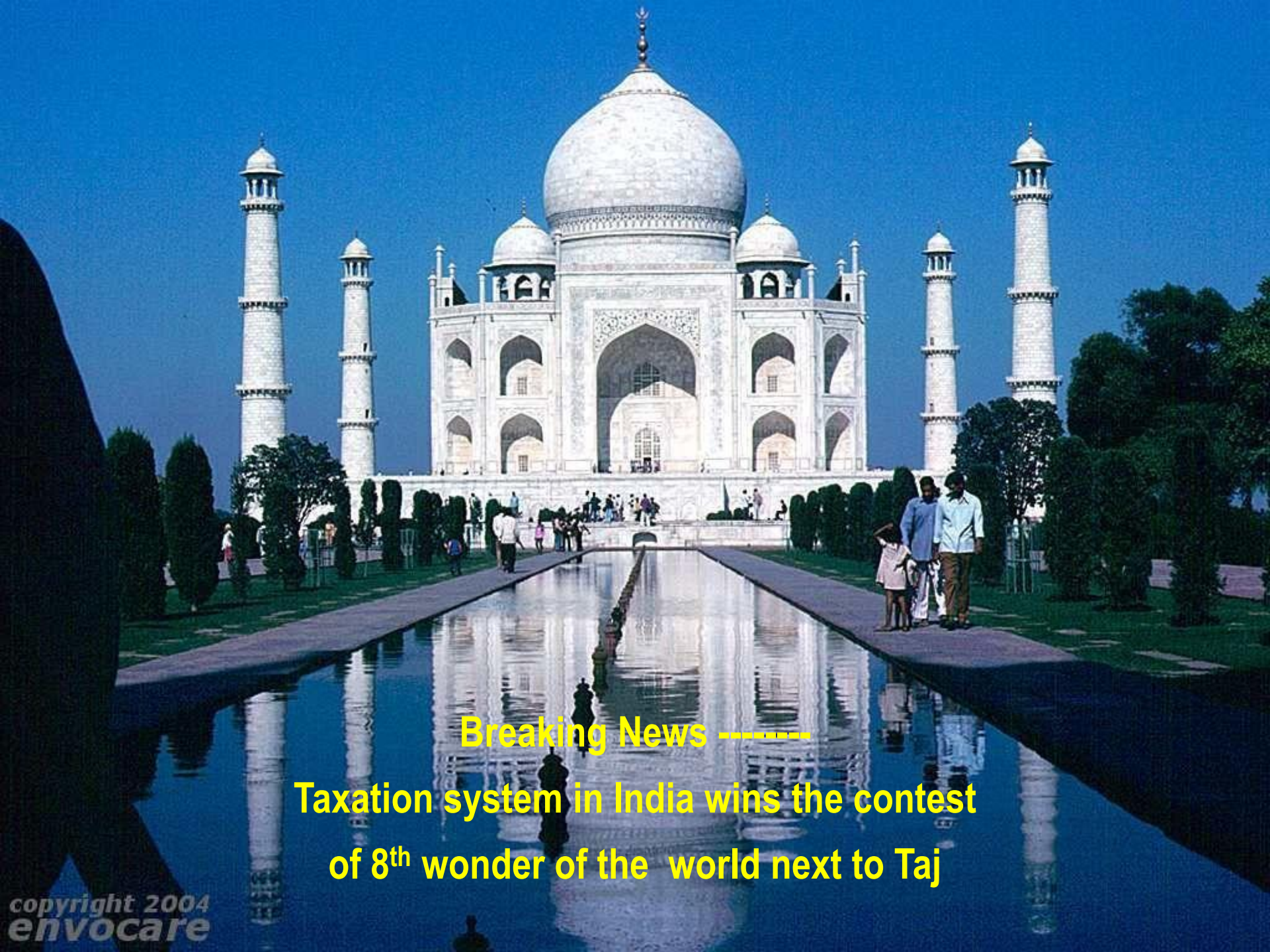


Some Issues – Indirect Tax – Ultimate GST

Presented – By Niranjan Swain
Past Chairman EIRC of ICAI,







Breaking News -----

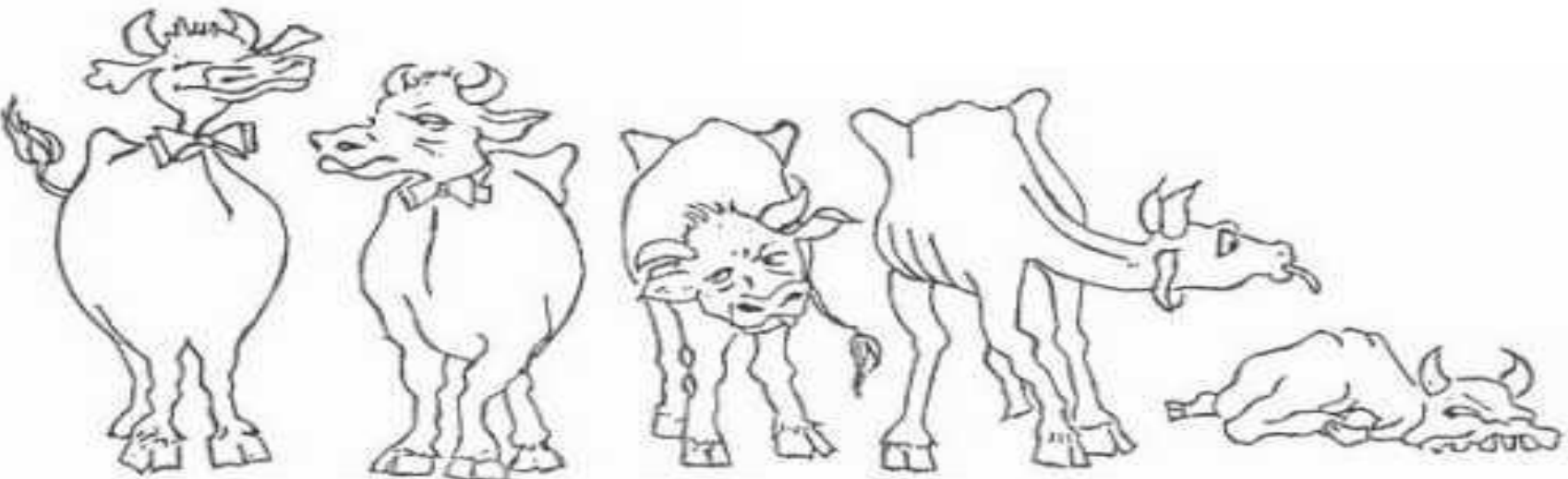
**Taxation system in India wins the contest
of 8th wonder of the world next to Taj**

Love is a feeling , marriage is a contract and relationships are work

- Lori Gordon

Good Legislation is a feeling , business is a contract and all transactions are taxable

- Indian Taxation system



Clarity

**Support from Tax
experts &
consultants**

**Harmonizing with
Govt official**

**Compliance by
Assessee**

Tax Act / Rules

MoNeY-----



I met money one day .I said , “ You are just a piece of paper-----

Money smiled and said , “ Of course I’m a piece of paper but I haven’t seen a dustbin yet in my life”

Union Budget 2006 & 2007

Budget 2006:

“It is my sense that there is a large consensus that the country should move towards a national level Goods and Services Tax (GST) that should be shared between the Centre and the States. I propose that we set April 1, 2010 as the date for introducing GST. World over, goods and services attract the same rate of tax. That is the foundation of a GST. People must get used to the idea of a GST.”



Union Budget 2006 & 2007

Budget 2007:

“I wish to record my deep appreciation of the spirit of cooperative federalism displayed by State Governments and especially their Finance Ministers. At my request, the Empowered Committee of State Finance Ministers has agreed to work with the Central Government to prepare a roadmap for introducing a national level Goods and Services Tax (GST) with effect from April 1, 2010.”



Budget Speech of The present Finance Minister, Shri Pranab Mukherjee, has said

"As tax collectors, we may draw comfort from the fact that we manage to generate the targeted revenues. But there are questions that beg an urgent response.

- First, are collection made in the most efficient manner and do they potential ?
- Second, what is the hidden burden of taxes in the form of cascading and double taxation ?
- Third, why is our tax structure so complex and prone to disputes and litigation ?

These questions cannot be side stepped any longer as they have implication for the robustness and growth of the very base that yields our tax revenues"

The proposed GST can deliver on all these promises

Taxing Power of the Centre- Seventh Schedule to our Constitution

List I, called “Union List” - Entries relevant to taxation provisions are as follows

- **Entry No. 83** - Duties of **customs** including export duties.
- **Entry No. 84** –
Duties of **excise on tobacco and other goods** manufactured or produced in India except alcoholic liquors for human consumption, opium, narcotic drugs, but including medicinal and toilet preparations containing alcoholic liquor, opium or narcotics.
- **Entry No. 92A** - Taxes on the Sale or purchases of goods in inter State Trade or commerce other than newspapers,
- **Entry No. 92B** - Taxes on consignment of goods in interstate trade or commerce.
- **Entry No. 92C** – Tax on services [Amendment passed by Parliament on 15-1-2004, but not yet made effective].
- **Entry No. 97** - Any other matter not included in List II, List III and any tax not mentioned in list II or list III. (*These are called ‘Residual Powers’.*)

Taxing Power of the State & Centre- Seventh Schedule to our Constitution List II & III, called “State List & Concurrent List” -

List II – State List –

- **Entry No. 51** - Excise duty on alcoholic liquors, opium and narcotics.
- **Entry No. 52** - Tax on entry of goods into a local area for consumption, use or sale therein (usually called Octroi).
- **Entry No. 54** - Tax on sale or purchase of goods other than newspapers except tax on interstate sale or purchase.

List III - “concurrent list”,

- includes matters where both Central Government and State Government can make laws.



...Constitutional Framework

Union List	State List	Concurrent List
<ul style="list-style-type: none"> • Income Tax • Custom Duty • Excise Duty • Corporation Tax • Service tax • Central Sales Tax • Stamp duty in respect of bills of exchange, cheques, promissory notes, etc 	<ul style="list-style-type: none"> • Taxes on lands and buildings • Excise duty on alcoholic liquor etc • Entry tax • Sales Tax • Tolls • Luxury Tax • Stamp duty in respect of documents other than those specified in the provisions of List I 	<ul style="list-style-type: none"> • Stamp duties other than duties or fees collected by means of judicial stamps, but not including rates of stamp duty

The constant blurring of taxing jurisdiction between the Centre and the States has necessitated multiple Constitutional challenges

Nature of Indirect Taxes in India

Tax / Levies	Relevant Statute	Imposing Authority	Taxable Event
Customs Duty	Customs Act, 1962 Customs Tariff Act, 1975	Federal Govt. Median Rate : 24.42%	Import / Export
Excise Duty / Cenvat	Central Excise Act, 1944 Central Excise Tariff Act Cenvat Credit Rules, 2004	Federal Govt. Median Rate : 10.30%	Manufacture / Production
Service Tax	Finance Act ,1944 Cenvat Credit Rules, 2004	Federal Govt. Median Rate : 10.30%	service provided to be provided
CST	Central Sales Tax Act, 1956	State Govt. Rate-2%	Interstate Sale
R &D Cess	Research and Development Cess Act, 1986	Federal Govt. Rate - 5%	import of technology

Nature of Indirect Taxes in India

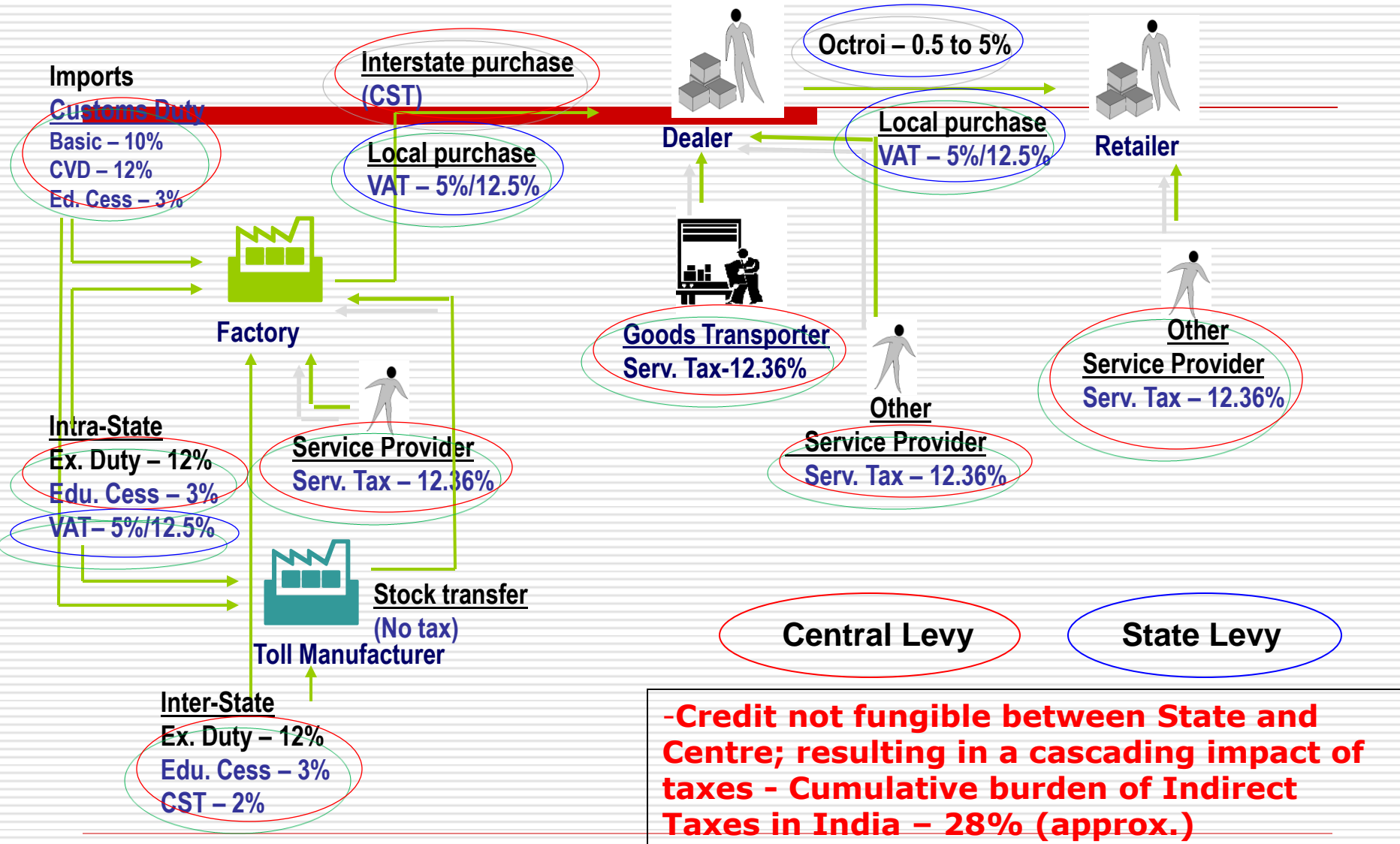
Tax / Levies	Relevant Statute	Imposing Authority	Taxable Event
Value Added Tax	VAT Act of respective State Government	State Govts. Rates 4% & 12.5%	Intra State Sale
Entry Tax	Specific provisions laid down by State Government	State Government	on the entry of goods
Local Levies	Specific provisions laid down by State Government	Municipal or Local Authority	

**C
E
S
S**

Manufactured biri
On rubber / coffee
Un-manufactured tobacco
NCCD / EC / S&HEC

Addl. duty of Excise on
pan masala
Special duty of excise on motor
spirit / HSD

Current Tax Cost in India



-Credit not fungible between State and Centre; resulting in a cascading impact of taxes - Cumulative burden of Indirect Taxes in India - 28% (approx.)

VAT rate may range from 12.5-15% depending on the State

Current Taxes and Credits



**Addnl. duty of Customs
Excise duty
Service tax**

**Excise duty
Service tax**



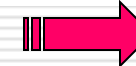
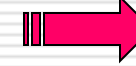
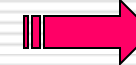
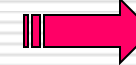

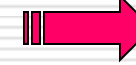
VAT (State Sales tax)

VAT (State Sales tax)


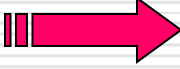



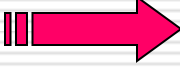
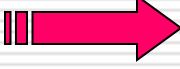
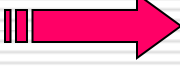
**Central Sales tax
Entry tax
Octroi**

No Credit

Major Milestone in Indirect Tax Reforms

Year		Development
1974		<i>Report of L. K. Jha Committee - suggests VAT</i>
1986		<i>Introduction of a restricted VAT called MODVAT</i>
1992		<i>Recomnd. Dr. Chelliah Committee for VAT / GST</i>
1994		<i>Introduction of Service Tax</i>
1999		<i>Formation of Empowered Committee on State VAT</i>
Jan. 2000		<i>Imple. of uniform floor tax rates (1%, 4%, 8% & 12%) Abolition of tax related incentives granted by States</i>
Apr-03		<i>VAT Implemented in one State</i>
Sept. 2004		<i>Recomnd. of Kelkar Committee. Cenevat Credit Rules 2004 – Significant progress towards a Central VAT/ GST – Integration</i>

Major Milestones in Indirect Tax Reforms

Year		Development
2005 / 2006		VAT Implemented in 21 States / 5 more States
Nov. 2007		Reduction of CST to 3%. Report of JWG of EC for changeover to GST
2008		Reduction in Excise Duty / CST to 2% & Model Road Map for GST
Nov. 2009		Fist Discussion Paper on GST
Dec. 2009		Thirteenth Finance Commission Report – GST
Jan-2010		Comments of DoR on first discussion paper
2010-11		Discussion with states to bring consensus on different issues
Budget - 2011		Levy of Excise Duty on 100 goods exempted earlier. Amendment to CENVAT Credit Rules 2004. Introduction of point of taxation Rules.
Budget 2012		Coverage of more items under Excise – 1% to 5%

Major Milestones in Indirect Tax Reforms

Year		Development
2011		The Constitution (115th Amendment) Bill, 2011
2013		Standing Committee Recommendations, 2013
2014		The Constitution (122nd Amendment) Bill, 2014
		
		
		
		
		
		

Why We need Goods and Service Taxes?

- ❖ **Multiple taxes – ED, ST, VAT etc.**
- ❖ **Multiple rates / Rate war by States**
- ❖ **Cascading effect – No setoff for CST, ED, Customs Duty etc.**
- ❖ **Higher cost of administration**
- ❖ **Simplified Procedure – Uniform Rates, HSN, Exemption Lists, Common registration etc.**
- ❖ **Uniform definitions, self assessment**
- ❖ **Enhancement of Tax Base**
- ❖ **Seamless ITC**
- ❖ **Remove Geographical limitations.**
- ❖ **Integration with Global Trends - Cost, Efficiency & Administration**
- **Destination based taxation system.**
- **Both Centre & State will have power to levy**



Proposed GST Model

- **Dual Goods and Service Tax -JWC recommended &Acceptable to TFC subject to certain compliances)**
- ❖ **State and Centre have Concurrent Power to levy tax on Services**
- ↘ **Central GST(CGST)- Levied by the Centre & paid to the account of Centre**
- ↘ **State GST(SGST)- Levied by the States & paid to the account of States**
- ↘ **Integrated Goods & Service Tax (IGST)- Would be Levied by Centre on all Inter state Transactions**

**Implemented through multiple statutes
(one for CGST and SGST statute for every State).**

**Basic features of law such as
Chargeability, Definition of taxable event and taxable person,
Measure of levy including valuation provisions,
Basis of classification etc.**

would be uniform across these statutes as far as practicable

Applicability of GST



- **CGST & SGST would be applicable to all transactions of goods and services made for a consideration**

Exceptions

- **Exempted goods and services,**
- **Goods which are outside the purview of GST**
- **Transactions below threshold limits.**

IGST- Central Govt:

Levy of Integrated GST (IGST): Centre would levy and collect GST on supplies in the course of inter-state trade or commerce.

Apportionment of IGST: GST Council would also make recommendations related to apportionment of IGST.

Place of supply: GST council is to also make recommendations on formulation of the principles that govern the place of supply.

Additional tax: Not to exceed 1%) on the supply of goods in the course of inter-state trade or commerce would be levied and collected by the centre.

- ❖ Directly assigned to the states from where the supply originates (2 Years).
- ❖ Would not be a part of the Consolidated Fund of India (except for the amounts due to the union territories).
- ❖ Centre may exempt certain goods from its purview and formulate principles for the determination of place of origin related to supply of goods.

Integrated Goods and Service Tax (IGST)

- ❖ Parliament will have exclusive power to make laws in respect of goods and services tax where supply of goods and services or both take place in inter-state trade or commerce.
- ❖ Appropriate provision to be incorporated for consignment or stock transfer of goods.
- ❖ Set-off benefit available.

Rate for IGST

CGST



SGST



IGST



GST Rates

**Kelkar Task Force –
Federal GST – 12%
State GST - 8%**

JWG of EC
No rates specified in the
Discussion Paper
State- GST Should be floor Rate
Debate is still continuing

Estimation of Tax Base	Rs. in Crs
Subtraction Method	30,73,037
Consumption Method- Tax Force	37,43,077
Consumption Method- NCAER	30,77,953
Shome Index Method	27,82,809
Revenue Method	29,49,748
Average	31,25,325

Task Force
RNR – CGST – 5%
SGST-7%
Export – Zero rated
Composition Scheme

Revenue Forgone (Rs. in Crores)

Particulars	2009-10		2010-11		2011-12
	Revenue Foregone	Actual Tax collection	Revenue Foregone	Estimate Tax Collection	Budget Estimate
Corporate Tax	72,881	244,725	88,263	296,377	359,990
Income Tax	45,142	132,832	50,658	149,066	172,026
Excise Duty	169,121	102,858	198,291	133,300	164,116
Customs Duty	195,288	85,847	174,418	131,800	151,700
Total	482,432	566,262	511,630	710,543	847,832
Actual Forgone to actual tax	85.20%		72.01%		

Proposed Rate structure – Latest developments

- ❖ **Rate would be based on Revenue Considerations**
- ❖ **GST Council - Rates including floor rates** with bands of GST;
- ❖ Any special rates for a specified period, to raise additional resources during any natural calamity or disaster
- ❖ **Expected GST rate (two rates)**
 - ➔ **General goods standard rate**
 - ➔ **Essential items to attract lower**
 - ➔ **Lower rate for precious metals**
 - ➔ **List of exempt goods**
- ❖ **Services to be taxed at a single**

Proposed Rate structure – Latest developments

❖ **Uniform Composition scheme:**

➔ Upper limit of Rs.50 Lakhs & rate of tax at 0.5% with option for registration.

❖ **Threshold limit as follows:**

➔ CGST (goods) – Rs.150 Lakhs

➔ CGST (services) – To be decided

➔ SGST (goods and services) – Rs.10 Lakhs

GST RATE STRUCTURE

Particulars / Years	1st Year		2nd Year		3rd Year		
	CGST	SGST	CGST	SGST	CGST	SGST	Combined Rate
Lower Rates for Goods	6%	6%	6%	6%	8%	8%	16%
Standard Rates for Goods	10%	10%	9%	9%	8%	8%	16%
Services	8%	8%	8%	8%	8%	8%	16%

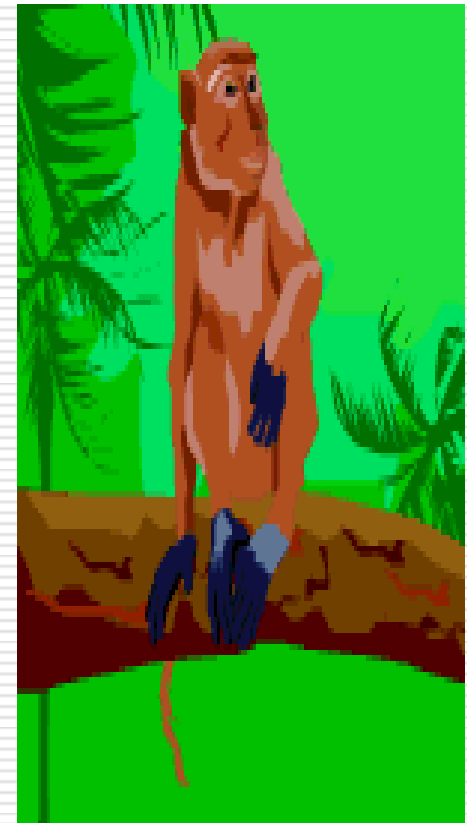
Rates – Proposed :
Standard rate for goods in general.
Lower rate for necessary items.
Special rate for Precious items.
List of exempted items.
For Goods – two rates
For Services – Single rate.

Industrial Incentives –
to be converted into
refund scheme.
No intention to continue the
incentives beyond the
stipulated period.

Compounding Scheme – Small Dealers

Problem of dual control is better addressed through

- ❖ a compounding scheme
- ❖ administrative simplification through measures such as:
 - ➔ *Registration by single agency for both SGST and CGST without manual interface*
 - ➔ *No physical verification of premises and no pre-deposit of security*
 - ➔ *Simplified return format*
 - ➔ *Longer frequency for return filing*
 - ➔ *Electronic Return filing through certified service centres etc.*
 - ➔ *Audit in 1-2% cases based on risk parameters*
 - ➔ *Lenient penal provisions*



Non applicability of GST / Modification in the Amendment Bill 2014

(ii) Tax on items containing Alcohol:

- ❖ *Out of GST (TFC- GST paid on inputs and packing materials).*
- ❖ *Sales Tax can be continued to be levied*
- ❖ *No objection if vatable by any State*
- ❖ *Levy of Excise Duty by the States will continue*

(ii) Tax on Tobacco products:

- ❖ *GST with Input Tax Credit (ITC).*
- ❖ *Centre may be allowed to levy excise duty on tobacco products over and above GST without ITC.*

(iii) Tax on Petroleum Products:

- ❖ GST Council would decide when GST would be levied on the other previously exempted goods, namely: (i) petroleum crude, (ii) high speed diesel, (iii) motor spirit (petrol), (iv) natural gas, and (v) aviation turbine fuel.



Excluded Sectors:

- ↘ **Land and real property**
 - ❖ **Not taxable because not a sale of goods or services**
 - ❖ **Real property rentals likely to attract GST as a service**
 - ↘ **Electricity???**
 - ❖ **Within the scope, but could be exempted**
-

Structure of Dual GST

CGST-(to be subsumed)

- Central Excise Duty
- Additional Excise Duties
- Additional duty levied on medicinal and toilet preparations.
- Additional Customs duty (CVD)
- Special Duty of Customs-4% (SAD).
- Service Tax
- Cesses & Surcharges

SGST-(to be subsumed)

- VAT / CST / Purchase Tax
- Entertainment Tax unless levied by local bodies.
- Luxury Tax
- State Excise
- Taxes on lottery, betting and gambling
- State cesses and Surcharges relatable to supply of goods and services
- Entry Tax (in lieu of octroi or otherwise)

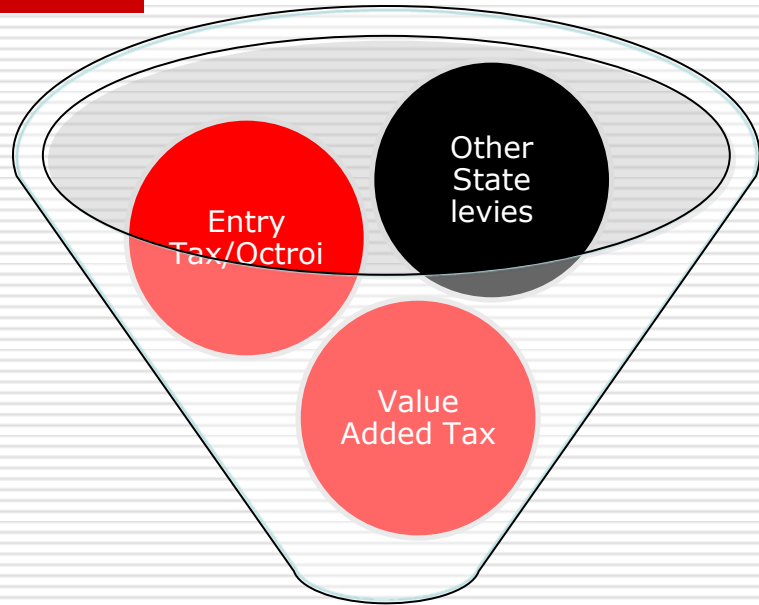
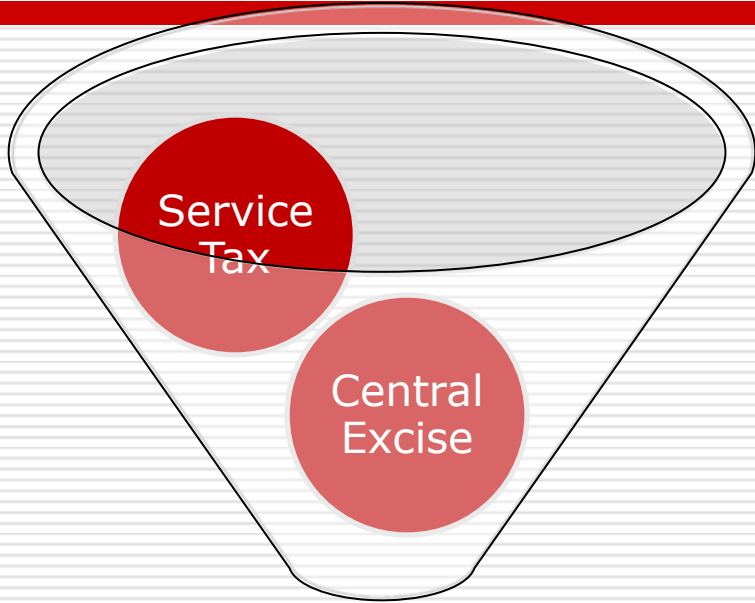
Stamp duty, Tax on Vehicle, Toll Tax, Road Tax, Tax on goods / passengers

Additional Tax
not exceeding 1% will be imposed.
Customs duty will continue

Electricity duty,
Octroi,
and taxes levied by local bodies
be subsumed under GST - TFC

Likely GST Model

**Import
GST**



**Central
Sales
Tax**

**Central
IGST**

IGST

**State
GST**

Continuance / revision of Power to Levy - Union

- Duties of excise on specified petroleum products, natural gas and tobacco
- Customs duties
- Taxes on goods/ passengers or transport by air, sea and rail.
- Stamp duty
- Residual taxation power



Amendments to the Sixth & Seventh Schedule

Levy of taxes on entertainments and amusements (Amendments to the Sixth Schedule)

- ❑ To give District Councils the power to levy taxes on entertainments and amusements

Levy of excise duties (Amendments to List I of the Seventh Schedule)

- ❑ Central government to levy excise duties on goods manufactured or produced in India only in regards to: (i) petroleum crude, (ii) high speed diesel, (iii) motor spirit (petrol), (iv) natural gas, (v) aviation turbine fuel, and (vi) tobacco and tobacco products.
- ❑ It omitted taxes on services and taxes on the sale or purchase of newspapers and newspaper advertisements from this List.



Amendment List II of the Seventh Schedule of the Constitution (the State List).

- ❑ States to tax entry of goods into a local area for use or sale only to the extent levied by a Panchayat or Municipality;
 - ❑ State governments have power to levy taxes on the intrastate trade of: (i) petroleum crude; (ii) high speed diesel; (iii) motor spirit (petrol); (iv) natural gas; (v) aviation turbine fuel; and (vi) alcoholic liquor for human consumption.
 - ❑ Omitted the entry related to taxes on advertisements other than advertisements published in newspapers and broadcast by radio or TV.
 - ❑ Replaced the entry on luxuries, including taxes on entertainment, amusement, betting and gambling. It was to only include taxes on entertainment and amusements to the extent levied and collected by a Panchayat/ Municipality or a Regional/ District Council.
-

Continuance / revision of Power to Levy- States

- **Entry Tax** -to the extent levied and collected by a Panchayator a Municipality”
- **Taxes on Electricity**
- **Taxes of sale and purchase of goods** - petroleum products, natural gas, narcotics, and alcohol
- **Taxes on advertisements**
- **Taxes on entertainment, betting, and gambling** - to the extent levied and collected by a Panchayator a Municipality”
- **Taxes on land and buildings**
- **Taxes on mineral rights**
- **Excise Duties on alcohol etc.**
- **Taxes on goods/passenger transport (road and water)**
- **Taxes on animals and boats**
- **Stamp duties**

GST ON EXPORTS

- Zero rate for the exports would continue.
- Supplies to SEZ would also attract Zero rate.
- No benefit for sale from an SEZ to Domestic Tariff Area (DTA).

GST ON IMPORTS

- Both CGST and SGST will be levied on Imports of goods and services into the country.
- Destination principle to be followed.
- Revenue to be accrued to the state where the Imported goods and services are consumed.
- Set-off will be available.

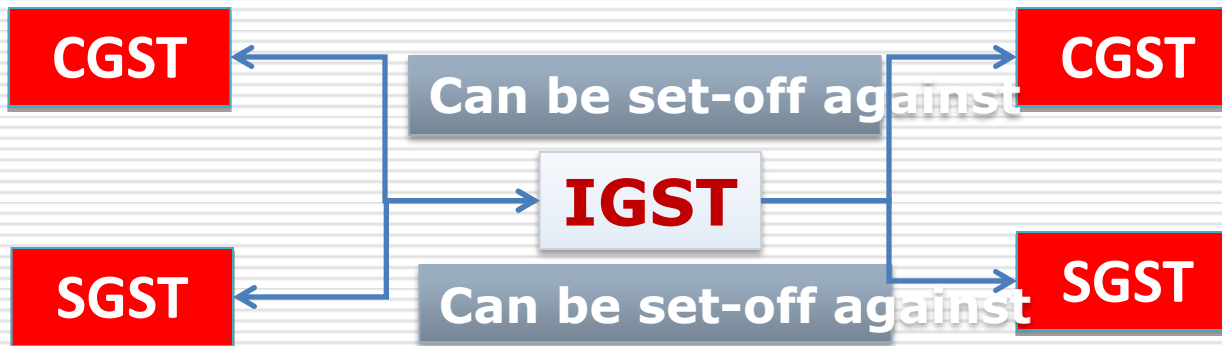
Levy of GST on imports - by Centre through a Central legislation (CBEC with IGCST)
SGST collected by Centre - passed on to concerned State
Taxation of import of services – Reverse Charge

Input Tax Credit

- GST should be levied on consumption
- GST computed on the basis of the invoice credit method.
- Capital goods should be treated like all other with no restriction on tax credit
- Place of supply' rules for goods and services should be based on international best practice, and be carefully framed to ensure consistency, credibility and relevance



SET-OFF RULES



Note : CGST cannot be set-off against SGST & vice versa.

Exporting dealer to Centre transfer credit of SGST for payment of IGST

Importing dealer will claim IGST as Input Tax Credit

Centre will transfer to importing State Credit of IGST used in the Payment of SGST

IGST – Levy and credit

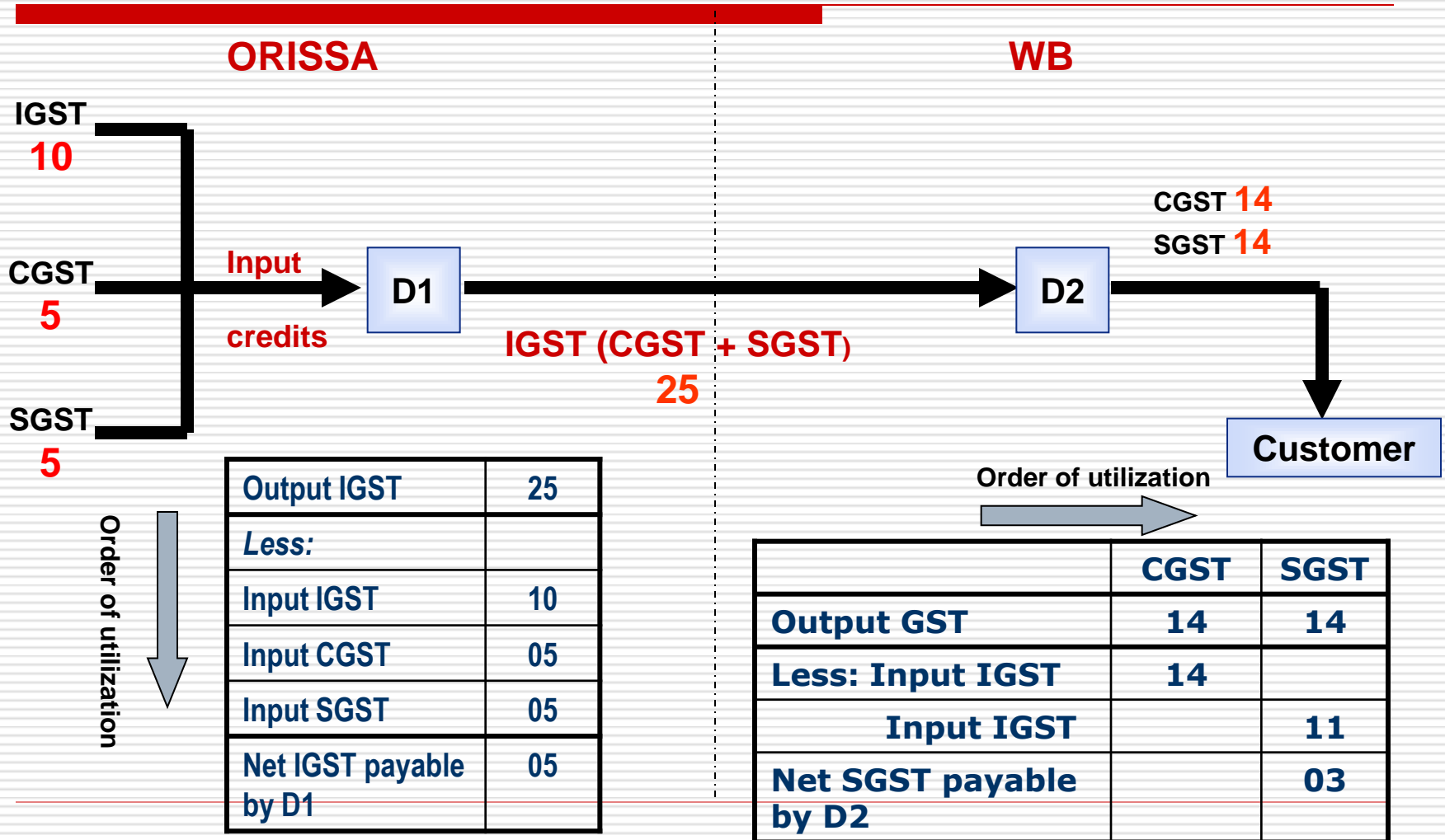


ILLUSTRATION OF CASCADING EFFECT OF TAXES

VAT Regime

Particulars	Amount
Selling Price	100.00
Excise Duty (10.3%)	10.30
Total	110.30
VAT (12.5%)	13.80
Total	124.10

GST Regime

Particulars	Amount
Selling Price	100.00
CGST (8%)	8.00
SGST (8%)	8.00
Total	116.00

Difference of Rs.8.10 (10.30+13.80-8.00-8.00) is due to difference of rates and removal of tax on tax (VAT charged on ED) is removed in GST regime

ILLUSTRATION OF CASCADING EFFECT OF TAXES

VAT Regime

Particulars	Amount
Selling Price	100.00
Excise Duty (10.3%)	10.30
Total	110.30
VAT (4%)	4.41
Total	114.71

GST Regime

Particulars	Amount
Selling Price	100.00
CGST (8%)	8.00
SGST (8%)	8.00
Total	116.00

More Price effect in GST Regime -Rs.1.29

Procurement from outside State and sale within the State

Purchase

Project perspective

Sale

Particulars	Amt
Basic	100.00
Excise Duty(10%)	10.00
Total	110.00
CST (2%)	2.20
Total	112.20

Prevailing

Particulars	Amt
Basic	112.20
Profit	10.00
Total	122.20
VAT (4%)	4.80
Total	127.00

$$\text{Total Tax Cost} = \text{Excise Duty} + \text{CST} + \text{VAT} = 17$$

Particulars	Amt
Basic	100.00
IGST	16.00
Total	116.00

Proposed

Particulars	Amt
Basic + Profit	110.00
CGST (8%)	8.80
SGST (8%)	8.80
Total	127.60

$$\text{IGST} = \text{CGST} + \text{SGST}$$

$$\text{Total Tax Cost} = \text{IGST} + (\text{CGST} + \text{SGST} - \text{IGST}) = 17.60$$

Procurement from outside State and sale within the State

Purchase

Project perspective

Sale

Particulars	Amt
Basic	100.00
Excise Duty(10%)	10.00
Total	110.00
CST (2%)	2.20
Total	112.20

Prevailing

Particulars	Amt
Basic	112.20
Profit	10.00
Total	122.20
VAT (12.5%)	15.30
Total	137.50

$$\text{Total Tax Cost} = \text{Excise Duty} + \text{CST} + \text{VAT} = 27.80$$

Particulars	Amt
Basic	100.00
IGST	16.00
Total	116.00

Proposed

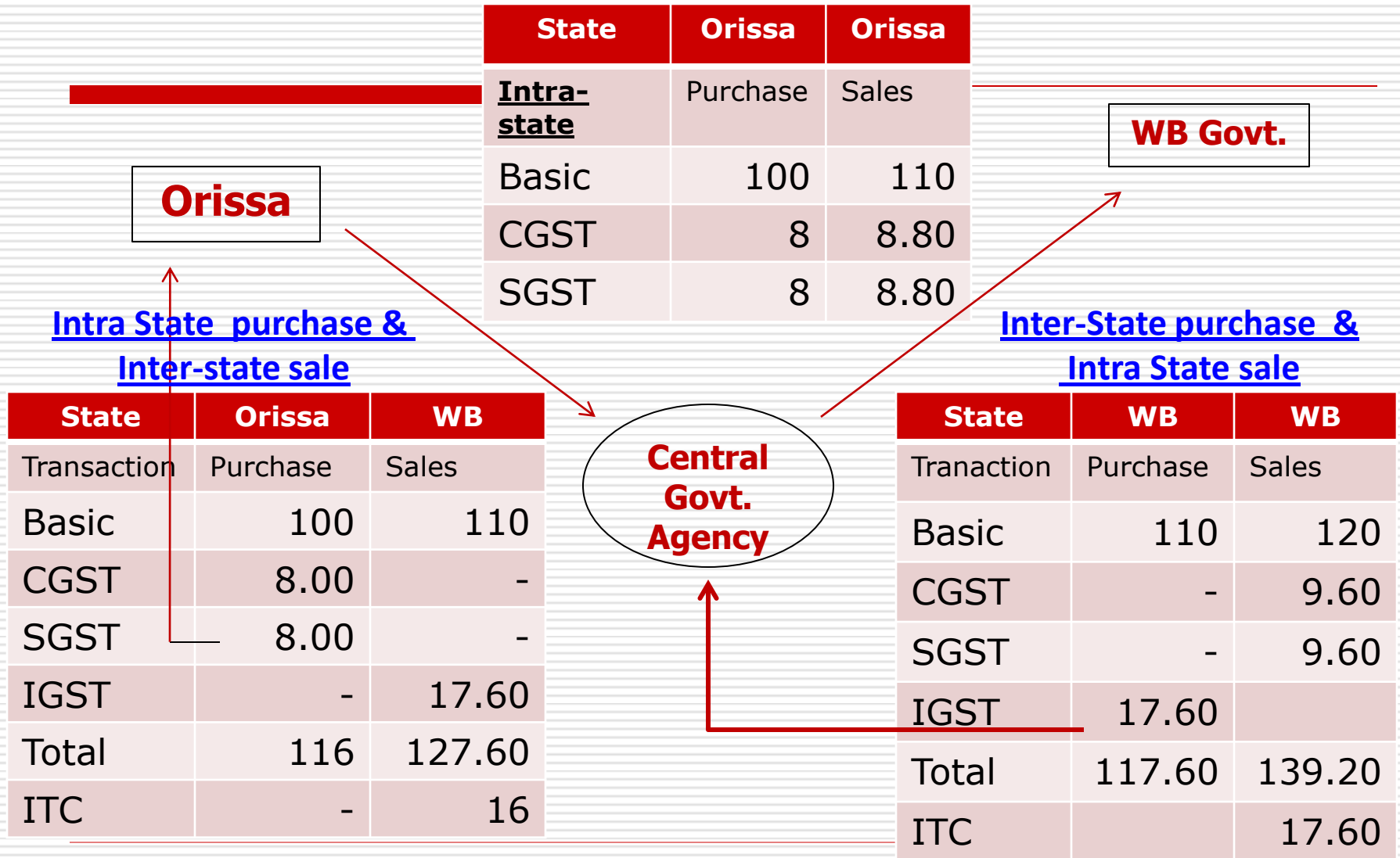
Particulars	Amt
Basic + Profit	110.00
CGST (8%)	8.80
SGST (8%)	8.80
Total	127.60

$$\text{IGST} = \text{CGST} + \text{SGST}$$

$$\text{Total Tax Cost} = \text{IGST} + (\text{CGST} + \text{SGST} - \text{IGST}) = 17.60$$

CREDIT MECHANISM

Intra-state



Example – Set Off of Input Tax Credit – Different type of Sale/ Transfer

Particulars	Value of goods sold	CGST Rs	SGST Rs.	IGST Rs.
Sale within State @ 8%	40,000	3,200	3,200	Nil
Goods sent on stock transfer Outside State	20,000	Nil	Nil	3,200
Goods sold Inter State	25,000	Nil	Nil	4,000
Goods sold Government Inter-State	15,000	Nil	Nil	2,400
Total	1,00,000	3,200	3,200	9,600

Available Input Tax			
SGST- Rs.4000	First to be utilised for SGST balance for IGST		
CGST- Rs.4000	First to be utilised for CGST balance for IGST		
Tax Payable			
Particulars	SGST	CGST	IGST
Out Put Tax	3200	3200	9600
Input Tax	4000	4000	
Surplus	800	800	1600
Output Tax Payable	Nil	Nil	8000

Example – Set Off of Input Tax Credit – Mix with Export Sale

Particulars	Value of goods sold	CGST Rs	SGST Rs.	IGST Rs.
Sale within State @ 8%	40,000	3,200	3,200	Nil
Goods Exported	20,000	Nil	Nil	Nil
Goods sold Inter State	25,000	Nil	Nil	4,000
Goods sold Government Inter-State	15,000	Nil	Nil	2,400
Total	1,00,000	3,200	3,200	6,400

Available Input Tax			
SGST- Rs.4000	First to be utilised for SGST balance for IGST		
CGST- Rs.4000	First to be utilised for CGST balance for IGST		
Tax Payable			
Particulars	SGST	CGST	IGST
Out Put Tax	3200	3200	6400
Input Tax	4000	4000	
Surplus	800	800	1600
Output Tax Payable	Nil	Nil	4800

Example – Set Off of Input Tax Credit – IGST Paid on Input Material

Particulars	Value of goods sold	CGST Rs	SGST Rs.	IGST Rs.
Sale within State @ 8%	40,000	3,200	3,200	Nil
Goods sent on stock transfer Outside State	20,000	Nil	Nil	3,200
Goods sold Inter State	25,000	Nil	Nil	4,000
Goods sold Government Inter-State	15,000	Nil	Nil	2,400
Total	1,00,000	3,200	3,200	9,600

Available Input Tax			
IGST – Rs.8000/-	Only to be available for set off of IGST		
Tax Payable			
Particulars	SGST	CGST	IGST
Out Put Tax	3200	3200	9600
Input Tax	Nil	Nil	8000
Surplus	Nil	Nil	Nil
Output Tax Payable	Nil	Nil	1600

Example – Set Off of Input Tax Credit – Input Tax paid on Capital Goods

Particulars	Value of goods sold	CGST Rs	SGST Rs.	IGST Rs.
Sale within State @ 8%	200000	16000	16000	Nil
Goods sent on stock transfer Outside State	Nil	Nil	Nil	
Goods sold Inter State	100000	Nil	Nil	16000
Goods sold Government Inter-State	Nil	Nil	Nil	
Total	300000	16000	16000	16000

Available Input Tax			
SGST on Input Rs.8000 SGST on Capital Goods Rs.4000	First will be utilised for SGST & balance for IGST		
CGST on Capital Goods Rs.4000	First will be utilised for CGST & balance for IGST		
Tax Payable			
Particulars	SGST	CGST	IGST
Out Put Tax	16000	16000	16000
Input Tax	12000	12000	Nil
Surplus	Nil	Nil	Nil
Output Tax Payable	4000	4000	16000

State A

State B

SELLER

BUYER

Available credits
IGST=8
CGST=4
SGST=8

Pay - 116
(Value = 100 + IGST=16)
IGST=16% (i.e, CGST of
8%+SGST of 8%)

Available credit of
IGST of 16 & utilizes in the
following Sequence:
IGST
SGST

SGST=2

The amount of IGST utilized
against output SGST of 2 is
transferred by the centre to
state B

Pay 16 to central
Government after
Adjusting

This amount of 4 is transferred
by state A to centre

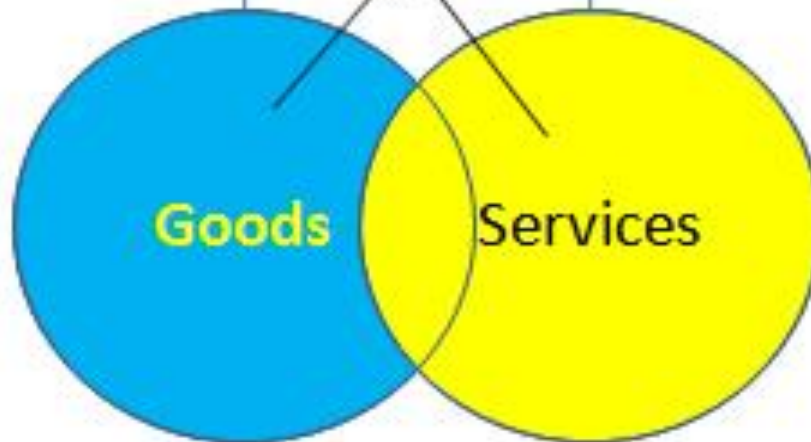
IGST=8
CGST=4

SGST=4



UNION

STATE



Goods & Services -- Overlap
Centre & State -- Overlap

Constitutional Amendment Bill - 2011.

Articles	Particulars	Taxability	Remarks
366 (12A incl)	Definition of Goods & Services	Tax on supply of goods & services	Except Petroleum Crude; HSD, Petrol, Natural Gas, Aviation Turbine Fuel & Alcoholic Liquor for human consp.
366 (29A-deletion)	Deemed sale	Tax on leases and works Contract	To be subsumed
246 A- New	Concurrent Power of Levy	To make laws with respect to goods and services tax	Parliament will have the exclusive power to make laws with respect to goods and services tax where the supply of goods or services or both takes place in the course of inter-state trade or commerce
269A	Exclusive power of Parliament	supplies of goods or services or both in the course of inter-state trade or Commerce/import)	shall be apportioned between the Union and the States which would be prescribed by the Parliament.
270	Distribution of GST	Between States	% as determined by President or FC

Constitutional Amendment Bill - 2011.

Articles	Particulars	Taxability	Remarks
279A	Constitution of GST Council	<p>Recommendation of to Union & States:</p> <p>Subsuming of taxes Exemption, Threshold Limit, Rtes Other matter</p>	<ul style="list-style-type: none"> • Within 60 days -effective of GST Act • Chair person -FM of GOI • Member -State UM of GOI • Members -Minister of States • Vice-Chairperson - to be decided by the members • 1/2 is the quorum • Decision to be taken with 3/4th majority
279B	Creation of GST Dispute Settlement Authority	For Adjudication of any dispute or complaint referred to the DSA by the State & Union Govt.	<ul style="list-style-type: none"> • Deleted.

Functions of the GST Council (include making recommendations)

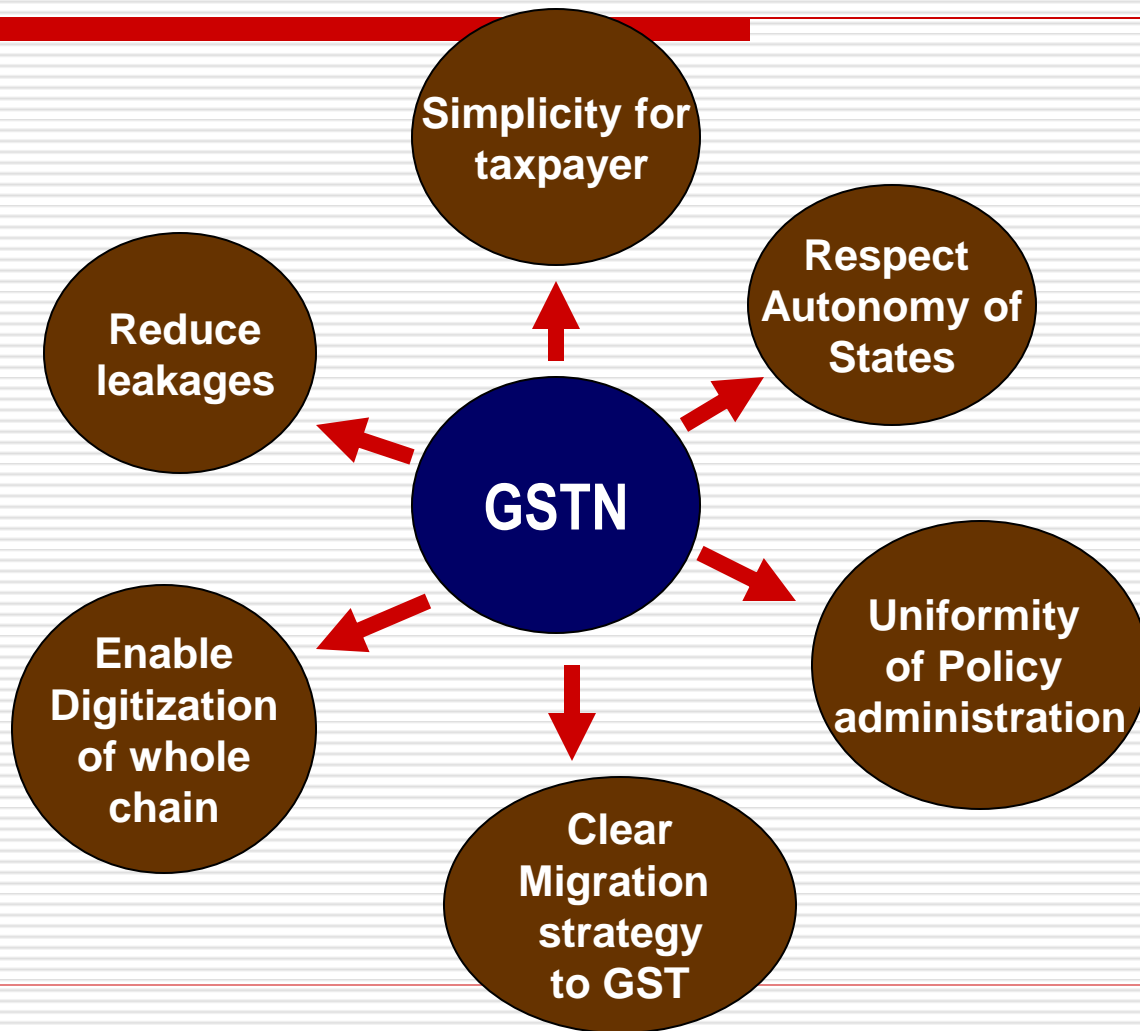
- ❖ Taxes, cesses, and surcharges levied by the centre, states and local bodies which may be **subsumed in the GST**;
- ❖ Goods and services which may be subjected to or exempted from GST;
- ❖ **Model GST laws**, principles of levy, apportionment of IGST and the principles that govern the place of supply;
- ❖ **Threshold limit** of turnover below which goods and services may be exempted from GST;
- ❖ **Rates including floor rates** with bands of GST;
- ❖ Any special rates for a specified period, to raise additional resources during any natural calamity or disaster;
- ❖ Special provision with respect to Arunachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand;
- ❑ Recommendations provide for **compensation to states** for revenue losses arising out of the implementation of the GST (5 years)
- ❖ Any other matters.



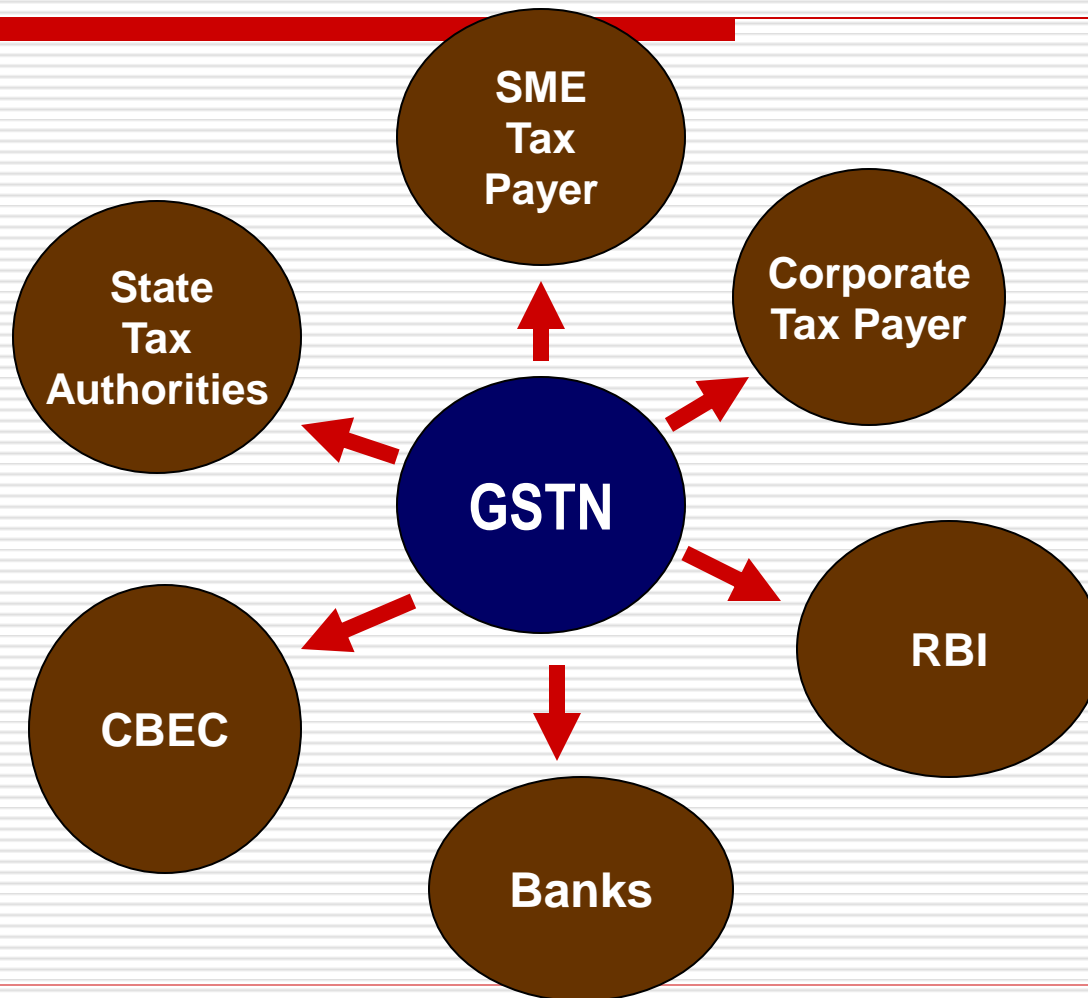
Empowered Group on IT Infrastructure for GST - GSTN

- IT systems for GST - Common GST Portal
- Technology Partner - NSDL
- Common functions - Registration, Returns & Payments
- GSTN role and responsibility
- ❖ Dealer registration (including existing dealer master migration and issue of PAN based registration number)
- ❖ Payment management including payment gateways and integration with banking systems
- ❖ Return filing and processing
- ❖ Taxpayer management, including account management, notifications, information, and status tracking
- ❖ Tax authority account and ledger Management
- ❖ Computation of settlement (including IGST settlement) between the Centre and States
- ❖ Processing and reconciliation of import GST and integration with EDI systems of Customs

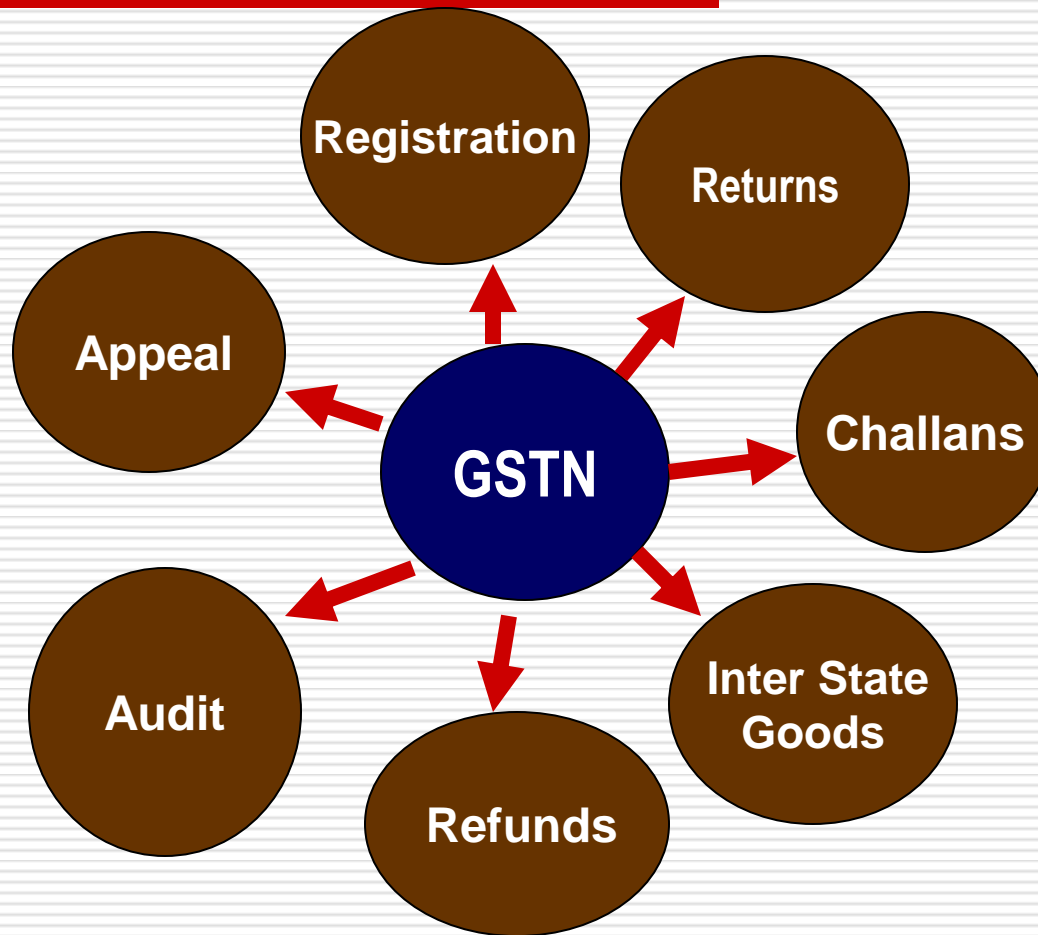
Desirable features of GSTN – GST Net Work



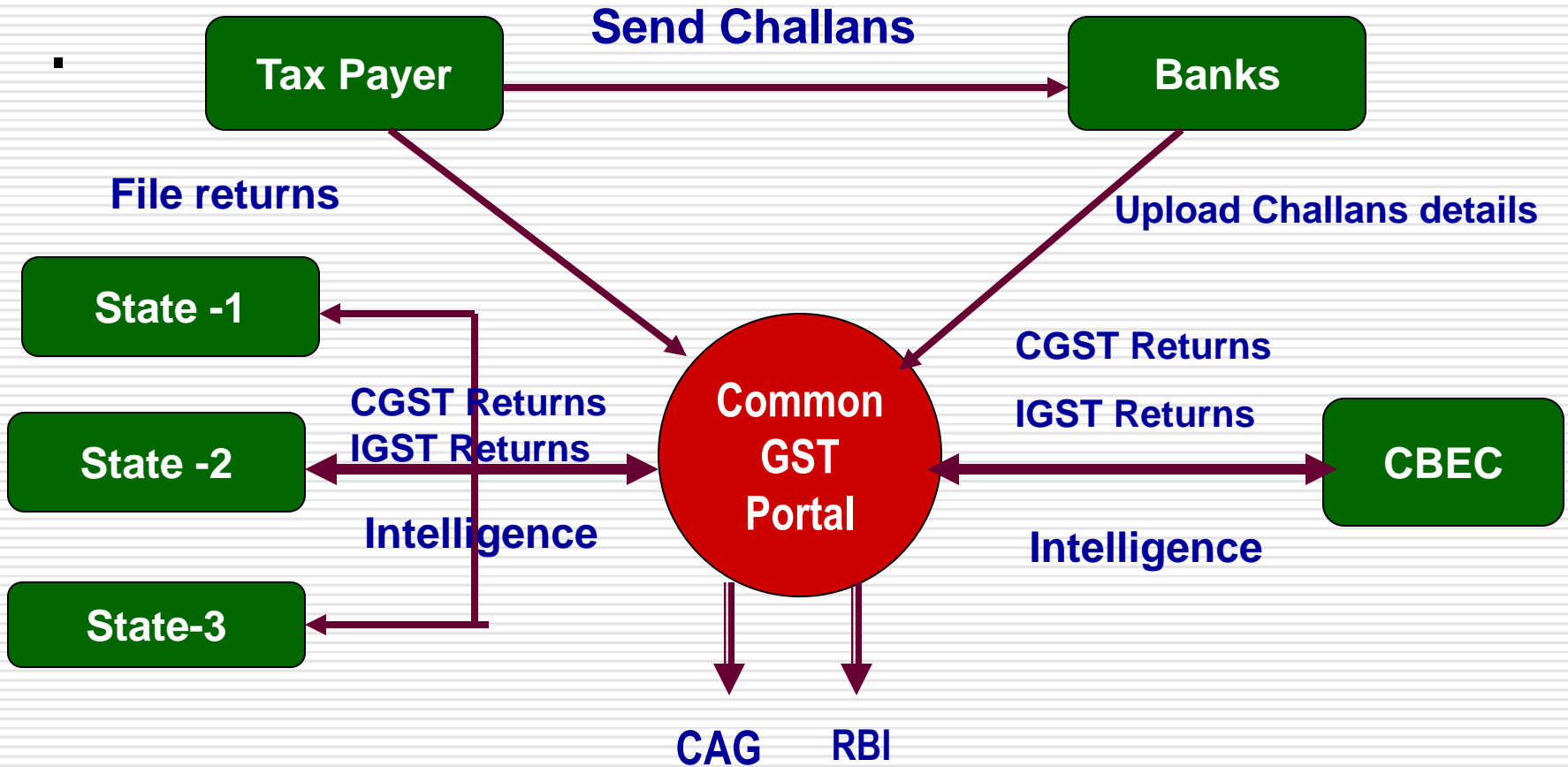
GST Net Work - Stakeholders



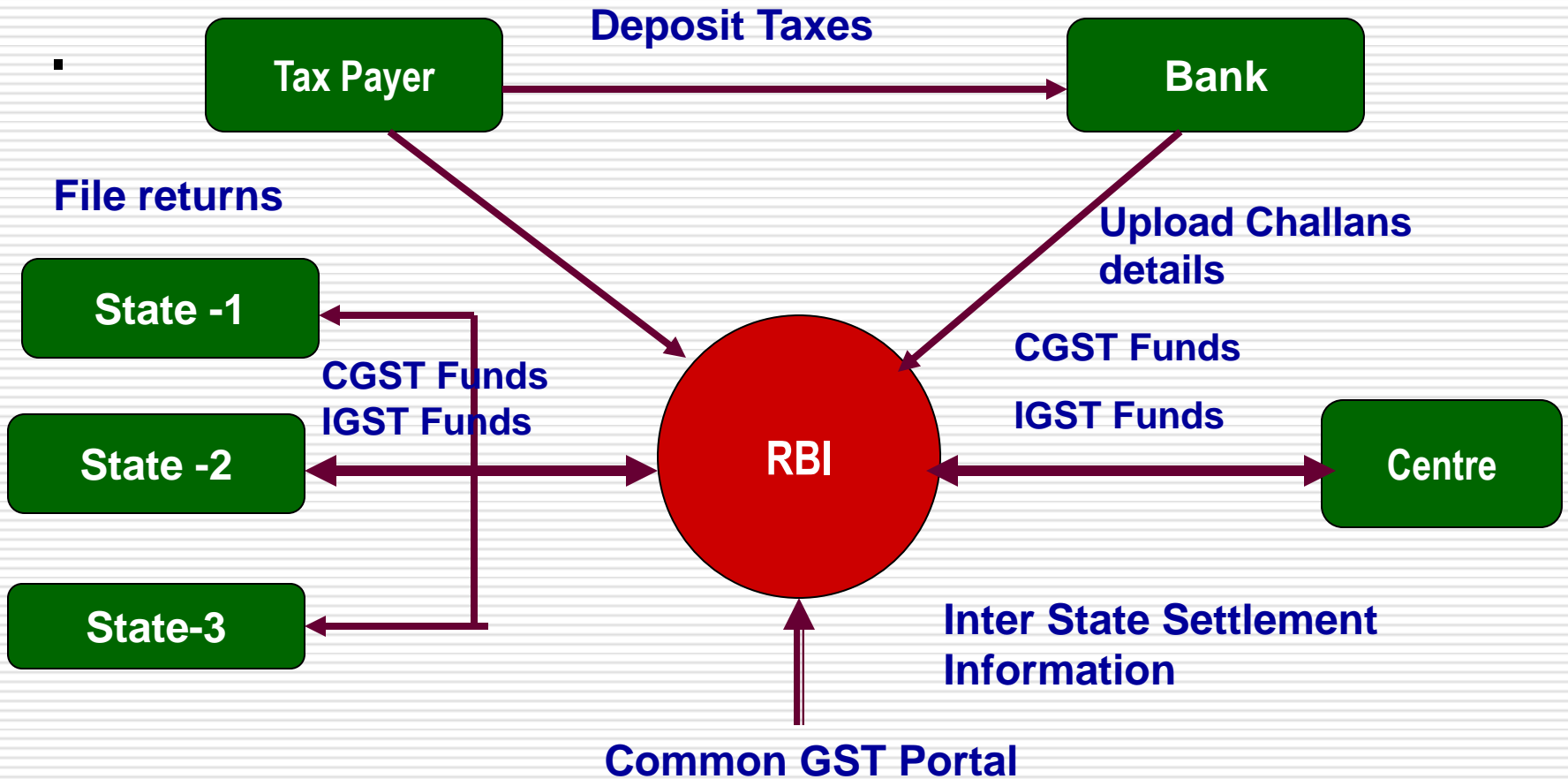
GST Net Work – Work Flows



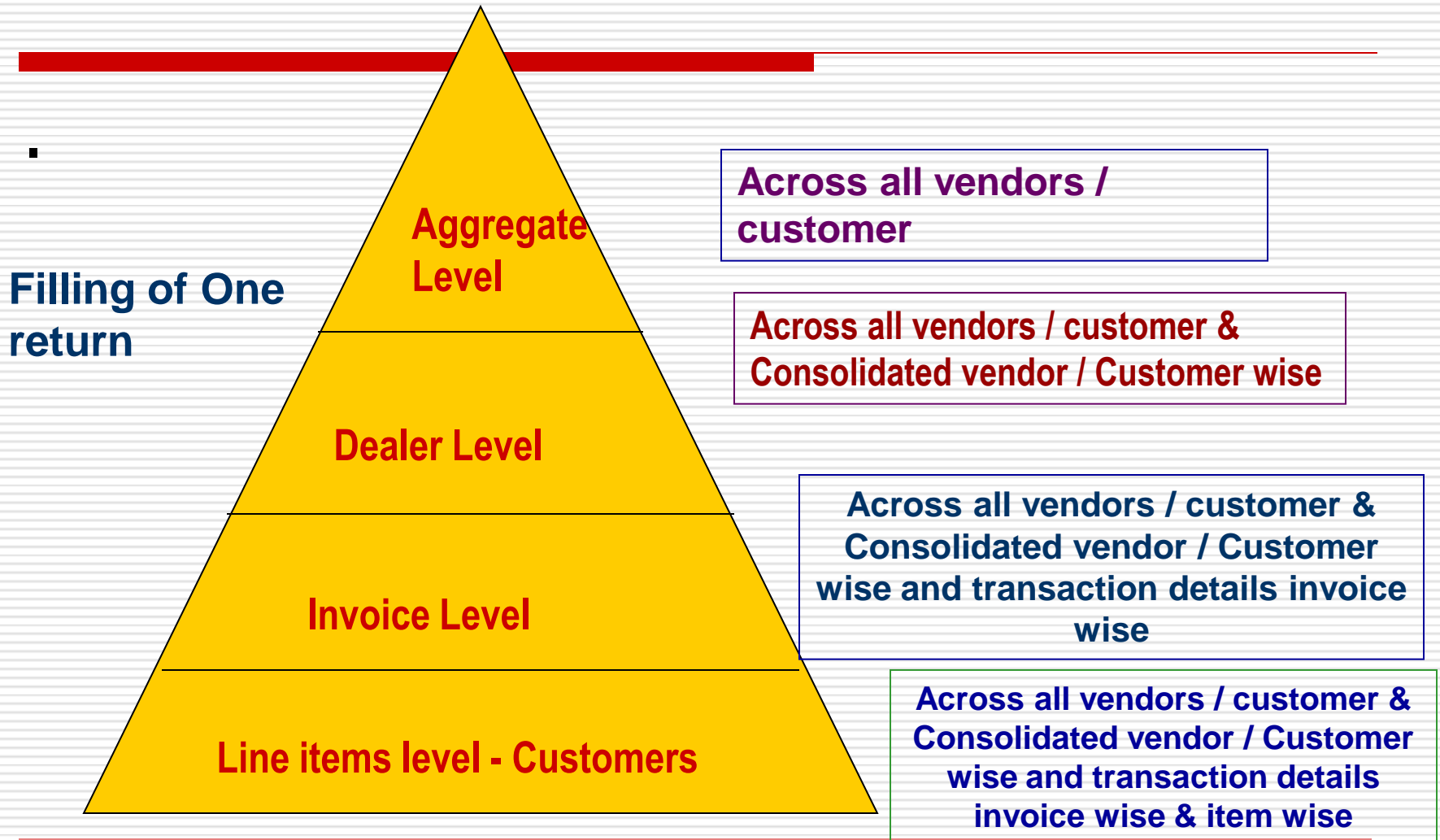
GST Net Work – Information Flow



GST Net Work – Funds Flow



GST Net Work – Levels of granularity for Returns



Levels of granularity for Returns

Some of the Issues & Challenges - Taxation



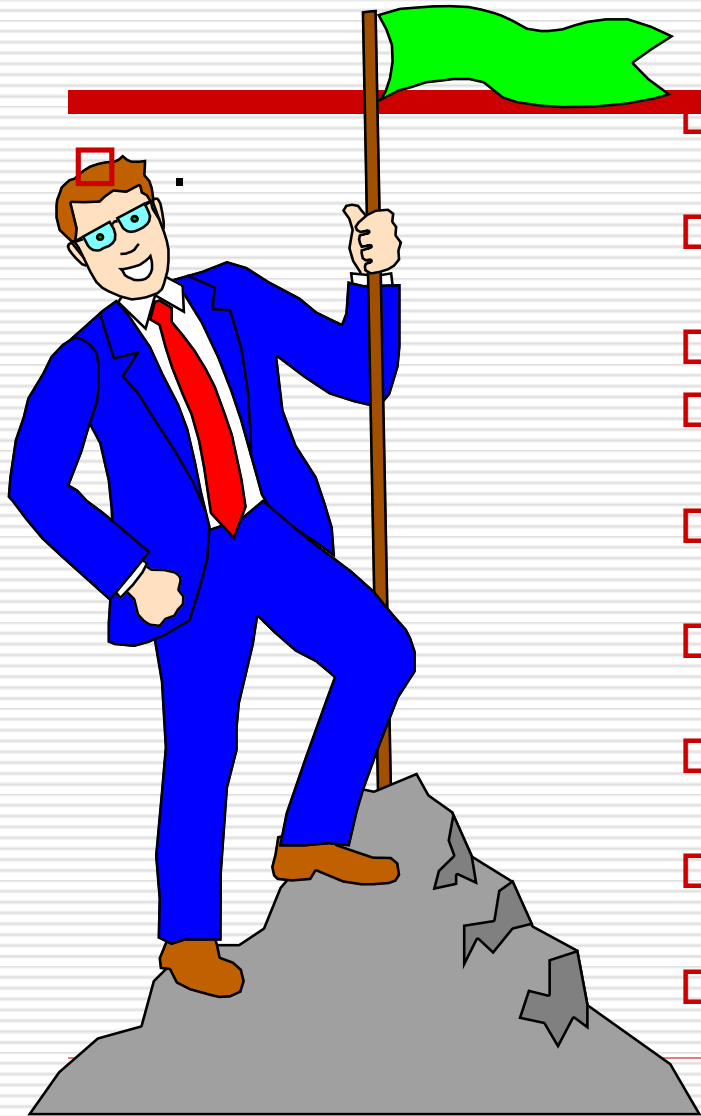
- Constitutional amendment
- Tax base & Tax rates
- Exemptions & Threshold limit
- Levy of buyer's State GST on inter-State supplies
- State GST Credits remaining unutilized incase of inter-State transactions
- Taxation of supply of goods and services
- Stock transfers

Some of the Issues & Challenges - Taxation



- Movement of semi-finished between job workers
- Free supply of material to works contractors
- Federal GST law & Uniform State GST law – consensus of all
- All exemptions schemes proposed to convert to post-cash resulting in blockage of funds
- Political consensus in maintaining significant features of Model
- Stakeholder communications
- Mindset changes – moving to a fundamentally new tax

Some of the Issues & Challenges - Taxation



- ❑ Training – Reorientation of administrative machinery
- ❑ Standardization of systems & procedures
- ❑ Building of IT backbone
- ❑ Compensation to States for CST Phase out / GST introduction
- ❑ Protecting and balancing the present and future revenues
- ❑ Impact on backward States - safeguarding the interests
- ❑ lower revenue potential- Consuming states.
- ❑ Sale of manufactured goods – to be cheaper
- ❑ Provision of services - costlier

Here is a short story with a beautiful message...



A Little girl and her father were crossing a bridge. The father was kind of scared so he asked his little daughter, “Sweetheart, please hold my hand so that you don’t fall into the river.” The little girl said, “No, Dad. You hold my hand.”

“What’s the difference?” Asked the puzzled father. “There’s a big difference,” replied the little girl. “If I hold your hand and something happens to me, chances are that I may let your hand go.

Here is a short story with a beautiful message...

But if you hold my hand, I know for sure that no matter what happens, you will never let my hand go....”

- In any relationship, the essence of trust is not in its bind, but in its bond.
- So hold the hand of the person who loves you rather than expecting them to hold yours...
- This message is too short.....but carries a lot of Feelings



Thank You

Reachable at

nswain2008@ymail.com



State A

State B

SELLER

BUYER

Available credits
IGST=8
CGST=4
SGST=8

Pay - 116
(Value = 100 + IGST=16)
IGST=16% (i.e, CGST of
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Pay 16 to central
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Adjusting

This amount of 4 is transferred
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SGST=4