

GST


An Overview




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OVERVIEW – Basic Structure, LEVY & Exemption under GST, Supply & its Scope

- ▶ Overview of GST Law
 - ▶ Components of GST law
 - ▶ Levy under GST
 - ▶ Taxable event under GST
 - ▶ Meaning & scope of the term “Supply” and its Implications
 - ▶ Concept of CGST, SGST & IGST
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Why GST???

- ▶ Multiple Taxation
 - ▶ Distinction between Goods and Services
 - ▶ Double Taxation
 - ▶ Overlapping of taxes
 - ▶ Cross utilization of input Tax Credit Not Available
 - ▶ Cascading Effect of Tax
 - ▶ Dual Administration of Dealers
 - ▶ Compliances of Various Laws
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STUDY OF CONSTITUTION OF INDIA

- ▶ Article 246 to Article 256
- ▶ Seventh Schedule of Constitution of India

LIST I (UNION)

- Customs (Entry 83)
- Central Excise (Entry 84)
- Service Tax (Entry 92C)
- CST (Entry 92A)

LIST II (STATE)

- VAT (Entry 54)
- State Excise (Entry 51)
- Entertainment Tax (Entry 62)
- Stamp Duty (Entry 63)

LIST II (Local Govt.)

- Octroi
- Property Tax
- Advertisement (Entry 5 read with Municipal Corporation Act)

Journey towards GST

- ▶ 122nd CAB Approved by Lok Sabha on 06-05-15
- ▶ Amended CAB Approved by Rajya Sabha on 03-08-16
- ▶ Amendments Approved in Lok Sabha on 08-08-16
- ▶ Endorsement by State Assemblies(50%)
- ▶ Presidents Assent for enactment of 122nd CAB
- ▶ 101st Constitution Amendment Act - 08-09-2016
- ▶ Formation of GST Council (GSTC) 12-09-2016
- ▶ Recommendations of draft legislations by GSTC
- ▶ Drafting of Central and State GST Acts and Rules
- ▶ Passage of bills in State/Central Legislature
- ▶ Effective date to be decided by GSTC

Highlights – 101st Constitutional Amendment Act

- ▶ State Legislature empowered to make law wrt Supply of Goods & Services within the state
- ▶ Parliament have exclusive power to make law wrt Supply of Goods & Services in interstate transactions
- ▶ IGST to be levied by Union govt. but revenue to be shared betn Union & States
- ▶ Subsuming of Various Central & State levies into GST
- ▶ Dispensing the concept of “Declared Goods”
- ▶ Formation of GST Council, its Role
- ▶ Compensation to State for the revenue loss upto five years.

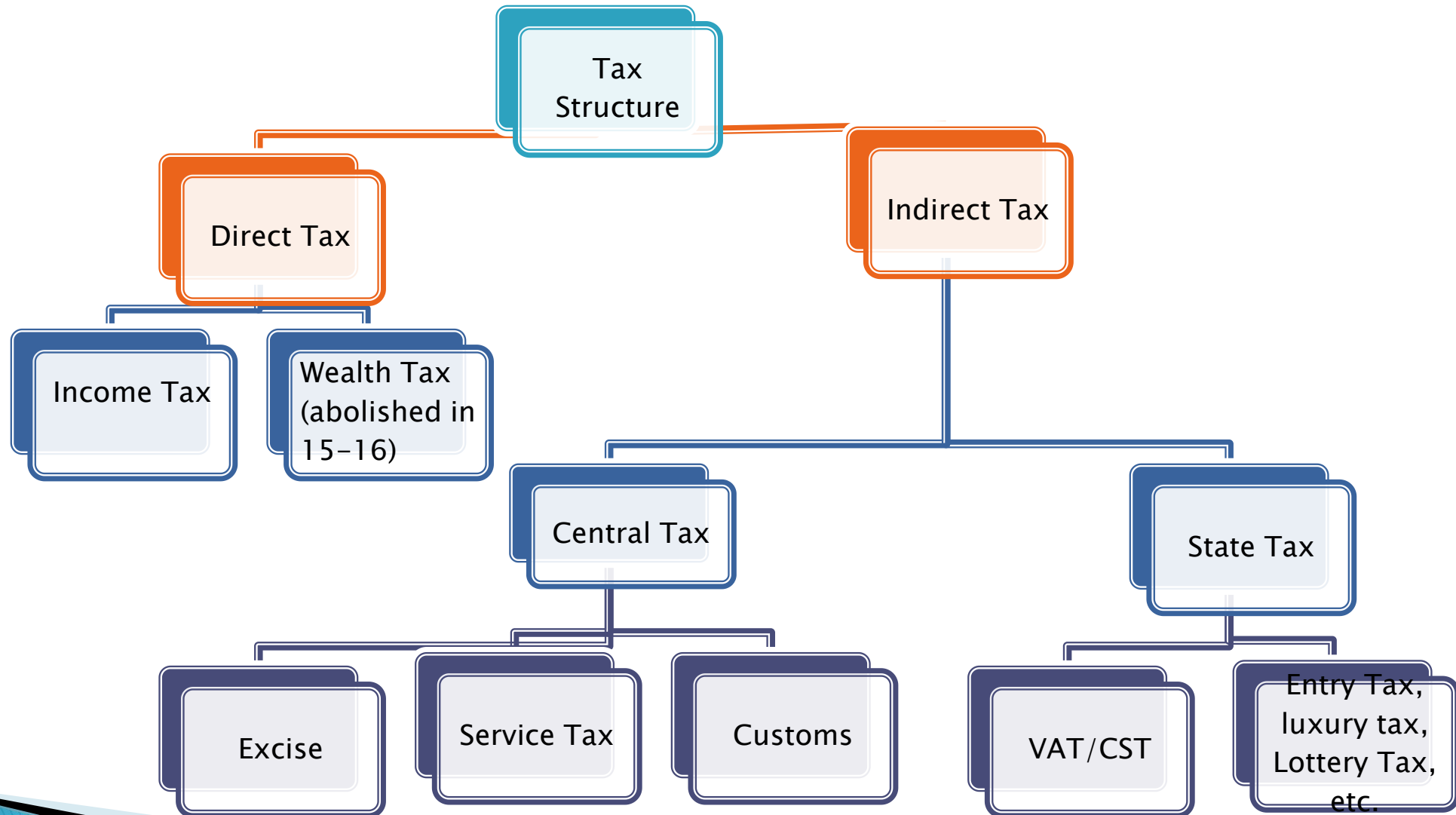
Amendments carried out during the course of passage of CAB in Rajya Sabha

- ▶ Compensation for loss of revenue to states under new GST regime 'shall' be provided for a period of 5 years from introduction of the levy of GST
- ▶ The 1% additional levy on interstate supply of goods has been scrapped.
- ▶ Establishing a mechanism for adjudicating any dispute between Centre and States or between the States, arising out of the recommendations of GST Council
- ▶ Note : In Nov.16 the GST (Compensation to the States for Loss of Revenue) Bill has been proposed

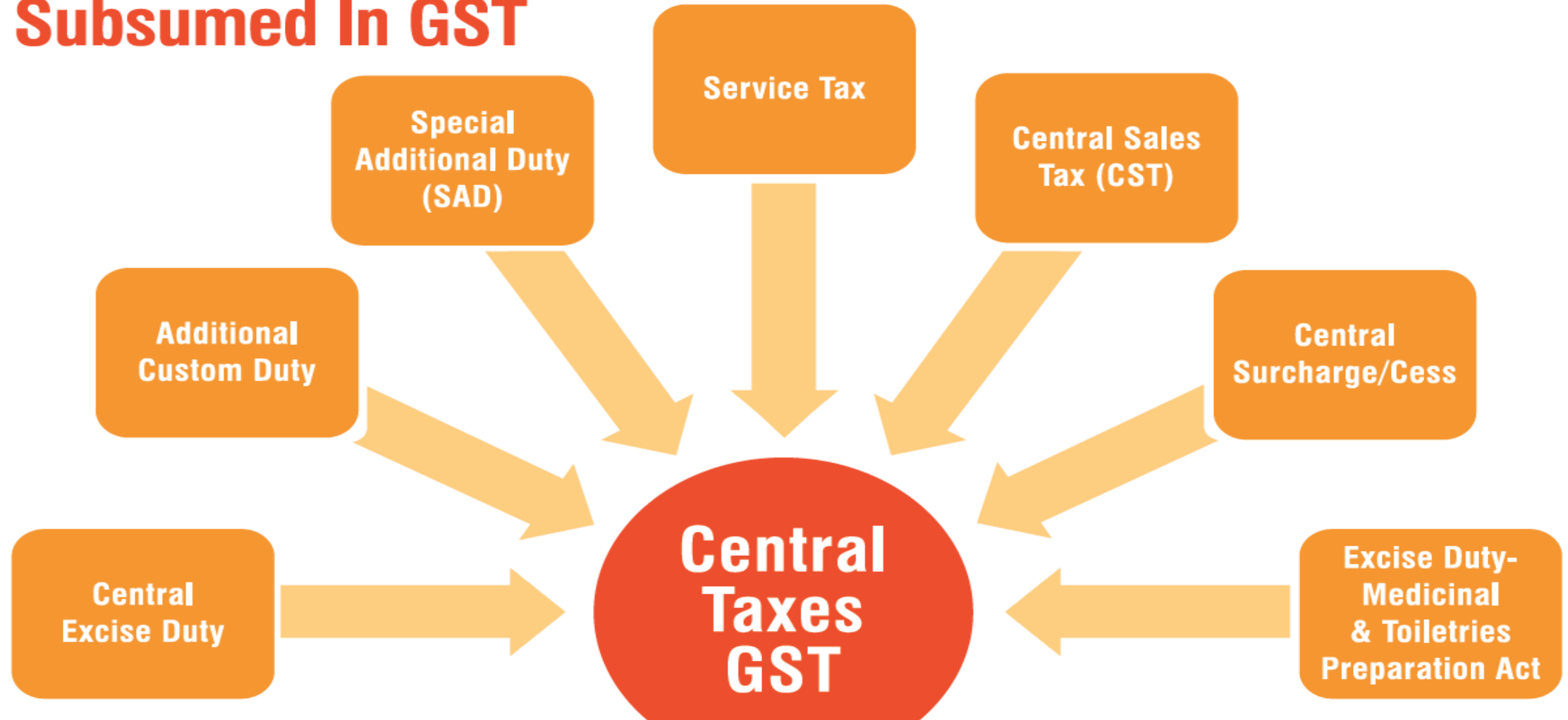
Recommendations not approved in Rajya Sabha

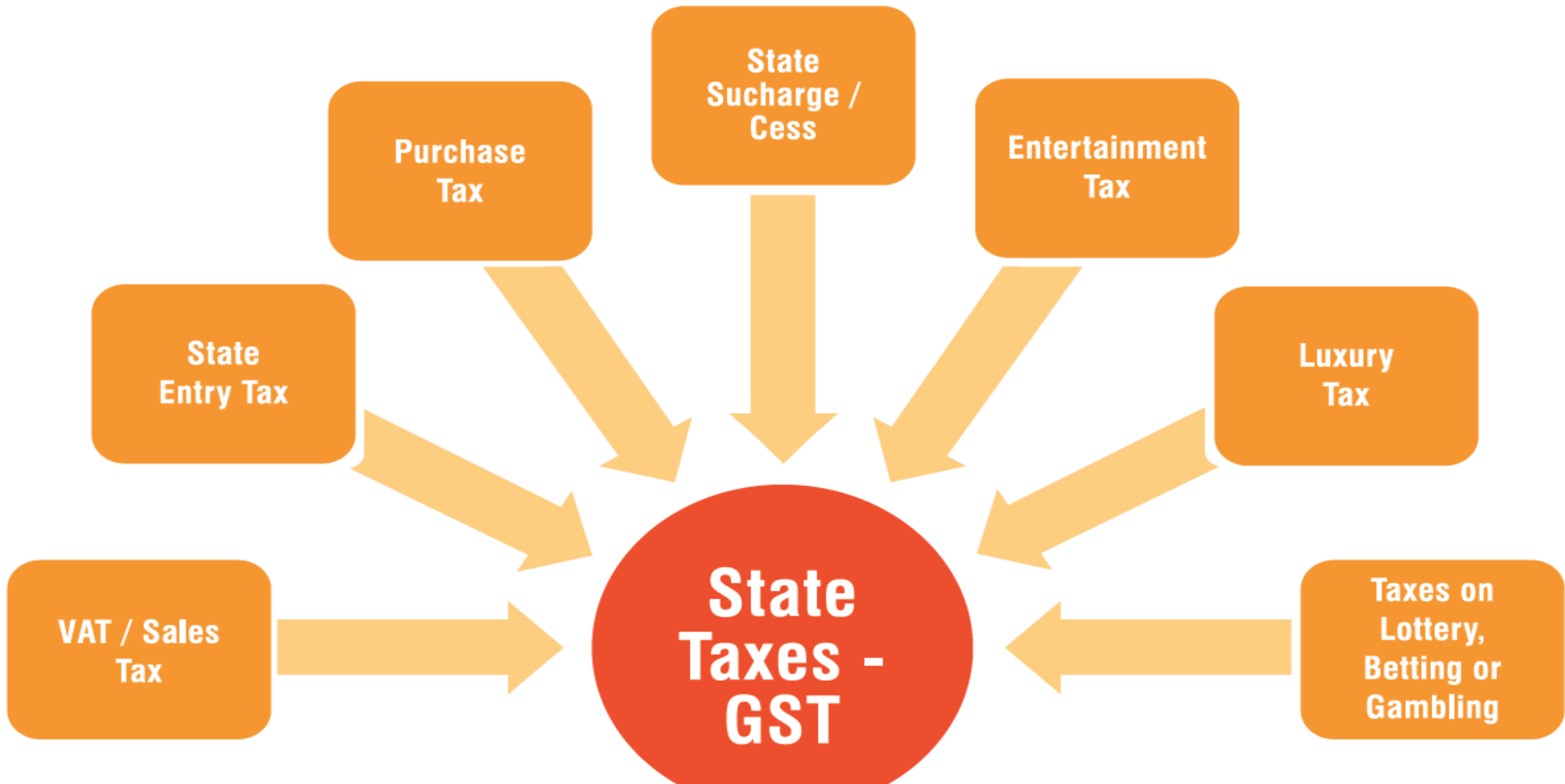
- ▶ Cap on GST Rates not included in the CAB as the rate will be first recommended by the GST Council.
- ▶ The Cap on GST Rates has been proposed in the Revised Model GST law.
- ▶ The recommendation for Adjudication of Assesseees having turnover below Rs. 1.5 crore by the States is not considered in the CAB and will be decided by the GST Council

Existing Tax Structure in India



Taxes Which Are Subsumed In GST





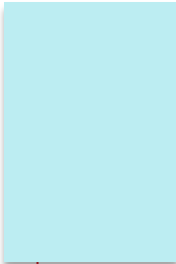
Exclusions from Subsuming under GST



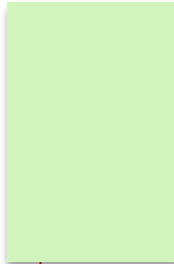
Basic Customs Duty (BCD)




Stamp Duty



Tax on Alcoholic Liquor for Human Consumption



Petroleum Products - levy to be made effective at a future date



Tax on Entertainment and Amusement Levied & Collected by the Municipal Authorities

Salient Features of Proposed GST Design

- ▶ Ideally GST should be a singular tax on all supplies with a uniform rate and seamless credit for taxes paid at earlier stage.
- ▶ Considering Federal Structure of India – EC has worked out the Dual Model of GST
- ▶ Central Govt.(CG) will levy ‘Central GST’ (CGST)
- ▶ State Govt.(SG) will levy ‘State GST’ (SGST)
- ▶ Supplies imported into the country – liable for GST
- ▶ Supplies exported from the country – Zero Rated

....Salient Features of Proposed GST Design

- ▶ Interstate supplies (Including Br. Trf.), Imports and exports will be governed by an 'Integrated GST' (IGST) which would consist of Two components – CGST & SGST
- ▶ The tax on Inter State supplies will accrue to the **Destination** State
- ▶ CGST will be held by Central Govt. and SGST will be trfd to the destination State Govt.
- ▶ IGST will enable smooth flow of credits between Origin and Destination States.

....Salient Features of Proposed GST Design

- ▶ Export of Goods/Services to be Zero Rated
- ▶ All Goods/Services likely to be covered under GST except,
 - Alcohol for Human Consumption – State Excise + VAT
 - Electricity – Electricity Duty
 - Sale/Purchase of Real Estate – Stamp Duty + Property Tax
- Five Specified Petroleum Products to be brought under GST from a later date on recommendation of GSTC
- Tobacco Products – Under GST + Central Excise

WHY GST: Perceived Benefits

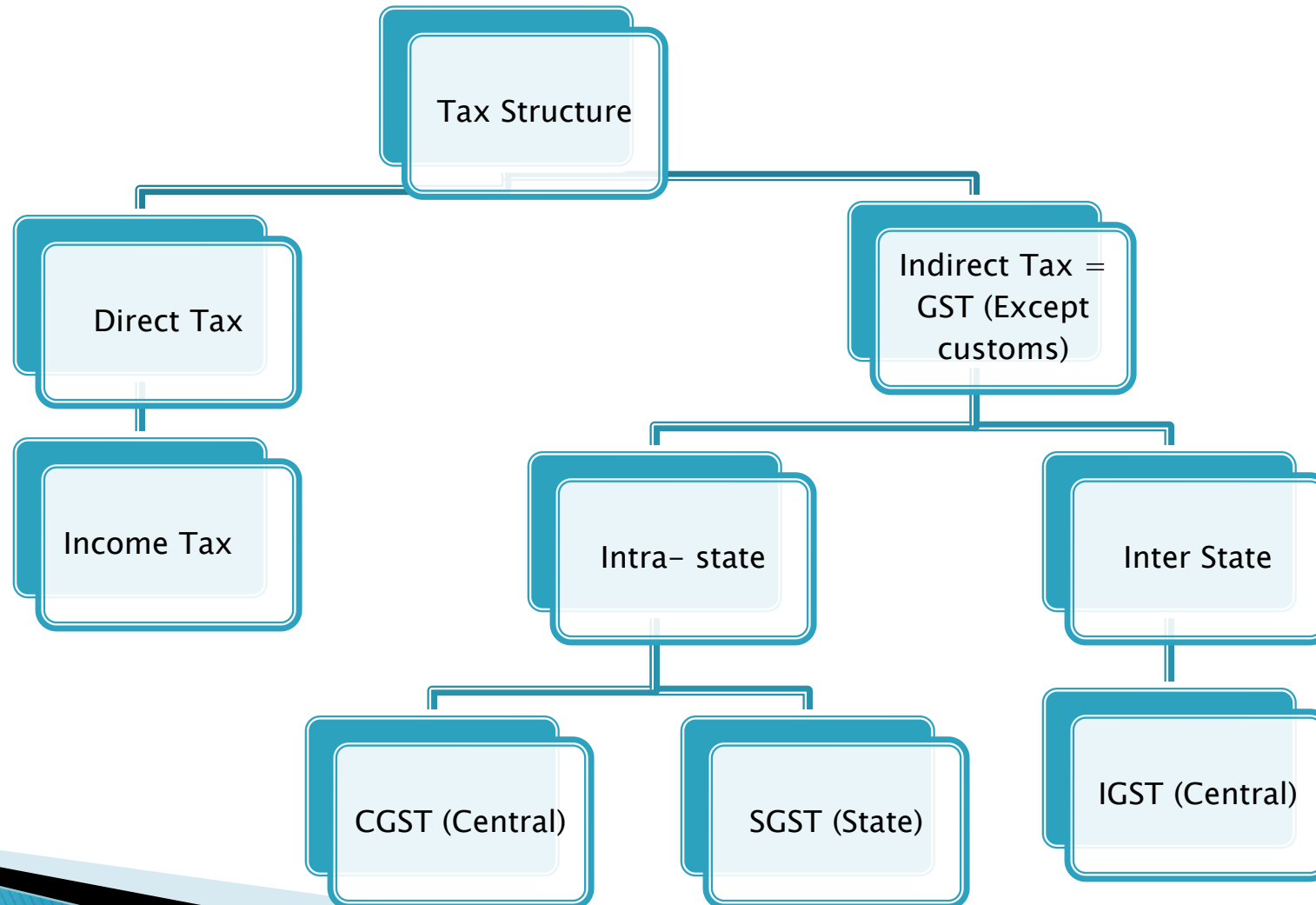
To Trade:

- Reduction in Multiplicity of Taxes
- Mitigation of Cascading/Double Taxation
- Development of Common National Market
- Simpler Tax Regime
 - Fewer Rates & Exemptions
 - Distinction Betwn Goods & Services no longer required.

To Consumers:

- Simpler Tax System
- Reduction in Price of Goods & Services
- Uniform Prices throughout the Nation
- Transparency in Taxation System
- Increase in employment Opportunities

Proposed Tax Structure in India



Basic Example on How would GST Work?

Particular	Manufacturer	Wholesaler	Retailer
Purchase Value of Input	100	130	150
Value Addition	30	20	10
Sales Value	130	150	160
CGST %	10%	10%	10%
SGST %	5%	5%	5%
Output CGST	13	15	16
Output SGST	6.5	7.5	8
Input CGST	10	13	15
Input SGST	5	6.5	7.5
Net CGST	$13 - 10 = 3$	$15 - 13 = 2$	$16 - 15 = 1$
Net SGST	$6.5 - 5 = 1.5$	$7.5 - 6.5 = 1$	$8 - 7.5 = 0.5$

...GST Effects

- ▶ One Nation– One Tax
- ▶ Basic Threshold Limit for Registration Rs. 20 lacs – All India Basis
- ▶ Withdrawal of Existing Exemption Limit of Rs.150 lacs to small manufacturers
- ▶ Concept of Supply of Goods and Services
- ▶ Inter–State Branch Transfers – liable to GST – ITC available.
- ▶ Supplies to SEZ Units – liable to GST – ITC available.
- ▶ Sales in Transit – liable to GST – ITC available.
- ▶ HighSeas Sales – beyond the customs frontier
- ▶ ITC Matching
- ▶ Monthly Returns

GST Rates Finalized by GST Council Meeting on 03.11.2016



- Rate on Gold to be Decided Later
- Luxury Car, Aerated Water and Tobacco may be taxed more than 28%
- Additional Cess on Goods covered in 28%

Particulars	Current Scenario	GST
Base Price of Goods (Manufacturer)	100000	100000
Add: Excise / CGST	12500	9000
Add : VAT / SGST	16875	9000
Total Sale Value	129375	118000
Less: Input Tax Credit	16875	18000
Landed Cost (Distributor / Dealer)	112500	100000
Value Addition (Distributor / Dealer)	10000	10000
Basic Sale Value	122500	110000
Add: VAT / SGST	18375	19800
Cost to end Consumer	140875	129800
Differential Saving Due to Tax		11075
Percentile Saving on Manufacturer's Price		11.07%

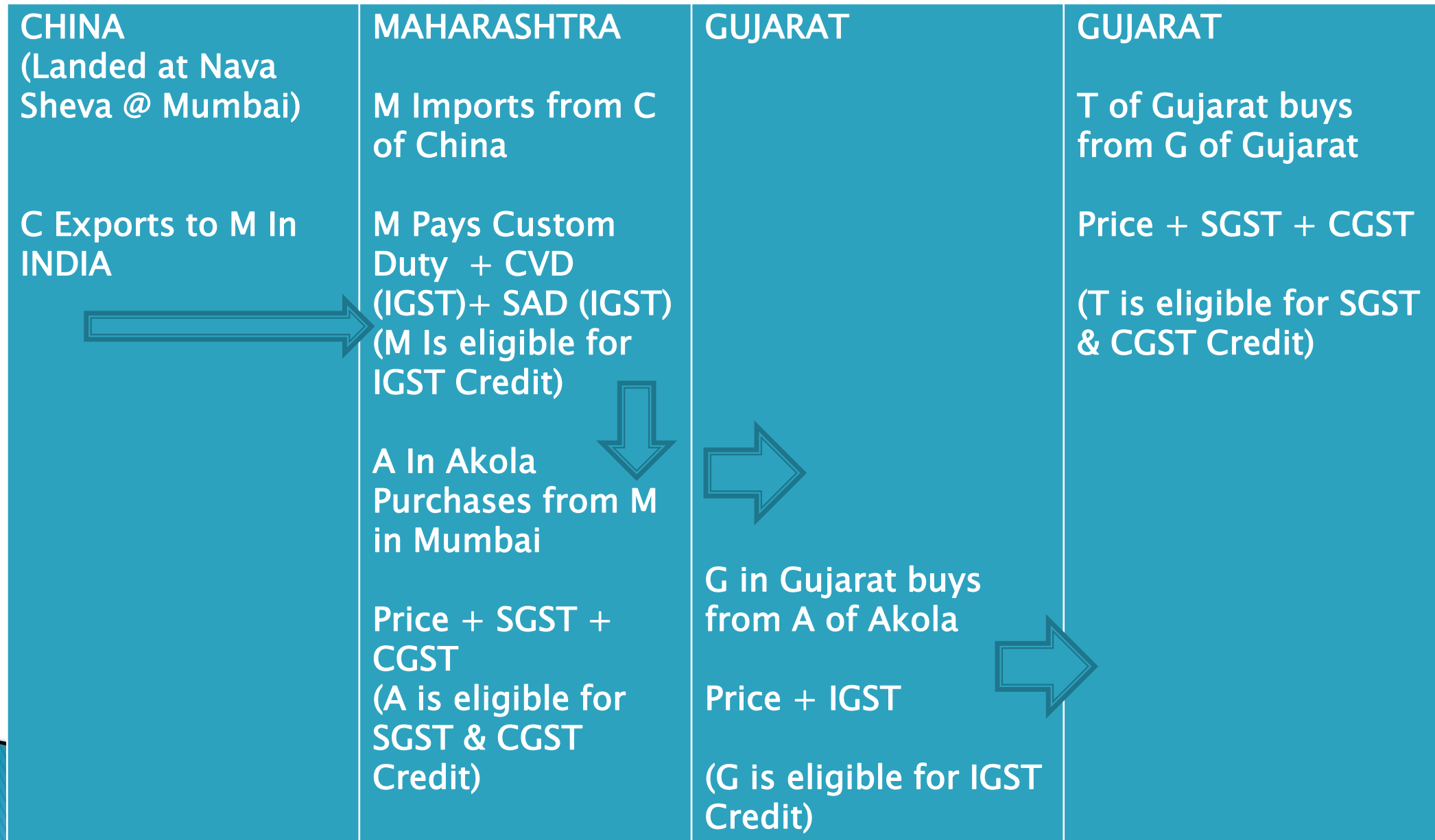
GST Impact

Input Tax Credit under GST

CGST	SGST	IGST
<ul style="list-style-type: none">• CGST• IGST	<ul style="list-style-type: none">• SGST• IGST	<ul style="list-style-type: none">• IGST• CGST• SGST

*Cross utilization of credit of CGST and SGST shall not be allowed in Input Tax Credit

LEVY OF GST



GST Study – Drafts in Public Domain

- ▶ 101st Constitution Amendment Act
- ▶ Registration Rules and Formats
- ▶ Refund Rules and Formats
- ▶ Payment Rules and Formats
- ▶ Returns Rules and Formats
- ▶ CGST, IGST, GST Compensation Loss to the States for Loss of Revenue bill.
- ▶ Revised Model SGST Law
- ▶ FAQ's by CBEC

GST COUNCIL

- ❖ GST Council Constituted wef 12/9/16
- ❖ Ten Meetings held so far, Decision:
 - ✓ Threshold limit for exemption to be Rs. 20.00 lakhs (Rs. 10.00 lakhs for North Eastern States)
 - ✓ Compounding Threshold limit to be Rs. 50.00 lacs – Not available to Manufacturers and Service Providers
 - ✓ Govt. may convert are based exemption into refund based
 - ✓ Formula for Compensation to States finalised
 - ✓ Study of Draft law till Sec. 99 complete
 - ✓ Four Rates of Tax Proposed

GST – MYTH vs REALITY

MYTH	REALITY
WITH GST – NO OTHER TAX TO BE LEVIED	NO IMPACT ON DIRECT TAXES
GST IS THE SINGLE LAW	GST CONSISTS OF ICST, CGST & SGST LAWS
GST IS A SINGLE TAX	GST CONSISTS OF VARIOUS SLABS OF TAX RATE
NO DISTINCTION NEEDED FOR GOODS & SERVICES	TIME AND PLACE OF SUPPLY IS DIFFERENT FOR GOODS AS WELL AS SERVICES
SEAMLESS CREDIT	RESTRICTED ITC
LESS COMPLIANCES	3 SETS OF MONTHLY RETURNS
SINGLE ADMINISTRATOR	DUAL CONTROL POSSIBLE
LESS EXEMPTIONS	SEPARATE LIST OF EXEMPTIONS

GSTN

- ▶ Incorporated on 28.03.2013 as section 25 Pvt. Ltd. Co. with authorized equity of Rs. 10 crore
- ▶ Strategic control to remain with Government
- ▶ Equity holders
 1. Central Government – 24.5%
 2. EC and all states together – 24.5%
 3. Financial Institutions – 51%
- ▶ **To function as a common Pass-through portal for taxpayers–**
 1. Submit registration application
 2. File Returns
 3. Make tax payments
- ▶ Appointed Infosys as Managed Service Provider (MSP)

GST LAW

CGST/SGST Law (CGST Law Published in Gazette on 12/04/17)

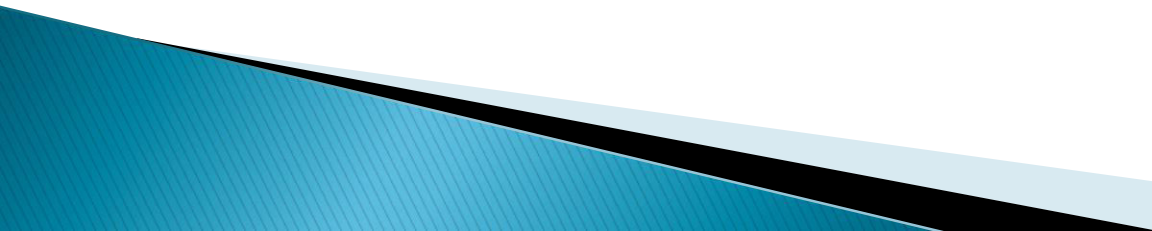
- ▶ Released on 25/11/2016
- ▶ Consists of 27 Chapters
- ▶ Consists of 197 Sections
- ▶ Five Schedules

IGST Law

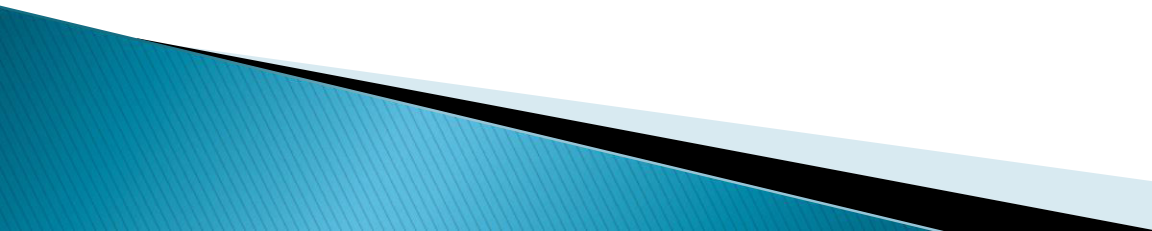
- Released on 25/11/16
- Consists of 11 Chapters
- Consists of 24 Sections

IMPACT On Trader, Manufacturer & Service Provider

▶ Impact on Traders:


- 1) Tax on Value Addition
 - 2) Reduce Cascading Effect
 - 3) Dual GST On Local Transactions, IGST on Inter State Transactions
 - 4) No Subsequent Sale or Sale in Transit
 - 5) Export Supplies under Form H/SEZ Sale under Form I – N.A
 - 6) Stock Transfer/Consignment Transfers
 - 7) Composition to Small Traders
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IMPACT On Trader, Manufacturer & Service Provider

- ▶ Impact on Manufacturer:
 - 1) Competitive in Market
 - 2) Valuation of the supply of Goods
 - 3) Cheaper Export
 - 4) Ease of Doing Business
 - 5) Transaction Cost
 - 6) Manufacturers Under administration of State VAT Official
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IMPACT On Trader, Manufacturer & Service Provider

- ▶ Impact on Service Provider

- 1) Present Origin based to Destination based levy
 - 2) Service Tax – SGST levied by State
 - 3) Increased Set off with VAT
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Levy of CGST/SGST

- ▶ Section 9....Levy of CGST/SGST on all intra-state supplies of goods/services not exceeding 20%
- ▶ Except on Supply of alcoholic liquor for human Consumption
- ▶ On Value as determined under Sec. 15
- ▶ Rates to be specified for each category of supply
- ▶ CGST/SGST to be paid by every taxable person [22]
- ▶ Levy of tax on following petroleum products from future date on recommendation of Council
 - ▶ – Crude Oil
 - ▶ –High Speed Diesel
 - ▶ –Motor Spirit
 - ▶ –Natural gas
 - ▶ –Aviation turbine Fuel (ATF)

Levy of CGST/SGST

- ▶ CG/SG may specify categories of supply of goods/services for payment of tax on reverse charge mechanism. [9(3)]
- ▶ **“Electronic Commerce operator”**(ECO)....[9(4)]
- ▶ CG/SG may specify categories of service on which tax to be paid by ECO, if such service are supplied through it
- ▶ When ECO has no physical presence – His Representative in taxable territory is liable
- ▶ Neither physical presence of ECO nor representative appointed – ECO to appoint a person for paying tax

Levy of IGST

- ▶ Section 5....Provides for Levy of IGST on all inter–state supplies of goods/services@ not exceeding 40%
- ▶ Except on Supply of Alcoholic Liquor for human consumption
- ▶ Rates to be specified in schedule for each category of supply
- ▶ Value to be determined as per Sec. 15 of CGST Act
- ▶ Levy on Petroleum Products to be levied from future date
- ▶ IGST on goods imported into India shall be levied & collected in accordance to section 3 of Custom tariff Act,1975.
- ▶ IGST to be paid by every taxable person [5(1)]
- ▶ CG/SG may specify categories of supply of goods/services for payment of tax on reverse charge mechanism [5(3)]

TAXABLE EVENT UNDER GST

Present Tax Regime

MANUFACTURE
PAY
EXCISE DUTY

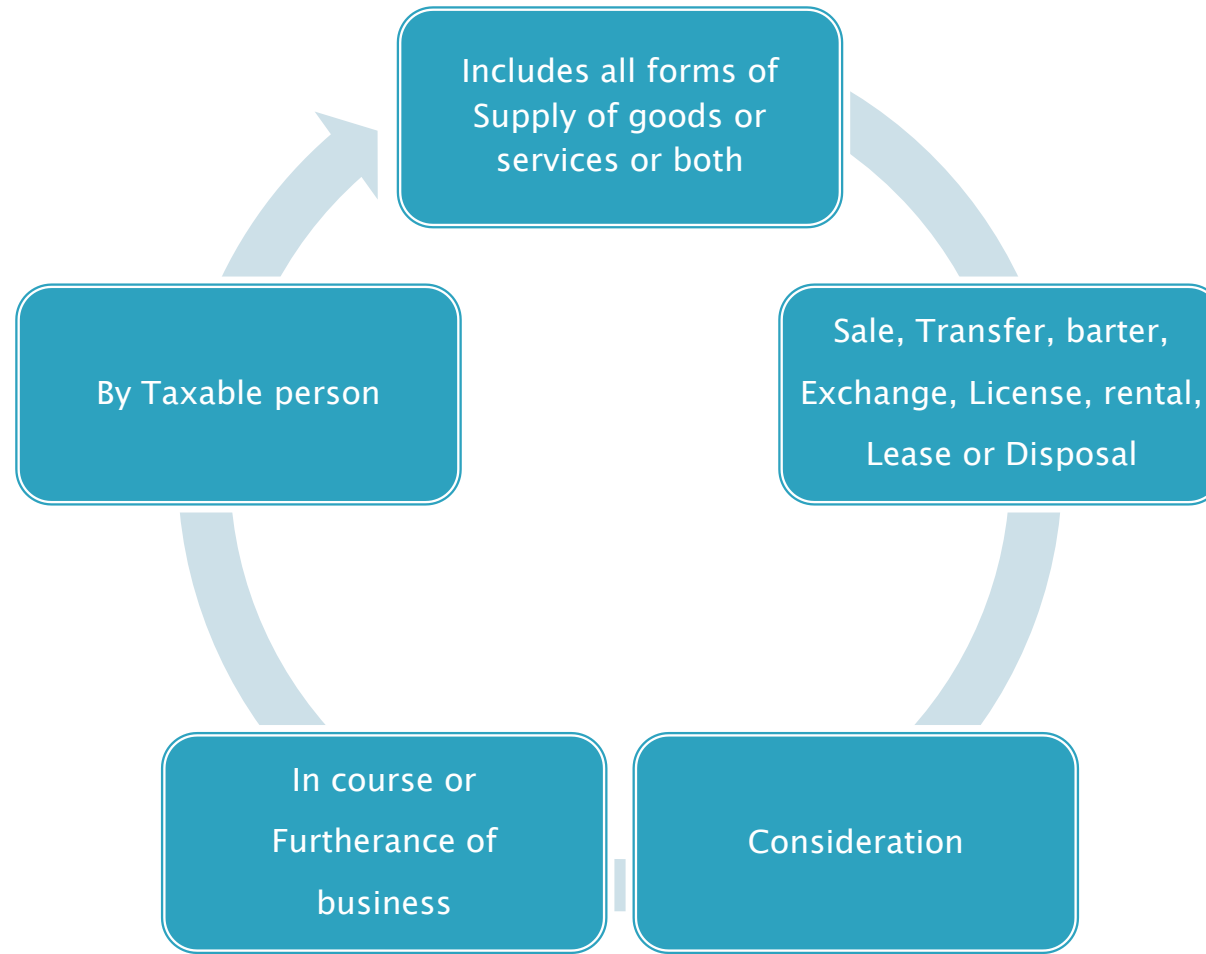
SERVICES
PAY
SERVICE TAX

SALE
PAY
VAT

Under GST

SUPPLY OF
GOODS &/OR
SERVICES
PAY
GST

Supply of goods and/or services – Sec.7(1)(a)



...Supply

Importation of Service, for a consideration whether or not in course or furtherance of business – Deemed supply : Sec. 7(1)(b)

Sec. 7(1)(c) Activities specified [in Sch-I](#), made or agreed to be made without consideration.

Sec.7(2) Activities to treated as supply of goods or services – Sch. II

Sec. 7(2)(a) Activity / Transactions which are neither supply goods nor services – – Schedule III

Sec. 7(2)(b) Activity / Transactions undertaken by CG/SG which are neither supply goods nor services (Schedule IV Removed)

... supply

- ▶ • Sec. 7(3) : CG/ SG may upon recommendation of the council, specify by notification transactions that are to be treated as:
 - ▶ – Supply of Goods and not as a supply of Services; or
 - ▶ – Supply of Services and not as a supply of Goods; or
 - ▶ – Neither Supply of Goods nor a supply of Services

Composite Supply

- ▶ “**composite supply**” means a supply made by a taxable person to a recipient comprising two or more supplies of goods or services, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;
- ▶ Illustration : *Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is the principal supply.*

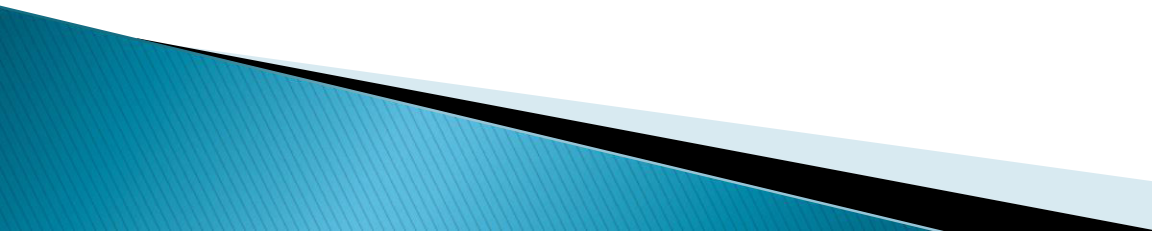
Principal Supply

- ▶ “**principal supply**” means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary and does not constitute, for the recipient an aim in itself, but a means for better enjoyment of the principal supply

Mixed Supply

- ▶ “**mixed supply**” means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply;
- ▶ Illustration: A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits, aerated drink and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other. It shall not be a mixed supply if these items are supplied separately

Composite or Mixed Supply

- ▶ 8 The tax liability on a composite or a mixed supply shall be determined in the following manner —
 - ▶ (a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply;
 - ▶ (b) a mixed supply comprising two or more supplies shall be treated as supply of that particular supply which attracts the highest rate of tax.
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DEEMED SUPPLY : Sec. 7(1)(c) - SUPPLY MADE WITHOUT CONSIDERATION- **SCHEDULE I**

Transactions	Examples
Permanent Transfer/disposal of business asset where input credit availed on such asset	Asset donated to trust
Supply of goods or service between related person/distinct person, when made in course or furtherance of business	Branch having a separate GSTIN
Supply of Goods <ul style="list-style-type: none">• By principal to his agent where the agent undertakes to supply such goods on behalf of principal• By agent to his principal where the agent undertakes to receive such goods on behalf of the principal	Consignment Agent Buying agent
Importation of service by taxable person from a related person or from any of his other establishment outside India, in the course or furtherance of business	Free Service from branch outside India

SCCHEDULE II– Goods v/s Service [Sec. 7(2)]

NATURE OF TRANSACTION	NATURE	EXAMPLE
TRANSFER OF TITLE IN GOODS	GOODS	Supply of goods
TRANSFER OF GOODS/RIGHT IN GOODS OR UNDIVIDED SHARE IN GOODS WITHOUT TRANSFER OF TITLE	SERVICE	COMPUTER HIRING
TRANSFER OF TITLE IN GOODS UNDER AGREEMENT ON A FUTURE DATE UPON PAYMENT OF CONSIDERATION	GOODS	HIRE PURCHASE
LEASE /TENANCY/EASMENT/LICENSE TO OCCUPY LAND	SERVICE	TENANCY
LEASE/LETTING OUT OF BUILDING FOR BUSINESS OR COMMERCE	SERVICE	LEAVE LICENSE
JOB WORK ON ANOTHER PERSON'S GOODS	SERVICE	PROCESSING
TRANSFER OF BUSINESS ASSET	GOODS	SALE OF ASSET OTHER THAN STOCK IN TRADE
MAKING AVAILABLE OF BUSINESS GOODS FOR PRIVATE USE	SERVICE	CAR GIVEN TO STAFF FOR MARRIAGE FUNCTION


SCHEDULE II- Goods v/s Service [Sec. 7(2)]

NATURE OF TRANSACTION	NATURE	EXAMPLE
GOODS/ASSET ON CLOSURE OF BUSINESS <u>OTHER THAN</u> TRANSFER AS GOING CONCERN OR TRANSFER TO REPRESENTATIVE WHO IS TAXABLE PERSON	GOODS	WITHDRAWAL BY PARTNER
RENTING OF IMMOVABLE PROPERTY	SERVICE	RENTING
SALE OF UNDER CONSTRUCTION UNITS	SERVICE	BUILDER
TEMPORARY TRANSFER OF IPR	SERVICE	TRADE MARK, DESIGN
DEVELOPMENT , DESIGN, CUSTOMISATION ETC. OF I.T. SOFTWARE	SERVICE	SOFTWARE DEVELOPMENT
AGREEING TO OBLIGATION TO DO ACT OR REFRAIN AN ACT	SERVICE	NON COMPETE FEES
WORKS CONTRACT	SERVICE	CIVIL CONTRACT
TRANSFER OF RIGHT TO USE GOODS FOR ANY PURPOSE	SERVICE	RENT A CAB
SUPPLY OF FOOD AS A PART OF SERVICE	SERVICE	RESTAURANT
SUPPLY OF GOODS BY UNINCORPORATED ASSOCIATION TO ITS MEMBER	GOODS	


Sec. 7(3) – Schedule III ACTIVITY/TRANSACTION NEITHER SUPPLY OF GOODS NOR SERVICE

- ▶ Service by Employee to Employer in course of or in relation to employment
- ▶ Service by court/Tribunal under any law
- ▶ Function performed by MP/MLA/Corporator etc
- ▶ Duties performed by person who hold post in pursuance to constitution
- ▶ Duties by chairperson/director in body established by CG/SG
- ▶ Service of Funeral, burial, crematorium or mortuary including transportation of deceased
- ▶ Sale of Land/Building
- ▶ Actionable Claims

WAY FORWARD...

- ▶ Cabinet Approval for SGST laws by all states
 - ▶ Passage of CGST and IGST laws by Parliament and passage of SGST laws by all State Legislatures
 - ▶ Notification of GST Rules
 - ▶ Recommendation of GST Tax rates by GST Council
 - ▶ Establishment and upgradation of IT Framework
 - ▶ Notification of Implementation of GST
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...WAY FORWARD

- ▶ Meeting implementation challenges
 - ▶ Effective coordination between Centre & State tax administrations
 - ▶ Training of officials and Trade & Industry
 - ▶ Spreading Accounting Literacy
 - ▶ Developing IT Skills
 - ▶ Reorganization of Audit procedures
 - ▶ Harmonization of processes & procedures between CGST / IGST & SGST Law
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QUESTIONS



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