



WELCOME

SEMINAR

on

Goods & Services Tax (GST)

Organised by:

EXCISE & TAXATION DEPARTMENT, HARYANA



OVERVIEW OF GST

OBJECTIVES



One Nation, One Tax

- ❑ Reduction in multiplicity of indirect taxes
- ❑ GST replacing various Central and State Taxes
- ❑ Uniform Business Processes
- ❑ Fewer slabs and Uniform Rates of taxes
- ❑ No fiscal or Physical Barriers across states
- ❑ Entire value of supply chain to be taxed
- ❑ ITC available across states

OBJECTIVES



- ❑ Mitigation of Cascading effect
- ❑ The Tax to be Destination Based
- ❑ Simplification of Business processes by doing away all forms, concessions and exemptions
- ❑ Greater Transparency by Minimal human Interface; GST to be technology driven
- ❑ Plugging the tax evasion and quick ITC transversal and reconciliation
- ❑ Rise in revenue by increase in volume and better tax compliance
- ❑ Spurring economic growth

Taxes Subsumed (Union)



- Central Excise duty
- Additional duties of excise
- Excise duty levied under Medicinal & Toiletry Preparation Act
- Counter Veiling Duty, etc.
- Service Tax
- Surcharges & Cesses

Taxes Subsumed (State)



- ❑ VAT
- ❑ Central Sales Tax
- ❑ Purchase Tax
- ❑ Entertainment Tax (other than those levied by local bodies)
- ❑ Luxury Tax
- ❑ Entry Tax (All forms)
- ❑ Taxes on lottery, betting & gambling
- ❑ Taxes on Advertisement
- ❑ Surcharges & Cesses

Constitutional Amendment



- CAB passed by Rajya Sabha on 03.08.2016 & Lok Sabha on 08.08.2016
- Notified as Constitution (101st Amendment) Act, 2016 on 08.09.2016
 - Key Features:
- Concurrent jurisdiction for levy & collection of GST by the Centre & the States – Article 246A
- Centre to levy & collect IGST on supplies in the course of inter-State trade or commerce including imports – Article 269A
- GST defined under article 366(12A) as under:
- “Goods and services tax” means any tax on supply of goods, or services or both except taxes on supply of the alcoholic liquor for human consumption;
- GST Council
- Compensation for five years

SALIENT FEATURES OF GST



- The GST would be applicable on the supply of goods or services.
- It would be a destination based consumption tax.
- It would be a dual GST with the Centre and States simultaneously levying it on a common tax base.
- The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by States would be called State GST (SGST).
- The GST would apply to all goods other than alcoholic liquor for human consumption and five petroleum products.

SALIENT FEATURES OF GST.. Contd.



- ❑ Tobacco and tobacco products would be subject to GST. In addition, the Centre could levy excise duty on these products.
- ❑ The rates would be notified on the recommendations of the GST Council.
- ❑ There would be a floor rate. Exempted, 5%, 12%, 18% and 28%
- ❑ The exemption list would be common for the Centre and the all States.

SALIENT FEATURES OF GST.. Contd.



- Tax payers with an aggregate turnover in a financial year up to [Rs.20 lakhs] would be exempt from tax.
- For NE States and Sikkim, the threshold exemption shall be [Rs. 10 lakhs].
- Tax payers making inter-State supplies or paying tax on reverse charge basis shall not be eligible for threshold exemption.
- Small taxpayers with an aggregate turnover in a financial year up to [Rs. 75 lakhs] shall be eligible for composition levy.
- Under the scheme, a taxpayer shall pay tax as a percentage of his turnover during the year without the benefit of input tax credit (ITC).
- Tax payers making inter-State supplies shall not be eligible for composition scheme.

SALIENT FEATURES OF GST.. Contd.



- ❑ An Integrated GST (IGST) would be levied and collected by the Centre on inter-State supply of goods and services.
- ❑ Tax payers shall be allowed to take credit of taxes paid on inputs (input tax credit) and utilize the same for payment of output tax.
- ❑ CGST credit can be used for payment of CGST and SGST credit can be used for payment of SGST.
- ❑ No ITC on account of CGST shall be utilized towards payment of SGST and vice versa.
- ❑ Credit of IGST would be permitted to be utilized for payment of IGST, CGST and SGST in that order.
- ❑ SGST portion of IGST shall be transferred to the destination State where the goods or services are eventually consumed.

SALIENT FEATURES OF GST.. Contd.



- HSN code shall be used for classifying the goods under the GST regime.
- Taxpayers whose turnover is above Rs. 1.5 crores but below Rs. 5 crores shall use 2-digit code and the taxpayers whose turnover is Rs. 5 crores and above shall use 4-digit code.
- Exports shall be treated as zero-rated supply. No tax is payable on exports but ITC related to the supply shall be refunded to exporters.
- Import of goods/services would be subject to IGST in addition to customs duties.
- IGST paid shall be available as ITC for further transactions.
- Laws and procedures for levy and collection of CGST/SGST are harmonized to the extent possible.

SALIENT FEATURES OF GST.. Contd.



- ❑ Tax can be deposited by Internet Banking, RTGS/NEFT, Debit/Credit Card and Over the Counter (upto 10,000 only)
- ❑ Exports to be Zero rated; 90% refunds from exports in 7 days
- ❑ Refunds to be given in 60 days
- ❑ Single interface for the Taxpayers
- ❑ Cross empowerment of the officers/officials of the States and the Center
- ❑ All services to all Taxpayers available online on the common GST portal
- ❑ No penalty for minor breaches of tax regulations without fraudulent intent



BENEFITS OF GST

- The benefits of this transformational tax reform are manifold. The benefits include:
 - A single tax would replace multiple taxes.
 - Set-off of prior-stage taxes would mitigate the ill effects of cascading.
 - Tax burden on goods and services would decrease, benefiting common man.
 - Implementation of GST would make our products competitive in domestic and international markets.
 - It would boost economic activity and create more jobs.
 - The GDP would grow though the estimates in this regard vary.

GST : A Game Changer



- ❑ Introduction of GST would be a very significant step in the field of indirect tax reforms in India.
- ❑ Revenues of Centre and States would rise due to increase in trade volumes and improved tax compliance.
- ❑ Introduction of GST would reduce economic distortions caused by inter-State variations in taxes.
- ❑ It will streamline tax administration and avoid harassment of business.
- ❑ Compliance costs for the industry will go down.
- ❑ The GST, because of its transparent nature, would be easier to administer.
- ❑ It would pave the way for a common national market.

REGISTRATION & MIGRATION



- Every person whose aggregate turnover (pan India) exceeds the threshold limit of Rs 20 Lac is liable for registration and liable to pay tax.
- Following persons liable for registration even if aggregate turnover does not exceed the threshold limit:
 - Persons making inter-state supplies
 - Casual and non-resident taxable persons
 - Electronic Commerce operators
 - Persons who supplies through ECO etc

REGISTRATION & MIGRATION (cont..)



- Every person who is registered under an existing law is liable for registration
- Migration of existing taxpayers in a simpler manner
- Till date 76.71 % dealers have been successfully enrolled on GST system.
- 59 % dealers have done complete registration on GST system

COMPOSITION



- A registered person whose aggregate turnover in a year does not exceed 75 Lac may opt to pay tax under composition in lieu of tax payable by him
- Rates of tax under composition
 - Traders 0.5% for state and 0.5% for centre
 - Manufacturer 1% for state and 1% for centre
 - Restaurants 2.5% for state and 2.5% for centre
- Quarterly return to be furnished by composition persons
- Invoice wise details of only inward supplies to be furnished in the return by composition person

COMPOSITION (cont..)



- ❑ Consolidated details of outward supplies to be furnished
- ❑ A person engaged in inter-state supplies is not eligible for composition
- ❑ A person engaged in supplies of services other than restaurants is not eligible for composition
- ❑ No ITC shall be admissible to composition person and no ITC shall be allowed to recipients of supplies made by him
- ❑ No cess shall be levied on composition persons

COMPOSITION UNDER VAT



- ❑ Composition under HVAT to the dealers having taxable purchases of less than 40 Lac in the previous year
- ❑ The scheme is only for traders who are not engaged in inter-state sales
- ❑ Rate of tax is 1% of taxable purchases made in the quarter of minimum of Rs 900
- ❑ Goods purchased from outside state to be taxed at normal rates



ADVANTAGE OF COMPOSITION UNDER GST

- ❑ Threshold limit of turnover of 75 Lac under GST against threshold of purchases of 40 Lac under VAT
- ❑ Rates of composition to apply on goods procured from outside the state as well
- ❑ Composition under GST applies to manufacturers also except a negative list
- ❑ 66.5 % of dealers registered under HVAT have turnover less than 75 Lac.



REGISTRATION & MIGRATION (cont..)

- A person, though not liable to be registered, may take voluntary registration
- Registration is PAN based. It is required to be obtained for each state from where taxable supplies are made.
- A person having multiple business verticals in a state may obtain separate registration for each business vertical
- Registration under both Centre and State Acts by a common application on common e-portal
- Deemed registration after three working days
- No security/ surety bond required for registration

RETURNS



- Normal taxpayers to file monthly returns and pay tax on monthly basis
- GSTR-1 containing the detail of outward supplies to be filed by 10th of the following month
- GSTR-1 shall contain: Invoice wise details of supplies made to registered person, inter-state supplies in excess of 2.5 Lac made to unregistered person
- Consolidated details of intra-state supplies to unregistered person for each rate of tax

RETURNS (cont..)



- Consolidated state wise supplies of less than 2.5 Lac made to unregistered person for each rate of tax
- GSTR-2 shall be filed by 15th of the following month. It shall be auto populated from the data captured from GSTR-1. Data shall be made available to recipient in Part A. The return filer can amend delete or add in the data populated and thereafter submit his return in form GSTR-2.
- GSTR-3 shall be filed by the registered Taxable person by the 20th of the following month. It again shall be auto populated wherein the return filer will have to furnish details of payment of Tax in part-B of GSTR-3.

PAYMENT OF TAX



- ❑ Tax can be deposited by Internet banking, NEFT/RTGS, debit/credit card and Over the Counter (OTC)
- ❑ Every deposit made by the Taxpayer shall be credit to electronic cash ledger
- ❑ Payment of Tax shall be made by way of debit in the electronic cash ledger or electronic ITC ledger.
- ❑ Taxable person shall discharge his tax and other dues in the following order:
 - Self-assessed tax, and other dues related to returns of previous tax period;
 - Self assessed tax, and other dues related to return of current tax period; and
 - Any other amount payable under the Act or rules made there under including the demand.

SUPPLY



- Under GST regime, tax is payable on the supply of goods and/or services.
- Supply includes
 - All forms of supply i.e. sale, transfer, barter, exchange, lease, rental, license, or disposal made or agreed to be made for a consideration in the course or furtherance of business.
 - Importation of service for a consideration and whether or not in the course or furtherance of business.
 - GST not to be levied on supply of liquor for human consumption. GST is also not to be levied on five petroleum products.
 - GST is not to be levied on some supplies. Listed in Schedule III. It includes sale of land and building , functions performed by MP, MLAs, Member of Municipality and Service by Court and Tribunal.

EXEMPTIONS



- A person whose aggregate turnover is less than 20 Lac is also exempt.
- An agriculturist and persons exclusively dealing in exempted services are also exempt from registration and liability to pay tax.
- On the recommendation of the Council, the Central/ State Govt. may, by notification, exempt specified goods and/or services from payment of CGST/SGST.
- Exemptions are of two types:- General and Adhoc.
- General exemptions are universal in nature and are issued in public interest.
- Adhoc exemptions are issued in public interest to deal with circumstances of an exceptional nature.

TDS BY GOVERNMENT AGENCY(GST)



- Government Departments and Agencies to deduct tax from payment made to the supplier @ 1% each for center and state where the contract value exceeds Rs.2.5 lakh.
- The amount so deducted shall be paid within 10 days after the end of month of deduction.
- An online certificate, GSTR-7A, shall be issued to the supplier within 5 days of crediting the amount to the Government.



TDS BY GOVERNMENT AGENCY(GST)

- Every such department shall have to obtain registration under GST on the bases of PAN or Tax Deduction and Collection Account Number
- The deducting department shall have to file online monthly return GSTR-07.
- 18% Interest for late deposit of TDS in GST
- A penalty of Rs. 10,000/- or an amount equivalent to the tax not deducted or short deducted or deducted but not paid to the Government. whichever is higher.

TRANSITIONAL PROVISIONS (GST)



- Every proceeding relating to refund claim of ITC under the earlier law to be disposed of under the earlier law.
- A person paying tax under composition scheme under earlier law eligible to take credit of taxes paid on goods (inputs, inputs contained in semi-finished or finished goods) held in stock while switching over to normal scheme under the present law.
- A registered person shall be allowed ITC on account of taxes paid under the existing laws on closing stock subject to the certain conditions.
- ITC shall also be allowed of taxes paid on capital goods in the closing stock.

TRANSITIONAL PROVISIONS (GST)



- Registered taxable person, who was not liable for registration under earlier law or who was making exempted supplies but is liable to tax under the present law, eligible to avail ITC of tax paid on goods (inputs, inputs contained in semi-finished or finished goods) held in stock

TRANSITIONAL PROVISIONS (GST)



- No Tax shall be payable on the supply of goods or services made before GST where supply is received on or after GST and the full tax has already been paid under the earlier law.
- A person paying tax under normal scheme under the earlier law and switching over to composition scheme under GST shall pay ITC utilised and remaining ITC shall lapse.
- No tax shall be payable on the Goods sent on the approval bases before GST but are reject and returned within 6 months

ADVANTAGES OVER VAT



- No surety bond shall be required at the time of Registration under GST, Unlike HVAT presently in vogue
- Threshold limit increased from 5 Lac to 20 Lac.
- Person having turnover between 5 to 20 Lac exempted unless are liable otherwise.
- Composition limit to be 75 Lac in GST against 40 Lac under VAT.
- Composition rate also applicable on interstate purchases unlike VAT.
- Taxpayers to be provided all services online with minimal human interface including reply to Show Cause Notices.

ADVANTAGES OVER VAT (Cont..)



- ❑ The Taxpayer can use e-Signatures in addition to digital signature for authentication of documents unlike VAT where signed hard copies have to be submitted.
- ❑ Grant of ITC to be automatic and system driven and no human interference in its reconciliation unlike VAT.
- ❑ All types of forms abolished under GST unlike VAT
- ❑ ITC admissible on purchases made from outside the State unlike present system where no ITC is given for CST levied.
- ❑ No penalty for minor breaches of Rules and Regulations without any fraudulent intent.
- ❑ Taxpayers to be given rating on the basis of their tax compliance unlike VAT.

COMPENSATION



- States to be provided compensation for any loss of revenue arising from amalgamation of its taxes in GST for five years
- Financial year 2015-16 is the base year and revenue of the state from the taxes subsumed in GST in the base year is the base year revenue. In case of Haryana, it is Rs ..
- Projected growth rate is 14% per annum and projected revenue for any year shall be calculated by applying growth rate over the base year revenue.
- Illustration: For Haryana, The base year revenue is Rs
Projected revenue for 2018-19 shall be : $15168 \times (1 + 14/100)^3$ Cr.

COMPENSATION (cont..)



- Compensation to any state in a year shall be the difference between projected revenue of that year and actual revenue collected by the state under GST
- It shall be released on bimonthly basis
- Compensation shall be paid from a non-lapsable Fund known as GST Compensation Fund deposited in the public account of India
- A compensation cess on demerit and luxury goods shall be levied to generate revenue for compensation
- Half of unutilized amount at the end of transition period shall be transferred to consolidated fund of India and remaining half to the states in the ratio of their GST collections in the last year of transition

REVENUE COLLECTIONS & PROJECTION

(Value in Rs. Crore)



FY	All Taxes in GST	% Inc	Non GST	% Inc	Total	% Inc
2015-16 (base year)	15168.06	7.95%	6553.28	18.06%	21721.34	12.7%
2016-17	18017.94	9.09%	7753.54	21%	25771.48	18.6%
Base Revenue	15168.06					
Projected Revenue	2017-18 (9 months)	2018-19	2019-20	2020-21	2021-22	2022-23 (3 months)
	14784.31	22472.15	25618.25	29204.8	33293.48	9488.64

ILLUSTRATION (GST)



Supply of Goods	Input Cost	Value Addition	Transaction value	Rate of Tax	Tax	Total Sale Price	ITC	Net Tax Payable
A weaver sells a fabric to a tailor	1000	100	1100	5%	55	1155	0	55
Tailor sells the readymade shirts to retailer	1100	900	2000	12%	240	2240	55	185
Retailer sells the readymade shirt in showroom	2000	500	2500	12%	300	2800	240	60

**Note: A customer buys the shirt at Rs. 2800; Rs. 2500 as the cost of shirt and Rs. 300 GST
 Weaver will pay Rs. 55 as GST; Rs. 27.5 under SGST and RS. 27.5 under CGST
 Tailor will pay Rs. 185 as GST; Rs.92.5 under SGST and RS. 92.5 under CGST
 Retailer will pay Rs. 60 as GST; Rs. 30 under SGST and RS. 30 under CGST**



TURNOVER WISE DISTRIBUTION OF DEALERS

GTO SLAB	No. of DEALERS	%
Upto 20 Lac	97095	44%
Up to 75 Lac	144994	66.5%
Up to 1.5 Crore	170213	79.9%
Up to 10 Crore	207862	94.9%
Above 10 Crore	10850	5.1%

RATE WISE COMMODITY DISTRIBUTION



Tax Slab under GST	% of No. of Commodities
Exempted	7% Goods
5%	14% Goods
12%	17% Goods
18%	43% Goods
28%	19% Goods

The Percentage is out of 1211 total commodities under 4 digit HSN code for which Tax Rates have been prescribed

KEY COMMODITIES RATES



Tax Rate	Commodities
Exempted	Food grains, Pulses, Salt, Eggs, Milk, Curd, Vegetables, Fruits, Cereals, Printed Books, Newspaper, Jute, Handloom
5%	Apparels below Rs.1000, Packed Food items, Footwear below Rs. 500, Coffee, Tea, Spices, Kerosene, Coal, Medicines, Stent, Cashew Nut, Insulin, Biogas, , Fertilizers
12%	Apparels above Rs. 1000, Butter, Cheese, Ghee, Packed Dry fruits, Fruit Juices, Cell phones, Sewing Machine, Ketchup Sauces, Exercise Book, Spectacles, Board games, Tractor
18%	Footwear above Rs. 500, Soup, Ice-cream, Biscuits, Corn Flakes, Pastry, C CTV, Electrical Transformers, Optical Fibers, all intermediate Chemicals, Toothpaste
28%	Cars, Tobacco, Bidi, Chocolates, Aerated Water, After Shave, Hair Shampoo, Motor Cycle, Dishwasher, TV, Vacuum Cleaner, Ceramic tiles, AC

TEXTILE CHAIN UNDER GST



- The chain of supply of Textile is proposed to be brought in the tax net under GST in an integrated manner.
- Cotton: Present Tax burden on Cotton-5%. Cotton Fabric is exempted. It bears burden of embedded tax of excise duty 3.38% and VAT on Yarn of about 2.8% so Cotton, Cotton Yarn and Cotton Fabric are proposed to be taxed at rate of 5%.
- ITC shall be admissible of embedded tax so there will be minimal tax burden on Cotton Fabric

TEXTILE CHAIN UNDER GST (CONT..)



- Silk: Currently Raw Silk is exempted. Silk Yarn has embedded excise duty of 1.1%. Weighted VAT on Silk Yarn is 3.58 %. In Haryana Silk Yarn taxable @ 5.25%. Silk Fabric is exempted.
- Embedded burden of Excise duty on silk fabric is 5%. Embedded burden on Silk fabric 3.25%.
- So Fabric placed in 5% slab
- The levies are close to the current position of overall tax burden.

TEXTILE CHAIN UNDER GST (CONT..)



- ❑ Wool: Presently wool, raw wool and woolen yarn taxable @ 5.25%
- ❑ Woolen Yarn and Woolen Fabric are proposed to be in Tax slab of 5%.
- ❑ So it again maintains the revenue neutrality
- ❑ Man Made Filament and Yarn: Present incident of Tax is more than 18%, Placed under 18% slab in GST
- ❑ Fabric made of Man made filament yarn placed in 5% slab, no overflow of credit
- ❑ No extra tax burden on Fabric
- ❑ Khadi Yarn, Gandhi Topi and Handloom exempted under GST

SCIENTIFIC INSTRUMENT



- There are about 1500 units registered in Ambala giving about Rs. 50 Crore tax per annum
- Present VAT rate is 5.25%
- Present Rate of Excise duty is 12.5%
- Items placed in 18 % slab- Length measuring Instruments like tapes, rods, micrometers, clippers
- Appliance for testing hardness strength, elasticity like Hydrometer, Thermometer, Pyrometer, Barometer, Hygrometer, Spectrometer, Instruments for checking viscosity, heat, sound, Instrument for detecting rays
- Items in 28 % slab- Microscope, compasses, Hydrographic instrument, Balances,

ILLUSTRATION-II



- ❑ Value of Supply by X to Y - 1,00,000
- ❑ Rate of Tax-28%
- ❑ SGST @14% -14,000 CGST@14% -14,000
- ❑ Y is the recipient, he has credit of SGST-14,000 CGST-14,000. He sells to another taxpayer Z in another State
- ❑ Value- 1,20,000 (Value addition 20,000)
- ❑ IGST @28% is payable on 1,20,000 – 33,600
- ❑ Y will use SGST ITC of 14,000 and CGST ITC of 14,000 towards discharge of his IGST liability
- ❑ He will pay 5600 in the IGST account.



ILLUSTRATION-II (cont..)

- Origin State will transfer 14,000 to IGST account and Center will transfer 14,000 to IGST.
- Z sells it for 1,35,000 to a customer.
- He will pay @ 14% SGST-18,900 and CGST @ 14%-18,900
- Tax payer Z in another State has ITC of 33,600. So CGST of 18900 will be paid out of ITC of IGST of 33,600 and balance ITC 14,700 will be used for SGST liability. Balance liability of 4200 shall be paid by him.
- IGST Account will transfer 18900 to Gol and 14700 to the destination State

THANKS