

GST: One Nation, One Tax

Shishir Sinha



This tax, because of its transparent character, would be easier to administer.

Also remember, implementation of GST will help in improving India's ranking in ease of doing business which, in turn, will help foreign investors to bring more and more money into the country

I am sure that the enactment of the GST, will bring about the best as far as the economic management of this country is concerned, in a federal form. It will empower the States. It will increase the revenue of the States as also of the Central Government. It will try to dissuade and discourage, and bring down levels of evasion. It would ensure that there is no tax on tax. So the cascading effect of taxes in the value of goods itself, will no longer be there and that would even make some of the products cost less. It would, certainly, give a boost, as far as the economy is concerned, which is required at this very critical stage."

Excerpts from the speech of the Union Finance Minister while moving the Constitution Amendment Bill (related with the Goods & Services Tax) for consideration and passage in Rajya Sabha on August 3, 2016

With this speech, the Finance Minister managed to end the long wait for the introduction of one of the most ambitious tax reforms of independent India, the Goods & Services Tax or GST. Since, the 122nd Constitution Amendment Bill has become a law (101st Amendment) enabling the Centre and the States to levy GST concurrently, India is all set to usher the Financial Year 2017-18 with a new tax regime i.e. GST. Accordingly, India

will join the select club of nations such as Canada, Australia, Singapore and Malaysia having GST as the indirect tax system.

Now, in order to introduce GST from April 1 next year, the Government has jet set the process in motion. First, the Goods & Service Council, the apex body of Centre and the States, has not just been set up, but already taken key decisions in its initial meetings. Second, GST Network for providing all kinds of information technology support for GST is fully functional. Third, model GSR law is in public domain which will finally be converted into supportive legislations. And, fourth, the Government aims to finalise rates, exemption, threshold limit and key rules for GST by November 22, 2016.

What is GST?

GST is a simplified tax structure applied on both goods and services. It is a value-added tax levied at all points in the supply chain with credit allowed for any tax paid on input acquired for use in making the supply. It would be applicable on supply of goods or services as against the prevailing system of tax on the manufacture of goods or on sale of goods or on provision of services. It would be a destination based tax as against the existing system of origin based tax.

In order to maintain the federal structure, the nation is going to have

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dual GST, Central GST (CGST) and the State GST (SGST). This means that there will be common tax base for both the Centre and the States. There will also be Integrated GST (IGST). It would be levied on inter-State supply of goods or services. This would be collected by the Centre so that the credit chain is not disrupted. Import of goods or services would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties. Rates for all the three would be decided by the GST council.

Why GST?

India has a multiplicity of taxes as the Constitution prescribes different power for the Centre and the States to make legislations for levying taxes on goods and services at various levels. For example, the Central Government is authorized to make legislation as well as rules to impose tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States have the powers to levy tax on the trading of goods. The Centre has two distinctive powers: first, it has power to levy tax on the Inter-State sales of goods (however, the tax is collected and retained by the States) and second, only the Centre can impose tax on services i.e. Service Tax.

Such a system makes the entire indirect tax system a complex one. Not only this, this has many disadvantages. For example, a business man has to maintain too many records for tax compliance. This increases the cost of running business, while, at the same time goes against the basic principal of ease of doing business. Similarly, multiplicity of taxes results in tax on tax which makes a good costlier for the consumer. As GST will have just one tax, which means compliance would be easier and cheaper and thus help in ease of doing business. Similarly, since GST is to be levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff, this will remove the anomaly of tax

on tax. It is believed that the new tax regime would result in significant reduction in overall tax burden (which is currently anything between 25-30 per cent) on goods, thus, making them cheaper for the consumers.

GSTN

In order to provide IT infrastructure and services for implementation of the GST, the Government set up Goods and Services Tax Network (GSTN). It is a Section 25 company which means it will not work for profit. It is a Non-Government and private limited company. The Central Government holds 24.5 per cent equity in GSTN while all States, including NCT of Delhi and Puducherry, and the Empowered Committee of State Finance Ministers (EC), together hold another 24.5 per cent. Remaining equity is with non-Government financial institutions. The company has been mandated to:

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- Provide common and shared IT infrastructure and services to the Central and State Governments, Tax Payers and other stakeholders.
- Partner with other agencies for creating an efficient and user-friendly GST Eco-system.
- Encourage and collaborate with GST Suvidha Providers (GSPs) to roll out GST Applications for providing simplified services to the stakeholders.
- Carry out research, study best practises and provide Training and Consultancy to the Tax authorities and other stakeholders.
- Provide efficient Back-end Services to the Tax Departments of the Central and State Governments on request.

- Develop Tax Payer Profiling Utility (TPU) for Central and State Tax Administration.
- Assist Tax authorities in improving Tax compliance and transparency of Tax Administration system.
- Deliver any other services of relevance to the Central and State Governments and other stakeholders on request.

GST Council

After the 101st Constitutional Amendment, the first big development was setting up of the GST Council. This council is an apex body comprising of Centre and the States for GST. It has been empowered not just to finalise nitty-gritty of GST, but also to resolve disputes. The Council is headed by the Union Finance Minister while the Union Minister of State for Finance (In-charge of revenue) and the Minister In-charge of finance or taxation or any other Minister nominated by each State Government will be members. Effectively, the council will have two members including the Chairman from the Centre and one member each from 29 States and the 2 Union Territories (with legislature) taking the total strength to 33. The Union Revenue Secretary will be Ex-officio Secretary to the GST Council while the Chairperson, Central Board of Excise and Customs (CBEC) will be a permanent invitee (non-voting) to all proceedings of the Council.

The Council will make recommendations to the Union and the States on important issues related to GST, like the goods and services that may be subjected or exempted from GST, model GST Laws, principles that govern Place of Supply, threshold limits, GST rates including the floor rates with bands, special rates for raising additional resources during natural calamities/disasters, special provisions for certain States, etc.

Every decision of the Council will be taken at a meeting, by a majority of not less than three-fourths of the weighted votes of the members present and voting. Now, the voting college has

Table 1**Goods and Services Tax – Basic Issues***Taxes/duties to be subsumed**From Centre:*

- Central Excise Duty
- Duties of Excise (Medicinal and Toilet Preparations)
- Additional Duties of Excise (Goods of Special Importance)
- Additional Duties of Excise (Textiles and Textile Products)
- Additional Duties of Customs (commonly known as CVD)
- Special Additional Duty of Customs (SAD)
- Service Tax
- Cesses and surcharges as far as they relate to supply of goods or services

From State:

- State VAT
- Central Sales Tax
- Purchase Tax
- Luxury Tax
- Entry Tax (All forms)
- Entertainment Tax (except those levied by the local bodies)
- Taxes on advertisements
- Taxes on lotteries, betting and gambling
- State cesses and surcharges insofar as far as they relate to supply of goods or services

Commodities not included in GST at all:

- Alcohol for human consumption
- Electricity
- Real Estate.

Commodities to be included in GST but at a later date:

- Petroleum crude
- Motor spirit (petrol)
- High speed diesel
- Natural Gas
- Aviation Turbine Fuel
- Existing system of VAT and Sales Tax will continue for these products.

How tobacco to be treated under GST:

- GST to be levied on tobacco and tobacco products. In addition, the Centre would have the power to levy Central Excise duty on these products.

Compensation to the States for revenue loss, if any, after introduction of GST

- States to get full compensation for revenue loss, if any, for first five years.

How import to be treated:

- Imports of Goods and Services will be treated as inter-state supplies and IGST will be levied on import of goods and services into the country.

How exports to be treated:

- Exports will be treated as zero rated supplies.

List of goods and services to be exempted:

- Effort is to keep the list of exemptions smaller. GST council will decide about goods and services to be exempted.

What next before the introduction of GST:

- Centre to enact two legislations, one related with CGST and another related with SST. States and Union Territories with legislature to enact a law related with SGST. These are ordinary laws and can be enacted by simple majority in Parliament/State Legislatures.

been structured in such a way so the neither the Centre nor all States together can apply veto. The vote of the Central Government will have a weightage of one-third of the total votes cast, and the votes of all the State Governments (including the Union Territories with legislatures) taken together shall have a weightage of two-thirds of the total votes cast. Any decision will require at least three-fourth of total votes.

Key Decisions by GST council

The council, in its first two meetings, took some major decisions:

Threshold Limit—For GST, the exemption threshold is fixed at Rs.20 lakh. However, this will be Rs 10 lakhs for businesses in the 7 North Eastern States (Assam, Meghalaya, Manipur, Nagaland, Mizoram, Arunachal Pradesh and Sikkim) and 3 Hill States (Jammu & Kashmir, Uttarakhand and Himachal Pradesh). It means that those traders with a turnover of below Rs.20 lakh annually in general States will be exempted from getting registered under GST while for North East States and Hill States, those with less than 10 lakh annual turnover will be out of GST. Experts justify these threshold limits by saying that many small scale traders and service providers would be saved from undertaking GST compliances and it also reduces a substantial burden for tax authorities to assess small time dealers.

Cross Empowerment – It has been decided to adopt the middle path in terms of sharing of administrative powers between the Centre and the States. It was agreed upon that States will get exclusive control over all dealers up to an annual turnover of Rs1.5 crore. For traders with revenue above Rs. 1.5 crore, there will be an element of dual control and cross empowerment of officials of the Centre and the States based on formulation of risk assessment. It has also been decided that the Centre will get control over all the existing 11 lakh service tax-registered dealers irrespective of their revenue levels.

Composition Scheme – A consensus has been reached on the

shape of compounding or composition scheme. It was decided that traders with gross turnover up to Rs 50 lakhs will pay 1-2 per cent tax. Such a scheme aims to facilitate small traders. Under the scheme, a taxpayer shall pay tax as a percentage of his turnover during the year without the benefit of input tax credit (ITC). The floor rate of tax for Central Goods & Services Tax (CGST) and State Goods & Services Tax (SGST) will not be less than 1 per cent. A tax payer opting for composition levy will not collect any tax from his customers. Tax payers making inter-state supplies or paying tax on reverse charge basis will not be eligible for composition scheme.

Area Based Exemption – At present, hill states such as Jammu & Kashmir, Himachal Pradesh and Uttarakhand besides 7 North Eastern States get area based exemptions. Such exemptions from taxes provided for companies to set up plants is difficult. Now it has been decided to continue with area-based excise duty exemptions based on GST regime kicks in from next year. However, these will be provided as refunds, not as exemptions. It was agreed that there would be levy of tax on all exempted entities under GST. The Centre or the State that gets the tax will then reimburse it to the exempted entity. The States will now decide on

the specific industrial exemptions they wish to continue. The exact details on whether all the exemptions will be grandfathered or refunded will be worked out.

GST Rates

The Empowered Committee of the Finance Minister suggested two guiding principles for finalising GST rates and now these have become guiding for the GST council too. First of the guiding principle says that the rate of taxation as it is leviable today with the implementation of the GST will gradually come down from its present level so that it is more citizen friendly. The second principle prescribes that the taxation should be adequate enough to maintain the present levels of revenue to make sure that the Central and State Governments are able to discharge their duties and obligations with the fullest amount that they collect. It is believed that the GST council will follow these two principles before arriving on the final rates. It is also expected that there will be four rates:

- Merit Rate - Essential Goods or Services;
- Standard Rate - Goods or Services in General;
- Special Rate - Precious metals
- Nil Rate - Exempted Goods or Services.

It must be highlighted here that GST will bring benefit not just for the Industry/business or trading community, but also for the masses. If the new system is going to reduce multiplicity of taxes, to mitigate cascading/double taxation, bringing more efficient neutralization of taxes especially for exports and developing the common nation market, then it is going to be a simpler tax system for the consumer where he can expect reduction in prices of goods & services due to elimination of cascading of taxes, uniform prices throughout the country, transparency in the taxation system and increase in employment opportunities. Introduction of GST would make our products competitive in the domestic and international markets. Studies show that this would instantly add up to 2 per cent in GDP. There may also be revenue gain for the Centre and the States due to widening of the tax base, increase in trade volumes and improved tax compliance. This tax, because of its transparent character, would be easier to administer. Also remember, implementation of GST will help in improving India's ranking in ease of doing business which, in turn, will help foreign investors to bring more and more money in to the country. □

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NORTH EAST DIARY

NORTH-EAST STATES AS 'PRIORITY STATES' FOR PMUY

Ministry of Petroleum and Natural Gas will extend the benefits under Pradhan Mantri Ujjwala Yojana to the people of all Hilly States including North-East States by treating them as 'Priority States' and release LPG connections to the eligible beneficiaries. This measure will help to tackle the difficulties faced by poor people in accessing LPG for cooking purposes, residing in the States of Jammu and Kashmir, Himachal Pradesh, Uttarakhand, Sikkim, Assam, Nagaland, Manipur, Mizoram, Arunachal Pradesh, Meghalaya and Tripura. Pradhan Mantri Ujjwala Yojana is being implemented with an objective to provide deposit free LPG connections to BPL households as a clean fuel solution. So far, more than 50 lakh connections have been released to the beneficiaries.

1 lakh LPG connections will be released in the next 15 days. The Central Government has released 2 lakh connections during the last 2 years in J&K vis a vis 5 Lakh connections released during the previous 8 years in J&K by the previous governments. There are 4 LPG bottling plants in the state and another LPG plant at Kargil will be put up and also to increase the capacity of Leh LPG plant.

PMUY scheme provides assistance of Rs. 1600/- to the woman beneficiary, comprising security deposit of Domestic cylinder & pressure regulator; Suraksha hose; Domestic gas consumer card and installation charges.

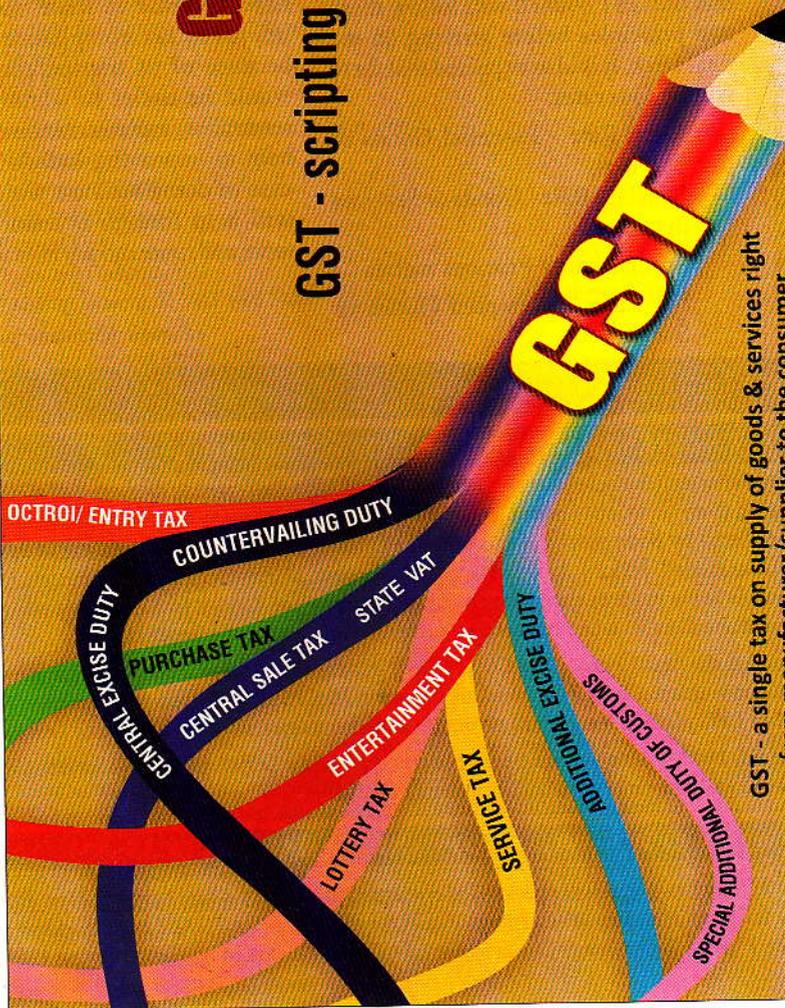
SECOND LINE BETWEEN NEW BONGAIGAON AND KAMAKHYA IN ASSAM

The Cabinet Committee on Economic Affairs has given its approval for construction of second line between New Bongaigaon and Kamakhya of Northeast Frontier Railway in Assam. The estimated cost for this line is Rs.2,232.32 crore and an expected completion cost of Rs.2,586.85 crore. The 176 km long railway line is expected to be completed in five years during 12th and 13th Plan period.



Goods and Services Tax

GST - scripting the economic destiny of the Nation !



GST - a single tax on supply of goods & services right from manufacturer/supplier to the consumer.



A nation is made, when taxes are paid

BENEFITS OF GST

- Growth in GDP.
- Employment generation.
- Boosting investment.
- Low compliance cost.
- One Common Market.
- Brings down logistics and inventory costs.
- Replacing multiplicity of taxes.
- Boosting revenue through low evasion & input tax credit.

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PM on GST

- Goods and Services Tax (GST) is a “Great Step by Team India,” a “Great Step Towards Transformation,” and a “Great Step Towards Transparency.”
- Passage of the Bill is a victory not for any political party, but for Indian democracy.
- The consensus over GST is proving that Rashtraneeti is above Rajneeti (national issues are above politics) in India.
- GST is one more pearl in the necklace of Ek Bharat – much on the lines of the Railways, the All India Services, and visions such as Bharat Net and Sagarmala.
- With GST, we intend to bring uniformity in taxation. The consumer would be supreme in the new dispensation.
- The judicious use of man, money, machine, material and minutes (time) is an important principle of sound economic policy, and GST would aid in achieving this.
- GST would help bring in real time data, as its strength was in technology. Most of the things that can impact consumer inflation have been kept out of the ambit of GST. GST would help reduce corruption in collection, as well as the cost of collection.
- Small businesses will also gain tremendously from GST, and will feel more secure with GST.
- This reform will promote Make in India, help exports and thus boost employment while providing enhanced revenue.
- GST is a system that benefits all Indians and promotes a vibrant and unified national market.
- GST will also be the best example of cooperative federalism, will take India to new heights of progress.

FM on roll out of the Goods and Service Tax

- The Government is working on a target date of 1st April, 2017 for the roll out of the Goods and Services Tax (GST) in the country.
- Post GST the system will be more efficient, more compliant and the avoidance will become more difficult. There will be no cascading effect of tax on tax. There are many items which will either have lower rate of tax or no tax at all
- There will be one tax for one nation. There will be seamless transfer of goods and services through the country.
- The whole country will become one integrated market. Simplification will be easier. It will also lead to lesser leakages and evasions and therefore the tax base will naturally expand. This will benefit both states and the Central Government.
- This is a historical reform in the taxation of our country being carried out by our Parliament. This is a major reform, which will in the long run, go in the interest of the country.



I would like to assert that the issues on Women Empowerment and Energy were really commendable. I wish to thank the entire team for the appreciable efforts they put in. The articles were thought provoking and enlightening and a mirror for the people. They would certainly help to shape our opinions in the right manner and direction. I would request to publish some issues on Terrorism, or National sanctuaries etc.

Saundarya Sinha

Multifaceted approach along with national and global importance on each different subject makes the articles of yojana very valuable.

Archie Roy

Response from Yojana Team

We are really grateful to our readers who take time out to send in encouraging words and valuable suggestions. It makes our work seem worthwhile.

We do try to incorporate your suggestions in our journal whenever possible. We will definitely consider them while planning our issues.

Please do write in with your feedback on our issues. It will help us in planning our issues.

Thanks once again