



THE ROADMAP TO GST

Target date of GST Roll Out: 1st April 2017



Shashwat Tulsian, Partner

"GST is one indirect tax for the whole nation, which will make India one unified common market. A robust and comprehensive IT system would be the foundation of the GST regime in India. Companies and tax collectors will have to be prepared on the necessary changes. Some companies may even have to overhaul their business processes to make way for the new tax change."



Nisha Kulthia, Partner

"As ease of doing business improves, India's attractiveness as a preferred investment destination will naturally get a fillip, resulting in a further inflow of FDI. In the medium term this will usher in a cycle of higher sustainable growth amid stable inflation"

MAJOR CHALLENGES

- **Calculation of Revenue Base** of Centre and States, along with compensation requirements of Centre
- **GST Rates structure**
- List of **Exemptions**
- Forming of consensus on **Model GST Bill**
- **Threshold limits**
- **Compounding limits**
- **Cross Empowerment** to mitigate ill-effects of Dual Control

Major features of the Constitution (122nd Amendment) Bill, 2014

The salient features of the Bill are as follows:

- ⦿ Conferring simultaneous power upon Parliament and the State Legislatures to make laws governing goods and services tax;
- ⦿ Subsuming of various Central indirect taxes and levies such as Central Excise Duty, Additional Excise Duties, Service Tax, Additional Customs Duty commonly known as Countervailing Duty, and Special Additional Duty of Customs;
- ⦿ Subsuming of State Value Added Tax/Sales Tax, Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States), Octroi and Entry tax, Purchase Tax, Luxury tax, and Taxes on lottery, betting and gambling;
- ⦿ Dispensing with the concept of 'declared goods of special importance' under the Constitution;
- ⦿ Levy of Integrated Goods and Services Tax on inter-State transactions of goods and services;
- ⦿ GST to be levied on all goods and services, except alcoholic liquor for human consumption. Petroleum and petroleum products shall be subject to the levy of GST on a later date notified on the recommendation of the Goods and Services Tax Council;
- ⦿ Compensation to the States for loss of revenue arising on account of Implementation of the Goods and Services Tax for a period of five years;
- ⦿ Creation of Goods and Services Tax Council to examine issues relating to goods and services tax and make recommendations to the Union and the States on parameters like rates, taxes, cesses and surcharges to be subsumed, exemption list and threshold limits, Model GST laws, etc. The Council shall function under the Chairmanship of the Union Finance Minister and will have all the State Governments as Members.



REGISTRATION

Existing dealers : No fresh registration needed for existing dealers. Existing VAT/Service tax/Central Excise dealer data to be migrated to GST system.

New dealers : Single application to be filed online for registration under Goods & Services Tax (GST).

- ⦿ The registration number will be PAN based and will serve the purpose for both-Centre and State.
- ⦿ Unified application to both tax authorities.
- ⦿ Each dealer to be given unique ID GSTIN.
- ⦿ Deemed approval within three days.
- ⦿ Post registration verification in risk based cases only.

RETURNS

- ⦿ Common return would serve the purpose of both Centre and State Government.
- ⦿ There are eight forms provided for in the GST business processes for filing for returns. Most of the average tax payers would be using only four forms for filing their returns. These are return for supplies, return for purchases, monthly returns and annual return.
- ⦿ Small taxpayers: Small taxpayers who have opted composition scheme shall have to file return on quarterly basis.
- ⦿ Filing of returns shall be completely online. All taxes can also be paid online.

Features of the proposed payment procedures under GST

- ⦿ Electronic payment process- no generation of paper at any stage
- ⦿ Single point interface for challan generation- GSTN
- ⦿ Ease of payment – payment can be made through online banking, Credit Card/Debit Card, NEFT/RTGS and through cheque/cash at the bank
- ⦿ Common challan form with auto-population features
- ⦿ Use of single challan and single payment instrument
- ⦿ Common set of authorized banks
- ⦿ Common Accounting Codes



How would GST be administered in India?

Keeping in mind the federal structure of India, there will be two components of GST – Central GST (CGST) and State GST (SGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

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

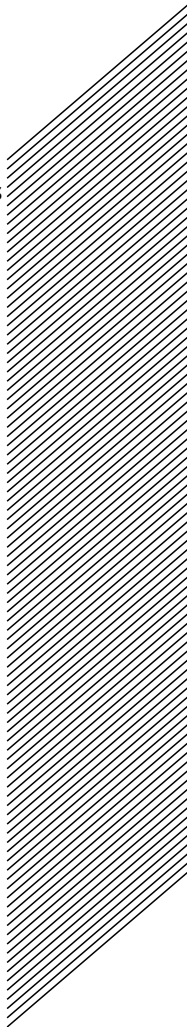
The Central GST and the State GST would be levied simultaneously on every transaction of supply of goods and services except on exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. Further, both would be levied on the same price or value unlike State VAT which is levied on the value of the goods inclusive of Central Excise.

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

Cross utilization of credit of CGST between goods and services would be allowed. Similarly, the facility of cross utilization of credit will be available in case of SGST. However, the cross utilization of CGST and SGST would not be allowed except in the case of inter-State supply of goods and services under the IGST model which is explained in answer to the next question.

How will be Inter-State Transactions of Goods and Services be taxed under GST in terms of IGST method?

In case of inter-State transactions, the Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supplies of goods and services under Article 269A (1) of the Constitution. The IGST would roughly be equal to CGST plus SGST. The IGST mechanism has been designed to ensure seamless flow of input tax credit from one State to another. The inter-State seller would pay IGST on the sale of his goods to the Central Government after adjusting credit of IGST, CGST and SGST on his purchases (in that order). The exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The importing dealer will claim credit of IGST while discharging his output tax liability (both CGST and SGST) in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST. Since GST is a destination-based tax, all SGST on the final product will ordinarily accrue to the consuming State





How will be Inter-State Transactions of Goods and Services be taxed under GST in terms of IGST method?

- ⦿ For the implementation of GST in the country, the Central and State Governments have jointly registered Goods and Services Tax Network (GSTN) as a not-for-profit, non-Government Company to provide shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders. The key objectives of GSTN are to provide a standard and uniform interface to the taxpayers, and shared infrastructure and services to Central and State/UT governments.
- ⦿ GSTN is working on developing a state-of-the-art comprehensive IT infrastructure including the common GST portal providing frontend services of registration, returns and payments to all taxpayers, as well as the backend IT modules for certain States that include processing of returns, registrations, audits, assessments, appeals, etc. All States, accounting authorities, RBI and banks, are also preparing their IT infrastructure for the administration of GST.
- ⦿ There would no manual filing of returns. All taxes can also be paid online. All mis-matched returns would be auto-generated, and there would be no need for manual interventions. Most returns would be self-assessed.

Imports be taxed under GST

The Additional Duty of Excise or CVD and the Special Additional Duty or SAD presently being levied on imports will be subsumed under GST. As per explanation to clause (1) of article 269A of the Constitution, IGST will be levied on all imports into the territory of India. Unlike in the present regime, the States where imported goods are consumed will now gain their share from this IGST paid on imported goods.

About RTC

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Our Offices

Kolkata Office:

7/1C, Jatindra Mohan Avenue,
1st Floor, Kolkata – 700006
Phone No: 033 – 2543 2271 / 2270
Mobile No: +91-9830452385
email: shashwat@rtlsian.com
rohit@rtlsian.com
tapas@rtlsian.com

Delhi Office:

C-10 Varun Apartments, Rohini, Sector 9
New Delhi-110085
Phone No: 033 – 2543 2271 / 2270
Mobile No: +91-9830452385
email: shashwat@rtlsian.com
rohit@rtlsian.com
tapas@rtlsian.com

Mumbai Office:

302 Tarachand Apartment, Gomes Street, Station Road, Bhayander (West)- 400101
Phone No: 033 – 2543 2271 / 2270
Mobile No: +91-9830452385
email: shashwat@rtlsian.com
rohit@rtlsian.com