

GST Ready

Goods & Services Tax

Heralding Global Competitiveness and Agility

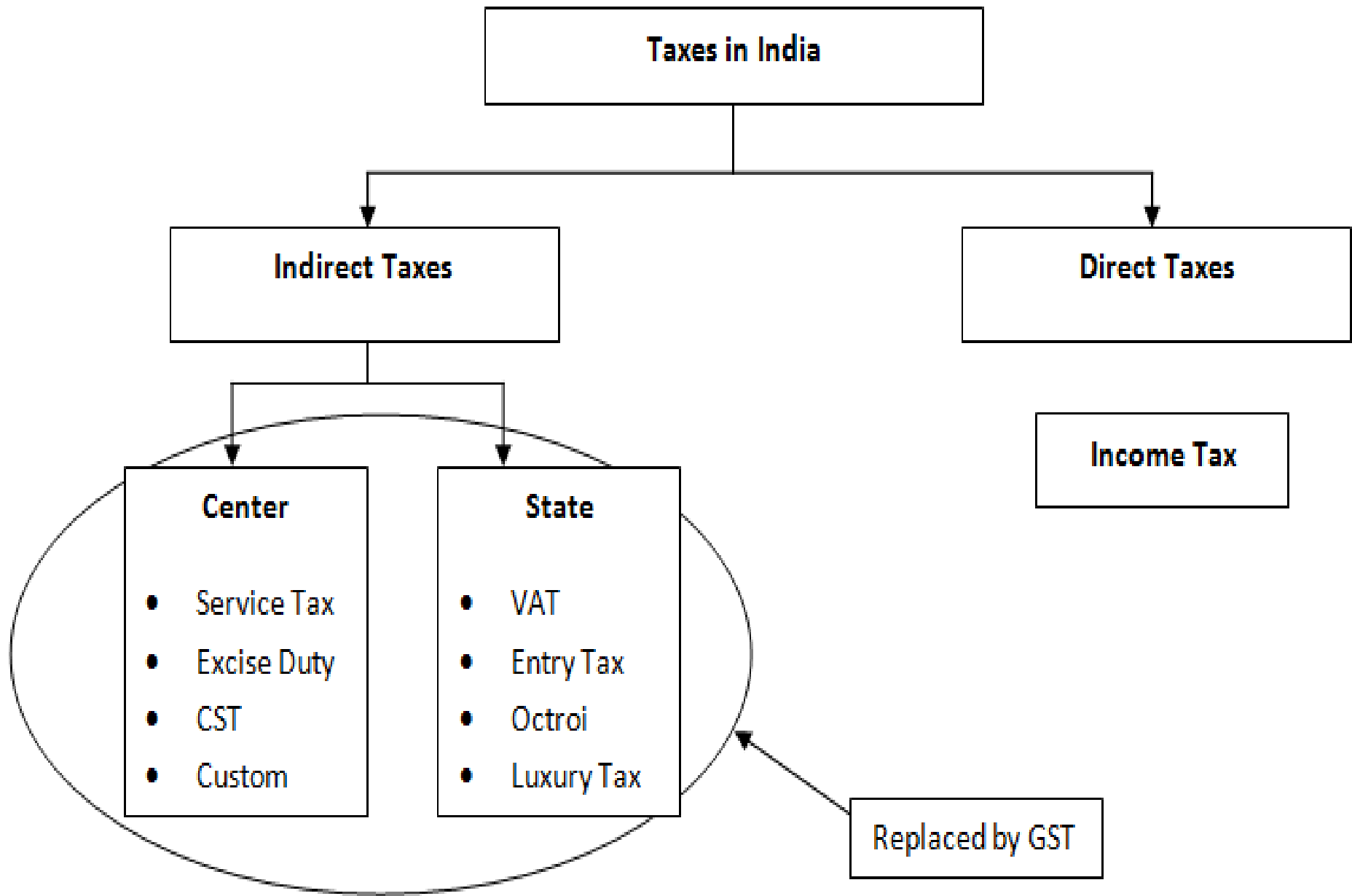


13th MAY 2017
Saturday

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Multi-tiered system

Tax rate

Indicative items

0%

50% of the consumer price basket, including foodgrains



18%

Soaps, oil, toothpaste, refrigerator, smartphones



5%

Mass consumption items like spices and mustard oil



28%

White goods, cars



12%

Processed foods



28%
plus cess

Luxury cars, pan masala, tobacco, aerated drinks



Source: GST council

RELIEF FOR AAM AADMI NO INCREASE IN TAX BURDEN ON ESSENTIAL GOODS

GST EXEMPT LIST

States, Centre officials to work out exempted list of items

Key food items, services to be kept out of tax net

Those items that do not face VAT may be kept out

Some items that do not attract excise duty also to go tax free

PROBABLE TAX FREE ITEMS

- ▶ Bread, milk, curd, salt, fresh veggies and fruits to go tax free
 - ▶ Bindi, sindoor, prasad sold at temples
 - ▶ Human blood, contraceptives
- Primary healthcare, education



GST rates to stay secret till July 1

The government plans to announce the GST rates for goods and services just a few hours before the rollout on July 1.

This is to ensure that the manufacturers do not resort to a slowdown or increase in production after learning which commodity will be taxed at a lower or higher rate.

GST FINE POINTS

GST COUNCIL FINALISES FIVE DIFFERENT TAX SLABS – 5%, 12%, 18%, 28% AND 28% PLUS CESS.



■ **GEMS AND** jewellery are expected to be taxed in the range of 2 to 5 per cent.

■ **SERVICES LIKELY** to be taxed in two slabs, namely 12 per cent and 18 per cent.

■ **A BULK** of the petroleum products such as petrol, diesel, natural gas, aviation fuel to stay outside the purview of the GST.

■ **SALE OF** land and buildings and electricity have been kept out of the GST ambit.

ENROLLMENT OF TRADERS REMAINS A MAJOR CONCERN WITH NATIONALLY

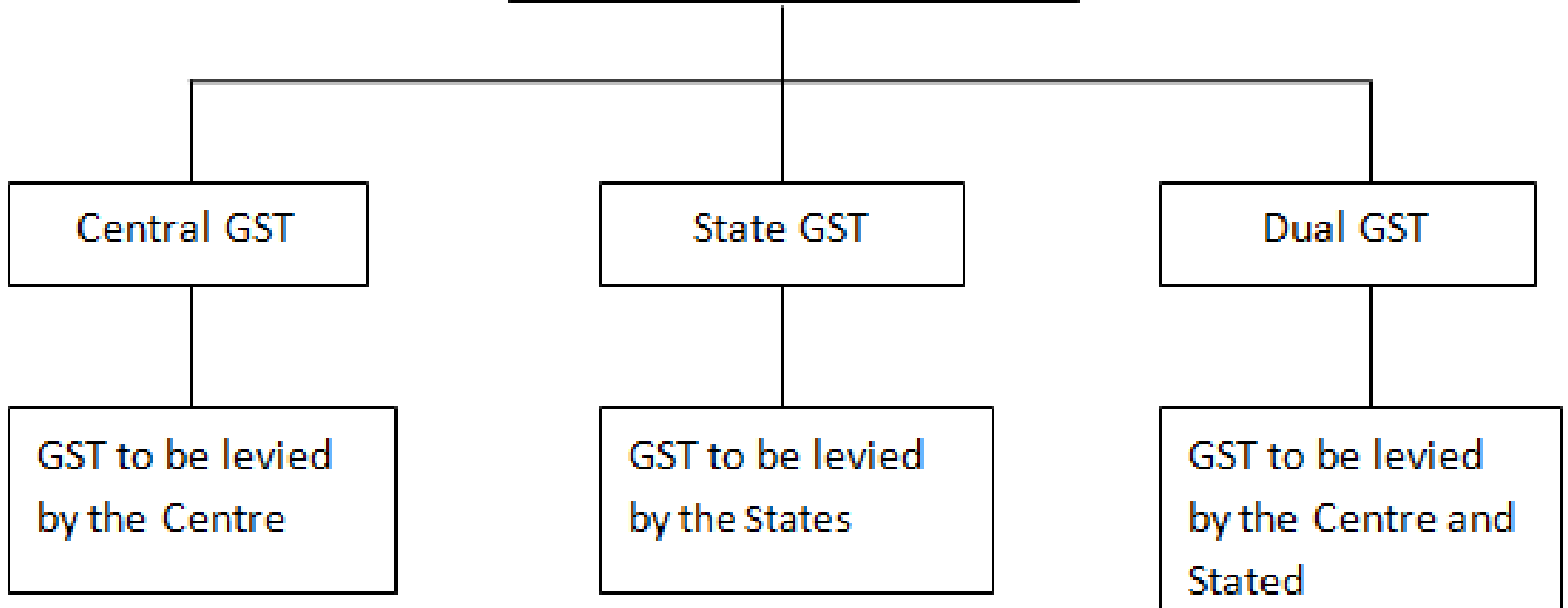
■ **TELUGU STATES** perform well in GST enrolment surpassing national average. They completed 90% enrolment.

■ **OF THE** 92 lakh traders who are VAT assesseees across the country, 60 lakh have registered for GST.

■ **MIGRATION OF** service tax and central excise duty assesseees in poor.

■ **ONLY 40%** of service tax assesseees and 20% Central excise duty assesseees have registered for GST so far.

Three Prime Models of



In CGST

- Central Excise
- Service Tax
- SAD
- CVD
- AED
- Surcharge and Cess

In SGST

- VAT/Sales Tax
- Entry Tax
- Tax on Lottery etc.
- Surcharge and Cess
- Purchase Tax
- Entertainment Tax
- Luxury Tax

In IGST

- Central State Tax

SYSTEM OF LEVYING G.S.T.

Present Indirect Taxes	GST type	Goods/Services produced and consumed in same State	Inter-state consumption of Goods/Services	Exported Goods/Services	Imported Goods/Services
Excise Duty	Central GST	CGST + SGST Rate levied	Integrated GST levied (now dropped)	GST not applicable (cannot export taxes)	CGST + SGST Rate levied
Service Tax					
Customs Duties					
Central Sales Tax					
State Sales Tax	State GST				
Entertainment Tax					
State VAT					
Professional Tax					

GST LAWS

Acts

- **CGST Act, 2017 [174 Sections, III Schedules]**
- **IGST Act, 2017 [25 Sections]**
- **UTGST Act, 2017 [26 Sections]**
- **GST (Compensation to States) Act, 2017 [14 Sections]**
- **State GST Bills 2017 {Count 9} – Telangana, Bihar, Rajasthan, Jharkhand, Chhattisgarh, Uttarakhand, Haryana, Madhya Pradesh, Goa**



GST LAWS

Rules

1. Accounts & Records Rules [3 Rules]
2. Advance Ruling [5 Rules]
3. Appeals and Revision [8 Rules]
4. Assessment and Audit [5 Rules]
5. Electronic Way Bill [5 Rules]
6. Composition Rules [5 Rules]
7. Determination of Value of Supply Rules [8 Rules]
8. Transitional Provisions Rules [4 Rules]
9. Input Tax Credit Rules [10 Rules]
10. Tax Invoice, Credit & Debit Notes Rules [8 Rules]
11. Payment of Tax Rules [4 Rules]
12. Refund Rules [8 Rules]
13. Registration Rules [18 Rules]
14. Returns Rules [25 Rules]

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GST Rules

Registration Number

- The taxpayer will be allotted a State wise PAN based 15 digit **G**oods and/or **S**ervices **T**axpayer unique **I**dentification **N**umber (GSTIN).
- The digits in the GSTIN will denote the following

State Code		PAN										Entity code	Blank	Check Digit
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

Multiple Registrations within the same State

- The GST regime allows multiple registrations within a State for business verticals of a taxable person as an OPTION. This provision has been made available subject to the following specific stipulations;
 - ❑ *ITC across the business verticals of such taxable persons shall not be allowed unless the goods and / or services are actually supplied across the verticals.*
 - ❑ *For the purpose of recovery of dues, all business verticals, though separately registered, will be considered as a single legal entity.*

Invoice – Intra State – Under Present Law

Particulars	Amount
Value of Supply of Goods	100,000
Add: Excise (say) @ 15%	15,000
Sub Total	115,000
Add: VAT (say) @ 15% [Caution: Cascading Effect]	17,250
Total	132,250

INTRA

Invoice – Intra State – under GST Law

Particulars	Amount
Value of Supply of Goods	100,000
Add: CGST (say) @ 15%	15,000
Add: SGST (say) @ 15%	15,000
Total	130,000

INTRA

Invoice – Inter State – under GST Law

Particulars	Amount
Value of Supply of Goods	100,000
Add: IGST (say) @ 30%	30,000
Total	130,000

inter

Invoice – Intra State – Under Present Law

Particulars	Amount
Value of Supply of Services	100,000
Add: Service Tax (say) @ 15%	15,000
Total	115,000

INTRA

Invoice – Intra State – under GST Law

Particulars	Amount
Value of Supply of Services	100,000
Add: CGST (say) @ 8%	8,000
Add: SGST (say) @ 7%	7,000
Total	115,000

INTRA

Invoice – Inter State – under GST Law

Particulars	Amount
Value of Supply of Services	100,000
Add: IGST (say) @ 15%	15,000
Total	115,000

inter

WHAT IS GSTN

A special purpose vehicle set up by the central and state governments to lay the information technology infrastructure for GST

The company was incorporated on March 28, 2013 as a non-government, private limited company

It will have a self-sustaining revenue model, where GSTN will be able to levy user charges on taxpayers and tax authorities for availing its services

It is an exclusive national agency responsible for delivering integrated indirect tax-related services involving multiple tax authorities



WHAT GSTN NEEDS TO BUILD	WHAT STATES NEED TO DEVELOP/MODIFY
Registration	Assessment
Return Filing	Refund
Tax Payment	Recovery
IGST Settlement	Appeal
MIS/BI/Dashboards	Investigation
Dealer Information & Ledger	Survey/ Enforcement
Helpdesk/Call Centre	MIS/Analytics



GST TAX LEDGER

e-Cash Ledger | e-Credit Ledger | e-Tax Liability Ledger

GST e-Tax Ledger

Akin to Form 26AS in Income Tax which shows the tax credit statement of an Assessee; in the proposed GST regime, e-Tax Ledger is prescribed to contain information on tax paid, tax credit and tax liability

E-Cash Ledger

In GST regime, the "deposit" of tax, interest & penalty can be made by the following modes:

- ◆ Net Banking
- ◆ Credit / Debit Cards
- ◆ NEFT - National Electronic Fund Transfer
- ◆ RTGS - Real Time Gross Settlement

The Electronic Cash Ledger

Deposit of Interest, Tax, Penalty, Fee or any other amount by a taxable person can be made by the following modes:

- a. Internet Banking
- b. Credit / Debit Cards
- c. National Electronic Funds Transfer - NEFT
- d. Real Time Gross Settlement – RTGS
- e. Any other mode as may be prescribed – **(Challan payment in Banks)**

e-Cash Ledger Heads of GST

While paying tax under GST there are two tier system. Ist tier classification (4 Major Heads) which tax it is: IGST | CGST | SGST | Additional Tax.

IInd tier / sub-classification (5 Minor Heads) into: Tax | Interest | Penalty | Fee | Any other amount.



GST TAX LEDGER

e-Cash Ledger | e-Credit Ledger | e-Tax Liability Ledger

E-Credit Ledger

Input Tax Credit (ITC) on purchases shall be credited to e-Credit Ledger as per GST return filed by the Assessee. The e-Credit Ledger includes:

- ✦ ITC on inward purchases from registered tax payers
- ✦ ITC on closing stock as on 31st March 2017

E-Liability Ledger

This ledger is required to be maintained electronically for all GST liabilities viz:

- Liability based on self-assessment of GST returns
- Liability out of demand notice from GST authorities
- Credit utilised against the available amounts in the e-cash ledger or e-credit ledger

E-Cash Ledger, e-Credit Ledger and e-Liability Ledger are unique features of proposed GST regime.

The entire tax payment and tax credit system predicted to be updated on real-time basis in GST Network.

Form-26AS reconciliation with income figures is now universally accepted by Assesseees and statutory authorities. Similarly, in the days to come GST e-Ledger reconciliation with Form 26AS will be the prima-facie exercise for all compliances.

- ✦ **CPIN** stands for Common Portal Identification Number (CPIN) given at the time of generation of GST challan. It is a 14 digit unique number to identify the challan. CPIN valid only for 15 days.
- ✦ **CIN** stands for Challan Identification Number. It is a 17 digit number that is 14-digit CPIN plus 3-digit Bank Code. CIN is generated by the authorized banks/ Reserve Bank of India (RBI) when payment is actually received by such authorized banks or RBI and credited in the relevant government account held with them. It is an indication that the payment has been realized and credited to the appropriate government account. CIN is communicated by the authorized bank to taxpayer as well as to GSTN.
- ✦ **E-FPB** stands for Electronic Focal Point Branch. These are branches of authorized banks which are authorized to collect payment of GST. Each authorized bank will nominate only one branch as its E-FPB for pan India Transactions. The E-FPB will have to open accounts under each major head for all governments. Total 38 accounts (*one each for CGST, IGST and one each for SGST for each State/UT Govt.*) will have to be opened. Any amount received by such E-FPB towards GST will be credited to the appropriate account held by such E-FPB. For NEFT/RTGS Transactions, RBI will act as E-FPB.

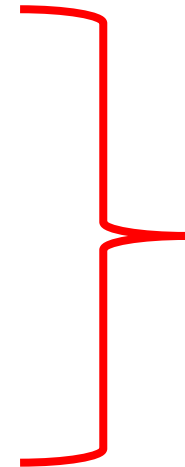


GST Online Return Filing Forms in India from **GSTR-1 to 8**

GST Returns

GST Tax payer @ Normal Rates

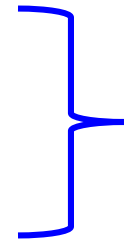
GSTR 1	Outward Supply	10 th of Next Month
GSTR 2	Inward Supply	15 th of Next Month
GSTR 3	Monthly Return	20 th of Next Month
GSTR 8	Annual Return	31 st Dec of Next FY



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GST Tax payer @ Compounding Rates

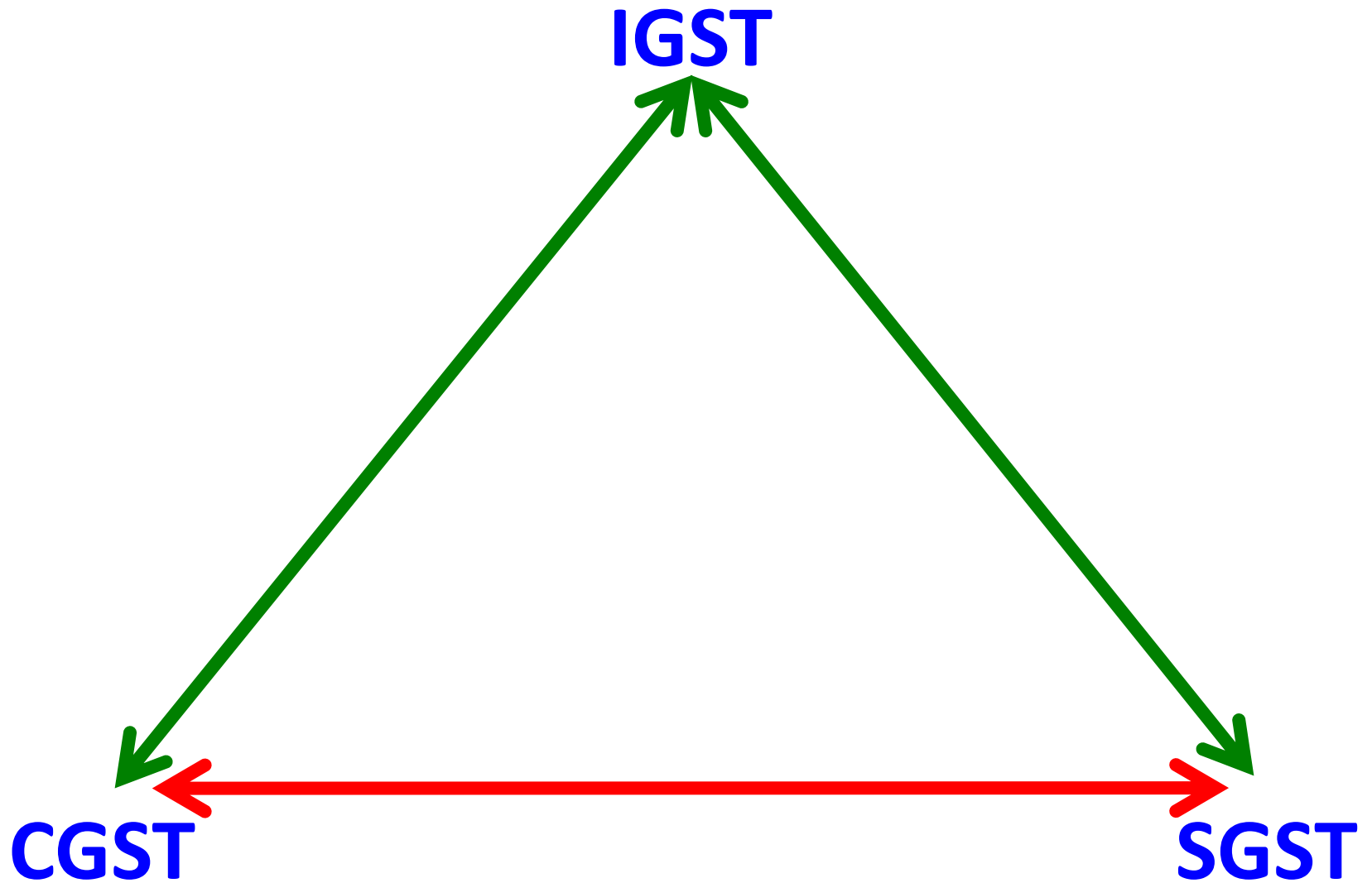
GSTR 4	Quarterly Return	18 th of Next Month to Quarter
GSTR 8	Inward Supply	31 st Dec of Next FY



5

Utilisation of ITC & Cross Utilisation

Input Tax	Output Tax (In the order of Preference)
IGST	IGST CGST SGST
CGST	CGST IGST
SGST	SGST IGST




Compliance Rating



- ✓ Every person liable to pay GST shall be rated and will be assigned a GST compliance rating score
- ✓ The rating would be based on his compliance with the provisions of CGST, SGST & IGST
- ✓ The details of **parameter & methodology** would be prescribed
- ✓ The compliance rating score will be updated periodically and will be intimated as follows:

- To the taxable person**
- Will be placed in the public domain**





Exemption Limit for Small Scale Business under Goods and Service Tax (GST)

#Important Points

The Goods & Services Tax (**GST**) Council has decided that businesses in the North-eastern and hill states with annual turnover below Rs.10 lakh would be out of the **GST** net, while the **threshold** for the **exemption** in the rest of India would be an annual turnover of Rs.20 lakh.

The following persons shall have to register irrespective of the turnover

- Person making any inter-state taxable supply (i.e. selling outside the state)
- Casual Taxable person
- Person who required to pay under Reverse Charge
- Non-resident taxable person
- A person required to deduct tax (e.g. e-commerce business – marketplace).
- The person supplying goods or services or both as an agent of any other person.
- Input Service Distributor
- A person who supplies goods or services through e-commerce.
- Every e-commerce operator
- An aggregator who supplies services under his brand name

COMPOSITION LEVY

GST

Goods and Service Tax

Anti-Profiteering measure

- In order to prevent any rise in price of commodities after goods and service tax (GST) implementation, the Centre has proposed an 'anti-profiteering' measure to ensure that trade and industry pass the benefits of reduction in tax rates to consumers.
- As per Model GST Law, the central government will constitute an authority or entrust the task to an existing authority to examine that the input tax credits or reduction in tax rates are passed by registered tax payers to consumers.
- **Tax evasion up to Rs 2 crore a bailable offence**

1

Impact Analysis

- Impact Analysis with respect to Rate of Tax must be done when the rates are finalised by GST Council (*This is important because the rate of taxes under GST will be different is bound to be different from the existing rates and hence it shall have tremendous impact on the prices of the product or services*)
- GST shall have a transformational impact on the Industry (*As GST is levied on Supply as opposed to Excise which is levied on manufacture and VAT which is levied on Sales, it fundamentally alters the way of doing business*)
- GST shall make India a common market, thus decisions like setting up warehouses and supply chain management shall be revisited; even decision of setting up new units shall consider the impact of GST



- Under GST most of the indirect taxes are subsumed
- **IGST:** ITC shall be seamlessly available and hence some taxes like entry tax, LBT, CST, etc., which were hitherto costs shall be eliminated
- **ITC Reversal:** Even certain credit reversals currently prevalent under state VAT will be removed and thus cost to that extent will go down
- **Price Change:** When GST comes in force; Price revision cannot be done all of a sudden



3

Training

- All the employees of the organisation shall undergo **extensive training in GST** so that its implications as well as documentation can be well understood and taken care of
- Training should encompass all the facets of the GST so that **empowered employees** can take appropriate and correct decisions with the help of professionals when they face any challenge



4

Transition Issues

- Migration of existing tax payers to GST
- Amount of CENVAT Credit carried forward in a return to be allowed as ITC
- Unavailed CENVAT credit on Capital Goods
- Pending Refund Claims
- Credit on Stock
- Switching from regular to Composition scheme
- Any many more.....



GST Council will recommend on:

- a. the taxes, cesses and surcharges to be subsumed under GST;
- b. the goods and services that may be subjected to or exempted from the GST;
- c. the date from which the specified petroleum products would be subject to GST;
- d. model GST laws, principles of levy, **apportionment of IGST** and the principles that govern the place of supply;
- e. the threshold limit of turnover below which the goods and services may be exempted from GST;
- f. the rates** including floor rates with bands of GST;
- g. any special rate or rates for a specified period to raise additional resources during any natural calamity or disaster; and
- h. special provision with respect to the North-East States, J&K, Himachal Pradesh and Uttarkhand

VOTING STRENGTH

Centre

1/3 VOTE IN COUNCIL

States

2/3 WEIGHT IN COUNCIL

**DECISIONS NEED
75% VOTE SUPPORT**

GST COUNCIL

Chairperson

Union finance minister

Other Member From Centre

Minister of state for finance

Vice-chairperson

One of the state finance ministers

Members

State finance ministers

Job Work

- Job Work
- Section 43A
- Registered Taxable Person to Job Worker (No GST)
- Job Worker to get registered
- Turnover will be included in principal (goods supplied)
- Job Worker to Customer (possible)
- ITC – section 16A
- 1 year / 3 years (if not received back / billed then the ITC amount has to be paid along with interest)
- Exempted Goods / Non-Taxable Goods (JW provision not applicable)

E-Commerce

- E-Commerce Operator
- E-Commerce Aggregator
- Registration
- Tax Collection at Source (TCS)
- Matching in E-Commerce transactions
- Discrepancy will be communicated



‘Get e-way bill for goods worth ₹50k in transit’

ENS ECONOMIC BUREAU
@ New Delhi

THE Central Board of Excise and Customs (CBEC) on Friday issued draft rules on Electronic Way (e-way) bill that will require registered entities to furnish, in a prescribed format, GST-Network (GSTN) website information relating to any goods worth more than ₹50,000 they intend to move within a state or outside.

This bill will be valid for 15 days, depending on the distance to be travelled — one day being for 100 kilometres and 15 days for more than 1,000km transit.

“Upon generation of the e-way bill on the common portal, a unique number shall be made available to the supplier, the recipient and the transporter on the common portal,” stated the draft norms.

The person in-charge of conveyance will be required to carry the invoice or bill of supply or delivery challan, and a copy of the e-way bill or the e-way bill number, either physically or

mapped to a Radio Frequency Identification Device (RFID) embedded on to the conveyance. Securing an ‘e-way bill’ is thus must because tax officials can inspect anytime during the transit to check tax evasion.

“Where a vehicle has been intercepted and detained for a period exceeding 30 minutes, the transporter may upload the said information in (prescribed form) on the common (GSTN) portal,” said the guidelines.

Rajat Mohan, Director (Indirect Taxation), Nangia & Co, believes that the e-Way bill will give respite to countless transporters as now any transporter whose vehicle has been intercepted and detained for a period exceeding 30 minutes, he may upload the said information on the GSTN portal.

Meanwhile, analysts said this provision will act as a two-way sword as now accountability of the tax officer intercepting the vehicle will increase, but at the same time it will give opportunity to the transporter to file complaint.



Distance	Validity
Less than 100 Kms.	One Day
100 km or more but less than 300km	Three Days
300 km or more but less than 500km	Five Days
500 km or more but less than 1000km	Ten Days
1000 km or more	Fifteen Days



GST – The Conclusion

- **The target date for introduction of GST is 1st JULY 2017.**
- **Introduction of this transformational tax reform is expected to broaden the tax base, increase tax compliance and reduce economic distortions caused by inter-State variations in taxes.**
- **GST will boost economic activity and will benefit everyone.**
- **It will streamline the tax administration, avoid harassment of the business and result in higher revenue collection for the Centre and States.**
- **Compliance costs for the industry will go down.**
- **Last but not the least, it will create more jobs.**
- **In sum, it would be a win-win situation for everyone i.e. taxpayers, governments, consumers, etc.**



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