

CHAPTER – 1

INTRODUCTION TO GOODS AND SERVICES (GST)

WHAT IS GST

- GST (Goods and Services Tax) is an indirect tax levied on goods and services.
- GST is a single tax on the supply of goods and services.
- GST improves overall economic growth of the nation.
- GST is a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level.
- It will replace all indirect taxes levied on goods and services by states and Central.

DEFINITION OF GST

- Goods and services tax (GST) is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set of benefits from the producer's / service provider's point up to the retailers level where only the final consumer should bear the tax.

MEANING OF GOODS

- Goods means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached or forming part of the land, which are agreed to be served before supply or under a contract of supply.

DUE TO GST WHAT IS EXPENSIVE AND CHEAPER

- **EXPENSIVE** – Mobile services, banking services, Luxury items like hotels, health care, diamonds.
- **CHEAPER** – Fruits, vegetables, eggs, milk, two wheeler, tea, coffee.

OBJECTIVES / PURPOSE OF GST

- One country – one tax
- Consumption based tax instead of manufacturing
- Uniform GST registration, payment
- To eliminate cascading effect of indirect taxes/ doubling tax/ tax on tax
- Subsume all indirect taxes at centre and state level
- Reduce tax evasion and corruption
- Increase productivity
- Increase Tax to GDP and revenue surplus

SALIENT FEATURES OF GST

1. Dual GST Model
2. Destination based consumption tax
3. Taxes to be subsumed
 - Central tax – central excise duty
 - service tax
 - Surcharges and cess
 - State tax – VAT
 - Entertainment tax
 - Luxury tax
 - Taxes on lottery, betting
 - Octroi – entry tax
4. GST on Export and Import
5. Computation of GST on the basis of invoice credit method
6. Payment of GST - CGST AND SGST are paid through GST

BASIC SCHEME / COMPOSITION SCHEME OF GST

A. Intimation and effective date for composition levy

- For persons already registered under pre-GST regime
- For persons who applied for fresh register under GST to opt scheme
- Registered under GST and person switches to composition scheme

B. Effective date for composition levy

- Option to pay tax under composition scheme shall be effective.
- For persons who applied for fresh register under GST to opt scheme

C. Conditions and Restrictions for composition levy

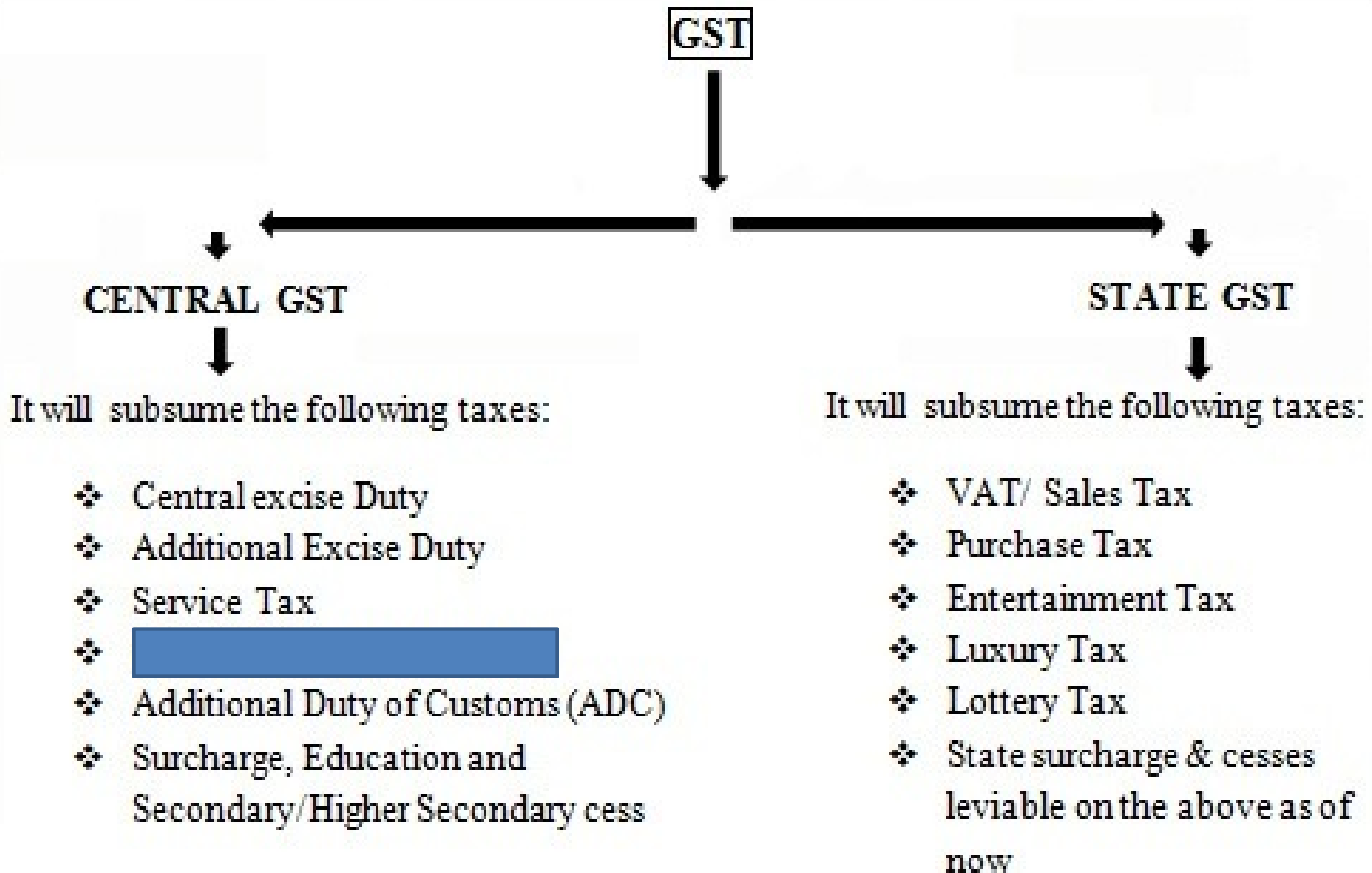
- Person opting for scheme must neither be casual taxable person nor non-resident taxable person.
- Goods must be inter-state purchase, imported goods, branch situated outside the state.
- Mandatory display of invoices.

D. Validity of composition levy – fulfilment of conditions, filing application.

E. Composition scheme under GST – Compliance

F. Rate of tax

SUBSUMING OF TAXES / EXISTING TAXES



PRINCIPLES SUBSUMED THE TAXES UNDER GST

(i) Taxes to be subsumed should be primarily on indirect taxes, either on the supply of goods or on the supply of services.

(ii) Taxes to be subsumed should be part of the transaction chain which commences with import/ manufacture/ production of goods or provision of services at one end and the consumption of goods and services at the other.

(iii) The subsumation should result in free flow of tax credit in intra and inter-State levels.

(iv) Revenue fairness for both the Union and the States individually would need to be attempted.

ADVANTAGES / BENEFITS OF IMPLEMENTATION OF GST IN INDIA

Advantages of GST to Citizens:

- (i) Simpler tax system
- (ii) Reduction in prices of goods and services due to elimination of cascading
- (iii) Uniform prices throughout the country
- (iv) Transparency in taxation system
- (v) Increase in employment opportunities

Advantages of GST to Trade/Industry:

- (i) Reduction in multiplicity of taxes
- (ii) Mitigation of cascading/double taxation
- (iii) More efficient neutralization of taxes especially for exports
- (iv) Development of common national market
- (v) Simpler tax regime-fewer rates and exemptions

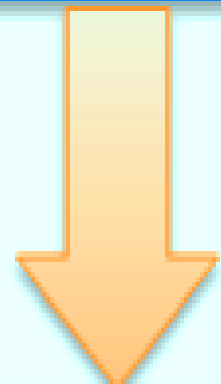
Advantages of GST to Central/State Governments:

- (i) A unified common national market to boost Foreign Investment and “**Make in India**” campaign
- (ii) Boost to export/manufacturing activity, generation of more employment, leading to reduced poverty and increased GDP growth
- (iii) Improving the overall investment climate in the country which will benefit the development of states
- (iv) Uniform **SGST and IGST** rates to reduce the incentive for tax evasion
- (v) Reduction in compliance costs as no requirement of multiple record keeping
- (vi) Simpler tax system
- (vii) Broadening of tax base
- (viii) Improved revenue collections
- (ix) Efficient use of resources

Three Models of GST

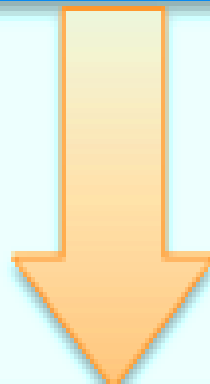
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graph TD; A[Three Models of GST] --> B[Central GST]; A --> C[State GST]; A --> D[Dual GST]; B --> E[GST to be levied by the centre]; C --> F[GST to be levied by the State]; D --> G[GST to be levied by the centre and States];
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Central GST



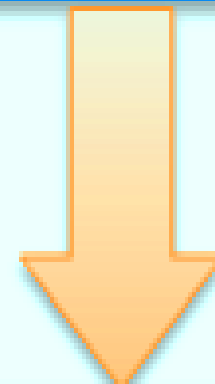
GST to be levied by
the centre

State GST



GST to be levied by
the State

Dual GST



GST to be levied by
the centre and States

DUAL GST

Many countries in the world have a single unified GST system i.e. a single tax applicable throughout the country.

However, in federal countries like Brazil and Canada, a dual GST system

In India, a dual GST is proposed whereby a Central Goods and Services Tax (CGST) and a State Goods and Services Tax (SGST) will be levied on the taxable value of every transaction of supply of goods and services.

BENEFITS OF DUAL GST

- Reduction in the number of taxes at the Central and State level
 - Decrease in effective tax rate for many goods
 - Removal of the current cascading effect of taxes
 - Reduction of transaction costs of the taxpayers through simplified tax compliance
 - Increased tax collections due to wider tax base and better compliance
- Better for business
- Good balance between centre and states
- Better for business
- Least changes, most benefits

CENTRAL GOODS AND SERVICES TAX BILL, 2017

- Levy of CGST
- Tax rates
- Exemptions from CGST
- Liability to pay CGST
- Taxable amount (value of supply)
- Input tax credit
- Registration
- Returns
- Refunds and welfare fund
- Prosecution and appeals
- Transition of the new regime
- Compliance rating – provision of bill

STATE GST / UNION TERRITORY GST

- State GST will be levied by the state government on both goods and services to replace the existing taxes like [sales tax](#), luxury tax, entry tax, etc. It only applies to intra-state trade. The dealer can use the benefit of composition scheme up to turnover of 50 lakh.

STATE GST / UNION TERRITORY GOODS AND SERVICES TAX BILL, 2017

- Levy of UTGST
- Assistance to search
- Applicability of provisions of central goods and services tax act, 2017
- Transition to the new regime

Sl. No.	Name of the State	Date on which SGST Act passed in the Assembly
1.	Telangana	Act Passed on 9th April 2017
2.	Bihar	Act Passed on 24th April, 2017
3.	Rajasthan	Act Passed on 26th April 2017
4.	Jharkhand	Act Passed on 27th April, 2017
5.	Chhattisgarh	Act Passed on 28th April, 2017
6.	Uttarakhand	Act Passed on 2nd May, 2017
7.	Madhya Pradesh	Act Passed on 3rd May, 2017
8.	Haryana	Act Passed on 4th May, 2017
9.	Goa	Act Passed on 9th May, 2017
10.	Gujarat	Act Passed on 9th May, 2017
11.	Assam	Act Passed on 11th May, 2017
12.	Arunachal Pradesh	Act Passed on 12th May, 2017
13.	Andhra Pradesh	Act Passed on 16th May, 2017
14.	Uttar Pradesh	Act Passed on 16th May, 2017 (in both the Houses)
15.	Puducherry	Act Passed on 17th May, 2017
16.	Odisha	Act Passed on 19th May, 2017
17.	Maharashtra	Act Passed on 22nd May, 2017

Sl. No.	Name of the State	Date on which SGST Act passed in the Assembly
18.	Tripura	Act Passed on 25th May, 2017
19.	Sikkim	Act Passed on 25th May, 2017
20.	Mizoram	Act Passed on 25th May, 2017
21.	Nagaland	Act Passed on 27th May, 2017
22.	Himachal Pradesh	Act Passed on 27th May, 2017
23.	Delhi	Act Passed on 31st May, 2017
24.	Manipur	Act Passed on 5th June, 2017

INTEGRATED GOODS AND SERVICES TAX BILL MARCH 27,2017

- Levy of IGST
- Apportionment of IGST revenue
- Place of supply of goods
- Place of supply of services
- Input tax credit
- Application of provision of CGST

GST COUNCIL

- The GST council, the key decision-making body that will take all important decisions regarding the GST, will have representation from the central government as well as all the state governments.
- The Goods & Services Tax Council {GST Council} has been created in September 2016 under Article 279-A of the Constitution of India. The main objective of GST is to develop a harmonized national market of goods and services. It has its Secretariat office in New Delhi.

FUNCTIONS OF GST COUNCIL

- Taxes, cesses, and surcharges to be subsumed under the GST;
- Goods and services which may be subject to, or exempt from GST;
- The threshold limit of turnover for application of GST;
- Rates of GST
- Model GST laws, principles of levy, apportionment of IGST and principles related to place of supply
- Special provisions with respect to the eight north eastern states, Himachal Pradesh, Jammu and Kashmir, and Uttarakhand; and
- Other related matters.

QUORUM AND DECISION - MAKING

- For a valid meeting of the members of GST Council, at least 50 percent of the total number of the member should be present at the meeting.
- Every Decision made during the meeting should be supported by at least 75 percent majority votes of the members who are present and voting at the meeting.
vote cast between Central Government and State Government:-
 - The vote of Central Government shall have the weighted of one-third of the total votes
 - The votes of State Government shall have the weighted of two third of the total votes, cast in the meeting

ACTION PLAN OF GST

- List number of Taxes, cesses, and surcharges to be subsumed under GST
- Preparation of list of goods and services subject to, or exempt from GST
- Determination of threshold limit of turnover for application of GST
- Fixation of rates
- Preparation of model GST Laws, principles of levy, apportionment of tax benefits
- Firming up Place of supply Rules
- Recommend on Compensation to states losing on revenue post implementation of GST, subject to maximum time limit of 5 years.
- Passage of SGST laws by all State legislatures
- Recommendation of Model GST Rules by GST Council
- Notification of GST Rules
- Recommendation of GST Tax rates by GST Council
- Establishment and up gradation of IT framework
- Meeting implementation challenges
- Effective coordination between Centre & State tax administrations
- Reorganization of field formations
- Training of Officials
- Outreach programs for all stakeholders including Trade & Industry