

GOODS AND SERVICES TAX (GST) IN INDIA

Salient Features of GST

Benefit of *GST*

Subsuming of Existing Taxes

GST Model

Tax Levy under GST

Input Tax Credit (ITC)

Payment of Tax



Salient Features of GST

- Goods and Service Tax (GST) is applicable on “supply” of goods or services as against the present concept of tax on the manufacture/ sale of goods or on provision of services.
- GST is based on the principle of destination based as against the present principle of origin based taxation.
- There would be dual GST with the Centre and the States simultaneously levying it on a common base.
 - The GST levied by the Centre would be called **Central GST (CGST)** and
 - The GST levied by the States would be called **State GST(SGST)**. Union territories without legislature would levy **Union territory GST (UTGST)**.
- An **Integrated GST (IGST)** would be levied on inter-State supply (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted.
- Import of goods would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.
- Import of services would be treated as inter-State supplies and would be subject to IGST.
- It is Proposed to be levied at the each stage of business

Salient Features of GST

- From manufacture to final consumption with credit of Taxes paid at previous stages available as setoff. Only Value addition will be taxed
- There would be four tax rates namely 5%, 12%, 18% and 28%. Besides, some goods and services would be under the list of exempt items. Rate for precious metals is yet to be fixed.
- A cess over the peak rate of 28% on certain specified luxury and sin goods would be imposed for a period of five years to compensate States for any revenue loss on account of implementation of GST.
- The five laws namely are Passed CGST Law for **Central GST** , UTGST Law for **Union territory GST** , IGST Law **Integrated GST for inter state**, SGST Law **State GST** and GST Compensation Law .
- GST would apply to all goods and services except Alcohol for human consumption
- 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.
- Input Tax Credit (ITC) to be broad based by making it available in respect of taxes paid on any supply of goods or services or both used or intended to be used in the course or furtherance of business.

Benefit of GST

To Trade and Commerce/ Industry

- ✓ Reduction in multiplicity of taxes
- ✓ Mitigation of cascading/ double taxation
- ✓ More efficient neutralization of taxes especially for exports
- ✓ Development of common national market
- ✓ Simpler tax regime
- ✓ Fewer rates and exemptions
- ✓ Distinction between Goods & Services no longer required
- ✓ Its Transparent Character, GST would be easier to administer

To Consumers & Government

- ✓ Simpler Tax system
- ✓ Reduction in prices of goods & services due to elimination of cascading
- ✓ Uniform prices throughout the country
- ✓ Transparency in taxation system
- ✓ Increase in employment opportunities
- ✓ Harmonization of laws, procedures and rates of tax
- ✓ GST would also make Indian products competitive in the domestic and international markets

Subsuming of Existing Taxes

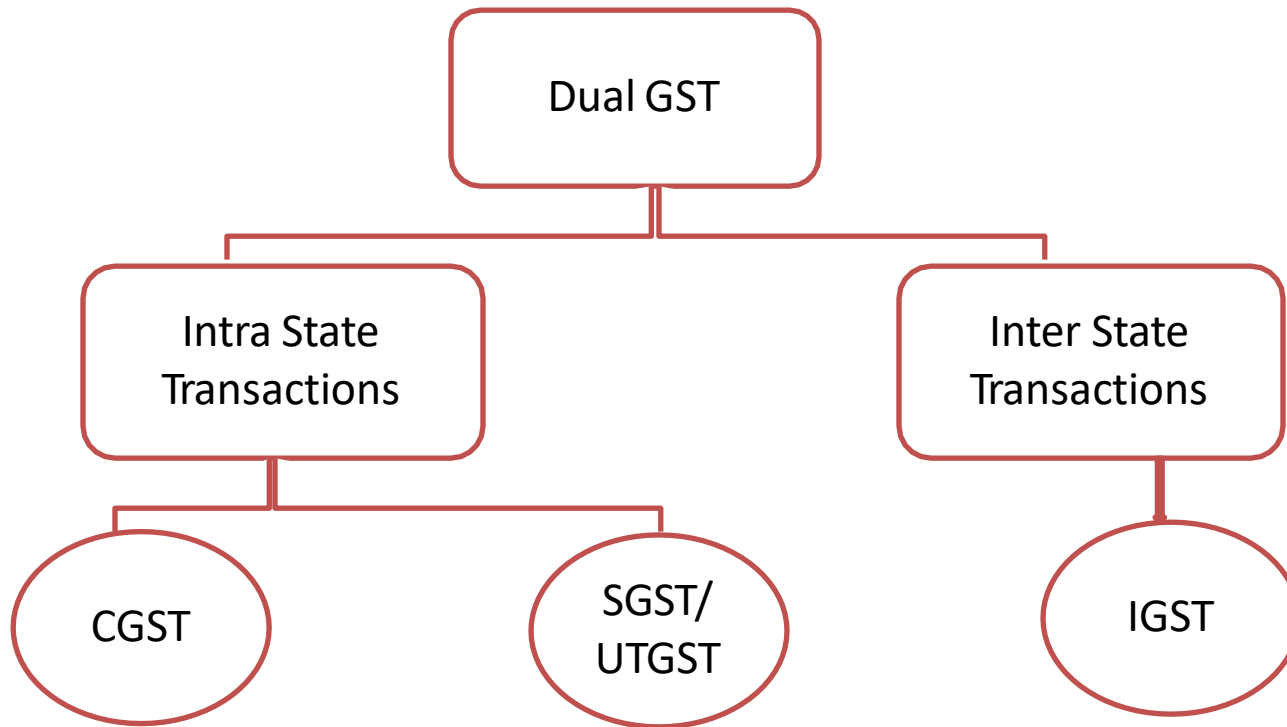
Taxes currently levied and collected by the Centre

- ✓ Central Excise Duty;
- ✓ Additional Duties of Excise
- ✓ Duties of Excise (Medicinal and Toilet Preparations)
- ✓ Service Tax;
- ✓ CVD (Additional Customs Duty)
- ✓ Special Additional Duty of Customs(SAD)
- ✓ Cesses and surcharges insofar as they relate to supply of goods or services.

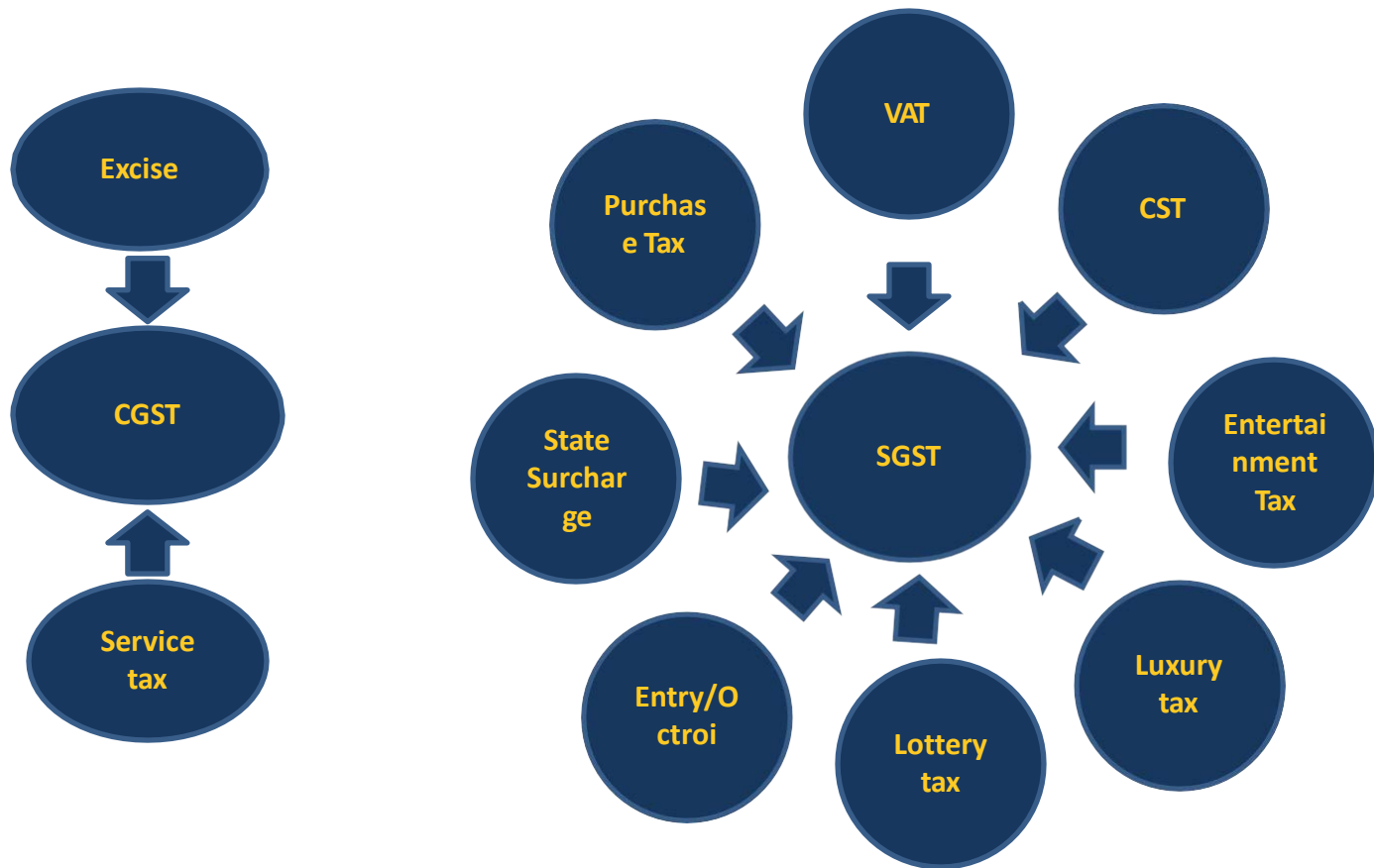
Taxes currently levied and collected by the States & UT

- ✓ State VAT;
- ✓ Central Sales Tax;
- ✓ Purchase Tax;
- ✓ Luxury Tax;
- ✓ Entry Tax (All forms);
- ✓ Entertainment Tax (except those levied by the local bodies);
- ✓ Taxes on advertisements;
- ✓ Taxes on lotteries, betting and gambling;
- ✓ State cesses and surcharges insofar as they relate to supply of goods or services

GST Model



GST Model



Tax Levy under GST

- The CGST and SGST will be levied on intra-state
- The Central GST and the State GST would be levied simultaneously on the same price / value on intra state supply of good and services.
- CGST, SGST would be chargeable only when the supplier and the recipient are both located within state.
- IGST will be charged for Inter-state supply of good and services and Imports.
- ✓ The definition of supply includes all form of Supply of goods and services , such as sale, transfer, barter, exchange, license, rental, etc.
- ✓ **Schedule I** specify the activity made or agreed to be made without consideration shall be treated as supply
- ✓ **Schedule II** specify the activities to be treated as supply of goods or supply of services i.e. What is, or is to be treated as a supply of goods or a supply of services.
- ✓ Following activities shall be treated neither as a supply of goods nor a supply of services.
 - activities or transactions specified in scheduled III or
 - such activities or transactions undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities, as may be notified by the Government

Input Tax Credit (ITC)

- ITC is available in respect of taxes paid on any supply of goods or services used or intended to be used in the course or furtherance of business (i.e. for business purposes)
- Negative list approach for non-allowance of ITC
- ITC of tax paid on goods or services used for making taxable supplies by a taxable person allowed subject to four conditions:
 - Possession of invoice;
 - Receipt of goods or services;
 - Tax actually paid by supplier to government;
 - Furnishing of return
- ✓ Credit of CGST paid on inputs may be used only for paying CGST on the output
- ✓ Credit of SGST/UTGST paid on inputs may be used only for paying SGST/UTGST on the output
- ✓ Credit of CGST, SGST/UTGST paid on inputs may be used only for paying IGST and Vice versa
- ✓ Full ITC allowed on capital goods in one go
- ✓ Proportionate credits allowed in case inputs, inputs services and capital goods are partly used for business and partly for non-business purposes
- ✓ Proportionate credits allowed in case inputs, inputs services and capital goods are used for taxable including zero rated and exempt (including non-taxable) supplies

Input Tax Credit (ITC)

Manner of utilization of Credit

IGST	1) IGST
	2) CGST
	3) SGST
CGST	1) CGST
	2) IGST
SGST	1) SGST
	2) IGST
UTGST	1) UTGST
	2) IGST

Ten Important things About GST

1. GST Applicable on Supply
2. GST payable as per time of supply
3. Determining Place of Supply Could be the Key:-
 - CGST, SGST would be chargeable only when the supplier and the recipient are both located within state.
 - IGST will be charged for Inter-state supply of good and services and Imports.
4. Valuation in GST i
5. Input Tax Credit (ITC) in GST
6. Matching of supplier's and recipient's invoice details
 - ✓ ITC to be confirmed only after matching of such information
 - ✓ ITC to be reversed in case of mis-match
 - ✓ Input Service Distributor mechanism for distribution of ITC of input services
7. The five laws namely CGST Law, UTGST Law, IGST Law, SGST Law and GST Compensation Law. There would be 33 GST State laws in India
8. Rate of GST is not yet specified in the draft GST law
9. Time limit for show cause notices (SCN)
10. Some old Provisions re-introduced

Registration

PAN based Registration

- ✓ required to be obtained for each State from where taxable supplies are being made

A person having multiple business verticals in a State may obtain separate registration for each business vertical. This would benefit them in intra state

Liability to be registered:

- ✓ Every person who is registered or who holds a license under an earlier law;
- ✓ Every person whose turnover in a year exceeds the threshold

A person, though not liable to be registered, may take voluntary registration

- ✓ Certain suppliers liable for registration without threshold
- ✓ Registration to be given by both Central and State Tax Authorities on a common e-application

Goods and/or Services

Goods

Means every kind of movable property other than money and securities but includes actionable claims, 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.

Service

Services means anything other than goods, securities but includes activities / Services relating to use of money or its exchange /conversion

Schedule – I

Activity treated as supply without Consideration

- ✓ Permanent transfer/disposal of business assets where ITC has been availed on such assets.
- ✓ Supply of goods and services between related persons, or between distinct persons as specified in section, when made in the course of business.
- ✓ Supply of Goods- By a principal to his agent or by an agent to his principal.
- ✓ Import of services by a taxable person from a related person or from any of his other establishment outside India, in the Course or furtherance of business.

Schedule – II

Activity treated as supply of goods or supply of services

Goods:-

- Transfer of title in goods,
- Transfer at a future date,
- Banks selling assets / sale other than Slum sale

Services:-

- Transfer of right in goods without transfer of title,
- Lease of Immovable Property/Land,
- Use of business assets for private purpose,
- Declared Services,
- Treatment/Process which applied to another persons goods.

Composite Supply:-

- The Works Contract
- Supply / services relating to goods for human consumption other than liquor

Schedule – III

Activity to be treated neither as a supply of goods nor services

- ✓ Services by an employee to the employer in the course of or in relation to his employment.
- ✓ Services by any court or tribunal established under any law for the time being in force.
- ✓ The Functions performed by MP, MLA, Members of Panchayat /Municipalities /Local Authorities etc.
- ✓ The duties performed by any person as a Chairperson/ Member /Director in a Body established by the CG or SG or Local Authority
- ✓ Services of Funeral, Burial, Crematorium or mortuary including transportation of the deceased.
- ✓ Sale of land with certain exception as provided in schedule II.
- ✓ Actionable claims, other than lottery, betting and gambling.

GST Payable as per time of Supply

The Liability to pay GST arises at the earliest

- A) **Goods** :- Removal / delivery of goods or receipt of payment or issuance of Invoice or Date on which buyer shows receipt of goods
- B) **Services** :- Issuance of invoice or receipt of payment or date on which recipient shows receipt of services

Tax payable on reverse charge

Means the liability to pay tax is on the recipient of Supply of goods or services instead of on supplier / provider of good or services.

Determining Place of Supply could be the Key

- ✓ At present Inter State supply of goods attract CST Now its provides that an inter state supply of goods and / or services will attract IGST.
- ✓ In case of goods the place of supply would be location where the goods are delivered.
- ✓ And In case of Services the place of supply would be Location of Service Recipient.

Valuation in GST

GST would be payable on the 'Transaction value' is the price actually paid or payable for the said supply of goods and/or services between un-related parties.

Includes packing, commission, subsidies and discounts/incentives if it is allowed after supply

Excludes Discounts/Incentives given before or at the time of supply will be permissible as a deduction from transaction value.

Where the value of the supply of goods or services can not be determined under sub-section (1) the same shall be determined in such manner as may be prescribed.

GST on Export of Goods and Services

GST on export would be zero rated.

Similar benefits may be given to Special Economic Zones (in processing zones only).

No benefit to the sales from an SEZ to Domestic Tariff Area (DTA). GST paid by Exporter on the procurement of goods and services will be refunded.

Payment of Tax

System of electronic cash ledger and electronic ITC (Credit) ledger

Electronic Cash Ledger

- Amount deposited in Cash credited
- May be used for making payment towards tax, interest, penalty, fees or any amount
- Balance after payment may be refunded

Electronic Credit Ledger

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



Thank you

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