



Goods and Service Tax (GST)

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BASICS of GST

GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer

The Input Tax credit paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage.

It is the end consumer who will bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

With the streamlining of the multiple taxes, the final cost to the consumer will turn out to be low because of elimination of double charging system.

Taxes to be subsumed

CENTRAL TAXES

- Central Excise Duty
- Service Tax
- Additional Duties of Excise
- Duties of Excise (Medicinal and Toilet Preparations)
- Additional Duties of Customs (known as CVD) & Special Additional Duty of Customs (SAD)
- Surcharge and Cess levied by Centre so far as they relate to supply of goods and services
- Surcharge & Cess levied by Centre

STATE TAXES

- Central Sales Tax
- State VAT
- Luxury Tax
- Entry Tax and Octroi (all forms)
- Entertainment and Amusement Tax (except when levied by the local bodies)
- Taxes on lotteries, betting and gambling
- Purchase Tax
- Surcharges and Cesses levied by the State

Taxes not to be subsumed

- Basic Customs Duty
- Road and Passenger Tax
- Stamp Duty
- Export Duty
- Electricity Duty
- Property Tax
- Toll Tax

Note: Alcoholic beverages for human consumption are proposed to be kept out of the purview of GST

Note: GST on petroleum products would be levied from a notified date to be recommended by the GST Council

GST Rates

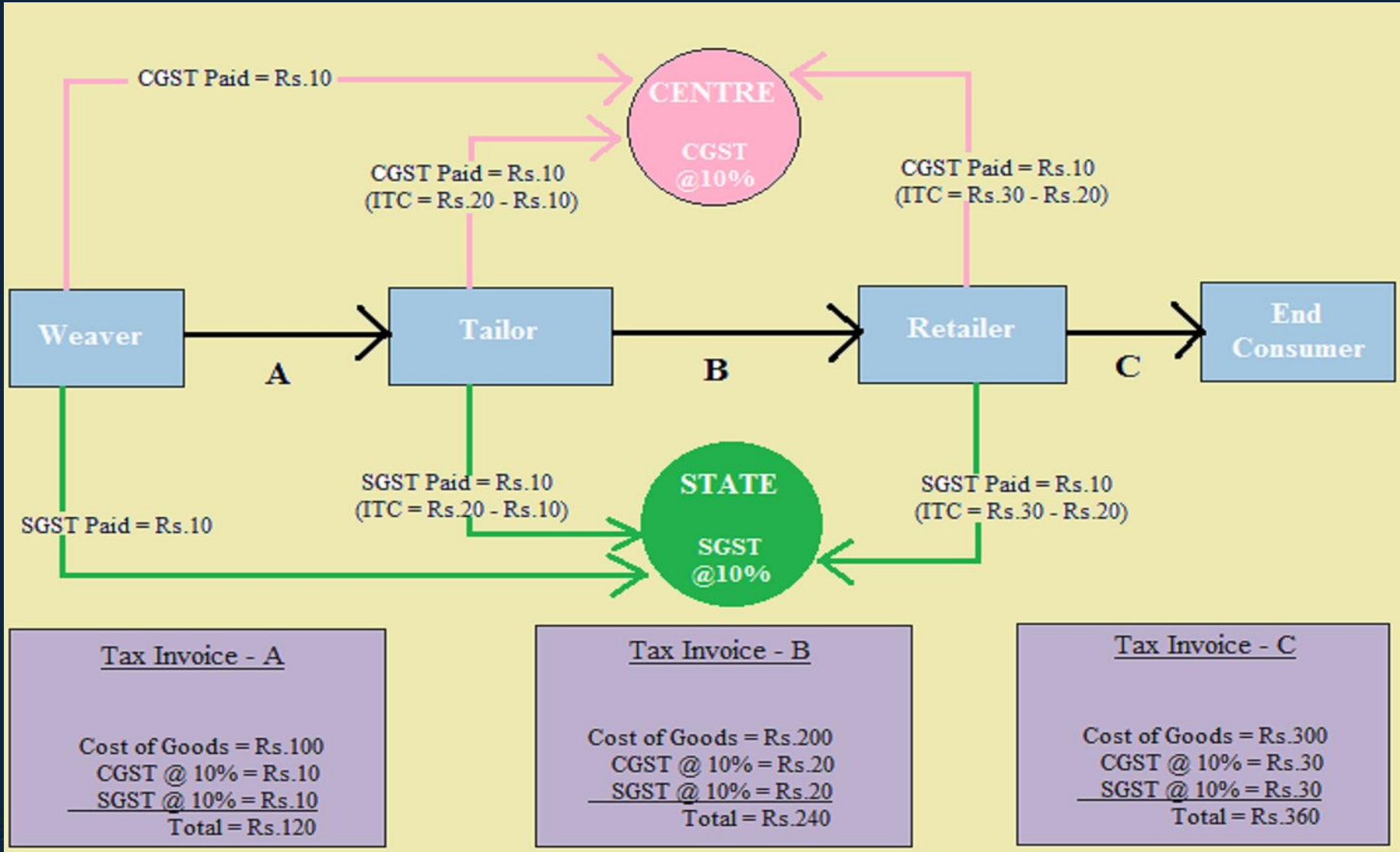
- The four GST slabs are 5%, 12% 18% and 28%. The fifth rate for gold and precious metals, which was earlier proposed at 4%, will be decided later but is likely to be lower.
- **Basic food** such as milk, food grains, vegetables, will be **exempt** under the GST.
- **Other essential items** such as edible oil, tea, spices, packaged food items etc. the GST rate may likely be **5%**.
- Two standard rates of **12% and 18%** will cover almost every other goods and services.
- Luxury cars, tobacco and aerated drinks would also be levied with an **additional cess** on top of the highest tax rate.

GST Working Model

Q. How a particular transaction of goods and services would be taxed simultaneously under Central GST (CGST) and State GST (SGST)?

- The Central GST and the State GST would be levied simultaneously on every transaction of supply of goods and services except the exempted goods and services.
- Further, both would be levied on the same price or value
- While the location of the supplier and the recipient within the country is immaterial for the purpose of CGST, however, SGST would be chargeable only when the supplier and the recipient are both located within the State.

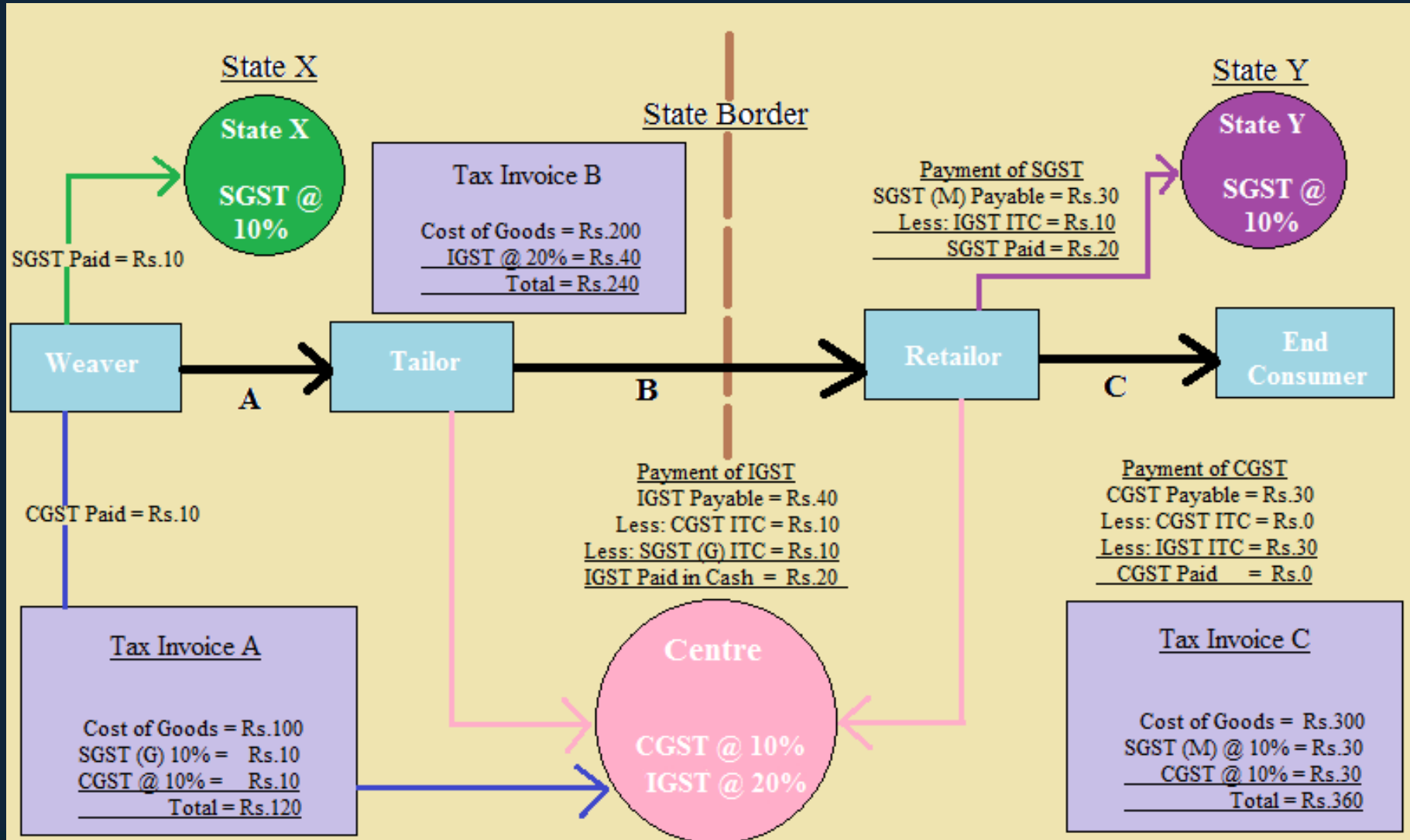
Working Example of GST under CGST & SGST



How GST will operate under Integrated GST (IGST) ?

- Integrated GST (IGST) would be levied and collected by the Centre on inter-State supply of goods and services.
- The GST on supplies in the course of Inter-State trade or commerce shall be levied and collected by the Government of India.
- Such tax shall be apportioned between the Union and the States in the manner as may be provided by the law

Working example of GST under IGST Model



How to adjust Input Tax Credit (ITC) ?

Setoff of IGST, CGST & SGST will be as follows in the chronological order

Credit Off	To be adjusted with
IGST	1. IGST
	2. CGST
	3. SGST
CGST	1. CGST
	2. IGST
SGST	1. SGST
	2. IGST

GST Return Filing Process

GST return filing process



Returns under GST

Return / Form	Details	Frequency	Due Date
GSTR – 1	Outward sales by business	Monthly	10 th of next month
GSTR – 2	Purchases made by Business	Monthly	15 th of next month
GSTR – 3	GST monthly return along with the payment of amount of tax	Monthly	20 th of next month
GSTR – 4	Quarterly return for GST	Quarterly	18 th of month next quarter
GSTR – 5	Periodic return by Non-Resident foreign taxpayer	Monthly	20 th of next month
GSTR – 6	Return for Input Service Distributor (ISD)	Monthly	15 th of next month
GSTR – 7	GST Return for TDS	Monthly	10 th of next month
GSTR – 8	GST return for ecommerce suppliers	Monthly	10 th of next month
GSTR - 9	GST Annual Return	Annually	31 st of next financial year

E-Commerce Businesses under GST Regime

E-commerce industry in India is faced with the levy of multiple taxes, with every state imposing its own set of rules and taxes. The lack of clarity on the tax treatment of the various types of e-commerce transactions has resulted in a chaotic tax environment for the industry.

GST Law recognizes the need for rules specific to the e-commerce industry, with specific provisions with respect to e-commerce broadly under two categories :

- The e-commerce operator and
 - Suppliers on e-commerce platforms
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E-Commerce Businesses under GST Regime

An e-commerce operator is a person who owns, operates or manages digital or electronic facility or platform for electronic commerce. The requirements from an e-commerce operator under GST are-

- All e-commerce operators are mandatorily required to register under GST irrespective of their turnover.
- Certain service categories may be notified, on supply of which, tax shall be paid by the e-commerce operator, and If the e-commerce operator does not have an establishment in a state, any person representing the e-commerce operator will be liable to pay the tax
- E-commerce operator should collect tax @ 2% on the net value of taxable supplies made through their platform, where the consideration, with respect to such supplies, has to be collected by the operator & need to file GSTR 8 by 10th of the month

E-Commerce Businesses under GST Regime

Suppliers on e-commerce platforms are persons who supply goods or services on an e-commerce platform. The requirements from suppliers on e-commerce platforms are-

- All suppliers on e-commerce platforms are **mandatorily required to register under GST**. Hence, even e-commerce suppliers whose aggregate turnover does not exceed the threshold limit for registration will have to compulsorily register
- A person who supplies goods or services through an e-commerce operator **will not be eligible for registration under composition Scheme**. Hence, even if the person's aggregate turnover does not cross Rs. 50 Lakhs, he/she does not have the option to become a composition tax payer
- Suppliers on e-commerce platforms are required to file periodical returns under GST (GSTR 1, GSTR 2A, GSTR 2, GS ITC 1)

Service Sector (IT / ITES) under GST Regime

- Service Sector contributes significantly in export as well as provide a large scale employment, and covers a wide variety of activities such as Information technology, Information Technology Enabled Services, hotel and restaurants, transport, Warehousing –storage, financing, insurance, real estate, and other business services.
- Currently Service tax provisions applies to all over India except J&K, but GST will extend to all over India including J&K and also allows Central Govt. to collect the service taxes on rendered services in the state of J&k.
- Currently, service tax is levied @15% on Services rendered which includes 0.5% for Swatch Bharat Cess and 0.5% for Krishi Kalyan Cess , under GST regime services will be charged @ higher rate of 18% to 26% which will make the services costlier.
- Earlier, Service Providers could not claim input credit of VAT/Excise paid by them on purchase of assets or any other goods. But under GST, they can claim input tax credit charged on the same and hence can reduce their GST liability.

Service Sector (IT / ITES) under GST Regime

- At Present there are disputes between Central and State Governments on various services in nature of products / SAAS model, wherein both central govt and state governments are sending notices.
- But with the introduction of single tax GST regime, the double taxation effect due to disputed goods and services in the current tax system will get eliminated. In GST tax structure both supplies of goods and services will be treated once with the unique rate of tax respectively.
- Currently there are centralized registration provisions under Service tax that mean provider of services can render services from any place in India, under GST regime centralized registration will not be available as the dealer or the service provider needs to get registered with that particular state Govt from where he is intended to provide services.
- In current Service tax system there are provisions for two half-yearly returns in regards to services rendered during that period but in GST Model law there are multiple returns prescribed adding to compliance costs.

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