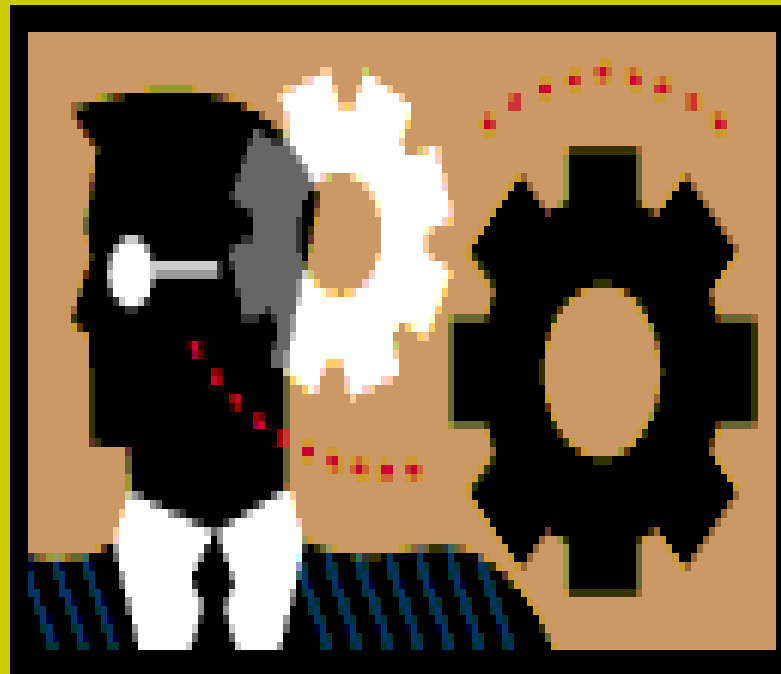


GOODS AND SERVICES TAX



RAKESH SINGH



GST IN INDIA CONTEXT

☐ Why Do We Need GST?

☐ Benefits of GST

☐ GST – India

☐ Proposals in India GST Model

☐ Issues

☐ What Next-----



Why Do We Need GST?

- **Multiple taxes – ED, ST, VAT Etc.**
- **There is need to enhance Tax Base**
- **Multiple rates**
- **Cascading effect –CST etc.**
- **Higher cost of administration**
- **Simplified Procedure – Uniform Rates, HSN, Exemption Lists etc.**
- **Uniform self assessment**
- **Seamless ITC**
- **Integration with Global Trends--- Cost, Efficiency & Administration**



Benefits of GST

- **Government:**

- Reduction in number of taxes at Central and State level- At least by 2/3rd

- Increased tax collections due to wider tax base

- Efficient administration

- **Business:**

- Reduction in cascading effect of multiple taxes

- Easier Compliances

- Decrease in effective tax rate of many goods

- **Consumer:**

- Reduction in incidence of tax on goods

GST IN INDIA

- ❑ Dual GST structure proposed- CGST & SGST
- ❑ Interstate Transactions- IGST
- ❑ 13/15 Digit Registration No.
- ❑ Minimum variation in Exemption lists
- ❑ Other than Negative List all under GST
- ❑ Separate administration of CGST & SGST
- ❑ Uniform- returns, filing , rates & HSN etc.

KEY FEATURES IN DISCUSSION PAPER

- Basic Structure

- Dual GST comprising Central GST and State GST to operate concurrently
- Each-one to be levied on both - goods and services
- Taxable event of 'supply' as against manufacture (excise) and sales (VAT)

- Coverage

- Imports may be subjected to GST
- All services other than those in the negative list to be charged to GST
- Identified taxes to be subsumed in GST
- Thresholds to be prescribed under Central & State GST

- Rates

- Aggregate rate of GST could be between 15% and 20% subject to exceptions
- Lower SGST on essential commodities & precious metal; CGST may follow suit
- Standard norms for classification: -- Goods: HSN / ITC code
- Services: Tradable services under GATT

KEY FEATURE--- Cont..

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- Inter-state transactions
 - Goods to be taxed in the destination State
 - Services to be taxed based on principles to be formulated
 - Input tax Credits ('ITC')
 - Credit of tax paid under the Central and the State GST
 - Cross utilization of credits between Central GST and State GST not permitted
 - Refund of unutilized accumulated ITC
 - Exemptions
 - Common lists for Centre and States with little flexibility for States to deviate
 - Existing incentives to continue either by way of 'remission' or 'refund'
 - Petroleum products to be brought under GST - possible exception of MS and HSD
 - Taxation of commodities like tobacco & liquor to be kept outside the GST regime



Issues and Challenges

- State consensus on:
 - tax-rates
 - tax-sharing
 - tax-incentives
 - exempted items
 - threshold
- Formulating principles of 'inter-state supplies'
- Align the rate of excise duty and service tax into CGST
- Align state VAT laws with regard to:
 - capital goods, intangibles
 - taxability of presumptive / composition scheme
- Dilute tax incentives but promote balanced developments of the States
- Align registrations under Central and State laws



Issues and Challenges

- Taxation of Petroleum /Alcohol/Tobacco – how to be subsumed in GST
- Set-up uniform tax dispute settlement system
- Comprehensive IT system to check revenue leakage & improve compliance level
- Re-organise functions and train the personnel
- Integration and IT enablement of check-posts
- Dismantling of the regime of declaration forms
- Dealing with accumulated tax credits under existing law
- Formulating transitional provisions
- Harmonise Central and State machineries



GST What Next ?

- Constitutional Amendments
- Draft legislation and rules
- Harmonisation of tariffs across CGST and SGST
- Mobilise resources for transitioning into GST
- Integrate IT systems
- Communication campaign

INDUSTRY EXPECTATIONS

□Policy related

- Seek cross-credit between CGST and SGST
- Continue area based exemptions
- Removal of entry tax / Octroi, cess
- Common frame-work of laws with binding directives
- Uniformity in rates across States

Transition related

- Allow utilization of accumulated credit
- Early release of the reporting requirement to gear up systems

Compliance Related

- GST Registration based on the existing registrations
- One Window administration including e-payments and e-refunds
- Integration of check-posts
- Introduction of digital signatures

Others

- Speedy disposal of existing refund applications under existing laws
- Speedy disposal of pending litigations

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Are You Ready for GST

- Assessment of supply-chain- Focus on Cost – Benefit Analysis
- GST familiarization Programs
- Take GST transition as a top-priority ‘Project’.
- Prepare a ‘ Task Force’ including experts

Taxes to be Subsumed in GST

Central Levies

- Excise Duty
- Service Tax
- Additional Customs Duties (CVD/SAD)
- Central Sales Tax
- Surcharges & Cesses

State Levies

- Value Added Tax
- Entry Tax/ Octroi
- Entertainment Tax
- Luxury Tax / Tax on lottery/Betting / gambling's
- Surcharges & Cesses

GST

Central GST

State GST

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IGST

- GST on inter-state supply of goods
 - Designed to protect the tax credit mechanisms throughout the supply-chain
 - Shift from present structure of origin based tax to destination based tax
 - Levy GST on entry of goods into destination State, or
 - Pre-paid GST to be collected by State of origin which will remit to the destination state
- GST on cross border services will be far more complex
 - Principles of taxability may be formulated based on:
 - Place of location of immovable property
 - Place of performance of services
 - Location of service recipient (e.g. telecom and e-commerce)
 - Location of service provider
 - Others (e.g. point of origin – for travel / logistics)

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GST : Impact on operations

- ❑ GST would impact every aspect of business operations
- ❑ Business drivers would define supply chain
- ❑ Pricing needs to reflect GST efficiency
- ❑ Accounting/ ERP system need to be GST enabled
- ❑ Tax Management Function would need to be re-engineered
- ❑ GST would impact every business: positive/ negative?
 - depending upon final GST design & business parameters

You May ASK

-
- Is GST going to be rolled out on 1st April 2010?

So far – Yes. However there may be a delay of few months

- What would be the design of GST?

India is adopting Dual GST model.

- What would be the likely rate of GST (both CGST & SGST)

As per latest indications aggregate rate would be around 15- 20%

- Would there be common threshold limit for seeking registrations under GST?

The Threshold limit would be separately prescribed for CGST and SGST.

- How many rates could be there under GST?

Latest indications are that there would be more than one rate for GST.

- Should the trade and industry seek fresh registrations?

It should be possible to convert the existing registrations into GST registrations

- Whether cross utilization of credit between CGST and SGST will be allowed?

Not contemplated at the moment

FAQs

- Is there a need for revisiting the existing supply-chain structure?

Yes, there is a need to revisit the existing supply-chain structure as the factors affecting present supply-chain structure may not be relevant in the GST regime

- Will there be an advantage buying locally and buying from outside state?

Prima-facie, under GST, procurement decisions should be independent of tax considerations

- Is an amendment to the Constitution required?

Yes, as the centre would be given the power to tax the entire transaction till it reaches the ultimate consumer and the state would be given the power to tax the services too, an amendment to the constitution is required.

- What would happen to existing accumulated & unutilized credit (both Cenvat & VAT credits)?

It is presumed that they would be allowed to be carried over as credit within respective CGST and SGST.

- What would happen to Area based exemptions?

It is possible that the area based exemptions would be converted to refund or remission mechanism.



FAQs

- ❑ Is the final design of GST available in the public domain?

It is expected that the Government would put out a 'white paper' for public debate and consumption.

- ❑ What IT changes would be required.

The IT system needs to gear up to capture various data required for tax computation and returns and generate suitable MIS reports.

- ❑ Will exemptions to SEZ continue?

Yes, it is expected that the benefits under SEZ scheme would continue.

- ❑ Will the forms continue for stock transfers?

Based on a recent survey findings, the trade and industry expects non taxation of stock transfers which would necessitate the continuance of forms.



THANK YOU FOR NOW

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