

GST - Dawn of a New Era

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The sound of the bell which was rung in the Parliament at the stroke of midnight of 30 June, 2017 has echoed in the world as the trumpet of Indian political maturity and cohesion. It was a tryst with destiny moment for the Indian economy when the whole country came out as one united for transforming the indirect tax regime from an anarchic and complex system to a "Good and Simple Tax". There has been no doubt of the fact that GST has emerged as the new bastion of success for the Indian political class and a saviour for the Indian economy from the tyranny of the myriad, entangled labyrinth of taxes which the trade and industry and through them the common man was suffering till now.

India is a Union of States and politically we are one nation since 1947, but are we an economic union? Can a trader sitting in Tamil Nadu sell goods in Himachal Pradesh without having to worry about the rates of taxes in each state? Can a truck starting from Jammu and Kashmir and going up to Kanya Kumari travel without being stopped at the check posts on the borders of each State? GST has the potential to remove all these obstacles and forge India into one economic State or a common national market where the trade is really done without fear or favour in any State of the country.

Now the common refrain no longer is as to what is GST? The waves of awareness have swept through the country and it would not be a fallacy to say that even a child would know that GST stands for Goods and Services Tax. But what he might not know is that what has created the need for ushering this mammoth reform in the country? Why it has taken more than ten years for the country to see the dawn of a new era? Well, the answer to this would lie in the backdrop of history with which our taxation system was much in favour with. Historically, the Central Government levies tax on manufacture (Central Excise duty), provision of services (Service Tax), inter-State sale of goods (CST - levied by the Centre but collected and appropriated by the States) and the State Governments levy tax on retail sales (VAT), entry of goods in the State (Entry Tax), Luxury Tax, Purchase Tax, etc. Not only the sheer number of these taxes is mind boggling but the compliance mechanisms for all these taxes is nightmarish for any taxpayer. Adding complexity to the problem is the fact that these taxes were existing in silos i.e. there was no credit chain between the taxes paid to the Central government or the State government. Resultantly, there was cascading of taxes, tax arbitrage between the inter-State and intra-State sales spawning a vortex of unscrupulous elements

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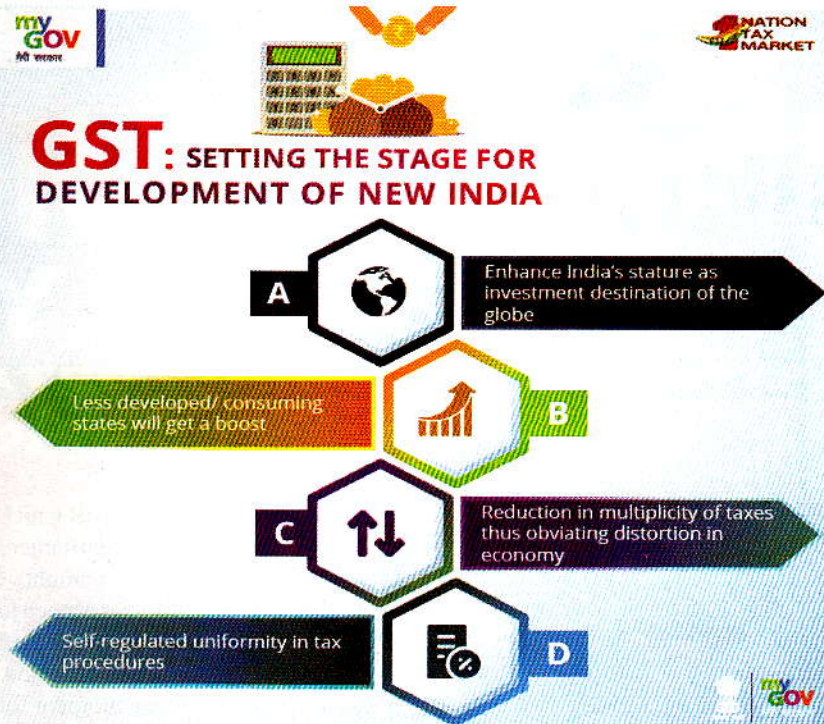
who took advantage of these artificial barriers. Alongside the matrix of forms and cumbersome regulations combined with tardy and inefficient compliance mechanism made conduct of business in India a tribulation for most of the trade and industry.

These vexatious experiences are going to be forgotten as a bad dream and what we are going to see is arrival of SMART governance with key attributes being smart, moral, accountable, responsive and transparent in the GST regime. Various taxes have been subsumed in a single tax called the Goods and Services Tax (GST) which will be levied on supply of goods or services or both at each stage of supply chain starting from manufacture or import and till the last retail level. With India being a federal setup where both the Central and State government have independent powers of taxation, GST in India is a dual levy where the Central Government will levy and collect Central GST (hereinafter referred to as "CGST" or "Central tax") and the States will levy and collect State GST (hereinafter referred to as "SGST" or "State tax") on intra-State supply of goods or services. The Centre will also levy and collect Integrated GST (hereinafter referred to as "IGST" or "Integrated tax") on inter-State supply of goods or services. Besides these there will be a levy of Union territory GST ("UTGST" or "Union territory tax") on intra-Union territory supplies that take place in Union territories without legislatures. Also, for gathering of resources that would be required by the Central government to pay the States as compensation on account of any loss that they might suffer due to introduction of GST, a GST Compensation cess is being levied on certain sin and luxury goods or services.

Key Features of GST:

In order to understand GST it would be better if the key features of GST model in India are detailed out which are as follows:-

(1) The territorial spread of GST is whole of the country




including the State of Jammu and Kashmir.

- (2) GST is applicable on "supply" of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.
- (3) It is based on the principle of destination based consumption taxation as against the present principle of origin based taxation.
- (4) Import of goods is treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.
- (5) Import of services is treated as inter-State supplies and would be subject to IGST on reverse charge basis.
- (6) CGST, SGST /UTGST & IGST is levied at rates mutually agreed upon by the Centre and the States under the aegis of the GST Council (GSTC).
- (7) There are four tax slabs namely 5 per cent, 12 per cent, 18 per cent and 28 per cent for all goods or services. Precious metals would be subject to tax

@ 3 per cent whereas rough precious stones attracts tax @ 0.25 per cent. Some specified goods or services have been exempted.

- (8) GST covers the entire gamut of goods and services except Alcohol for human consumption which is constitutionally out of GST. Besides, five petroleum products (Crude, Petrol, Diesel, ATF and Natural gas) are out of GST at present and can be brought into GST fold on recommendation of GST Council.
- (9) A common threshold exemption of Rs. 20 lakhs (Rs. 10 lakhs for special category States as specified in article 279A of the Constitution except State of Jammu & Kashmir) for both CGST and SGST/UTGST has been provided for. Besides, an option to pay tax under composition scheme (i.e. to pay tax at a flat rate without credits) is available to small taxpayers (other than specified category of manufacturers and service providers) having an annual turnover of up to Rs. 75 lakhs

HOW WILL GST BENEFIT & EMPOWER CITIZENS ?

-  Reduction in overall tax burden
-  No hidden taxes
-  Development of a harmonized national market for goods and services
-  Higher disposable income in hand for health, education and essential needs
-  Consumers to have wider choice
-  Increased economic activity
-  More employment opportunities

(Rs. 50 lakhs for special category States as specified in article 279A of the Constitution except State of Jammu & Kashmir and Uttarakhand).

- (10) Exports and supplies to SEZ are zero-rated.
- (11) Credit of CGST paid on inputs may be used only for paying CGST on the output and the credit of SGST/UTGST paid on inputs may be used only for paying SGST/UTGST. In other words, the two streams of input tax credit (ITC) cannot be cross utilized, except in specified circumstances of inter-State supplies for payment of IGST. The credit would be permitted to be utilized in the following manner:
 - a) ITC of CGST allowed for payment of CGST and IGST in that order;
 - b) ITC of SGST allowed for payment of SGST and IGST in that order;
 - c) ITC of UTGST allowed for payment of UTGST and IGST in that order;
 - d) ITC of IGST allowed for

payment of IGST, CGST and SGST/UTGST in that order.

ITC of CGST cannot be used for payment of SGST/UTGST and vice versa.

- (12) Electronic filing of returns has to be done by different class of

persons at different cut-off.

- (13) Various modes of payment of tax available to the taxpayer including internet banking, debit/ credit card and National Electronic Funds Transfer (NEFT) / Real Time Gross Settlement (RTGS).
- (14) Refund of tax has to be sought by the taxpayer or by any other person who has borne the incidence of tax within two years from the relevant date.
- (15) System of self-assessment of the taxes payable by the registered person has been provided for.
- (16) Audit of registered persons to be conducted in order to verify compliance with the provisions of the Act.
- (17) Advance Ruling Authority in States in order to enable the taxpayer to seek a binding clarity on taxation matters from the department. Centre would adopt such authority under CGST Act.
- (18) An anti-profiteering clause has been provided in order to ensure

WHO IS LIABLE TO PAY GST?

Tax liability arises when the taxable person crosses the threshold exemption, i.e. ₹ 20 lakhs (₹10 lakhs for NE States, Sikkim, Uttarakhand & Himachal Pradesh)

IGST is payable on all inter-state supply of goods or services or both

The CGST / SGST is payable on all intra-State supply of goods or services or both



that business passes on the benefit of reduced tax incidence on goods or services or both to the consumers.

- (19) Elaborate transitional provisions have been provided for smooth transition of existing taxpayers to GST regime.

Benefits of GST:

(A) Make in India:

- (i) Will help to create a unified common national market for India, giving a boost to Foreign investment and "Make in India" campaign;
- (ii) Will mitigate cascading of taxes as Input Tax Credit will be available across goods and services at every stage of supply;
- (iii) Harmonization of laws, procedures and rates of tax;
- (iv) More efficient neutralization of taxes especially for exports thereby making our products more competitive in the international market and give boost to Indian Exports;
- (v) Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices

mean more consumption, which in turn means more production thereby helping in the growth of the industries. This will create India as a "Manufacturing Hub".

(B) Ease of Doing Business:

- (i) Simpler tax regime with fewer exemptions;
- (ii) Reduction in the multiplicity of taxes that are at present governing our indirect tax system leading to simplification and uniformity;
- (iii) Reduction in compliance costs - No multiple record keeping for a variety of taxes- so lesser investment of resources and manpower in maintaining records;
- (iv) Simplified and automated procedures for various processes such as registration, returns, refunds, tax payments, etc;
- (v) All interaction to be through the common GSTN portal-minimal public interface between the taxpayer and the tax administration;
- (vi) Common procedures for registration of taxpayers, refund of taxes, uniform formats of tax return, common

tax base, common system of classification of goods and services will lend greater certainty to taxation system.

(C) Benefit to Consumers:

- (i) Final price of goods is expected to be lower due to seamless flow of input tax credit between the manufacturer, retailer and supplier of services;
- (ii) Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption.

Conclusion:

Looking at GST from a myopic view point only shades of indirect tax reform will be visible. But if we have a comprehensive view of this transformational reform it can be seen as a business change, a social regeneration, a revolution that will reenergize the sagging wheels of our economic growth, a booster dose for the immunity of our economy from the vagaries of world developments and last but not the least a future where the head will be held high and minds will be free. □

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Mobile App "GST Rates Finder"

A mobile app "GST Rates Finder" was launched recently. This Mobile app, which is now available on android platform and will soon be available on iOS platform, helps users to find rates of GST for various goods and services. It can be downloaded on any smart phone and can work in offline mode, once downloaded. The user can determine the GST rate for a good or a service by entering the name or Chapter heading of the commodity or service. The search result will list all the Goods and Services containing the name which was typed in the Search Box. The user can scroll down the list of description and when any specific item on the list is clicked, the display window will pop-up, containing details such as GST rate, description of goods or services and the Chapter heading of the Harmonised System of Nomenclature (HSN). For example, any person who has been billed by a hotel or a restaurant or for footwear can cross verify the correctness of the rate of GST charged.



CBEC has also provided a GST rate finder on its portal cbec-gst.gov.in to help the taxpayers know the applicable GST rate on their supplies of goods and services. A taxpayer can search for applicable CGST, SGST, UTGST rate and Compensation Cess on a supply. The search can be made based on description of goods or services or HSN Chapter or section or heading number.

These initiatives are aimed to serve as a ready reckoner on GST rates. This will empower not only the taxpayers, but every citizen of the nation, to ascertain the correct GST rate on goods and services.