CANONS OF TAXATION & GOODS & SERVICES TAX

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Introduction .... WHAT IS TAX ?

TAX: is a **financial charge** against: a person or property (income / property tax) or - on an activity (Sale / Manufacture / Import / Export / Supply / Provision of Service)

-- levied under authority of LAW
-- by the Government,
-- to fund the public expenditure.

-Taxation is administered by legislative authority.

- TAX - is not a voluntary payment or donation;

-- an enforced & mandatory contribution to exchequer.
Introduction
Roots of Indian Taxation

The detailed analysis given by Manu Smriti (mainly deals with social order, Economics & Law) and Arthashastra (economic policy and military strategy) on taxation clearly shows the existence of a well-planned taxation system, even during ancient times -

- based on the following general principles:
  - taxes should be related to the income & expenditure of the subject.
  - king should refrain from imposing excessive taxation;
  - king should neither impose high rate of tax nor exempt all.

"It was only for the good of his subjects that he (KING) collected taxes from them, just as the Sun draws moisture from the Earth to give it back a thousand fold"

-- Kalidas :: in Raghuvamsa (Sanskrit mahakavya)

Present Indian tax system is based on this ancient tax system which was based on the Principle of maximum social welfare.
Introduction...  Why tax?

- **TAX** – is a Major source of Revenue:
  - Levied under the authority of law;
  - collected from public in various forms like -- Taxes / Duty ; Cess ; Fee ; Surcharges;Toll etc.

- **Non-tax Sources** : Profits of PSUs/ Govt. enterprises; income from Railways; External & Internal Barrowings]

- Govt. uses it for the welfare of the Public  - Defence;
- Health; - Education;- - Infrastructure development;
- Poverty alleviation ; - Maintenance of law and order, etc.

- **Taxes are the price that we pay for a civilized society.**
Objectives of taxation:--

1. **Revenue/Fiscal**: to mobilise fund to Govt.
   - including foreign exchange

2. **Non-Revenue/Regulatory**:
   - to protect domestic industry;
   - reduce regional imbalances;
   - to develop a specific sector
   - to generate employment
   - to discourage consumption of some goods
     (ex: SIN GOODS = Cigarettes ; Alcohol) Etc.
The Constitution of India allocates the power to levy various taxes between the Centre and the State.

Article 265 imposes an important restriction to this power: “No tax shall be levied or collected except by authority of law”.

Every tax levied or collected has to be backed by a law, passed either by:

- the Parliament or

-- the State Legislature.
• Article 246 of the Indian Constitution, distributes legislative powers including taxation, between the Parliament of India and the State Legislature.

• Schedule VII enumerates these subject matters with the use of three lists:
  
  – List-I : Subjects on which only the Parliament is competent to make laws;
  
  – List-II : Subjects on which only the State legislature can make laws; and
  
  – List-III : Subjects on which both the Parliament and the State Legislature can make laws upon concurrently.
Tax Laws

TAX/DUTY is collected under the authority of various laws Viz:

1. Income Tax Act, 1961 (Entry: 82);
2. Customs Act, 1962 (Entry: 83);
3. Central Excises Act, 1944 (Entry: 84);
4. Finance Act, 1994 (Ch. V) (Service Tax) (Entry: 92-C);
5. Sales Tax/ VAT Acts of States (Entry: 54);
6. Excise Acts of State (Entry: 51);
7. Various Cess Acts (Art.270) etc.
DIRECT Vs INDIRECT TAX

• DIRECT TAX: Incidence of Tax is borne by the person who paid it.
  - can not be passed on to any other person.
  Eg. Income Tax, Corporate Tax; Road Tax; property tax; professional Tax.

• INDIRECT TAX: Incidence of Tax is borne by the ultimate consumer who pay it as a part of the price.
  Eg. GST; Customs duty; Excise Duty; Sales tax/ State VAT; State Excise etc.
SHARE OF DIRECT & INDIRECT TAXES

- Developing Countries - depend more on indirect taxes; - because too many poor people; less persons with ability to pay direct tax.

[IT payers 1.9 Cr. = 1.5% of 130 Cr population; persons with > Rs. 1 Cr = 50,000 only]

- Developed Countries - depend more on direct Taxes.

Ratio of Direct : Indirect tax (INDIA) :

1988-89 : 20 : 80
1994-95 : 26 : 74
2000-01 : 36 : 64
2013-14 : 56 : 44
2017-18 : 57 : 43

-- the growth of direct tax revenue - sign of development.
CENTRAL TAXES

DIRECT TAX: Levied on a Person / property.
- INCOME TAX: on Individual / corporate body.

INDIRECT TAXES: Levied on an activity:
- CUSTOMS DUTY: A tax levied by on Imports/Exports.
- EXCISE DUTY: A tax levied on act of manufacture or production.
- SERVICE TAX: A tax levied on provision of Service.
- GST – replaced Excise Service tax of C’ & Sales Tax of State.
STATE TAXES

DIRECT TAXES:

• PROPERTY TAX : Levied on a property.
• Professional Tax : on professionals.
• Road Tax : on Vehicles for use of Roads
• Vacant land Tax : on vacant plots/lands.

INDIRECT TAXES:

• State Excise : levied on Alcohol for human consumption
• LB Entertainment Tax : on entertainment like Movies or Cinemas/ Circus
• **CESS**: a levy to mobilize additional revenue to develop a specific sector/field [Art.270]

- Cess - a form of **Tax or Fee**.
- Cess is expected to be levied till the time the Govt. gets enough money for that purpose.
- Cesses may be levied by the Union or State Governments.
- Cesses are named after the identified purpose;
- the purpose itself must be certain and for public good.
- In simple words, a Cess tax is an **earmarked tax**.

Ex. 1. Road & Infrastructure Cess as Addl Cus. Duty on all imports;
2. Cess on Crude oil (Rs. 4500/ton)
OTHER LEVIES

• **Surcharge**: a surcharge is a **tax on tax** imposed for the purposes of the union [Art. 271]
  [Individuals earning more than ₹1,00,00,000 annually are required to pay an extra sum amounting to 15% on their Income Tax AS SURCHARGE - under Section 3(a) of the Finance Act, 2017.]

**NOTE**: Surcharge and Cess - levied by the union form part of the Consolidated Fund of India; need not be shared with the State governments and are thus at the exclusive disposal of the union government.

• **Toll**: a form of **user tax** that usually pays for the cost of road / bridge built and under maintenance without raising taxes from non-users. *(Entry: 59 of List - II)*
CARDINAL PRINCIPLES FOR TAXATION:

- for a good Taxation System.

• FOUR canons of taxation----Initially propounded by ADAM SMITH in his famous book: (1776) “THE WEALTH OF NATIONS”.

1. Equity
2. Certainty
3. Convenience
4. Economy
Modern economists gave following additional canons of taxation:

5. Productivity

6. Elasticity

7. Flexibility

8. Simplicity and

Canons of Taxation

Chanakya’s Arthashastra
[ 4th Century B.C]: Tax Should be -
- Equitable
- Convenient to pay,
- Easy to calculate,
- Inexpensive to administer &
- Not to inhibit growth.

Adam Smith—
Wealth of Nation (1776)
:: Canons of Taxation:
- Equity/ Ability
- Certainty,
- Convenience and
- Economy.

other principles of Taxation by modern economists
- Efficiency,
- Elasticity,
- Simplicity,
- Diversity
- Flexibility; and
- Productivity;
- there should be no double taxation.
1. **Equity:** Taxation should ensure equity -
   = Economic & social Justice;
   -- every person should pay tax according to his ability to pay.
   -- rich should pay more tax - since without protection / infrastructure created by Govt. (Defence, police, airports etc.) they couldn’t have earned/enjoyed their income.
   = also known as “Principle of Ability”

- Luxury items taxed @ higher rate;
- Surcharge on Income over Rs. 1Cr.
- Telescopinc rates of IT
<table>
<thead>
<tr>
<th>Income</th>
<th>Income Tax rate for 2017-18</th>
<th>Income Tax rate for 2018-19</th>
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<tbody>
<tr>
<td><strong>Individual tax payers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to Rs 2,50,000</td>
<td>No tax</td>
<td>No tax</td>
</tr>
<tr>
<td>Rs 2,50,001 to Rs 5,00,000</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Rs 5,00,001 – 10,00,000</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>More than Rs 10,00,000</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Senior citizens who are 60 years old and above but less than 80 years</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to Rs 3,00,000</td>
<td>No tax</td>
<td>No tax</td>
</tr>
<tr>
<td>Rs 3,00,001 to Rs 5,00,000</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Rs 5,00,001 to Rs 10,00,000</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>More than Rs 10,00,000</td>
<td>30%</td>
<td>30%</td>
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<tr>
<td><strong>Senior Citizens who are 80 years old and above</strong></td>
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</tr>
<tr>
<td>More than Rs 10,00,000</td>
<td>30%</td>
<td>30%</td>
</tr>
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2. Certainty: tax to be paid should be Certain – but not arbitrary;

-- tax payer should know in advance  
  – how much to pay; by what time to pay;

--- Govt. should also be certain –
  - to know how much tax revenue would be generated in a year to decide the tax structure & tax policy;
  - budget various expenditure.
3. Convenience: taxation should be convenient to both the tax payer & tax administration – in terms of means and timing of payment.

Ex: (i) Land revenue – harvesting Time;
(ii) Tax Deduction at Source (TDS) in IT & GST;
(iii) RCM - Liability to pay Service Tax/GST on Goods Transport Agency service is on recipient.

RCM in GST – Sec 9(3) & 9(4) of CGSTA

[ST on Transportation of goods by Road was levied in 1997 – but withdrawn; later in 2004 – re-introduced, but as RCM w.e.f: 01.01.2005]
4. Economy: cost of collection of Tax should be low.

[Customs, Central Excise and Service Tax 0.74% (2014-15); Income Tax: 0.62% 2015-16] one of the best in the world - better than Japan/Germany/Australia.

---- If the taxes imposed are wide spread & were on low value items (Agarbatti or candle manufacturers) - the cost of collection would be high, which is against this principle.

-- no point in imposing tax -- if it is difficult to administer.

Ex: Power looms – tax levied in 2003, was withdrawn in 2004.
5. Productivity = principle of Fiscal adequacy
   - according to this- taxation should generate adequate revenue ; &
   - Govt. need not resort to Deficit Financing.
   -- this is a good principle to be followed by developing countries.

6. Elasticity: every tax imposed should be elastic in nature.
   - increase/decrease-as per requirement of country
   - by mere increase/decrease of rate of Tax.
   --- Ad valoram Vs Specific rates of tax
7. Flexibility: Tax structure should be flexible; but not rigid.
   - to revise the tax structure, easily - with respect to its coverage and rates-
   - to suit the changing requirements of the economy.

8. Simplicity: taxation should be simple;
   - but not complicated.
   – to avoid litigation due to disputes in interpretation of tax-laws and easy administration.

Eg. Settlement of litigation; avoidance to issue SCN for delay in filing Returns - liability as fee for minor infractions;
9. Diversity: Govt. should collect tax from different sources; but not from limited sources.

- so that adequate tax revenue can be generated with lower tax-rates - burden of tax is not felt.

-- when tax is generated from more sources-

failure of one or two sectors wouldn’t effect over all revenue collection.

-- Prior to 1994 services were not taxed

---- all possible business activities are taxed now.
SERVICE SECTOR – Contributes to 57% of GDP; while Manufacturing Sector contributes just 15% of GDP.

So Central Govt. – found Service sector as a new source of Revenue.

Service Tax- introduced in 1994- on three services:
1. General Insurance;
2. Stock Broking; and;
3. Telecommunications.

Yielded just Rs. 410 Cr. in 1994-95 (C.Ex. Rs. 37,467 Cr)

Expanded to 119 services by 2012-13 [Rs.1,24,000 Cr.]
(2016-17: ED- 3.19 Lakh Cr. Vs ST – 2.31 Lakh Cr.)
• Negative list of Services- introduced w.e.f: 01.07.2012

i.e: all services except those figuring in the Negative list are Taxable from 1.07.2012.

• Ex. of Services in Negative list:
  - Services by Reserve Bank of India;
  - Trading of Goods;
  - 2nd class ticket in rail;
  - Funeral, burial, crematorium, mortuary Services.

• All Taxable services up to Rs.10 lakhs- exempted.
1. **Multiplicity of taxes**: Taxes by Union Government, State Governments and the local governments have resulted in difficulties and harassment to the tax payer

- maintain separate records for each of them;
  --Interact with several authorities;
  --- file different returns etc.

- **Multiple markets** – due to divergent Statutes across states

2. **Cascading Effect = Tax on Tax**: The assessable value for payment of VAT / ST was inclusive of ED and/or Customs duty;

- Imported Goods – Tax on Tax at more than one stage;

- Local taxes / Entry Tax on value inclusive of all previous taxes.
3. Non-availability of the Credit of all elements of Tax on Goods/Services: also leads to cascading effect & inflation.

   Eg. : 1. Sales Tax Paid on Capital Goods – not available as Credit;

   2. Central Sales Tax paid on interstate sales was not available as Credit to traders.

4. Dominance of Indirect taxes:
(State & Central indirect taxes)

   It is well known that indirect taxes are more burdensome to the poor than the wealthy.
5. Adhocism: Tax policies & Rates of Tax - changed frequently; several taxes are imposed on ‘adhoc’ basis to meet deficits and withdrawn later. Some taxes are introduced and withdrawn later for political reasons.

( eg.: Excise duty on all textiles introduced in 2003 was withdrawn in 2004).

6. Bias in incidence of taxes:
--Urban population is taxed far higher than the rural rich.

7. Poor/ no use of Technology:
Poor systems & Lack of transparency.
8. Complexity & Interpretation issues -

A provoking feature of the Indian tax system is its complexity. Both direct and indirect tax laws are highly complex. This provides enough scope for avoiding and evading taxes & corruption.

--- major source of litigation.

Ex: Tax amount locked up in litigation (approx.):

- Direct tax : 2.4 lakh crores.
- Indirect tax : 1.2 lakh crores. (3/2018)
9. Imbalance in tax incidence: Excessive emphasis on indirect taxes has resulted in the glaring imbalances of nearly 100% citizens affected by indirect taxes - but hardly 1.5% of the population coming under the purview of direct taxation.

10. Lack of co-ordination: Our Federal Finance system allows Union and States levy taxes independently at different rates. There is no coordination between the taxes to allow a well organized, planned and co-ordinated tax system to evolve.
11. High degree of Discretion: - leads to divergence in decisions and possible corruption.
- Particularly the quantum of penalty;

12. Loopholes in policies & provisions of law: Leads to evasion of tax.
GST

• GST was conceived as the Solution for several shortcomings of the earlier Indirect taxation system.

• France was the first country to implement GST to reduce tax-evasion.

• Since then, more than 140 countries have implemented GST (Malaysia: 2015 – but Rolled back w.e.f: 01.06.2018)

• Some countries have Dual-GST-Eg: Brazil and Canada

• Proposed GST in India is close to Brazilian system of GST, except that our is a Single system of GST.
GST

- GST conceived in 2006;
- Empowered Committee made a Clear **Road Map** for GST;
- **101st Constitutional amendment** paved the way for enactment of GST Laws by the Parliament and State legislatures;
  - **Art. 246A** (empowers both C’ & S’ to levy GST);
  - **Art. 269A** (IGST on inter-state supplies);
  - **Art. 366(12A)** – defines GST – tax on supply of G/S/both, except supply of alcohol)
- Constitutional amendments came in to effect from 12.09.2016 (partially); and 16.09.2016 (fully).
- GST Council set up w.e.f. 15.09.2016- apex policy making body.
- GST was introduced nationwide w.e.f **1st July, 2017** (except J &K – 08.07.2017).
GST – constitutional backing

- **GST: (CGST/SGST)** Concurrent jurisdiction for levy & collection of GST on GOODS & SERVICES by the Centre & the States – Article 246A (101th Amendment)

- **IGST:** Centre to levy & collect IGST on supplies in the course of inter-State trade or commerce including imports – Article 269A

- Entry 52, 55, 92, 92-C deleted;

- Entry 54, 62, 84 – modified/ replaced.
GST Council is the apex body to make recommendation on GST policy issues

- Chairperson – Union FM;
- Members - MOS (Finance) and all Ministers of Finance / Taxation of each State;
- Chairman of the Central Board of Indirect Taxes and Customs (CBIC), is a permanent invitee;
- Quorum is 50% of total members;
- Decision by 75% majority;
- States - 2/3 weightage and Centre - 1/3 weightage
- So far all decisions were on consensus basis not by voting.
Taxes Subsumed in GST

I. Central Taxes:

1. Central Excise Duty
2. Service Tax
3. Duties of Excise (Medicinal and Toilet Preparations)
4. Additional Duties of Excise (Goods of Special Importance)
5. Additional Duties of Excise (Textiles and Textile Products)
6. Additional Duties of Customs (commonly known as CVD)
7. Special Additional Duty of Customs (SAD)
8. Central Surcharges and Cesses so far as they relate to supply of goods and services

contd...
Taxes Subsumed in GST

II. State Taxes:

1. State VAT/ Sales Tax;
2. Central Sales Tax;
3. Luxury Tax;
4. Entry Tax (all forms);
5. Entertainment and Amusement Tax (except when levied by the local bodies);
6. Taxes on advertisements;
7. Purchase Tax;
8. Taxes on lotteries, betting and gambling;
9. State Surcharges and Cesses so far as they relate to supply of goods and services.

• 13 Cesses have ceased to exist with the rollout of GST. (15 major taxes & 13 Cesses = 28 levies were subsumed)
GST Legislations

- The Central Goods & Services Tax Act, 2017; (CGSTA)
- Similar provisions in SGST Act; all States enacted SGST Acts - 1st Telangana (The Telangana Goods and Services Act, 2017)
- The Integrated GST Act, 2017 (IGSTA)
- The Union Territory GST Act, 2017 (UTGSTA)
- The GST (Compensation to States) Act, 2017
- Central Goods & Services Tax (CGST) Rules, 2017
- Integrated Goods and Services Tax (IGST) Rules 2017

Similar Rules enacted by all States
Salient features GST

- GST Levy is on **Supply** of Goods or Services or both – generally for a consideration (*sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business*);

- some supplies w/o consideration also attract GST (Eg. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets; Import or supply of Goods/ services - between related persons)

- GST is levied at **each stage of supply chain**, starting from manufacture or import - till the retail level.[ B2B & B2C]

- GST - **destination based consumption tax** as against the earlier system of origin based tax.

- GST is based in **Value Added Tax(VAT) method** – with eligibility for Input Tax Credit (ITC) of GST paid on Inputs/ Input Services / Capital Goods.
Salient features GST...

- Dual GST with the Centre and States simultaneously levying
  - it on a every taxable event (supply); and
  - on a common tax base.

  -- Central GST (CGST); and
  -- State/UT - GST (SGST/UTGST).

- Inter-State supplies of Goods/ Services/ Both- attract IGST. (Rate of IGST a sum total of CGST & SGST/UTGST)
Salient features GST...

- GST would apply to all Goods other than alcoholic liquor for human consumption;

  - but GST on five petroleum products (Crude /MS /HSD /ATF /NG), would be from a future date.

- The GST would apply to all services barring a few to be specified.

  (Eg: Service of an employer to employee; S’ by MP/MLA & M’ of other local bodies; S’ by Court/ Tribunal; S’ by crematorium/Funaral/mortuary & Transportation of deceased ; Sale of Land ; Sale of Building etc.)
Salient features GST...

- **CGST and SGST** - levied at rates - notified on the recommendations of the GST Council.

- GST-Council recommended a four-tier tax structure at: 5%, 12%, 18% and 28%.

- Special rates on some like jewellery (3%);

- Exports and supplies to SEZ are 0% (Zero Rated)

- Tobacco products and luxury goods would attract higher tax.

- Exemption list - would be common for the Centre and the States.
Salient features GST...

- **Tobacco and tobacco products** would be subject to GST - in addition, Centre could levy excise duty on these products.

  - GST rate for all types of tobacco products is 28%, except for tobacco leaves;
  - tobacco leaves is 5% under reverse charge.
  - Tobacco products is one of the items that attract the maximum amount of GST cess.
  - The GST cess rate for tobacco products range from 11% to 290%.
## GST Rate and Cess for PAN, Gutkha, PAN, Chewing Tobacco and Tobacco Products

<table>
<thead>
<tr>
<th>Item Description</th>
<th>GST Rate</th>
<th>GST Cess</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco and Tobacco Products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unmanufactured tobacco (without lime tube) — bearing a brand name</td>
<td>28%</td>
<td>71%</td>
</tr>
<tr>
<td>Unmanufactured tobacco bearing a brand name</td>
<td>28%</td>
<td>65%</td>
</tr>
<tr>
<td>Tobacco refuse, bearing a brand name</td>
<td>28%</td>
<td>61%</td>
</tr>
<tr>
<td>Chewing tobacco (without lime tube)</td>
<td>28%</td>
<td>160%</td>
</tr>
<tr>
<td>Chewing tobacco (with lime tube)</td>
<td>28%</td>
<td>142%</td>
</tr>
<tr>
<td>Filter khaini</td>
<td>28%</td>
<td>160%</td>
</tr>
<tr>
<td>Jarda scented tobacco</td>
<td>28%</td>
<td>160%</td>
</tr>
<tr>
<td>Pan masala containing tobacco ‘Gutkha’</td>
<td>28%</td>
<td>204%</td>
</tr>
</tbody>
</table>

## GST Rate and GST Cess for Cigarettes
Salient features GST...

• Tax payers with an aggregate turnover in a financial year up to Rs.20 lakhs would be exempt from tax.

• For NE States, Himachal P; Jharkand and Sikkim, the threshold exemption shall be Rs. 10 lakhs.

• Small taxpayers with an aggregate turnover in a financial year up to Rs. 150 lakhs shall be eligible for composition levy.

• Under composition levy scheme, a taxpayer shall pay tax as a percentage of his turnover during the year without the benefit of input tax credit (ITC) & can’t pass on the tax incidence to recipient; (Traders & Manufacturers: 1%; Restaurants: 5%)

• Tax payers making inter-State supplies or paying tax on reverse charge basis shall not be eligible for composition scheme.
Alcohol for human consumption

Power to tax remained with the State

Five petroleum products – crude oil, diesel, petrol, natural gas and ATF

GST Council to decide a future date from which GST will be applicable

Tobacco

Part of GST but power to levy additional excise duty with Central Government

Entertainment tax levied by local bodies

Power to tax remains with local bodies
Salient features GST...

- Integrated GST (IGST) - levied and collected by the Centre on inter-State supply of goods and services.
- Credit of taxes paid on inputs (input tax credit/ITC) shall be allowed and taxpayers can utilize the same for payment of output tax.
- CGST credit can be used for payment of CGST and SGST credit can be used for payment of SGST.
- No ITC on account of CGST shall be utilized towards payment of SGST and vice versa.
- Credit of IGST shall be utilized for payment of IGST, CGST and SGST, in that order.
- SGST portion of IGST shall be transferred to the destination State where the goods or services are eventually consumed.
Salient features GST...

- **HSN** code shall be used for classifying the goods under the GST regime.

- Taxpayers with turnover of above Rs. 1.5 cr. but below Rs. 5 cr. shall use 2-digit code and those with turnover of Rs. 5 cr. and above shall use 4-digit code.

- **Exports** shall be treated as **zero-rated** supply. No tax is payable on exports but **ITC related to the supply shall be refunded to exporters**.

- **Import** of goods/services would be subject to **IGST** in addition to duties of Customs.

- IGST paid shall be available as ITC for further transactions.

- Laws and procedures for levy and collection of CGST/SGST - harmonized to the extent possible.
Salient features GST… Division of Tax-base

- To ensure single interface – all administrative control over
  - 90% of taxpayers having turnover below Rs. 1.5 cr would vest with State tax administration
  - 10% of taxpayers having turnover below of Rs. 1.5 cr. would vest with Central tax administration
  - taxpayers having turnover Rs. 1.5 cr. or above would be divided equally (50:50) between Central and State tax administration

- Powers under the IGST Act shall also be cross-empowered on the same basis as under CGST and SGST Acts, with few exceptions
Ease of doing business

- **Registration** – On line: No physical verification – Granted in 7 days – otherwise deemed to have been granted.

- **Common e-Return** for CGST, SGST (UTGST) and IGST

- **Common periodicity** of Returns for a class of dealers

- **Uniform cut-off date** for filing of Returns

- **Mandatory reporting of supply & purchase invoice** details prior to or along with filing of e-Return – to avoid submission of hard copies;

- **System based verification of returns** on monthly basis;

- **System based validations** of ITC availed, utilized & Tax payments

- **Single challan** for all four type of tax payments;

- **Tax** can be deposited by internet banking, NEFT / RTGS, Debit / credit card and over the counter;

- **Abolition of Check-posts – E-Way Bill** (Nation-wide E-way bill for inter-State supplies from 01.04.2018 and for intra-State supplies latest by 03.06.2018)
Ease of doing business

GST council has shown resilience in responding to the needs of the trade and industry. The decisions taken by the GST Council from time to time:

- **Exemption** from registration
  - to suppliers of *services* making inter-State supply up to Rs. 20 lacs
  - to suppliers providing services through an *e-commerce* platform provided their aggregate turnover does not exceed Rs. 20 lacs

- **Exemption** from Section 9(4) – Reverse Charge on purchase from unregistered persons till 30.09.2018

- **No requirement** on payment of tax on *advances* received for supply of goods by all taxpayers
Ease of doing business

- All taxpayers to file GSTR-3B & pay tax on monthly basis
- Taxpayers with turnover up to Rs. 1.5 Cr to file quarterly GSTR-1 returns – Monthly for other taxpayers
- Late fee already paid but subsequently waived off to be re-credited to their Electronic Cash Ledger under “Tax” head instead of “Fee” head
- New simplified system of return filing would be worked out by a Committee of Officers
- From October 2017 onwards, the amount of late fee payable by a taxpayer
  - whose tax liability for that month was ‘NIL’ will be Rs. 20/- per day instead of Rs. 200/- per day
  - whose tax liability for that month was not ‘NIL’ will be Rs. 50/- per day instead of Rs. 200/- per day
GST Network

- Incorporated in 3/2013 as Sec. 25 of CA, 1952 as private limited company with paid up capital of Rs. 10 crore

- Equity Holders
  - Central Government - 24.5%
  - EC and all States together - 24.5%
  - Financial Institutions – 51%

- Functions as a Common Pass-through portal for taxpayers-
  - submit registration application
  - file returns
  - make tax payments

- To develop back end modules for 27 States (Model-II)
- Infosys appointed as Managed Service Provider (MSP)
A total of 1.12 Cr taxpayers stand registered with the GST system as on 30.06.18 in which 64 Lakhs migrated from previous tax regimes and 48 Lakhs entered the new tax regime in the first year of GST = 75% growth in tax base.
Anti-Profiteering under GST

“Profit is fine, profiteering is not.”

“Don’t let someone profiteer at the expense of the Govt. Policy”

Profiteering means: “the activity of taking unfair advantage of a situation to make a large profit, often by selling goods that are difficult to fetch a very high price”

Anti-Profiteering in GST - First law in our constitutional history that allows the government to keep a tab on a businessman’s pricing decision irrespective of his intentions, the nature of the produce and market circumstances.
Anti-Profiteering under GST

- Under **GST system** - prices of goods and services were expected to substantially come down on a/c of **removal of cascading effect & seamless ITC**.

- AP provisions are warranted to **check the undue benefit to Suppliers on account of reduced Rates and/or availability of ITC**.

- **Section 171** of the CGSTA/SGSTA/UTGSTA - envisages that the benefit on account of the reduction in rate of tax on any goods/services or due to the availability of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices.

- **Relevant Rules**: Rule 122 to 137 of CGSTR/SGSTR
Administrative Structure

Application by Consumer

State Screening Committees
Confirm prima facie evidence of profiteering

Standing Committee
Confirm prima facie evidence of profiteering

Director General of Safeguards, CBEC
For investigating profiteering and reporting

National Anti-profiteering Authority
For determining profiteering and passing appropriate order to ensure consumers benefit from reduction in tax rate or benefit of Input Tax Credit

Contact for further details:

Standing Committee on Anti-profiteering
Second Floor, Bhai Vir Singh Sahitya Sadan, Bhai Vir Singh Marg, Gole Market, New Delhi -110001. Tel No.: 011-23741537, Fax No.: 011-23741542, Email: dgsafeguards@nic.in

State Screening Committees on Anti-profiteering
Contact details of State Screening Committee on Anti-profiteering are available at URL: goo.gl/eYJXnK
ADVANTAGES OF GST

• Lead to economic unification of India;

• Reduced multiplicity of Taxes .

• Reduces cascading effect ( Tax on Tax) .

• In GST system, both Central and state taxes will be collected at one point - i. e : the act of supply;

Both components ( Central & state GST ) will be charged on the same value.
• Reduced the total tax burden on consumers; [ Eg

• GST is a simple, transparent and easy tax structure;

• It brought uniformity in tax rates with only few tax rates across the supply chain;
SUCCESS STORY OF GST – IT’S INDICES

Decline in Prices of Common consumer Goods (CCG):
- Price of several FMCG – have fallen: due to:
- reduction in the total incidence of Tax (No Cascading)
- adoption of lesser GST-rate as compared to total of C.Ex+ VAT:

<table>
<thead>
<tr>
<th>Description</th>
<th>Pre- GST</th>
<th>Post-GST</th>
<th>Description</th>
<th>Pre- GST</th>
<th>Post-GST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purified Water</td>
<td>27%</td>
<td>18%</td>
<td>Tooth powder</td>
<td>17%</td>
<td>12%</td>
</tr>
<tr>
<td>Tooth Paste</td>
<td>27%</td>
<td>18%</td>
<td>UPVC doors &amp; Windows</td>
<td>28.81%</td>
<td>18%</td>
</tr>
<tr>
<td>Hair Oil</td>
<td>27%</td>
<td>18%</td>
<td>Shampoo</td>
<td>28%</td>
<td>18%</td>
</tr>
<tr>
<td>Soap</td>
<td>27%</td>
<td>18%</td>
<td>Hair dye</td>
<td>28%</td>
<td>18%</td>
</tr>
<tr>
<td>Stapler</td>
<td>27%</td>
<td>18%</td>
<td>Perfume &amp; after/pre-shave etc</td>
<td>28%</td>
<td>18%</td>
</tr>
<tr>
<td>X-ray film</td>
<td>23%</td>
<td>12%</td>
<td>Fans, pumps Compressors</td>
<td>28%</td>
<td>18%</td>
</tr>
<tr>
<td>Wrist watches clocks straps</td>
<td>28%</td>
<td>18%</td>
<td>Razor/blades Detergents</td>
<td>28%</td>
<td>18%</td>
</tr>
</tbody>
</table>
ADVANTAGES OF GST

- GST has increased the tax base & increase tax revenue.

  It happened with VAT introduced in several states.

- GST has increased tax collections due to wide coverage of goods and services – from 92000Cr in Aug. 2017 to >1 lakh Cr. For 04/2018. [07/2018: 96483 Cr.]

- It resulted in cost competitiveness of goods and services in Global market.
GST VERIFY APP

• It is an android APP
  - to verify – whether the person collecting tax from the consumer is eligible to collect tax or not;

-- it also provides the details of the person collecting GST.

• A Composition Tax Payer should not collect the tax from his consumer.

--- The app also tells whether the taxpayer is in composition scheme or not.
GST VERIFY APP

VERIFY GST BEFORE YOU BUY

Enter GST No.
36AANFD8527C1ZD

VERIFY GST

GST No. is Valid, hence allowed to collect GST

Tax Payer Info
GST NO.: 36AANFD8527C1ZD
Company Type: Partnership
Regd Dt.: 28/12/2017
Comp.Name: DELIGHT FAMILY RESTAURANT
Type.: Regular

VERIFY GST BEFORE YOU BUY

Enter GST No.
07AAECR2971C1Z1

VERIFY GST

GST No. is Not Registered, hence cannot collect GST

Tax Payer Info
GST NO.: 
Company Type: 
Regd Dt.: 
Comp.Name: 
OTHER INITIATIVES

• A TOLL FREE NUMBER WAS LAUNCHED TO CLARIFY DOUBTS ON GST – 1800-599 5399.

• A MAIL BOX WAS CREATED i.e gstqueries.medchal@gmail.com to answer queries within 3 working days.

• GST RATE FINDER APP WAS LAUNCHED IN TELUGU TO HELP TAXPAYERS.
( on Web: https://cbec-gst.gov.in/gst-goods-services-rates.html )
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Name, address and GSTIN of the supplier</td>
</tr>
<tr>
<td>2</td>
<td>A consecutive serial number, in one or multiple series, containing alphabets or numerals or special characters hyphen or dash symbolised as ‘-‘ and ‘/’ respectively and any combination thereof, unique for a financial year.</td>
</tr>
<tr>
<td>3</td>
<td>Date of issue of invoice</td>
</tr>
<tr>
<td>4</td>
<td>Name, address and GSTIN of the recipient *</td>
</tr>
<tr>
<td>5</td>
<td>HSN code of goods or accounting code of services **</td>
</tr>
<tr>
<td>6</td>
<td>Description of goods or services</td>
</tr>
<tr>
<td>7</td>
<td>Quantity of goods or unit quantity code</td>
</tr>
<tr>
<td>8</td>
<td>Total value of goods/services</td>
</tr>
<tr>
<td>9</td>
<td>Taxable value of goods or services</td>
</tr>
<tr>
<td>10</td>
<td>Rate of tax separately (applicable rate for CGST, SGST/UTGST or IGST and Cess)</td>
</tr>
<tr>
<td>11</td>
<td>Amount of tax charged separately for CGST, SGST/UTGST or IGST and Cess</td>
</tr>
<tr>
<td>12</td>
<td>Place of supply along with name of state, in case of inter-state supply</td>
</tr>
<tr>
<td>13</td>
<td>Address of delivery if same is different from place of supply</td>
</tr>
<tr>
<td>14</td>
<td>Applicability of reverse charge to be mentioned wherever applicable</td>
</tr>
<tr>
<td>15</td>
<td>Signature or digital signature of supplier or his authorized representative</td>
</tr>
</tbody>
</table>
Defective Invoices

---

**ELITE EMPORIUM**

Ganeshi Chowk, Nizamabad. Ph: 220436

<table>
<thead>
<tr>
<th>No.</th>
<th>3325</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date:</td>
<td>26/10/16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Qty</th>
<th>Rate</th>
<th>VAT 4%</th>
<th>VAT 12.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copper Chair</td>
<td>194</td>
<td>94</td>
<td></td>
<td>94</td>
</tr>
<tr>
<td>Chair</td>
<td>72</td>
<td>72</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bowl</td>
<td>58</td>
<td>58</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plate Stand</td>
<td>36</td>
<td>36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S.S. Cover</td>
<td>80</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cover</td>
<td>23</td>
<td>23</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>21</td>
<td>21</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>15</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Grand Total      | $99 |

---

**GST CHARGED WITHOUT A VALID GST**

---

**ANSH CATERERS**

WE TAKE OUTDOOR ORDERS

---

**Source:** www.complaintboard.in
Correct Invoice

<table>
<thead>
<tr>
<th>Description of Goods</th>
<th>HSN/SAC (Rate)</th>
<th>GST Rate</th>
<th>Quantity</th>
<th>Rate</th>
<th>per</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2NQHNW/RD EDGE 185 E2H 2.2</td>
<td>84182100</td>
<td>28%</td>
<td>1 Nos</td>
<td>8,984.38</td>
<td>Nos</td>
<td>8,984.38</td>
</tr>
<tr>
<td>N.Or.Wine - 2NQHNW</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CGST</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SGST</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roundoff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>9 Nos</td>
<td></td>
<td></td>
<td>₹ 1,44,600.00</td>
</tr>
</tbody>
</table>

Amount (INR Lakh Forty Four Thousand Six Hundred Only)

<table>
<thead>
<tr>
<th>HSN/SAC</th>
<th>Taxable Value</th>
<th>Central Tax</th>
<th>State Tax</th>
<th>Total Tax Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>84182100</td>
<td>1,12,988.77</td>
<td>14%</td>
<td>15,815.62</td>
<td>15,815.62</td>
</tr>
<tr>
<td>Total</td>
<td>1,12,988.77</td>
<td>15,815.62</td>
<td>15,815.62</td>
<td>31,631.24</td>
</tr>
</tbody>
</table>

Tax Amount (INR Thirty One Thousand Six Hundred Thirty One and Twenty Four Paise Only)
Taxation should be based on the following principles:

1. People should pay taxes according to their ability - on the basis of income and property.

2. Raise adequate revenue for public services.

3. Tax should not be discriminatory between individuals and also between various groups.

4. Taxation should be simple, convenient, divergent & elastic.

Proposed GST has addressed most of the above objectives to make Indian Indirect tax system robust.
THANK YOU
1. **Taxes on Income** other than agricultural income (Entry 82)

2. **Duties of Customs** including **Export** duties (Entry 83)

3. Duties of **Excise** on **tobacco** and other **goods manufactured or produced** except (i) alcoholic **liquor** for human consumption, and (ii) **opium**, Indian **hemp** and other narcotic **drugs** and narcotics, but including medicinal and toilet preparations containing alcohol or any substance included in (ii). (Entry 84)

4. **Corporation Tax** (Entry 85)

5. **Taxes on capital value of assets**, exclusive of agricultural land, of individuals and companies, taxes on capital of companies (Entry 86)

6. **Estate duty** in r/o property other than Agri.l land (Entry 87)

7. **Duties in respect of succession to property** other than agricultural land (Entry 88)
8. Terminal taxes on goods or passengers, carried by railway, sea or air; taxes on railway fares/freight (Entry 89)

9. Taxes other than stamp duties on transactions in stock exchanges and futures markets

10. Tax on sales or purchase of newspaper and advertisement their in;

11. Taxes on sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce

12. Taxes on the consignment of goods in the course of inter-State trade or commerce (CST)

13. All residuary types of taxes not listed in any of the three lists of Seventh Schedule of Indian Constitution
**List-II**

- **1.** Land revenue, including the assessment and collection of revenue, the maintenance of land records, survey for revenue purposes and records of rights, and alienation of revenues (*Entry 45*)
- **2.** Taxes on agricultural income (*Entry 46*)
- **3.** Duties in respect of succession to agricultural land (*Entry 47*)
- **4.** Estate Duty in respect of agricultural land (*Entry 48*)
- **5.** Taxes on lands and buildings (*Entry 49*)
- **6.** Taxes on mineral rights (*Entry 50*)
- **7.** Duties of excise for following goods manufactured or produced within the State (i) alcoholic liquors for human consumption, and (ii) opium, Indian hemp and other narcotic drugs and narcotics (*Entry 51*)
- **8.** Taxes on entry of goods into a local area for consumption, use or sale therein (see Value added tax) (*Entry 52*)
- **9.** Taxes on the consumption or sale of electricity (*Entry 53*)
- **10.** Taxes on the sale or purchase of goods other than newspapers(*Entry 54*)
AUTHORITY to Levy TAX by STATE.... List-II

11 Taxes on advertisements other than advertisements published in newspapers and advertisements broadcast by radio or television (Entry 55)

12 Taxes on goods and passengers carried by roads or on inland waterways (Entry 56)

13 Taxes on vehicles suitable for use on roads (Entry 57)

14 Taxes on animals and boats (Entry 58)

15 Tolls (Entry 59)

16 Taxes on profession, trades, callings and employments (Entry 60)

17 Capitation taxes (Entry 61)

18 Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling (Entry 62)

19 Stamp duty (Entry 63)