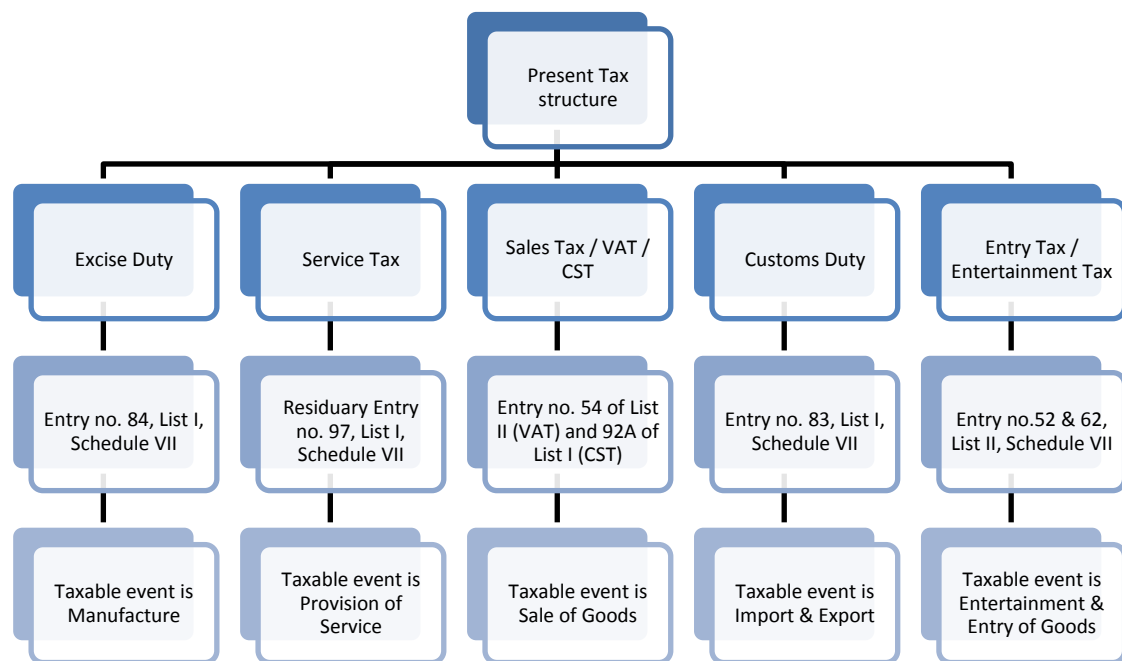


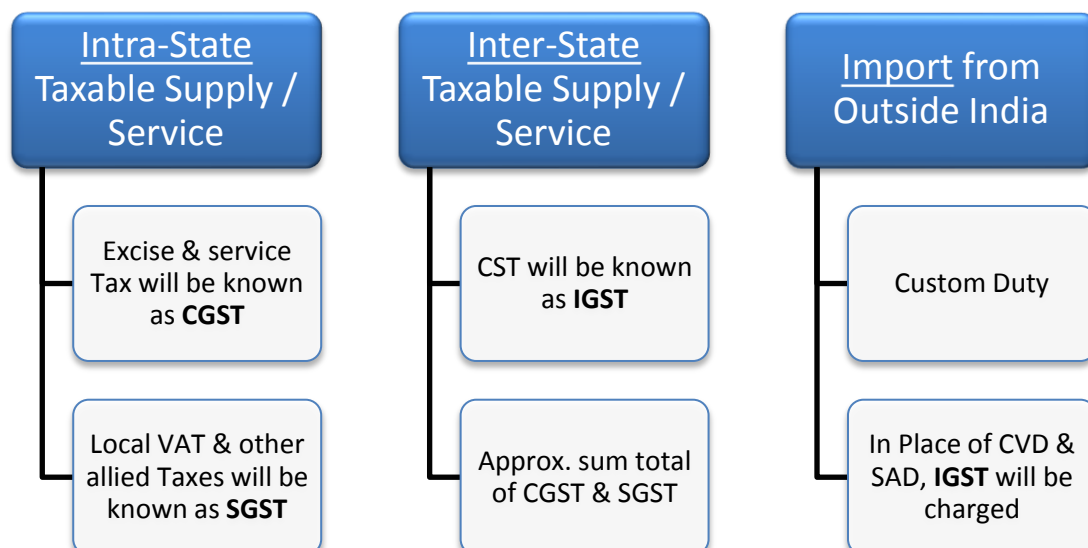
GOODS AND SERVICE TAX - GST

As per the sources, nearly 15 big or small indirect taxes are going to be subsumed within this GST Law. It is a comprehensive tax levy on taxable supply of goods & services (Presently known as Manufacturer, seller, service providers or any other) at a national level. GST will bring all states & centre under one umbrella.

✓ **PRESENT INDIRECT - TAX STRUCTURE :**



✓ **PROPOSED INDIRECT - TAX STRUCTURE IN GST :**



✓ **RATE STRUCTURE IN GST :**

As per information available in public domain, primarily four (4) different rates are expected in the law:

Particulars	Rate of GST			
Categories	General Category Goods or services	Essential Goods or Services	Precious Goods or Services	Misc. Goods or Services
Types of Rates	Standard Rate	Merit Rate	Special Rate	"Nil" Rate

✓ **DEFINITION IN GST REGIME :**

It is proposed to define both "Goods" and "Services" separately in GST Regime. Goods include all materials, commodities & articles – Article 366 (12), whereas Services means anything other than goods – proposed Article 366 (26A).

Further the panel in Rajya Sabha's select committee has recommended not to define the word "Supply of Goods". As per the committee it should be defined separately in different Laws pertaining to levy of CGST and SGST and have also recommended not to change the definition of "Services" in Proposed GST Law.

✓ **THRESHOLD LIMIT :**

The present threshold limits prescribed in different State VAT Acts below which VAT is not applicable varies from State to State. A uniform State GST threshold across States is desirable and, therefore, it is considered that a threshold of gross annual turnover of Rs. 10 lakh both for goods and services for all the States and Union Territories may be adopted with adequate compensation for the States. The issue is still debated and there is no consensus till date.

✓ **COMPOSITION SCHEME UNDER GST :**

The States are also of the view that Composition / Compounding Scheme for the purpose of GST should have an upper ceiling on gross annual turnover and a floor tax rate with respect to gross annual turnover. The first discussion paper suggests that there would be a compounding cut-off at Rs. 50 lakh of gross annual turnover and a floor rate of 0.5% across the States. The scheme would also allow option for GST registration for dealers with turnover below the compounding cut-off. In reference to Composition scheme, the task force has recommended rate of 1% each on account of CGST and SGST for dealers with the turnover between Rs. 10 Lacs to Rs. 40 Lacs.

✓ **REGISTRATION & TAX PAYER IDENTIFICATION NUMBER :**

All the taxable entities with turnover above the threshold limit will be required to register and obtain GST registration number. The taxable entities with lower turnover will also have the option to register. As per First Discussion paper, each taxpayer would be allotted a PAN-linked taxpayer identification number with a total of 13/15 digits. This would bring the GST PAN-linked system in line with the prevailing PAN-based system for Income tax, facilitating data exchange and taxpayer compliance. There will be single GST registration number for all branches in a State. Therefore, a dealer having branches across States will have as many GST registration numbers as the number of States in which he operates.

✓ **INPUT TAX CREDIT (ITC) SET OFF :**

Since the Central GST (**CGST**) and the State GST (**SGST**) are to be treated separately, taxes paid against the Central GST shall be allowed to be taken as input tax credit (ITC) for the Central GST and could be utilized only against the payment of Central GST. The same principle will be applicable for the State GST. Further, the rules for taking and utilization of credit for the Central GST and the State GST would be aligned.

✓ **CROSS UTILIZATION OF ITC :**

Cross utilization of ITC between the Central GST (**CGST**) and the State GST (**SGST**) would not be allowed except in the case of inter-State supply of goods and services under the integrated goods and service tax (**IGST**) model.

✓ **CREDIT ACCUMULATION ON ACCOUNT OF REFUND :**

Ideally, the problem related to credit accumulation on account of refund of GST should be avoided by both the Centre and the States except in the cases such as exports, purchase of capital goods, input tax at higher rate than output tax etc. where, again refund/adjustment should be completed in a time bound manner.

✓ **ZERO RATING OF EXPORTS :**

The first discussion paper has suggested that the exports would be zero-rated. Similar benefits may be given to Special Economic Zones (SEZs). However, such benefits will only be allowed to the processing zones of the SEZs. No benefit to the sales from an SEZ to Domestic Tariff Area (DTA) will be allowed.

✓ **GST ON IMPORTS :**

Imports will be brought under the scope of GST with necessary Constitutional Amendments. They will be treated at par with inter-state transactions and integrated goods and service tax (**IGST**) will be levied on imports. The incidence of tax will follow the destination principle and the tax revenue will accrue to the State where the imported goods and services are consumed. Full and complete set-off will be available on the IGST paid on import on goods and services.

✓ **SPECIAL INDUSTRIAL AREA SCHEME :**

After the introduction of GST, the tax exemptions, remissions etc. related to industrial incentives (Centre or State Levels incentives) should be converted, if at all needed, into cash

refund schemes after collection of tax, so that the GST scheme on the basis of a continuous chain of set-offs is not disturbed.

✓ **MAINTENANCE OF RECORDS :**

A taxpayer or exporter would have to maintain separate details in books of account for availment, utilization or refund of Input Tax credit of CGST, SGST and IGST.

✓ **PERIODICAL RETURNS :**

The taxpayer would need to submit periodical returns, in common format as far as possible, to both the Central GST authority and to the concerned State GST authorities.

✓ **ADMINISTRATION OF GST :**

The administration of the Central GST to the Centre and for State GST to the States would be given. As per the recommendation of Task force report on GST, The Central Board of Excise and Customs (CBEC) shall be responsible for implementation of CGST and state tax administrations will be separately responsible for implementation for SGST.

✓ **ASSESSMENT :**

Keeping in mind the need of tax payer's convenience, functions such as assessment, enforcement, scrutiny and audit would be undertaken by the authority which is collecting the tax, with information sharing between the Centre and the States. The various tax administrative functions such as assessment, enforcement, scrutiny and audit should be undertaken by the CBEC in respect of the CGST and by the State tax administration in respect of the SGST. All procedures under CGST and SGST should be uniform.

The Central Government will be responsible for establishing a taxpayers information network (TINXYS) keeping in view the information requirement of CBEC and the State tax administration. The TIN will be shared between the Centre and the States. The information furnished through periodical returns shall be stored in a common database with access to both

the CBEC and the State tax administrations. Since the tax base will be common, there should be a common appellate authority. Similarly, the Authority for Advance Ruling will also be common. No authority should have any power to make preventive detention for the purposes of CGST and SGST.

✓ **GOODS AND SERVICE TAX COUNCIL :**

As per the Constitution Amendment Bill, 2014 ('Bill'), there will be a Goods and Service Tax Council who shall make recommendation to the Union and the States. The Bill provides that the administration of GST would be the responsibility of the GST Council which would then become the apex indirect tax policy making body of the country. This GST Council would be formed by the Central and State level ministers in charge of the finance portfolio.

GST News Update:

The finance ministry downplayed the cascading effect of one per cent (1%) tax over GST, proposed in the Constitution Amendment Bill.

A key recommendation of the Rajya Sabha's select committee to confine one per cent tax over the proposed goods and services tax (GST) to only the interstate movement of goods, which are for a consideration, would considerably reduce the contentious cascading effect of the levy, but would not completely eliminate it. That means there wouldn't be a levy of 1% GST in case of interstate branch transfer and transfer of goods for Job worker.

A key official said the tax need not be one per cent, and could be much lower. The Bill says an additional tax on supply of goods, not exceeding one per cent, in the course of interstate trade or commerce, will be imposed. So, it might be, say 0.1 per cent, whose cascading effect would not be as high as feared, the official explained.

He said there is no problem in compensating states entirely for their losses due to the switch-over to the GST regime for five years.