



# Central Board of Indirect Taxes & Customs

Department of Revenue, Ministry of Finance, Government of India



## Implementation & Challenges

**VAISHALI MALHOTRA, IRS**

**ADDITIONAL DIRECTOR**

**DIRECTORATE GENERAL OF GST INTELLIGENCE (DGGI)**

**HYDERABAD ZONAL UNIT**

# Agenda

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



# Taxation & Constitution

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*Federal* Structure : Levy & Collection governed by the Constitution of India

*Both* Centre and States have powers of taxation (7<sup>th</sup> Schedule of the Constitution)

**entry 84** in the **Union List** grants power to the Centre to levy Central Excise Duty

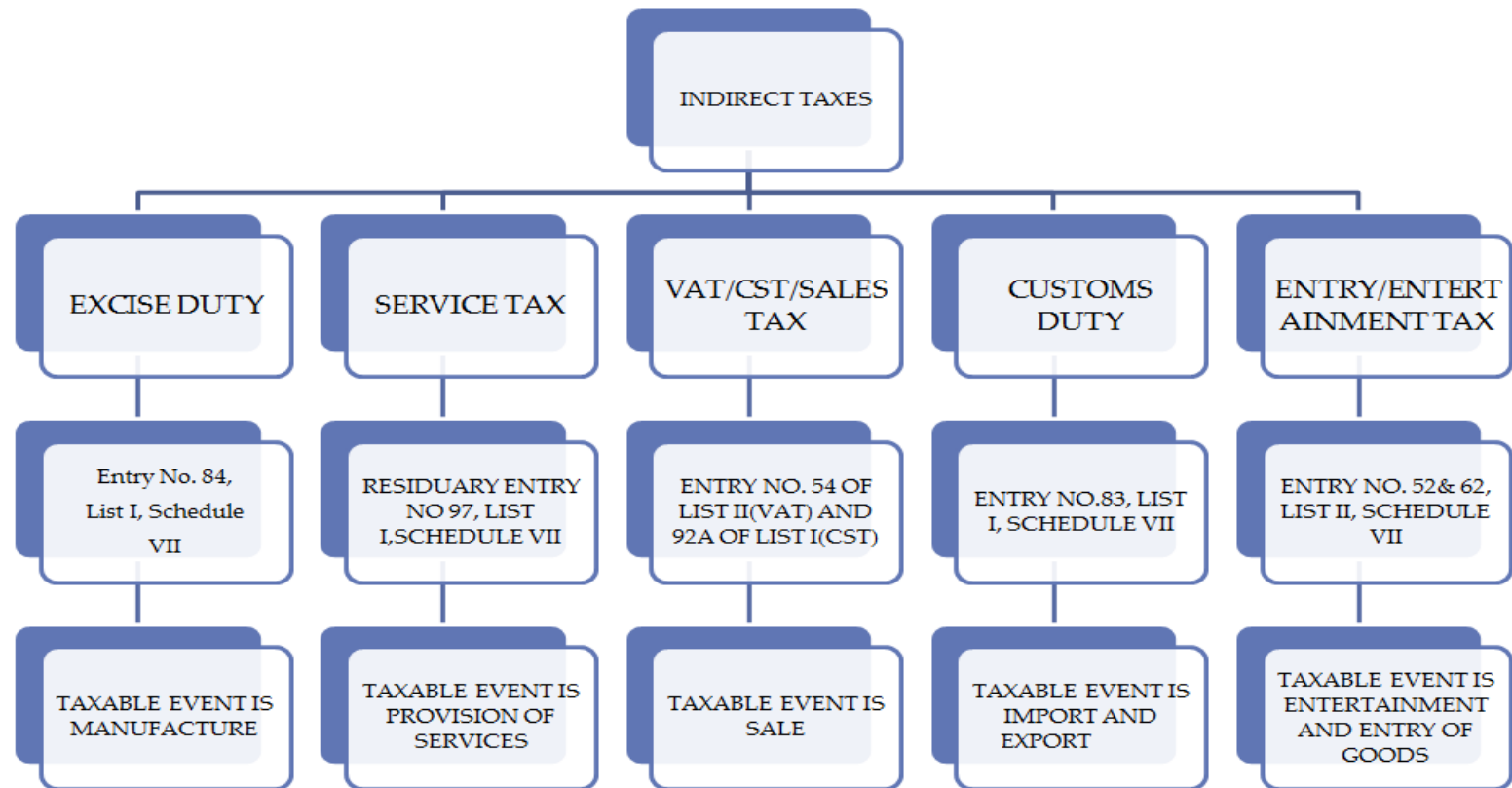
**entry 54** in the **State List** grants power to the State to levy tax on sale or purchase of goods other than newspapers

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

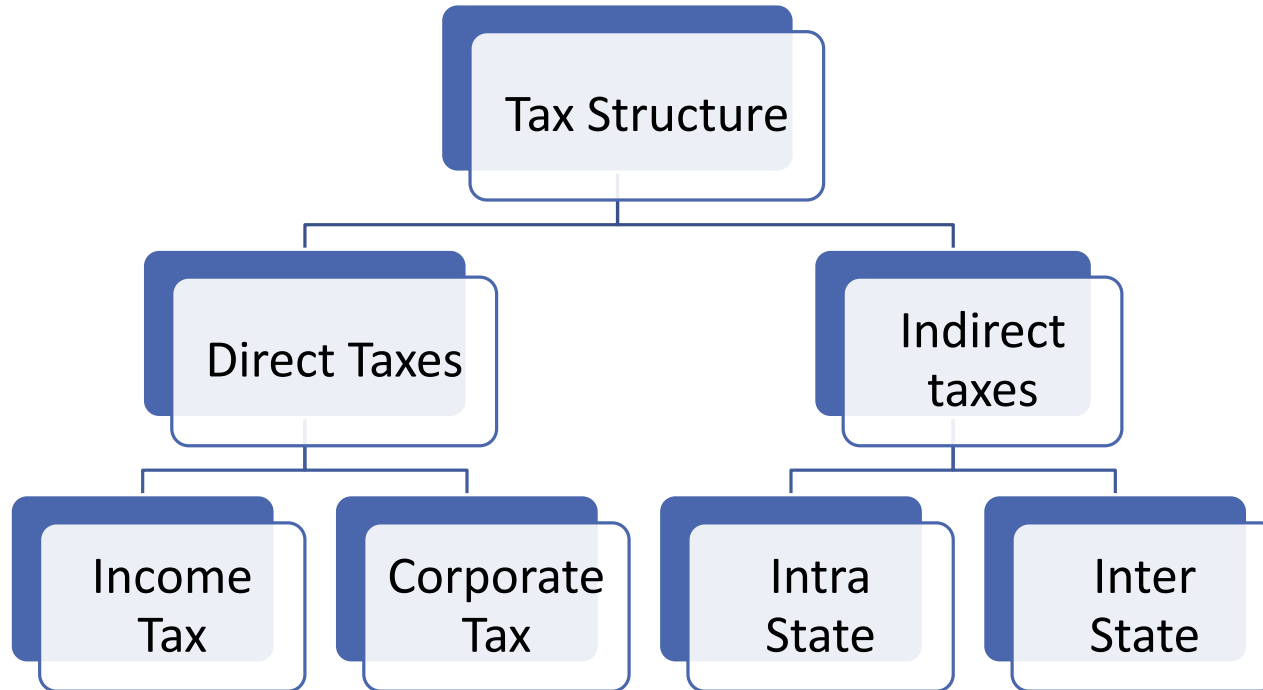
# Pre GST :: Tax Structure

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# Post GST : Tax Structure

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CGST : Centre  
SGST: State

IGST : Centre

# GST and the Constitution

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**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

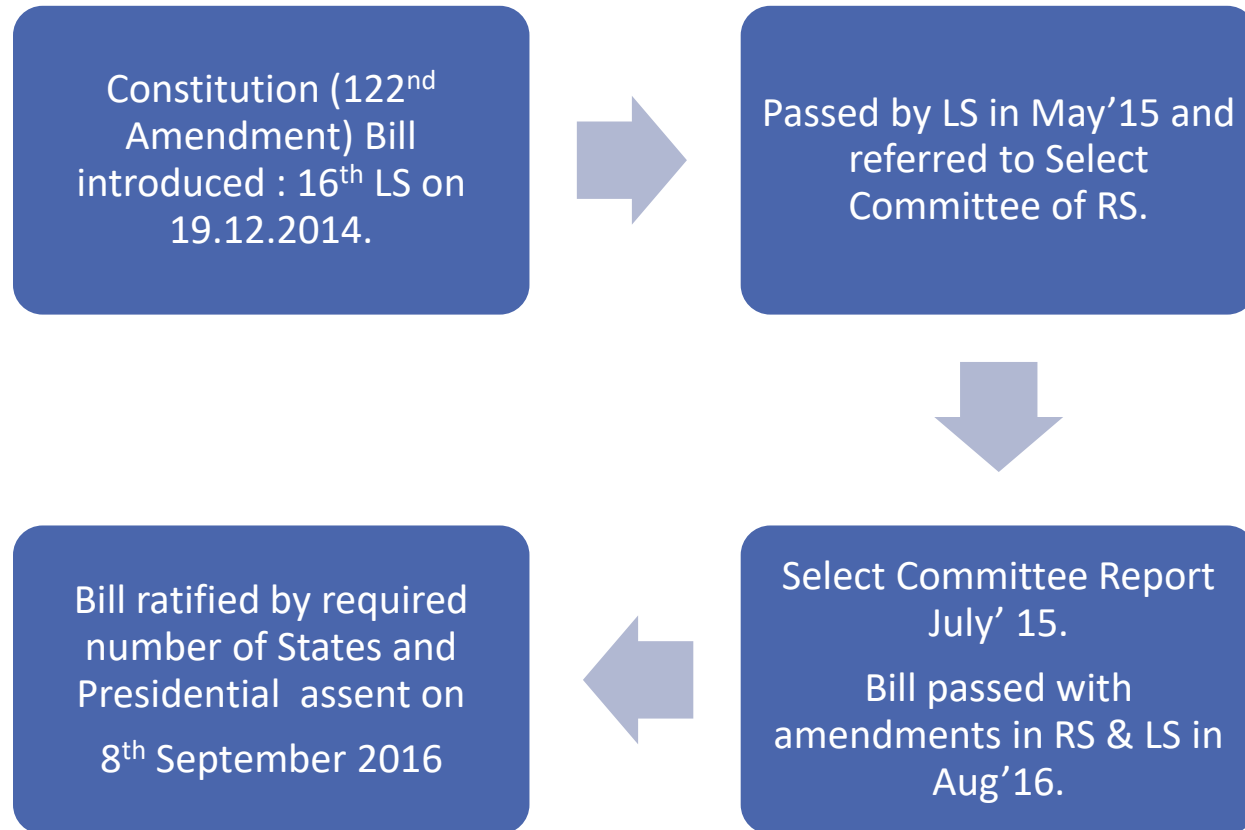
**Article 246A** enabled concurrent levy by the Parliament and state legislatures

- 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.

# GST and the Constitution

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**101<sup>st</sup> Constitutional Amendment Act – Implementation of GST wef 1<sup>st</sup> July 2017**

# GST : Overview

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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 than 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))



# GST : Components

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➤ Dual GST : CGST and SGST/UTGST

➤ What is IGST?

- on inter-state supply
- Imports/exports

Parliament to have exclusive power to levy IGST  
(IGST=CGST+SGST)

➤ What are outside GST ??

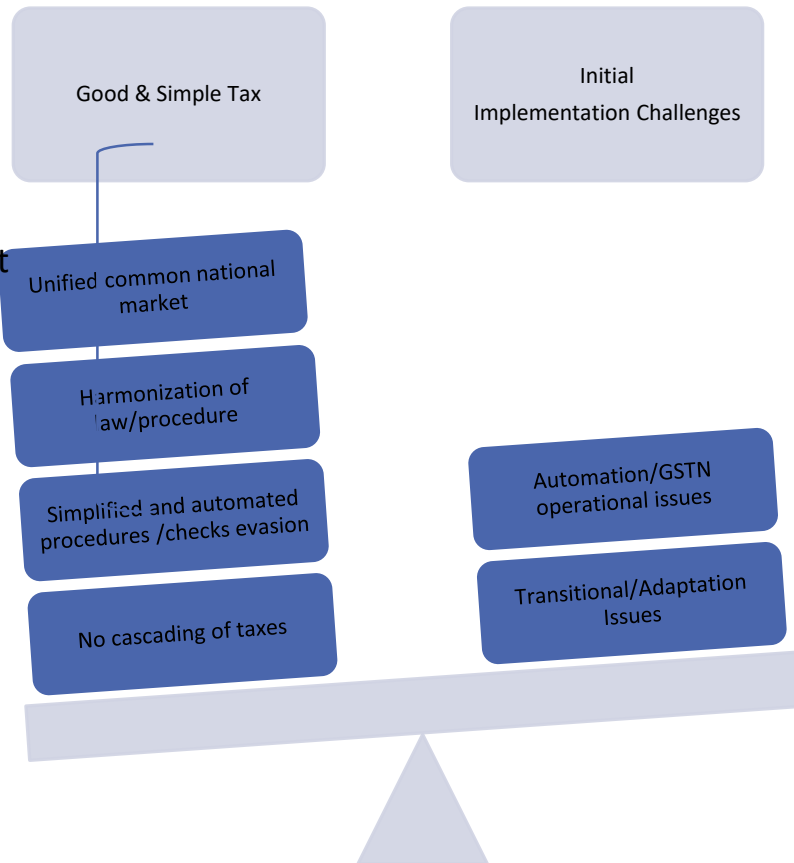
- Petrol, high-speed diesel, natural gas, aviation turbine fuel(ATF), crude oil (GSTC to decide date)
- Electricity(exempted)
- Alcohol used for human consumption(with states)
- Entertainment tax levied by local bodies.

# GST Council (GSTC)

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- Constituted u/Article 279A : institutional framework for GST Admn
- A Constitutional Body with Union Finance Minister as Chairperson and Minister of State (Revenue) and State Finance Ministers as members
- recommends GST rates, exemption and thresholds etc.
- Quorum: One half of the total number of members of GSTC
- Decision in GSTC would be taken by a majority of not less than three-fourth of weighted votes cast
- Centre 1/3rd weightage
- Centre and minimum of 20 states would form majority

# Benefits of GST



- Make in India
- Unified Common Market
- Consumer Benefits

# Benefits of GST

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- 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

Decrease in  
Inflation

Poorer States to  
Gain

Make in India

# Benefits of GST

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- 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
- Uniform law and procedures
- Anti profiteering mechanism

Ease of compliance  
in doing Business

Reduction in “Black  
Transactions”

Consumer  
Protection

# Benefits ???

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- Within 1 year of the launch of the GST, the CPI inflation 3.66% to 4.24%- at present 6.71%(July) - increase in the CPI in the initial phase was obvious- aimed to maintain inflation rates for the long term.
- Petrol / Diesel
- Compensation Cess

# GST : Important Concepts

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- Supply chain wide - Single tax applicable to supply of goods and services (manufacture/sale/rent/lease/barter etc.)- applicable only on value addition
- PAN based registration and it is state specific - GSTIN 15-digit number/one GSTIN per state.
- Tax Slabs 0%(agriculture/handicrafts etc.), 5 %, 12%, 18%, 28% (non merit/luxury)
- Concept of Input Tax credit(ITC)
- Zero rated supply- entire value chain of supply is exempt from tax - so output is exempt from tax, no bar on availing credit on inputs (exports)

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

# GST : Important Concepts

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- Reverse charge mechanism....liability to pay tax is on recipient of supply.
- TDS/TCS : when buyer of goods or services, such as government departments, makes payments under a business contract and tax collected/deposited by e-com operator for supplies by its website
- EWay Bill- for movement of goods (needed to transport goods in a vehicle whose value exceeds Rs. 50,000 (Single Invoice/bill/delivery challan).Unique Eway Bill Number (EBN) is allocated- available to supplier/recipient/transporter.
- National Anti Profiteering Authority
  - 5-member committee
  - Chairman (Secretary to Gol) & and 4 technical members
- GSTN–non-profit, non-government organization which manages the entire IT system of the GST portal



# GST: Concept of ITC

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Concept of input tax credit (ITC) was there in VAT, CE and ST, also in CST

Example :

A supplier makes purchases worth Rs.500000. GST is 10%

= tax paid is Rs.50,000

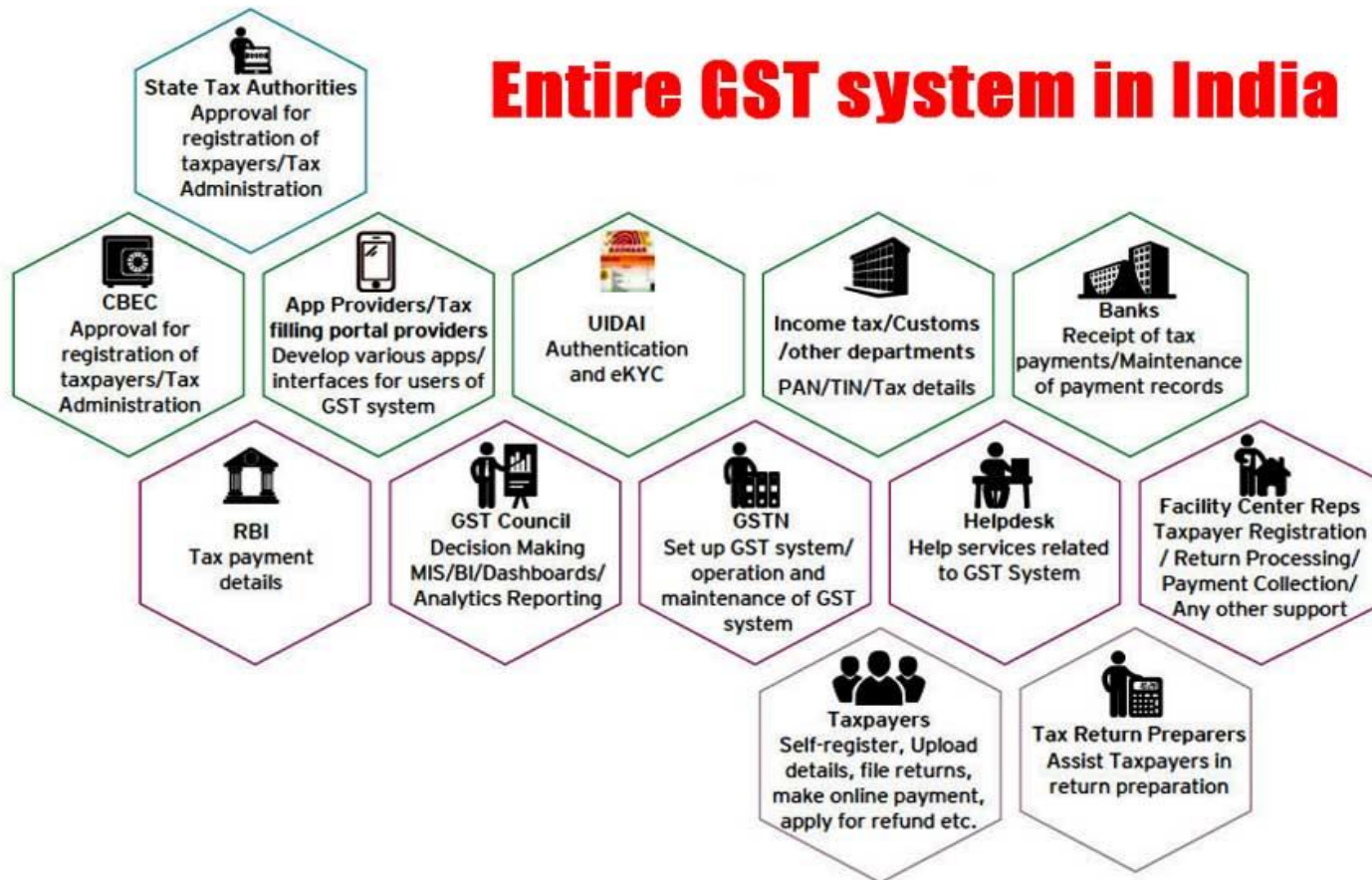
He has sales worth Rs 900000. GST is 10%

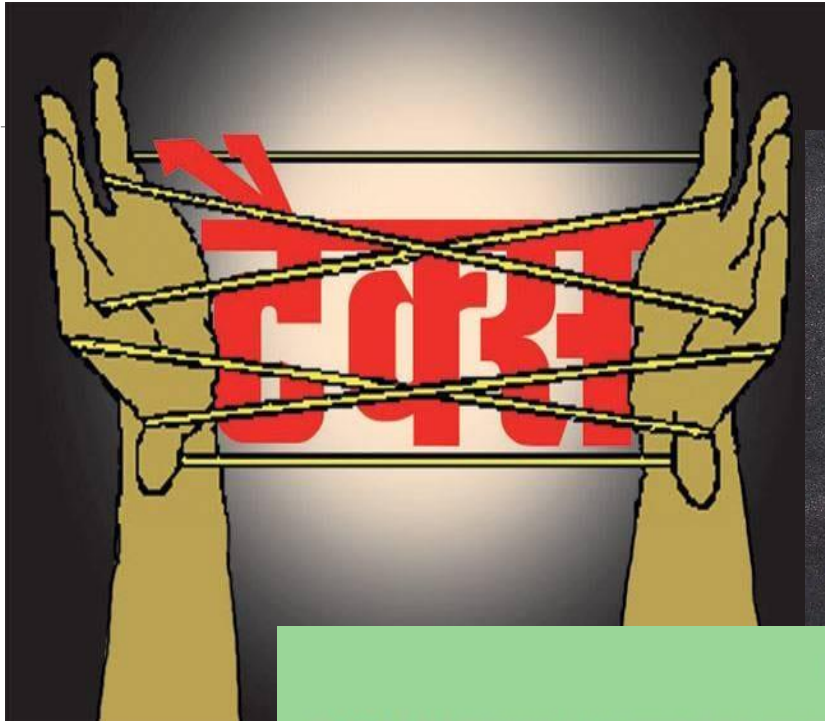
= tax payable is Rs.90,000.

If no credit of taxes paid on inputs (Rs 50000 in this case)- then taxes will add up to his cost thereby making goods cost higher(By Rs. 50000)to consumers.

If credit is available, then tax liability on supplies is reduced (to Rs. 40000). Supplier uses credit(ITC) of Rs. 50000 to discharge tax liability and remaining Rs. 40000 is paid by cash. ( hence, Anti-Profiteering mechanism)

# GST Ecosystem





She- तुम मुझे कभी नहीं समझोगे!

Me- क्यों? तुम GST हो?

BusinessToday.In

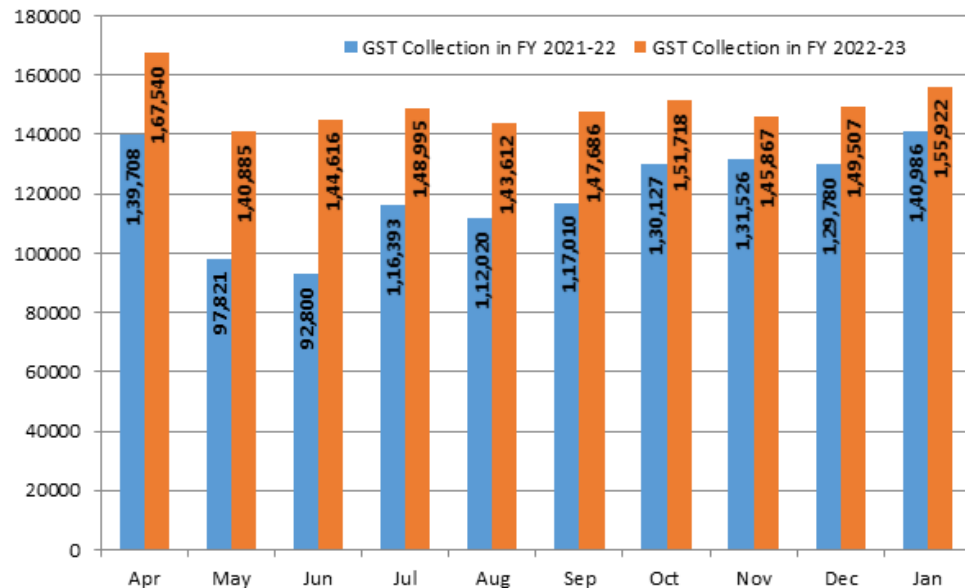
#### EXTRACT FROM CAG REPORT OF 2019

- 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.

YourQuote.in

# GST today...

- Number of registered taxpayers 1.37 Cr (Jan'2023)
- Number of returns filed per month (80-90L)
- Invoices generated (March'2022) 28 Cr
- E-way Bill ~7.5 Cr. per month



# GST today...



## GST System Statistics

As on 31st January, 2023



**1.37 Cr.**

Registered Tax Payer



**104.57 Cr.**

Total Return Filed



**336.25 Cr.**

E-way Bill



**1580 Cr.**

Total Invoice Upload



**54.19 Lakh Cr.**

Payment Through the Portal  
(Excluding IGST on Imports)



**27.34 Cr.**

Total No. of Payment  
Transactions



**24.85 Lakh**

Highest Returns Transactions  
in a day



**9.55 Lakh**

Highest Payment Transactions  
in a day


# Challenges & Way Ahead

- Simplification of rules and procedures
- Taxpayer Education
- Returns Finalization
- IT Glitches
- Economic Downturn
- Invoice matching
- Fraud Analytics
- Fake invoices/Circular Trading

**THE ECONOMIC TIMES** News  
English Edition | 22 January, 2022, 08:12 PM IST | E-Paper

## GST evasion of ₹40,000 crore detected from fake invoicing, fraud claims

**Synopsis**  
The latest measures are aimed at tackling such frauds, impart better payment discipline and also protect the recipient who is not always in a position to ascertain that his supplier has paid the tax and is vulnerable to the recovery of input tax credit, when the tax is not paid by the supplier.



**Tax** authorities have detected goods and services tax evasion of ₹40,000 crore in over a year, largely on account of fake invoices and fraud input tax credit claims.

A host of measures aimed at plugging loopholes and preventing such frauds are set to kick in from January 1, but a senior government official told ET that adequate care was being taken to ensure these did not compromise with the government's ease of doing business initiative. The Central Board of Indirect Taxes and Customs had launched an All-India Enforcement Drive from November 9, 2020 through the Directorate General of GST Intelligence and various [Central GST](#) formations. "More than 5,700 cases, involving an amount of about Rs 40,000 crore, have been detected," the official said.

The latest measures are aimed at tackling such frauds, impart better payment discipline and also protect the recipient who is not always in a position to ascertain that his supplier has paid the tax and is vulnerable to the recovery of input tax credit, when the tax is not paid by the supplier.

Thank  
You!

“Its not the end ,  
but the start of the journey”

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