Goods & Service Tax

- FMCG Industry Perspective

Goods & Service Tax

Current Status

- Industry expectation – Single GST rate subsuming all Central & State taxes

- Empowered Committee (EC) suggested a dual GST – Central GST & State GST

- Slated for introduction from April 2010

G.S.T. Implementation - Issues

- Constitutional amendment authorising state to collect and retain tax on services.
- Dialogue with Industry
- Protecting existing exemptions and concessions availed by units – central, state, local bodies
- Protecting present and future revenues of state and centre
- Removal of inter-state barriers in movement of goods
- Treatment of inter-state services

G.S.T. Implementation – Rates

Tax Rates : All existing taxes to be subsumed

Central Taxes: Excise duty, Additional Excise duty,
Service tax, CVD, SAD, Surcharges
Edu. Cess, SHE cess, all other cesses

State Taxes : VAT
Mandi tax on food products
The Medicinal & Toilet Preparations
(Excise Duties) Act
Octroi
Entry tax
Entertainment tax
Electricity tax
Luxury tax
Tax on lottery

GST Implementation – Documentation & Legislation

- Common classification in all states – HSN to be adopted
- Common legislation, uniform returns documentation, format of documents.
- One authority for assessment, refunds, audit
- Cross utilisation of credits like excise
- Rate of Tax
  - Lower rate for all value added food products
  - Exemption for items of mass consumption like Bread, Salt, Atta, Milk
  - Rest to attract RNR of 12%
  - Industrial inputs, Capital goods at lowest rate, say 1%
  - List of exempted goods – specific/common across states
  - No discrimination between branded / unbranded goods
- All declaration forms and Road Permits to be abolished
- Inputs for export production to be exempted
- Export and SEZ (Processing zone) to be zero rated

GST Implementation
Inter-state Transfers / ITC / Refunds

- Stock transfers should be exempted, monitored thru' system based controls
- No declaration forms (Form F, C)
- Monitored through system based controls
- Full set-off of Input tax credit to the assessee / entity, based on principle of business cost and expenditure
- Immediate credit of stock transfers, without one-to-one co-relation.
- Set-off should be on entity / concern basis.
- Refunds, if any, should be automatic through system based controls.

GST Implementation
Issues / Concerns

- GST model / legislation common for all states, to be finalised and released atleast 9 months before implementation. All states should implement GST on effective date
- Efficiency of ITC for inter-state transactions will depend on Banking and IT system efficiency
- Multiple state jurisdictions.
- Full set-off : a question mark
- Address industry concerns, successful implementation without disrupting business, while ensuring compliance.

GST Implementation
Issues / Concerns .....contd

- Training and reorientation of administrative machinery for implementation
- Mindset changes – moving to a new tax
- Training
- Standardisation of systems & procedures
- Joint authority to oversee implementation
- Building of IT backbone
- Uniform legislation,forms, rules, rates, compliance requirements.
- Any change post implementation should be uniform by all states not piecemeal. Bar on increase in rates,imposition of new taxes by states