Goods & Services Tax (GST)

The inside and Outside

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GOODS AND SERVICES TAX

One Nation One Tax

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1 What is GST and How was it Introduced in India?

KNOW THE ALL ABOUT GST

Of late, there was a lot of hype about GST, the latest taxation reform introduced by Indian government to amend the prevailing tax system.

This brought a sense of commotion and uncertainty among the common public, simply because the concept and the benefits were not understood. In this segment we are going to discuss every aspect related to GST in an easy to understand and relatable language.

1.1 FIRST OF ALL, LET US TRY TO UNDERSTANS THE TERM GST

Going by the name; GST – Goods and Services Tax, is a single unified form of tax, which levies upon all goods and services. All trades and people involved in give and take of goods and services, will now pay GST, instead of getting entangled in many different forms of taxes, levied in different businesses in different forms. GST replaced many direct and indirect taxes, which were earlier in practice, and thus simplified the taxation procedures to a great deal. The prominent view behind the introduction of GST was to integrate the tax procedures, not only at state level, but at central level and bring in the economic betterment of the nation.

Thus, GST is an actually a smart taxation system.

In the previous tax system, there were a large number of taxes collected by central and state government on manufacturing, sales and consumption of goods and services (we will discuss these in detail in chapter 3) With GST in force, all such taxes will be replaced and there will be 2 major taxes prevailing, 1. GST and 2. Income Tax.

It is a huge positive step taken by Indian government to improve on taxation system and to convert India into one common market by merging the taxes at Central and State level. This reform is going to make life easier and simpler for all, and will bring in a lot of transparency in business dealings, which is definitely going to kill corruption to a large extent.

Now, let us take a look at the journey as to how GST was implemented in India.

The Introduction of GST happened in few imperative steps:

In the budget speech for Financial Year 2006-2007, held on 1st April 2006, a proposal for GST was initiated, to simplify the taxation, which was already prevalent in many foreign nations.

Following that, the Empowered Committee of State Finance Ministers initiated the task on building a roadmap of GST in first trimester of 2007. In Nov. 2007, first report to the committee was submitted by the team working on it.

Committee fine - tuned and finalised this first report in 2008 and submitted it by the name: " A MODEL AND ROADMAP FOR GOODS AND SERVICES TAX IN INDIA "

Empowered Committee released the first paper discussion on the report in Nov. 2009.

In 2010, then Finance Minister, Sh. Pranav Mukherjee, mentioned in his speech to introduce GST from April 2011, which eventually did not happen.

Thereafter, a full report on GST was submitted to the parliament by Standing Committee, in August 2013. The Empowered Committee rejected the proposal in same year November, as petroleum products were not included in the report.

In the session held in December 2014, 122nd Amendment Bill of Constitution was passed in Lok Sabha to levy GST.

Finally, on 3rd August 2016, the bill was accepted and passed by Rajya Sabha, and it was said that GST will come in force from 1st July 2017.

And thus, Goods and Services Tax Bill (GST), known to be as 122nd Amendment Bill, saw the light of day on 1st July 2017.

In the current scenario, where industrialization is the need of the hour and pacing swiftly, GST is undoubtedly a bid step in endorsing the economic development of the country. It comes along with the commitment of financial development and benefit to everyone.

1.2 WHAT ARE THE BROADER BENEFITS OF GST?

Prime Minister Sh. Narendra Modi had a vision with regards to GST. He saw it as the most needed reform for the nation, bringing following growth and benefits.

From a regular consumer or layman point of view, the most prominent advantage of GST is almost 30% reduction of overall tax burden on good and services, which we all were paying earlier, on buying the products or using any services. Thus, the prices will fall.

Entry tax and state tax have been removed, which ensures free movement of goods from one state to another, making the availability of goods easy. This also enhances the importing and exporting power of manufacturers and traders.

Also, the multiple taxes, which were prevailing earlier, required a lot of paperwork, in various tax segments. All businessmen had to engage themselves in huge paper piling while filing their tax returns. Now that GST is a unified form of tax, the paperwork will be reduced considerably.

As India is a Federal Republic, so GST is implemented by Central and State Government.

2 Why was there a Need for GST in India- An Introduction to GST Council.

Before GST, Indian Tax System was a giant ball of numerous taxes that were paid at different stages of business and were separately collected by State and Central Government. The tax rates also differed from one state to another. Hidden taxes on exports, and no charge applicable on importing the goods form one state to another were also the instruments to fraud and forgery. This led to an entangled tax structure, with a lot of discrepancies taking place and tax corruption getting elevated.

GST, instead, unified the tax structure and consequently the entire nation. Now, the consolidated tax collected will be divided among Central and State Government, which is an easier way to provide services and goods across the nation, without any additional taxes imposed on them.

Additional taxes imposed on goods and services at different stages meant a substantial increase in cost that the end consumer was paying. The manufacturers and traders increased the costs to even out their tax burden. Also, the complex tax structure was inefficient, with a lot of loopholes being created in the entangled web. That is the reason, a consolidated and unified tax structure was needed to eliminate all these. GST Taxation will add a lot of value at each stage of business and trading. Thus, the economic growth is sure to be seen, in the coming phases of GST. India can now be identified as one national market with a unified and simplified tax structure, that too at a reasonable tax rate.

GST is going to bring in a lot of transparency in the entire taxation system of the country Consumers and businessmen will thus know the amount of taxes they are paying to government for manufacturing, sale and purchase of goods and services.

Need for GST

- A complete destination-based tax system
- Benefit principle of taxation - 2 ideas - Beneficiary pays & proportionately pays ‘.
- A single tax to replace multiple indirect level. levied both at the Centre and State
- Cascading effect of tax as set - off of prior - stage taxes was not available.
- Tax burden on goods and services had to be reduced benefiting common man.
- To make our products competitive in domestic and international markets.
- To boost economic activity and create more jobs.

Now let us take a quick look at some of major benefits of GST:

Simplified Tax Structure: As explained earlier. GST is a unified tax entity which eliminates a lot of taxes that were paid earlier at different stages in different businesses, like VAT, Excise, Service Tax etc, which you must have seen on the bills that you received for your purchases. Now, GST a single tax which is levied on any good or services being sold or purchased. This is the biggest benefit of this tax system. All the confusion is eliminated. For businesses, accounting complexities will reduce resulting in less paperwork, which will save both time and money. GST will increase economic GDP by 2-2.5 %

A Substantial Increase in Tax Revenues: When the tax system is simplified, people will not run-away t from paying the taxes and willingly come forward to contribute through a single tax entity, GST. This will create a good revenue deposit for government, to be used in further development and betterment of the nation.

Reduced Prices of Goods and Services: When the taxes are reduced by removing various direct and indirect taxes, the manufacturers, traders and service providers will automatically make their offerings available on lower prices for end consumers Also, lower the prices, higher the demand, which clearly means a substantial boost to economy. Businesses and companies will benefit from this, as they will be I producing more and selling more.

A Firm Boost To Export Industry: With the introduction of GST, India will rise as a competitive market with fair pricing. This will encourage more and more foreign players to enter Indian market, thus, giving a good boost to export and trading.

GST will take away cascading effect of various taxes that are charged on sale / production / purchase, taking off the burden from all the tax payers and end consumers.

But, all this reform making, decision making and implementation was not easy and will not be easy in future course. To have a structure in place and to make the processes smooth, a ruling or decision making body was needed. Thus, GST Council came in place.

2.1 WHAT IS GST COUNCIL AND ITS FUNCTIONS?

The key decision-making body, which is making all the important decisions regarding GST, its structure. the norms, regulations, enforcement and implementation are called GST Council. It is this council that is deciding the tax rates, tax exemptions, the due dates of obtaining GST forms, and deadlines of filing GST This is council is also responsible for making decisions regarding special rates and provisions for various states. The major responsibility of GST council is to ensure a uniform tax system and tax rates for goods and services across the country.

2.2 HOW IS GST COUNCIL STRUCTURED?

As we discussed earlier in chapter - 1, Constitutional Amendment Bill 122 was introduced in the parliament to implement GST in the entire nation. This bill was passed by Rajya Sabha on 3rd August 2016 and Lok Sabha on 08th August 2016. After being approved and accepted by 15 states Hon'ble President Sh. Pranab Mukherjee gave his assent to The Constitution (One Hundred and First Amendment) Act. 2016 on 8th of September 2016 After this assent, on 16th of September 2016, Government of India issued notification about bringing a council in existence, which would be solely responsible for making all decisions related to GST.

Since then, the GST council and been notified bringing into existence the Constitutional body to decide issues relating to GST. Article 279 (1) of the amended Indian Constitution states that the GST Council must be to be constituted by the President within 60 days of the commencement of the Article 279A. This article also states that GST Council will be a joint forum for the Centre and the States.

The Union Cabinet under the Chairmanship of Prime minister Shri Narendra Modi approved setting up of GST Council on 12th September, 2016 and also setting up its Secretariat as per the following details :

- Creation of the GST Council as per Article 279A of the amended constitution.
- Creation of the GST Council Secretariat, with its office at New Delhi.
- Appointment of the Secretary (Revenue) as the Ex - officio Secretary to the GST Council.
- Inclusion invitee (non - voting) to all proceedings of the GST Council the Chairperson, Central Board of Excise and Customs (CBEC), as a permanent
- To create one post of Additional Secretary to the GST Council in the GST Council Secretariat (al the level of Additional Secretary to the Government of India), and four posts of Commissioner in the GST Council Secretariat (at the level of Joint Secretary to the Government of India)
- To create a post for Additional Secretary to the GST Council Secretary)
- To create four posts of commissioner in the GST Council Secretariat. (This is at the level of Joint.
- The Cabinet also decided to provide for adequate funds for meeting the recurring and non-Central Government. recurring expenses of the GST Council Secretariat, the entire cost for which shall be borne by the state Governments.
- The GST Council Secretariat is manned by officers taken on deputation from both the Central and Governments.

- GST Council Secretariat will have officers taken on deputation from both the Central and State
- The cabinet also provides funds for meetings the expenses (recurring and nonrecurring) of the GST Council Secretariat. This cost is completely borne by the Central government.

Thus, it consisted of following prominent members.

- The Union Finance Minister Arun Jaitley: As the Chairperson
- Union Minster of States. As Members and In Charge of Revenue of Finance
- Minister in Charge of Finance or Taxation or Ministers Nominated by Each State as Members
- Other GST Council Recommendations

Further to this, article 279A (4) clearly specifies that the GST Council will be in focus to make all recommendations to the Union and the States on the important issues related to GST; for example, whether the goods and services in that state will be subject or exempted from GST.

GST Council also makes and enforces the tax laws related to:

- Place of Supply
- Threshold Limits
- GST Rate on Goods and Services
- Special Rate for Raising Additional Resources During a Natural Calamity or Disaster
- Special GST Rate for Certain States

Since it came in existence, GST Council meetings are held at regular intervals and important decisions related to following are made and implemented in the meetings. This is a window into what happened in GST Council Meetings:

- Rules were set up for how the conduct should be in GST Council.
- Timetable was made for implementation of various GST.
- The threshold limit for exemption from levy of GST was decided as Rs. 20 lakhs for the States except for the Special Category States. For special category, as mentioned in Article 279A of the Constitution, it was decided as Rs 10 Lakhs.
- The threshold for availing the Composition Scheme (we will discuss this in later chapters) was decided as Rs.75 lakhs in States other than the Northeast States, Sikkim and Himachal Pradesh where the threshold for availing the Composition Scheme is decided as Rs. 50 lakhs.
- The GST Council also recommended that manufacturers of the following goods shall not be eligible for the Composition Levy:
  - Ice Cream and other edible ice, whether or not containing cocoa

- Pan Masala
- Tobacco and Manufactured Tobacco Substitutes

These service providers are kept out of the Composition Scheme, except the restaurant services.

- It was decided to compensate states for 5 years for loss of revenue due to implementation of GST, the base year for the revenue of the State is laid as 2015-16 and a fixed growth rate of 14% is applied to it.
- Approval to the draft of various GST rules related to registration, payment, return, refund and invoice, valuation, input tax credit, composition and transitional provisions were made.
- It was decided that all entities exempted from payment of indirect tax under any existing tax incentive scheme would pay tax in the GST regime and the decision to continue with any incentive scheme shall be with the concerned State or Central government only. In case, the State or Central Government decides to continue with any existing exemption/incentive scheme; it will be administered by way of a reimbursement mechanism.
- Adoption of four slabs tax rate structure of 5%, 12%, 18%, and 28% was laid down. In addition, a category of exempt goods was decided and further a cess was decided to be levied on certain goods such as luxury cars, aerated drinks, pan masala and tobacco products, over and above the rate of 28% for payment of compensation to the states. (All these rate slabs and exemptions will be discussed in chapters ahead).
- GST rates on 1211 items (foodgrains and common-use products like hir oil, soaps and toothpaste) were approved at the 14th GST Council meeting held at Srinagar on 18th and 19th of May 2017.
- At the 15th GST Council meeting held at New Delhi on 3rd June 2017, tax rates on the remaining goods were approved.
- 28 states, and 2 Union Territories with Legislatures (Delhi and Puducherry) have already passed their respective State GST Bill in their State Assemblies.
- There were certain issues of cross empowerment and administrative division of taxpayers between the States and Centre, which were resolved by the council and put in place for effective implementation of the regulations.

A Little Extra:

In addition to GST Bill and GST Council, there was another major reform that took place. The Central Goods and Services tax bill, Integrated Goods and Services Tax bill, Union Territories (Without legislature) Goods and Services Tax bill and Goods and Services Tax (Compensation to States) bill was passed by the Lok Sabha on 29-03-2017 and by the Rajya Sabha on 06-04-2017.

3 What all kinds of Taxes and Duties are now Fused under GST?

India is a republic and taxation is not only a subject of the centre, but also of each and every individual state Even though the centre pitches in with financial help to every state, as it is required to do so, during times of emergencies and under pre - defined matters of governance, the reality is that every state is obliged to run the administration on its own by collecting various dined and indirect taxes. The onus of running the government, paying salaries, undertaking administrative costs, catering to infrastructure development providing basic services expected out of a government and the likes are all supposed to be undertaken by the elected government. It is for this reason that state governments consider taxation policies so dearly.

There are certain products and services that are consumed more than others and any tax component included in their selling price ensures that government's coffers are assured of a stable income Any reduction in those taxes means substantial financial loss to the exchequer that can adversely affect the government's books and its day to day running operations. This not only results in loss of revenue for the government, but any red marks in the balance sheet can also put the state government's ability to take loans from leading financial institutions in jeopardy, not to mention the government's credibility at stake.

A state government might have the central government to fall back on in times of adversities, but for the central government, any loss in revenue combined with additional expenditure is a sum - shot recipe for defaulting on credit lines and financial sops offered by international financial consortiums. This also affects the country's financial ratings that eventually has an adverse impact on the economy. Adverse ratings mean loans become costlier, conducting business becomes difficult and the cost of running operations goes up thereby leading to a financial turmoil.

In short, the government's financial health reflects the country's financial health, and everyone associated gets impacted by any downturn or negativity caused due to financial adversities. That's one of the reasons GST took so much of time to be formulated and finally implemented. Every stakeholder had to be convinced of the benefit of the tax in the long run, individual stakeholders' financial interests had to be taken care of so that there was no pause in running of the administration and adequate methodology had to be worked out to ensure nothing was overlooked, whether in terms of loss of revenue or finding alternate ways to compensate for such loss of revenue.

Given that India is a huge country with multiple states having multiple taxes combined with central taxes, a thorough groundwork was done before coming down to deciding the final rates. In the process, a lot of central and state taxes were combined, removed or just fused with the GST to ensure uniformity of taxes and remove duplicity as was the practice earlier.

However, do note that nothing was done on an ad hoc basis. There was a strategy in place and detailed roadmap was prepared with clear objectives about what was to be achieved.

Let's have a look at factors that were considered to remove multiplicity of taxes being levied and them being subsumed under GST:

A. The first and most important consideration was that the taxes that were fused with GST shou have been primarily in the nature of indirect taxes. Such taxes were levied on either the supply goods or the supply of services and only then they were considered to be merged under GST.
B. There is something called the transaction chain that begins with the import / manufacture / production of goods or provision of services at one end and the consumption of such goods and services at the other end. Now the taxes and levies had to be a part of such a transaction chain for them to be considered to be fused with GST.
C. The purpose of bringing in GST is to ensure smooth and easy taxation. However, fusing certain taxes and levies with GST shouldn't affect the free flow of tax credit and this was one of the important parameters while undertaking the entire process.

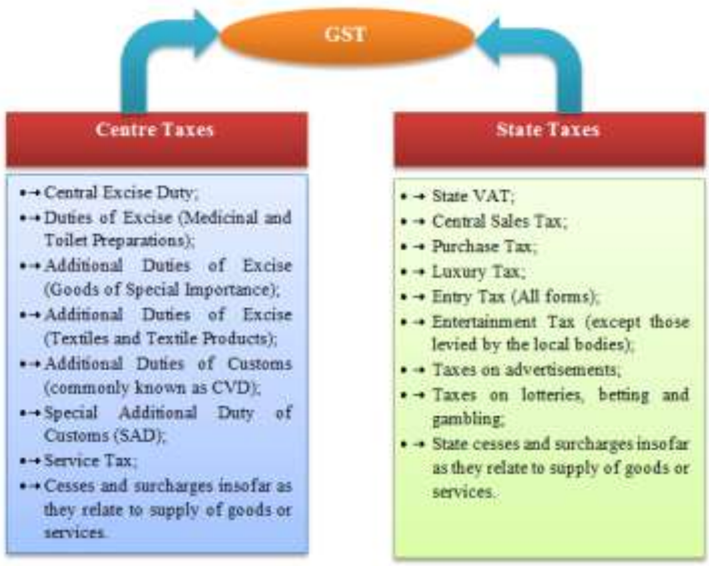
D. Another factor that was kept in mind while subsuming taxes and levies with GST was that those not specifically related to the supply of goods and services were not to be considered at all.
E. Since taxation affects the state as well as the union government in equal measures, one factor that was sincerely kept in mind was that revenue generation and earning was fair to both the stakeholders, Fusing taxes and levies with GST shouldn't result in losses to one and gains to other and vice - versa!

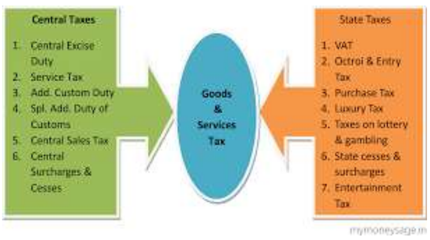
In the previous taxation system, which was more complex, taxes and duties were collected by central and state government at various stages of business in various forms. Businessmen were required to maintain numerous record books to maintain their tax accounts and abide by legal systems. The paperwork was heavy at both the ends : business ' end as well as the government's end and considerable manpower along with substantial resources were required to be put at disposal to ensure strict adherence of the law.

But now, a number of taxes and duties are fused together under GST, making it easy to maintain the records, improve efficiency, lessen the complications, which will all lead to ease of doing business !

To have a better understanding of the subject, we're presenting the taxes fused with GST after segregating them under State and Central taxes.

Following are the duties and taxes which were earlier paid at Central Level but are now merged under GST:





Central Excise Duty (including Additional Excise Duty): Every product that is manufactured in the country was imposed with Central Excise Duty. The onus to collect such a duty was on the Central Board of Excise and Customs. The tax rate with input tax credit was 12.5 % on all goods manufactured, exempting a few products such as silver ornaments.

Service Tax: Service Tax is a tax that is levy by the government on the services provided and was actually borne by the customers and used to be a major part of invoices. It was an indirect tax, wherein the service provider collected the tax from service receiver and paid to the Government and lead to substantial earnings for the government. However, it did lead to confusion among the customers about how was in different from a service charge etc. and there were debates around it, but now it has all been taken care of For the record, Service Tax rate was 15 % of value of services provided, Education cess and Secondary Education cess (tax on tax) was added at the rate of 2 % and Swachh Bharat cess at the rate of 0.50 %.

Additional Customs Duty : For every product that is imported in the country the government levied a duty on it. Equivalent to Central Excise Duty, it was commonly known as Countervailing Duty. It was calculated on base value of goods including landing charges and basic customs duty (excluding anti-dumping duty, safeguarding duty, etc.) and it has now been fused with GST.

Special Additional Customs Duty: This duty was payable at 4 % on imported goods, which replaced VAT Sales Tax

Central Surcharges and Cess : A charge on tax is known as the surcharge and it was an additional charge basically charged on personal income tax (specifically on the high income slabs) and on corporate income tax Cess was imposed by central government and was levied for specific purpose. Both the surcharges and cess are fused with GST wherever they were in the nature of taxes on goods or services. This included cess on rubber, tea, coffee, national calamity contingent duty etc.

Central Sales Tax: This has been phased out completely.

Following are the duties and taxes which were earlier paid at State Level but are now merged under GST:

Value Added Tax (VAT): VAT was an Indirect tax on the goods and services that are provided at state or domestic level. It was imposed at each stage in the chain of distribution and production, right from the supply of raw materials till the final valuation of the product and it was borne by the end users (customs) in distribution channel.

Central Sales Tax: CST, was levied on sales, which is affected by inter - state trade. CST was again an indirect tax on consumers. As it was centrally levied, so it was administered by the concerned state where the sales originated.

Octroi & Entry Tax: Octroi was a tax charged by local authorities; for instance, Municipality and Entry Tax was charged by State.

Purchase Tax: Purchase tax was a tax that was imposed by the state government on the purchase of goods and was applied to wide range of consumer goods.

Luxury Tax: Luxury Tax levied on articles that were either expensive or optional.

Taxes on Lottery, Betting and Gambling: Tax which was imposed on Lottery winnings, Gambling and Betting and was calculated as Tax Deduction at Source (TDS). It was deducted from the end Income.

Entertainment Tax: Entertainment Tax was a tax levied by the government on things related to entertainment like movie tickets, commercial shows, etc.

The above-mentioned taxes and levies are no longer in effect and have been completely fused with GST This doesn't mean that their financial benefit to the government has also been over. Instead, the rates have been seamlessly merged with GST rates after due diligence and detailed calculation.

4 How GST Actually Works! Types of GST!

The Indian economy underwent massive economic reforms almost 25 years ago when the floodgates were opened for markets to live up to their potential and only market forces were allowed to steer the economic growth of the country. However, the taxation policies in effect were the same that were present pre - liberalisation. This was an anomaly as there were various loopholes leading to uneven economic growth, " tax on tax " issues thereby having an adverse impact on the country's economic progress.

Both the central as well as the state governments had their own say in what kind of taxes will be levied on what kind of products and this made India an extremely difficult market to operate in This resulted in the common man of the country having to pay different prices for the same products in different part of the country. This not only had a bearing on the average citizens, but also on business establishments looking for a level playing field and being assured of consistent returns on their investments without looking at unfair taxes bringing down their profits.

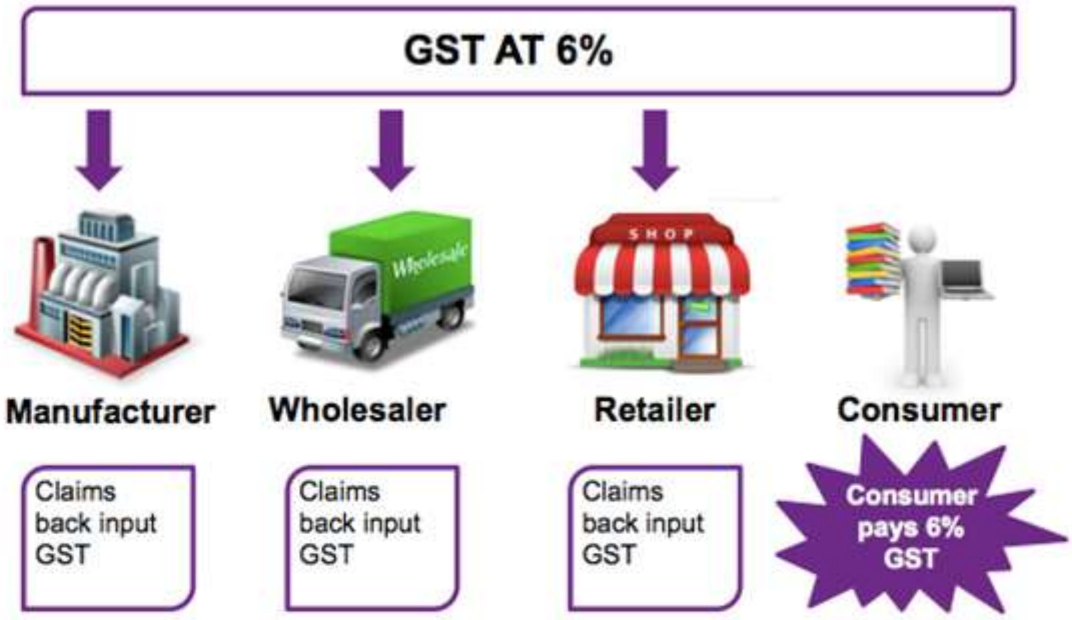
GST has been brought in with this very objective of unifying the entire taxation policy and making the entire nations as ONE when it comes to taxes, levies and cess. It is an indirect tax reform that will unify the country's market and anyone and everyone will be free to sell, buy, import and export within the country by p pulling down the tax barriers that existed between various states. And yet, it will not result in losses, but an increase in GDP by 1-1.5 % in the long run !

In simple terms, GST will be beneficial for the common man in two ways : firstly, the taxes will be collected only at the point of consumption, that is, when the buyer purchases the good or consumes the service. Secondly, since the tax barriers will be down between the states, the end - user will not be paying any tax on - tax on the products / services. This, **in other words, means that the tax is only levied at the last stage of product cycle before it lands up with the buyer!**

In India, GST is implemented in a Dual System. It is imposed on manufacturing, sale and consumption of goods and services rendered at national level. The tax will be collected and levied by two entities: Centre and State. Tax imposed and collected at Centre level is CGST (Central Goods and Services Tax). Tax imposed and collected at State level is SGST (State Goods and Services Tax)

GST is a value added tax which is imposed on goods and services at different stages of sale and purchase in the earlier system every seller recovered tax from the buyer, which means, the end users were burdened of the tax on each and every good and service.

But now, the system will change. Now the end point of goods and services will pay the GST Rest will claim it back.



Before going further, here are some of the broad pointers of how actually GST will work:

1. This will follow a multi-stage collection mechanism where tax will be collected at every stage of production and the credit of tax paid (Input tax credit) at the previous stage will be available as a set-off at the next step of transaction.
2. This would result in elimination of tax-on-tax regime and the end user will only pay tax applicable at the last stage of production/service generation thereby a reduction in prices and tax component in the long term.
3. GST rates have been classified under 4 basic rates: 5%, 12%, 18% and 28% thereby eliminating all other taxes and levies that were hitherto in effect. This makes understanding indirect tax regime easier and simpler to understand and implement effortlessly.
4. All those business enterprises having an annual turnover of Rs. 20 lakhs and above shall be liable to pay GST and follow the norms except for certain states where the threshold limit has been set for businesses with a turnover of Rs. 10 lakhs and more.

It is always better to understand the entire mechanism with the help of a practical example.

Here is an easy example to understand, how GST will actually function:

We are talking about making and selling of sweets here.

Supposedly, in Distribution Channel of sweet making, there are 3 people: Manufacturer, Wholesalers and Retailers.

Stage-1

Assume, that manufacturer of sweets buys raw material like milk, sugar, dry fruits and other necessary things that is required to prepare 250 grams of sweet, and it costs around Rs200, including 10 % tax of INR 20. Now, sweet is ready and manufacturer added his own value to the material, say INR 60. Then the total cost of sweet box becomes INR260 and tax for this will be INR 26 (10% tax rate). But, under GST taxation, at this stage manufacturer will only pay INR 6 (as Rs 20 he has initially paid, so INR 26-INR 20 =INR 6).

Stage – 2

Next, we move on to second stage, where Wholesaler buys the sweet from manufacturer for Rs 260 and to make profit, he adds INR 40. Now the total cost for that box of sweet is INR 300. Tax rate would be same as mentioned above (10%), tax amount will be INR 30. Here, in the first stage INR 26 tax amount is already paid so he need not pay again. Under GST, wholesaler's tax will be calculated as: INR 30-INR 26= INR 4.

Stage- 3

Now the goods reach the final stage, that is, the retailer, wherein retailer got the sweet box from wholesaler at the cost of INR 300. As he also wants to earn profit, so he adds margin of INR 20. Total Price for sweet box comes out to be INR 320 and 10% tax rate is charged, so tax would be INR 32. In stage second, INR 30 is already paid as tax, so tax incidence left would be INR32 -INR 30 =INR 2.

Now, if the retailer sees the benefit that he is paying a substantially lower tax as he used to pay earlier, he will automatically slash the prices of his sweets, and the end user will benefit with goods on lesser cost.

In Nutshell, to sum up the total for GST for the distribution chain: Manufacturer – Wholesaler – Retailer is INR 20 + INR 6 + INR 4 + INR 2 = 32 INR. Instead of 10 % being deducted at every stage, resulting in high price of the goods.

Now, GST is being promoted as one nation one tax and rightly so. However, to ensure the central and state governments still have a working mechanism to earn and share revenues. GST has been segregated equally to make it a fair play.

Let us now move on to describing types of GST in details.

There are 4 types of GST implemented as of now:

- CGST – Central Goods and Service Tax
- SGST – State Goods and Services Tax
- IGST – Integrated Goods and Services Tax
- Additionally, UTGST – Union Territory Goods and Services Tax meant for Union Territories of India.

4.1 CGST - CENTRAL GOODS AND SERVICE TAX

CGST falls under Central Goods and Service Tax Act 2016.

For easy understanding, when CGST is being introduced, the present central taxes of Central Excise Duty, Central Sales Tax CST, Service Tax, Additional excise duties, excise duty levied under the medical and toiletries preparation Act, CVD (Additional Customs duty - Countervailing Duty), SAD (Special Additional Duty of customs) surcharges and cesses are subsumed. This is to bring uniformity to the tax structure and avoid duplication of taxes, which was the case earlier with the previous tax regime.

CGST is charged on the movement of goods and services of standard commodities and services which can be amended time to time by a separate body depending on the evolving situation and economic policies and needs at the given period of time. The revenue collected under CGST is for the central government to shore up its revenues.

However, input tax credit on CGST is given to states and such input tax could be utilized only against the payment of Central GST. This would assure that both the state as well as central governments are on the same page, and both equally divide the revenues, and no one is in loss of any kind.

It has also been made mandatory to mention this tax component on each and every invoice for the consumers to be aware of and understand the component of actual tax being levied.

For example if a product is manufactured and sold within the same state, the consumer will pay 2 takes on it. The CGST that will go to the central government and SGST that will go to the state. However if the product was manufactured in one state and sold in another, then the manufacturing state will not levy any tax on it. If it does, it will be transferred to the consuming state via central government.

4.2 SGST - STATE GOODS AND SERVICE TAX

SGST falls under State Goods and Service Tax Act 2016,

For easy understanding, when SGST is being introduced, the present state taxes of State Sales Tax VAT, Luxury Tax, Entertainment tax (unless it is levied by the local bodies), Taxes on lottery, betting and gambling, Entry tax not in lieu of Octroi, State Cesses and Surcharges in so far as they relate to supply of goods and services etc. are subsumed.

As is evidently visible, all those multiple taxes, levies and cess of different kinds have been replaced by a single SGST that'll be extremely easy to apply, file, keep track of and implement in an efficient manner, thereby leading to ease of doing business and ensuring every financial transaction happens in a transparent manner Every stakeholder, right from the producer to the end - consumer would know where there money is going to.

The revenue collected under SGST is for State Government.

Every bill mentions this tax component separately for consumers ' awareness and understanding.

4.3 IGST - INTEGRATED GOODS AND SERVICE TAX

IGST falls under Integrated Goods and Service Tax Act 2016.

IGST is charged when there is a movement of goods and services from one state to another. For example. if goods are moved from Tamil Nadu to Kerala, IGST is levied on such goods. The revenue out of IGST is shared by state government and central government as per the rates foxed by the authorities. This is to ensure that individual states don't have to deal with different states to settle taxes and revenues; instead, they only deal with the union government for their rightful share of the taxes.

IGST is also applicable on imports and an important aspect is that exports would be zero - rated. As per GST Law:

Under the GST regime, an Integrated GST (IGST) would be levied and collected by the Centre on inter State supply of goods and services. Under Article 269A of the Constitution, the GST on supplies in the course of interstate trade or commerce shall be levied and collected by the Government India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council,

For example, a manufacturer in Gujarat sells a product to a final buyer in Maharashtra. Assuming the final product to cost Rs. 1 lakh and the tax rate of 18 % on the particular item, the IGST ate of 18 % will be charged and the tax component be Rs. 18,000 / - Now this IGST will go to the centre, that will further share this revenue with the concerned state.

4.4 UTGST- UNION TERRITORY GOODS AND SERVICE TAX MEANT FOR UNION TERRITORIES OF INDIA

We have already discussed about CGST, IGST and SGST. As you know, in India, dual GST is implemented. CGST and SGST against intra state supply (within the state) of goods and services and IGST for interstate supply.

GST under supply of goods and services takes place in Union Territories like Andaman and Nicobar Islands, Chandigarh, Dadra and Nagar Haveli, Daman and Diu, Delhi (National Capital Territory of Delhi), Lakshadweep, Puducherry etc. is accounted under UTGST.

A separate Act is being implemented for Union Territory states to impose and administer GST in India in the name of UTGST Act. Under UTGST Act, the details of GST rates payable against the movement of goods and services in Union territories are explained.

The UTGST bill is presented in respective states government to implement as UTGST Act.

All these various types of GST are to ensure that there is a uniformity in tax collection and sharing of the revenues without causing any financial losses to individual state governments. The mechanism has been defined to keep the entire process extremely simple to understand and implement apart from keeping a check on it to avoid any malpractices or duplication of taxes.

A lot of taxes being levied in the earlier tax regime were invisible and the end - consumer didn't easily understand as to how the final price of a product / service was calculated. GST is a step in the direction where everyone will know how the cost of a particular product was arrived at and how much indirect tax is being paid to bring that product / service to their doorstep.

Initially it may all look like too much to absorb & understand, but in the long run GST is what a nation as big and diverse as India needs to realize its economic potential. It's simple not only for Indian citizens, but also for foreign companies trying to set - up shop in the country to conduct their business. It will eventually benefit us all.

5 What is GST Amendment Bill?

A bill is a draft of a proposed law presented to the Parliament for discussion. Once it is passed by the Parliament, it becomes an act. So, GST Bill has now become GST Act.

Any amendments to the said act are proposed in an amendment bill. Similarly, the proposed amendments to GST acts were recorded in GST Amendment Bill.

● Why was there a need for GST Amendment Bill? Were there any changes to the GST Act?

The Model GST law was first drafted in June 2016 and later revised in November 2016. Lok Sabha passed 4 bills with certain amendments. Here is a list of the major amendments proposed in GST bill:

● Applicability of GST Law in the State of Jammu and Kashmir

J & K Finance Minister Haseeb Drabu confirmed that J & K will apply GST. However, since J & K has a separate constitution and has special provisions regarding legislature, CGST & IGST will be passed separately. SGST will be passed separately, similar to the other states.

●Employer's Gifts to Employee Will No Longer be Taxed under GST

Earlier the supply of goods or services between related persons (made during the course of business) was treated as ' supply ' even when there is no consideration. Employer and Employee were covered in the definition of related person. So, it stood that any supply of goods or services by employer to his employees (even if free of cost) would have been covered under the scope of GST.

Proposed change to the act provides that GST will not apply on gifts up to Rs. 50,000 by an employer to a particular employee. However, gifts above Rs. 50,000 will attract GST.

● GST not Applicable on Sale of Land / Building

Earlier, the term ' **goods** ' included all movable property including actionable claims. Only money and securities were excluded. " Services " had a vague definition of " anything other than goods”.

Thus, there was an apprehension that the government may levy GST on supply of immovable property (land / building) apart from levy of Stamp Duty.

Now, the government has clearly mentioned in Schedule III that sale of land and / or building will neither be treated as a supply of goods nor a supply of services, I.e., Goods and Service Tax (GST), will not be applicable on this.

So currently (on date this book is being compiled) it stands that.

- GST will apply on renting, leasing of land and / or building.
- GST will NOT apply on sale of land / building (Stamp duty will continue to apply)
- GST will apply on works contract, i.e., constructing a building.
- GST will apply on sale of an under - construction building.

However, there are discussions of bringing in sale of land and / or building under GST within 1 year from GST implementation date.

●Fixing the Upper limits of GST rates- CGST- 20 % & IGST- 40 %

Earlier, the upper cap fixed was 14 % and 25 % respectively in both the laws. Now, the upper cap has been fixed at 20 % and 40 % respectively under CGST and IGST Law to keep a flexibility for rates increase in future. However, the GST slabs remain the same - 5 %, 12 %, 18 % and 28 %,

●Petroleum Products Will Come under GST

The petroleum products (crude oil, high speed diesel, petrol, natural gas and aviation turbine fuel / ATF) have now been brought under GST.

This will be highly beneficial to Indian businesses as businesses now can take input credit on petrol products purchased. Many industries like the plastic and chemical industries have petroleum products as inputs for manufacture. Besides, machinery, vehicles use petrol / ATF to run. Availability of input credit will help to reduce prices of goods.

● Unregistered Seller and registered Buyer - GST is Applicable on Reverse Charge Basis

An unregistered supplier cannot charge GST on sales. The Model law did not mention the tax treatment if an unregistered dealer sold to a registered buyer.

The Act now provides that when a registered buyer buys from an unregistered dealer, then reverse charge is applicable, I the buyer (recipient of goods / services) is liable to pay GST. This is similar to the current purchase tax on purchase of goods from an unregistered dealer applicable in many states.

● Reduction in Composition Rates

Particulars Trader E Earlier Composition Scheme Now in GST Act 1 % 0.5 % Manufacturer 2.5 % 1 % Restaurant N / A 2.5 % Service provider N / A N / A

Reduction in composition rates is a welcome move for the MSME sector. Composition scheme has many restrictions such as non - availability of ITC, not eligible for inter - state transactions. Reduction in composition rates will attract more taxpayers to register.

However, service providers are not eligible for composition scheme thus burdening the various professionals and freelancers.

● No Permission Required for Composition Scheme

Now a taxpayer, whose turnover was less than 50 lakhs in the last financial year, can OPT to pay under composition scheme. He does not have wait for the permission of the proper officer. He can directly register himself under composition scheme,

● Change in the Provision Time of Supply of Services

Model GST law contained that the time of supply of services (i.e., the point of taxation when liability to pay tax arises) would be the earlier of:

- Date of issue of invoice, OR

- The last date on which the invoice should have been issue, OR
- Date of receipt of payment by the supplier.

Now the Act, as passed in the parliament, the provisions for determining time of supply for services have been changed. Thus, the time of supply of services shall be earlier of the following dates:

If the invoice is issued within time prescribed:

★ Invoice issue date, OR

★Date of receipt of payment

-whichever is earlier

If the invoice is not issued within time:

- The date of providing of services, OR
- The date of receipt of payment

-whichever is earlier

If clauses (a) & (b) are not applicable, then:

The date on which the recipient shows the receipt of services in his book of accounts.

●Change in Conditions for Disallowing Input Credit Tax

According to the earlier provisions of GST Law, if the recipient / buyer failed to pay the service provider within 3 months, then the input credit tax (ITC) availed by the buyer would be disallowed. He would be required to pay the amount of ITC availed along with interest. This was only for services. There were no provisions of re - allowing the ITC if the buyer paid after 3 months.

Now in the amended act, this provision includes goods also. Further, the time period for payment is extended to 180 days instead of 3 months before ITC is disallowed. Now, if payment is made even after 180 days, then the ITC will be re - allowed.

● Credit of Rent - a - cab, Life Insurance and Health Insurance Allowed if used Against Sale of Same Category

Earlier rent - a - cab. life insurance, and health insurance businesses were not eligible to take input tax credit Only those services, as notified by the government, which are mandated to be provided to an employee by the employer will enjoy input tax credit.

The earlier provision of denial of credit would have had many consequences. For example, a life insurance company, in case of reinsurance of life insurance, will not be eligible to take credit of GST paid on insurance amount.

To reduce the taxpayer's burden, input tax credit will be allowed for the above services subject to the following condition :

Credit must be adjusted only against outward supply (sale) of the same category of service. It can also be a part of mined or composite supply.

GST will apply on petrol on a date and at a rate notified by the Government on the recommendations of the Council.

● Non - Applicability of GST on Actionable Claims

The Model GST law included " Actionable claims " in the definition of " Goods “. Le GST would apply on actionable claims The Lok Sabha amendments to the GST act in Schedule Ill clarify that actionable claims, other than lottery, betting and gambling will neither be treated as a supply of goods and not as a supply of services Thus, GST will be applicable on lottery, betting, gambling but not on other actionable claims.

'Actionable Claims' means claims which can be enforced only by a legal action or a suit, example a book debt bill of exchange, promissory note. A book debt (debtor) is not goods because it can be transferred as per Transfer of Property Act but cannot be sold. Bill of exchange, promissory note can be transferred under Negotiable Instruments Act by delivery or endorsement but cannot be sold.

5.1 CONCLUSION

The changes show that the government is trying its best to make GST litigation free.

6 Business Practices Redefined under GST!

For the last 70 years, businesses have been run in a particular manner in the country. Even though the formal sector comprising of companies following the laws of the land to the T conducted their operations as per the book, the informal sector stayed out of it. Neither there was an incentive nor a punishment to follow the written rule. To be fair to the businesses, the tax laws were also confusing and cumbersome for most people to follow them and run companies according to them. Hence, it became a way of life to do business the way it was done, with the state exchequer losing out on taxes, revenues while making it costlier for the companies to do business, pay multiple taxes and the end - consumer having to bear the burnt by paying higher for the end product / service. This also affected the growth of the economy and created a lot of bottlenecks when it came to implementation of policies, even if they were sometimes for the benefit of the businesses only.

With the introduction of GST. the uniformity in the country's indirect tax system is like a shot in the arm. just at the right time when the country is bracing to take on the world in terms of growth. Widening the tax base, bringing uniformity in indirect taxes, making it easier to move goods across states within the country. lowering the cost of operations are some of the major benefits of GST.

However, to achieve all such goals and embrace and align with the new tax regime, it is important for the businesses to undergo some major changes about how they are run, and this includes both the operations and the human part of it. Before we understand this in detail, let's first understand how a business was run before GST was implemented.

6.1 WAY OF DOING BUSINESS: BEFORE GST

When it comes to manufacturing, the companies had to not only look at the best suppliers in terms of raw materials, but also the places from where they source that raw material. The reason being every state had its own set of taxes and levies. Add to it the logistics cost and the companies made their decisions about setting up their manufacturing plans basis that.

This consideration was done as every company wanted to have the lowest procurement cost, the ease of moving the goods while paying lowest possible taxes depending on which sate, they were doing their business in and moving goods to and eventually to claim maximum input tax credit.

Instead of deciding the final retail price of the product based on actual cost of operations combined with the profit mark - up, the final price was decided based on the average price of a similar product already in the market. This was unfair to the end consumer, because it deprived him of getting a better product at a lesser price, all due to faulty taxation process.

Also, any decision to expand or diversify operations was purely taken on the basis of states ' taxes and cost of sourcing raw materials. At times, the organisations were faced with a dilemma of choosing between manufacturing or outsourcing their core businesses. Such decisions led to a business not achieving its optimum potential, uneven playing field and impacting the economy in the long run.

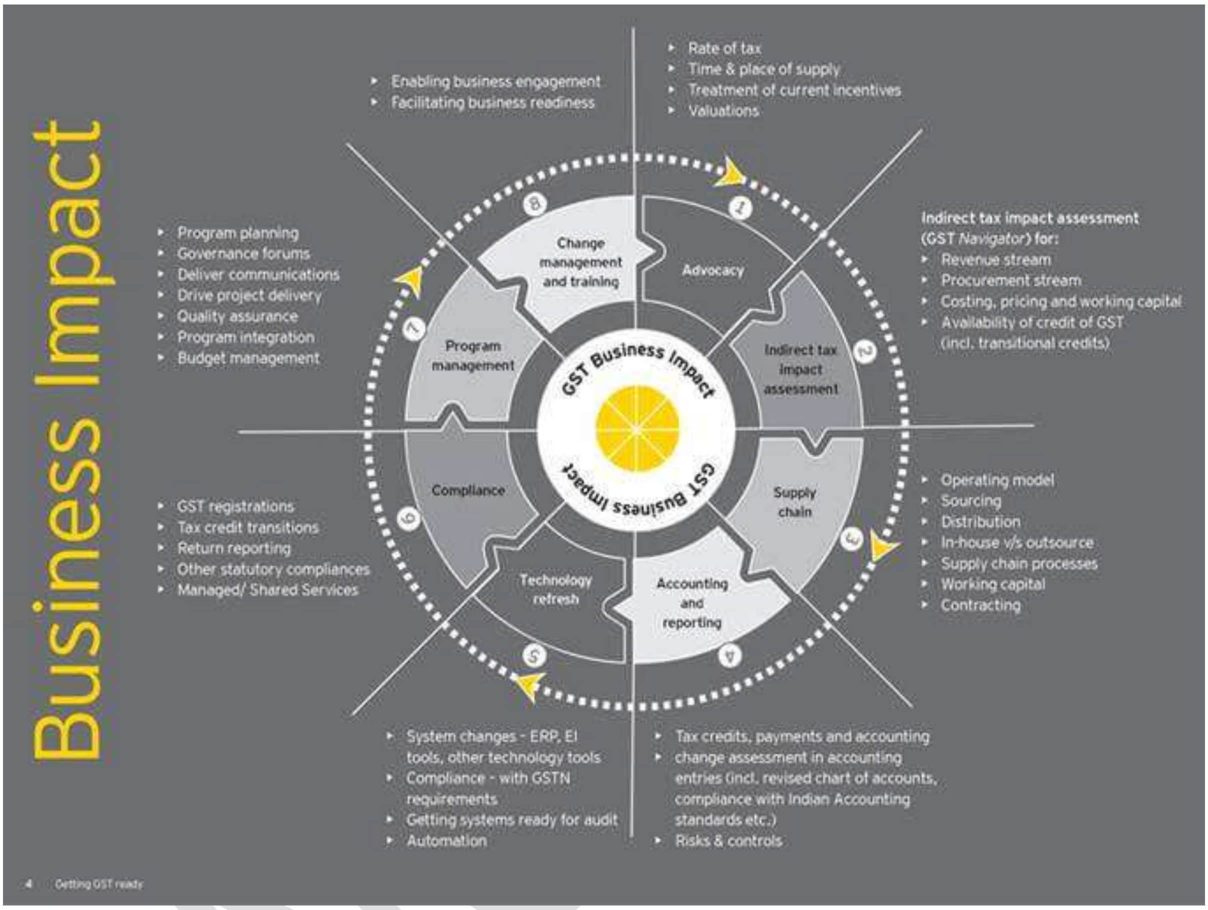
Even though GST is one of the major financial reforms and is universally accepted a positive change for the economy, its implementation faced humungous challenges. For one, it is not easy to change way of doing things that are in practice for 70 long years. Secondly, to educate a billion - plus population with diverse backgrounds, educational qualifications, varied skill - sets and individual priorities and goals and doing all this at one go, simultaneously is no mean job!

This is why there were some inherent challenges facing GST right in the face. Let's look at these major roadblocks that needed to be worked upon before crossing the line:

1. **Transformational Changes :** Every business activity right from procuring the raw materials, manufacturing it, moving it to the market place, leasing to ultimate sale to the buyer needed to be transformed. The entire chain of events needed to be relooked into as the tax reform affects each and every step of business. Hence, every organisation had to go back to the drawing board, understand not only their business processes in detail, but also of their vendors, suppliers and even buyers to make fresh plans. Taking into consideration how the new tax structure will affect their business activity, every company had to analyse every step of manufacturing activity / service generation to align it with the taxations reforms. Easier said than done because even though big corporations have the resources to handle such a gigantic task, for major businesses that are small scale and form the backbone of the economy, this involved considerable amount of time and resources, both in terms of manpower and money. To convince, everyone to undergo this painful process, was definitely a challenge.
2. **Reworking Tax Compliance Strategy :** The tax filing process has been changed and every organisation coming under the gambit of GST will have to follow the norms. The challenge is that most small sector companies haven't followed the norms ever and still find using the technology as a cumbersome process. Since GST filing and processing is all going to be an online process, the task is to learn about it and get experts to help file the returns as per the mandated timelines. Many of the businesses have never maintained official books or invoices, but now everything has to be in order to claim tax relief and even one glitch in the entire chain can cause losses to everyone. So it's not about an individual company to comply with tax systems, but for everyone to be on the same page and doing their bit efficiently and on time.
3. **Manpower Training :** Every company had to ensure that their employees and concerned staff was well aware of the changes in the entire tax reform as returns will be filed in a different way now. Not only employees, but even the vendors and customers had to be updated about the entire tax process to avoid mistakes and confusions. This was about the entire tax spectrum right from the concept, the regulations, the actual process involving filing, uploading returns etc. This assumes significance because a fault at any level can lead to substantial financial losses across the entire chain of production What made is doubly challenging was that even though big companies have the required resources to train their employees, for smaller companies, it was a mammoth task given limitations of financial education and skill - sets to understand and comply with a complex tax structure. We say it complex tax structure as it is for those, who are coming into the tax - based ecosystem for the first time even though It is the simplest tax reforms ever!
4. **Determining The Prices:** GST is supposed to bring down the prices in the long term. However the government left the onus on companies to determine new tax rates on their products / services, calculate the impact on their profitability and pass on additional profit to the consumers. It is in good faith that the

authorities assumed that the businesses will pass on the benefit on their own, but still, a strict vigil had to be ensured for on - ground implementation of the principles of fair play. It is all about lower taxes, wider tax base and consumer being the ultimate beneficiary from the lower prices. Hence it was a substantial challenge to ensure everyone played by the book without profiteering by unethical prices or complex taxation.

Once we have understood the challenges faced, let's now look at how GST impacted the specific business aspects:



1. **Legal :** This is the first and foremost aspect of any business that had to be reworked upon. With new regulations and policies in place, the entire legal framework of the company had to be reconsidered and brought up to date with updated reforms. Decisions were taken in regards to tax rates, supply routes, existing rules governing the pricing, existing incentives and financial transactions and bring them on par as per the required new guidelines.
2. **Understanding GST :** Substantial manpower was dedicated to comb through the new tax law, understanding its impact on every aspect of the business right from the scratch and assessing the steps required to implement it without causing any disruptions in the day to day business GST will not only have an impact on taxes and revenues, but also procurement of material, capital flows, production processes, warehousing decisions, final costing and pricing of the product and the likes. Hence trained and dedicated employees were put on task and it will be an ongoing process because the expected time to be taken for a smooth transition is going to be six to nine months, even though it's a one - time process.
3. **Supply Management :** With no levies or taxes to be paid on most products while moving inter - state. GST will ensure smooth flow of products across the country and logistics will be an easier process to handle. Nonetheless, in the light of changed way of doing business, the entire supply chain had to be hauled over to update changes. This included every step involved right from sourcing to distribution. As GST leads to taxes being paid by the final customer and every stage getting the benefit of input tax, adequate measures were

taken to ensure nothing went amiss and every step was taken into account to manage seamless supply and distribution.

4. **Accounts:** This aspect of a business has also undergone massive change to bring on record the updated practices and implementing the tax reform in letter and spirit. Tax credits, invoicing, filing returns, all kind of payments, record - keeping, maintaining books and following the law has been reworked completely and adherence to tax laws is the new motto !
5. **Technology :** Not only the latest software are required to follow and file GST returns, there is a need for trained personnel as well to carry out the task. Every company has undergone changes to upgrade their systems to ensure smooth, timely and transparent reporting of their sales and file returns as per the required norms.
6. **Policies:** A complete assessment of the policies on expenditure, new investments, quality assurance, expansion, long - term gains, financial viability etc. had to be undertaken to face the new changes. Since the change happened all across the segments, it gave a level - playing to every organisation. However, it did impact companies ' ability to deal with suppliers and formulate plans to take on the competition.
7. **Warehousing:** Previously, companies tried to keep a warehouse in as many states as possible to avoid CST and associated cumbersome paperwork, not to mention following different rules and regulations. With GST, the entire nation has become one market and the need to keeping separate warehouses is no longer applicable. Also, movement of goods will be seamless as there will not be separate taxes in different states thus eliminating the need to own and maintain a warehouse.
8. **Personnel:** Finally this is the most important aspect that got affected by GST, not in a negative way though. Just that, everyone in the company along with suppliers, vendors and customers had to be educated and trained to work under new tax guidelines. This was to ensure transition happened smoothly and going forward, everyone is on the same page, filing and uploading returns on a timely basis while following all the guidelines.

GST has changed the way India conducts its business and business practices have undergone sea change. The impact may not be immediately visible, but in a couple of years down the line, the positive impact of the entire process will be for everyone to enjoy.

7 The GST Procedure and Various Filing Forms in India!

GST has been brought in the country to expand tax - base, remove multiplicity of taxes, bring uniformity in indirect taxation and help improve the economy by transforming the country into one single market However, to achieve the desired results, it is extremely important that there is a tracking mechanism and a systematic way of implementing the new rules and regulations.

Having said that, it is a policy decision that cannot be applicable to every financial transaction. Hence there was a need to identify the transactions that should be covered under the new tax regime for maximum M impact instead of wasting precious resources on unnecessary paperwork and supervision.

Therefore, the GST council decided to bring each and every business with an annual turnover of Rs. 20 lakhs and more under the domain of GST. This is also due to the reason that only individuals or enterprises with such a turnover contribute significantly to the entire indirect taxation process and the remaining ones aren't big enough to be considered in the current economic scenario.

Once an organization finds itself to be eligible to fall under GST regime, it needs to register itself so as to be able to follow the required legal guidelines and submit necessary financial transactions in the prescribed forms and format.

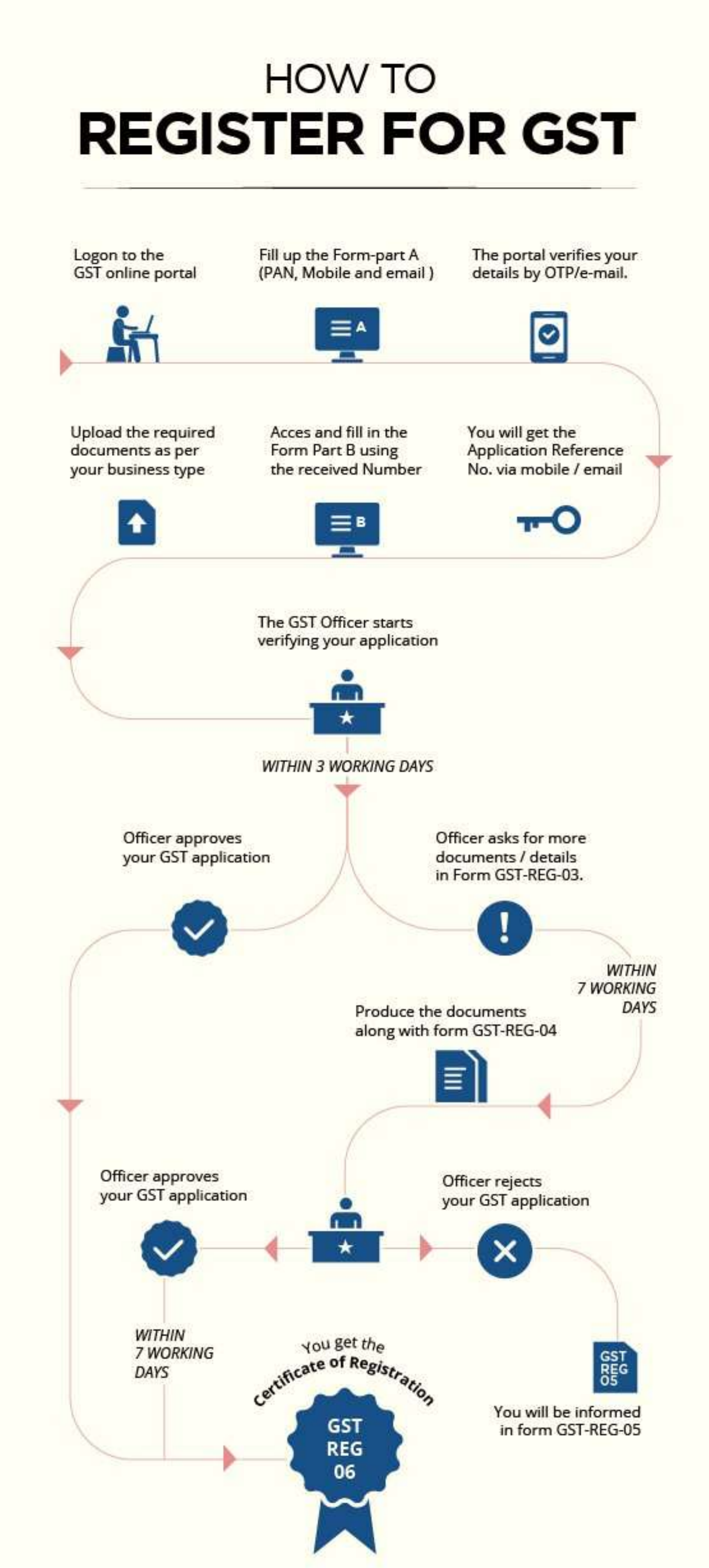
Let's understand who all need to register themselves under GST within 30 days after finding themselves Service Providers Traders Manufacturers eligible for the same :

- Rs. 20 lakhs or more turnover in a financial year (Rs. 10 lakhs for Special Category States)
- If a business is registered and then transferred to someone else, the transferee shall need to register with effect from the date of transfer.
- Everyone who in involved in inter - state supply of goods / services.
- Casual Taxable Person: If you supply goods / services as an agent or principal or any other capacity in a territory where GST is applicable and you don't have a fixed place of business in such a place, as per GST you'll be considered as a casual taxable person and need to be registered under GST.
- Non - resident Taxable Person: Similar to above, except that if you don't have a place of business in India, you will be considered non - resident taxable person and need to register under GST.
- Agents of a supplier
- Those paying tax under reverse charge mechanism.
- Input service aggregator
- E - commerce operator or aggregator
- Anyone supplying via e - commerce aggregator.

The entities who must apply for a GST registration are:

- Service Providers
- Traders
- Manufacturers
- Dealers
- Private, Partnership, Proprietorship Firms
- Managing Trusts
- Shop-owners

Following is the registration procedure for new traders to apply for GST:



clearTax

To stay ahead in the GST curve,
register at www.cleartax.com/GST
or call us at 011-39587049

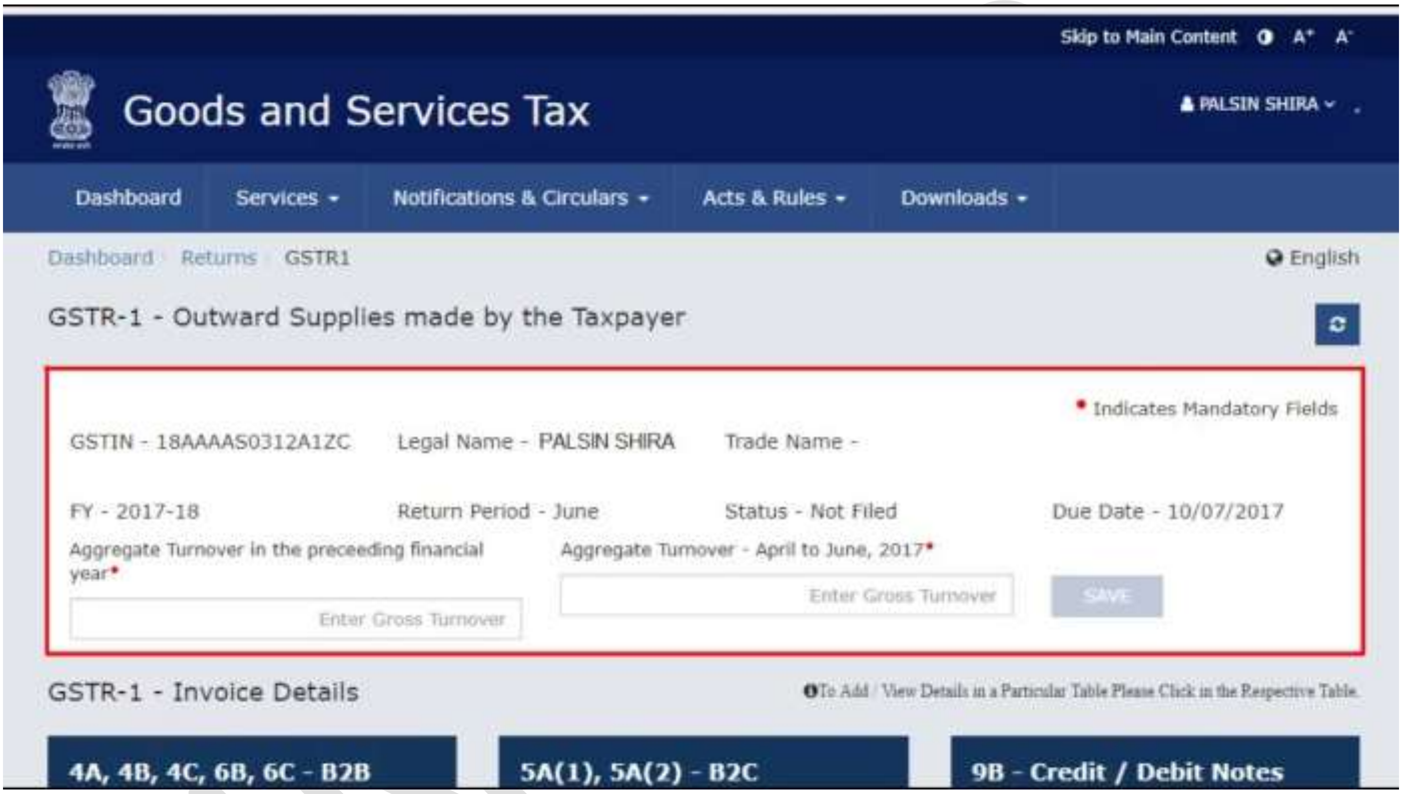
7.1 RETURN FILING PROCEDURES UNDER GST

There is total 11 forms provided for filing GST returns, for different businesses. Filings of returns is online, and all taxes can also be paid online through a common GST filing portal. Draft for return purpose is as follows:

GSTR-1 – Sales Register

It is the most prominent GST. All the goods and services suppliers will report their outward supplies the reporting month. All registered taxable persons are required to file GSTR-1 by the 10th of the following month. It is the first or the starting point for passing input tax credits to the dealers.

This is how the form looks like:



GSTR-2 – Purchase Register

It contains details of all the purchases transactions of a registered dealer for a month. It will also include purchases on which reverse charge applies. The GSTR-2 filed by a registered dealer is used by the government to check with the sellers' GSTR-1 for buyer-seller reconciliation.

GSTR-3 – Monthly Return Form

It is a monthly return with the summarized details of sales, purchases, sales during the month along with the amount of GST liability. This return is auto-generated pulling information from GSTR-1 and GSTR-2.

GSTR-4 – Quarterly Return for Compounding Dealer

This needs to be filed once every 3 months by registered tac payers who have signed up for the composition scheme (those who opt for this scheme are known as compounding vendors or dealers). They would be required to pay taxes at fixed rate without any input tax credit facilities.

GSTR-5 – Return file by the Non-Resident.

Non-Resident foreign taxpayers (special cases under GST Registration) are those suppliers who have come for a short period to make supplies in India without having any business establishments here. Products are normally imported to make local supplies. Therefore, they will be allowed to avail Input Tax Credit only on IGST paid on imports. However, other taxpayers can take credit for supplies made by them and filed in Form GSTR-5.

GSTR-6 – Return for Input Service Distributor

GSTR-6 is a monthly return that has to be filed by an Input Service Distributor (ISD). It contains details of Input Tax Credit (ITC) received by an Input Service Distributor and distribution of ITC. Input credit means at the time of paying tax on output, you can reduce the tax you have already paid on inputs. GSTR-6 has to be filed by every ISD even if it is a nil return.

GSTR-7 – TDS Return

GSTR-7 is the return that has to be filed by every tac diductor about tac deducted at source. Diductor is required to file the return and has to provide the detail of amount of TDS in his return. When deducted shall claim credit, in his electronic cash ledger, of the tax deducted by the diductor.

GSTR-8 – Annual Return

Every e-commerce operator, who is required to collect tax at source (TCS) under GST, shall furnish a statement in GSTR-8 electronically through the common portal. This return shall contain the details of supplies effected through e-commerce operator and the amount of tax collected on supplies.

GSTR-9

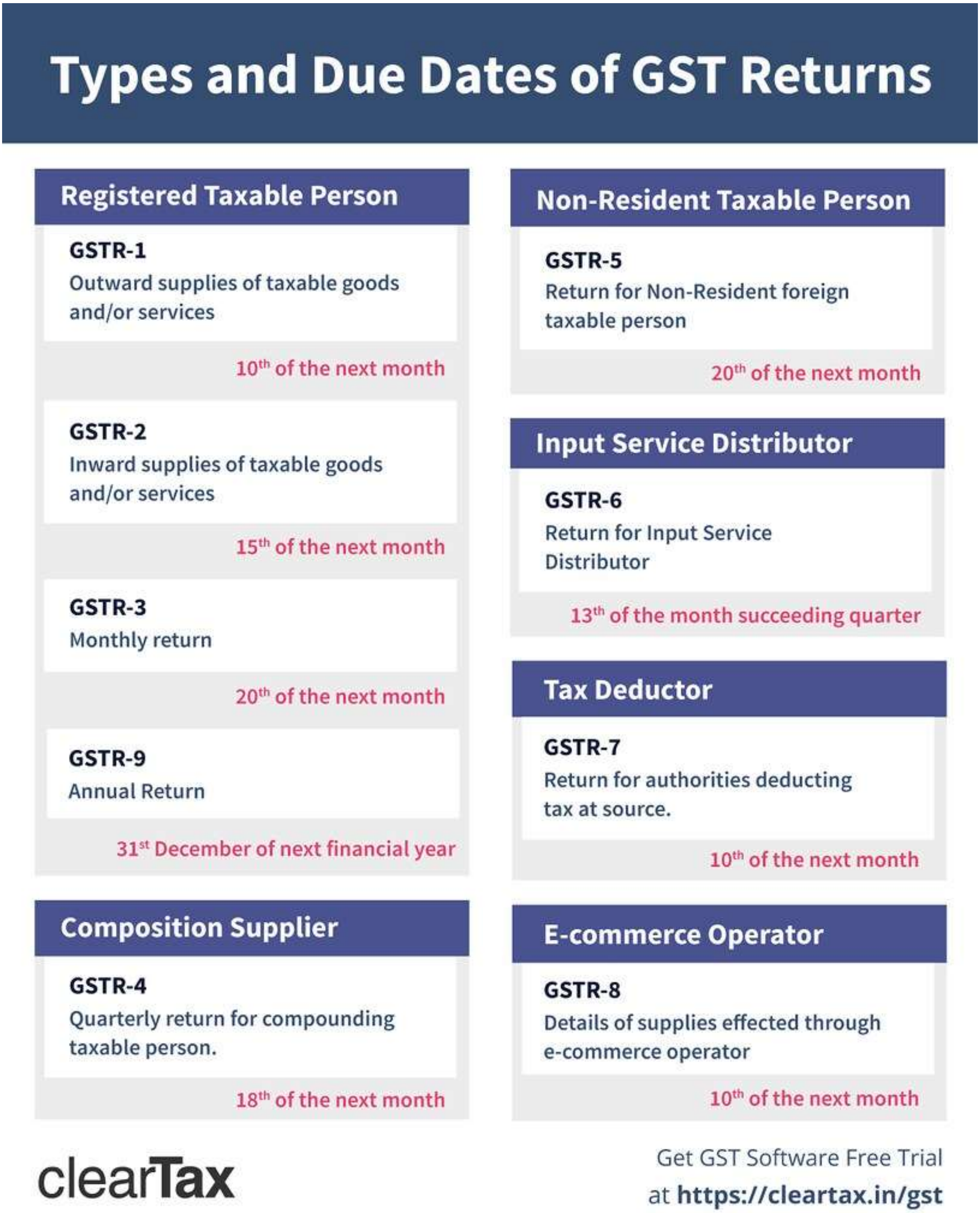
This return has to be filed by every registered taxable person and it is considered as the annual return to be filed under GST. A taxable person registered as a composition dealer shall submit such annual returns in Form GSTR-9A. Also, every registered individual with an annual turnover of Rs. 1 crore and above need to get their accounts audited. Such business entities shall furnish audited annual accounts and reconciliation statement, duly certified under Form GSTR-9B.

GSTR-10

Any business entity that voluntarily ceases to do business or closes it down under orders from competent authorities are expected to file this return.

GSTR-11

Any individual, who has been issued a Unique Identity Number (UIN) and claims a refund of the taxes paid on his inward supplies need to furnish details of taxable goods/services under this form. It must be furnished by the 18th of the month following the month when the supply was received.



7.2 PAYMENT PROCEDURE UNDER GST

This is a major breakthrough that GST tax payment can be done electronically, which reduces paperwork to a great deal. At single point, GSTN challan is generated. Payment mode can be as per the choice of the taxpayer.

The choices are:

Online banking, Credit cards, Debit cards, NEFT/RTGS or through cash or check deposited in Bank. One need to keep in mind that adhering to filling and submitting the required forms as per the requirements is a must under the GST law and it needs to be followed not due to fear, but for the fact that it is not only good for the business, but also for the nation's economy!

8 How to File GST Return!

While India is heading towards its biggest tax reforms ever, there are many systems being put in place for maintenance of records and filing the returns. This is giving birth to a destination-based tax - reporting structure. In the current system, every transaction has to be reported through the last mile with a common invoice, identifiable to the seller and recipient of goods and services.

The GST Council and the Ministry of Finance have come up with a great solution to record all such invoices in one place and collate data for the taxpayer. The processes have simplified, and many taxes have been removed. The whole nation shall report using the same structure irrespective of where and how you carry your business.

Nearly 1 crore business entities have registered under GST since the date it became effective, L.e. an 1ª July 2017 This makes it mandatory for each and every one of them to file GST returns as per the GST return due date schedule notified by the concerned authorities. GST return filing is compulsory for all businesses registered under GST irrespective of any business activity, sales or profits. Therefore, even if a business entity has been dormant, but has GST registration, it is mandated to file GST return !

A widespread IT system has been deployed by the ministry to cope up with such a huge influx of data. It is called the GSTN (Goods and Service Tax Network) that will house all the information of sellers and buyers together, collaborate the details submitted and even maintain 3 registers for you for future reference and anytime reconciliation. GSTN has been designed in such a manner that each and every transaction is in sync with each other and records the complete chain of transactions between the buyer and the seller.

To file GST under the latest GST regime is crucial and non - compliances or delays, if caused, can lead to penalties, fines and flaw - full book maintenance. Whereas timely compliance will help to maintain flawless records and get timely refunds.

To file a GST return there are various procedures for various businesses and individuals. Typically, GST return is a document containing details of income which a taxpayer is required to file with the tax administrative authorities. This is used by tax authorities to calculate tax liability.

Under GST, a registered dealer has to file GST returns that includes:

- Purchases
- Sales
- Output GST (On sales)
- Input tax credit (GST paid on purchases)

To file GST returns, GST compliant sales and purchase invoices are required. None of the invoices cannot be missed. Therefore, proper documentation and preserving every single piece of record is of utmost importance.

Now, GST returns can be filled under different forms as stipulated by the guidelines and depending on which category the taxpayer falls into.

We will understand how to file GST returns basis different forms as follows:

1. **GSTR - 1:** This is the most important return to be filed that comprises of all outward supplies of goods and services in detail. It has to be filed by all taxable registered persons under the GST except those, who are mandated to file different GST return forms based on the category they fall into. It has to be filled by the 10 of the next month and will form the basis of all future flow and match for credit reconciliations. After going through the required information and getting ready with the checklist about the information required, one need to log in to the GSTN portal with their user id and password. After that following steps need to be followed to file the returns :
    - Search for " Services " and then click on Returns, followed by Dashboard.

- Here, the taxpayer has to enter the financial year and the month for which return needs to be filed. Click on Search after that.
- The screen will display all the returns related to the concerned time period.
- Select GSTR 1 from the options given.
- Next step is to choose the option between either prepare online or upload the return.
- After filling the entire form, click on submit and validate the data filled up.
- After validating data, click on File GSTR - 1 and go for either E - Sign or sign the form digitally.
- Once acknowledge to submit the form, an Acknowledgment Reference Number (ARN) will be generated.

Have a closer look:

2. **GSTR - 2:** While GSTR - 1 is for the suppliers, GSTR - 2 is for the recipients. It consists of all the inward supplies of goods and services towards the recipient. It has to be filed by the 15 of the next months as this form is filled after suppliers fill GSTR - 1, those details are auto - filled in the form. Everyone registered under GST need to fill up this form including those who have filed GSTR - 1. However, there are exceptions, which include input service distributors, non - resident taxable individuals under GST, those registered under compounding scheme, tax diductors and e - commerce operators. They need to fill different forms.

   Once you have all the information, you can log in to the GSTN portal using the user id and password. The form will be auto - populated with information from Form GSTR - 1, GSTR - 5, GSTR - 6, GSTR - 7 and the details of tax collected at source furnished by an e - commerce regulator.

   After that, enter the details as required under 13 subheads and finally sign off with a declaration that all information has been supplied and is correct. Goods & Services Tax (GST)
3. **GSTR - 3:** This form is auto - prepared by the 20 of the next months. It comprises of complete information of all Inward and outward supplies of goods and services as updated in GSTR - 1 and GSTR - 2 This form helps to determine your input tax credit availability or the amount of tax payable after going through the entire details of GSTR - 1 & GSTR - 2. You can submit this form after logging in the GSTN portal with the username and password. Apart from the auto - prepared information, you need to fill up Part B that requires any details regarding any taxes, interests, penalties or fees paid during the period and any refunds claimed during the period w.r.t. cash ledger.
4. **GSTR - 4A & 4:** GSTR - 4A is auto - generated quarterly for the composition scheme taxpayers. Based on this information, the taxpayer needs to update all outward supplies. It has to be filed quarterly and the due date is 18 % of the next month. The process shall be the same of logging in to the GSTN portal and following the guidelines mentioned there.
   Here is how it works.

5. **GSTR - 5:** This form needs to be filled before 20 of the next months or within 7days from the date of surrender or expiration of the registration. GSTN portal I clear guidelines to help submit the form with ease.
6. **GSTR - 6A & 6:** GSTR - 6A shall be generated by 11 of the next months, a day after GSTR - 1 is filed by the suppliers. It will consist of all the details of the inwards supplier made to the input service distributor (ISD). Once ISD has verified or corrected such details, GSTR - 6 will be generated that needs to be filed by 13 of the next month. For all such filing needs GSTN portal is the way to go.
7. **GSTR - 7 & 7A:** This form has to be filed to update all tax deductions during the month. Due date for filing this form is 10 % of the next month. After this is updated, a TDS certificate, GSTR - 7A will be auto - generated and shall be available for the assesses to download and to keep a track of

8. **GSTR - 8:** This form has to be filled by the e - commerce seller. It includes all the supplies made as well as the amount of tax collected. This needs to be filed by the 10 % of the next month. GSTN portal has a clear cut path to help you follow the guidelines and submit the form conveniently
9. **GSTR - 9 :** This is an annual return to be filed by all the taxpayers by 31 December of the coming financial year. This comprises of the entire 12 GSTR - 3 of the taxpayers. Once you login to the GSTN portal with the given username and password, apart from submitting the required details, you also need to submit amount of tax paid during the year and include details of any exports or imports.

The best part about the entire GST regime is that the portal automatically puts together all the information across different forms on a real time basis. However, the most important step in the entire process is filing GSTR - 1, which forms the basis of the entire activity.

8.1 WHO ARE THE PEOPLE WHO ARE REQUIRED TO FILE GST ?

In the GST regime, any regular business or individual generating a turnover of 20 lakhs and above is liable to file GST returns. Such businesses have to file three monthly returns and one annual return. This amounts to 37 returns in a year The benefit of the system is that one has to manually enter details of one monthly return - GSTR - 1. The other two returns - GSTR 2 & 3 will get auto - populated by deriving information from GSTR - 1 filed by you and your vendors.

It has to be kept in mind that extreme discipline has to be maintained when it comes to meeting the deadlines to fill the forms and submit them, not only to avoid penalties, but also to avail tax credits on time. For the benefit of the taxpayers, the entire GSTN portal has been kept simple and easy to understand as well as provides a seamless comprising of data so that the entire information can be accessed without any complications.

9 What is GST Non - Compliance Penalties and Appeals!

The GST law has clearly defined descriptions of offenses and the penalties levied in each scenario. This is important information for all business owners, CAs and Tax Professionals as an inadvertent mistake can cause severe consequences.

In this article, we cover the following topics:

- Overview
- Offences and Penalties
- Inspection Under GST
- Search and Seizure Under GST
- Goods in Transit
- Compounding of Offences Under GST
- Prosecution Under GST
- Arrest Under GST
- Appeals
- Overview

To prevent tax evasion and corruption, GST has brought in strict provisions for offenders regarding penalties, prosecution, and arrest.

9.1 OFFENCES AND PENALTIES

Offences

There are 21 offenses under GST We have mentioned a few here. For the entire list of 21 offenses please go to our main article on offenses.

The major offenses under GST are:

- Not registering under GST, even though required by law. (Read our article for the list of those who have to register mandatorily under GSTI
- Supply of any goods / services without any invoice or issuing a false invoice.
- The issue of invoices by a taxable person using the GSTIN of another bona fide taxpayer
- Submission of false information while registering under GST
- Submission of fake financial records / documents or files, or false returns to evade tax.
- Obtaining refunds by fraud.
- Deliberate suppression of sales to evade tax.
- Opting for composition scheme even though a taxpayer is ineligible.

Penalty

If any of the offenses are committed, then a penalty will have to be paid under GST The principles on which these penalties are based are also mentioned by law.

1. For Late Filing

Late filling attracts penalty called late fee. The late fee is Rs. 100 per day per Act. So, it is 100 under CGST & 100 under SGST. Total will be Rs. 200 days. The maximum is Rs. 5,000. There is no late fee on IGST in case of delayed filling.

Along with late fee, interest has to be paid at 18 % per annum. It has to be calculated by the taxpayer on the tax to be paid. The time period will be from the next day of filing to the date of payment.

2. For Not Filling

If you don't file any GST return, then subsequent returns cannot be filed. For example, if GSTR - 2 return of August is not filed then the next return GSTR - 3 and subsequent returns of September cannot be filed. Hence, late filing of GST return will have a cascading effect leading to heavy fines and penalty (see below)

3. For The 21 Offenses with No Intention of Fraud or Tax Evasion

An offender not paying tax or making short payments must pay a penalty of 10 % of the tax amount due subject to a minimum of Rs. 10,000

Consideration: In case tax has not been paid or a short payment is made, a minimum penalty of Rs 10,000 has to be paid. The maximum penalty is 10 % of the tax unpaid.

4. For The 21 Offenses with The Intention of Fraud or Tax Evasion

An offender has to pay a penalty amount of tax evaded / short deducted etc., Le., 100 % penalty, subject to a minimum of Rs. 10.000.

Additional penalties are as follows:

Tax Amount Involved	100-200 lakhs	200-500 lakhs	Above 500 lakhs
Jail Term	Up to 2 years	Up to 3 years	Up to 5 years
Fine		In all three cases	

Cases of fraud also face penalties, prosecution, and arrest.

Inspection Under GST

The Joint Commissioner of SGST / CGST (or a higher officer) may have reasons to believe that in order to evade tax, a person has suppressed any transaction or claimed excess input tax credit etc. Then the Joint Commissioner can authorize any other officer of CGST / SGST (in writing) to inspect places of business of the suspected evader.

Search & Seizure Under GST

The Joint Commissioner of SGST / CGST can order for a search. He will order a search on the basis of results of results of inspection (or other reason) if he has reasons to believe:

There are goods which might be confiscated:

- Any documents or books or other things which are hidden somewhere. Such items can be useful during proceedings.

Such incriminating goods and documents can be seized.

Goods in Transit

The person in charge of a vehicle carrying goods exceeding Rs. 50,000 is required to carry the following documents:

- Invoice or bill of supply or delivery challan
- Copy of e - way bill (hard copy or via RFID)

The proper officer has the power to intercept goods in transit and inspect the goods and the documents. If the goods are in contravention to the GST Act, then the goods, related documents, and the vehicle carrying them will be seized. The goods will be released only on payment of tax and penalty.

Before confiscating the goods, the tax officer shall give an option of paying a fine instead of confiscation.

Compounding of Offences Under GST

Compounding of offenses is a shortcut method to avoid litigation. In case of prosecution for an offense in a criminal court, the accused has to appear before the Magistrate at every hearing through an advocate This becomes expensive and time - consuming.

In compounding, the accused is not required to appear personally and can be discharged on payment of compounding fee which cannot be more than the maximum fine as applicable under GST.

Compounding will save time and money. However, compounding under GST is not available for cases where the value involved exceeds 1 crore.

Prosecution Under GST

The prosecution is conducting of legal proceedings against someone in respect of a criminal charge.

A person committing an offense with the deliberate intention of fraud, becomes liable to prosecution under GST. Le face criminal charges. A few examples of these offenses are:

- Issue of an invoice without supplying any goods / services thus taking input credit or refund by fraud
- Obtaining refund of any CGST / SGST by fraud.
- Submitting fake financial records / documents or files, and fake returns to evade tax.
- Helping another person to commit fraud under GST.

Arrest Under GST

If the Commissioner of CGST SGST believes a person has committed a certain offense he can be arrested under GST by any authorized CGST SGST officer

The arrested person will be informed of the grounds for his arrest. He will appear before the magistrate within 24 hours in case of a cognizable offense (Cognizable offenses are those where the police can arrest a person without an arrest warrant. They are serious crimes like murder, robbery, counterfeiting).

Appeals

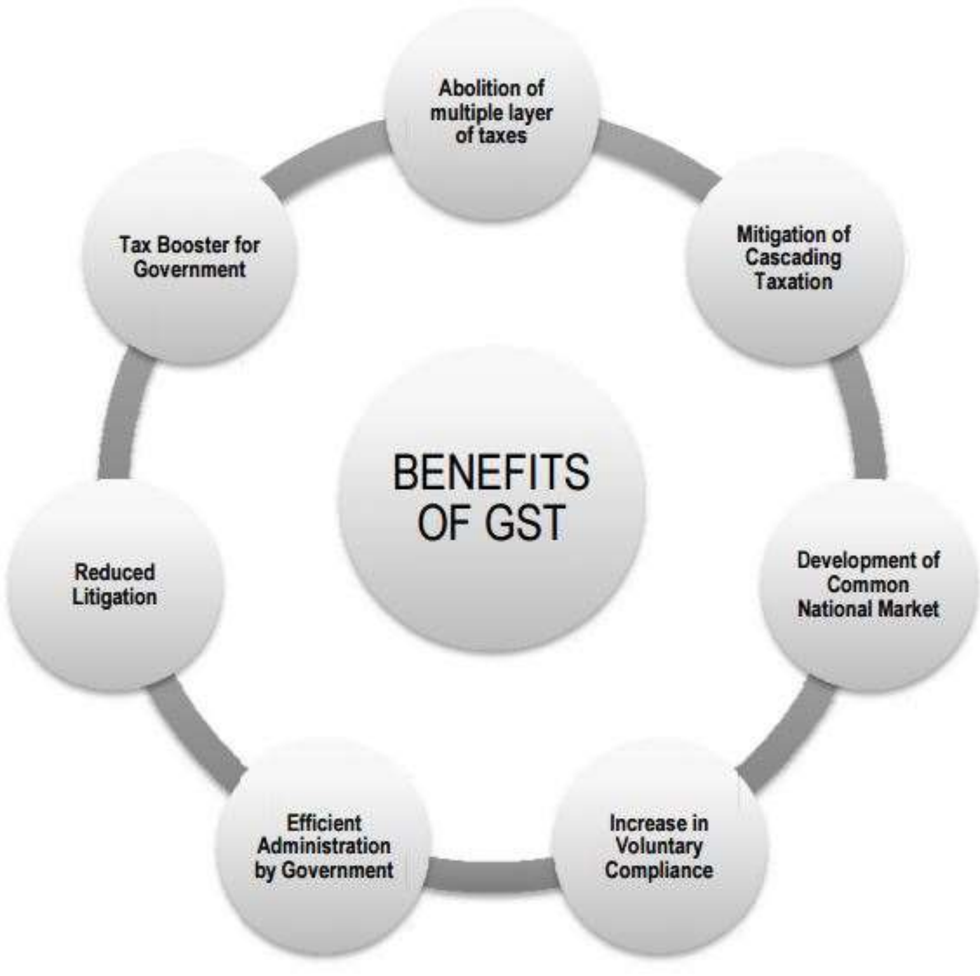
A person unhappy with any decision or order passed against him under GST can appeal against such decision.

The first appeal against an order by an adjudicating authority goes to the First Appellate Authority the taxpayer is not happy with the decision of the First Appellate Authority they can appeal to the National Appellate Tribunal, then to the High Court, and finally to the Supreme Court.

10What are the Benefits of having GST in Place?

GST has come in force from 1st July 2017 and the returns are soon going to roll out and pave the way for a uniform and systematic reporting system that is seldom found anywhere else. This transaction wise, destination - based reporting system provides for a much effective credit flow, removes chances of corruption and illegal transactions, as the entire system will be centralized and automated.

In a quick view, these are the benefits of GST which we will be discussing in detail in this chapter.

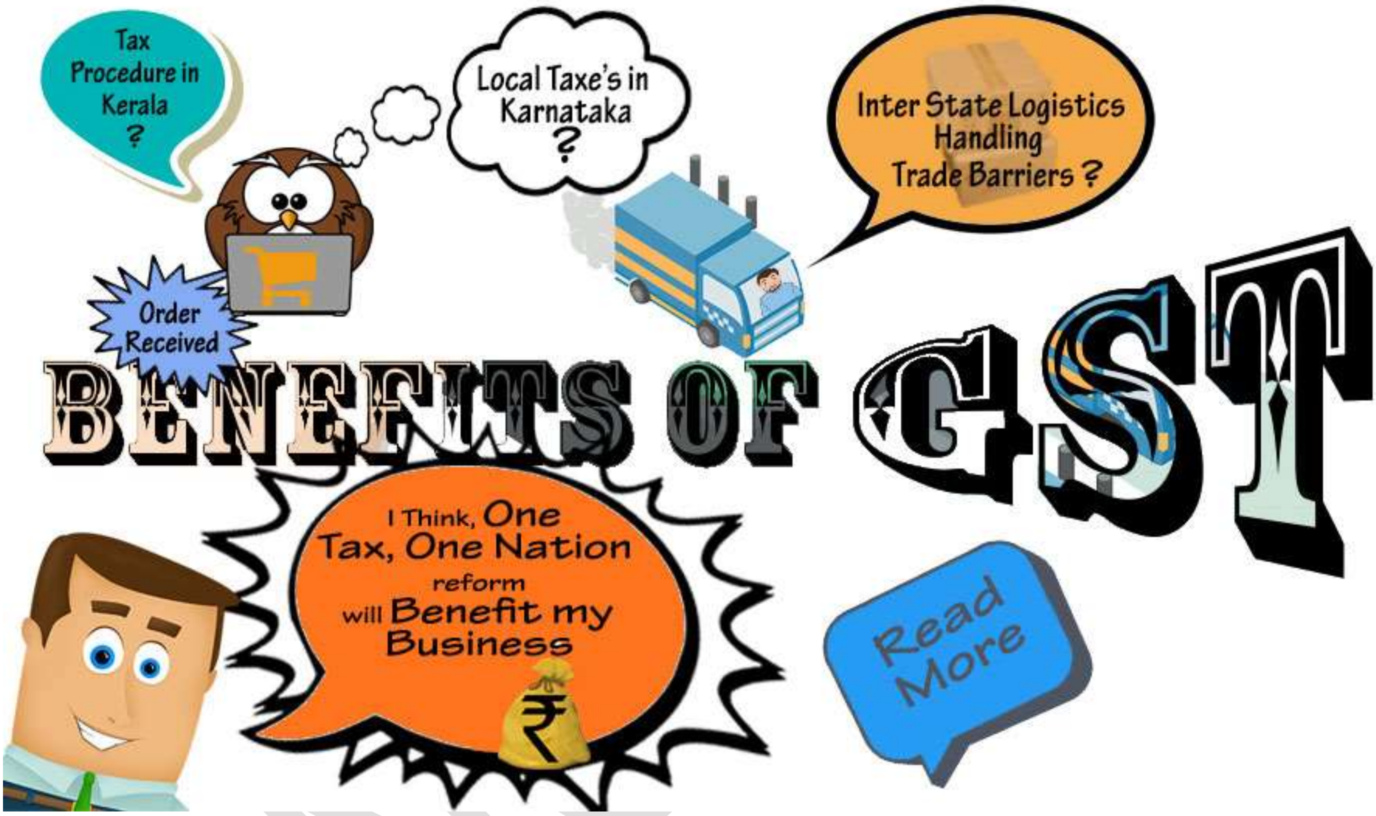


Seen as one of the biggest tax reforms (in terms of indirect taxes) since 1947, GST is set to bring forth unprecedented transformation of the country from a political union to an economic union of 29 states and 7 union territories. Under this fabled tax system, existing in developed countries such as France, UK and Canada, the taxpayers in India will pay a consolidated tax instead of the plethora of taxes such as Value Added Tax (VAT), Central Excise, Service Tax, Entry Tax or Octroi, Customs Duty, Central Surcharge & Cess, Luxury Tax, Entertainment Tax, and Purchase Tax and a few other indirect taxes. Thereby helping to consolidate, streamline and make easier and more effective the process of indirect taxation.

GST will be payable at the final point of consumption on the price of goods and services; termed as a " transaction value. This transaction value or actual paid price, while buying the good or service, will include packing cost, commission, and all other expenses incurred for their sales. To start with, the GST Council has finalized four tax rates slabs of 5 %, 12 %, 18 %, and 28 % for goods and services. Education, healthcare, milk products and alcohol will continue to be exempted from tax in the upcoming GST regime. Similarly, gold and rough diamonds do not fall under the current rate slabs and will be taxed at 3 % and 0.25 % respectively.

Prior to implementation of GST, for example entrepreneurs having business interests in seven states would have to deal with seven different tax authorities along with seven different tax rates in value added tax (VAT) paid by them. However, while filing for GST, they have to execute only two types of registration, one for State - GST and another for Central GST. Also, with GST all states in India will have the same tax rate, which will bring down the logistics costs for many businesses. Thus, at this juncture the Indian startup community stands to gain considerably from the implementation of GST.

For young entrepreneurs, GST is an out and out good news. Here are four keyways in which Indian startups will benefit from the new system.



10.1 MAKING IT EASIER TO DO BUSINESS

GST will bring about a uniformity in process and centralized registration that will make starting a business and expanding in different states much simpler. Since startups lack the resources to hire tax experts of a dedicated team for handling varied forms of tax compliance, GST s objective is to simplify the tax regime by reducing the multiplicity of taxes. This will not only bring compliance costs down but also make taxation transparent with digital tax processing. The Do It Yourself (DIY) model will enable startup founders to complete taxpayer registration, tax return submission, tax payments, and claim refunds online, thereby saving money for all sorts of enterprises irrespective of sector.

10.2 2. REDUCTION IN LOGISTICS COST AND TIME TAKEN ACROSS STATES

GST will ensure that interstate movement becomes cheaper and is less time consuming, by eliminating small border taxes and resolving check post issues. This will inevitably reduce the costs associated with upholding high stocks, as there will be a smooth movement of goods. As per a CRISIL. analysis, GST can reduce logistics costs of companies producing non - bulk goods (comprising all goods besides the primary bulk commodities transported by railways - coal, iron ore, cement, steel, food grains, fertilizers) by as much as 20 %.

10.3 3. HIGHER EXEMPTIONS TO NEW BUSINESSES

GST also introduces an optional scheme called the composition scheme, which empowers small businesses with turnover between $ 30,000 and $ 77,000 (Rs 20 and 50 lakhs) to pay lower taxes. This will bring respite from tax burdens to newly established businesses. Earlier, as per the Value Added Tax (VAT) structure, any business with a turnover of more than $ 7000 (Rs 5 lakh) was to get VAT registration, Under GST this threshold for registration has been increased to $ 30,000 (Rs 20 lakhs), thus providing respite for founders of many startups and small businesses.

10.4 FINANCIAL INCLUSION

In the long run, GST will enable financial inclusion in the economy. With the startup community migrating towards digital book - keeping and optimizing existing processes, they would be better predisposed towards fulfilling the eligibility criteria for credit facilities by banks and investors in India and abroad. Furthermore, FinTech organizations will find have easy access to the young and fast - growing ventures digitally and extend them the line of credit needed to establish and grow their businesses.

In addition to these accruing benefits, a CRISIL analysis report states that GST is going to play an intricate role in boosting country's GDP and reducing fiscal deficit. It creates a win - win situation both for the government and the taxpayers. Notwithstanding speculations and the initial teething problems, GST appears to be a promising radical reform that ensures reduced costs and a streamlined economy, elements that are essential to guarantee success, to lift the spirits and to empower Indian entrepreneurs.

Here are some of the major overall benefits that GST brought with its implementation:

- Aptly known as transparent taxation system, which is a replacement for all the indirect taxes going so far, GST is the most effective reform brought to surface by government. With GST, every customer will get to know the exact tax amount he is paying on buying goods and services, and there will be a sense of relief amongst masses.
- With GST in place, there will be no hidden taxes, as no additional taxation cart will be levied upon retailers who are registered and also the cost of conducting the businesses will reduce substantially.
- Absolute Indian market will be unified and can be seen as a united business platform, encouraging the foreign investors to come in.
- GST will boost economic growth resulting in a rise in nation's overall wealth.
- Tax rate on necessary commodities like gas, oil, water, electricity etc will lower down.
- In India, GST will follow Dual System, wherein Central GST and State GST will be charging same manufacturing cost and will be collected on point of sale only. This in return will help end consumers, as prices will fall down, consequently boosting the consumption of goods which is a major uplift for industries.

11 What are the On Ground Differences, Pre and Post GST In the Nation?

Every nation has certain landmark moments that change the course of its history and ensure nothing remains the same there, ever. The liberalization of Indian economy in 1991 was one such event that opened up the floodgates of Indian economy for the entire world and gave wings to the common man to live a life one is capable of The entire world reached out to us and helped us get assimilated in the global economy. This resulted in the growth of now - so - famous massive middle class of the country, which is contributing healthily to the economic growth of the nation.

Implementation of GST from 1 July, 2017 is another of such milestones that's changing how we Indians do business and how the taxation policy's face will change forever. Even though the reforms of 1990's brought financial independence, the way of doing business didn't change much and left a lot to be desired. A lot of unethical practices were part of doing business and newer and fresher ways were devised to evade taxes and indulge in generating black money Introduction of GST is the first step in bringing uniformity in paying taxes, erasing dubious business transactions and contributing significantly to the GDP growth of the country.

Before going into the specifics, let's look at some of the structural changes that have taken place since the time GST was launched:

1. **Inclusiveness:** As the GST works on the basis of input tax credit and the guidelines indicate every business with an annual turnover of Rs. 20 lakhs to be part of GST, it has ensured that almost every business entity has registered itself. Out of the total of 72.33 lakh taxpayers, 58.53 lakh taxpayers have migrated to GSTN and the remaining ones are in the process of doing so.
2. **Organised Business :** The infamous 'parchi' system of doing business instead of generating legal invoices is dying a natural death. Right from Kirana stores to other business establishments, everyone is liable for each other's tax responsibility and are invariably becoming part of the tax - payers chain. Before confiscating the goods Compounding of Offence
3. **Efficiency:** Even though initially there was a lot of apprehension about the new tax reform, technology has made it an easy and efficient process. Manual work has been reduced and everything can be done online. After teething troubles and with government's timely intervention, the entire process of filing returns for GST is undergoing a change to make it easy to file returns.
4. **Organised Data And Transparency:** Every participant in the production of a product / service is now obliged to file returns online. This not only means that entire data is stored online and makes things easier to track, but it also brings in transparency. Now, there can't be any " back - dated " changes in invoicing or duplication of information.
5. **Revenues:** GST is a step towards generating more revenues and the robust tax filing and tracking mechanism just ensures that only. It plugs any leaks in the entire chain resulting in higher revenues by ensuring everyone pays their share taxes instead of a select few industries bearing the brunt of taxes. A testament to this is growth of 41 79 % of advance personal income tax collection as on August 5 over the corresponding period in FY 2016-17. Also, personal income tax under self - assessment tax (SAT) grew at 34.25 % over the corresponding period in FY 2016-17
6. Short - term Change Initially, the prices seem to go up and even the cost of compliance is higher for those who never filed returns or taxes. However, in the long run, the prices are bound to come down and the entire economy will benefit

These are the broad level changes that happened post - GST launch in the country However, to understand the ground level changes, we need to look specifically at the following sectors

1. **Footwear & Apparels Garments:** Any footer costing above Rs. 500 will now be charged a GST rate of 18 %, up from 14.41 %, while footwear costing below Rs. 500 will attract a GST rate at 5 % When it comes to ready - made clothes, the rate has come down from 18.16 % to 12 % thereby making them cheaper.

2. **Taxi Rides:** Booking cabs online will now attract a tax rate of 5 % instead of 6 % earlier. This might look slightly less, but for long and routine journeys, the savings might turn out to be substantial.
3. **Train Tickets**: Local train tickets or sleeper class fat will remain same. Effective tax rate has increased from 4.5 % to 5 % in GST, but business travellers can claim input tax credit and reduce expenses. However, those traveling, first class will have to pay more.
4. **Cinema Tickets:** Movie tickets costing under Rs. 100 will now attract a GST rate of 18 %, but those costing above Rs. 100 will attract GST of 28 %
5. **Life Insurance Policies:** GST component on life, health and general insurance policies has been increased. This means that premium on the policy towards term and endowment has increased a well.
6. **Jewellery:** GST has been increased on the jewellery on gold, there is a GST of 3 % and the making charges will attract a GST of 5 % Earlier 2 % was charged on gold.
7. **Real Estate:** The properties still undergoing construction have turned to be cheaper than ready - to move - in properties. Even though the GST on under construction property in 18 %, effective rate turns out to be 12 % This is because the builder is able to claim input tax credit and reduce the overall cost and pass on the benefit to the buyers.
8. **Hotel Stay:** Hospitality industry will benefit from GST as the room rentals under Rs 1000 have been kept out of GST ambit. However, for room tariffs above Rs. 5000, the GST will be levied at 28 %
9. **Cars:** Except hybrid cars, most cars have become slightly cheaper and that says about their increasing sales GST is uniformly applied at 28 % on all cars irrespective of their make, engine or model. However, additional cess is levied over and above this 28 % at the rate of 1 %, 3 % or 15 % depending on the car segment.
10. **Eating Out:** The government has marked different GST rates for different restaurants For AC restaurants and 5 - star hotels, GST will be charged at a rate of 18 %. For Non - ac restaurants, GST has been fixed at 12 %. However, for small Dhaba's, hotels and restaurants with an annual turnover of less than Rs. 50 lakhs, GST has been fixed at 5 %.
11. **Cable services and DTH:** Payments for cable services and direct - to - home connections have come down as GST is now foxed at 18 %. The earlier taxes including entertainment tax were in the range of 10-30 % apart from service tax of 15 %.
12. **Amusement Parks:** Enjoying at amusement parks just got costlier as GST has been fixed at 28 % from an earlier tax rate of 15 %.

Apart from all the positive changes that are expected in the Indian Taxation System, GST is going to bring down the costs and will make life easier for all.

Here is a clear example of on ground differences, pre and post GST:

The comparison is for a product being sold from Mumbai to Nagpur, before GST and after:

PRESENT TAX SYSTEM

PRODUCT sold from Mumbai to Nagpur.
PRICE = Rs. 1000

VAT @ 10% = Rs.100

Product sold from Nagpur to Chennai.
COST = Rs. 1100
PROFIT = Rs. 1000
SELL PRICE = Rs. 2100

CST @ 10% = Rs. 210

TOTAL COST of product = Rs. 2310

GST SYSTEM

PRODUCT sold from Mumbai to Nagpur.
PRICE = Rs. 1000

CGST @ 5% = Rs.50
SGST @ 5% = Rs.50

Product sold from Nagpur to Chennai.
COST = Rs. 1100
PROFIT = Rs. 1000
SELL PRICE = Rs. 2100

IGST @ 10% = 110
= 210 – CGST- SGST

TOTAL COST of product = Rs. 2210

The above flow of cost and taxes clearly explains the cut down in cost to the end consumer. This applies to all products.

Also, if you visit a restaurant or a cafe now that the Goods and Services Tax (GST) has been rolled out. the break - up of your bill will look different than it used to before GST.

GST, which has come into effect from July 1, 2017, has subsumed 17 indirect taxes and 22 cesses which were at different rates across different states.

Earlier a normal restaurant bill used to show a plethora of taxes which were charged by the state (VAT / sales tax) and the central government (Service tax) in addition to the service charge levied by the restaurant owners.

This is how a pre-GST restaurant bill looked like:

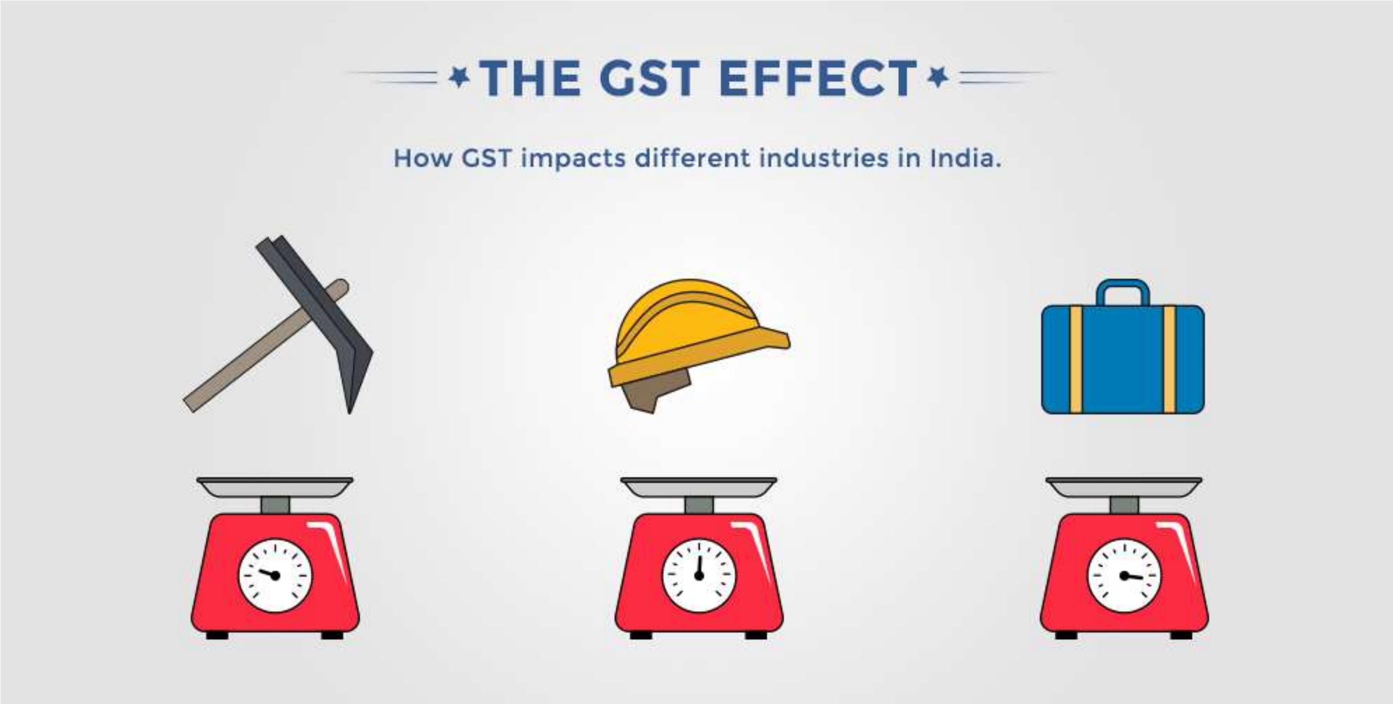
XYZ Restaurant	
Particulars	*Price*
Shahi Paneer	300
Butter Naan	50
Cold Drinks	50
TOTAL	400
Service Charge @ 10%	40
Service Tax @ 14%	24.64
KKC @ 0.5%	0.88
SBC @ 0.5%	0.88
VAT @ 14.5%	58
TOTAL AMOUNT PAYABLE	524.4

XYZ Restaurant	
Particulars	*Price*
Shahi Paneer	300
Butter Naan	50
Cold Drinks	50
TOTAL	400
Service Charge @ 10%	40
CGST @ 9%	39.6
SGST @ 9%	39.6
TOTAL AMOUNT PAYABLE	519

The difference in the bills is clearly seen.

Hence, it can safely be said that there is a plethora of difference between the state of the economy pre, and post GST and the impact is clearly felt on the ground level. The common man has more or less adjusted to the changed taxation scenario and going forward with more positive changes, everyone in the country will have an equal opportunity to enjoy the fruits of this favourable tax regime.

12 How does GST Affect Various Industries and Trades in India?



GST implementation in the country has covered the entire gamut of trades and industries. Nothing remains untouched or unaffected by it and in turn is affecting the common man in many ways.

To get a better grip on the subject, let's have a look at various sectors and the impact of GST on each one of them:

1. **NGOs and Charitable Trusts:** Broadly speaking, as long as an NGO or a charitable trust is providing free services and meeting the pre - designed criteria for such services, they will be outside GST. However, if they charge money for any services provided like yoga activities or training camps or sell any goods, they will be liable to pay GST.
2. **Rentals :** If you have rented out your premises for residential purposes, you'll be exempted from GST Also, if the property is leased out for commercial activities, GST will be applicable, but only if the annual income from rent crosses the threshold limit of Rs. 20 lakhs and above.
3. **Shipping Charges:** As per the rules governing the GST, shipping charges will be applicable as per the GST applicable on individual products. For example, if a product attracts GST of 5 %, then shipping charge will also attract GST of 5 %. Similarly, if GST on the goods is 18 %, shipping charge shall also be the same. Also, certain products are kept out of the GST while transported such as milk. rice, agricultural produce, organic manure, defence equipment and the likes.
4. **Gold:** Prior to implementation of GST, the tax on gold as 1 % service tax and 1 % as VAT, amounting to a total of 2 %. However, post - GST, the tax applicable on gold is now 3 %! When it comes to gold making charges, GST applicable is 5 %
5. **Goods Transport Agency (GTA) Under GST:** GTA is any person that offers services to transport goods via road and issues a consignment note. Issuing consignment note is most important here to be considered a GTA as it means that the lien on goods has been transferred to the transporter, who will be responsible for the goods till its safe delivery to the consignee. GST is applicable on GTA but varies from product to product. It ranges from nil for essential items and other products marked by authorities to 5 % with no Input Tax Credit (ITC) and 12 % with ITC.
6. **Cab Services:** There is a decrease in fare after implementation of GST of 5 % without input tax credit. It will be applicable on radio taxis and AC buses while metered taxis and auto rickshaws are exempted from GST.

7. **IT Sector:** Items used in the IT sector like printer, photo copying, fax machines and ink cartridges will attract GST of 28 % against 18 % charged earlier. Software services will also attract GST of 18 % against 15 % service tax charged previously. All this has increased cost for the IT industry, but one of the good things about GST is the Input Tax Credit (ITC) that is available to IT traders selling goods and services.
8. **Export of Goods and Services:** Export of goods or services is considered as a zero - rated supply and therefore GST will not be applicable on any kind of goods and services. This helps the export industry to have internationally competitive prices as there is an easy mechanism of claiming input tax credit and input tax credit is available on services.
9. **Hospitality Industry:** GST implementation has had mixed impact on this industry. Since it is one tax, there is an administrative ease while preparing bills, calculating taxes and clarity for consumers. Also, the industry will get full TTC on their inputs. However, the total cost has risen a bit because GST is charged at 18 % against demand of 5 % for Indian hospitality to be able to compete against global tourism and hospitality industry.
10. **Insurance and Banking :** Insurance premiums have risen after GST regime kicked in due to changed tax structure. Banking transactions have also become costlier as there is a GST charge of 18 % against 15 % earlier.
11. **Coal:** Previously the tax on coal turned out to be 12 % inclusive of various types of taxes at different stages. Now, GST has brought down the tax to 5 %. However, there are certain local taxes, environmental charges and couple of other hidden charges still applicable that have not been subsumed in GST. Hence, the net reduction taxes is in the range of 2-3 % instead of a flat 7 %. But this 2-3 % tax reduction is also massive given the huge consumption of coal in the country and is benefitting the consumers.
12. **Domestic Appliances and Electrical Machinery**: Domestic appliances like fridge, TV, air conditioners and the likes have become slightly expensive after GST as the rate is fixed at 28 %. which is 2-3 % higher than earlier. However, the cost of commercial electrical machinery is expected to remain neutral.
13. **Iron and Steel:** Different products are charged with different taxes under GST. Household utensils have become cheaper while barbecue sets have become expensive. Sanitary items like taps, faucets etc. have also got costlier while laying of railway tracks has stayed neutral. In the short term, there is a for the sector as well as the economy. higher cost involved in the industry due to transition phase, but in the long run, GST will be beneficial.
14. **Tobacco Industry:** Keeping in mind the health concerns related to the use of tobacco and tobacco products, GST applicable is 28 % and there is an additional cess charged over and above this rate. The prices have gone up and there is an expectation that it might prove as a deterrent for tobacco use. F3 FA F5 FE
15. **Air Fares:** GST on economy tickets has been reduced from 5: 6 % to 5 % that has effectively brought down the economy prices. However, for business class travellers, the tax has gone up from 8.4 % to 12 %.
16. **Cement Industry:** Previously, the taxes turned out to be 24-25 %, but GST will be applicable at a flat rate of 28 % This looks expensive, but the cost of operations for the cement industry will come down in the long run owing to various other benefits offered under GST regime.
17. **Entertainment Industry:** It is a mixed bag for the entertainment industry as it depends on the state and local taxes applicable therein, Owners of movie halls, parks etc. will stand to benefit owing to input tax credit. Also, for states with higher entertainment tax GST will be good as ticket prices will reduce, but states where entertainment tax is already low, may see a spike in prices.
18. **Rail Transport:** GST applicable is now 5 % compared to earlier rate of 4.5 %. This has slightly increased the fares. But business travellers can claim input tax credit and get benefits. Similarly, goods being transported by train can also claim for input tax credit to reduce their GST liability.
19. **Life - saving Drugs and Other Pharma:** GST has been charged under three brackets of 5 %, 12 % and Nil. Medicines coming under 12 % bracket have seen prices increase by about 2.30 % compared to earlier prices while those under 5 % bracket have seen no change in the final price.

20. **Furniture Manufactures:** Whether it is wooden furniture or iron and steel. GST rates applicable has However, between the two, GST is more beneficial for wooden furniture makers increased their pr prices. due to lower incidence of tax applicable on them.
21. **Fruits and Vegetables:** Fresh fruits and vegetables do not attract any GST, but dry fruits and preparations from fruits and vegetables are now charged 12 % and 18 % compared to 5 % earlier making them costlier.
22. **Textile Manufacturers:** While the tax rate has been increased on the textile Industry and benefits under cotton value chain have been removed resulting in adverse conditions for the sector in the long run GST will prove to be beneficial. This is because the industry will be more organised and regulated.
23. **Job Work:** GST has clearly defined the entire process of job work and clearly mentions that any input tax credit claimed under the process can be reversed if the set parameters are not met. There is more clarity on what's required from the supplier and contract worker along with clearly defined timelines.
24. **Imports and Importers:** GST has subsumed Countervailing Duty (CVD) and Special Additional Duty (SAD). However, Basic Customs Duty (BCD) is not part of GST and will be charged as per existing laws.
25. **Healthcare and Pharma Sector:** A total of 8 different taxes have been subsumed into one single tax.
26. GST has also improved the operational efficiency of the sector by rationalising the supply chain. GST is also resulting in lower manufacturing cost as well as reduced cost of technology.
27. **Wholesalers and Retailers:** These traders mostly worked outside the taxation regime and generated what is called black money. However, GST implementation has forced them to be a part of tax structure and their ability to evade taxes or undercut will be reduced massively.
28. **Freelancers:** It is a mixed bag for freelancers. While GST will help them to be organised, the GST rate of 18 % is higher than the previous tax rate of 15 % and will also enforce compliance issues.
29. **FMCG Sector:** Previously, the tax rate applicable on the sector was in the range of 22-24 %, but after GST implementation, it has come down to an average of 18-20 %. Some products have become costlier, and some have become cheaper, but overall, as a sector it has benefitted from GST.
30. **Works Contract:** In the earlier scenario, works contract was quite complicated with different components of services and goods becoming a part of it and taxation becoming quite complicated. However, GST has removed all such ambiguity and now work contracts will be treated purely as service and taxes will be applicable accordingly.
31. **Automobile Sector:** GST has resulted in lowering of taxes as well as reduction in multiple taxes being levied that to complications. Its impact is easily visible now with increase in sales and demand!
32. **Small and Medium Enterprises:** This sector was largely ignored for the longest time, but with GST, the sector will now have access to data that can be used to get better credit, improve on operational efficiencies, manage cash flows, improve on customer relationships and become the backbone of the country's economy!
33. **Ecommerce Players:** Whether it's the marketplace like Amazon or Flipkart or the thousands of sellers on these marketplaces, the GST compliance will increase their cost and complexity. However, in the long run, not only GST is poised to streamline their operations, but also provide transparent level playing field for all the players and result in business growth and profits by lowering the cost
34. **Logistics Industry :** This sector has benefitted tremendously with the introduction of GST as the movement of goods has increased, warehousing needs of companies has come down and multiple taxes at different points of entry into various states has been eliminated. GST has come as a boon for this industry for sure.
35. **Food Services and Restaurant Industry:** Initially GST charged 18 % for AC restaurants, but even that has been brought down to 12 % now. Overall, the impact of GST has been positive on both the consumers as well as restaurant owners purely due to reduction in taxes, but also because of simplicity of calculating the final bill.
36. **Real Estate Sector:** Ready - to - move - in properties are out of GST, but under construction properties shall benefit due to uniformity of the taxes. Also, the major impact is transparency and accountability in a sector plagued by opaque operations.

37. **Special Economic Zones (SEZ):** While multiple taxes have been subsumed under GST, Basic Customs Duty (BCD) and Integrated Goods and Service Tax (IGST) is being charged on supplies made from SEZ.
38. **Banks and NBFCs :** This sector is still awaiting further clarity and explanation on the norms being introduced, but as of now the entire operations have become complicated due to compliance issues.
39. **Stock Exchange and Stock Transfer :** With the shift of taxable event from sales to supply consequentially stock transfers under GST would be taxed and this will be a mixed bag with certain industries benefitting from cost savings in procurements and some industries ending up paying higher costs.
40. **Start - ups :** GST is benefitting start - ups in various ways. One of them is the minimum threshold of Rs. 20 lakhs to be eligible for registrations unlike previous regime where minimum threshold for this sector was Rs, 5 lakhs. Also, there is a provision for lower taxes if turnover is between Rs. 20 lakhs to Rs. 50 lakhs. All in all, GST is a boon for start – ups.
41. **Agricultural Sector:** While taxes have been increased on a few of the products used in the sector, in the long run such increased costs will be levelled out due to economical operations and creation of single national market.

As is quite evident, GST has been a revolutionary tax regime that is showing extremely positive impact on the economy and in the next 1-2 years, everyone will be reaping the benefits of this business-friendly law.

Impact On Different Sectors

	Impact of Tax Rate	Inventory Management	Logistics	For Organised Players	Overall Impact
Cement	Positive	Positive	Positive	Positive	Positive
Consumer Durables	Positive	Positive	Positive	Positive	Positive
FMCG	Positive	Positive	Positive	Positive	Positive
Pharmaceuticals	Positive	Positive	Positive	Neutral	Positive
Automobile	Positive	Positive	Positive	Positive	Positive
Cap Goods	Positive	Neutral	Positive	Neutral	Positive
IT/Ites	Positive	Neutral	Positive	Neutral	Positive
Media	Negative	Neutral	Neutral	Neutral	Negative
BFSI	Positive	Neutral	Neutral	Neutral	Positive
Textile	Negative	Positive	Positive	Positive	Neutral
Building /Home Material	Positive	Positive	Positive	Positive	Neutral
Telecommunications	Neutral	Neutral	Negative	Neutral	Negative
Metals	Negative	Neutral	Positive	Neutral	Positive
Multiplex	Positive	Neutral	Neutral	Neutral	Positive

Positive Neutral Negative

13 How does GST Impact Your Personal Finances?

Impact of GST on your personal finances will be mixed.

For many items, there is a reduction in taxes. This is mainly because government has put up strict anti-profiteering measures & warned businesses of tax raids to make sure the companies pass on the benefits to their consumers.

13.1 FOOD ITEMS

Most food items are exempted from GST. They were also not taxable under old regime, so prices expect to be largely neutral.

- Cereals
- Fresh fruits & Vegetables (Other than frozen or processed)
- Meat (Other than in frozen state and put up in unit containers)
- Fish (not frozen or processed)
- Common salt

There was confusion whether wheat, flour, rice sold in packets would be under high tax. Revenue Secretary has clarified that only those sold under a registered brand name sill attract a higher tax of 5 %. So, your normal unbranded packets from your local grocery will still be 0 rated.

Impact of processed food will be varied. Items like corn flakes will reduce under GST while pastries and cakes will rise.

13.2 HOUSEHOLD ITEMS

Hair oil, soaps, shampoos are expected to get cheaper.

Cost of washing clothes will increase due to increase in rate of detergent and due to increase in tax on services of laundry places.

Other basic items such as Kumkum, alta, puja samagri, bangles (except those made from precious metals) are exempted from GST which will lead to decrease in prices. However, makeup will be more expensive under GST falling under 28%.

13.3 OTHER HOUSEHOLD ITEMS & APPLIANCES

Kitchen utensils like stainless steel cooker, pan etc. are a little cheaper as they are charged at the rate of 12% under GST compared to the old tax rate of 19.5%.

Sanitary items like taps, faucets etc. are costlier under GST as they are also kept under the 28% GST.

So, making small repairs to your home (replacing a tap) & home appliances will be costly under GST.

13.4 MEDICINES

Human blood and its various components are exempted under GST as well as existing laws so prices will remain neutral.

Only chemical contraceptives (Hormones based) were earlier exempted. Now condoms and other contraceptives are also exempted under GST.

Impact on life saving drugs including medicines for diabetics are largely neutral which were taxed also around 5% under VAT/excise regime.

Prices of ayurvedic and other alternative medicines will increase as they are taxed under 12% GST.

13.5 MOBILE NETWORK, DTH AND OTHER SERVICES

Service industry are now under 18% GST compared to the earlier 15%. So, mobile connections, DTH booking of tickets through agents, apps will increase.

Computers are expected to become cheaper.

13.6 RESTAURANTS

Dining out will be cheaper in most cases because of decrease in taxes. Earlier tax on restaurants came to an effective rate of 20.5%. This has been reduced for all restaurants to 18% GST, including 5-star restaurants. Even better, non-ac restaurants without alcohol will be even cheaper under 12% tax. Many restaurants have already started giving discounts and happy hour low prices.

So, eating out is definitely easy on your finances in GST.

13.7 MOVIEGOERS

Movie tickets will attract GST at 28% and food, drinks at theatres will attract 18%. The effect of GST will be mixed depending on the states. States with high entertainment tax such as Maharashtra, UP, will be benefitted as it will reduce the prices for the end consumers. However, GST will have a negative effect on states which already have a low entertainment tax such as Punjab, Rajasthan.

13.8 BANKING, FINANCE & INSURANCE

Ironically, your actual financial transactions will reduce your finances due to increase of tax on services to 18% (from earlier 15%)

So, your life, health, car insurance premiums will increase. Cost of taking out a loan will also increase due to the service component in loan processing etc.

Banking services charge 15% service tax currently which will increase to 18% under GST. Most banks have applied transaction charges on cash withdrawals from different bank ATMs, cash Withdrawals from branch (first 5 for both are free). All these attracted 15% service tax which has increased to 18% under GST regime.

13.9 TRAVELLING

Prices of mid - large cars will increase as they will attract 28 % GST along with cess. However, prices of small cars will attract 1 % -3 % cess thus resulting in a decrease in prices. Mid - sized cars, SUVs and luxury cars will have a 15 % cess. Motorcycles will attract 3 % cess.

Travelling by app-based cabs like Ola, Uber has become cheaper as the tax has reduced to only 5 %. Already, we pay a reduced amount on travelling. Also, all radio - taxi companies have started various discounts and offers keeping in line with the anti - profiteering measures.

13.10 TOURISM

Railways tickets will increase slightly due to rates, Economy air prices will fall. However, luxury and business class ticket prices will rise.

Budget hotel rooms below Rs. 1000 per day are exempted from GST. Rooms between 1000-2500 will attract 12 % GST. Rooms between 2500-7500 will be taxed under 18 %, Rooms above 7500 are taxed at the luxury rate of 28 %. Hotel rent will decrease for all rooms except for the high - end luxury ones.

13.11 GOLD

Gold, Diamonds, Precious stones will attract 3 % GST which will increase prices in most states where the earlier rate came to 2 % (1 % excise + 1 % VAT).

13.12 HOUSING

Cement prices will increase due to the 28 % GST rate. In turn, costs for infrastructure and housing which are highly dependent on cement, will also increase.

Also rent of office buildings will be subject to GST of 18 %. However, the rent of residential buildings is exempted from GST.

Exemption list is expected to have around 100 items only as exemptions break the tax chain and create scope for tax evasion. By keeping a small list, it will help to curb tax evasion.

Most of the commonly used items (common man items) are under 12 % and 18 %

Online Shopping is expected to be balanced by lower costs of logistics and smoother inter - state transport because of a uniform tax rate.

FM Arun Jaitley said the main principle behind the rate fixing has been that " tax rate under GST will not go up for any of the commodities. There is no increase. On many commodities, there is a reduction particularly because the cascading effect of tax is gone".

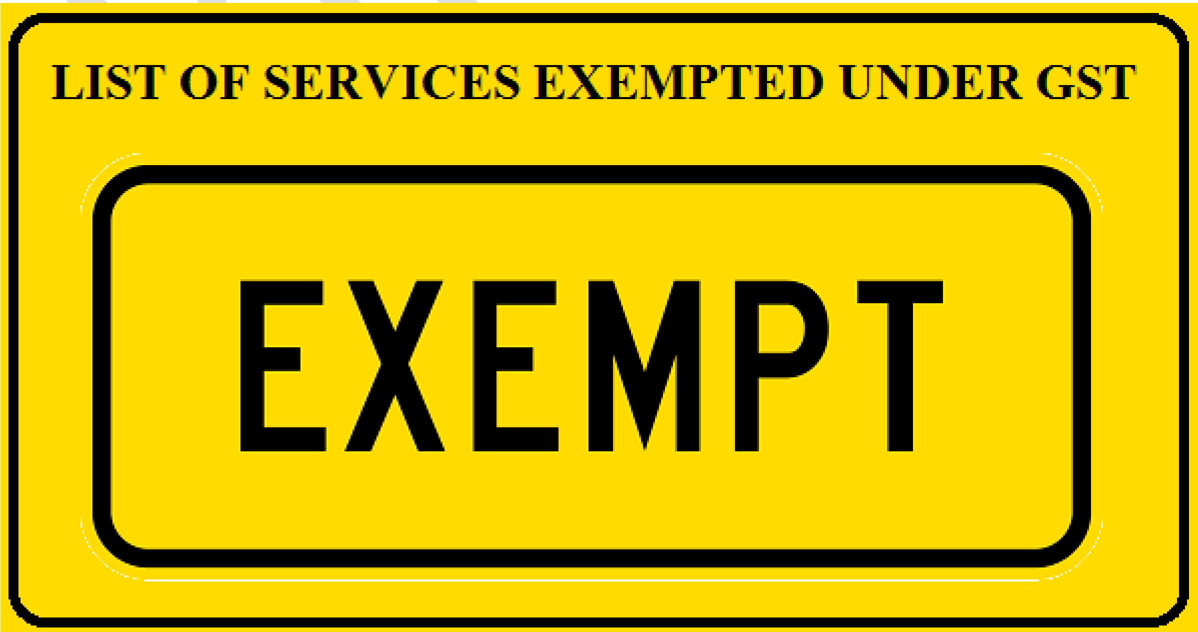
14 What are the Exemptions under GST?

GST is not imposed on all goods and services.

Certain goods are kept under nil or 0% GST rate to benefit the masses.

Following items are clearly exempted under GST.

Other Special Cases of Exemptions are:



- Supply to Canteen Stores Department (CSD) which is owned by Ministry of Defence will enjoy 50% concession on applicable GST. There is no concession on Compensation Cess as such, which is paid on the notified goods or services, or both received by them.
- Sales by CSD to Unit Run canteens/final consumer and sales by Unit Run Canteens to final consumer are also exempted from GST.

An entire list of GST rates on goods declared on 18th May 2017 and on 3rd June 2017 is available on CBEC website.

Services at 0% GST are listed as:

1. Services by Government or a local authority excluding the following services:

a) Post office-speed post, express parcel post, life insurance, and agency services provided to a person other than government.
b) Services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport
c) Transport of goods or passengers
d) Any service, other than services covered under clauses (a) to (c) above, provided to business entities.

2. RBI

- Foreign diplomatic mission located in India.
- Cultivation of plants and rearing of all animals, except the rearing of horses
- Access to a road or a bridge on payment of toll charges Transmission or distribution of electricity by an electricity transmission or distribution utility
- Renting of residence building for use as residence

3. Transportation of Goods:

- By road except the services of
  - a goods transportation agency, or
  - a courier agency,
- By inland waterways

4. Vet Clinic

5. Services of an arbitral tribunal to:

- Any person (not a business)
- A business entity with turnover below GST threshold (Rs. 20 lakhs. Rs.10 Lakhs for special states) in the preceding financial year

6. A partnership firm or an individual advocate (not a senior advocate), giving legal services to

- Another partnership firm or an individual advocate providing legal services.
- Any person (not a business)

7. A business entity with turnover below GST threshold (Rs. 20 lakhs. Rs.10 Lakhs for special states) in the preceding financial year GST does not apply to a senior advocate who provides legal services to:

- Any person
- A business entity

8. Education (pre - school to high secondary) Including:

- Transportation of students, teachers, and staff
- Mid - day meals and other catering
- Security and house - keeping services performed in schools.
- Admission to, or conduct of examination by, such institution up to higher secondary.

9. Performance in folk or classical (i) music, or (II) dance, or (ii) theatre, if the con sideration charged is less than Rs. 1,50,000.

- No exemption if the artist is giving services as a brand ambassador.

10. Independent journalist, Press Trust of India or United News of India collecting or providing news.

11. Hiring out of

- State transport- A vehicle to carry more than 12 passengers (bus)
- Goods transport agency, to transport goods (truck) transportation of goods.

12. Transport of passengers by:

- Air, embarking from or terminating in an airport located in the state of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, or Tripura or at Bag Dogra located in West Bengal.
- Non-AC contract carriage other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire (Kolkata to Joka jeeps)
- Non-AC horse carriage

13. Health care services by a clinical establishment, a doctor or para - medics

- Ambulances

14. New Exemption:

- Services provided by the (GSTN) to the Government (Centre or State)

15. Services a person by way of:

- Conduct of any religious ceremony.
- Renting of precincts of a religious place.
- Renting of rooms with charges less than Rs. 1,000 per day.

16. Transport of following goods in goods carriage:

- Agricultural produce
- Goods, where gross amount charged is less than Rs. 1,500
- Goods, where gross amount charged for all goods for a single consignee is less than Rs. 750 Milk, salt and food grain, newspapers
- Loading unloading, packing, storage or warehousing of rice

17. Admission to:

- Circus, dance, or theatrical performance including drama or ballet.
- Award function, concert, pageant, musical performance or any sporting event other than a recognized sporting event.
- Recognized sporting event where admission price is less than Rs 250 per person.

There might be other exemptions in the future course, which may get revealed by GST Council later.

Various Analysis and Opinion about GST!

Any disruptive change to the routine of things brings with it a lot of apprehension and uncertainty. Not only it finds a lot of opposition as a result of the challenge to status quo, it also leads to misconception and rumour mongering.

GST has been a path - breaking change in the way India's economy functions and this indirect taxation regime will have far - reaching positive consequences that at times even sound unimaginable. No doubt. the common man finds it difficult to comprehend the changes, but a lot of steps have been taken to clear the air, create awareness and ensure that everyone gets enough time to shift to the new way of working and ultimately reap the benefits.

Even though at the moment there are multiple tax slabs, the ultimate goal is to have " one nation one tax and a commendable beginning has been made in that direction. It will take for the new system to settle down and show positive concrete results, but before that, a lot of discussion and debate has to take place so as to iron out the initial wrinkles and bring necessary changes.

For this to happen, one has to understand how GST is making an impact on various sectors and it needs to be supported with data rather than hearsay or popular public opinion.

The first step towards this process is to clearly differentiate between two major pillars of the economy: manufacturing, distributing and retailing, and service industry. Both of them attract different GST rates and the entire functioning of the new tax regime will be different in both the cases.

Let's have a bird's eye view of the impact of GST on both these pillars of growth:

GST's impact on Manufacturing, Distributing and Retailing

India needs a strong manufacturing base to grow its GDP in higher digits. However, this sector has been suffering from multiple taxes that caused higher cost of operations, complicated processes and it resulted in lower efficiencies. Also, the complication resulted in many small businesses avoiding the whole tax paying process and finding loopholes to not pay genuine taxes. With GST in place, the compliance burden of multiple taxes has been cut down, process has been simplified and all those businesses out of the tax bracket have been brought in. This will increase in tax yield, transparency in the operations and will ultimately result in competitiveness and better performance of the sector.

GST's Impact on Service Providers

One of the stark and dark realities of previous tax regime was that out of the 12,76, 861 service tax assesses in the country as on Mar 14, only the top 50 paid more than 50 % of the total tax collected. This grim reality showed that the burden was borne by IT Services, telecom services, Insurance and banking industry, and the likes. Even though they work in organized manner and were following all the requirements, with GST, they will face lesser workload and will result in even better compliance. Hence, GST should result in improving their performance as well as better tax collections on the back on improved growth in their financials,

To further understand the implication of GST on the economy, let's have a look at how it is changing the way various sectors will perform:

1. **Logistics:** It forms the backbone of the economy and till now it's a fairly fragmented and unorganised sector. With GST, it will be unified and become organised enough to make a substantial impact on the country's economic growth. Movement of goods will be seamless leading to reduction in operating costs, improvement in profits and overall benefit to the end consumer.
2. **E - commerce:** India is one of the few economies to adapt e - commerce operations on a war - footing GST works to its advantage. However, the only point of contention with e - commerce players is a new

mechanism proposed under GST law, which is a Tax Collection at Source (TCS) mechanism. The current rate set for TCS is 1 % and might need a relook in the long run given companies ' discomfort with it.

3. **Pharma:** The pharma sector has brought India on forefront of medical tourism while at the same time providing medicines at an economical rate to the poorest of the poor. GST will further enhance the functioning of the sector by providing a level playing field for generic drug makers and simplifying the tax structure.
4. **Telecommunications:** This is one sector that has grown tremendously over past two decades and has contributed handsomely to overall economic growth. GST has come like a boon for the sector as it will help reduce their costs through efficient management of their inventory and by consolidating their warehouses. Prices are bound to come down in the telecom sector without affecting the telecom companies ' bottom - line. Also, the handset manufacturers shall be able to sell their products easily under GST as the need for setting up state - specific entities and transfer of stocks will be eliminated. Another factor that will work in favour of the sector is that cost of logistics will come down thereby bringing the much-needed cheer to sector.
5. **Textile :** Considered to be one of the largest employment generators in the country, the textile sector employs both skilled and unskilled workers in huge quantity, Even though the share of textile sector in the total annual exports is 10 % currently, it is expected to grow impressively under the GST regime. GST will affect the cotton value chain of the textile industry, which is used by most of the small and

   medium enterprises as it previously attracted zero central excise duty (under optional route).
6. **Real Estate :** As of now, only the under construction projects are brought under the ambit of GST, but talks are underway to apply GST on the entire sector. It is worth noting that real estate sector provides employment to a huge workforce, but at the same time is also infamous for corrupt practices and generation of black money. Ensuring the entire sector falls under GST will not only bring in more transparency, it will also contribute to healthy, actual growth in the economy with elimination of shady deals and suppression of shadow economy.
7. **Agriculture :** India has been an agro - based economy for the longest time and even today, as per statistics, it contributes 16 % to the total GDP. One of the major factors affecting the sector has been the transportation of produce across states all over India. With GST, this will be taken care of as food products are exempt from GST and even the movement between states of such produce will be smooth seamless with the removal of Octroi and toll nakas.
8. **FMCG:** FMCG sector always had the need to set up multiple warehouses and sales depots in different states to save costs. With GST, the requirement for such fixed unnecessary overheads will be eliminated and the savings can be passed on to the final consumers. A lot of companies have already brought down the prices on various products and soon the entire sector will pass on the benefits of GST implementation.
9. **Freelancers :** This is a fairly new sector in the country and as it happens with something new, the rules and regulations and the work conditions for this sector aren't clearly defined and remain a work in progress. This is where GST will prove advantageous to freelancers as they can file their returns online. They will be taxed as service providers and the new tax structure has brought about coherence and accountability in this sector.
10. **Automobiles :** A nation's progress can sometimes be gauged by the rise in demand for private automobiles by the citizens, India is no exception and going by the sales of cars and two - wheelers in the past few years, it can safely be said that automobile sector is healthy and growing as per the expectations of a growing economy. However, it was adversely affected by multiple taxes like excise, VAT, sales tax, road tax, motor vehicle tax, registration duty and the likes. The good news is, GST has subsumed all such taxes making it smoother and efficient for automobile companies to pay their taxes and ensure clean accounting.
11. **Startups :** With focus on Make in India and the entire ecosystem supporting the rise of startups, the only hassle was confusion in terms of taxes for such upcoming enterprises. Earlier, many states had different VAT

laws that proved complicated for companies that had a pan - India presence, especially the e - commerce sector. But GST has changed the way business is done. It has come with substantial and meaningful benefits like increased limits for registration, a DIY compliance model, tax credit on purchases and a free flow of goods and services.

As seen above, the overall impact of GST is positive on the economy and the results will start showing in medium to long term window. GST will help in reducing poverty as the tax collection will go up and the government, both state as well as the central, will have more resources to contribute towards development projects. Also, with increased taxpayer base, the burden on just the few taxpayers, like in erstwhile regime, will fall and more people will bear the responsibility of the nation's development. This augurs well as everyone prospers, pay as much tax as anyone else and enjoy the fruits of development, equally!

15 An Insight on GST Payments and Refunds!

The success of any thought or an idea lies in the action to bring it to fruition. Similarly, the success of any law lies in its correct implementation. There has been a lot of debate about the benefits of GST and how it will bring substantial changes in the economy. However, what actually matters is its actual implementation by millions of citizens at the ground level without any complications and with minimal errors.

GST is an indirect taxation system and any error in the entire process can lead to substantial financial losses, either for the taxpayer or for the government. Hence it is important for the taxpayer to be aware of the correct tax filing system so as to eliminate or minimise any potential errors. To ensure efficiency and transparency, the system has been designed in a user friendly manner so that every tax payer can file returns online instead of going to a government office or standing in queues waiting for their turn. This not only saves time and resources, but it also ensures a quick update of data and makes the entire process seamless in real time.

We have already discussed the various types and forms of GST to be filled. Now, we will talk about how the payment needs to be made and how refunds would be applicable and the entire process for the same.

The first step towards making a payment is to file complete and detailed GSTR 1 and GSTR 2. After that, a dealer is required to file GSTR 3 and then make GST payment. To claim refunds, there are relevant forms to be filled and submitted on time to initiate the process.

Following is the detailed payment process for easier understanding:

15.1 WHAT PAYMENTS ARE TO BE MADE UNDER GST?

GST law has kept the entire process extremely simplistic and tax to be paid is divided into 3:

A. IGST - This is when tax has to be paid when interstate supply of goods is made. It is paid to the centre.
B. CGST - This is to be paid when goods are supplied within a state. Again, this tax is paid to the centre.
C. SGST - This tax is also paid when goods are supplied within the state but is paid to the state.

Here's an example for better understanding:

Situation	CGST	SGST	IGST
Goods sold from Assam to Kolkata	NO	NO	YES
Goods sold within Assam	YES	YES	NO
Goods sold from Assam to Siliguri	YES	YES	NO

Apart from above mentioned payments, a dealer is required to make the following payment as well:

- Tax Deducted at Source (TDS): TDS is a mechanism devised under GST where tax is deducted by the dealer before making the payment to the supplier.
- Tax Collected at Source (TCS): This is targeted at e - commerce aggregators. Whenever a dealer sells through e - commerce portal, he will get his payment after deduction of TCS @ 2 %.
- Reverse Charge: In this case, the liability to pay tax is on the receiver rather than the supplier of goods and services.

15.2 HOW TO CALCULATE THE GST PAYMENT TO BE MADE?

To calculate the total GST payment, Input Tax Credit (ITC) has to be reduced from the Outward Tax Liability. After that, TDS / TCS shall be reduced from the total GST and net payable amount will be calculated. In this figure, any late fees or interest will be added to arrive at the final amount. Kindly note that ITC cannot be claimed on interest and late fees.

Now, calculation to reach the final amount is different for different dealers, which is as follows:

- Regular Dealer: A regular dealer is liable to pay GST on the outward supplies and can also claim ITC on purchases made. The GST payable is the difference between the outward tax liability and the ITC.
- Composition Dealer: GST law has made the calculation comparatively easier for composition dealers. They have to pay a fixed percentage of GST on the total outward supplies made. Based on the type of composition dealer, GST will be paid.

Here's how:

Type of Business	CGST	SGST	Total GST
Manufacture	1%	1%	2%
Trader (Goods)	0.5%	0.5%	1%
Supplier for Food/drinks	2.5%	2.5%	5%

For human consumption

Service providers cannot opt for Composition Scheme

15.3 WHO IS SUPPOSED TO MAKE THE PAYMENT?

Following dealers are liable to pay GST:

- Registered dealer is GST liability exists.
- Registered dealer required to pay tax under reverse Charge Mechanism (RCM)
- E - commerce operator to collect and pay TCS
- Dealers required to deduct.

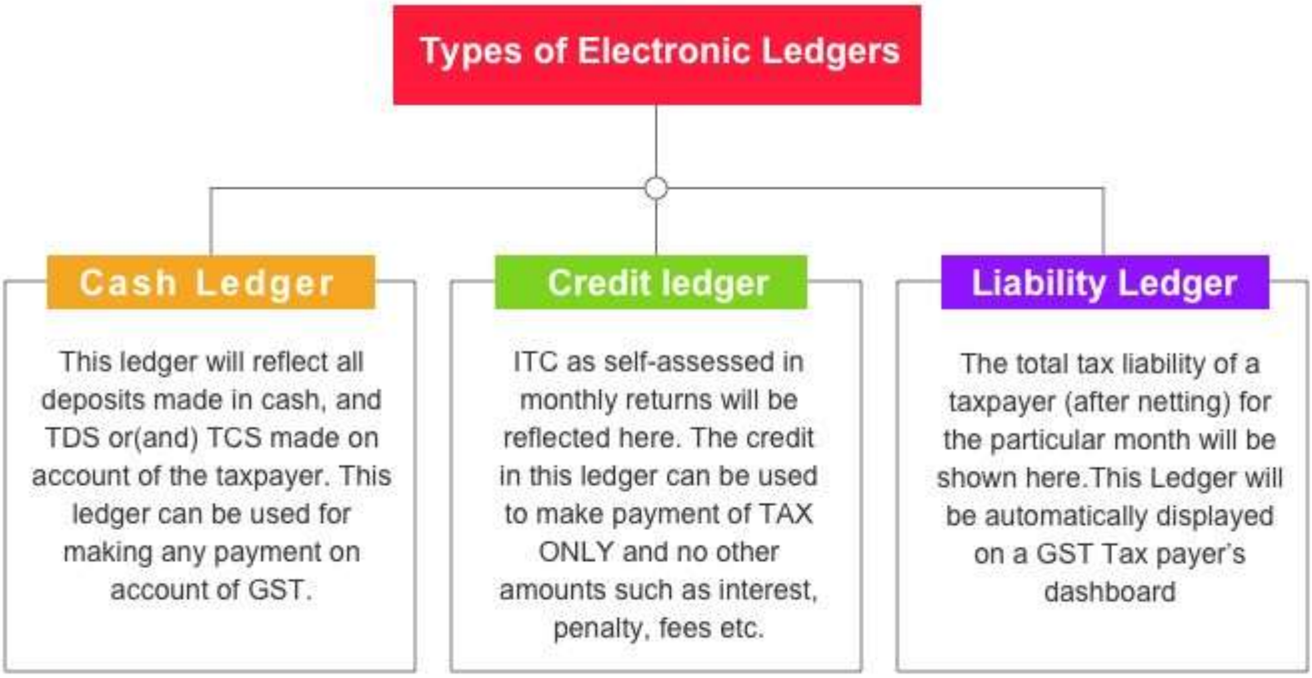
15.4 TDS DATE FOR GST PAYMENT

GST Payment is to be made along with the filing of GSTR 3 by the 20 of the next months.

15.5 WHAT ARE ELECTRONIC LEDGERS?

These are the ledgers maintained electronically on GST portal. They are of the following three types:

1. Cash Ledger: It reflects all deposits made in cash along with TDS / TCS made on behalf of the taxpayer. This can be used for making any payment on account of GST.
2. Credit Ledger: Input Tax Credit (ITC) as self - assessed in monthly returns shall be reflected here. The credit in here can be used only to pay tax and not anything else like interest, penalty, fees etc.
3. Liability Ledger: Total tax liability of a taxpayer for a particular month shall be visible in this ledger and it will be automatically displayed on GST Taxpayer's dashboard.



15.6 HOW TO MAKE GST PAYMENT?

Such payments can be made by either of the following two ways:

1. Through Credit Ledger
2. Through Cash Ledger: Payment can be made both online and offline after generating a challan on the GST portal. Any tax payment above Rs. 10,000 / -has to be compulsorily paid online only.

15.7 PENALTY FOR NON - PAYMENT OR DELAYED PAYMENT

If GST is short paid, unpaid or paid late, interest @ 18 % is required to be paid by the dealer.

Along with that a penalty needs to be paid and it shall be the higher of Rs. 10,000 or 10 % of the tax short paid or unpaid.

Let's have a look at the refund process, Under GST, the claim refund process has been simplified to avoid confusions. The entire process is online and even the time limits have been set for the same.

15.8 WHEN CAN REFUND BE CLAIMED?

If excess tax has been paid, refund can be claimed. Some of the scenarios when refund is claimed are:

- Dealer exports (including deemed export) goods / services under claim of rebate or refund.
- ITC accumulation due to output being exempt or nil - rated.
- Refund of tax paid on purchases made by Embassies or UN bodies.
- Tax refund for international tourists
- Finalisation of provisional assessment

STEPS TO BE FOLLOWED BY DEALER IN THE ROLLS OF STATE GST DEPARTMENT SEEKING REFUND

Go to www.gst.gov.in

↓

Login with your credentials

↓

Go to services

↓

Go to refund

↓

Go to application for Refund

↓

Select month from drop down

↓

Create application

↓

Fill up application
(refer to para 8 of SOP Booklet)

↓

Take print

↓

Submit printout of application along with ARN
to the jurisdictional Proper Officer with documents
(for documents see Para 7 of SOP Booklet)

↓

If, no communication received within the fortnight,
contact District Refund Cell / District Deputy Commissioner.
Phone nos. http://keralataxes.gov.in/kerala-state-gst-department-directory or
Refund Cell- http://keralataxes.gov.in/2017/10/23/gst-facilitation-centres-at-district-head-quarters

15.9 HOW TO CALCULATE GST REFUND?

Here's an example to understand the calculation.

Let's consider a dealer's liability for the month of December is Rs. 25,000 / - But he ends up paying Rs. 2.5 lakhs. Now this excess of Rs. 2.25 lakhs as GST payment can be claimed as refund. The GST law allows the dealer a time limit of 2 years from the date of payment to claim refund.

15.10 HOW TO CLAIM REFUND?

You can submit the refund application in Form RFD 01 within two years from the date of payment or as per the individual case. This form needs to be certified by a chartered accountant.

To ensure more and more people join the GST regime on their own and become a part of it actively without being forced and threatened, the entire payment and refunds process has been kept simple and easy to understand and follow.

16What is the Future of Goods and Services Tax in India?

Future is always determined by the lessons learnt from the successes and failures of the past and the actions taken in the present. This holds absolutely true for Goods and Services Tax (GST) in India, India's biggest and most transformational tax reform! We shied away from capitalism and remained a closed economy for the longest time since Independence in 1947 until the status quo was challenged owing to slump in economy, when it wasn't possible anymore to remain isolated from the global economy, the governments in power learnt their lessons from the past and opened up the nation's economy. Step by step we started growing and then a need was felt to change the entire taxation system of the country to help it achieve its potential and become a potent force in the country.

However, it's always a challenge to bring sweeping reforms in a country as big and diversified as India because the need to generate consensus and chalk out the detailed roadmap is always chaotic. There are multiple forces worlding pulling things in different directions simultaneously and hence the process to bring about change is massively difficult.

This is the reason that despite introducing GST in 2006, it took almost 11 years for it to be actually implemented. Ever since GST was introduced in parliament in the year 2006, it has been a highly debatable topic, as it was proposed as an indirect tax reform. Also, GST was proposed to replace multiple taxes and give way to unified tax system in India. The basic formulation of GST was to conquer the problems with the current taxation system, that Indian government and citizens were facing, like corruption, uneven and over burdening taxes. GST waited for many years to get passed in the parliament and to get implemented, even after a fool proof roadmap was framed.

3rd August 2016 was the day when finally the bill got passed and GST was decided to get implemented from 1st July, 2017.

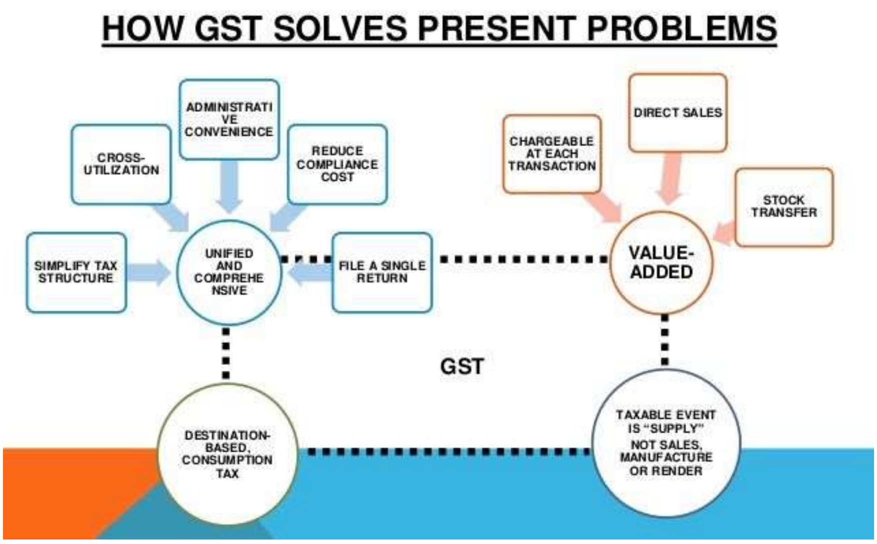
Now, that GST is fully applicable, and Indian citizens are becoming well versed with the idea and benefits of the reform, let us take a look at the possible future of GST in the nation :

1. **Increased Tax Base and Income:** Before GST, a lot of small, medium and even large enterprises were out of the tax bracket and only a few people ended up paying taxes on behalf of the entire nation. In future, GST will ensure more and more individuals and organisations will be part of the tax base and end up paying taxes. This means additional income for both the state as well as central governments resulting in development and prosperity for the entire country.
2. **Uniformity in Taxes:** Since GST has subsumed multiple taxes, uniformity in taxes resulting due to GST's implementation means less confusion, less ambiguity and even lesser reasons to stay out of the tax regime.

GST will find broader acceptance from citizens due to its simplistic mechanism and bringing everyone at par on an equal level.

3. **Single Tax System :** Even though GST has been launched with four different tax slabs, the ultimate goal is to reduce them further and end up with just two or probably a single tax for the entire country Currently, the need for multiple taxes is due to difference in income across the country. Someone buying a packet of salt can't be asked to pay the same tax as someone buying a luxury car. However, once the system settles down, economy grows and a viable pattern emerges, GST rates shall come down thereby making ' one nation one tax a reality!
4. **Investments and Economic Growth:** With clear policies and transparent tax structure, it will become easier to do business in the country. The economic barriers will come down and more investment will flow in, both from within and outside the country. More organisations will try to do business with and in India and that augurs well for the economic growth of the country. Unfavourable tax regime puts off many organisations from doing businesses in such nations. With GST in effect, it offers an additional sop for multination companies to set up shop and be a part of India's economic growth story.
5. **Employment Generation:** With more investment, economic growth and ease of doing business, employment generation can gather pace. Given India's socio - cultural setup, most of the workforce is either in the unorganised sector or being employed in the small and medium sector. With most enterprises becoming part of the new tax regime, the businesses will grow in the long term and result in more employment generation.
6. **Lesser Black Economy:** Fighting black money is a tough challenge and an ongoing process. The shadow economy, as it is called, may never disappear, but shall be greatly reduced as the chances of evading taxes, working outside the tax regime and being part of unorganised trade shall be vastly eliminated.
7. **User Friendly:** The best part about GST that will happen in the future is that it will become more and more user friendly as the government is taking constant feedback from ordinary citizens and industry bodies to make necessary changes in the system. Within a quarter of GST getting implemented, a lot of changes have happened on the ground level that include tweaking in tax slabs on various products and services, ensuring easing of the process to make exporters competitive vis a vis global firms, adequate checks and balances to iron out and wrinkles and the likes. Once this tax regime is implemented in its true spirit and form, the government will not have to force the citizens to join it, but it shall be voluntarily accepted as the benefits for all will make it compulsory to adapt.

With GST in place, there will be seamless flow of tax through the stages of distribution channel, no paperwork as all the things will be done computerized, which will benefit the administrative system, and this benefit will be passed down to the common people in shape of better infrastructure, corruption - less state of affairs and peace of mind.



So far, GST carries a bright future in the nation. It is expected to work effectively and efficiently, to enhance production and to increase country's GDP It is a game changer for the nation and all the stakeholders will unite and develop something which will be beneficial to the entire Indian Industry.

17 GST FAQs and Answers

17.1 WHAT IS GST?

The Goods and Services Tax (GST) is a tax on the supply of goods and services in the country. It is essentially a tax only on the value addition at each stage and a supplier at each stage is permitted to set - off, through an input tax credit mechanism i.e., the tax paid on the purchase of goods and services is available for set - off against the tax to be paid on the supply of goods and services. The Act, Rules and the rate of GST across all Indian States are expected to be uniform.

17.2 HOW DOES THE PROPOSED GST WORK?

Below is an indicative illustration for the levy and set - off of GST in three stages of the supply chain:

Stage of supply chain	Manufacturer	Whole Seller	Retailer
Purchase value of input (INR)	100	150	175
Value addition (INR)	50	25	15
Sale value (INR)	150	175	190
Rate of GST	18%	18%	18%
GST on Output (INR)	27	31.5	34.2
GST on Input (INR)	18	27	31.5
Net GST=GST on output-input tax credit (i.e., tax on value addition) (INR)	27=18=9	31.55=27=45	33.2-31.55=2.7

17.3 HOW WOULD A TRANSACTION OF THE SUPPLY OF GOODS AND SERVICES WITHIN A PARTICULAR STATE BE TAXED SIMULTANEOUSLY UNDER VILE POVE CENTRAL GST (CGST) AND STATE GST (SGST)?

The proposed GST in India would be based on the ' dual GST model which envisages that both the central and state governments will simultaneously tax all transactions within a particular state involving the supply of goods and services under CGST Act and SGST Act, respectively. These taxes are deposited by the taxpayers electronically and will go directly into the respective government's CGST / SGST accounts.

Under the current regime, the powers to tax services and manufacturing transactions are with the central government whereas the power to tax sale transactions is with the State governments exclusively.

17.4 WHAT WILL BE THE MECHANISM TO TAX INTER - STATE TRANSACTIONS?

All inter - state supply of goods and services will be taxed under an Integrated GST (IGST) Act. The rate of GST under the IGST Act would broadly be equal to the sum total of CGST plus SGST rates added together. The IGST is to be deposited into an IGST Account administered by the central government and will be distributed between the central government and the consuming states on a mutually - agreed formula.

The collection mechanism of IGST is as under

The inter - State seller may utilise the input tax credit of IGST, CGST and SGST on his / her purchases to pay IGST.

17.5 WHAT ARE THE PROPOSED TAXES TO BE SUBSUMED UNDER GST?

The central taxes proposed to be subsumed under CGST include:

- Central Excise duty
- Additional Excise duties
- Excise Duty levied under the Medicinal and Toiletries Preparation Act
- Service Tax levied under Chapter V of the Finance Act, 1994
- Additional Customs Duty, commonly known as Countervailing Duty (CVD)
- Special Additional Duty of Customs (SAD) Central Sales Tax The 80
- Surcharges
- **Central Cesses.**

The state taxes proposed to be subsumed under GST are:

- VAT / Sales tax
- Entertainment tax (unless it is levied by the local bodies)
- Luxury tax
- Taxes on lotteries, betting and gambling
- State cess and surcharges in so far as they relate to supply of goods and services.
- Entry tax
- Octroi / Local body tax

17.6 WHAT ARE THE GOODS / SECTORS THAT WILL BE OUT OF PURVIEW OF GST?

The goods / sectors that will be out of the GST ambit include alcohol and specified petroleum products i.e., petroleum crude, high speed diesel, motor spirit, aviation turbine fuel and natural gas. Petroleum products will be inducted into GST at a later date. Alcohol will continue to attract state excise duty and VAT Tobacco and tobacco based products will attract both excise duty and GST. Taxes such as stamp duty, toll tax, road tax, electricity duty etc. will not be part of GST

17.7 WHAT WOULD BE THE RATE STRUCTURE UNDER GST?

The proposed rate structure consists of 5, 12, 18, 28 and 28 per cent + cess besides goods which are taxed at nil rate (fully exempt), GST Tariff may be referred to, to know tax rate for respective goods and services.

17.8 WHAT WILL BE THE THRESHOLD LIMIT AND COMPOUNDED LEVY UNDER GST?

The minimum threshold is INR2 million of aggregate turnover in a financial year. However, in certain states the limit is reduced to INR1 million Composition scheme is available for turnovers up to INR5 million and rate of tax would be as specified under Section 10 of the CGST Act.

Section 23 of the CGST Act specifies persons who are not required to be registered (e.g., a farmer, a person having wholly exempt turnover etc.) Section 24 of the CGST Act specifies persons who are required take registration irrespective of the turnover (e.g., persons making inter - State supply, casual taxable persons, non - resident taxable persons etc.)

17.9 HOW WILL IMPORTS BE TAXED UNDER GST?

Under the proposed GST regime, though the levy of Basic Customs Duty (BCD) on import of goods is set to continue, the additional customs duty, the current Special Additional Duty (SAD) will be replaced by IGST. While the full set - off will be available of the IGST paid on import of goods and services, BCD paid on import will not be eligible for set - off. In the case of import of services, an IGST on reverse charge basis will be levied and credit of the same will be available to the importer- recipient in accordance with the law.

17.10 HOW WILL THE CREDIT MECHANISM WORK UNDER GST?

Both CGST and SGST are two parallel taxes under the ' dual GST regime levied simultaneously on goods and services. Therefore, the cross utilization of CGST input tax credit for payment of SGST output tax liability and vice versa will not be permitted. However, the GST credit pool is fungible with CGST and SGST and the same can be used for payment of IGST, CGST and SGST and vice versa. The order of utilization of the IGST credit will be first towards IGST, then CGST and the balance towards SGST liability. Similarly, an SGST credit can be utilized first towards SGST liability and then towards IGST, whereas a CGST credit will be used first toward CGST and then towards IGST.

17.11 WHY DOES THE INTRODUCTION OF GST REQUIRE A CONSTITUTIONAL AMENDMENT?

The Indian Constitution clearly demarcates the powers of taxation between the central and state governments. While the centre is empowered to tax services and goods up to the stage of production, the states are authorized to levy tax on the sale of goods. The states do not have the power to levy tax on supply of services while the centre does not have power to levy tax on the sale of goods. Under the proposed ' dual GST regime, all services and goods will be simultaneously taxed by both the state and central governments. Therefore, it is mandatory for the restriction imposed by the Constitution to be amended to enable the states and central governments to tax goods and services simultaneously.

17.12 WHAT WOULD BE THE POINT OF LEVYING GST ON THE SUPPLY OF GOODS?

At present, India follows an origin - based tax system and therefore the point of taxation is at the origin of sale and the originating state keeps the tax so collected, irrespective of where the consumer is located. Under the proposed GST regime, which is a multi - point levy (i.e., levied at each value addition in the value chain), the tax will move with goods and will be credited to the account of the destination state based on the place of supply as determined under the IGST Act. The GST will be charged on supply and point of levy will be as determined as per time of supply under Section 12 of the CGST Act

17.13 WHAT WOULD BE THE POINT OF LEVY OF GST ON SUPPLY OF SERVICES?

GST on services will be a tax on supply and the point of levy will be as determined in terms of Section 13 of the CGST Act. The revenue will be remitted to the State where the service is consumed based on the place of supply as determined under the IGST Act. By default, the place of supply of services shall be the place where the service recipient is located in the case of B2B transactions and place of the service provider in the case B2C transactions. However, there are exceptions to this rule.

17.14 WHAT WOULD THE PROCESS OF REGISTRATION BE UNDER THE PROPOSED GST REGIME FOR NEW BUSINESSES / APPLICANTS?

Each taxpayer will be allotted a state - wise Permanent Account Number (PAN) based 15 - digit Goods and Services Taxpayer Identification Number (GSTIN). Those taxpayers who are already registered under the current state or central tax regime, are migrated to the common portal and granted GST registration suo motu with a request to provide additional information where required A new applicant would be allowed to apply for registration on the common portal without prior enrolment.

17.15 WHAT WOULD BE THE PROCESS OF REGISTRATION UNDER GST FOR EXISTING BUSINESSES / APPLICANTS?

Under the current time, tax are separately registered with the state and / or with central tax administrations or with both based on their business activity. In the GST regime, a taxpayer will have to obtain state wise registration. Even within a state, the taxpayer will have an option to obtain multiple registrations for different business verticals.

17.16 WHAT ARE THE CONTENTS OF A TAX INVOICE TO BE ISSUED UNDER GST REGIME?

A registered assesses supplying taxable goods / services shall issue at the time of supply, a tax invoice showing complete details of the transaction viz, name, address and GSTIN of the assessor's name, address and GSTIN of the buyer / service recipient, date of invoice, value of goods / service, description of goods service, rate and value of CGST, SGST or IGST, signature of taxpayer, etc.

17.17 HOW AND WHEN SHOULD THE RETURNS BE FILED?

A common e - return for CGST, SGST and IGST is proposed in the draft law. Returns, that allow the auto - population of data from the vendors and automated matching of invoices, shall be filed online by a normal / casual taxpayer in a sequential manner within different cut - off dates. The various due dates proposed for the filing of returns are as follows:

Sl. No.	Return/Ledger	Description of Applicable Form	Due Date
1	GSTR-1	Outward supplies made by taxpayer (other than compounding taxpayer and ISD)	10 of the next months
2	GSTR-2	Inward supplies received by a taxpayer (other than a compounding taxpayer and ISD)	15 of the next months.
3	GSTR-3	Monthly return (other than compounding taxpayer and ISD	20 of the next months
4	GSTR-4	Quarterly return for compounding Taxpayer	18 of the months next to quarter Last day of registration
5	GSTR-5	Periodic return by Non-Resident Foreign Taxpayer	Last day of registration
6	GSTR-6	Return for Input Service Distributor (ISD)	13 of the next months
7	GSTR-7	Return for Tax Deducted at Source	10 of the next months
8	GSTR-8	**GSTR-8** is a return to be filed by the e-commerce operators who are required to deduct TCS (Tax collected at source) under GST. **GSTR-8** contains	10th of the next month
9	GSTR-9	Annual return	31 December of next financial year

It may be noted that most of the returns are auto generated by the GSTN system, and the dealer is expected to validate the data and also fill in the missing data. It is also to be noted that the payment of the tax due, is a must for filing valid returns under the GST regime.

17.18 WHAT IS THE MODE OF PAYMENT OF TAX?

The payment of tax is in electronic mode with a common ' challan ' (i.e., document for payment of taxes) for all the taxes under three different modes of payment:

- Internet banking including credit card / debit cards.
- Payments through RTGS / NEFT
- Over the counter payments (for payments up to INR10,000 / - per tax period) in cash cheque or Demand Draft (DD)

17.19 HOW WOULD EXPORTS BE TAXED UNDER GST?

Exports are zero rated under GST which means that there shall be not tax and input taxes will be refunded.

17.20 WHEN CAN A TAXPAYER GO FOR A REFUND IN THE GST REGIME? HOW WILL THE REFUND PROCEDURE WORK UNDER THE PROPOSED GST LAW?

The refund regime is expected to be simplified under GST as opposed to the current manual verification system. The refund can be obtained in the following scenarios:

- Refunds on exports
- Refunds of carry forward input tax credit granted only in case of an inverted duty structure.

17.21 HOW DOES THE DISPUTE RESOLUTION MECHANISM WORK UNDER THE PROPOSED GST REGIME?

An elaborate adjudication and appellate procedure are prescribed under the GST law. A separate appellate Tribunal called the Goods and Services Tax Appellate Tribunal shall be formed to deal with disputes.

17.22 WHAT HAPPENS TO VARIOUS EXEMPTIONS INCLUDING AREA - BASED EXEMPTIONS GRANTED IN THE PRESENT REGIME, UNDER THE GST FRAMEWORK?

Minimal exemptions and concessions are expected under the GST regime. However, the tenure of certain exemptions such as the area - based tax exemptions granted by the governments would extend to the GST regime and the governments may have to honour the commitments.

Since tax exemption may not be possible under the GST regime, this exemption may still be granted in the form of post - tax cash refund schemes after the collection of tax, so that the GST chain is not disturbed. While no new exemption would be allowed, the existing special industrial area scheme may.

17.23 WHAT EXACTLY IS THE CONCEPT OF DESTINATION BASED TAX ON CONSUMPTION?

The tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

17.24 HOW ARE THE DISPUTES GOING TO BE RESOLVED UNDER THE GST REGIME?

The Constitution (one hundred and first amendment) Act, 2016 provides that the Goods and Services Tax Council shall establish a mechanism to adjudicate any dispute:

- Between the Government of India and one or more States, or
- Between the Government of India and any State or States on one side and one or more other Sates on the other side; or
- Between two or more States, arising out of the recommendations of the Council or implementation thereof.

17.25 WHAT IS THE PURPOSE OF COMPLIANCE RATING MECHANISM?

As per Section 149 of the CGST / SGST Act, every registered person shall be assigned a compliance rating based on the record of compliance in respect of specified parameters. Such ratings shall also be placed in the public domain. A prospective client will be able to see the compliance ratings of suppliers and take a decision as to whether to deal with a particular supplier or not. This will create healthy competition amongst taxable persons.

17.26 ARE ACTIONABLE CLAIMS LIABLE TO GST?

As per section 2 (52) of the CGST / SGST Act actionable claims are to be considered as goods. Schedule read with Section 7 of the CGST / SGST Act lists the activities or transactions which shall be treated neither as supply of goods nor supply of services. The Schedule lists actionable claims other than lottery, betting and gambling as one of such transactions. Thus, only lottery, betting and gambling shall be treated as supplies under the GST regime. All the other actionable claims shall not be supplies.

17.27 ARE TRANSACTION IN SECURITIES BE TAXABLE IN GST?

Securities have been specifically excluded from the definition of goods as well as services. Thus, the transaction in securities shall not be liable to GST.

17.28 WHAT IS THE CONCEPT OF INFORMATION RETURN?

Information return is based on the idea of verifying the compliance levels of registered persons through information procured from independent third-party sources. As per section 150 of the CGST / SGST Act, many authorities who are responsible for maintaining records of registration or statement of accounts or any periodic return or document containing details of payment of tax and other details of transaction of goods or services or both or transactions related to a bank account or consumption of electricity or transaction of purchase, sale or exchange of goods or property or right or interest in a property under any law for the time being in force, are mandated to furnish an information return of the same in respect of such periods, within such time, in such form and manner and to such authority or agency as may be prescribed. Failure to do so may result in penalty being imposed as per Section 123.

17.29 DIFFERENT COMPANIES HAVE DIFFERENT TYPES OF ACCOUNTING SOFTWARE PACKAGES AND NO SPECIFIC FORMAT ARE MANDATED FOR KEEPING RECORDS. HOW WILL DEPARTMENT BE ABLE TO READ INTO THESE COMPLEX SOFTWARE?

As per Section 153 of the CGST / SGST Act, having regard to the nature and complexity of a case and in the interest of revenue, department may take assistance from an expert at any state of scrutiny, inquiry, investigation or any other proceedings.

17.30 IS THERE ANY PROVISION IN GST FOR TAX TREATMENT OF GOODS RETURNED BY THE RECIPIENT?

Yes, Section 34 deals with such situations. Where the goods supplied are returned by the recipient, the registered person (supplier of goods) may issue to the recipient a credit note containing the prescribed particulars. The details of the credit note shall be declared by the supplier in the returns for the month during which such credit note was issued but not later than September following the end of the year in which such supply was made or the date of filing of the relevant annual return, whichever is earlier. The details of the credit note shall be matched with the corresponding reduction in claim for input tax credit by the recipient in his valid return for the same tax period or any subsequent tax period and the claim for reduction in output tax liability by the supplier that matches with the corresponding reduction in claim for ITC by the recipient shall be finally accepted and communicated to both parties.

17.31 WHETHER SUPPLIES MADE WITHOUT CONSIDERATION WILL ALSO COME WITHIN THE PURVIEW OF SUPPLY UNDER GST?

Yes, but only those activities which are specified in Schedule I to the CGST Act / SGST Act. The said provision has been adopted in IGST Act as well as in UTGST Act also.

17.32 WILL GIVING AWAY ESSENTIAL COMMODITIES BY A CHARITABLE INSTITUTION BE TAXABLE ACTIVITY?

In order to be a supply which is taxable under GST, the transaction should be in the course or furtherance of business. As there is no quid pro quo involved in supply for charitable activities, it is not a supply under GST.

17.33 WHO CAN NOTIFY A TRANSACTION TO BE SUPPLY OF GOODS OR SERVICES ?

Central Government or State Government, on the recommendations of the GST Council, can notify an activity to be the supply of goods and not supply of services or supply of services and not supply of goods or neither a supply of goods nor a supply of services.

17.34 WHAT ARE COMPOSITE SUPPLY AND MIXED SUPPLY? HOW ARE THESE TWO DIFFERENT FROM EACH OTHER?

Composite supply is a supply consisting of two or more taxable supplies of goods or services or both or any combination thereof, which are bundled in natural course and are supplied in conjunction with each other in the ordinary course of business and where one of which is a principal supply. For example, when a consumer buys a television set and he also gets warranty and a maintenance contract with the TV, this supply is a composite supply. In this example, supply of TV is the principal supply, warranty and maintenance service are ancillary.

Mixed supply is combination of more than one individual supplies of goods or services, or any combination thereof made in conjunction with each other for a single price, which can ordinarily be supplied separately. For example, a shopkeeper selling storage water bottles along with refrigerator. Bottles and the refrigerator can easily be priced and sold separately.

17.35 WHAT IS THE TREATMENT OF COMPOSITE SUPPLY AND MIXED SUPPLY UNDER GST?

Composite supply shall be treated as supply of the principal supply. Mixed supply would be treated as supply of that particular goods or services which attracts the highest rate of tax.

17.36 ARE ALL GOODS AND SERVICES TAXABLE UNDER GST?

Supplies of all goods and services are taxable except alcoholic liquor for human consumption. Supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be taxable with effect from a future date. This date would be notified by the Government on the recommendations of the GST Council.

17.37 WHAT IS MEANT BY REVERSE CHARGE?

It means the liability to pay tax is on the recipient of supply of goods and services instead of the supplier of such goods or services in respect of notified categories of supply,

17.38 IS THE REVERSE CHARGE MECHANISM APPLICABLE ONLY TO SERVICES?

No, reverse charge applies to supplies of both goods and services, as notified by the Government on the recommendations of the GST Council

17.39 WHAT WILL BE THE IMPLICATIONS IN CASE OF RECEIPT OF SUPPLY FROM UNREGISTERED PERSONS?

In case of receipt of supply from an unregistered person, the registered person who is receiving goods or services shall be liable to pay tax under reverse charge mechanism.

17.40 CAN ANY PERSON OTHER THAN THE SUPPLIER OR RECIPIENT BE LIABLE TO PAY TAX UNDER GST?

Yes, the Central / State government can specify categories of services the tax on which shall be paid by the electronic commerce operator, if such services are supplied through it and all the provisions of the Act shall apply to such electronic commerce operator as if he is the person liable to pay tax in relation to supply of such services.

17.41 WHAT IS THE THRESHOLD FOR OPTING TO PAY TAX UNDER THE COMPOSITION SCHEME?

The threshold for composition scheme is Rs 50 lakh of aggregate turnover in the preceding financial year. The benefit of composition scheme can be availed up to the turnover of Rs 50 lakh in current financial.

17.42 WHAT ARE THE RATES OF TAX FOR COMPOSITION SCHEME?

There are different rates for different sectors. In normal cases of supplier of goods (. e. traders), the composition rate is 0.5 % of the turnover in a State or Union territory. If the person opting for composition scheme is manufacturer, then the rate is 1 per cent of the turnover in a State or Union territory. In case of restaurant services, it is 2.5 per cent of the turnover in a State or Union territory. These rates are under one Act, and same rate would be applicable in the other Act also. So, effectively, the composition rates (combined rate under CGST and SGST / UTGST) are 1 per cent, 2 per cent and 5 per cent for normal supplier, manufacturer and restaurant service respectively.

17.43 A PERSON AVAILING COMPOSITION SCHEME DURING A FINANCIAL YEAR CROSSES THE TURNOVER OF RS 50 LAKH DURING THE COURSE OF THE YEAR I.E. SAY HE CROSSES THE TURNOVER OF RS 50 LAKH IN DECEMBER? WILL HE BE ALLOWED TO PAY TAX UNDER COMPOSITION SCHEME FOR THE REMAINDER OF THE YEAR I.E. TILL 31ST MARCH?

No. The option availed shall lapse from the day on which his aggregate turnover during the financial year exceeds Rs 50 lakh.

17.44 WILL A TAXABLE PERSON, HAVING MULTIPLE REGISTRATIONS, BE ELIGIBLE TO OPT FOR COMPOSITION SCHEME ONLY FOR A FEW OF REGISTRATIONS ?

All registered persons having the same Permanent Account Number (PAN) have to opt for composition scheme. If one registered person opts for normal scheme, others become ineligible for composition scheme.

17.45 CAN COMPOSITION SCHEME BE AVAILED OF BY A MANUFACTURER AND A SERVICE SUPPLIER ?

Yes, a manufacturer can opt for composition scheme generally, However, a manufacturer of goods, which would be notified on the recommendations of the GST Council, cannot opt for this scheme. This scheme is not available for services sector, except restaurants.