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GOODS AND SERVICE TAX

ALL YOU NEED TO KNOW ABOUT GST

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1. INTRODUCTION

The **Goods and Services Tax Bill** or **GST Bill**, officially known as **The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014**, proposes a national Value added Tax to be implemented in India from **1 April 2017**. The 122nd Constitution Amendment Bill ('Bill') that will enable the introduction of **Goods and Services Tax (GST)** was passed in the Lok Sabha on 12 May 2015 and passed in Rajya Sabha on 3rd August, 2016.

Goods and Service Tax (GST) is a comprehensive Indirect Tax levy on *manufacture, sale and consumption of goods and service* at a National level. It is a Destination base consumption tax. I.e. Tax will be collected & Retained by that state in which Goods/Services are consumed based on the input tax credit method. GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set-of benefits from the producer's/ service provider's point up to the retailer's level where only the final consumer should bear the tax. This method allows GST-registered businesses to claim tax credit to the value of GST they paid on purchase of goods or services as part of their normal commercial activity.

The introduction of Goods and Services Tax (GST) would be a significant step in the reform of indirect taxation in India. Amalgamating several Central and State taxes into a single tax would mitigate cascading or double taxation, facilitating a common national market. The simplicity of the tax should lead to easier administration and enforcement.

One of the main objective of Goods & Service Tax (GST) would be to **eliminate the doubly taxation i.e. cascading effects** of taxes on supply of goods and services. The exclusion of cascading effects i.e. tax on tax till the level of final consumers will significantly improve the competitiveness of original goods and services in market which leads to beneficial impact to the GDP growth of the country. Integration of various taxes into a GST system would make it possible to give full credit for inputs taxes collected. GST, being a destination-based consumption tax based on VAT principle.

2. APPLICABILITY OF THE ACT

This Act may be called the *Central / State Goods and Services Tax Act, 2016. It extends to the *whole of India (CGST Act) / State wise (SGST Act) .It shall come into force on such date as the Central or a State Government may, by notification in the Official Gazette, appoint in this behalf.

While each State GST Act would extend to the relevant State, the Central GST Act extends to the whole of India and includes **Jammu & Kashmir ('J&K').**

GST Act has
-25 chapters,
-162 Sections,
-4 Schedules &
-1 GST Valuation Rule till now.

3. RATIFICATION

The Act was passed in accordance with the provisions of Article 368 of the Constitution, and has been ratified by **more than half of the** State Legislatures, as required under Clause (2) of the said article. On 12 August 2016, **Assam** became the first state to ratify the bill, when the Assam Legislative Assembly unanimously approved it. State Legislatures that ratified the amendment are listed below:

ASSAM Legislative Assembly Ratifies GST Bill on 12/08/2016

BIHAR Legislative Assembly Ratifies GST Bill on 16/08/2016

JARKHAND Legislative Assembly Ratifies GST Bill on 17/08/2016

HIMACHAL PRADESH Legislative Assembly Ratifies GST Bill on 22/08/2016

CHHATISGARH Legislative Assembly Ratifies GST Bill on 22/08/2016

GUJARAT Legislative Assembly Ratifies GST Bill on 23/08/2016

MADHYA PRADESH Legislative Assembly Ratifies GST Bill on 24/08/2016

DELHI Legislative Assembly Ratifies GST Bill on 24/08/2016

NAGALAND Legislative Assembly Ratifies GST Bill on 26/08/2016

MAHARASHTRA Legislative Assembly Ratifies GST Bill on 29/08/2016

HARYANA Legislative Assembly Ratifies GST Bill on 29/08/2016

TELANGANA Legislative Assembly Ratifies GST Bill on 30/08/2016

MIZORAM Legislative Assembly Ratifies GST Bill on 30/08/2016

SIKKIM Legislative Assembly Ratifies GST Bill on 30/08/2016

GOA Legislative Assembly Ratifies GST Bill on 31/08/2016

ODISHA Legislative Assembly Ratifies GST Bill on 01/09/2016

PONDICHERRY Legislative Assembly Ratifies GST Bill on 02/09/2016

RAJASTHAN Legislative Assembly Ratifies GST Bill on 02/09/2016

ANDHRA PRADESH Legislative Assembly Ratifies GST Bill on 08/09/2016

ARUNACHAL PRADESH Legislative Assembly Ratifies GST Bill on 08/09/2016

MEGHALAYA Legislative Assembly Ratifies GST Bill on 09/09/2016

4. SALIENT FEATURES OF GST

Introduction of **GST** is a significant step in field of indirect tax reforms. The salient features about this legislation were first time discussed in its first discussion paper in year 2009. We will reproduce the features discussed here again to understand this act very well.

(i) The GST shall have two components: one levied by the Central (hereinafter referred to as CGST), and the other levied by the States (hereinafter referred to as SGST). Rates for CGST and SGST would be prescribed appropriately, reflecting revenue considerations and acceptability. This dual GST model would be implemented through multiple statutes (one for CGST and SGST statute for every State).

(ii) The Central GST and the State GST would be applicable to all transactions of goods and services made for a consideration except the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits.

(iii) Since the CGST and SGST are to be treated separately, taxes paid against the CGST shall be allowed to be taken as input tax credit (ITC) for the CGST and could be utilized only against the payment of CGST.

(iv) Cross utilization of ITC between the Central GST and the State GST would not be allowed except in the case of inter-State supply of goods and services under the IGST model which is explained later.

(v) Tobacco and tobacco products would be subject to GST.

(vi) A common threshold exemption would apply to both CGST and SGST.

(vii) Credit of CGST paid on inputs may be used only for paying CGST on the output.

(viii) Credit of SGST pain on inputs may be used only for paying SGST on the output.

(ix) 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.

(x) 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.

(xi) 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.

(xii) Export of Goods and Services- ZERO Rated

(xiii) Additional Tax of 1% on Inter State Taxable Supply of Goods by State of Origin and NON CENVATABLE.

5. TAXES TO BE SUBSUMED IN GST

As per Lok Sabha debate, GST to Replace following Taxes.

Central Taxes to Subsumed

1. Central Excise duty (CENVAT)
2. Additional Excise Duty
3. Excise duty levied under Medicinal & Toiletries Preparation Act.
4. Additional duties of customs (ADC)
5.Countervailing Duty (CVD)
5. Service Tax
6. Surcharges & Cess, KKC.

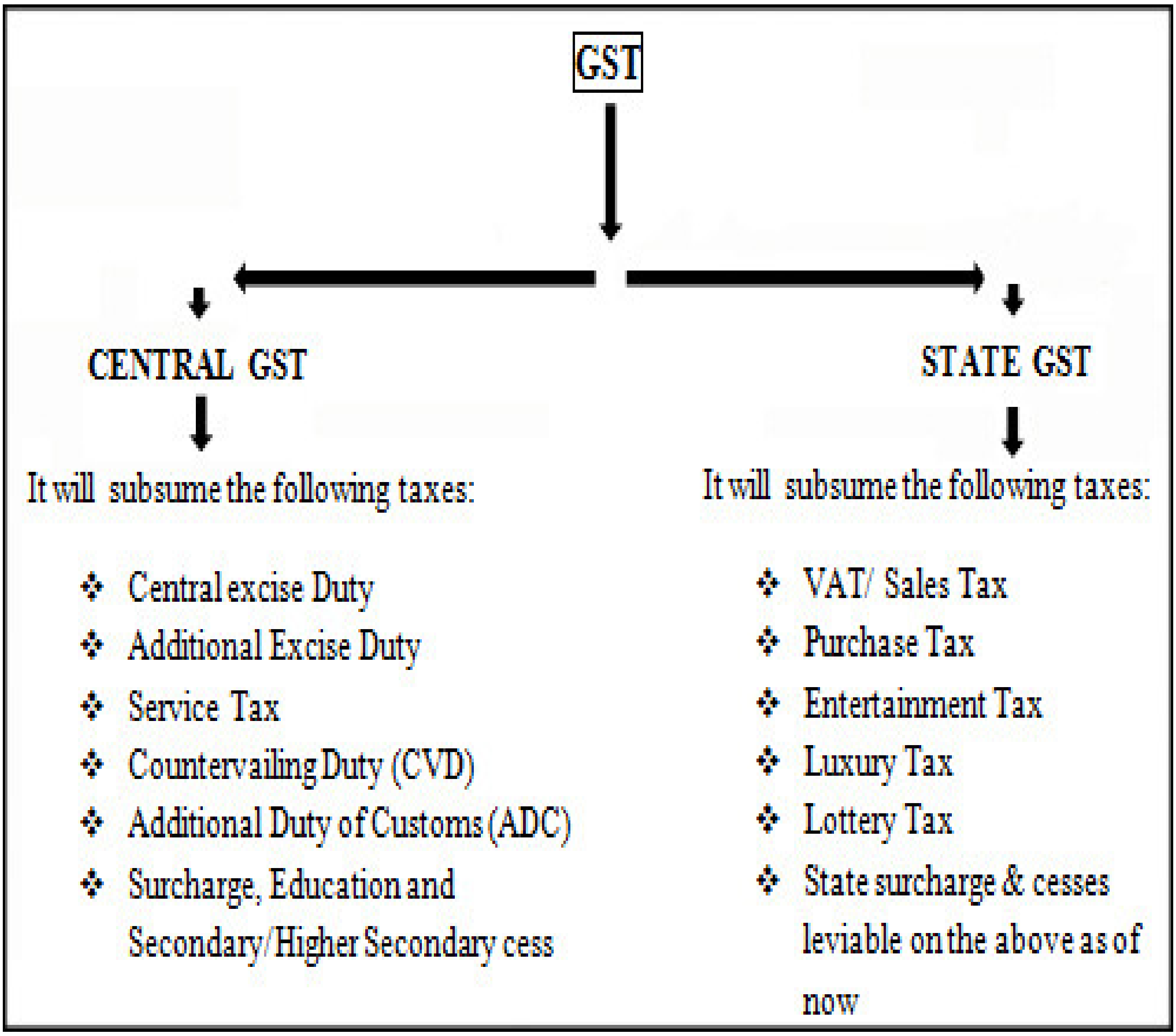
State Taxes to Subsumed

1. State VAT
2. Central Sales Tax
3. Purchase Tax
4. Entertainment Tax (unless it will levied by Local Bodies)
5. Luxury Tax
6. Entry Tax (All forms)
7. Taxes on lottery, betting & gambling
8. Surcharges & Cess

Only single Tax GST will be levied on all the Goods & Services. The above taxes will be abolished.

Taxes that will not be subsumed

a. Stamp Duty
b. Electricity Duty
c. Other Entry taxes and Octroi
d. Entertainment Tax (levied by local bodies)
e. Basic customs duty and safeguard duties on import of goods into India
f. Professional Tax



Taxes to be Subsumed in GST

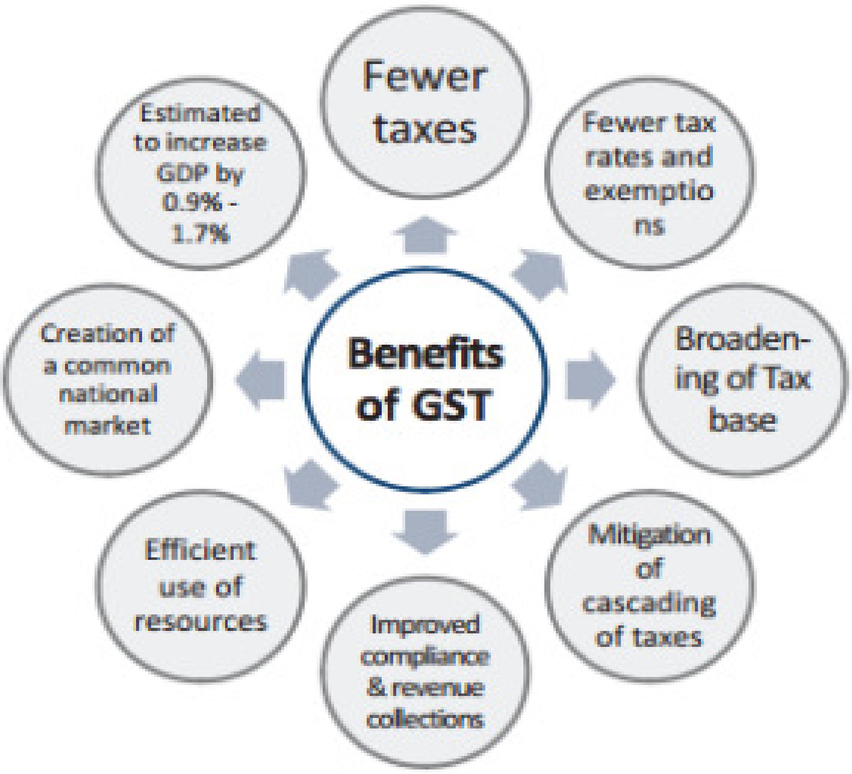
6. BENEFITS FROM GST

BENEFITS TO ASSESSEE

a. Reduction in Multiplicity of Taxes
b. Mitigation of cascading/double taxation.
c. More Efficient Neutralisation of Taxes especially for Exports
d. Development of common national Market
e. Simpler Tax Regime-
   - Fewer Rates and Exemptions
   -Conceptual Clarity (Goods Vs. Services)

BENEFITS TO GOVT

a. Simpler Tax System
b. Broadening of Tax Base
c. Improved Compliance and Revenue Collections (tax booster)
d. Efficient Use of Resources



7. COMPARISON

Difference between Present Tax Structure and GST Structure

S.NO	ISSUES	PRESENT REGIME	GST REGIME
1.	Broad Scheme	There are separate laws for separate levy. For e.g. Central Excise Act, 1944, respective State VAT laws.	There will be only one such law because GST shall subsume various taxes as specified above.
2.	Tax Rates	There are separate rates. For e.g. Excise 12.36 % and Service Tax 14%.	There will be one CGST rate and a uniform rate of SGST across all states.
3.	Cascading Effect	This Problem arises because credit of CST and many other taxes not allowed.	This situation will not arise as CST concept is being eliminated with introduction of IGST.
4.	Tax Burden	Under present scenario, tax burden on tax payer is high.	Under this, tax burden is expected to reduce since all taxes are integrated which make it possible the burden to be split equitably between manufacturing and services
5.	Cost Burden on Consumers	Due to presence of cascading effect, certain taxes	As GST mechanism removes such

		become part of cost	effect by providing credit, cost burden is reduced
6.	Concurrent Power	At present, there is no such power to both Centre and State on same subject tax matter	Both Centre and State are vested with the power to make law on GST by virtue of proposed Article 246A of the Constitution.
7.	Compliance	Tax compliance is complex because of multiplicity of laws and their provisions to be followed.	Tax compliance would be easier as only one law subsuming other taxes need to be followed
8.	Transparent Tax Administration	Presently, tax is levied at two stages in broad manner i.e. 1. When product moves out of factory. 2. At retail outlet.	GST is to be levied only at final destination of consumption and not at various points. This brings more transparency and corruption free tax administration.

8. REGISTRATION REQUIREMENT

The Goods and Service Tax or GST is a taxation system where there is a single tax in the economy for goods and services. This taxation system is meant to create a single taxation system in the entire country for all goods and services.

The registration liability under proposed GST is on every person whose **Aggregate Turnover** exceeds 9 lacs (4 lacs for North Eastern States including Sikkim)**.** This limit includes all supplies, whether on own account or on behalf of principal, except supplies in the capacity of a registered job worker, which shall be treated as supplies by the principal. The said threshold is to be computed on an all India basis.

However, tax liability shall arise only once the aggregate turnover in a financial year **exceeds INR 10 lakhs (INR 5 lakhs for North eastern states).**

Under GST **Aggregate Turnover** includes all Taxable, Non-taxable, Exempt Supplies, Exports of Goods and Services computed on All India basis for Single PAN. And Aggregate Turnover does not include Value of Supplies on which GST is payable on Reverse Charge basis and Value of Inward Supplies.

North Eastern States includes Seven Sister States (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, and Tripura), and the Himalayan state of Sikkim.

The following categories of persons shall be compulsorily required to be registered under GST Act: (Limit of Rs.**9 lakh /4 lakh** is NOT Available to following)

(i) persons making any inter-State taxable supply,
(ii) casual taxable persons,
(iii) persons who are required to pay tax under reverse charge,
(iv) non-resident taxable persons,
(v) persons who are required to deduct tax under section 37;
(vi) persons who supply goods and/or services on behalf of other registered taxable persons whether as an agent or otherwise,
(vii) input service distributor;
(viii) persons who supply goods and/or services, other than branded services, through electronic commerce operator,
(ix) every electronic commerce operator,
(x) an aggregator who supplies services under his brand name or his trade name, irrespective of the threshold limit of 9 lakh/4 lakh and
(xi) such other person or class of persons as may be notified by the Central Government or a State Government on the recommendations of the Council.

Time limit for registration is: within 30 days from the date of liable to get register arises.

Other Points to be Kept in Mind

- It is important to note that in terms of the envisaged GST regime, registration would have to be applied individually for each State.

-A person shall not be liable to registration if his aggregate turnover consists of only goods and / or services which are not liable to tax.

- A person having multiple business verticals in a State may obtain a separate registration for each business vertical, subject to such conditions as may be prescribed. For example one firm has textile show room; mobile phone show room; car show room in the State; then separate registrations can be obtained for each of these activities in the same State.

- A person, though not liable, may get himself registered voluntarily.

- Every person shall have a Permanent Account Number issued under the Income Tax Act, 1961, in order to be eligible for grant of registration.

- If a person, other than an Input Service Distributor, is already registered under an earlier law, it shall not be necessary for him to apply for fresh registration and he shall follow the procedure as may be prescribed in this regard.

- A causal taxable person or a non resident taxable person shall, at the time of submission of application for registration, make an advance deposit of tax of an amount equivalent to the estimated tax liability for the period for which the registration is sought. The certificate of registration issued to such class of persons shall be valid for a period of 90 days, which may be extended up to 90 days further.

- Powers have been provided for cancellation of registration, if the assessee contravenes the provisions or obtains the registration by fraudulent means. However, such cancellation may be revoked, in terms of the prescribed procedure.

- The concept of a single/centralized registration for multiple places of business has not been provided

- A person, may also get himself registered **voluntarily**

- A non-resident taxable person may be granted registration on the basis of any other document as may be prescribed.

-The registration or the *Unique Identity Number*, shall be granted or, as the case may be, rejected after due verification in the manner and within such period as may be prescribed.

- The proper officer shall not reject the application for registration or the Unique Identity Number without giving a notice to show cause and without giving the person a *reasonable opportunity* of being heard.

- A certificate of registration shall be issued in the prescribed form, with effective date as may be prescribed.

- A registration or an Unique Identity Number shall be deemed to have been granted after the period, if no deficiency has been communicated to the applicant by the proper officer within that period.

- Any rejection of application for registration or the Unique Identity Number under the CGST Act / SGST Act shall be deemed to be a rejection of application for registration under the SGST Act / CGST Act.

- The grant of registration or the Unique Identity Number under the CGST Act / SGST Act shall be deemed to be a grant of registration or the Unique Identity Number under the SGST/CGST Act.

9. LEVY OF TAX

The person registered under this law is liable to pay tax if his **Aggregate Turnover** in a financial year exceeds **Rs. 10 lakh** (North Eastern States **Rs. 5 lakh**).

A negative list has also been prescribed for transactions and activities of Government and local authorities which shall be exempt from GST levy, like activities of issuance of passport, visa, driving license, birth certificate or death certificate etc.

IGST (Integrated GST) will be levied on interstate supply. CGST (Central GST and SCGT (State GST) will be levied on intrastate supply of goods and /or services.

Option for Composition Scheme: If turnover in a financial year does not exceed Rs. 50 lakh. Rate of tax shall not be less than 1% of Turnover.

Taxable event: The taxable event under GST regime will be **supply of goods or services.** Supply includes all forms of supply of goods and /or services such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration. It also includes importation of service, whether or not for a consideration. So the erstwhile taxable heads such as manufacture, sale, provision of service etc., will lose relevance

About GST Rate

The combined GST rate is being discussed by government. The rate is expected around **18% to 22%**. After the *Total GST Rate* is arrived at, the States and the Centre will decide on the *CGST* and *SGST* rates.

GST Rates on Goods & Services: to be based on **Revenue Neutral Rate (RNR)***_ – There will be *Four rates*:

-Merit rate for essential goods and services,

-Standard rate for goods and services in general. For goods in general, government is considering pegging the **rate of GST from 18% to 20%.**

-Special rate for precious metals, &

-NIL rate

Current Rate of GST in some other countries are

-Australia-10%,

-France-19.60%,

-Canada-5%,

-Germany-19%,

-Japan-8%,

-Singapore-7%,

-Sweden-25%,

-New Zealand-15% &

-Pakistan-17%

REVENUE NEUTRAL RATE: Rate Which will Give atleast the same level of Revenue,which the Centre and States are Presently Earning From Indirect Taxes. How to achieve this rate -- require analysis of GDP, Consumer Consumptions, exclusion and desired level of collection of Centre/state.

When Tax is to be paid??

Tax to be paid at the earliest of the following dates:

A. In case of supply of goods:

i) Date on which the goods are removed for supply to the recipient of movable goods.

ii) Date on which the goods are made available to the recipient (in case goods are not required to be moved).

iii) Date of issuing invoice by supplier, or

iv) Date of receipt of payment by supplier. Or

v) Date on which recipient shows the receipt of the goods in his books of account.

B. In case of supply of Service:

i) The date of issue of invoice or date of receipt of payment, whichever is earlier (provided invoice issued within prescribed time).

ii) Date of completion of service or earlier (if invoice not issued within prescribed time).

iii) Date on which recipient shows receipt of service in books of account (if not covered by case i and ii above).

EXPORT & IMPORT

1. Refund shall be available to Exporters.
2. Exports are zero-rated supplies. Zero-rated supplies are supplies on which no tax is payable but credit is available.
3. Import and an export shall be deemed to be a supply of goods or services in the course of inter-state for levy of IGST.

10. COMPOSITION SCHEME

1. Person whose aggregate annual turnover in a financial year does not exceed **Rs 50 lakhs** may pay tax under composition at a rate not below 1% of turnover.

2. No composition scheme will b allowed to dealer who makes inter state supplies.

3. Person cannot opt for both composition and regular. Say a person having PAN has three business registered then he will have to opt for composition in respect of all businesses.

4. Right now there is no bar on service providers to opt for Composition.

5. Composition dealer not to collect any tax and shall not be entitled to take Input Tax Credit (ITC).

6. If it is detected that person was not eligible for composition Scheme And He claims himself as Composite Dealers then penalty equal to tax payable may b levied.

7. Composition dealer will have to file ***four quartely*** and ***one annual return***

11. TAXABILITY OF SPECIFIC TRANSACTIONS (BEING HIGH REVENUE GENERATING)

1. The Central Government has retained the right to **impose excise duty** on **petroleum and tobacco products**. State Governments continue to be eligible to **impose VAT** on sale of the same.

2. Tax on supply of **alcohol** for human consumption has been kept outside the GST.

3. State Governments have also reserved their right to impose **electricity duties**.

12. INPUT TAX CREDIT

Every taxable person shall, subject to specified conditions, be entitled to take credit of input tax, as self-assessed, in his return and such amount shall be credited, on a provisional basis, to his electronic credit ledger to be maintained in the manner as may be prescribed.

Principal shall be entitled to take credit of input tax on inputs / capital goods sent to a job-worker (either by principal or directly), if the said inputs capital goods, after completion of job-work, are received back by the principal:
-within 180 days in case of inputs
-within 2 years in case of capital goods

In case inputs / capital goods are not received in the aforesaid time frame, credit shall be reversed (along with interest), which can be re claimed at the time when inputs / capital goods are received back.

However, a taxable person who has not furnished a valid return as per law shall not be allowed to utilize such credit till he discharges his self assessed tax liability.

The duplication of claims of input tax credit shall be communicated to the recipient and the corresponding tax value shall be added to the output tax liability of the recipient.

Verification and matching will be carried out qua the credit notes relating to an outward supply, issued by the supplier, with the corresponding reduction in the claim for input tax credit by the corresponding receiver, with similar consequences, with the exception that additions to liability, owing to any mismatches, shall be to the account of the supplier.

Other Points to be kept in mind:

1. **Available** for inputs/ input services used or intended to be used by a supplier for making supply of taxable goods and services **subject to:**

   - Possession of tax invoice or other prescribed taxpaying document.
   -Receipt of the goods and or services
   -Actual payment of tax charged in respect of such supply
   -Furnishing of return

2. **Not available** for goods/services used primarily for **personal consumption or use by employees**, goods/ services used acquired for construction of **immoveable property**.

3. **Not available** beyond a period of **one year** from the date of issue of invoice in case of new registration.

4. ITC will not be available in respect of any invoice after September following the end of financial year or filing of the annual return, whichever is earlier.

13. TDS AND REFUND

TDS

Tax may be mandated to be deducted @ 1% from the payment made to the supplier of taxable goods and/or services by the Central or State Government, Local authority, Governmental agencies, or such category of persons as notified, if total value of such supply, under a contract, exceeds Rs 10 Lakhs. Procedure for deposit of such tax and issuance of a credit certificate has been prescribed.

TDS Provision as Per Section 37 Under GST

1) Following Persons required to Deduct TDS @ 1% from the Payment made or Credited to the Supplier of Goods or Services-
a) A department or establishment of the Central or State Government,
b) Local authority,
c) Governmental agencies,
d) Such persons or category of persons as may be notified, by the Central or a State Government on the recommendations of the Council.
.

2) TDS has to be deducted only if the Total Value of Supply under the Contract Exceeds RS 10 Lakh. It must be noted that Total Value of supply shall exclude the Tax Indicated in the Invoice.

.

3) TDS so deducted must be deposited with CG or SG Treasury within 10 days after the end of the month in which such deduction is made.

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4) TDS Certificate must also be issued within 5 Days of the date of remittance of TDS to CG or SG Treasury

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5) TDS Certificate must contain the contract value, rate of deduction, Amount deducted, Amount paid to the appropriate Government and Any other particulars as may be prescribed.

.

6) In Case TDS Certificate Not issued on time than a late fees of Rs 100 Per Day from 6th day has to be paid subject to Maximum of Rs 5000.

.

7) If Fails to Deposit the TDS on time than liable to penal interest mentioned U/S 36 of this Act.

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8) TDS so Deducted shown in Electronic Cash Register of Deductee can be claimed as Credit.

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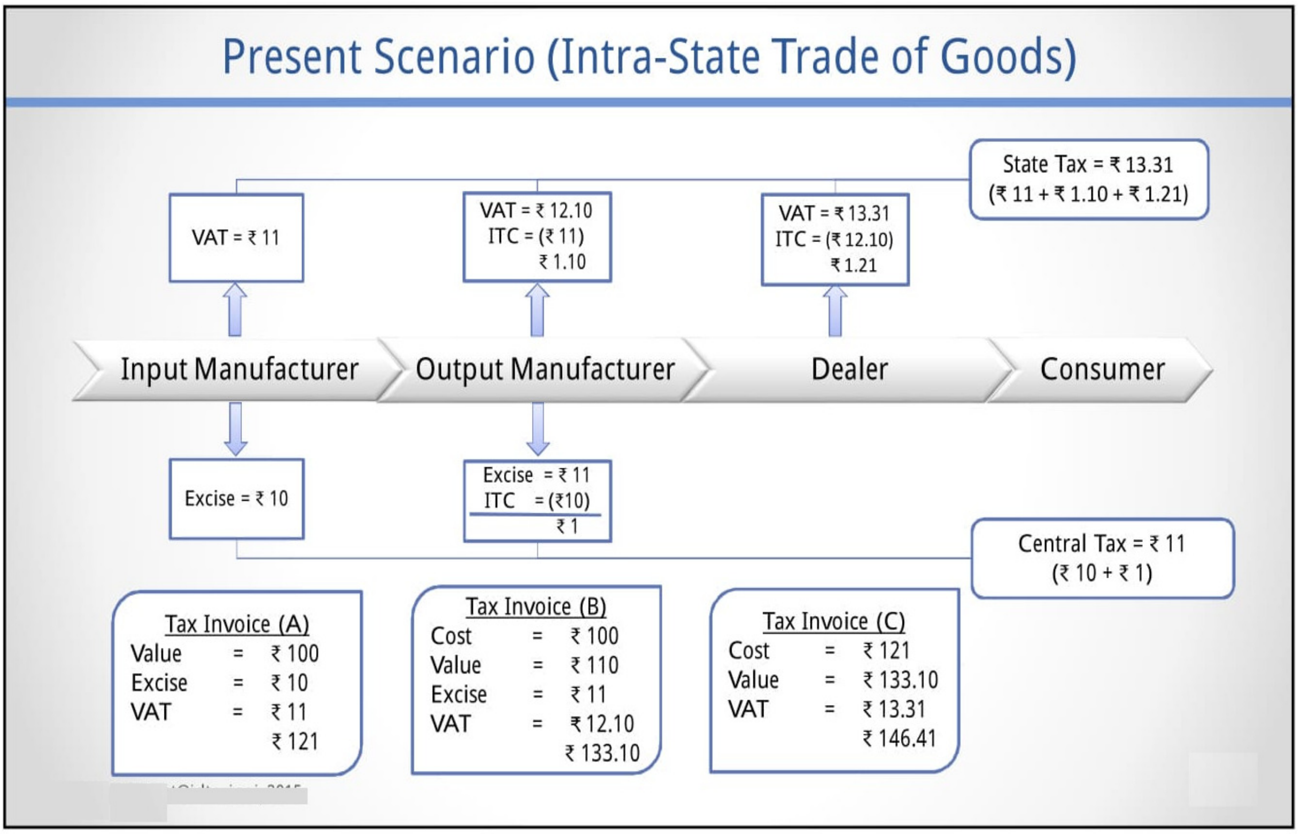
9) It is possible to claim refund arising on account of excess or erroneous deduction, and this would be governed by the provisions of Section 38. Such refund may be claimed either by the Deductor or the Deductee, but not both. Further, no refund would be available to the Deductor once the amount deducted has been credited to the electronic cash ledger of the Deductee.

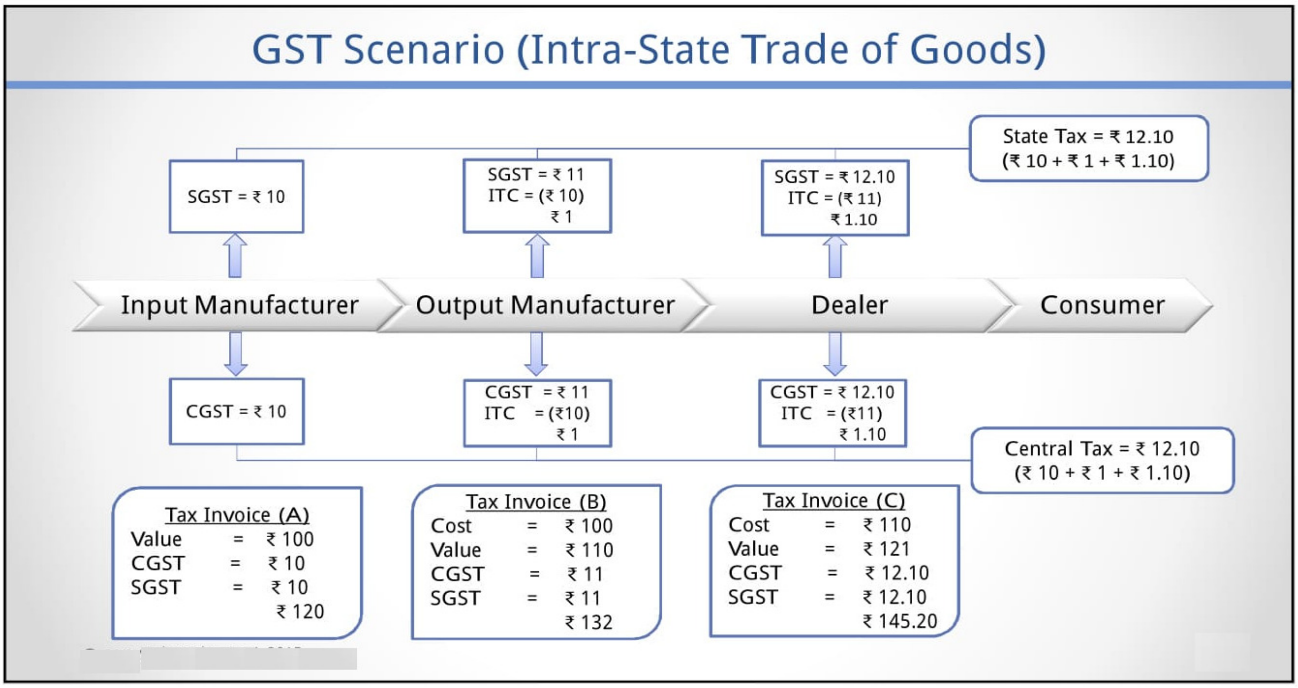
REFUND

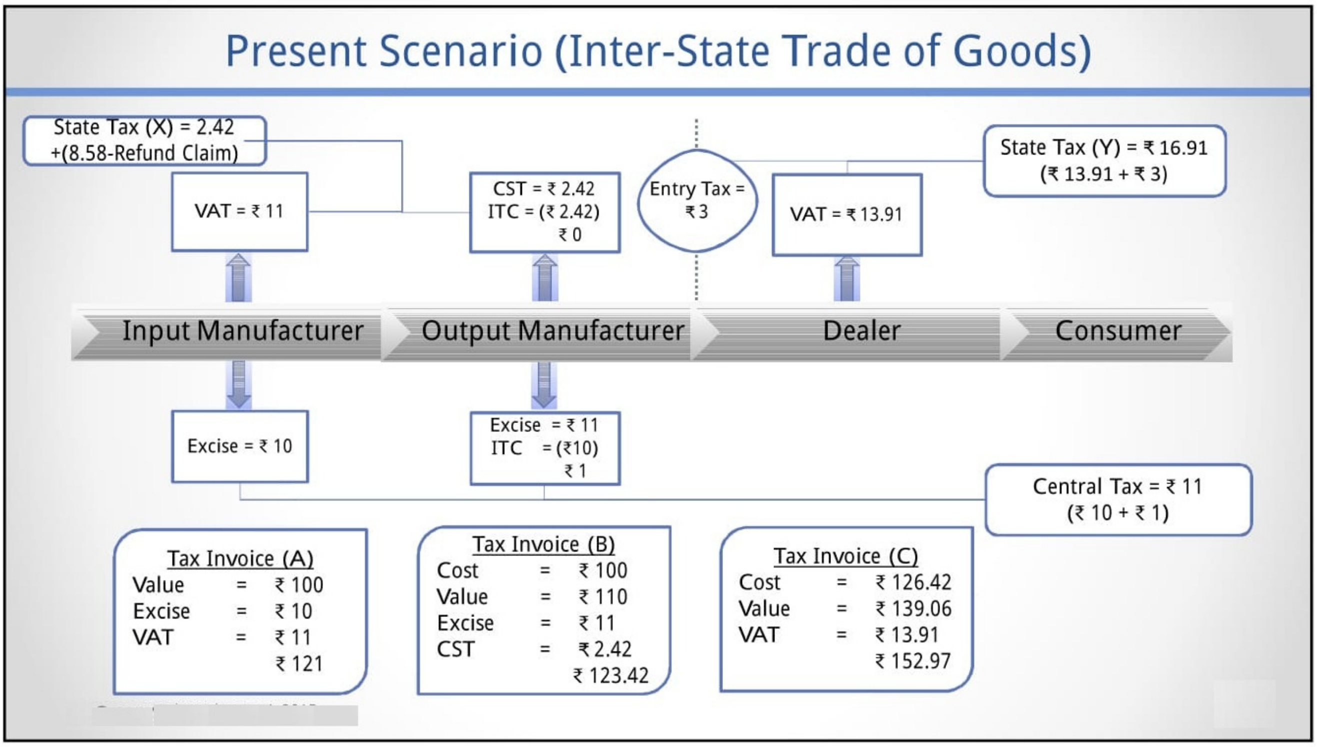
A person can claim refund of any tax and interest by making an application in that regard to the prescribed officer of IGST/CGST/SGST.

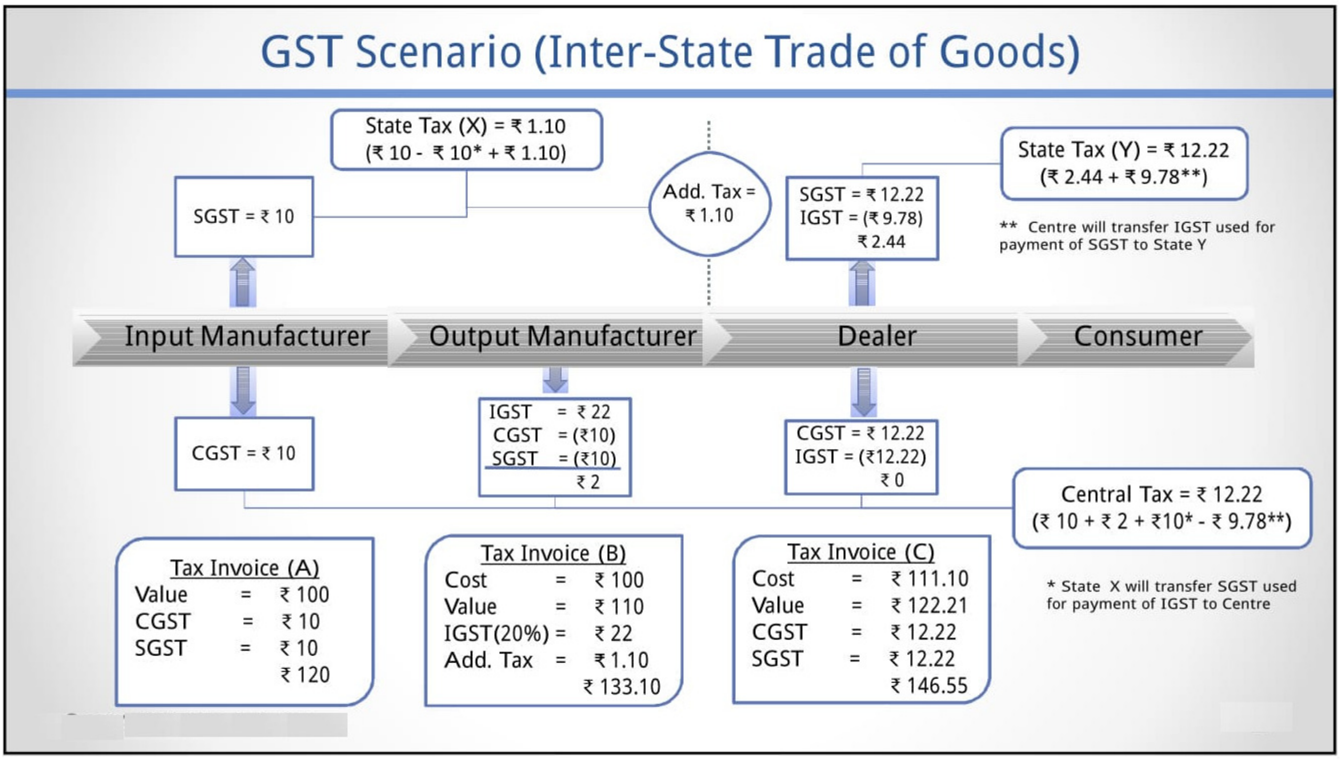
The application can be made before the expiry of 2 years from the relevant date as may be prescribed. It has been provided that the limitation of two years shall not apply where such tax or
interest or the amount has been paid under protest.

14. ILLUSTRATION TO SHOWCASE TAX BENEFITS UNDER GST









Sources: ICAI

15. RETURNS (E-FILING)

As the **GST Bill** is about to come into action by the next year, the government of India is taking necessary steps to make sure that the GST regime works fine. The Government will introduce eight forms namely **GSTR-1 to GSTR-8** that will be required to file the GST Tax returns in India. These forms will be collectively used to take the assesses details and offer multiple options to file online return.

As per department issue some draft form for return purpose. These are as below:

1. GSTR-1 (Sales Register)

•This is a sales register of goods and services, here we can enter the details data of sales . If a person sells his goods and services to a register person within the state in that case he is liable to charge CGST and SGST on the transaction. At the same point of time if the person sells his goods and services to other state he is liable for IGST charge on him.

•Here of each transaction it is important to classify the goods or services with his SAC or HSN code because these codes will identify the nature of the transaction.

•Again for avoidance of the black money or hawala transaction in GST returns, there is a need to identify some important transaction like interstate transaction worth Rs. 250000/- or more.

•See the preview of GSTR-1 Return Filing Form

GSTR- 2 (Purchase Register)

•This is a comprehensive purchase register. Here we can enter the data of both purchase of service and goods.

•In GSTR-2 the data of the goods purchase from register dealer including debit/credit note will automatically populated as the respective dealers upload there sales register on due date. Due to this we can match our purchases against the sales register and the impact of this in current scenario where tax credit mismatch is hard to match and a time taking process, in GST there we will check our data as per seller return so mismatch issue resolve will solve easily

•As well as here we will amend our purchase bill too as we received in earlier periods

•Here a separate details information will be required for input service distributors

•Due date of filling the return is 15th of the next month. But we can upload our data on daily, fortnight, weekly too. Soon the last date of return filing the workload should be lesser than before

•See the preview of GSTR-2 Return Filing Form

GSTR-3 (Monthly Return Form)

•Now the time taking process of return filling is over now. In GST return maximum data of this return is auto populated from purchase and sales registers. Only adjustment entries and challan information will enter after these entries

•Here cash ledger (tax deposit in cash and TDS/ TCS) will made separately for CGST , SGST and IGST

•See the preview of GSTR-3 Return Filing Form

GSTR-4 (Quarterly return for compounding dealers)

•This return is a quarterly return filled by the compounding dealer (as per draft GST law the assesses whose turnover is less than Rs. 50 lacs and there is no interstate transaction) is liable to file return on and before 18th of the month after the quarter

•In this return, data will be automatically populated after filing of GSTR-1

•See the preview of GSTR-4 Return Filing Form

GSTR-5 (Return file by the Non-Resident)

•This will be a monthly return filed by the non –resident within 18th day after end of the month and within the 7 days after expiry of registration

•In this return HSN/SAC code should be mention because these are classify the transaction as a sales and purchase of goods and services

•See the preview of GSTR-5 Return Filing Form

GSTR-6 (Return for Input Service Distributor)

•This return will be filed by the Input Service Distributors within 15 days after end of the month

•In this return form input service distribution ledger will be maintained. In this ledger credit of CGST, SGST, IGST will maintain separately of each tax amount

•See the preview of GSTR-6 Return Filing Form

GSTR-7 (TDS Return)

•Tax deductor will be liable to file this TDS return within the 10 days after end of the month

•This return form is almost similar to TDS return of income tax (26Q/24Q etc) as in this return deductee information and transaction information is mention with the related challan in which the TDS amount is paid to department

•See the preview of GSTR-7 Return Filing Form

GSTR-8 (Annual Return)

•This return form will be filed on or before 31st December of the next financial year

•In this return the total annual returns information will be matched by the department with the monthly /quarterly return filled by the assesse

•In this return auditors information will submitted

•In this return all the transaction will bifurcated within goods and services. This bifurcation should be match with the HSN/SAC code given by the assessee in his monthly/ quarterly return

•See the preview of GSTR-8 Return Filing Form

Returns under GST

Particular	Forms	Periodicity	Late filing fees/penalty
Outward supplies Return sec-25	GSTR-1	10th day of succeeding month	Rs. 100 per day (max-Rs5000)
Inward supplies Return Sec-26	GSTR-2	15th day of succeeding month	
Return under sec-27 (common return)	GSTR-3	20th day of succeeding month	
Return for person opted for composition scheme under sec-8 (sec-27)	GSTR-4	18th day of succeeding quarter.	
Return under sec-35 for tax deduction at source (sec-27)	GSTR-7	10th day of succeeding month	
Input service distributor shall furnish return (sec-27)	GSTR-6	13th day of succeeding month.	
Every taxable person (other than ISD, casual, NR and deductor u/s -37)	GSTR-8	31st day of December month of succeeding Year.	Rs. 100 per day (max 0.25 % of turnover)
	Notes- Each State where the Business is carried out will have to obtain separate registration and separate annual return to be filed, but delay will cause huge late fees to be extend of 0.5% of aggregate turnover of irrespective of turnover in a particular state.		

RETURNS UNDER GST

S.No.	Name of the Returns Under Model GST Law		Last date of Filing of returns and other details
1	Return for **outward supplies (Section 25)**		Every registered taxable person other than an input service distributor and a person paying tax under the provisions of section 8 or section 37, shall furnish electronically the details of outward supplies of goods and/or services effected, which includes details relating to zero-rated supplies, inter-state supplies, return of goods received in relation to/ in pursuance of an inward supply, exports, debit notes, credit notes and supplementary invoices issued, during a tax period **on or before the 10th day of the month succeeding the said tax period** and such details shall be communicated to the recipient of the said supplies. For example, the return for the month of July shall be filled by 10th August.
2	Return for **Inward supplies (Section 26)**	1.	Every registered taxable person other than an input service distributor and a person paying tax under the provisions of section 8 or section 37, shall verify, validate, modify or, if required, delete the details relating to outward supplies and credit or debit notes communicated under outward supply details to prepare

			the details of his inward supplies and credit or debit notes and may include therein, the details of inward supplies and credit or debit notes received by him in respect of such supplies that have not been declared by the supplier.
		2.	Every registered taxable person shall furnish, electronically, the details of inward supplies of taxable goods and/or services, including inward supplies of services on which the tax is payable on reverse charge basis under this Act and inward supplies of goods and/or services taxable under the IGST Act, and credit or debit notes received in respect of such supplies during a tax period **on or before the 15th day of the month succeeding the tax period** in such form and manner as may be prescribed. For example, the return of the month of July shall be filled by 15th August.
3	**Monthly Return (Section 27)**	1.	Every registered taxable person shall, for every calendar month or part thereof furnish a return electronically of inward and outward supplies of goods and/or services, input tax credit availed, tax payable, tax paid and other particulars as may be prescribed **within twenty days after the end of such month.**

		2.	Every registered taxable person, who is required to furnish a monthly return, shall pay to the credit of the appropriate Government the tax due as per such return not later than the last date on which he is required to furnish such return.
		3. A monthly return furnished by a registered taxable person without payment of full tax due as per such return shall not be treated as a valid return for allowing input tax credit in respect of supplies made by such person. 4. Every registered taxable person shall furnish a monthly return for every tax period, whether or not any supplies of goods and/or services have been effected during such tax period.	
4	**Quarterly return under Composition Scheme**	A registered taxable person paying tax under the provisions of Composition Levy (Section 8) shall furnish a return for each quarter or part thereof, electronically, in such form and in such manner as may be prescribed, **within eighteen days after the end of such quarter**	
5	**TDS return**	Every registered taxable person who required to deduct tax at source shall furnish a return, electronically, in such form and in such manner as may be prescribed, for the month in which such deductions have been made along with the payment of	

		tax so deducted, **within ten days after the end of such month.**
6	**ISD Return**	Every Input Service Distributor shall, for every calendar month or part thereof, furnish a return, electronically, in such form and in such manner as may be prescribed, **within thirteen days after the end of such month**.
7	**Annual Return (Section 30)**	Every registered taxable person, other than an input service distributor, a deductor under section 37, a casual taxable person and a non-resident taxable person, shall furnish an annual return for every financial year electronically **on or before the 31st day of December following the end of such financial year.** Every taxable person who is required to get his accounts audited (under subsection (4) of section 42) shall furnish, electronically, the annual return along with the audited copy of the annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the year with the audited annual financial statement, and such other particulars as may be prescribed.

Table 1

16. ANALYSIS OF TAX LIABILITY AND CREDIT UTILIZATION

Introduction

The GST Constitutional amendment Bill has been passed by Rajya Sabha on 3rd August-2016 and by passage of this bill from Rajya Sabha, it is clear that Indirect Tax Structure in India is going to be replaced by **GST** very soon.

The Most common question in the mind of every person, whether Professional or Businessmen, is that how the Tax liability will be calculated after implementation of GST.

Our Team has tried to prepare some real life example to understand the calculation of Tax Liability under GST regime.

.

Rules for Calculation Tax Liability and Tax Credit

1- In case of Intra state Sale, CGST and SGST will be charged and no IGST will be charged.

2- In case of Inter State sales, only IGST will be charged and CGST / SGST will not be charged.

3- Output CGST will be adjusted only with Input CGST and thereafter for IGST.

4- Output SGST will be adjusted only with Input SGST and thereafter for IGST.

5- Cross adjustment of CGST with SGST and SGST with CGST is not allowed.

6- Output IGST will be adjusted with Input IGST after that with CGST and after that with SGST in this sequence only.

Example is Given Below for your Easy Reference:

(INR)	Current system	GST
Manufacturer		
Cost of goods	0	0
Add: Value addition	*10,000*	*10,000*
Basic price	10,000	10,000
Add: CENVAT @ 12.5%	*1,250*	*0*
Add: GST @ 18%	*0*	*1,800*
Total price	**11,250**	**11,800**
Wholsaler/distributor		
Cost of goods	11,250	11,800
Less: Input GST credit	*0*	*(1,800)*
Add: Value addition	*5,000*	*5,000*
Basic price	16,250	15,000
Add: VAT@ 12.5%	*2,031*	*0*
Add: GST @18%	*0*	*2,700*
Total price	**18,281**	**17,700**
Retailer		
Cost of goods	18,281	17,700
Less: Input VAT credit	*(2,031)*	*0*
Less: Input GST credit	*0*	*(2,700)*
Add: Value addition	*2000*	*2000*
Basic price	18,250	17,000
Add: VAT@ 12.5%	*2,281*	*0*
Add: GST @18%	*0*	*3060*
Total price paid by consumer	**20,531**	**20,060**
Total value added in the	17,000	17,000
Total taxes paid	3531	3060
Effective tax rate (% of value addition)	**21**	**18**

Under the curren system, **inpu credit or CENVAT canno be availed tc offset state VAT liability.** Hence the good is effectively taxed twice— CENVAT+ VAT

17. IMPACT OF GST ON AGRICULTURE

Impact of GST on Agriculture is analysed as under:

1) Dairy farming, poultry farming and stock breeding are specifically kept out of the definition of Agriculture given in model GST Law; hence it seems that these will be taxable under GST regime.

2) The mere cutting of wood or grass, gathering of fruit and raising of man-made forest or rearing of seedlings or plants have also been specifically kept out of the definition of Agriculture, hence it seems that these will be taxable under GST regime.

3) Agriculture by cultivating the land on crop share basis is kept out of the definition of " to cultivate personally" , hence it seems that these will be taxable under GST regime.

4) Agriculture by persons other than Individual and HUF seems also kept out of the definition of "to cultivate personally", hence it seems that these will be taxable under GST regime.

18. GST IMPACT ON VARIOUS SECTORS

1) *BANKS* - Current service tax 15% now after GST 18% **Negative.**

2) *CONSUMER STAPLES* current tax rate 22% know after GST it's 18% .

Positive for - Asian paints,Dabur,HUL,EMAMI
NEGATIVE for ITC & UNITED BEVERIES.

3) *CONSUMER DISCRETIONARY* current 15% after GST 18%
NEGATIVE

4) *MEDIA* - current Tax 15% service tax and 7% entertainment Tax by State's know After GST it will be 18%
POSITIVE

5) *TELECOM* current Tax 15% After GST 18% may see marginal dip in consumption as tax rise from 15% to 18%
NEGATIVE

6) *AUTO INDUSTRIES* current Tax 27% after GST it will be 18% .
POSITIVE

7) *METALS* - current TAX 18% after GST 18% no major impact

8) *CEMENT* - current Tax 27% altogether after GST it will be 18%
POSITIVE.

9) *PHARMA* - current Tax 15% after GST it will be 18% .
NEGATIVE

10) *REAL ESTATE* - 15% to 16% Stamp duty, Current duty approx 7%.
NEGATIVE for real estates.

11) *TRANSPORTATION* - majorly benefits to logistics sector no impact of GST
POSITIVE

19. ACCOUNTS AND RECORD

Every registered taxable person shall be required to keep and maintain at his place of business, for a period of five years from the end of financial year [including the principal place of business] true and correct books of account including the following:

-Production or manufacture of goods

-Inward or outward supply of goods and/or services

-Stock of goods

-Input tax credit availed

-Output tax payable and paid

-Such other particulars as may be prescribed in this behalf

20. OFFENCES AND PENALTIES

Following are offences under GST Law. Penalties can be imposed by departmental authorities to person committing the specified offence.

As per clause 66(1) of Model GST Law, 2016,

A. **Where a taxable person who —**

1. supplies any goods and/or services without issue of any invoice or issues an incorrect or false invoice with regard to any such supply;
2. issues any invoice or bill without supply of goods and/or services in violation of the provisions of this Act, or the rules made thereunder;
3. collects any amount as tax but fails to pay the same to the credit of the appropriate Government beyond a period of three months from the date on which such payment becomes due;
4. collects any tax in contravention of the provisions of this Act but fails to pay the same to the credit of the appropriate Government beyond a period of three months from the date on which such payment becomes due;
5. fails to deduct the tax in terms of sub-section (1) of section 37, or deducts an amount which is less than the amount required to be deducted under the said sub-section, or where he fails to pay to the credit of the appropriate Government under sub-section (2) thereof, the amount deducted as tax;
6. fails to collect tax in terms of sub-section (1) of section 43C, or collects an amount which is less than the amount required to be collected under the said sub-section, or where he fails to pay to the credit of the appropriate Government under sub-section (4) thereof, the amount collected as tax;
7. takes and/or utilizes input tax credit without actual receipt of goods and/or services either fully or partially, in violation of the provisions of this Act, or the rules made there under;

8. fraudulently obtains refund of any CGST/SGST under this Act;
9. takes or distributes input tax credit in violation of section 17, or the rules made there under;
10. Falsifies or substitutes financial records or produces fake accounts and/or documents or furnishes any false information or return with an intention to evade payment of tax due under this Act;
11. is liable to be registered under this Act but fails to obtain registration;
12. furnishes any false information with regard to particulars specified as mandatory, either at the time of applying for registration, or subsequently;
13. obstructs or prevents any officer in discharge of his duties under the Act;
14. transports any taxable goods without the cover of documents as may be specified in this behalf;
15. suppresses his turnover leading to evasion of tax under this Act;
16. fails to keep, maintain or retain books of account and other documents in accordance with the provisions of this Act or the rules made there under;
17. fails to furnish information and/or documents called for by a CGST/SGST officer in accordance with the provisions of this Act or rules made there under or furnishes false information and/or documents during any proceedings under this Act;
18. supplies, transports or stores any goods which he has reason to believe are liable to confiscation under this Act;
19. issues any invoice or document by using the identification number of another taxable person;
20. tampers with, or destroys any material evidence;
21. disposes off or tampers with any goods that have been detained, seized, or attached under this Act;

shall be liable to a penalty of **rupees 10,000/-** or an amount equivalent to the tax evaded or the tax not deducted or short deducted or deducted but not paid to the Government or input tax credit availed of or passed on or distributed irregularly, or the refund claimed fraudulently, as the case may be, **whichever is higher**.

B. Penalty for repeatedly making short payments

Any registered taxable person who repeatedly makes short payment of tax shall be liable to a penalty of rupees 10,000/- or 10% of the tax short paid, **whichever is higher** – clause 66(2) of GST Model Law, 2016.

A taxable person shall be deemed to have made **short payments 'repeatedly'**, if there were short payments in three returns during any six consecutive tax periods – *explanation* to clause 66(2) of GST Model Law, 2016.

C. Other offences

Any person who—

1. aids or abets any of the offences specified in clauses (i) to (xx) of sub-section (1) above;
2. acquires possession of, or in any way concerns himself in transporting, removing, depositing, keeping, concealing, supplying, or purchasing or in any other manner deals with any goods which he knows or has reason to believe are liable to confiscation under this Act or the rules made there under;
3. receives or is in any way concerned with the supply of, or in any other manner deals with any supply of services which he knows or has reason to

believe are in contravention of any provisions of this Act or the rules made there under;

4. fails to appear before the CGST/SGST officer, when issued with a summon for appearance to give evidence or produce a document in an enquiry;
5. fails to issue invoice in accordance with the provisions of this Act or rules made there under, or fails to account for an invoice in his books of account;

shall be liable to a penalty which may extend to **rupees 25,000/-**

D. General i.e. residual penalty

Any person, who contravenes any of the provisions of this Act or any rules made there under for which no penalty is separately provided for in this Act, shall be liable to a penalty which may extend to **rupees 25,000/-** – clause 67 of GST Model Law, 2016.

E. General disciplines related to penalty

General principles of imposing penalty are given in clause 64 of GST Model Law, 2016.

No penalty for minor breaches

– No tax authority shall impose substantial penalties for minor breaches of tax regulations or procedural requirements. In particular, no penalty in respect of any omission or mistake in documentation which is easily rectifiable and obviously made without fraudulent intent or gross negligence shall be greater than necessary to serve merely as a warning.

For the purpose of this sub-section –

(a) A breach shall be considered a 'minor breach' if the amount of tax involved is less than **rupees 5,000/-**

(b) An omission or mistake in documentation shall be considered to be easily rectifiable if the same is an error apparent on record- clause 68(1) of GST Model Law, 2016.

Penalty to be commensurate with severity of breach – The penalty imposed shall depend on the facts and circumstances of the case and shall be commensurate with the degree and severity of the breach- clause 68(2) of GST Model Law, 2016.

No penalty without notice and hearing – No penalty shall be imposed on any taxable person without giving a notice to show cause and without giving the person a reasonable opportunity of being heard- clause 68(3) of GST Model Law, 2016.

Reason to be given for imposing penalty – The tax authority shall ensure that when a penalty is imposed in an order for a breach of the laws, regulations or procedural requirements, an explanation is provided therein to the persons upon whom the penalty is imposed, specifying the nature of the breach and the applicable law, regulation or procedure under which the amount or range of penalty for the breach has been prescribed- clause 68(4) of GST Model Law, 2016.

Lower penalty if breach voluntarily disclosed – When a person voluntarily discloses to a tax authority the circumstances of a breach of the tax law, regulation or procedural requirement prior to the discovery of the breach by the tax authority, the tax authority may consider this fact as a potential mitigating factor when establishing a penalty for that person- clause 68(5) of GST Model

Law, 2016.

Provisions not applicable when law specifies fixed penalty – The provisions of this section will not apply in such cases where the penalty prescribed under the Act is either a fixed sum or expressed as a fixed percentage – clause 68(6) of GST Model Law, 2016.

Detention of goods and conveyances, and levy of penalty

Where any person – (i) transports any goods or stores such goods while they are in transit in violation of the provisions of this Act; or (ii) stores or keeps in stock goods or supplies goods which have not been accounted for in the books or records maintained by him in the manner required by this Act all such goods and the conveyance used as a means of transport for carrying the said goods shall be liable to detention, in the manner prescribed, by the proper officer and shall be released only after payment of applicable tax, interest and penalty leviable thereon or upon furnishing a security, in such form as may be prescribed, equivalent to the amount of the applicable tax, interest and penalty – clause 69(1) of GST Model Law, 2016.

No tax, interest or penalty shall be determined under sub-section (1) without giving a notice to show cause and without giving the person a reasonable opportunity of being heard.

Detention, seizure and confiscation

‘**Detention’** means the goods are temporarily detained by officers to check whether there is any violation of law. If there is any violation, goods are seized. Otherwise, goods are released. Often ‘detention’ is only by verbal instructions and goods can be released without any formality, if the documents etc. are found to be in order.

‘**Seizure’** means goods are taken in custody by the department. ‘Confiscation’ means the goods become property of Government and Government can deal with it as it wants. On the other hand ‘seizure’ means goods are in custody of Government, but the property of goods remains with the owner.

Contravening goods are liable to confiscation. Conveyance involved in offense is also liable to confiscation.

Goods confiscated by Government can be taken back on payment of redemption fine.

Confiscation of goods and levy of penalty

If any person -(i) supplies any goods in contravention of any of the provisions of this Act or rules made leading to evasion of tax; or (ii) does not account for any goods on which he is liable to pay tax under this Act; or (iii) supplies any goods liable to tax under this Act without having applied for the registration; or (iv) contravenes any of the provisions of this Act or rules made there under with intent to evade payment of tax, then, all such goods shall be liable to confiscation and the person shall be liable to penalty under section 66 – clause 70(1) of GST Model Law, 2016.

Goods belong to Government after confiscation – Where any goods are confiscated under this Act, the title of such goods shall thereupon vest in the appropriate Government – clause 70(3) of GST Model Law, 2016.

Confiscation after notice and adjudication order – No order of confiscation of goods and/or imposition of penalty shall be issued without giving a notice to show cause and without giving the person a reasonable opportunity of being heard – clause 70(4) of GST Model Law, 2016.

Police to assist in taking and holding possession – The proper officer adjudging confiscation shall take and hold possession of the things confiscated and every Officer of Police, on the requisition of such proper officer, shall assist him in taking and holding such possession – clause 70(6) of GST Model Law, 2016.

Redemption fine in lieu of confiscation – Whenever confiscation of any goods is authorized by this Act, the CGST/SGST officer adjudging it shall give to the owner of the goods or, where such owner is not known, the person from whose possession or custody such goods have been seized, an option to pay in lieu of confiscation such fine as the said officer thinks fit. Such fine shall not exceed the market price of the goods confiscated, less the tax chargeable thereon – clause 70(2) of GST Model Law, 2016.

Where any fine in lieu of confiscation of goods is imposed under sub-section (2), the owner of such goods or the person referred to in sub-section (1), shall, in addition, be liable to any tax and charges payable in respect of such goods – clause 70(3) of GST Model Law, 2016.

Confiscation of conveyances

Any conveyance used as a means of transport for carriage of taxable goods without the cover of documents as may be prescribed in this behalf shall be liable to confiscation, unless the owner of the conveyance proves that it was so used without the knowledge or connivance of the owner himself, his agent, if any, and the person in charge of the conveyance:

Where any such conveyance is used for the carriage of the goods or passengers for hire, the owner of the conveyance shall be given an option to pay in lieu of the confiscation of the conveyance a fine equal to the tax payable on the goods being transported thereon – clause 71 of GST Model Law, 2016.

Confiscation or penalty not to interfere with other punishments

No confiscation made or penalty imposed under the provisions of this Act or the rules made there under shall prevent the infliction of any other punishment to which the person affected thereby is liable under the provisions of this Act or under any other law – clause 72 of GST Model Law, 2016.

21. FREQUENTLY ASKED QUESTIONS

Following are the answers to the various frequently asked questions relating to GST:

Question 1.What is GST? How does it work?

Answer: GST is one indirect tax for the whole nation, which will make India one unified common market.

GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

Question 2. What are the benefits of GST?

Answer:The benefits of GST can be summarized as under:

- **For business and industry**

o Easy compliance: A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.

o Uniformity of tax rates and structures: GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.

o Removal of cascading: A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.

o Improved competitiveness: Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.

o Gain to manufacturers and exporters: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

- **For Central and State Governments**

o Simple and easy to administer: Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.

o Better controls on leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.

o Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.

- **For the consumer**

o Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.

o Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.

Question 3. Which taxes at the Centre and State level are being subsumed into GST?

Answer:

At the **Central** level, the following taxes are being subsumed:

1. Central Excise Duty,
2. Additional Excise Duty,
3. Service Tax,
4. Additional Customs Duty commonly known as Countervailing Duty, and
5. Special Additional Duty of Customs.

At the **State** level, the following taxes are being subsumed:

1. Subsuming of State Value Added Tax/Sales Tax,
2. Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States),
3. Octroi and Entry tax,
4. Purchase Tax,
5. Luxury tax, and
6. Taxes on lottery, betting and gambling.

Question 4. What are the major chronological events that have led to the introduction of GST?

Answer: GST is being introduced in the country after a 13 year long journey since it was first discussed in the report of the Kelkar Task Force on indirect taxes. A brief chronology outlining the major milestones on the proposal for introduction of GST in India is as follows:

1. In 2003, the Kelkar Task Force on indirect tax had suggested a comprehensive Goods and Services Tax (GST) based on VAT principle.
2. A proposal to introduce a National level Goods and Services Tax (GST) by April 1, 2010 was first mooted in the Budget Speech for the financial year 2006-07.
3. Since the proposal involved reform/ restructuring of not only indirect taxes levied by the Centre but also the States, the responsibility of preparing a Design and Road Map for the implementation of GST was assigned to the Empowered Committee of State Finance Ministers (EC).

4. Based on inputs from Govt of India and States, the EC released its First Discussion Paper on Goods and Services Tax in India in November, 2009.

5. In order to take the GST related work further, a Joint Working Group consisting of officers from Central as well as State Government was constituted in September, 2009.

6. In order to amend the Constitution to enable introduction of GST, the Constitution (115th Amendment) Bill was introduced in the Lok Sabha in March 2011. As per the prescribed procedure, the Bill was referred to the Standing Committee on Finance of the Parliament for examination and report.

7. Meanwhile, in pursuance of the decision taken in a meeting between the Union Finance Minister and the Empowered Committee of State Finance Ministers on 8th November, 2012, a 'Committee on GST Design', consisting of the officials of the Government of India, State Governments and the Empowered Committee was constituted.

8. This Committee did a detailed discussion on GST design including the Constitution (115th) Amendment Bill and submitted its report in January, 2013. Based on this Report, the EC recommended certain changes in the Constitution Amendment Bill in their meeting at Bhubaneswar in January 2013.

9. The Empowered Committee in the Bhubaneswar meeting also decided to constitute three committees of officers to discuss and report on various aspects of GST as follows:-

(a) Committee on Place of Supply Rules and Revenue Neutral Rates;

(b) Committee on dual control, threshold and exemptions;

(c) Committee on IGST and GST on imports.

1. The Parliamentary Standing Committee submitted its Report in August, 2013 to the Lok Sabha. The recommendations of the Empowered Committee and the recommendations of the Parliamentary Standing Committee were examined in the Ministry in consultation with the Legislative Department. Most of the recommendations made by the Empowered Committee and the Parliamentary Standing Committee were accepted and the draft Amendment Bill was suitably revised.

2. The final draft Constitutional Amendment Bill incorporating the above stated changes were sent to the Empowered Committee for consideration in September 2013.

3. The EC once again made certain recommendations on the Bill after its meeting in Shillong in November 2013. Certain recommendations of the Empowered Committee were incorporated in the draft Constitution (115th Amendment) Bill. The revised draft was sent for consideration of the Empowered Committee in March, 2014.

4. The 115th Constitutional (Amendment) Bill, 2011, for the introduction of GST introduced in the Lok Sabha in March 2011 lapsed with the dissolution of the 15th Lok Sabha.

5. In June 2014, the draft Constitution Amendment Bill was sent to the Empowered Committee after approval of the new Government.

6. Based on a broad consensus reached with the Empowered Committee on the contours of the Bill, the Cabinet on 17.12.2014 approved the proposal for introduction of a Bill in the Parliament for amending the Constitution of India to facilitate the introduction of Goods and Services Tax (GST) in the country. The Bill was introduced in the Lok Sabha on 19.12.2014, and was passed by the Lok Sabha on 06.05.2015. It was then referred to the Select Committee of Rajya Sabha, which submitted its report on 22.07.2015.

Question 5.How would GST be administered in India?

Answer: Keeping in mind the federal structure of India, there will be two components of GST – Central GST (CGST) and State GST (SGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

Question 6.How would a particular transaction of goods and services be taxed simultaneously under Central GST (CGST) and State GST (SGST)?

Answer: The Central GST and the State GST would be levied simultaneously on every transaction of supply of goods and services except on exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. Further, both would be levied on the same price or value unlike State VAT which is levied on the value of the goods inclusive of Central Excise.

A diagrammatic representation of the working of the Dual GST model within a State is shown in Figure 1 below.

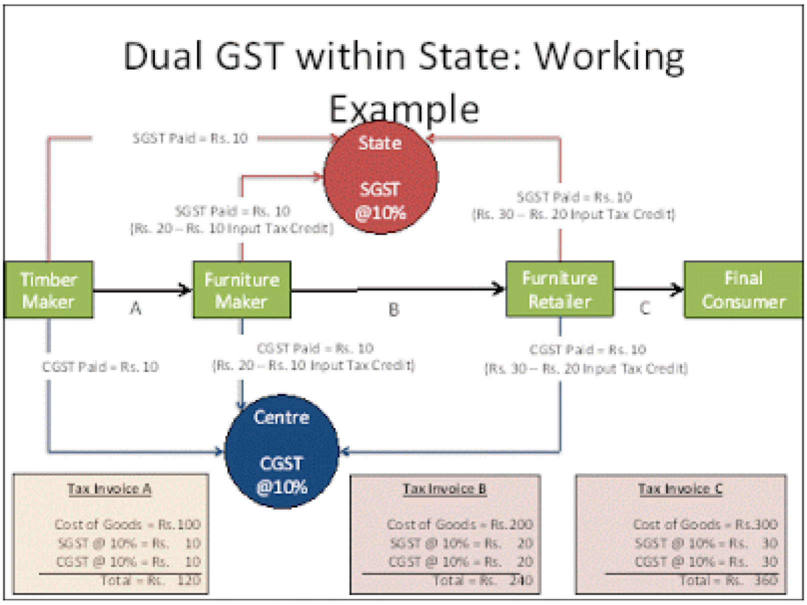


Figure 1: GST within State

Question 7.Will cross utilization of credits between goods and services be allowed under GST regime?

Answer :Cross utilization of credit of CGST between goods and services would be allowed. Similarly, the facility of cross utilization of credit will be available in case of SGST. However, the cross utilization of CGST and SGST would not be allowed except in the case of inter-State supply of goods and services under the IGST model which is explained in answer to the next question.

Question 8.How will be Inter-State Transactions of Goods and Services be taxed under GST in terms of IGST method?

Answer:In case of inter-State transactions, the Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supplies of goods and services under Article 269A (1) of the Constitution. The IGST would roughly be equal to CGST plus SGST. The IGST mechanism has been designed to ensure seamless flow of input tax credit from one State to another. The inter-State seller would pay IGST on the sale of his goods to the Central Government after adjusting credit of IGST, CGST and SGST on his purchases (in that order). The exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The importing dealer will claim credit of IGST while discharging his output tax liability (both CGST and SGST) in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST.Since GST is a destination-based tax, all SGST on the final product will ordinarily accrue to the consuming State.

A diagrammatic representation of the working of the IGST model for inter-State transactions is shown in Figure 2 below.

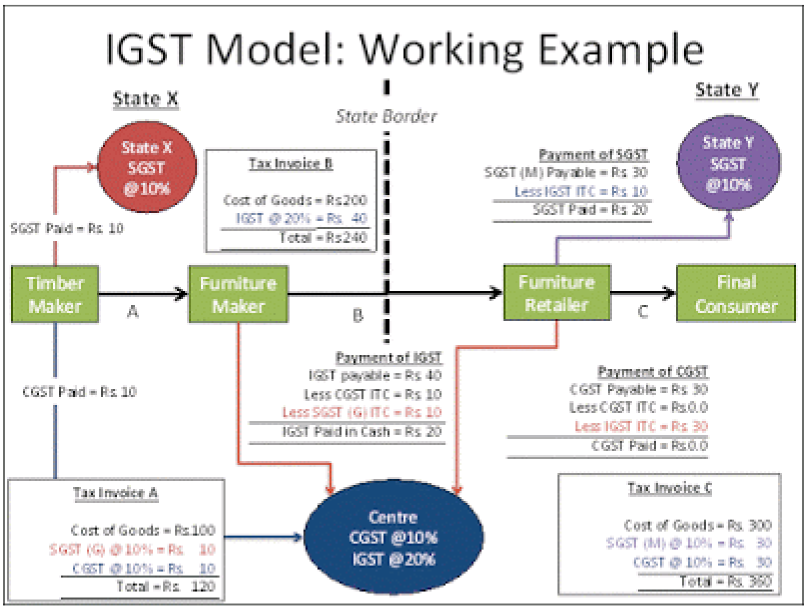


Figure 2

Question 9.How will IT be used for the implementation of GST?

Answer: For the implementation of GST in the country, the Central and State Governments have jointly registered Goods and Services Tax Network (GSTN) as a not-for-profit, non-Government Company to provide shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders. The key objectives of GSTN are to provide a standard and uniform interface to the taxpayers, and shared infrastructure and services to Central and State/UT governments.

GSTN is working on developing a state-of-the-art comprehensive IT infrastructure including the common GST portal providing frontend services of registration, returns and payments to all taxpayers, as well as the backend IT modules for certain States that include processing of returns, registrations, audits, assessments, appeals, etc. All States, accounting authorities, RBI and banks, are also preparing their IT infrastructure for the administration of GST.

There would no manual filing of returns. All taxes can also be paid online. All mis-matched returns would be auto-generated, and there would be no need for manual interventions. Most returns would be self-assessed.

Question 10.How will imports are taxed under GST?

Answer: The Additional Duty of Excise or CVD and the Special Additional Duty or SAD presently being levied on imports will be subsumed under GST. As per explanation to clause (1) of article 269A of the Constitution, IGST will be levied on all imports into the territory of India. Unlike in the present regime, the States where imported goods are consumed will now gain their share from this IGST paid on imported goods.

Question 11.What are the major features of the Constitution (122nd Amendment) Bill, 2014?

Answer: The salient features of the Bill are as follows:

1. Conferring simultaneous power upon Parliament and the State Legislatures to make laws governing goods and services tax;
2. Subsuming of various Central indirect taxes and levies such as Central Excise Duty, Additional Excise Duties, Service Tax, Additional Customs Duty commonly known as Countervailing Duty, and Special Additional Duty of Customs;
3. Subsuming of State Value Added Tax/Sales Tax, Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States), Octroi and Entry tax, Purchase Tax, Luxury tax, and Taxes on lottery, betting and gambling;
4. Dispensing with the concept of 'declared goods of special importance' under the Constitution;
5. Levy of Integrated Goods and Services Tax on inter-State transactions of goods and services;
6. GST to be levied on all goods and services, except alcoholic liquor for human consumption. Petroleum and petroleum products shall be subject to the levy of GST on a later date notified on the recommendation of the Goods and Services Tax Council;
7. Compensation to the States for loss of revenue arising on account of implementation of the Goods and Services Tax for a period of five years;

8. Creation of Goods and Services Tax Council to examine issues relating to goods and services tax and make recommendations to the Union and the States on parameters like rates, taxes, cesses and surcharges to be subsumed, exemption list and threshold limits, Model GST laws, etc. The Council shall function under the Chairmanship of the Union Finance Minister and will have all the State Governments as Members.

Questions 12.What are the major features of the proposed registration procedures under GST?

Answer: The major features of the proposed registration procedures under GST are as follows:

1. **Existing dealers**: Existing VAT/Central excise/Service Tax payers will not have to apply afresh for registration under GST.
2. **New dealers**: Single application to be filed online for registration under GST.
3. The registration number will be PAN based and will serve the purpose for Centre and State.
4. Unified application to both tax authorities.
5. Each dealer to be given unique ID GSTIN.
6. Deemed approval within three days.
7. Post registration verification in risk based cases only.

Questions 13.What are the major features of the proposed returns filing procedures under GST?

Answer: The major features of the proposed returns filing procedures under GST are as follows:

1. **Common return** would serve the purpose of both Centre and State Government.

2. There are eight forms provided for in the GST business processes for filing for returns. Most of the average tax payers would be using only four forms for filing their returns. These are return for supplies, return for purchases, monthly returns and annual return.

3. **Small taxpayers**: Small taxpayers who have opted composition scheme shall have to file return on quarterly basis.

4. Filing of returns shall be completely online. All taxes can also be paid online.

Questions 14.What are the major features of the proposed payment procedures under GST?

Answer: The major features of the proposed payments procedures under GST are as follows:

1. Electronic payment process- no generation of paper at any stage
2. Single point interface for challan generation- GSTN
3. Ease of payment – payment can be made through online banking, Credit Card/Debit Card, NEFT/RTGS and through cheque/cash at the bank
4. Common challan form with auto-population features
5. Use of single challan and single payment instrument
6. Common set of authorized banks
7. Common Accounting Codes