



# GOODS AND SERVICE TAX

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# HIGHLIGHTS OF GST

- Constitutional Amendment Bill has been passed in Rajya Sabha on 03/08/2016 by all members present voting in favour and no voting against. However, TamilNadu members did not participate in voting.
- This Bill was again presented in Lok Sabha and passed by all the members present on 08/08/2016. The bill was originally passed in Lok Sabha on 06/05/2015.
- The reason for presenting the bill again in Lok Sabha was that certain amendments were made by Rajya Sabha before passing the same. These are ...



- a) 1% Additional Tax on Goods by the manufacturing states on Inter State Supplies proposed in the original Bill passed in Lok Sabha has been dropped.
- b) Full Compensation of any loss of revenue to States on implementation of GST has been accepted by the Center for first five years.
- c) The third proposal of Congress to mention the rate of GST in the bill has not been accepted and later on Congress agreed.
- d) The opposition Leaders wanted that GST bill should be brought as a Finance Bill and not as Money Bill so that both Lok sabha members .....contd.



and Rajya Sabha members can pass the same after debate. However, Mr. Jaitley FM did not respond positively and he said he will work as per constitution

- e) The Rajya sabha members from Maharashtra requested that **octroi** is the major source of revenue of the state and therefore the same should not be subsumed in GST. However Mr. Jaitley replied to consider the same and to design a method by which the revenue from the same can be compensated to the state.



- Now, This amendment bill is to be ratified by 15 states.
- Thereafter, Gst Council will be constituted within 60 days and the council will decide about rates of tax on Goods and Services and various other issues.
- The Gst Council will finalize the CGST Bill, SGST Bill and IGST Bill and the said bills thereafter passed by different States and the Center.
- It is expected that on Goods there will be 4 rates (6%,12%,18-20% and 40%). However, on services there will be one rate of 18-20%. Most of opposition parties want that standard rate should be 18%. So that inflation should remain in control.



- In other countries wherever GST has been implemented – there had been inflation in the first 2-3 years.
- Therefore, the Govt. needs to develop a mechanism so that the benefit of GST should be passed on the consumers. Although it can be said that competition will take care of the same but the Govt. must plan to control the inflation and passing of benefit to consumer by reduction in rates of goods.
- It is expected that by implementation of GST the revenue of central Govt. State Govts. Will increase and there will be a win-win situation for all the stakeholders. It is estimated that GDP of the country will rise by 1-2%.



# WHAT IS GST

- GST means tax on Goods and Services.
- It is destination based tax.
- Credit of all Input Tax will be allowed against output tax. At present credit for CST, Excise Duty, Service Tax not allowed against VAT.
- Both Center and States will be allowed to levy tax on goods as well as on services. At present State cannot tax services and Center cannot tax goods.



- Apply to all stages of the value chain
- Apply to all taxable supplies of goods or services (as against manufacture, sale or provision of service) made for a consideration except –
  - Exempted goods or services – common list for CGST & SGST
  - Goods or services outside the purview of GST
  - Transactions below threshold limits
- Dual GST having two concurrent components –
  - Central GST levied and collected by the Centre
  - State GST levied and collected by the States





- CGST and SGST on intra-State supplies of goods or services in India.
- IGST (Integrated GST) on inter-State supplies of goods or services in India – levied and collected by the Centre.
- IGST applicable to
  - Import of goods and services
  - Inter-state stock transfers of goods and services
- Export of goods and services – Zero rated.



- All goods or services likely to be covered under GST except :
  - Alcohol for human consumption - State Excise plus VAT
  - Electricity - Electricity Duty
  - Real Estate - Stamp Duty plus Property Taxes
  - Petroleum Products (to be brought under GST from date to be notified on recommendation of GST Council)
- Tobacco Products under GST with Central Excise duty.



# TAXES TO BE SUBSUMED

## Central Taxes to Subsumed

- Central Excise duty (CENVAT)
- Additional duties of excise
- Excise duty levied under Medicinal & Toiletries Preparation Act
- Additional duties of customs (CVD & SAD)
- Service Tax
- Surcharges & Cess



## State Taxes to subsumed

- State VAT / Sales Tax
- Central Sales Tax
- Purchase Tax
- Entertainment Tax (not levied by the local bodies)
- Luxury Tax
- Entry Tax ( All forms)
- Taxes on lottery, betting & gambling
- Surcharges & Cess



## **LATEST (18.08.2016- ECONOMIC TIMES-NBT)**

- Govt. to hold talks with all the sectors on Draft GST Bill.
- Talks with the Industry to begin from **30<sup>th</sup> August, 2016.**
- Govt. willing to consider following concerns of the Trade & Industry:-
  - 1) Filing of Returns under GST to be made easier.
  - 2) Law relating to Input Tax Credit (ITC) also to be made easier.
  - 3) Difficulties in Tax Payment Process on Inter State Transfer of goods to be removed.

(CONTD.....)



(Cont.....)

- 4) Law relating to Prosecution of Tax Payers on Non-Compliance of GST Provisions likely to be dropped.
- 5) Chief Ministers of BJP ruled States to be advised by the Centre to go easy on the Rate of Tax under GST in order to prevent any dispute on the issue. Congress demanded GST Rate to be 18%.

