is accounted for when the payment is cleared. In payment system, it has no value whether the assessee is preserving the accounts on cash basis or not.
- ❑ Hybrid System :-In this system GST (Input) can be claimed at the time of receiving invoice and GST (Output) is accountable on the ground of payment, if allowed by the law. In some countries the dealers have to put their option for this system or for a reversal of this system before adopting the same.

GST-CAN WE ADOPT IT

- ❑ An information network allowing states to cross-check payment information (TINXSYS) has been put to trial and is expected to improve compliance and reduce evasion.
- ❑ What is needed is an IT system like the Tax Information Network (TIN), where the TDS or the VAT credit is recorded in a central database.
- ❑ Through this, paper bills and fraud are largely eliminated.
- ❑ It is unfair to expect such an initiative to come from the committee working on state VAT, given the lack of sustained organisational capacity required.

GST-NO TAX EVASION

- ❑ To check tax evasion, the Task Force has proposed an IT-intensive 'Risk Intelligence Network' (RIN).
- ❑ This would put three sets of databases together – what the firm tells CBDT, what it tells CBEC and what it puts forth to the public, including shareholders.



Segments of GST

- ❑ Chargeability:-The dealers including (Manufacturers, Wholesalers and Retailers and Service Providers) registered under GST need to charge GST on goods and services delivered to customers at the specified rate of tax. The GST payable is comprised in the price borne by the purchaser of the goods and the service buyer. The supplier including Seller and service provider should deposit this GST amount to the Government.
- ❑ Input Tax Credit (ITC):-If the recipient of goods or services belongs to a registered dealer (Manufacturers, Wholesalers and Retailers and Service Providers) and has got an appropriate tax invoice then he can claim a credit for the payment of GST amount. This “input tax credit” is setoff against any GST (Out Put), charged on goods and services by the dealer to his customers

Segments of GST

- ❑ Registration:- Dealers including the suppliers, manufacturers, service providers, wholesalers and retailers must be register for GST falling which he normally unable to charge GST and claim credit for the GST he pays. Besides he can not also issue a tax invoice.
- ❑ Tax Period :- The tax period should be calculated by the respective law and normally for monthly and/or quarterly. The concerned dealer has to deposit the tax on a particular tax period applicable to him if his output credit is more than the input credit after considering the opening balance, if any, of the input credit.
- ❑ Refund:-The dealer is entitled to get refund subject to the provisions of law applicable in this respect if the input credit of a dealer is more than the output credit for a tax period. Depending on the provision of law the excess amount need to be brought forward to next period or should be refunded with immediate effect.

Segments of GST

- ❑ Exempted Goods & Services :-Some particular goods and services may be marked as exempted goods and services and the input credit should not be claimed on the GST paid for purchasing the raw material in this regard or GST paid on services used for providing such goods and services.
- ❑ Zero Rated Goods & Services :-Normally, export of goods and services treated as zero-rated and the GST paid by the exporters of these goods and services is refunded in this regard. This is the fundamental distinction between Zero rated and exempted goods and services
- ❑ Tax Invoice :-Tax invoice is the most vital & basic document in the GST. A dealer registered under GST can issue a tax invoice and with that invoice the credit (Input) can be claimed. Usually a tax invoice should includes the name of supplying dealer, his tax identification nos., address and tax invoice nos. coupled with the name and address of the purchasing dealer, his tax identification nos., address and description of goods sold or service provided.

Exempted Goods & Services

- ❑ “Tax-exempt” exclusions consist of goods and services that are charged with GST at the production and distribution stages but not at the final retail stage. Manufacturers, wholesalers, and retailers can’t claim an Input Tax Credit. As such, some GST is embedded in the final price of the good or service; however, it is lower than it would otherwise be under the regular GST regime. Examples of tax-exempt exclusions include residential rents, health and dental care, and educational services.
- ❑ “Tax-free” exclusions cover goods and services that are not with GST throughout the life of the product. Final consumers are not charged GST while purchasing these products from distributors. Moreover vendors get Input Tax Credits at the production and distribution stages. As a result, the good or service becomes completely free from taxation relating to the GST. Examples of tax-free exclusions include basic groceries, prescription drugs, and medical devices.

Examples of Exempted Goods & Services

- ❑ Goods transported by rail.
- ❑ Supply of transport vehicles (goods carriage) to a goods transport agency (GTA) to be used for transport of goods by road.
- ❑ Transport of essential goods such as food grains, fertilizers and petroleum products.
- ❑ Edible oilseeds and edible oil, food grains (cereals and pulses) and flour, petroleum and petroleum products and defence and military equipment.
- ❑ Transport of parcels containing newspapers (registered with the Registrar of Newspapers).
- ❑ Raw jute and jute textile, seeds for food crops and fruits and vegetables, seeds for cattle feed, jute seeds, medicine/ pharmaceutical products and relief materials meant for victims of natural or other disasters.

Threshold Exemption for GST

- Threshold exemption is built into a tax regime to keep small traders out of tax net. This has three-fold objectives:
 - I. It is difficult to administer small traders and cost of administering of such traders is very high in comparison to the tax paid by them.
 - II. The compliance cost and compliance effort would be saved for such small traders.
 - III. Small traders get relative advantage over large enterprises on account of lower tax incidence.

Benefits of GST

1. GST provide comprehensive and wider coverage of input credit setoff, you can use service tax credit for the payment of tax on sale of goods etc.
2. GST will be removed and need not pay. At present there is no input tax credit available for GST.
3. Many indirect taxes in state and central level subsumed by GST, You need to pay a single GST instead of all.
4. By reducing the tax burden the competitiveness of Indian products in international market is expected to increase and there by development of the nation.
5. Uniformity of tax rates across the states
6. Ensure better compliance due to aggregate tax rate reduces.
7. Model is likely to take 'Business to Business' as well as 'Business to Consumer' transactions into account
8. Prices of goods are expected to reduce in the long run as the benefits of less tax burden would be passed on to the consumer.
9. Overall tax compliance cost will reduce for government and can concentrate on GST Goods and Services Tax

Knowing more about GST

- We all will pay GST on every product or service we buy/ consume
- All indirect taxes levied by the States and the Centre will be merged into one GST, we would exactly know how much tax we pay which at present is difficult to understand.
- No distinction would be made between imported or Indian goods and they would be taxed at the same rate.
- The sellers or service providers collect the tax from their customer.
- Before depositing the same to the exchequer, they deduct the tax they have already paid.
- The success of GST would rest upon efficiency, equity and simplicity.

Q & A Session

• • •

cmadrpawanjaiswal@yahoo.co.in
www.pawanjaiswalassociates.com

“VR Place”, B-1091-B, Mayur Vihar Phase III, Delhi
“Mukut Tower”, Vikas Nagar, Lucknow
“Sangam Place”, Civil Lines, Allahabad

Cell:09839441144