

Overview of Goods and Service Tax: Challenge and opportunities for Cost Accountants and Other Professionals (Saturday, 26 December, 2020)

R.K. Khurana
FCS, FCMA, EMIB, LLB

The presentation covers:

1. Introduction to GST
2. Old and New Scheme of Indirect Taxation in India
3. Brief Historical Background
4. Dual Model of GST law in India
5. Features of 101st Constitutional Amendment Act, 2016

The presentation covers:

6. Goods outside the purview of GST laws
7. CGST/SGST/UTGST/IGST Laws.
8. Definitions under CGST/IGST laws
9. GST (Compensation to States) Act, 2017
10. Questions and Answers

What is GST?

1. The Goods and Service Tax (GST) is a Value added Tax (VAT).
2. It is a comprehensive indirect tax leviable on **manufacture, sale and consumption (called supply)** of goods as well as on services at the national level.

Article 366 (12-A) of Constitution of India

Definition of Goods and Service Tax

“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.

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Definition of Goods and Services

Sec 2(52) **Goods** means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.

Definition of Goods and Services

Sec 2(102) **Services** means anything other than goods, money and securities but includes

activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

Definition of Goods and Services

Explanation to Sec 2(102) .— For the removal of doubts, it is hereby clarified that the expression -services includes facilitating or arranging transactions in securities.

GST replaces Indirect taxes

GST has replaced all indirect taxes (except customs duty) which were levied on goods and services by the Central and State/UT governments.



Erstwhile Structure of Indirect Taxation



1. India, with its federal structure (28 states and 8 UTs), had parallel systems of Indirect Taxation at the central and state levels.
2. The power to levy tax, is provided in the Constitution of India.

Pre-GST Structure of Indirect Taxation

1. As per Article 265 of the
Constitution of India,

**“No tax shall be levied or collected,
except by authority of law”**

Article 246: Laws made by Parliament and State Legislatures

- i. Parliament has exclusive power to make laws with respect any of the matters enumerated in List I of Schedule VII:
Union list
- ii. Legislature of States have exclusive powers to make laws for such states or any part thereof with respect to any of the matters enumerated in List II of Seventh Schedule, **State List**.

Article 246: Laws made by Parliament and State Legislatures

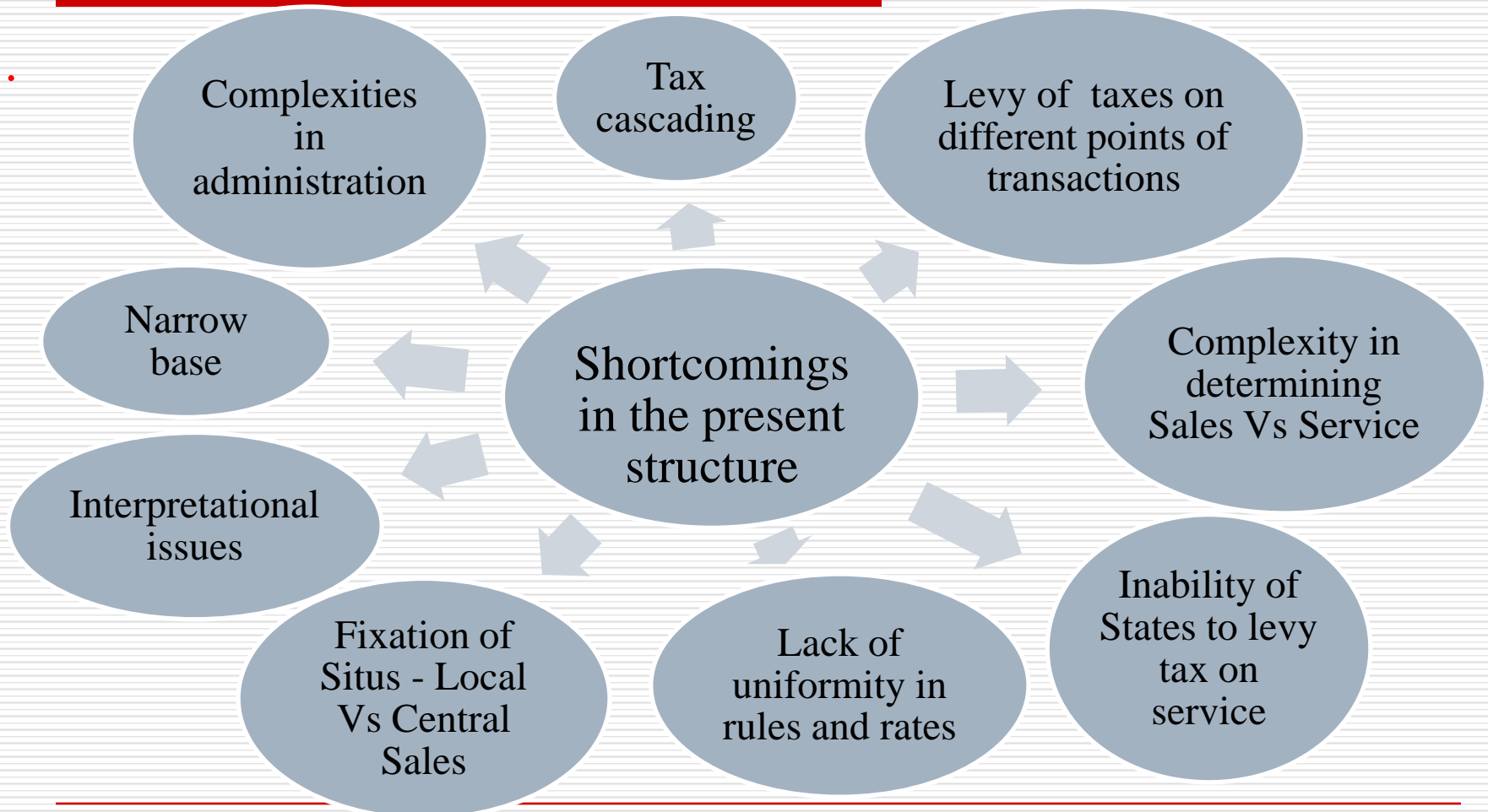
- iii. Parliament and the legislatures of States have power to make law with respect of items enumerated in List III of Seventh Schedule VII:
Concurrent list.

Pre-GST levy of Indirect Tax

(Article 246 read with Seventh Schedule)

Govt	Central Government			C/S Govt	State Govt
Nature of Tax	Excise Duty	Service Tax	Customs Duty SAD/ Countervailing duty	CST	S.T./VAT Entry tax/ Entertainment, luxury Tax
Authority for levy of Tax	Entry No. 84, List I, Schedule VII	Residuary Entry No. 97, List I, Schedule VII	Entry No. 83, List I, Schedule VII	Entry No. 52 and 54 of List II (VAT) subject to 92A of List I (CST)	Entry No. 52, 54 & 62 List II, Schedule VII
Taxable Event	Manufacture	Provision of Service	Import & Export	Sale of goods	Entertainment, luxury & Entry of Goods

Shortcomings in the Pre-GST Indirect Tax Structure



GST in the World



1. GST was first introduced in France in 1954.
2. Today, this is implemented in over 160 countries.
3. Malaysia (Prior to India) was the latest country wherein GST was introduced w.e.f. from April 2015.

Features of an Ideal GST

1. Destination based, not origin based taxation.
2. Should apply to all stages of value chain.
3. Provide seem-less credit for tax paid at different stages of sale/supply of goods/services

Features of an Ideal GST

4. Provide for minimum threshold level below which there should be no tax liability.
5. Zero rating of export of goods and services

Historical Background

1. In 2000, the C. Govt set up a Committee under the chairmanship of Asim Das Gupta to design a model for GST.
2. In July 2004, the (Vijay) **Kelkar Task Force** on the FRBM (Fiscal Responsibility and Budget Management) Act, 2003, commented upon the Tax Structure in India.

Historical Background

- 4. In 2006, C. Govt. announced its intention to introduce GST by 01.04.2010
- 5. First Discussion Paper on GST in November, 2009
- 5. On 22 March 2011, FM Shri Pranab Mukherjee introduced the 115th Constitution Amendment (GST) Bill, in Lok Sabha.

Post NDA Government since 2014

1. Introduced Constitution (122nd Amendment) Bill, 2014 on **GST** in Lok Sabha on December 19, 2014.
2. Passed by Lok Sabha by 2/3 majority on 6 May, 2015.
3. Passed by in Rajya Sabha on 03 August, 2016, and again by Lok Sabha on 08 August, 2016.

Post NDA Government since 2014

5. After ratification of the Bill by more than 50% of the States, Constitution 122nd Amend) Bill, 2014 received the assent of the President on 8th Sept., 2016 and
6. Became the Constitution (101st Amend) Act, 2016.
7. This paved the way for introduction of GST in India.

Passing of GST laws

In the following year, on 27th March, 2017, the Central GST legislations –

1. Central GST Bill, 2017,
 2. Integrated GST Bill, 2017,
 3. UTs GST Bills, 2017 and
 4. GST (Compensation to States) Bill, 2017
- were introduced in Lok Sabha.

Object of CGST Act, 2017

An Act to make a provision for levy and collection of tax on **intra-State supply of goods or services or both** by the Central Government and for matters connected therewith or incidental thereto.

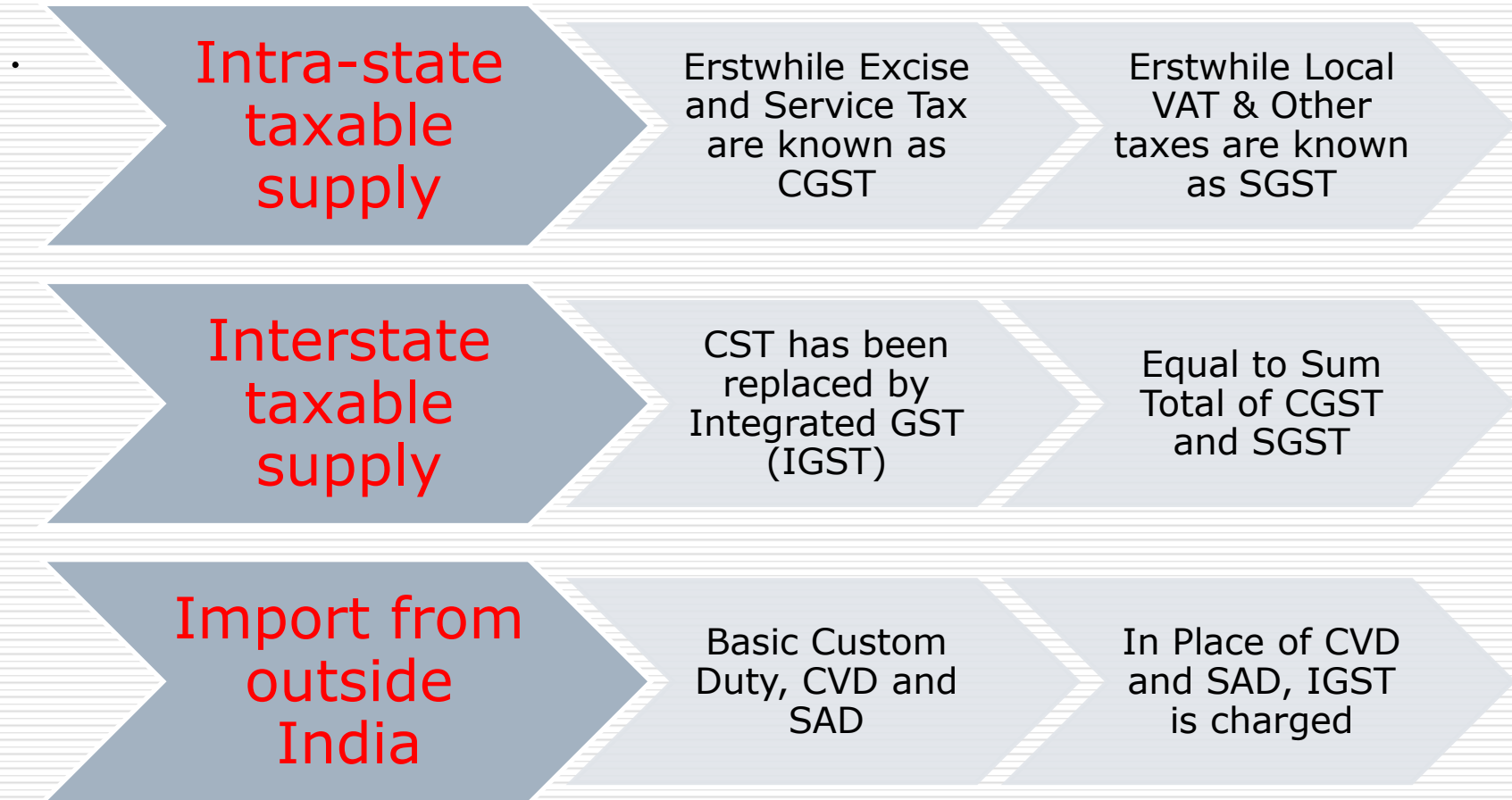
Passing of GST laws

1. Lok Sabha passed these bills on 29th March, 2017 and with the receipt of the President's assent on 12th April, 2017, the Bills were enacted.
2. The enactment of the Central Acts was followed by the enactment of the State GST laws by various State Legislatures.

Various Models of GST in the World

Sr. No	GST Model	Applicable to Countries
1	National GST	Tax levied by Centre with provisions for revenue sharing with provinces/ States Applicable in: Australia/ China
2.	State GST	Tax levied by provinces/States Applicable in: USA
3.	Concurrent dual GST	Tax levied by Centre & State on both goods & services Applicable in: Brazil & Canada - "India"

Structure of Indirect Tax under GST



Sec 8 of IGST: Intra-State Supply of Goods and Services

1. Intra-State supply of goods or services is when the location of the supplier and the place of supply i.e., location of the buyer are in the same state.
2. In Intra-State transactions, a seller has to collect both CGST and SGST from the buyer.

Sec 8 of IGST:

The following shall not be treated as Intra-State Supply of Goods and Services

1. Supply of goods to or by a SEZ developer or a SEZ unit; (Or vice-versa)
2. Goods imported into the territory of India till they cross the customs frontiers of India; or
3. Supplies made to a tourist referred to in section 15 of IGST.

Sec 7 of IGST: Inter-State Supply of Goods and Services

The supply of goods, where the location of the supplier and the place of supply are in—

- i. two different States;
- ii. two different Union territories; or
- iii. a State and a Union territory,

shall be treated as a supply of goods in the course of Inter-State trade or commerce.

Sec 7 of IGST: Inter-State Supply of Goods and Services

2. Supply of **goods imported into the territory of India**, till they cross the customs frontiers of India, shall be treated to be a supply of goods in the course of inter-State trade or commerce.

Central taxes subsumed under GST

GST has replaced the following taxes levied by the Centre:

1. Central Excise duty
2. Duties of Excise (Medicinal and Toilet Preparations) Act, 1955
3. Additional Duties of Excise (Goods of Special Importance) Act, 1957 on items such as sugar, cigar, tobacco, etc.

Central taxes subsumed under GST

4. Additional Duties of Excise (Textiles and Textile Products), 1978
5. Additional Duties of Customs (Commonly known as CVD) and SAD.
6. Service Tax
7. Cesses and surcharges relating to supply of goods or services

State taxes subsumed under GST

State taxes that have been subsumed within the GST are:

1. State VAT/Sales tax
2. Central Sales Tax
3. Purchase Tax
4. Luxury Tax

State taxes subsumed under GST

5. Entry Tax (All forms)
6. Entertainment Tax (not levied by the local bodies)
7. Taxes on advertisements
8. Taxes on lotteries, betting and gambling
9. State cess and surcharge in so far as they relate to supply of goods or services

Items not taxable under GST

1. Alcohol for human consumption – State Excise plus VAT.
2. Electricity – Electricity duty.
3. Real Estate (completed buildings)– Stamp duty plus property taxes
4. Tobacco Products : Liable to GST, but also CG's power to levy excise duty.

Items not taxable under GST:

Petroleum products

1. Petroleum crude,
2. Motor spirit (known as petrol),
3. High speed diesel,
4. Natural gas and
5. Aviation turbine fuel etc.

The taxes for these products will be charged as per the structure before introduction of GST.

To be included from the date to be notified on the recommendation of GST Council

Exclusive Powers of the CG after GST

In the Seventh Schedule to the Constitution,— (a) in List I — Union List,— (i) for entry 84, the following entry has been substituted, namely:—

Duties of excise on the following goods **manufactured or produced** in India, namely:—

- i. Petroleum crude;
- ii. High speed diesel;
- iii. Motor spirit (commonly known as petrol);
- iv. Natural gas;
- v. Aviation turbine fuel; and
- vi. Tobacco and tobacco products.

Exclusive Powers of the States after GST

18. In List II — State List,— for entry 54, the following entry has been substituted, namely:—

“Taxes on the **sale of** petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel and alcoholic liquor for human consumption, but

not including

sale in the course of inter-State trade or commerce or sale in the course of international trade or commerce of such goods”.

Salient features of 101st Constitutional (Amendment) Act, 2016

New Article 246-A: Special Provision w.r.t. GST

Notwithstanding anything contained in articles 246 and 254,
Parliament, and, subject to clause (2),
the Legislature of every State,
**have power to make laws with
respect to GST imposed by the Union
or by such State.**

New Article 246-A: Special Provision w.r.t. Inter State GST

(2) Parliament has exclusive power to make laws with respect to goods and services tax

where the supply of goods, or of services, or both takes place in the **course of inter-State trade or commerce.**

New Article 269-A:
Levy and collection of GST
in course of
Inter-State Trade or Commerce

1. Levi and Collection of IGST

GST on supplies in the course of inter-State trade or commerce shall be levied and collected by the GoI and such tax shall be **apportioned between the Union and the States** in the manner as may be provided by Parliament by law on the recommendations of the GST Council.

1. Levi and Collection of IGST

Explanation.—For the purposes of this clause, supply of goods, or of services, or both **in the course of import into the territory of India** shall be deemed to be supply of goods, or of services, or both
in the course of Inter-State trade or commerce.

Article 269-(A) 2. Levi and Collection of IGST

1. The amount apportioned to a State under clause (1) shall not form part of the Consolidated Fund of India.
2. Where an amount collected as tax levied by a State under article 246A has been used for payment of the tax levied under clause (1), such amount shall not form part of the Consolidated Fund of the State.

Article 269-(A) 5. Place of supply Rules

Parliament may, by law, formulate the principles for determining the place of supply, and
when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce..

Insertion of new Article 246-A conferring simultaneous power to Union and State Legislatures

1. Insertion of new Article 246A **conferring simultaneous power to the Union and the State** legislatures to make laws on GST.
2. **Power to levy Tax on interstate supplies (IGST) vested in Parliament.**
3. **Apportionment of IGST:** IGST shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the GST Council.
4. **Creation of a GST Council**, which is a joint forum of the Centre and the States.

This Council functions under the Chairmanship of the Union Finance Minister.

Salient features of 101st Constitutional Amendment, Act

7. The Centre will **fully** compensate States for loss of revenue arising on account of implementation of the GST for a period up to five years .
8. All Goods and services, except alcoholic liquor for human consumption, have been brought under the purview of GST.

Salient features of 101st Constitutional Amendment Act

9. The **States** have **exclusive power to levy** both Excise duty and State VAT on manufacture and sale of **alcoholic liquors**.
- 10 Petroleum and petroleum products are not be subject to the levy of GST** till notified at a future date on the recommendation of the GST Council.

The erstwhile taxes levied by the States and the Centre on petroleum and petroleum products, i.e., Sales Tax/VAT, CST and Excise duty, continue to be levied in the interim period.

Salient features of 101st Constitutional Amendment

11. Both Centre and States simultaneously levy GST across the value chain. The Centre levies and collects **Central GST**, and States levy and collect the **State GST** on all transactions within a State.
- 12 The Centre levies and collects the **Integrated Goods and Services Tax (IGST)** on all inter-State supply of Goods and Services.
- 13 There is now seamless flow of input tax credit from one State to another.

Salient features of 101st Constitutional Amendment

- 13. GST is a destination-based tax.** All SGST on the final product ordinarily accrues to the consuming State.
- 14. CGST rates are uniform across the Country.** However, to give some fiscal autonomy to the States, there is a provision of a narrow tax band of 2% over and above the floor rates of SGST.

Threshold Limit for levy of tax Registration

States with threshold limit of Rs 10 lakh for both goods and Services	States with threshold limit of Rs 20 lakh for both goods and Services	States with threshold limit of Rs 20 lakh for services and Rs. 40 lakh goods and Services
<ol style="list-style-type: none">1. Manipur2. Mizoram3. Nagaland4. Tripura	<ol style="list-style-type: none">1. Arunachal Pradesh2. Meghalaya3. Sikkim4. Uttarakhand5. Puducherry6. Telangana	<ol style="list-style-type: none">1. Jammu2. and3. Kashmir4. Assam5. Himachal Pradesh6. All other States

Utilization of Input Tax Credit

1. Credit of CGST paid on inputs can be used only for paying CGST on the output and the credit of SGST paid on inputs can be used only for paying SGST.
2. In other words, the two streams of ITCs cannot be cross utilized, except in specified circumstances of inter-State supplies, for payment of IGST.
3. The credit is permitted to be utilized in the following manner:
 1. ITC of CGST allowed for payment of CGST;
 2. ITC of SGST allowed for payment of SGST;
 3. ITC of CGST allowed for payment of CGST & IGST in that order;
 4. ITC of SGST allowed for payment of SGST & IGST in that order;
 5. ITC of IGST allowed for payment of IGST, CGST & SGST in that order.

Utilization of Input Tax Credit

4. Accounts are settled periodically between the Centre and the State to ensure that the credit of SGST used for payment of IGST is transferred by the Exporting State to the Centre.
5. Similarly the IGST used for payment of SGST is transferred by the Centre to the Importing State.
6. The laws, regulations and procedures for levy and collection of CGST and SGST have been harmonized to the extent possible.

Article 279-A: Constitution of GST Council

The President shall, within sixty days from the date of commencement of the Constitution (One Hundred and First Amendment) Act, 2016, by order, constitute a Council to be called the Goods and Services Tax Council.

Article 279-A: GST Council

1. The President has constituted a **GST Council**. It has already held 43 (as on 12 October, 2020) meetings
2. The GST Council consists of the following members:
 - i. The Union Finance Minister:-
Chairperson;
 - ii. The Union Minister of State in charge of Revenue or Finance – Member
 - iii. The Minister in charge of Finance or Taxation or any other Minister nominated by each State Government. Members.

Article 279-A (4)

Powers of the GST Council

The GST Council makes recommendations to the Union and the States on —

- i. Levy of taxes:** The tax, cess and surcharge, presently levied by the Union, the states and the local bodies, which may be subsumed in the Goods and Service Tax.

Article 279-A (4)

Powers of the GST Council

- ii. Recommending exemption:** The goods and services that may be subjected to, or exempted from the goods and services tax.
- iii. Recommending Model GST Laws:** Model GST Laws, principles of levy, apportionment of IGST and the principles that govern the place of supply;

Powers of the GST Council

- iv. Recommending Threshold Limits:** The threshold limit of turnover below which goods and services may be exempted from goods and services tax.
- v. Recommending GST rates:** The rates, including rates with bands of goods and services tax.
- vi. Any special rate in case of natural calamity:** Any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster.

Powers of the GST Council

- vii.** Special provision with respect to certain States: Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand;
- viii.** Any other matter relating to the goods and services tax, as the Council may decide.

Quorum of the GST Council

- 1. Quorum:** One **half** of the total number of Members of the GST Council constitutes the quorum at its meetings.
- 2.** The GST Council determines the procedure in the performance of its functions.

Decisions by the GST Council

Every decision of the GST Council is taken by a majority of **not less than three-fourths** of the weighted votes of the members present and voting, in accordance with the following principles, namely:

- i. The vote of the Central Government have a weight of one-third of the total votes cast, and
- ii. The votes of all the State Governments taken together shall have a weight of two-thirds of the total votes cast, in that meeting.

Vacancy in GST Council

No act or proceedings of the GST Council is invalid merely by reason of—

- i. Any vacancy in, or any defect in, the constitution of the Council; or
- ii. Any defect in the appointment of a person as a member of the Council; or
- iii. Any procedural irregularity of the Council not affecting the merits of the case.

Vacancy in GST Council

2. The GST Council may decide (**by rules provide a framework**) about the modalities to resolve disputes arising out of its recommendation.

Committees under GST

1. A number of Committees were constituted to examine Business Processes under GST Regime
2. The Reports on four business processes, viz. **registration, return, payment and refunds** were put in public domain for comments and feedback of stakeholders.
3. Interactive workshops for trade and industry were conducted at various places for educating them.

Process of Registration under GST

1. Registration to be done within 30 days of the GST liability .
2. PAN based 15 digits GSTN allotted.
3. Aggregate Annual turnover all over the country considered for registration, or for **compounding** Scheme.
4. Compulsory registration for dealer of inter state sale or reverse charge cases.
5. Unique identification no. for **UN Bodies**

Process of Registration under GST

- 6. The concept of ISD continues for services.
- 7. Suo moto registration in Enforcement cases.
- 8. Multiple registration in same state is allowed.

Process of Registration

- 9. The scheme of GST *Suvidha* Providers started.
- 10. Compulsion to use DSC, in case reqd. by any other law.
- 11. Application in GSTN to be submitted to concerned tax authority within 30 days of the liability to pay tax becoming due.
- 12. GSTN will communicate with applicant and concerned tax authority.

Process of Registration

- 13. Approval or Rejection to be done within 3 working days, otherwise it will be deemed approved by GSTN.
- 14. Risk profiling of assesseees to be done by tax authority and input in GSTN.

Process of Payment of GST

1. Online tax payments are required.
2. Bank payments are restricted to Rs.10,000/- per challan.
3. Any amount in excess of this to be paid through electronic mode
4. Challans to be generated from GSTN which have unique Common Portal identification no. (CPIN).

Process of Payment of GST

5. CPIN remains valid for seven working days.
6. The system has been be integrated with RBI system.
7. RBI acts as clearing house for Govts.
8. Cheque bouncing – System will bar such assesseees from this facility.

Chapter X: Sections 49 to 53-A

Payment of Tax under GST

Electronic Cash Ledger

- Amount deposited in Cash credited. This may be used for making payment towards tax interest, penalty, fee or
- Any amount balance after payment may be refunded

Electronic Credit Ledger

- Input tax credit is credited here.
- This may be used for making payment towards tax payable
- Balance may be refunded only in case of exports/rate of output tax is less than that of input tax.

Process of Refund

1. GSTN integrated with ICE Gate of Customs department.
2. Refund application to be filed online.
3. Refund application to be made within time limit. (One year as present).
4. Refund to be processed in a specified time limit.

Process of Refund

5. Stress on online verification of information.
6. Pre and post audit of refunds to be carried out depending on amounts.
7. Payment of interest on delay in payment of refund.

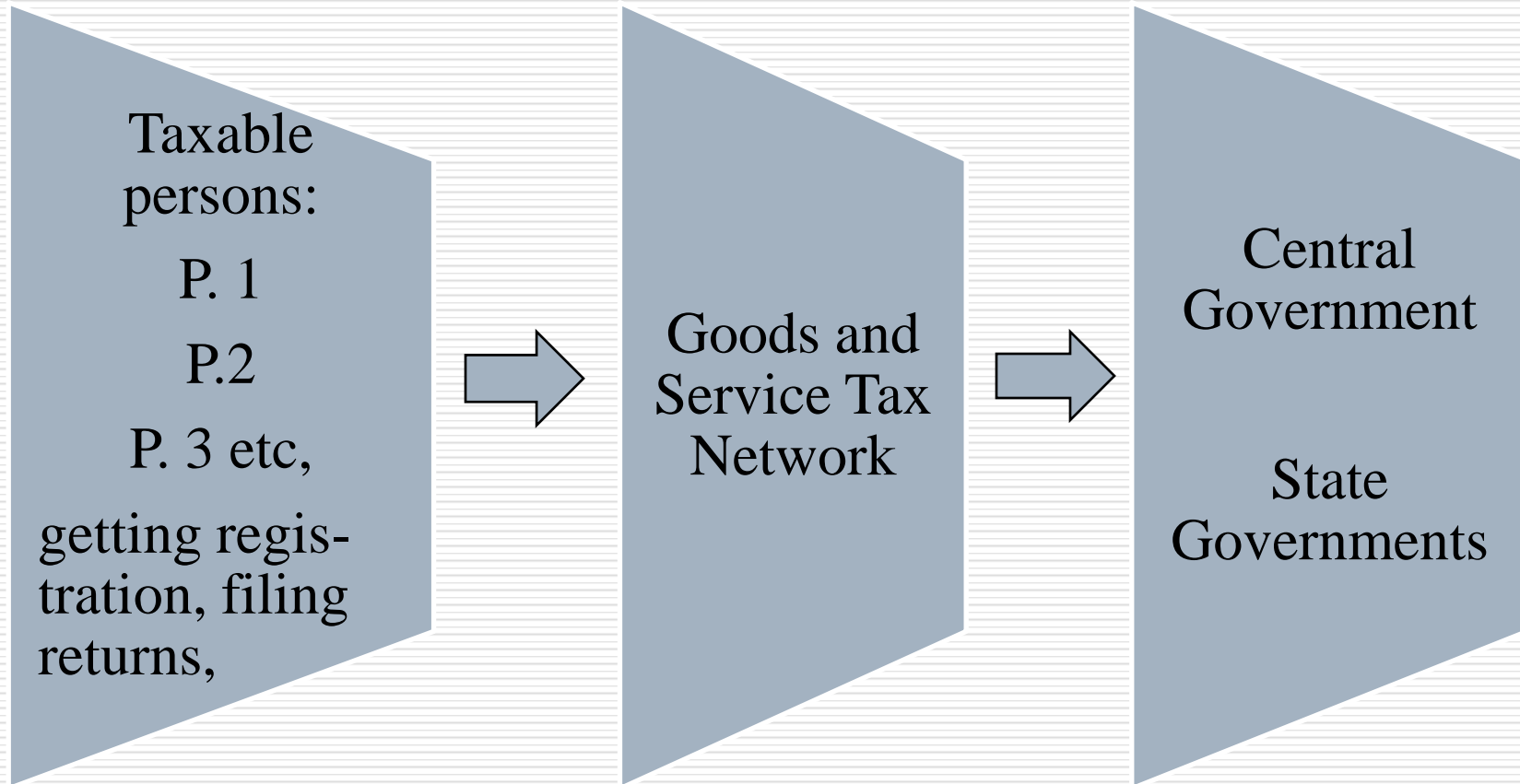
Goods and Service Tax Network

1. GSTN is a private company constituted under Section 25/8 of the Cos Act, 1956/2013 by the Government.
2. GSTN provides four front end services, namely
 - i. Registration,
 - ii. Return by taxpayers
 - iii. Payment of tax, interest and penaltyies
 - iv. Refunds.

Goods and Service Tax Network

3. GSTN assists states with the development of back-end modules.
4. GSTN is managed by M/s Infosys as management service provider.

Chapter VIII Returns



Other functions of GST Network

1. The functions of the GSTN include forwarding the returns to Central and State authorities
2. Computation and settlement of IGST;
3. Matching of tax payment details with banking network

Other functions of GST Network

4. Providing **MIS reports to the Central and the State Governments** based on the taxpayer return information;
5. Providing **analysis of taxpayers' profile.**

Electronic E-way Bill Portal

1. The Common GST Electronic Portal for generating electronic way bill is www.ewaybillgst.gov.in
2. This portal is managed by the NIC, Ministry of Electronics & Information Technology, Government of India.

Electronic E-way Bill Portal

3. E-way bill is an electronic document generated on the GST portal evidencing movement of goods.

GST *Suvidha* Providers

1. GSTN has selected certain Information Technology, Information Technology enabled Services and financial technology companies, to be called GST *Suvidha* Providers (GSPs).
2. GSPs develop applications to be used by taxpayers for interacting with the GSTN.

GST *Suvidha* Providers

3. GSPs facilitate the tax-payers in uploading invoices as well as filing of returns and act as a single stop shop for GST related services.

Application Service/ *Suvidha* Providers (ASPs)

1. ASP is a third-party application that can be used by taxpayers to file their GST returns
2. GSTN has shared APIs (**Application Programming Interface**) only with GSPs.
3. ASPs cannot directly connect to GSTN server for this they need APIs from GSPs.

Application Service/ *Suvidha* Providers (ASPs)

4. ASPs can develop an “end to end solution” for corporations, taxpayers, and consultants
5. Through them, GST filing can be managed by taxpayers

Invoice Registration Portal

1. The IRP is an entity that acts as Registrars and operate through a website for assigning IRN to each invoice/credit note/debit note.
2. The invoice details can be uploaded onto the IRP using a prescribed mode.

Invoice Registration Portal

3. This is for the purpose of generating or validating the IRN of the invoice uploaded.
4. Only such invoices with an authorized IRN will be considered valid as per law.
5. At present, the e-invoice portal currently in use is <https://einvoice1.gst.gov.in/>.
6. Multiple IRPs may be added in the future.

Invoice Reference Number

1. A IRN is a unique 64-character hash.
2. This is a combination of PAN/GST Number, state code, FY, running number etc. and looks as under:

35054cc24d97033afc24f49ec4444dbab81f542c55
5f9d30359dc75794e06bbe

E-Invoice – E-way bill Linkage

1. Single login to E-way bill and e-invoice systems.
2. Username & password of E-way bill portal may be used to generate e-invoice.
3. If not registered in the E-way bill system, he can use the invoice registration facility to generate invoice from the e-invoice system.

E-Invoice - E-way bill Linkage

4. IRP enables automatic generation of both the e-way bill and e-invoices.
5. Taxable person free to generate IRN and the e-way bill later based on the IRN.

Compensation CESS

A GST Compensation Cess at specified rate has been imposed under the GST (Compensation to States) Cess Act, 2017 on the specified luxury items or demerit goods, like pan masala, tobacco, aerated waters, motor cars etc., specified in Schedule 1 to the IGST Act. The tax is computed on value of taxable supply.

Object GST(Compensation to States) Act, 2017

An Act to provide for compensation to the States for the loss of revenue arising on account of implementation of the goods and services tax in pursuance of the provisions of the Constitution (One Hundred and First Amendment) Act, 2016.

Compensation CESS

Compensation cess is leviable on intra-State supplies as provided under Sec 9 of the CGST Act and and interstate supplies under Sec 5 of IGST Act with a view to provide for compensation to the States for the loss of revenue arising on account of implementation of the 101st Constitutional Amendment.

Sample of Schedule to GST Compensation Act CESS

S. No.	Chapter / Heading / Sub-heading / Tariff item	Description of Goods	Rate of GST compensation cess
(1)	(2)	(3)	(4)
1.	2106 90 20	Pan-masala	60%
2.	2202 10 10	Aerated waters	12%
3.	2202 10 20	Lemonade	12%
4.	2202 10 90	Others	12%

Sample of Schedule to GST Compensation Act CESS

S. No.	Chapter / Heading / Sub-heading / Tariff item	Description of Goods	Rate of GST compensation cess
(1)	(2)	(3)	(4)
5.	2401	Unmanufactured tobacco (without lime tube) – bearing a brand name	71%

Sample of Schedule to GST Compensation Act CESS

S. No.	Chapter / Heading / Sub- heading / Tariff item	Description of Goods	Rate of GST compensation cess
(1)	(2)	(3)	(4)
6.	2401	Unmanufactured tobacco (without lime tube) – bearing a brand name	65%
7.	2401 30 00	Tobacco refuse, bearing a brand name	61%
8.	2402 10 10	Cigar and cheroots	21% or Rs. 4170 per thousand, whichever is higher

Sec 10: Creation of GST Compensation Fund

1. The proceeds of the cess leviable under Sec 8 and such other amounts as may be recommended by the Council, shall be credited to a non-lapsable Fund known as the GST Compensation Fund.
2. The fund shall form part of the public account of India and shall be utilised for purposes specified in the said section.

Sec 10: Creation of GST Compensation Fund

3. All amounts payable to the States under section 7 shall be paid out of the Fund.

Compensation CESS

Compensation is to be provided to a State for a period of 5 years from the date on which the State brings its SGST Act into force i.e. till 30 June 2022.

Likely to be extended for a period of two years beyond 30 June 2022.

Benefits of GST to economy

- 1. Uniformity in tax laws/rates:** The uniformity in tax rates and procedures across the country leading to various benefits for the economy.
- 2. Unified market** - The amalgamation of various taxes into one has simplified the procedure and help in evolution of a common market at national level.
- 3. Increase in tax revenue** is projected due to better compliance and broader tax base

Benefits of GST to economy

4. **Increase in exports** due to cost effective production
5. The burden of tax on goods has fallen under GST, leading to benefits to the consumers
6. The GDP is predicted to grow in the range of 0.9 – 1.7 percent annually.

GST: Benefits to Tax Payers

1. Reduction in multiplicity of taxes.
2. Mitigation of cascading/double taxation.
3. More efficient neutralization of taxes especially for exports.
4. Development of common national market.
5. Simpler tax regime.
6. Fewer rates and exemptions.
7. Conceptual clarity(Goods vs. Services).

GST: Benefits to Government

1. Simpler Tax system.
2. Broadening of Tax base.
3. Improved compliance & revenue collections (tax booster).
4. Efficient use of resources

GST: Impact Areas for Businesses

1. Greater clarity on pricing, costing, margins
2. Supply-chain management
3. Change in IT Systems
4. Treatment of tax incentives
5. Treatment of excluded sectors
6. Transaction issues: increase in formal economy
7. Tax compliance

GST: Emerging Role of Professionals

1. Tracking GST development
2. In-depth study legislation and impact analysis
3. Industry Consultation for improvement in business process
4. In-depth study of Rules and Forms and impact analysis on various businesses

GST: Emerging Role of Professionals

5. Implementation assistance: Facilitate
(i) record keeping, (ii) filing return,
(iii) facilitate self assessment (iv)
appearance before tax authorities, (v)
appellate authorities/Tribunals etc
6. Implementation support
7. Tax Planning
8. Departmental Audit.

Thank you very much.

Have a nice evening.

R.K. Khurana

FCS, FCMA, EMIB, LLB,