



Central Board of Indirect Taxes & Customs

Department of Revenue, Ministry of Finance, Government of India



GST : Implementation & Challenges

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LAUNCH OF HISTORIC GST FROM 1ST JULY, 2017



GST

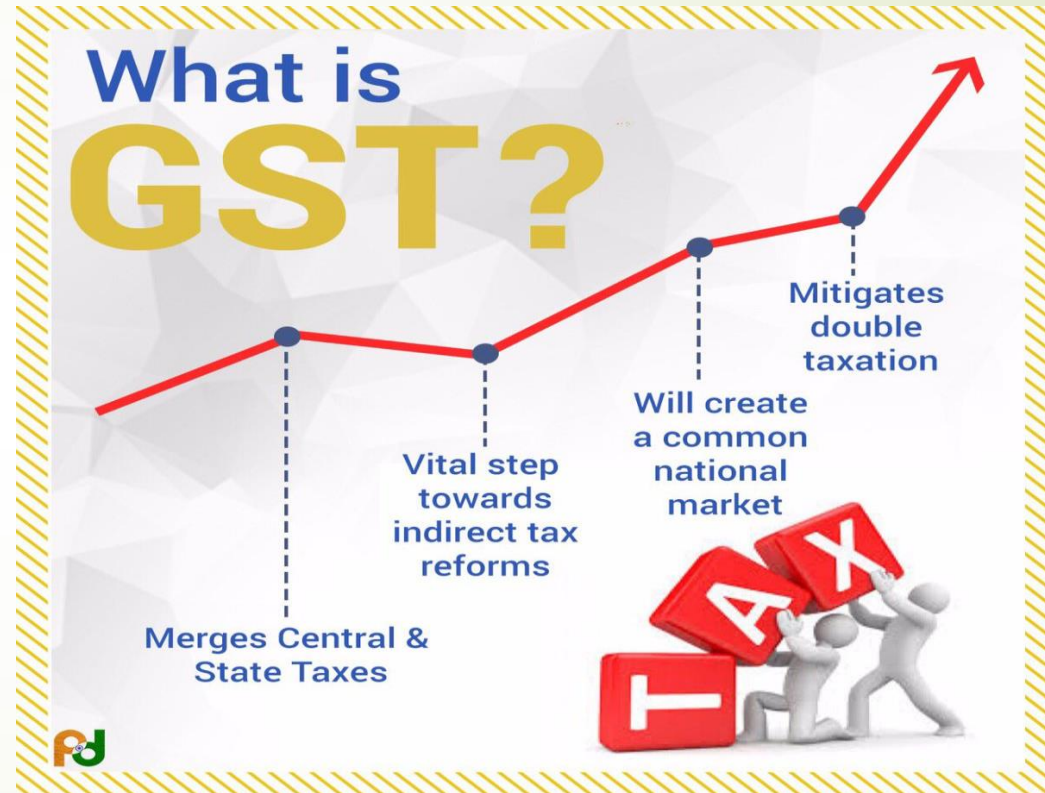
**The single biggest tax reform
in the history of the nation**

BUILDING NATION TOGETHER

Good & Simple Tax ?

Agenda:

1. Tax Structure pre-GST
2. GST :
 - Background
 - Implementation Journey
 - Salient features
3. Benefits
4. Challenges
5. Way ahead ...



Tax Structure:: Pre-GST

- ▶ India is a *Federal* Country. Levy & Collection governed by the Constitution of India
- ▶ *Both* Centre and States have powers of taxation (**7th Schedule** of the Constitution)
- ▶ For eg., **entry 84** in the **Union List** grants power to the Centre to levy Central Excise Duty (CENVAT) and **entry 54** in the **State List** grants power to the State to levy tax on sale of purchase of goods other than newspapers

Centre: Basic Customs Duty, CE duty, Addl CE Duties, ST, CVD, SAD, Surcharges & Cesses

States : VAT, Luxury T, Entertainment T, T on gambling, betting, lottery, Entry T , S& Cesses

Tax Structure :: Pre-GST

GST is applicable on “**supply**” of goods or services, based on the principle of **destination based consumption**.

Centre	levy tax on the manufacture of goods (except alcoholic liquor for human consumption)
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	Services-the Centre alone that is empowered to levy service tax.
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State	to levy tax on sale of goods
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Inter State Sales	Levy - Centre (the Central Sales Tax) but collected and retained entirely by the Originating States .
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Importation into or exportation	No power to levy any tax to States; tax compensating domestic tax levied by Centre.
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Tax Structure: Revisited ?


- ▶ Too many taxes
- ▶ Multiple Jurisdictions
- ▶ Services and Goods are subjected to different rates of taxation
- ▶ Tax Cascading across the Value chain.

Manufacturing

Distributive Value Chain

Consumer

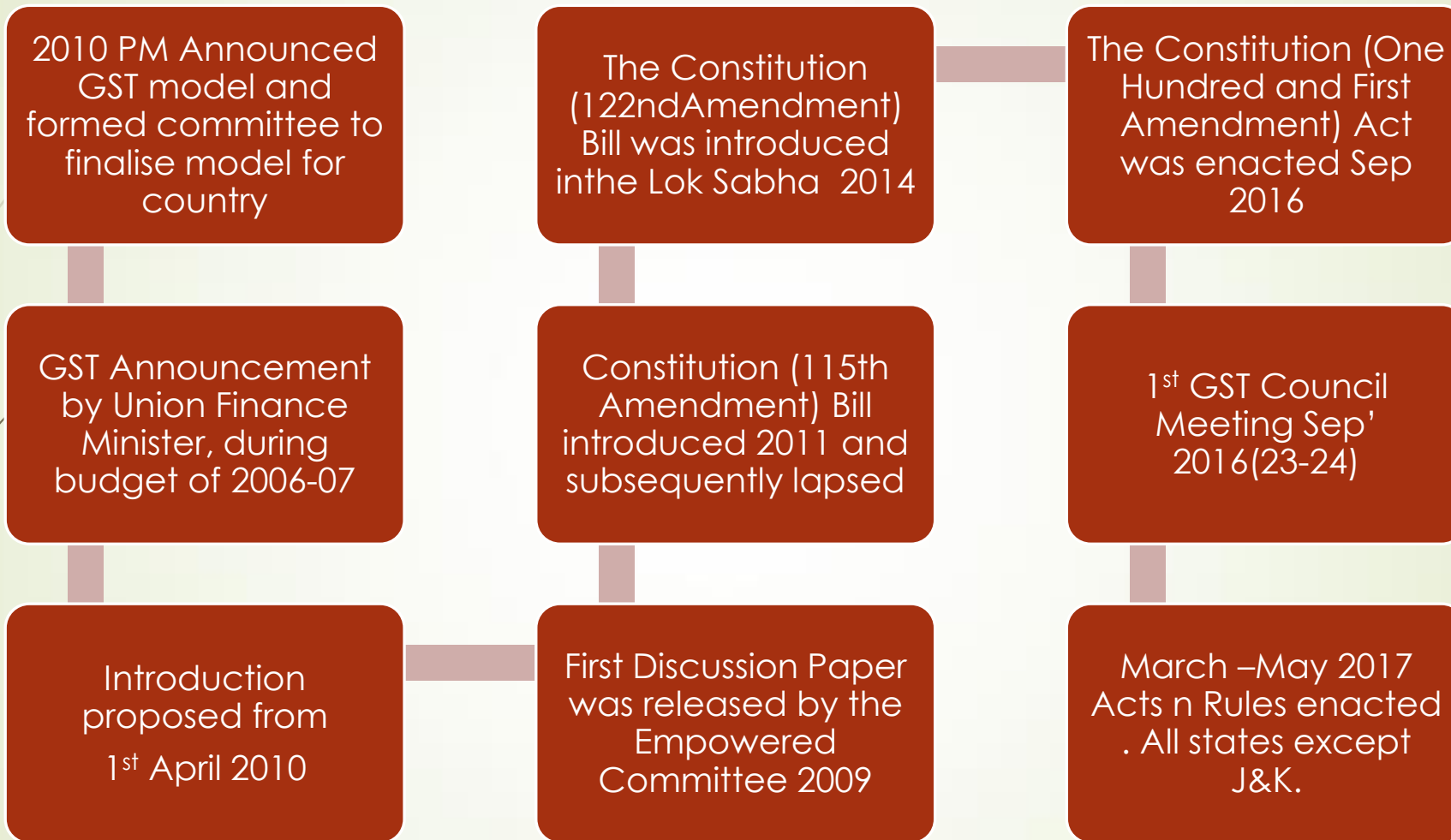
COST	100
CENVAT (10%)	10
VAT(10%)	11
Invoice	121



Tax Structure: GST ?

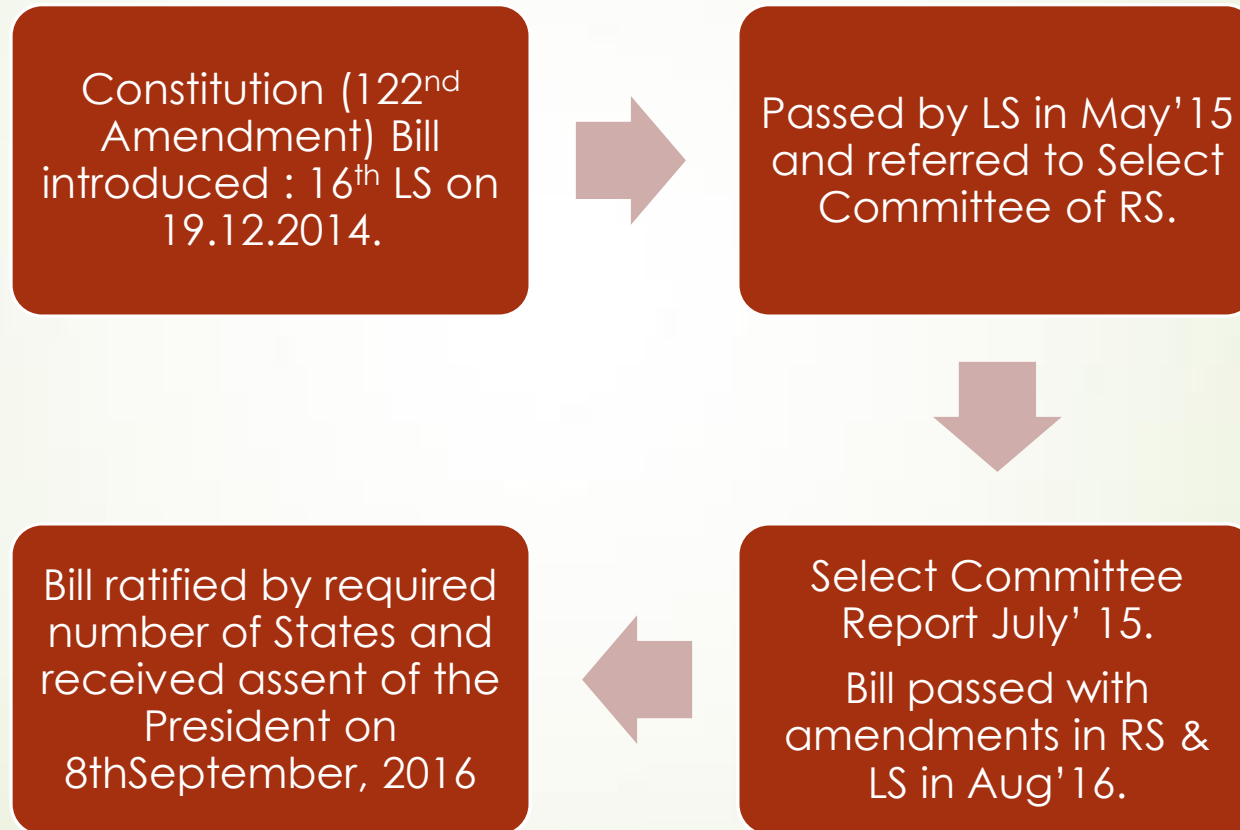
- Mooted by then Union Finance Minister in his budget speech of 2006-07 but first conceptualised in 1999.
- To be introduced from 1st April, 2010.
- The Empowered Committee of State Finance Ministers (EC) - to come up with a roadmap and structure for the GST
- Joint Working Groups of officials -representatives of the States as well as the Centre
- various aspects of the GST examined - specifically exemptions and thresholds, taxation of services and taxation of inter-State supplies.
- the EC released its First Discussion Paper (FDP) on GST in November, 2009 forms the basis for GST and for discussion between the Centre and the States so far

The Journey to GST...



GST introduced 1st July 2017 → SGST passed for J&K → Economic Integration of country

The Journey to GST...



Effectuated from Constitution (101st Amendment) Act, 2016 w.e.f. 16th September, 2016.



GST : Introduction

necessitated amendments in the Constitution so as to concurrently empower the Centre and the States to levy and collect the GST.

Constitution (One Hundred and First) Amendment Act, 2016 :

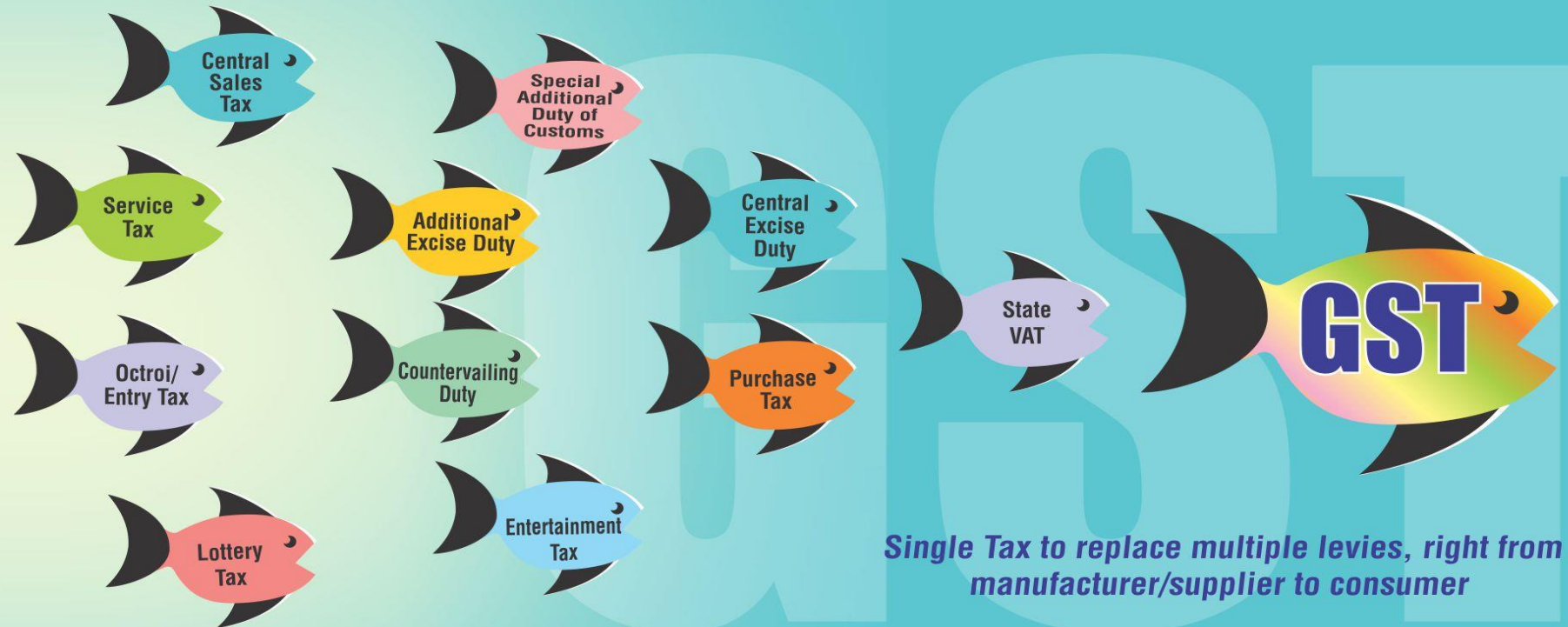
- ▶ provides for a levy of **GST on supply of all goods or services except for Alcohol for human consumption. The tax shall be levied as Dual GST separately but concurrently by**
 - ▶ the Union (central tax - CGST) and
 - ▶ the States (including Union Territories with legislatures) (State tax - SGST) / Union territories without legislatures (Union territory tax- UTGST).
- ▶ The Parliament would have exclusive power to levy GST (integrated tax - IGST) on inter-State trade or commerce (including imports) in goods or services.
- ▶ The concurrent jurisdiction of Centre and the States : requires a unique institutional mechanism that would ensure that decisions about the structure, design and operation of GST are taken jointly by the two.(GST COUNCIL)
- ▶ Change in Administrative Structure and Functions of Tax collecting authorities

GST : Salient Features

- ▶ GST would be applicable on “supply” of goods or services as against the earlier concept of tax on the manufacture of goods or on sale of goods or on provision of services.
- ▶ GST would be based on the principle of destination based consumption taxation as against the present principle of origin based taxation
- ▶ It would be a dual GST with the Centre and the States simultaneously levying it on a common base.
- ▶ The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by the States [including Union territories with legislature] would be called State GST (SGST). Union territories without legislature would levy Union territory GST (UTGST).
- ▶ An Integrated GST (IGST) would be levied on inter-State supply (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted.
- ▶ Import of goods/services would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.
- ▶ GST would replace the 8 Central Levies and 9 levies by State Govt (subsumes 17 taxes and 23 cesses)

Goods and Services Tax

Single Tax to promote Indian Trade and Industry



Single Tax to replace multiple levies, right from manufacturer/supplier to consumer

Spurring Economic Growth

- Fillip to making India a manufacturing hub
- To create a unified common national market
- To boost investments & exports
- To generate more employment by increased economic activity.

Promoting Trade & Industry

- Common procedures for registration, duty payment, return filing, refund of taxes
- More efficient neutralization of taxes to make our exports more competitive internationally
- Seamless flow of tax credit from manufactures/ supplier to user / retailer to eliminate cascading of taxes
- Benefit of exemption / compounding scheme for a large segment of small scale suppliers to make their products cheaper

A nation is made, when taxes are paid



Directorate General of Taxpayer Services
CENTRAL BOARD OF EXCISE & CUSTOMS
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GST Council :

- ▶ GSTC notified with effect from 12th September, 2016; assisted by a Secretariat.
- ▶ FM as the Chairperson
- ▶ Min of state for Revenue/Finance
- ▶ State FMs or nominated ministers
- ▶ VC to be chosen by the above (3rd)
- ▶ Quorum – $\frac{1}{2}$
- ▶ Decision is valid if taken by $\frac{3}{4}$ th of weighted votes
- ▶ Designed such that neither the Centre nor the states alone could impose a decision unilaterally
- ▶ Centre has $\frac{1}{3}$ rd vote



GST Council :

Important Decisions :

- (i) The threshold exemption limit would be Rs. 20 lac. For special category States(Ar. 279A) Rs. 10 lac.
- (ii) Existing tax incentive schemes of Central or State governments may be continued by respective government by way of reimbursement through budgetary route. The schemes, in the present form, would not continue in GST.
- (iv) There would be five tax rates namely NIL, 5%, 12%, 18% and 28%. Besides, some goods and services would be under the list of exempt items. Rates of all G&S decided
- (v) A cess over the peak rate of 28% on certain specified luxury and sin goods would be imposed for a period of five years to compensate States for any revenue loss on account of implementation of GST. The Council has asked the Committee of officers



GST Council :

vi) The five laws namely

- ▶ CGST Law,
- ▶ UTGST Law,
- ▶ IGST Law,
- ▶ SGST Law and
- ▶ GST Compensation Law

(vii) In order to ensure single interface, all administrative control over 90% of taxpayers having turnover below Rs. 1.5 crore would vest with State tax administration and 10% with the Central tax administration.

Further all administrative control over taxpayers having turnover above Rs. 1.5 crore shall be divided equally in the ratio of 50% each for the Central and State tax

(vii) Powers under the IGST Act shall also be cross-empowered on the same basis as under CGST and SGST Acts with few exceptions.

(viii) Power to collect GST in territorial waters shall be delegated by Central Government to the States.

(ix) Rules regarding input tax credit, composition levy, transitional provisions and valuation

(x) Five Rules on registration, invoice, payments, returns and refund

Benefits:

A. Make in India

- a unified common national market for India
- **prevent cascading of taxes as Input Tax Credit will be available across goods and services at every stage of supply**
- harmonization of laws, procedures and rates of tax
- **more efficient neutralization of taxes especially for exports**
- improve the overall investment climate in the country which will naturally benefit the development in the states
- uniform SGST and IGST rates will reduce the incentive for evasion by eliminating rate arbitrage between neighbouring States and that between intra and inter-state sales
- Average tax burden on companies is likely to come down

Benefits:

B. Ease of Doing Business

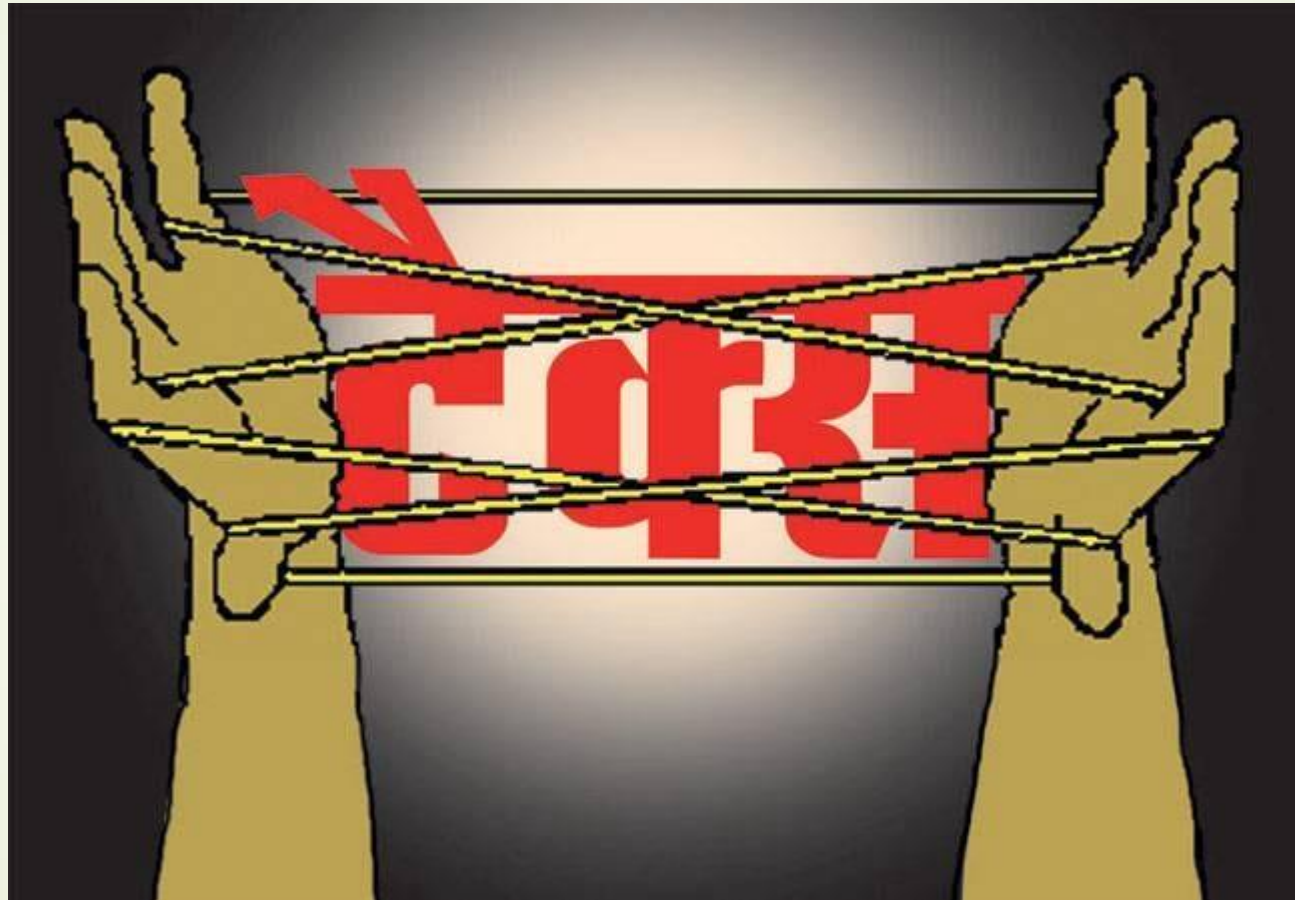
- simpler tax regime with fewer exemptions
- reductions in the multiplicity of indirect taxes leading to simplification and uniformity
- reduction in compliance costs - No multiple record keeping for a variety of taxes
- simplified and automated procedures for various processes such as registration, returns, refunds, tax payments, etc;
- All interaction to be through the common GSTN portal- so less public interface
- improve environment of compliance
- common procedures will lend greater certainty to taxation system
- electronic matching of input tax credits all-across India thus making the process more transparent and accountable.

Benefits:

C. Benefit to Consumers:

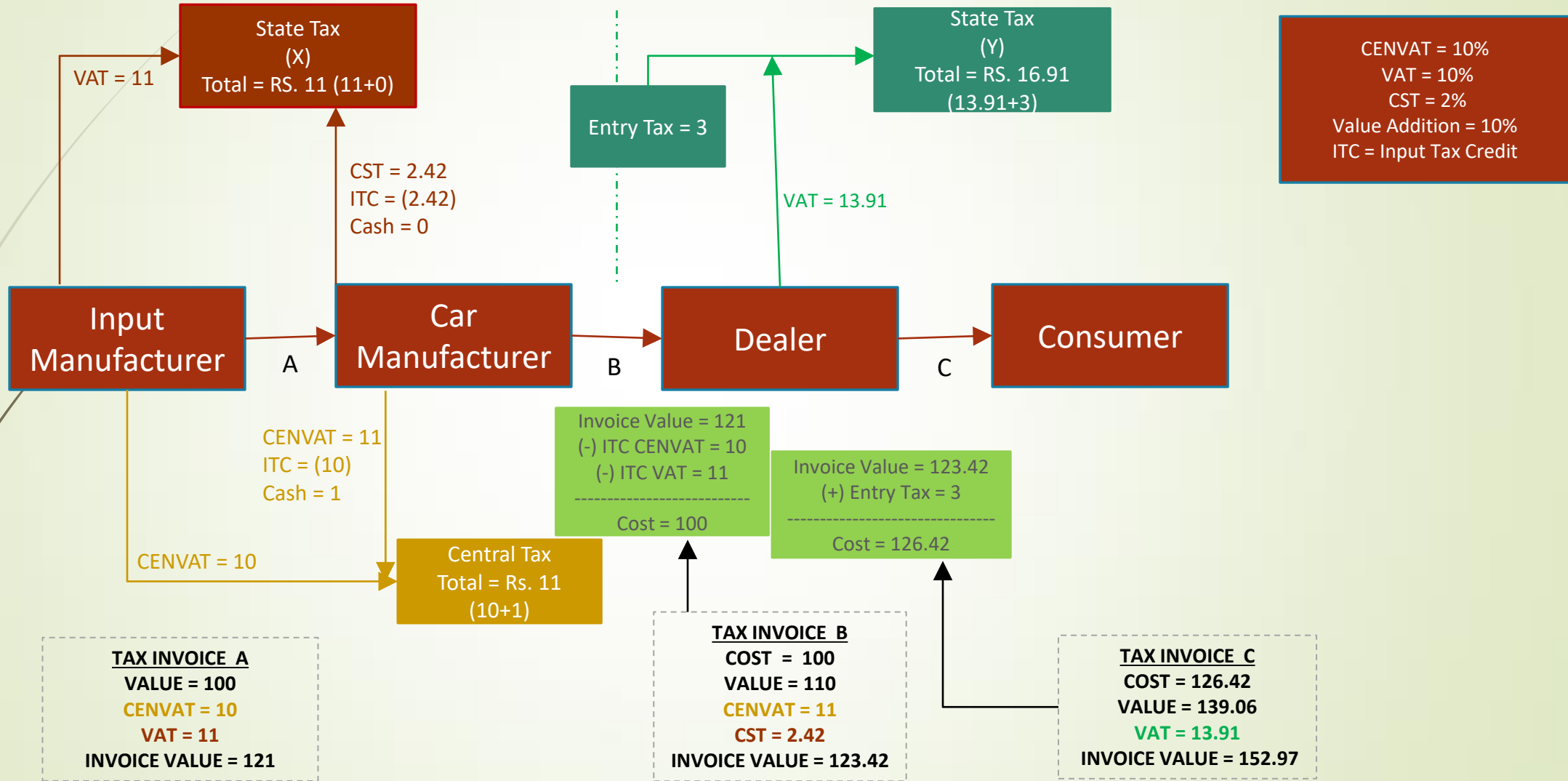
- ▶ final price of goods is expected to be lower due to seamless flow of input tax credit between the manufacturer, retailer and service supplier
- ▶ it is expected that a relatively large segment of small retailers will be either exempted from tax or will suffer very low tax rates under a compounding scheme- purchases from such entities will cost less for the consumers
- ▶ average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption (Anti-Profiteering Authority)

Good & Simple Tax !!

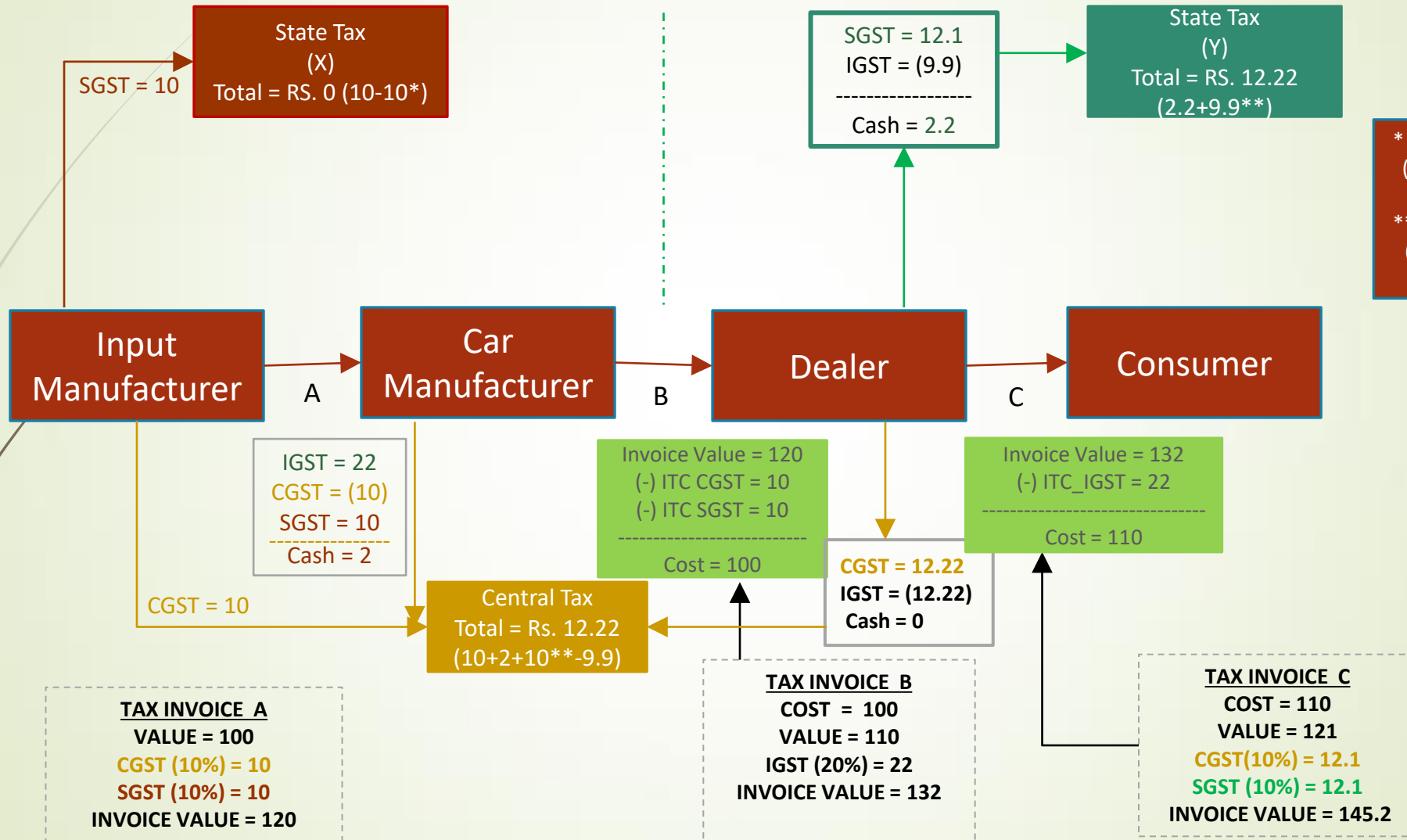


CASE STUDY

Present Scenario (Inter-state trade of goods)



GST Scenario (Inter-state trade of goods)



* State (X) will transfer Rs. 10 (SGST) used for payment of IGST to centre
 ** Centre will transfer Rs. 9.9 (IGST) used for payment of SGST to State (Y)

Comparison

S. No.	Particulars	Inter-state	
		Present (Rs.)	Proposed (Rs.)
1.	Initial Cost Price	100.00	100.00
2.	Centre's Tax	11.00	12.1
3.	State (X)'s Tax (Originating)	11.00	0
4.	State (Y)'s Tax (Destination)	16.91	12.1
5.	State's Total Tax	27.91	12.1
6.	Total Tax paid to Govt.	38.91	24.2
7.	Final value paid by Consumer	152.97	145.2

Assumptions :

Three levels of transactions (two manufacturing & one retail sale), each involving value addition of 10%

Tax Rates assumed:

CENVAT Rate = 10%; VAT Rate = 10%; CST Rate = 2%; Entry Tax = Rs. 3/-

CGST Rate = 10%; SGST Rate = 10%; IGST Rate = 20%

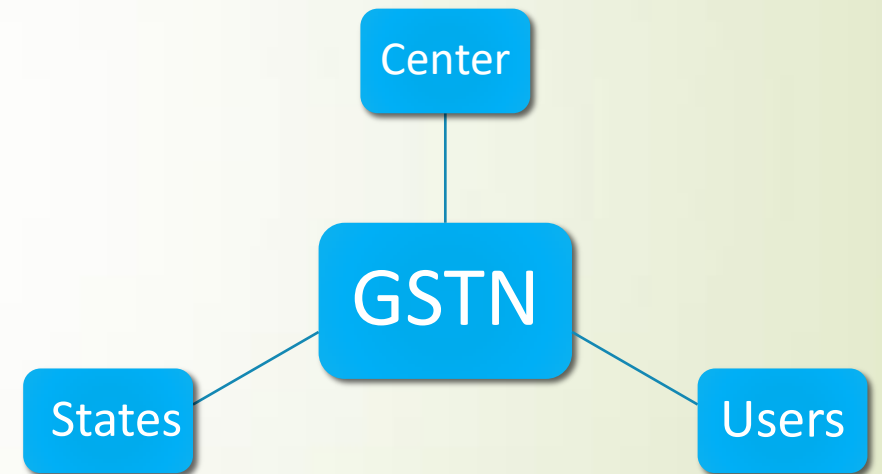
Goods and Services Tax Network(GSTN)

- Success of GST lies in invoice matching and robust IT backbone
- Set up by the Government as a not for profit private company under erstwhile Section 25 of the Companies Act, 1956.

➤ Ownership

24.5% - Centre Govt.
24.5% - States/UT → 49%

11% - LIC Housing
10% - ICICI Bank
10% - HDFC → 51%
10% - HDFC Bank
10% - NSE SIC



- Infosys is the service provider of GSTN.
- Data Storage Behemoth : 80 lakh user, 1.2 lakh transactions in a second/320 crore transactions per month // 60000 users per second.



Challenges & Way Ahead :: Discussions

- Stabilization of rules and procedures
- Invoice matching
- Returns Finalization
- IT glitches
- Onboarding of users
- Economic Downturn

Emerging Issues : Fake invoices/Circular Trading / Banking frauds

Interesting Tidbits



Notice of Tamil Nadu Govt.

From 1.7.2017 onwards as GST has been launched, there is no need for vehicles to stop at Commercial Taxes Check Posts.

One Nation One Market

FIRST BILL OF ENTRY FILED WITH IGST

http://pcasap02.cbic.gov.in:7778/imp.htm?be4144723.chk.htm?de14988...

Indian Customs EDI System - Imports V1.5
CUSTOMS HOUSE 60, RAJAJISALAI, CHENNAI-600001

BE No - 229379
17/2017

Check List-BILL OF ENTRY FOR HOME CONSUMPTION

Date Of entry: 01/07/2017 00:00 Operator Id : 90001301
Job No. : 4144723 Job Date : 01/07/2017
CHA : AABCI7233BCH001 (INTERNATIONAL CLEARING & SHPG. AGEN
Importer : 0788000314 PAN : AAACH9840PFT001 AD Code : 6550003
BOSCH LIMITED Green Channel : Yes
Branch Sino : 52 Sec 48 : No
INDOSPACE INDUS. LOGISTIC PARK, BUIL First Chk : No
- , DING NO.2, WALAJABAD RD, PANRUTI VI Prov/Final : Final
SRIPERUMPUDUR TQ, TAMIL NADU PIN -631604 Pay Method : Deferred

IGM No : 0 Inw Dt : Port Of Loading : Hamburg
IGM Dt :
Cntry Of Origin : GERMANY Cntry Of Consign:
BL : DEHAM125392 HBL : STR000841
Date : 09/06/2017 Date : 06/06/2017
No. Of Pkgs. : 2 PKG Gross Wt. : 286.000 KGS
Marks : as per b/l
& Nos :

Self Appraisal: Dip_def :
Inv No & Dt. : 505134987 23/05/2017 Supplier Details :
Inv Val : 3139.20 USD ToI: FOB MAX-LANG-SRASE 40-46 ROBERT BOSCH POWER TOOLS GMBH
Freight : 9.23 USD 70771 LENINFELDEN-ECHTERDIGEN GERMANY
Insurance : 0.025000% 0.78 USD
SVB Load(dty): 0.00% Cust.House: INBLR4
SVB Load(ass): 0.00% HSS Load rate: 0.00% Amount : 0.00
Misc. Charges: 4258.74 INR Total SC Misc Amt: 0.00
Discount Rate: 0.00 Discount Amount : 0.00

Third Party: Buyer/Seller Reletd :
Exchange rate: 1.00 USD = 65.1500

no	RIIC	Description	CTH	Cus. Notn	Cus Duty Rate	RSP
yt	Ass Val	CTH	Exc. Notn	Exc Duty Rate	ECD amt (Rs)	CVD amt (Rs)
	85030090	1.617.800.NY2 FIELD- PART NO. 1604220381				
00	12.9300	85030090			7.50 %	4574.10
	60987.42	NOEXCISE				
		oms Educational Cess Prim+Higher:			3.00 %	137.20
		IGST	001/2017 III374	18.00 %		11825.80
		GST Cess	001/2017 56	0.00 %		0.00
	85030090	1.617.800.NY3 ARMATURE-PART NO: 16040011193				
00	20.3100	85030090			7.50 %	11290.40
	150538.04	NOEXCISE				
		oms Educational Cess Prim+Higher:			3.00 %	338.70
		IGST	001/2017 III374	18.00 %		29190.10



Thank You !

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