



**The Institute of
Cost Accountants
of India (ICAI)**

Goods & Services Tax (GST) Certification Course

Disclaimer

The information cited in this presentation has been drawn from various sources (including study material prepared by The Institute of Cost Accountants of India and The Institute of Chartered Accountants of India). While every efforts have been made to keep the information in this presentation error free, no responsibility for any typographical or clerical error which may have crept in while compiling the information provided can be taken.

The presentation has been prepared to provide an overview of the applicable law pertaining to the subject matter. For detailed insight and for better understanding, its is advised to refer to relevant provisions in the Act and the related rules & notifications.



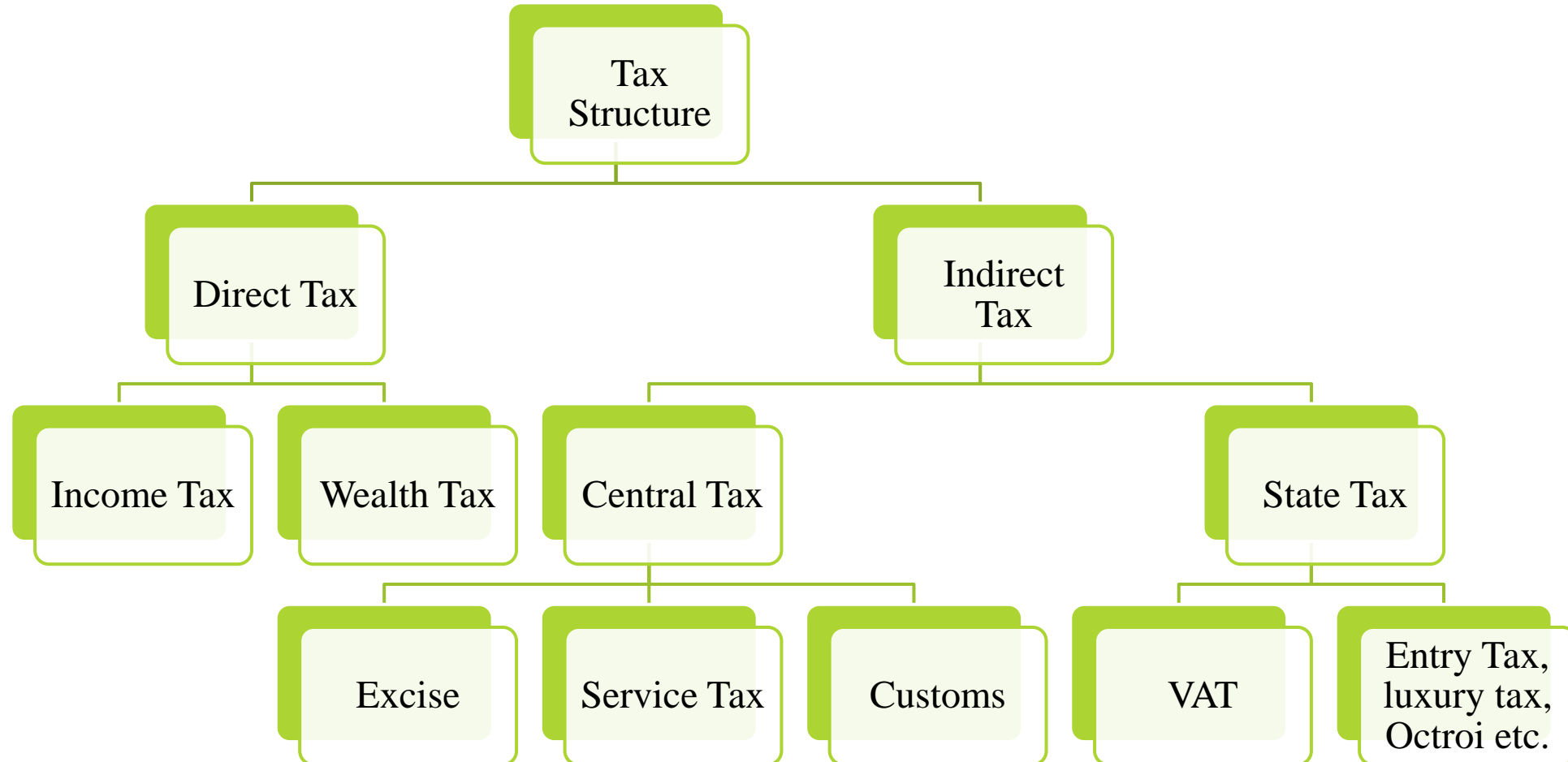
Introduction to GST

What was
the need?



Indirect Tax structure in India

5

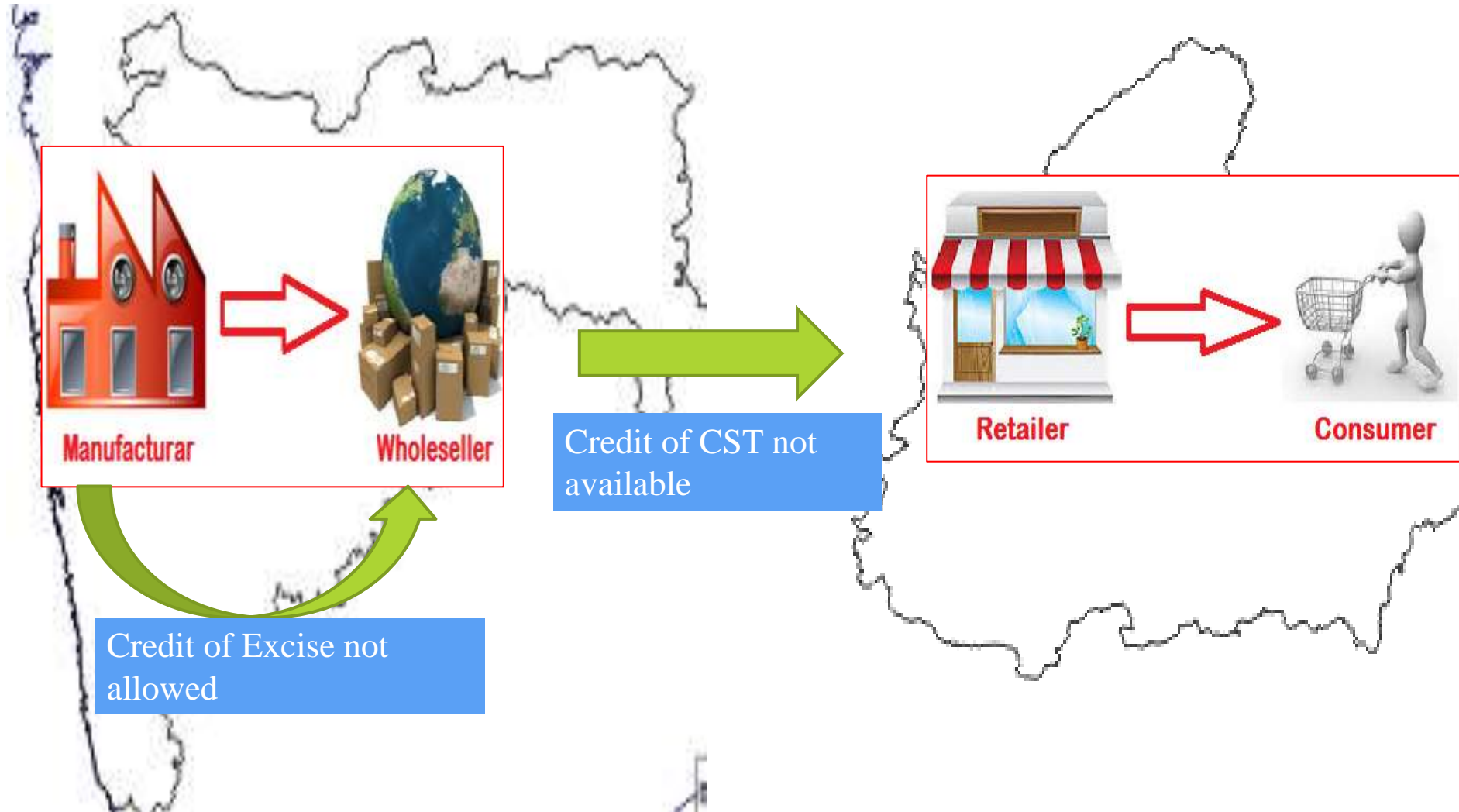


Cascading effect of Tax

6

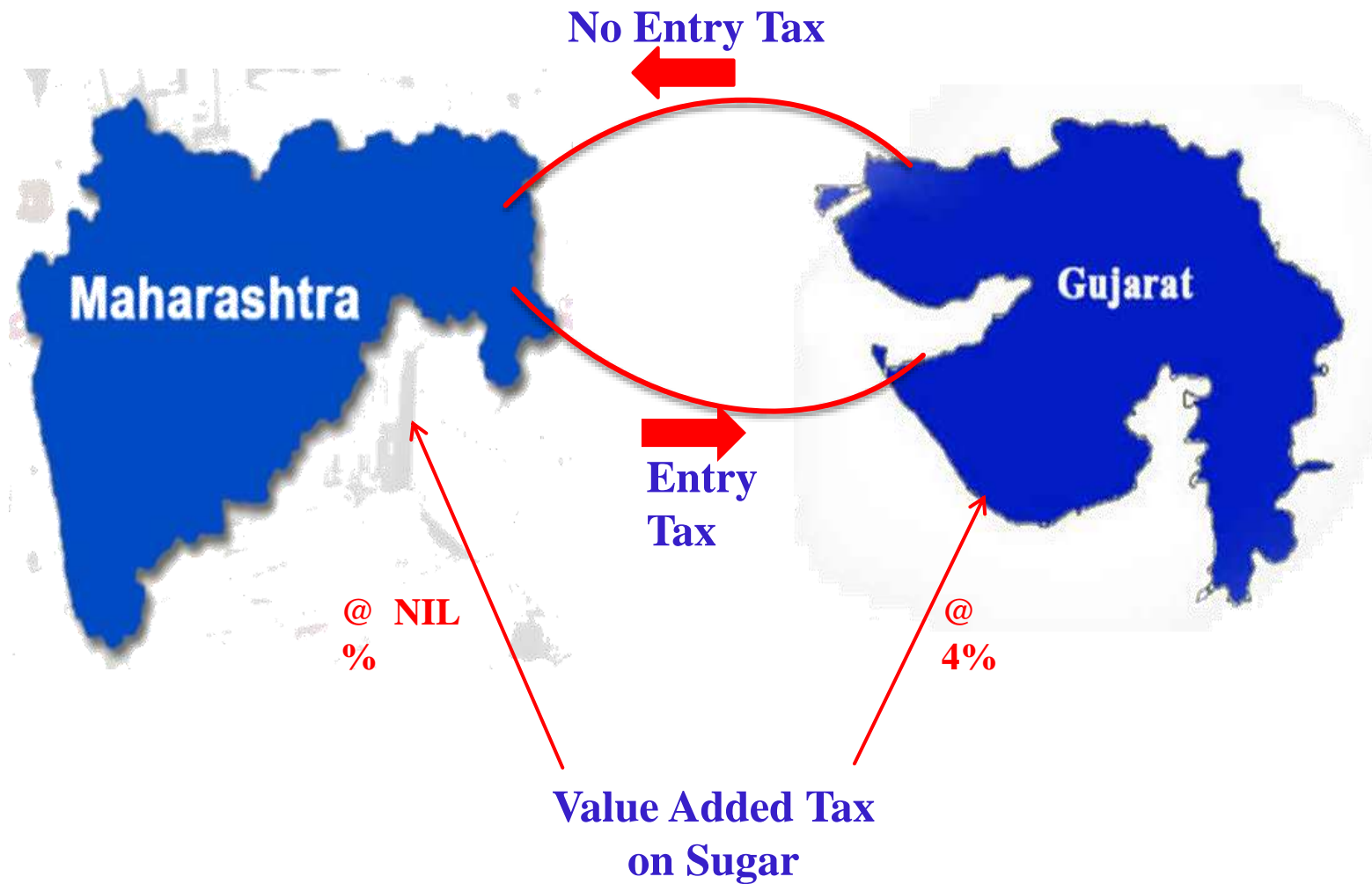
MAHARASHTRA

MADHYA PRADESH



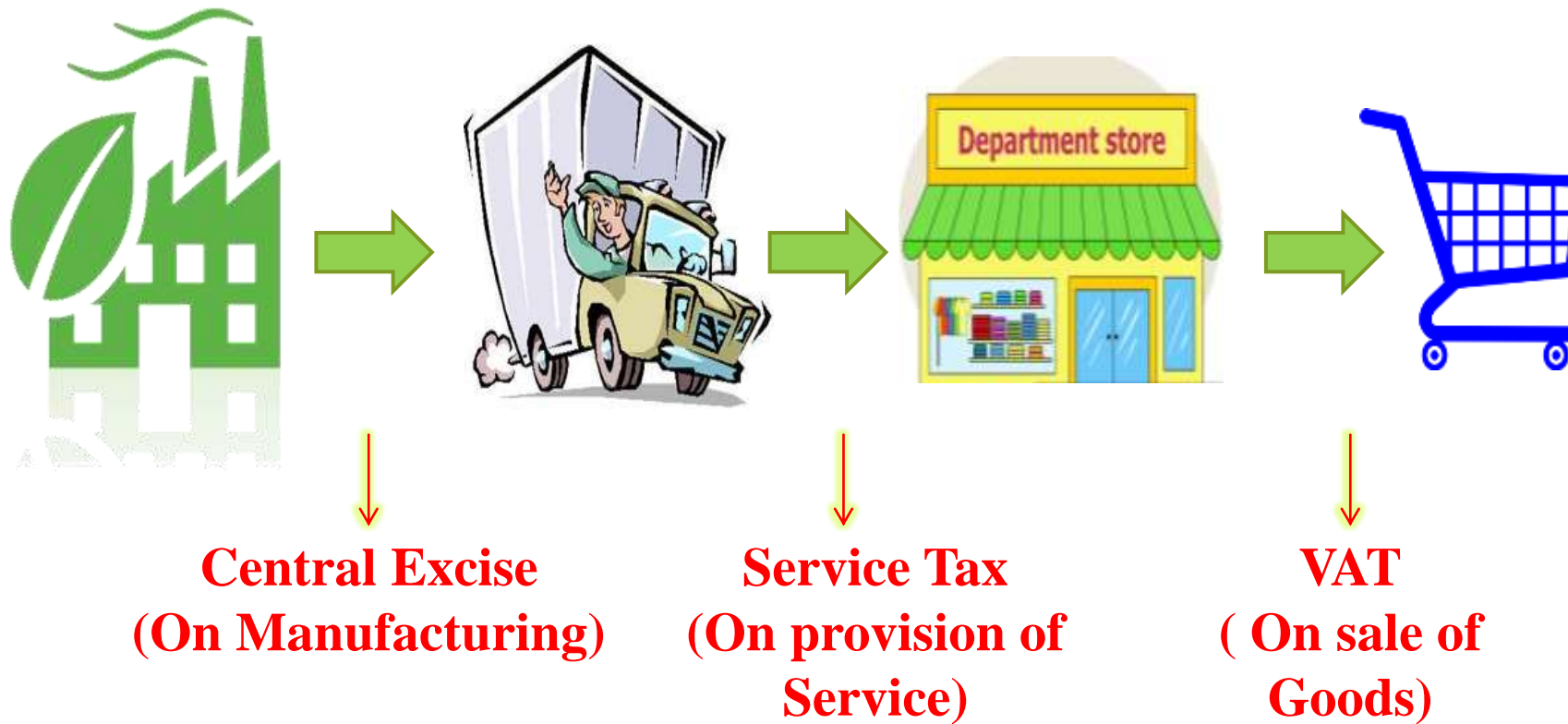
Lack of uniformity

7



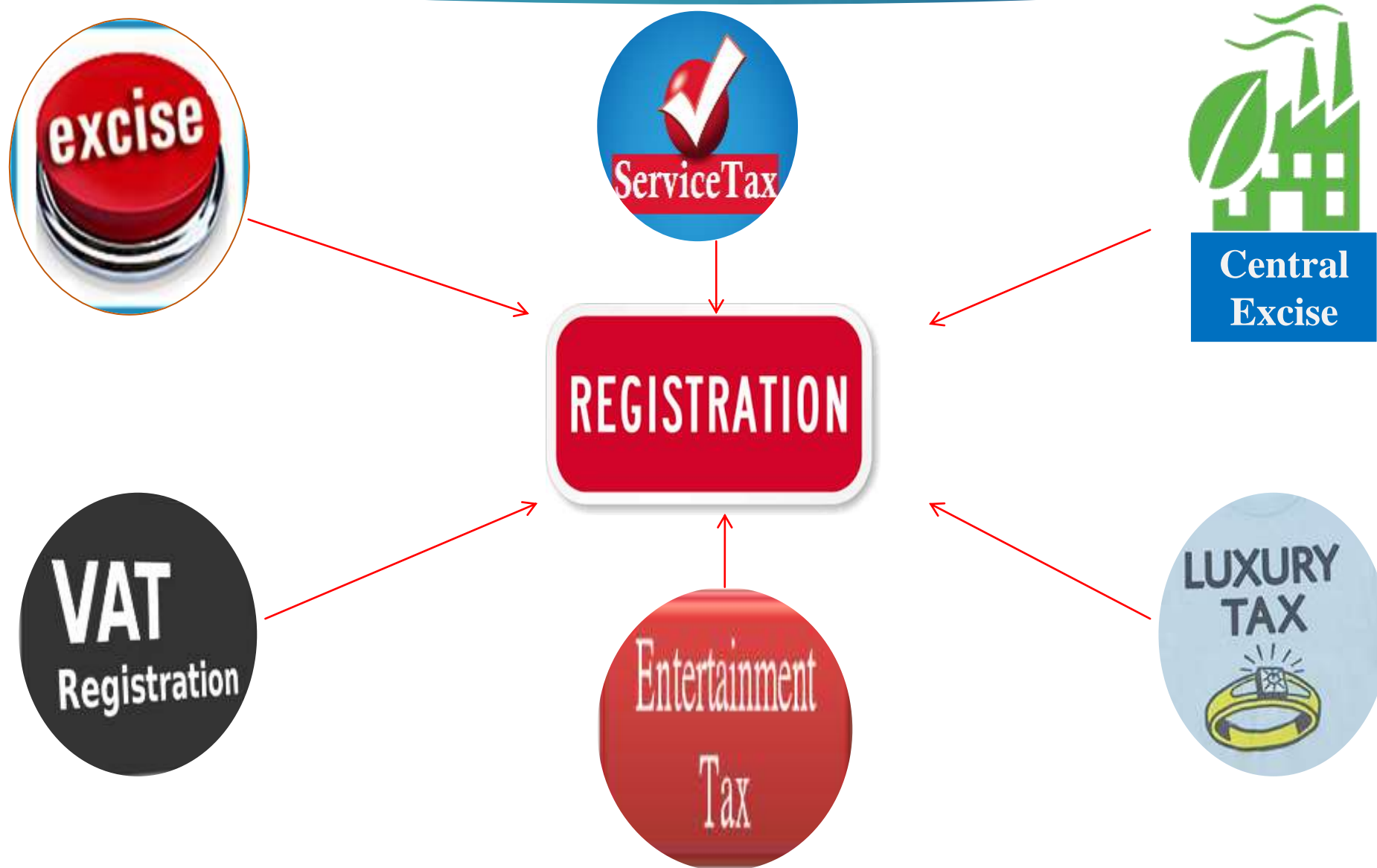
Different points of taxation

8



Multiple registrations

9



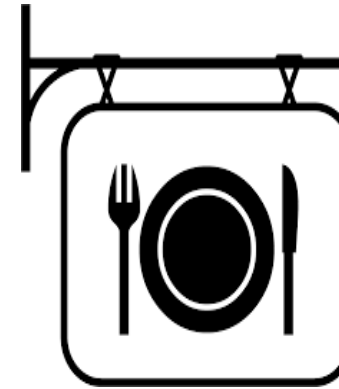
Goods vs. Services dilemma

10

License
Software in
CD



Sale of Food In
Restaurant

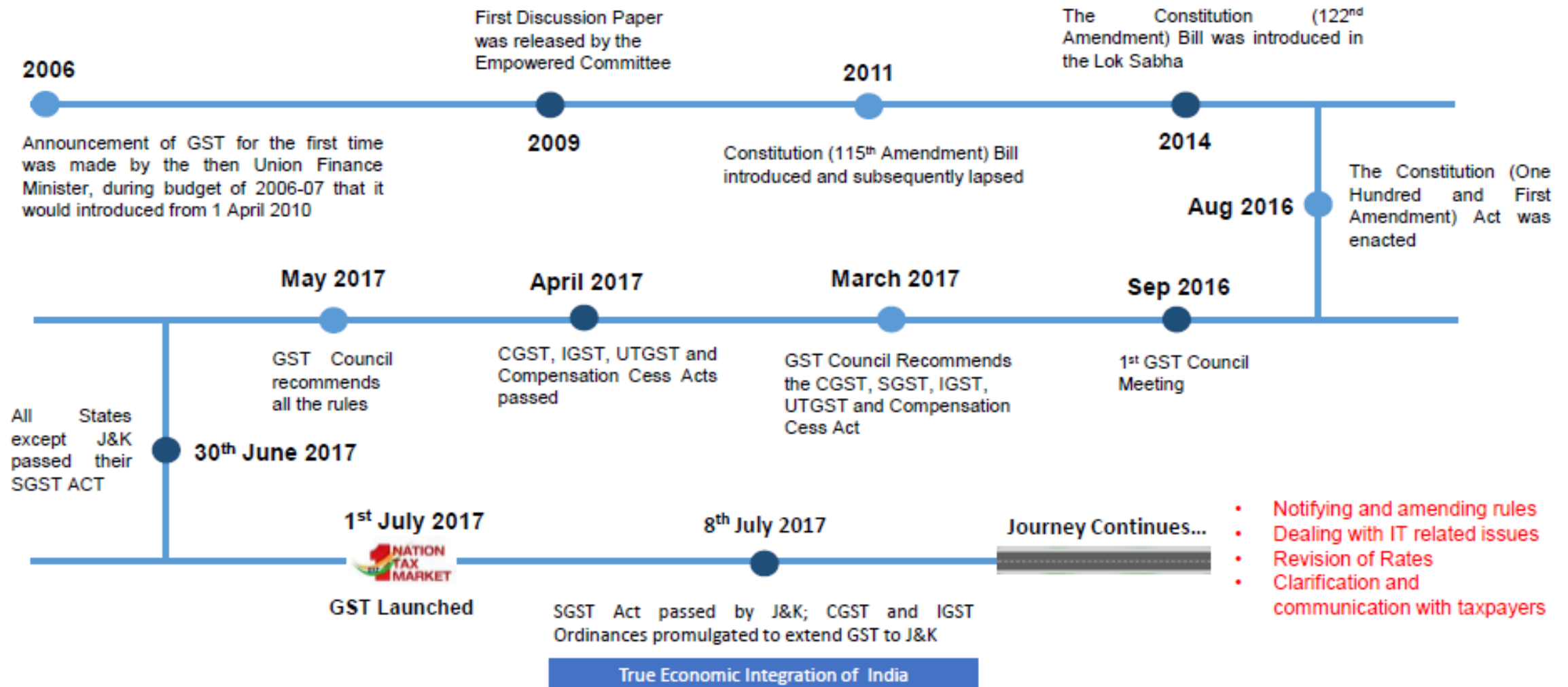


Overhauling Indirect Taxes



The journey to GST

12



GST from a constitutional perspective

13

Article 366(12A)

Definition of GST

“Goods and services tax” means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption

Sl No	Definition	Article	Definition
1.	Goods	366(12)	Includes all materials, commodities, and articles [Pre Existing Definition]
2.	Service	366 (26A)	Anything other than goods [Introduced vide 101 st Constitutional Amendment Act]
3.	State	366(26B)	With reference to articles 246A, 268, 269, 269A and Article 279A includes a Union territory with Legislature. [Introduced vide 101 st Constitutional Amendment Act]

“Goods and Services tax” law while having unique principles, has significant elements of prior Central and State laws; and is also inspired by VAT/GST legislation of EU, Australia, Malaysia etc. along with International VAT/GST guidelines of OECD

GST from a constitutional perspective

14

- Bill 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
 - Compensation for loss of revenue to States for five years on recommendation of GST Council – Sec 18 of the Constitution (101st Amendment) Act, 2016
 - 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 GST Council

What it meant?

15

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

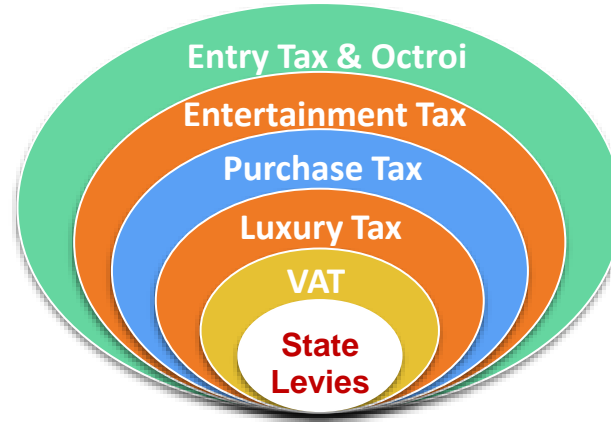
GST



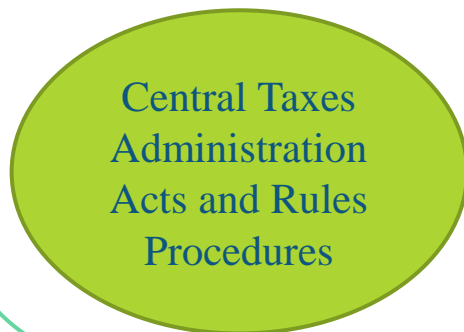
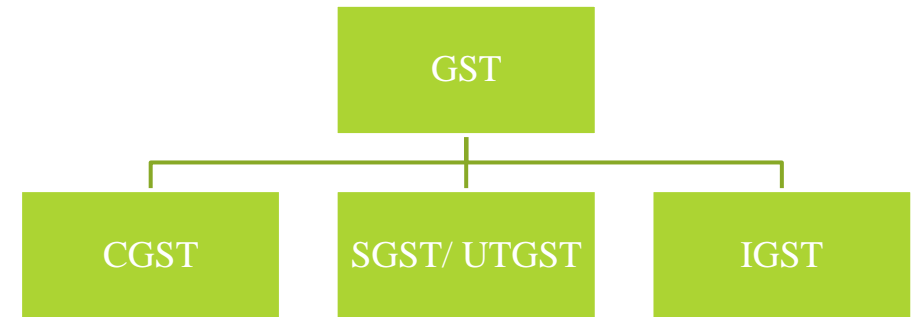
The change

16

Pre-GST Indirect tax structure

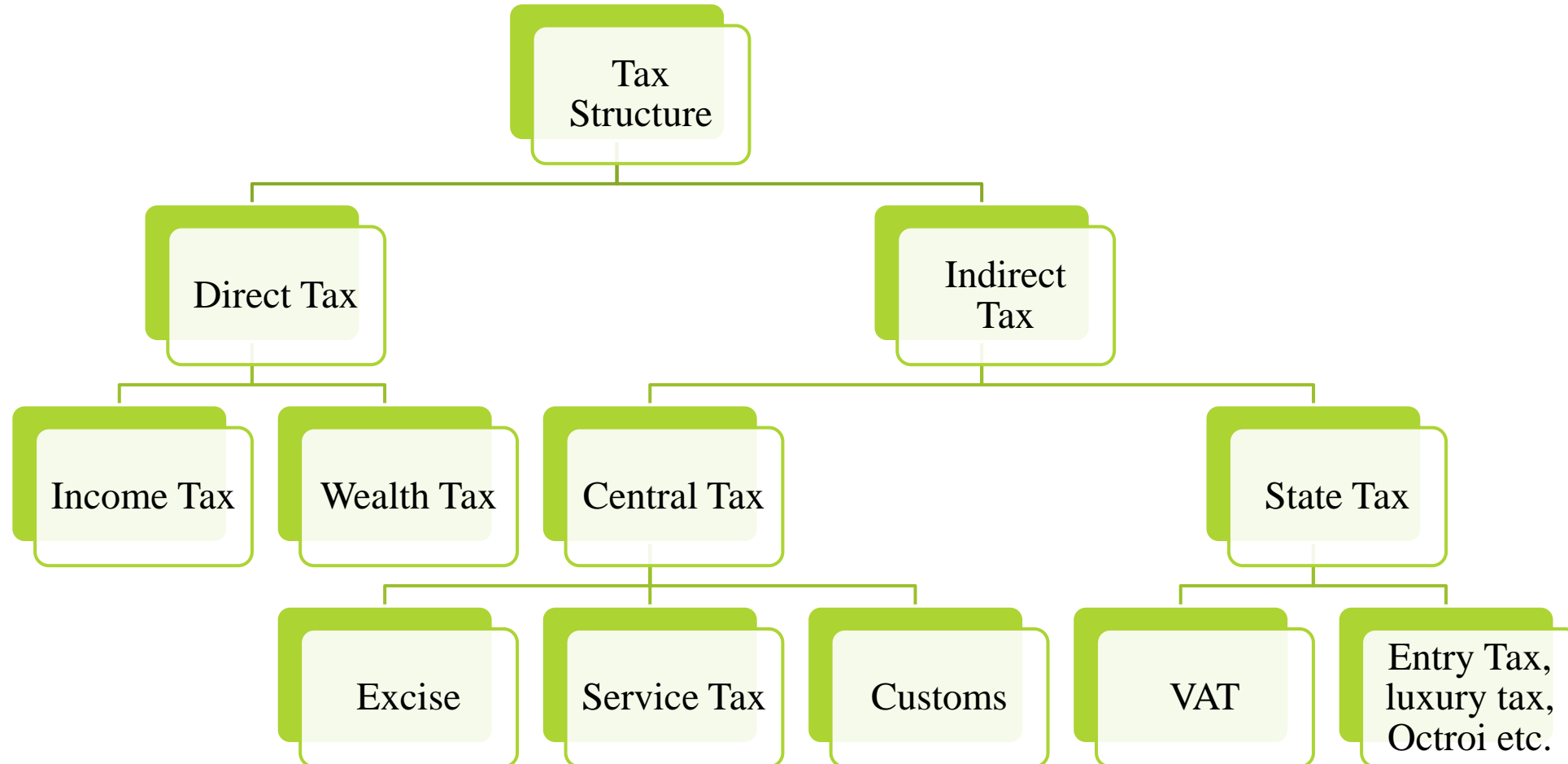


GST structure



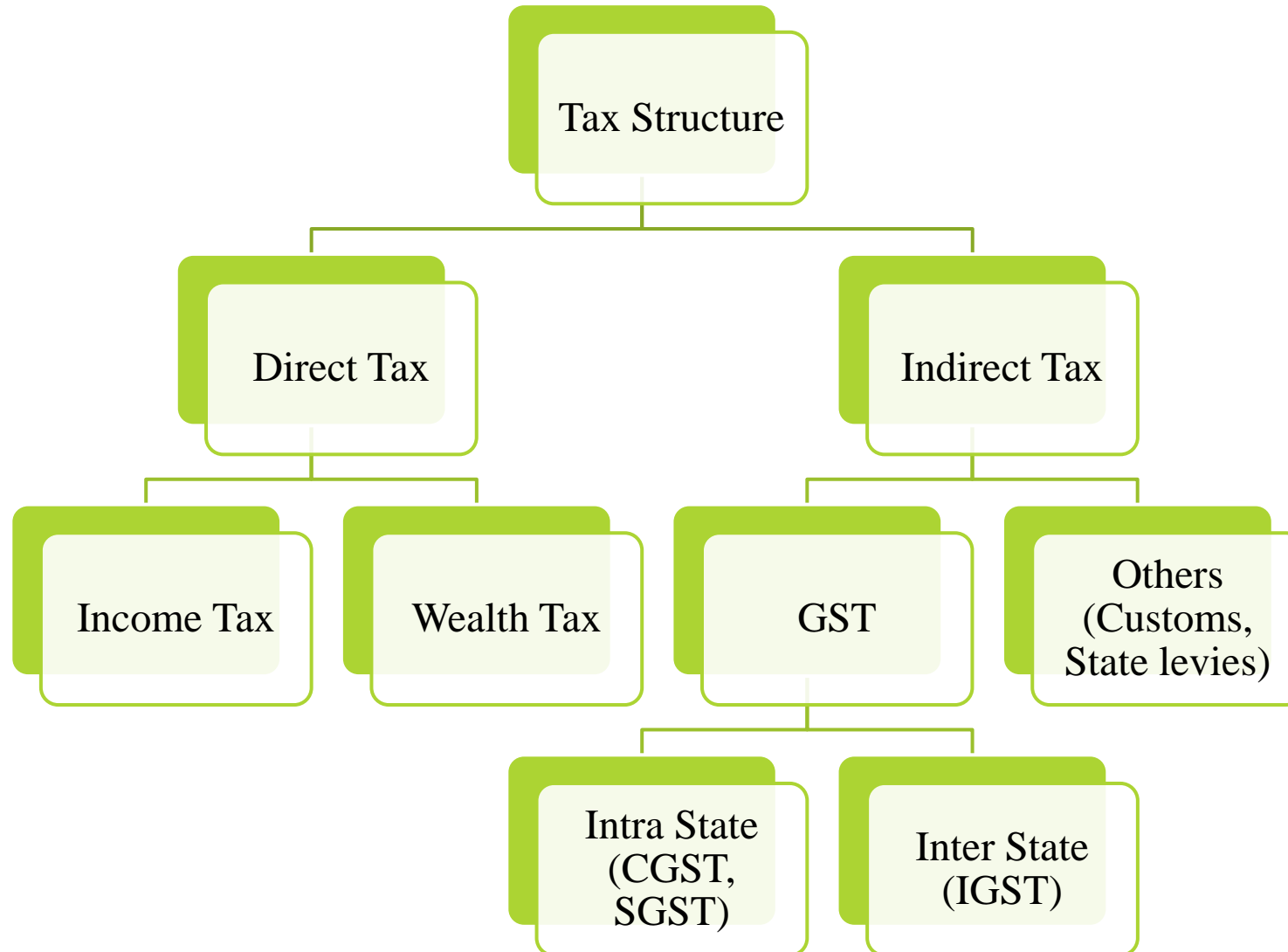
Indirect Tax structure in India

17



Indirect Tax structure in India

18



One Nation: One Tax

19

One Tax
For

Manufacturing

Trading

Services



ONE NATION: ONE TAX

Taxes not subsumed under GST

20

Central Taxes:

- Customs Duty
- Other Customs Duty like anti-dumping duty, Safeguard duty etc.
- Export Duty

State Taxes:

- Road & Passenger Tax
- Toll Tax
- Property Tax
- Electricity Duty
- Stamp Duty & Registration Fees

Outside GST

21



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 local bodies

- Chairperson – Union Finance Minister
- 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.

Structure under GST

23

CGST

- Stands for Central GST
- Tax collected by Central Government
- Applicable on supplies within the state

SGST

- Stands for State GST
- Tax collected by State Government
- Applicable on supplies within the state

UTGST

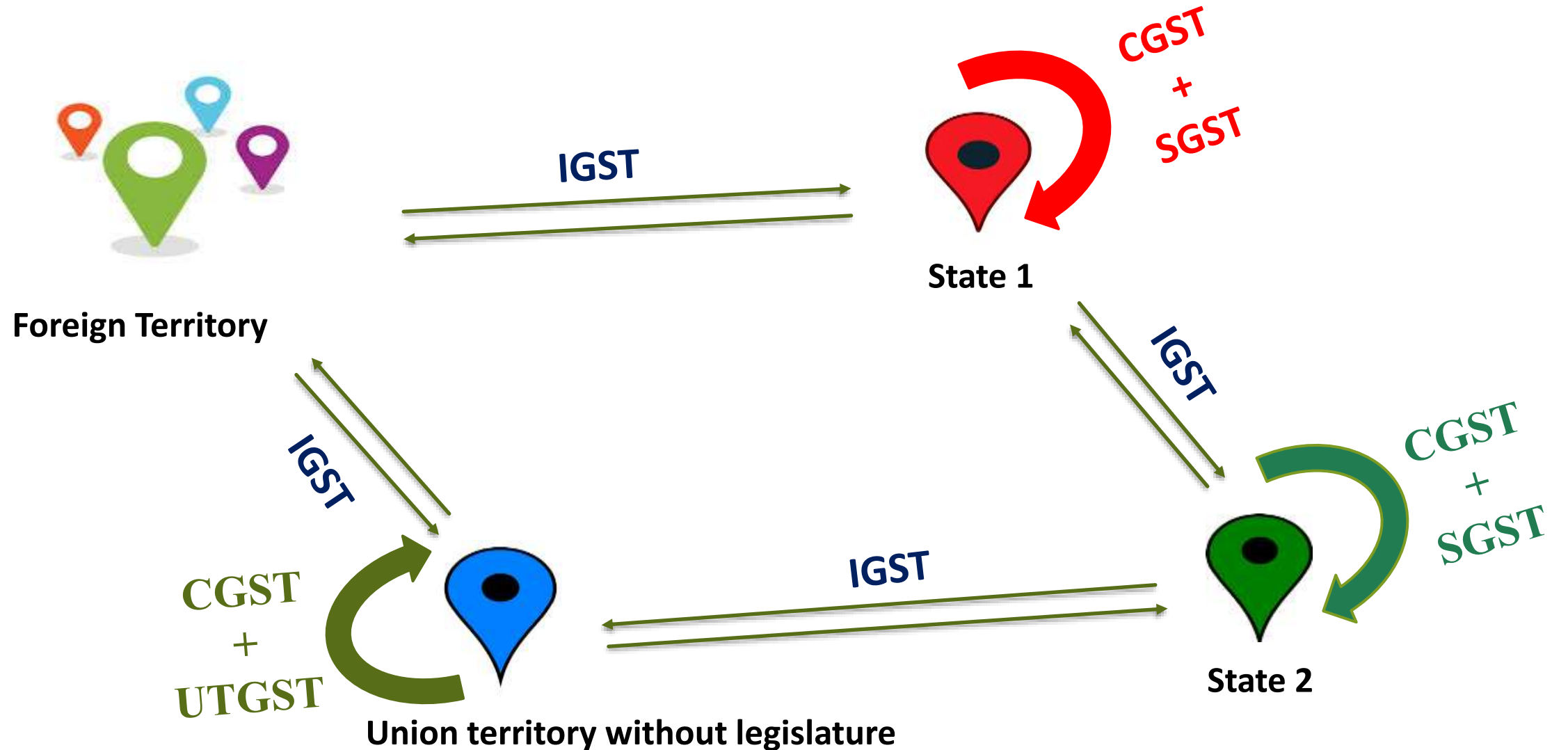
- Stands for Union Territory GST
- Tax collected by Union Territory
- Applicable on supplies within the Union Territory w/o legislature

IGST

- Stands for Integrated GST
- Tax collected is shared between Centre and State
- Applicable on inter-state, Export and import transactions

Understanding the matrix

24



Compensation Cess

25

- The objective of levying this cess is to compensate the states for the loss of revenue arising due to the implementation of GST.
- Effective from 1st July 2017 for a period of five years or such period as recommended by the GST Council.
- Taxpayers (other than exporters and composition taxpayers) supplying select goods/ services will collect the cess. Includes cess chargeable on such goods imported to India. In case cess is paid on exports, it can be claimed as refund.
- Goods covered – Pan Masala, Tobacco, Coal, Aerated water and Motor Cars.
- Levied over and above the amount of GST charged in relation to a particular supply.
- Input credit of the cess can only be used to set off liability of cess arising due to outward supply.
- State's revenue of FY 2015-16 is kept as base and a projected growth rate of 14% (compounded) is applied. Shortfall, if any, between actual and projected revenue is released from the Fund .

Key features

26

- Four tax rates namely 5%, 12%, 18% and 28%. Separate tax rate for precious metals and Works Contract. Some goods and services are exempt from GST.
- Uniform rates across India. Tax from supplies within the State are equally shared by Union and State. Revenue from IGST apportioned among Union and States on the basis of recommendation from GST Council.
- Compensation Cess on specified luxury and sin goods.
- Compensation for loss of revenue to States for five years.
- Applicable on the supply of goods or services (other than alcoholic liquor for human consumption and five petroleum products).
- Levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. Thus, only value addition is being taxed.

Key features

27

- Distinction between goods and services mostly eliminated.
- HSN code/ SAC Code to be used for classifying goods and services.
- Nation-wide introduction of E-way bill for movement of goods
- Destination based consumption tax - Tax would accrue to the State which has jurisdiction over the place of consumption which is also termed as place of supply.
- Input Tax Credit available on taxes paid on all procurements (except few specified items).
- All transactions and processes only through electronic mode – Non-intrusive administration
- PAN Based Registration. Registration only if turnover more than threshold limit with an option for voluntary registration.

Key features

28

- To ensure single interface, all administrative control over taxpayers judiciously divided between Central and State tax administration.
- Easy refund facility. Provisional release of 90% refund to exporters within 7 days
- Set of auto-populated Monthly returns and Annual Return
- System of GST Compliance Rating
- Well documented process and regulations to ensure smooth and effective compliance and to avoid ambiguity and confusion
- GST Practitioners for assisting filing of returns
- GSTN and GST Suvidha Providers (GSPs) to provide technology based assistance

Benefits of GST

29

Reduction in Cascading of Taxes
Availability of Input Tax Credit

**Decrease in
Inflation**

Common National Market
Single registration/ less compliance

**Ease of Doing
Business**

Self-Regulating System
Non-Intrusive Electronic Tax System

**Decrease in
“Black”
Transactions**

Benefits of GST

30

Simplified Tax Regime

Reduction in Multiplicity of Taxes

**More informed
consumer**

Consumption Based Tax

Abolition of CST

**Poorer States
to Gain**

Exports to be Zero Rated

Protection of Domestic Industry - IGST

Make in India

Let's look at the benefit

31

Particulars	Pre GST		Post GST	
	Percentage	Amount	Percentage	Amount

1. Manufacturer

Cost of Production		1,000		1,000
Profit Margin	25%	250	25%	250
Selling Price		1,250		1,250
Excise Duty	12.5%	156		-
VAT/ GST	12.5%	176	18.0%	225
Total Invoice Value		1,582		1,475

2. Wholesaler

Cost of Goods		1,406		1,250
Other Costs		50		50
Profit Margin	25%	364	25%	325
Selling Price		1,820		1,625
VAT/ GST	12.5%	228	18.0%	293
Total Invoice Value		2,048		1,918

3. Retailer

Cost of Goods		1,820		1,625
Other Costs		100		100
Profit Margin	25%	480	25%	431
Selling Price		2,400		2,156
VAT/ GST	12.5%	300	18.0%	388
Total Invoice Value		2,700		2,544