



Central Board of Indirect Taxes & Customs

Department of Revenue, Ministry of Finance, Government of India



GST : Overview and Challenges

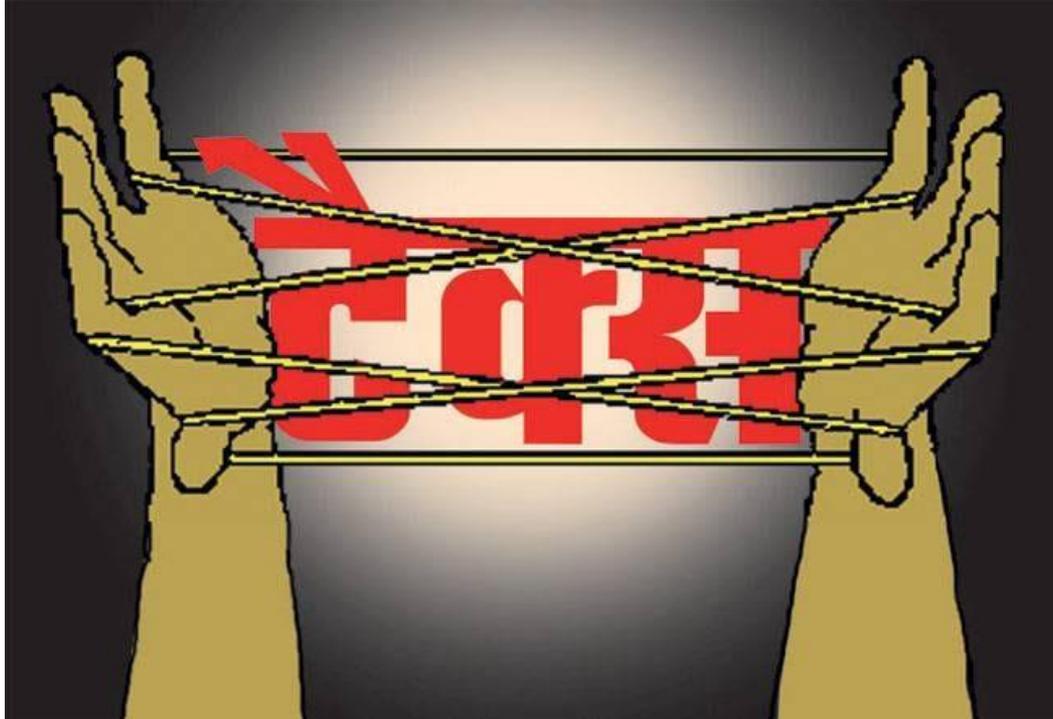
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Additional Director

National Academy of Customs, Indirect Taxes & Narcotics

Agenda

- * Tax Structure
- * Pre GST
- * Post GST
- * GST : Overview
- * Challenges
- * Way ahead...





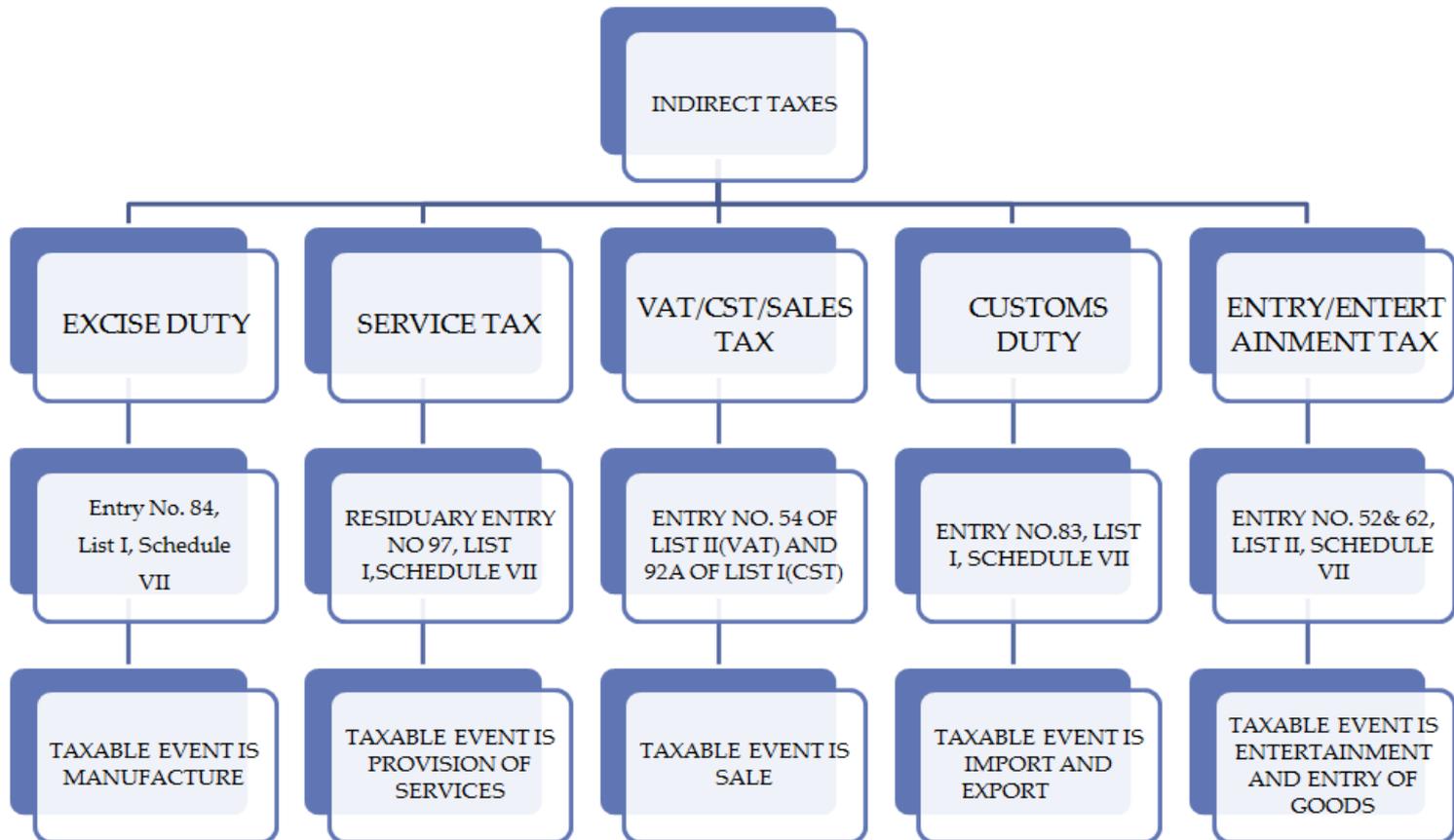
Pre GST :: Tax Structure

- * *Federal Structure* : Levy & Collection governed by the Constitution of India
- * Both Centre and States have powers of taxation (7th Schedule of the Constitution)
- * **entry 84** in the **Union List** grants power to the Centre to levy Central Excise Duty
- * **entry 54** in the **State List** grants power to the State to levy tax on sale of purchase of goods other than newspapers

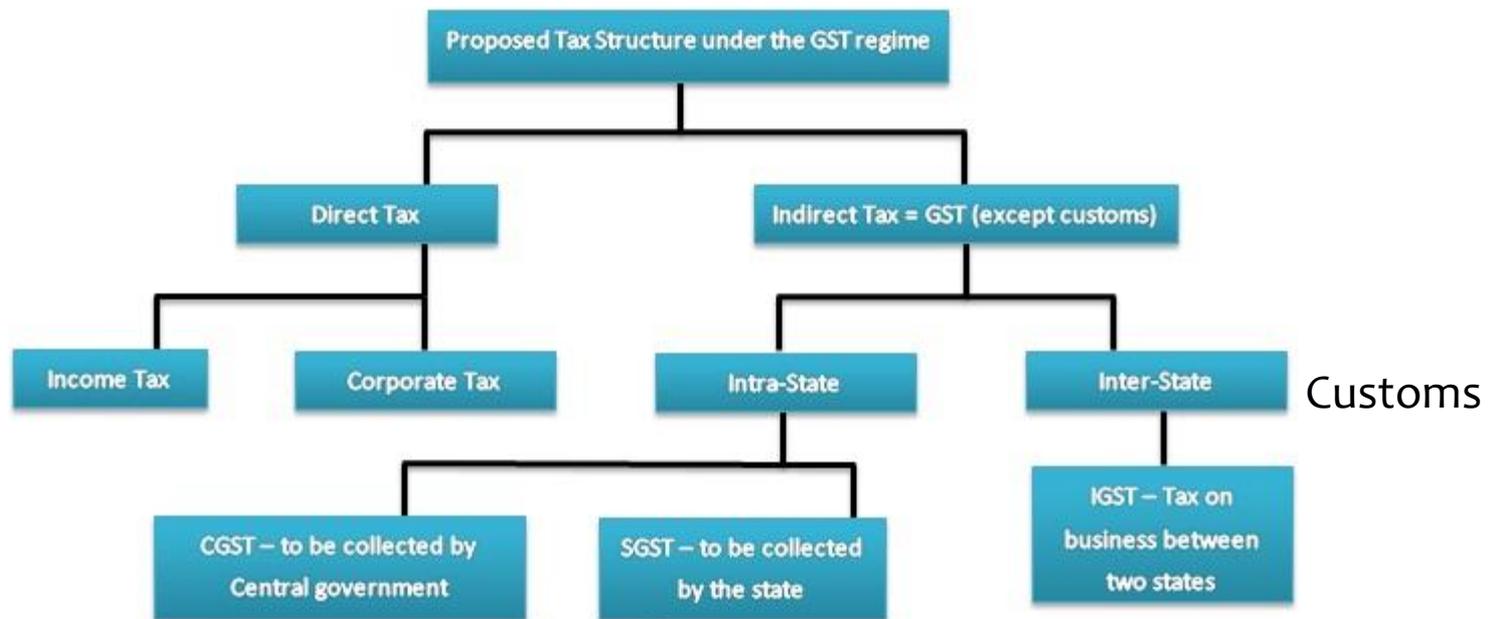
Basic Customs Duty,
CE duty, Addl CE
Duties, ST, CVD, SAD,
Surcharges & Cesses

VAT, Luxury T,
Entertainment T, T on
gambling, betting,
lottery, Entry T, S&C

Pre GST :: Tax Structure



Post GST : Tax Structure



Constitutionality

- * **Article 245** : No tax shall be levied or collected except by authority of law.
 - * Necessitated amendment to the constitution for parliament and state governments to levy and collect tax on the same subject
- * **Article 246A** enabled concurrent levy by the Parliament and state legislatures
 - * Parliament has exclusive powers to make to laws w.r.t GST in course of inter state trade
- * **Article 269A** GST on supplies of interstate trade-by the Parliament. Tax apportionment between union and states-manner provided by parliament by law on the recommendations of GST Council.

The Journey to GST...

Constitution (122nd Amendment) Bill introduced : 16th LS on 19.12.2014.



Passed by LS in May'15 and referred to Select Committee of RS.



Bill ratified by required number of States and received assent of the President on 8thSeptember, 2016



Select Committee Report July' 15.
Bill passed with amendments in RS & LS in Aug'16.

101st Constitutional Amendment Act – Implementation of GST wef 1st July 2017

GST ??

- * **Article 366(12A)** defines
- * **“Goods and services tax”** means any tax on **supply of goods, or services or both** except taxes on the supply of the alcoholic liquor for human consumption
- * **Goods** - All materials, commodities and articles (**Article 366(12)**)
- * As per **section 2 (52) of CGST Act**, Goods means every kind of movable property other money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of land which are agreed to be severed before supply or under contract of supply
- * **Services** – Anything other than goods (Article 366 (26A))

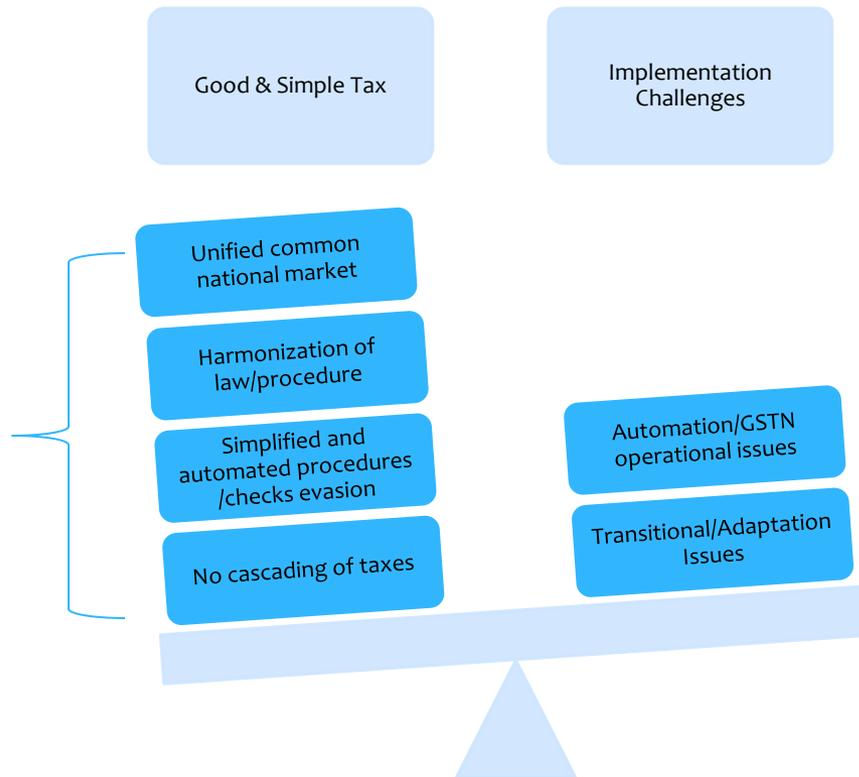
Components of GST

- * Dual GST : CGST and SGST/UTGST
- * What is IGST?
 - * on inter-state supply
 - * Imports/exports
- * $IGST = CGST + SGST$

- * What are outside GST ??
 - * Alcohol for human consumption --- With the State
 - * Petroleum products like Crude,
Petrol, Diesel, Natural Gas, ATF -- GSTC to decide date
 - * Tobacco Addl Duty -- Part GST and with centre
 - * Entertainment Tax levied -- Remains with Local Bodies

Benefits of GST

- Make in India
- Unified Common Market
- Consumer Benefits



Benefits of GST

- * Reduction in Cascading of Taxes
- * Overall Reduction in Prices
- * Common National Market
- * Benefits to small taxpayers
- * Self Regulating Tax System
- * Non-Intrusive Electronic Tax System

Decrease in
Inflation

Ease of Doing
Business

Reduction in
**“Black
Transactions”**

Benefits of GST

- * Simplified Tax Regime
- * Reduction in Multiplicity of Taxes
- * Consumption and destination-based Tax
- * Abolition of CST
- * Exports to be Zero Rated
- * Protection of Domestic Industries

More Informed Consumer

Poorer States to Gain

Make in India

Recap

- * Single tax applicable to supply of goods and services or both
 - * Levied on manufacture, sale of goods and provision of services
 - * Tax applicable only on value addition.
-
- * Concept of input tax credit (ITC)....
 - ITC was there in VAT, CE and ST, also in CST then, why GST?

Example :

- * A supplier has purchases worth Rs.500000. GST is 10%
 - = tax paid is Rs.50,000
- * He has sales worth Rs 900000. GST is 10%
 - = tax payable is Rs.90,000.

If no credit of this 50000-tax paid, this 50000 will add up to his cost (goods price 50000 higher- consumer) – if he gets credit liability only 40000. He uses credit of 50000 to pay tax & cash of 40000.

ITC concept at heart of GST -> of most frauds also

Who is liable to pay GST?

- * All business providing **supply** of goods or services or both – small business below threshold exempted from paying.
- * PAN based registration and it is state specific -GSTIN 15-digit number-one GSTIN per state.
- * Tax Slabs:
 - * 5 %
 - * 12%
 - * 18%
 - * 28%
- * 0% on agricultural products, handlooms certain handicrafts etc

What is supply under GST?

Lease

Contract to allow right to use for a period without transfer of title



Transfer

Transfer of goods/right in goods without transfer of title

Exchange

To swap or transfer for an equivalent with use of money



Barter

Exchange one commodity for another without money

License

A permission granted to exercise certain privileges



Rental

Periodical payment for the use of someone else's property

Sale

Transfer of ownership of goods



Disposal

To part with or alienate

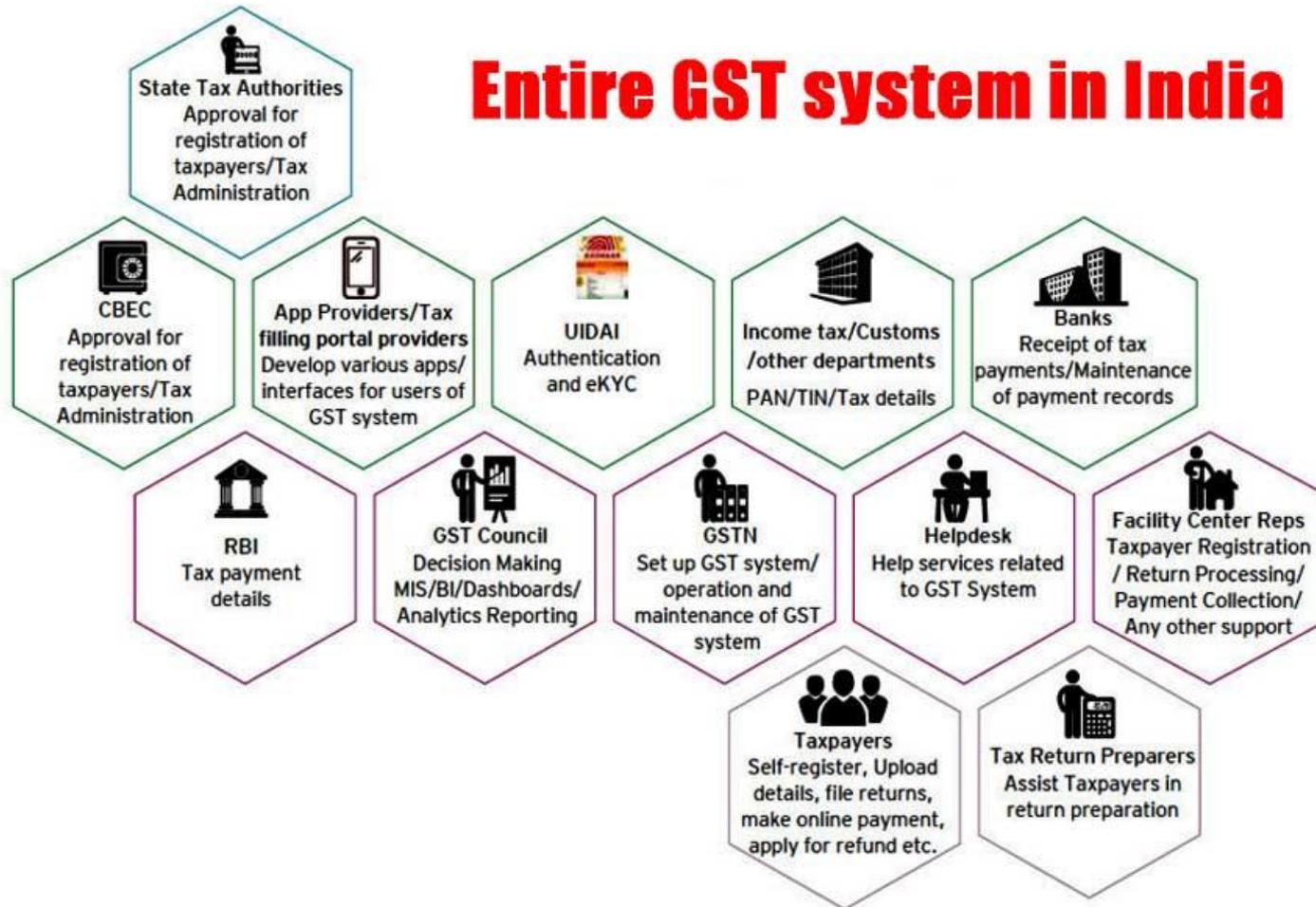
Few concepts in GST

- * Reverse charge mechanism... liability to pay tax is on recipient of supply.
- * Zero rated supply... though output is exempt from tax, no bar on availing credit on inputs....all exports are zero rated
- * TDS/TCS
- * National Anti Profiteering Authority
 - * 5-member committee
 - * Chairman (Secretary to GoI) & and 4 technical members
- * GSTN



GST Ecosystem

Entire GST system in India



Way Ahead :: Discussions

- * Stabilization of rules and procedures
- * Invoice matching
- * Returns Finalization
- * IT glitches
- * Economic Downturn

BusinessToday.In

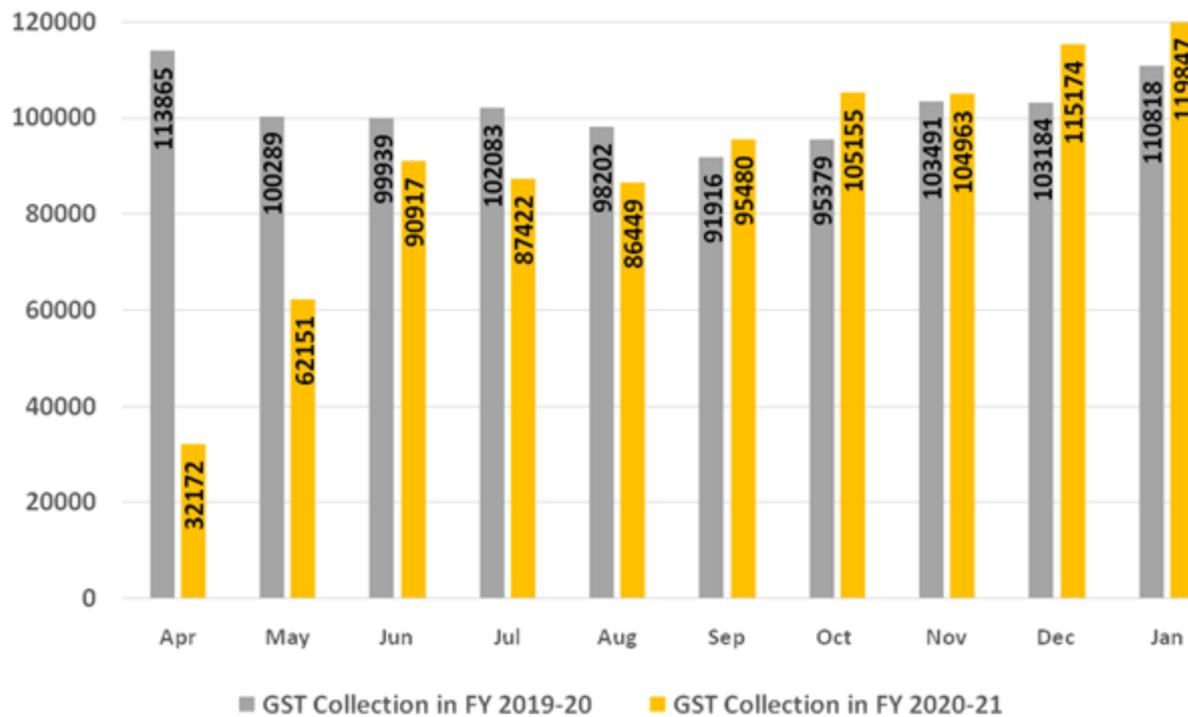
EXTRACT FROM CAG REPORT OF 2019

- o The complexity of return mechanism and the technical glitches resulted in roll back of invoice-matching, rendering the system prone to ITC frauds. Thus, on the whole, the envisaged GST tax compliance system is non-functional. The deficiencies in the GST system also point to a serious lack of coordination between the Executive and the developers.

Emerging Issues : Fake invoices/Circular Trading /
Banking frauds

Thank You!

Trends in GST Collection in Rs. crore



A tax is a fine for doing well...