

# GST In India- A Road Ahead

## Introduction

India is ready to adopt GST regime. It is expected to become applicable any time between 1<sup>st</sup> April, 2017 to 1<sup>st</sup> October, 2017. Although we are behind by at least 10 years but once started people of India will feel the benefits of GST. Almost all countries in the world have adopted GST but only Canada has dual GST like dual GST declared in India. Presently we are paying many indirect taxes at Central Govt. level as well as State Govt. level. With the introduction of GST we will pay only one tax i.e. GST. One indirect tax for one country.

## What is GST?

GST is Goods and Service Tax. GST is defined as “ Any tax on supply of goods and services other than alcohol for human consumption”. It is a destination based tax on consumption of goods and services. It means GST shall be levied at the rate applicable for destination state for supply of goods and services. At present under VAT system we are charging VAT on supply of goods applicable to origin state of supply of goods.

## Benefits of GST

- Wider tax base, necessary for lowering tax rates and eliminating classification disputes
- Elimination of multiplicity of taxes and their cascading effects
- Rationalization of tax structure and simplification of compliance procedures
- Harmonization of center and state tax administrations, which would reduce duplication and compliance costs
- Automation of compliance procedures to reduce errors and increase efficiency

## Types of GST

There are three types of GST. i) CGST ii) SGST iii) IGST. Let us understand the difference between three types of GST.

Items	CGST	SGST	IGST
Meaning	It is levied by Central Govt. in place of all indirect taxes presently levied by central Govt.	It is levied by State Govt. in place of all indirect taxes presently levied by State Govt.	It is levied by Central Govt. and is a combination of CGST and SGST
Present Taxes	CGST to replace following Taxes: *Central Excise Duty *Service Tax *Additional duty of *Customs(CVD) *Special Additional duty of Taxes(SAD)	SGST to replace following Taxes: *State Vat *Central sales Tax *Purchase Tax *Entry Tax *Luxury Tax *Entertainment Tax(	IGST to replace all taxes whether under Central Govt. or State Govt.

	*All Central surcharge and cess in relation to supply of goods/services	Except tax levied by local bodies) *Tax on Advertisements *Taxes on lottery, betting and gambling *All State surcharge and cess in relation to supply of goods/services	
Applicability	CGST is applicable in case of supply of goods and services intra state i.e. within State	SGST is applicable in case of supply of goods and services intra state i.e. within State	IGST is applicable in case of supply of goods and services inter state i.e. from one State to another
Payment of tax	Tax to be paid to Central govt.	Tax to be paid to State govt	Tax to be paid to Central govt
Exemption limit	Rs.20Lakhs(Rs.10 Lakhs for Special category states)	Rs.20Lakhs(Rs.10 Lakhs for Special category states)	No Exemptions
Registration	Mandatory if Turnover exceeds Exemption limits	Mandatory if Turnover exceeds Exemption limits	Mandatory

### **Jurisdiction of GST**

GST extends to Whole of India. In other words it extends to all states in our country.

### **Rates of GST**

There are Five rates of GST as follows:

i	0%	Applicable to almost 50% items falling under consumer price index Applicable to export of Goods
ii	5%	Common use items, essential food items
iii	12%	Standard
iv	18%	Standard
v	28%	Luxury items also attracts additional cess

### **Import and Export of goods under GST**

Import of Goods shall be treated as inter state supply of goods, hence IGST shall be levied. In other words total duty on import of goods is Basic custom duty plus IGST.

Export of Goods shall not be chargeable to GST. The concept of charging GST is destination based supply of goods. In case of export supply of goods is outside India, hence destination is outside India where Indian GST is not applicable.

### **Liability to Pay GST**

Liability to pay GST arises at the time of supply of goods/services from origin state. Time of supply shall be earliest of the followings:

- i) date of invoice
- ii) Last date by which invoice to be issued as prescribed u/s 28
- iii) date of receipt of payment

Date of receipt of payment means

Date on which payment is entered in Books of Accounts

Date on which payment is credited to his bank accounts

Whichever is earlier

### **Liability to pay tax on Reverse charge**

Liability to pay GST under reverse charge arises at the time of supply of goods/services from origin state.

In case of supply of Goods

- (a) the date of the receipt of goods, or
  - (b) the date on which the payment is made, or
  - (c) the date immediately following thirty days from the date of issue of invoice by the supplier,
- whichever is earlier

In case of supply of services

- (a) the date on which the payment is made, or
  - (b) the date immediately following sixty days from the date of issue of invoice by the supplier
- Whichever is earlier

### **Registration**

All Taxable person are required to take registration

Taxable person means who is registered or liable to be registered as prescribed under schedule V

As per schedule V

Every supplier shall be liable to be registered under this Act in the State from

where he makes a taxable supply of goods and/or services if his aggregate

turnover in a financial year exceeds twenty lakh rupees:

ten lakhs for special category states and states mentioned in article 279A(4)(g) of constitution

Registration should be taken within 30 days from the date aggregate turnover exceeds aforesaid limits.

### **Aggregate Turnover**

As per section 2 (6) of the MGL, aggregate turnover includes the aggregate value of:

- (i) all taxable and non-taxable supplies,
- (ii) exempt supplies, and
- (iii) exports of goods and/or service of a person having the same PAN.

Aggregate Turnover shall be calculated on all supplies whether goods or services and excludes all GST.

Aggregate turnover does not include value of supplies on which tax is levied on reverse charge basis, and value of inward supplies.

### **Mandatory Registration irrespective of Aggregate Turnover**

The following categories of persons shall be required to be registered compulsorily irrespective of the threshold limit:

- a) persons making any inter-State taxable supply;
- b) casual taxable persons;
- c) persons who are required to pay tax under reverse charge;
- d) non-resident taxable persons;
- e) persons who are required to deduct tax under section 37;
- f) persons who supply goods and/or services on behalf of other registered taxable persons whether as an agent or otherwise;
- g) input service distributor;
- h) persons who supply goods and/or services, other than branded services, through electronic commerce operator;
- i) every electronic commerce operator;
- j) an aggregator who supplies services under his brand name or his trade name; and
- k) such other person or class of persons as may be notified by the Central Government or a State Government on the recommendations of the Council.

### **Input Tax Credit(ITC)**

ITC can be claimed by registered taxable person only. However to claim ITC on stocks held on preceding day of the date on which liability to pay GST arises, application should be made within 30 days from the date aggregate Turnover exceeds Rs.20 Lakh or Rs.10 Lakh as the case may be.

ITC can be claimed for CGST, SGST and IGST but ITC can only be utilised in the order given in the chart.

<b>ITC of CGST can be utilized in following order</b>	<b>ITC of SGST can be utilized in following order</b>	<b>ITC of IGST can be utilized in following order</b>
<b><u>CGST</u></b>	<b><u>SGST</u></b>	<b><u>IGST</u></b>
<b><u>IGST</u></b>	<b><u>IGST</u></b>	<b><u>CGST</u></b>
		<b><u>SGST</u></b>

Note: Cross utilisation of CGST and SGST not permitted

## **Conclusions**

I have tried to explain some parts of GST which are needed to understand immediately although there are many more provisions in GST Law to understand which I will cover in my next write up.

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