

The Journey to GST

- 2006 First Discussion Paper was released by the Empowered Committee
- 2009 Constitution (115th Amendment) Bill introduced and subsequently lapsed
- 2011 The Constitution (122 n d Amendment) Bill was introduced in the Lok Sabha 2014
- Aug 2016 The Constitution (One Hundred and First Amendment) Act was enacted
- Sep 2016 1st GST Council Meeting
- March 2017 GST Council Recommends the CGST, SGST, IGST, UTGST and Compensation Cess Act
- April 2017 CGST, IGST, UTGST and Compensation Cess Acts passed
- May 2017 All S t a t e s passed their SGST ACT
- 1st July 2017 GST Launched
- True Economic Integration of India

GST: An Integrated Tax

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

Outside GST

- 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

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 GSTC
- Tax can be deposited by internet banking, NEFT / RTGS, Debit / credit card and over the counter

Key Features Contd.

- Concept of TDS for certain specified categories (to be brought in force wef 01/04/18)
- Concept of TCS for E-Commerce Companies (to be brought in force wef 01/04/18)
- Concept of e-way bill (to be brought in force in staggered manner wef 01/01/18 & at national level wef 01/04/18)
- Provisional release of 90% refund to exporters within 7 days
- All transactions and processes only through electronic mode – Nonintrusive administration
- PAN Based Registration
- System of GST Compliance Rating
- Anti-Profiteering provision

Benefits of GST

Pre-GST

- Multiple Central Taxes
- CEx/ST Act & Rules
- Multiple State Taxes
- Multiple State Tax Administrations
- Multiple Acts & Rules
- Multiple procedures

Post-GST

- Single Tax-GST
- Single Tax Administration
- Uniform law
- Computerized uniform procedures

Benefits of GST Contd.

- Reduction in Cascading of Taxes
 - Overall Reduction in Prices
 - Common National Market
 - Benefits to Small Taxpayers
 - Self-Regulating Tax System
 - Non-Intrusive Electronic Tax System
- Ease of Doing Business
 - Decrease in “Black” Transactions
 - Simplified Tax Regime
 - Reduction in Multiplicity of Taxes
 - Consumption Based Tax= Poorer States to Gain Make in India
 - Exports to be Zero Rated

GST Council

- Chairperson – Union FM
- 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.

Major Decisions of GST Council

- Threshold limit for exemption to be Rs. 20 lac (Rs. 10 lac for special category States except J&K)
- Compounding threshold limit to be Rs. 1 Crore with
- Turnover limit recommended to be raised to Rs. 1.5 Cr in 23rd GST Council meeting - to be notified after necessary amendment in the Act
- Area based exemption schemes--converted into reimbursement based scheme
- Four tax rates namely 5%, 12%, 18% and 28%(over the peak rate on specified luxury and sin goods)
- Some goods and services would be exempt
- Separate tax rate (3% or 0.5%) for precious metals Cess
Cess

Modification/Relaxation of some Provisions

- Exemption from registration to suppliers of services making inter-State supply upto Rs. 20 lacs
- to suppliers providing services through an e-commerce platform provided their aggregate turnover does not exceed Rs. 20 lacs
- Exemption from Section 9(4) – Reverse Charge on purchase from unregistered persons
- No requirement on payment of tax on advance received for supply of goods by all taxpayers
- Exemption from tax for supplies from GTA to unregistered person
- Suspension of TCS / TDS provisions/ E way bill system till 31.03.2018
- Introduction of E-Wallet Scheme for exporters from 01.04.2018 and till then relief for exporters in form of broadly existing practice

Adjustments Made to Tide Over Initial Hiccups in IT System

- All taxpayers to file monthly GSTR-3B & pay tax on monthly basis
- Taxpayers with turnover upto Rs. 1.5 Cr to file quarterly GSTR – 1 returns – Monthly for other taxpayers
- Late fee already paid but subsequently waived off to be re-credited to their Electronic Cash Ledger under “Tax” head instead of “Fee” head
- From October 2017 onwards, the amount of late fee payable by a taxpayer § whose tax liability for that month was ‘NIL’ will be Rs. 20/- per day instead of Rs. 200/- per day § whose tax liability for that month was not ‘NIL’ will be Rs. 50/- per day instead of Rs. 200/- per day

Impact

- Inflation
- Trade
- GDP
- Tax Collections
- Tax: GDP Ratio

Future Course of Action

- Single rate of tax
- Real Estate
- Petroleum Products
- Exemptions
- Reverse Charge