Goods and Service Tax - A Journey

Prajakta Prabhune on 09 January 2010

Paper on
Goods and Service Tax – Concept and Impact
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Tax structure in India
Taxes in India are levied by the Central Government and the State Governments. Some minor taxes are also levied by the local authorities such as Municipality or Local Council. The authority to levy tax is derived from the Constitution of India which allocates the power to levy various taxes between Centre and State.

Some of the important Central taxes
Ø Customs Duty
Ø CENVAT
Ø Service tax

Some of the important State taxes
Ø CST
Ø State Sales Tax
Ø Works Contract Act
Ø Entry tax
Ø Other local levies

Major milestones in Indirect Tax reform

1974 Report of LK Jha Committee suggested VAT
1986 Introduction of a restricted VAT called MODVAT
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>Report of the Chelliah Committee recommends VAT/GST and recommendations accepted by Government</td>
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<tr>
<td>1994</td>
<td>Introduction of Service Tax</td>
</tr>
<tr>
<td>1999</td>
<td>Formation of Empowered Committee on State VAT</td>
</tr>
<tr>
<td>2000</td>
<td>Implementation of uniform floor Sales tax rates</td>
</tr>
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<td></td>
<td>Abolition of tax related incentives granted by States</td>
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<tr>
<td>2003</td>
<td>VAT implemented in Haryana in April 2003</td>
</tr>
<tr>
<td>2004</td>
<td>Significant progress towards CENVAT</td>
</tr>
<tr>
<td>2005-06</td>
<td>VAT implemented in 26 more states</td>
</tr>
<tr>
<td>2007</td>
<td>First GST stuffy released By Mr. P. Shome in January</td>
</tr>
<tr>
<td>2007</td>
<td>F.M. Announces for GST in budget Speech</td>
</tr>
<tr>
<td>2007</td>
<td>CST phase out starts in April 2007</td>
</tr>
<tr>
<td>2007</td>
<td>Joint Working Group formed and report submitted</td>
</tr>
<tr>
<td>2008</td>
<td>EC finalises the view on GST structure in April 2008</td>
</tr>
<tr>
<td>2009</td>
<td>GST proposed to be implemented from 1.4.2010</td>
</tr>
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</table>
Limitations of existing Indian Taxes

Originally, the taxes on the sale of goods were levied in terms of the respective Sales Tax/Trade Tax enactments and the 'entry of goods' was subject to tax under the respective State Entry Tax enactments and this scenario prevailed till the reform process set in whereupon these levies were replaced by VAT.

The levy of tax on provisioning of services was introduced for the first time in 1994 and has been subjected to persistent vigorous legal challenges. Still lot of services remained uncovered.

The need for transition from the Sales Tax /trade structure for taxing commodities to a value added tax was first introduced by 'Chelliah Tax Reforms Committee' in 1991 and the model accepted by the states, which replaced their Sales Tax legislations with VAT enactments. However the shift to VAT did not put to an end to cascading realities. This because Parliament has maintained its own VAT model (i.e. excise duty on manufacture) and also the State Legislatures their own (i.e. their respective VAT legislations), there was no linkage between the two and thus the credit of duties paid on manufacture are not available towards adjustment on duties payable on sale of goods. Input set-off available to the manufacturers.

Thus it is evident that the transition to VAT did not remedy the issue of non-creditable duties and the consequent cascading effect requiring further reform in the area and consequently GST arose.

Service tax was introduced in 1994. Current service tax rate is 10.30%. The scope of service tax has since been expanded continuously by subsequent Finance Acts and now nearly 109 services are covered. But there are many service sectors which are out of purview of Central Government which can generate more revenue to Government.

Despite of existence of multiple taxes like Excise, Customs, Education Cess, Surcharge, VAT, Service Tax etc. GDP of India is much lower than GDP of countries like USA, China and Japan. India has miles to go to achieve this level.

GDP of nations
<table>
<thead>
<tr>
<th>G.D.P.</th>
<th>G.D.P. in trillion US.Dollars</th>
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<tbody>
<tr>
<td>U.S.A.</td>
<td>13.84</td>
</tr>
<tr>
<td>China</td>
<td>6.99</td>
</tr>
<tr>
<td>Japan</td>
<td>4.3</td>
</tr>
<tr>
<td>Germany</td>
<td>2.81</td>
</tr>
<tr>
<td>Britain</td>
<td>2.14</td>
</tr>
<tr>
<td>France</td>
<td>2.05</td>
</tr>
<tr>
<td>Italy</td>
<td>1.79</td>
</tr>
<tr>
<td>Canada</td>
<td>1.27</td>
</tr>
<tr>
<td>India</td>
<td>1.00</td>
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</tbody>
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Therefore, the Indirect Taxes are therefore urgently required to be rationalized and unified. If the G.S.T. is introduced it would certainly increase the volume of tax collection.
The implementation of GST would ensure that India provides a tax regime that is almost similar to the rest of the world. It will also improve the international cost competitiveness of native goods and services. Further it will also encourage an unbiased tax structure that is neutral to business processes and geographical locations.

Need for GST Model in India

"Liberal in assessment and ruthless in collection."
The proposed GST seems to be based on the above principle. Following are the supporting reasons to adopt GST:

Ø Present system allows for multiplicity of taxes, the introduction of GST is likely to rationalize it.
Ø Many areas of Services which are untaxed. After the introduction of GST they will also get covered.
Ø GST will help to avoid distortions caused by present complex tax structure and will help in development of a common national market.
Ø Existing taxes i.e. Excise, VAT, CST, Entry Tax have the cascading effects of taxes. Therefore, we end up in paying tax on tax. GST will replace existing taxes.
Ø GST will lead to credit availability on interstate purchases and reduction in compliance requirements.
Ø Introducing GST will do more than simply redistribute the tax burden from one sector or Group in the economy to another.
Ø Achieves, uniformity of taxes across the territory, regardless of place of manufacture or distribution.
Ø Provides, greater certainty and transparency of taxes.
Ø Ensure tax compliance across the country
Ø GST will avoid double taxation to some extent.
Ø The implementation of GST would ensure that India provides a tax regime that is almost similar to the rest of world. It will also improve the International cost competitiveness of native Goods and Services.
Ø GST will provide unbiased tax structure that is neutral to business processes and geographical locations.

If the Goods and Service Tax is implemented in the true spirit, it will have many positives for the stakeholders and will lead to a better tax environment.

Introduction to GST
Ø GST is not going to be an additional new tax but will replace other taxes.
Ø GST is a simple, transparent, and efficient system of indirect taxation.
Ø The system facilitates taxation of goods and services in an integrated manner.
Ø It is a comprehensive value added tax on the supply and consumption of goods and services in an economy.
Ø GST is levied at every stage of production-distribution chain with applicable set-offs. GST is basically a tax on final consumption.
Ø In simple terms, GST may be defined as a tax on goods and services, which is leviable at each point of sale or provision of service, in which at the time of sale of goods or providing services the seller or service provider may claim input credit of tax which he has paid while purchasing the goods or procuring the services.
Ø It will help in eliminating tax induced economic distortions and gives boost to the economy.
Ø The compliance and administrative cost will be much lower.

On indirect tax front, India is all set to usher into the era of all new tax called 'Goods and Service Tax' which will bring in India at par with over 140 developed Nations of the world. It is going to be the biggest tax reform ever introduced in Independent India.

Background of Goods and Service tax Outside India

Goods and Service also known as the Value Added Tax (VAT) or Harmonized Sales Tax (HST). It was first devised by a German economist during the 18th Century. The tax finally adopted by France in 1954. It has been introduced in more than 150 countries. Following are some successfully implemented GST models in other counties:

1. Australia
Ø Introduced by Howard Government on 1st July, 2000, the GST is a value added tax on supply of goods and services in Australia, including items that are imported. GST is not applicable to Exports.
Ø Rate of GST 10%
Ø GST is administered by the Tax office on behalf of the Australian Government, and is appropriated to the states and territories.
Ø Every company whose turnover exceeds $75,000 is liable for registration under GST and in default 1/11th of the income and some amount is form of penalty.
There are provisions for credit back of GST, submission of returns according to limit decided, maintenance of records etc. There they have to keep records for 5 years for the purpose of GST.

2. Canada

GST introduced on January 1, 1991 by Prime Minister Brian Mulroney and Finance Minister Michael Wilson.

GST is imposed at 5% in Part IX of the Excise Tax Act. GST is levied on goods and services made in Canada except items that are either "exempt" or "zero-rated".

When a supplier makes a zero-rated supply, he is eligible to recover any GST paid on purchases but the supplier who makes supply of exempt goods he is not eligible to take input tax credit on purchases for the purpose of making the exempt goods and services.

3. New Zealand

Introduced in October 1, 1986. Rate of GST 12.5%. Exceptions are rent collected on residential rental properties, donations and financial services.

4. Brazil

The tax on circulation of goods and services (ICMS) is the main state tax, and is due on operations involving circulation of goods (including manufacturing, marketing and imports) and on interstate and inter-municipal transport and communication services. Rates applied are 7% to 12%. Export goods are exempted.

Background of Goods and Service Tax in India

The Kelkar Task Force on implementation of Fiscal Responsibility and Budget Management (FRBM) Act, 2003 had pointed out that although the indirect tax policy in India has been steadily progressive in the direction of VAT Principle since 1986, the existing system of taxation of goods and services still suffers from many problems. The tax base is fragmented between Centre and States. Services which make up half of the GDP are not taxed properly. In many situations, the existing tax structure has cascading effects. These problems lead to low tax GDP ratio, besides causing various distortions in the economy.

Keeping significance of GST in view, an announcement was made by then our Ex – Finance Minister Mr. P. Chidambaram in his four budget speeches. (Only important points highlighted of budget
Budget Speech 2004-05 – "It is my intention to align India's tariff structure with those of Asian countries. There should be uniform tax rate on goods and services."

Budget Speech 2005-06 – "In the medium to long term, it is my goal that the entire Production – Distribution chain should be covered by a national VAT, or even better a goods and service tax, encompassing both the centre and state."

Budget Speech of 2006-07 -
"It is my sense that there is a large consensus that my country should move towards a National Level Goods and Service Tax (GST) that should be shared between the Centre and the State. I propose that we set April 1, 2010 as the date of introducing GST. World over, Goods and Services attract the same rate of tax. This is the foundation of GST. People must get used to the idea of GST. We must progressively converge the Service Tax rate and Cenvat rate. I propose to take one step this year and increase the service tax rate from 10 per cent to 12 per cent. Let me hasten to add that since service tax paid can be credited against service tax payable or excise duty payable, the net impact will be very small."

Similar speech given in the Budget of 2007-08

GST Models Suggested by Indian Experts initially

On this basis, experts are univocal on three options namely –
Ø First, The Centre will have complete power to levy and collect tax and will distribute it to States according to a pre-defined formula.
Ø Second, a dual levy, one at the Central and another at the state with a common base;
Ø Third, dividing the right to tax goods between the Centre and the States.

Various models have been designed and a few of them advocated by various experts as follows.

The Kelkar – Shah Model suggested implementation of GST in four stages -

<table>
<thead>
<tr>
<th>The Kelkar – Shah Model</th>
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<tr>
<td>Establishing Information Technology systems</td>
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| technology |
Building the Central GST

Political effort of agreeing on "Grand bargain;

Interaction with the States.

The Kelkar – Shah Model envisions the GST to be levied at a rate made up of two components, one Central part (CGST) and other State Part (SGST). Exemptions would be few and limited mainly to food, medical care, education, residential housing and certain financial services. The collection is only by a Centre and task force also proposed a 'Grand bargain' between two levels –
Ø Both levels will have synchronized but independent jurisdiction over a largely common task base and tax at both levels will extend to final consumers covering both goods and services.
Ø The existing Octroi/Entry tax, Central Sales tax, States Sales tax, stamp duties and other cascading taxes and fees will head off.
Ø Both levels will have power to fix the rates, but there would be one rate for all states and rate setting will be coordinated between two levels..

The Bagchi – Podda Model –
It also visualizes a combination of Central Excise, Service tax and VAT to make it a common base of GST to be levied both by the centre and the states separately and collection by both the centre and the states.

The Institute of Chartered Accountants of India –
The ICAI, recommended that GST should have Dual tax structures at the Centre and State levels. There should be two levels operating parallelly, one at Union Level and other at State Level. It would be the most workable model, especially taking into consideration the changes required in the Constitution and achievability of the laid intent in the short–run.

As per the budget speech of 2006-07, the Empowered Committee was to suggest best model
after analyzing above global models and Indian models in operations to suit India's federal structure.

Suggestions made by experts of Indian in above proposed models had same reflected in the **Budget speech of Union Finance Minister Mr. Pranab Mukherji in 2009-10:**

Para 85, "*I have been informed that the Empowered Committee of State Finance Ministers has made considerable progress in preparing the roadmap and the design of GST. Officials from the Central Government have also been associated in this exercise. I am glad to inform the House that, through their collaborative efforts, they have reached an agreement on the basic structure in keeping with the principles of fiscal federalism enshrined in the Constitution. I compliment the Empowered Committee of State Finance Ministers for their untiring efforts. The broad contour of the GST Model is that it will be a dual GST compromising of a central GST and a state GST. The Centre and States will each legislative, levy and administer the Central GST and State GST, respectively. I will enforce the Central Government's catalytic role to facilitate the introduction of GST by 1st April, 2010 after due consultations with all stakeholders.*"

Dr. Asim K. Dasgupta, Chairman of Empowered Committee and Revenue Secretary Mr. P. V. bhide have also reiterated that GST is coming w.e.f. 1st April, 2010.

**The Role of Empowered Committee**

From the speech of Mr. P. Chidambaram in Budget of 2006-07 it was clear hint that the Empowered Committee has given the responsibility for drawing the guidelines of GST in India. This Empowered Committee 'Working Group' consists of senior officers of Central and State Government. This Empowered Committee had submitted its reports in 2007 and November 2008 to the Finance Minister.

Then The Empowered Committee of State Finance Ministers decided to set up a Joint Working Group (May 10, 2007), with the then Adviser to the Union Finance Minister and the Member-Secretary of Empowered Committee as Co-convenors and the concerned Joint Secretaries of the Department of Revenue of Union Finance Ministry and all Finance Secretaries of the States as its members. This Joint Working Group, after intensive internal discussions as well as interaction with experts and representatives of Chambers of Commerce and Industry, submitted its report to the
Empowered Committee (November 19, 2007). This report was then discussed and after making certain modifications sent to the Government of India (April 30, 2008). Comments of Government of India were received consequently. It was decided that a Committee of Principal Secretaries/Secretaries of Finance/Taxation and Commissioners of Trade Taxes of the States would be set up to consider these comments, and submit their views. These views were submitted and were accepted in principle by the Empowered Committee (January 21, 2009). Consequent upon this in-principle acceptance, a Working Group, consisting of the concerned officials of the State Governments was formed who, in close association with senior representatives of the Government of India, submitted their recommendations in detail on the structure of GST. An important interaction has also recently taken place between Shri Pranab Mukherjee, the Union Finance Minister and the Empowered Committee (October 19, 2009) on the related issue of compensation for loss of the States on account of phasing out of CST. The Empowered Committee has now taken a detailed view on the recommendations of the Working Group of officials and other related matter. The Finance Minister along with the Chairman of the Empowered Committee of Finance Ministers released the first official draft for public opinion on 10.11.2009 and reflecting the consensus achieved till date on the most ambitious indirect tax reform contemplated till date. The first draft enunciates the principles on which the proposed law would be framed. It further delineates various other silent features of the envisaged model.

If we see all the features and principles are based on the ideas of Finance Minister indicated in the various budget stated above and models proposed as well as keeping in view practices of other countries who have already implemented GST much before.

Salient Features of a Proposed GST Model

Keeping in view the report of the Joint Working Group on Goods and Service Tax, the views received from the States and Government of India, a dual GST structure with defined functions and responsibilities of the Centre and the States is recommended.

Salient features of the proposed model are as follows:

1. The GST shall have two components:

One levied by the Centre (hereinafter referred to as Central GST), and the other levied by the States
(hereinafter referred to as State GST). Rates for Central GST and State GST would be prescribed appropriately, reflecting revenue considerations and acceptability. This dual GST model would be implemented through multiple statutes (one for CGST and SGST statute for every State). However, the basic features of law such as chargeability, definition of taxable event and taxable person, measure of levy including valuation provisions, basis of classification etc. would be uniform across these statutes as far as practicable.

2. **Coverage of all goods and services:**
The Central GST and the State GST would be applicable to all transactions of goods and services made for consideration except the exempted goods and services (i.e. Petroleum products including crude, high–speed diesel and petrol) goods which are outside the purview of GST (i.e. purchase tax, octroi, stamp duty, toll tax, environment tax, road tax, levies in nature of user chargers and royalty for use of minerals) and the transactions which are below the prescribed threshold limits.

3. **Input Credit:**
Since the Central GST and State GST are to be treated separately, taxes paid against the Central GST shall be allowed to be taken as input tax credit (ITC) for the Central GST and could be utilized only against the payment of Central GST. The same principle will be applicable for the State GST. A taxpayer or exporter would have to maintain separate details in books of account for utilization or refund of credit. Further, the rules for taking and utilization of credit for the Central GST and the State GST would be aligned.

4. **Cross utilization of Input Credit not allowed:**
Cross utilization of Input Tax Credit between the Central GST and the State GST would not be allowed except in the case of inter-State supply of goods and services under the IGST model which is explained later.

5. **Simplifying Administrative Structure:**
The administration of the Central GST to the Centre and for State GST to the States would be given. This would imply that the Centre and the States would have concurrent jurisdiction for the entire value chain and for all taxpayers on the basis of thresholds for goods and services prescribed for the States and the Centre.

6. **Threshold Limit:**
After taking into consideration the interest of Small traders and small scale Industries and to avoid dual control, it has been decided that the threshold for Central GST for goods will be Rs. 1.5 Crores and threshold for services should also be appropriately high.

7. Rate of Tax:
It has been decided to adopt two-rate structure. A lower-rate for necessary items and items of basic importance and a standard rate for goods in general. There will be special rates for precious metals and list of exempted items.

8. Filing of GST Returns:
The taxpayer would need to submit periodical returns, in common format as far as possible, to both the Central GST authority and to the concerned State GST authorities.

9. Allotment of Identification Number under GST:
Each taxpayer would be allotted a PAN-linked taxpayer identification number with a total of 13/15 digits. This would bring the GST PAN-linked system in line with the prevailing PAN-based system for Income tax, facilitating data exchange and taxpayer compliance.

10. Scrutiny and Audit of GST:
Keeping in mind the need of tax payer’s convenience, functions such as assessment, enforcement, scrutiny and audit would be undertaken by the authority which is collecting the tax, with information sharing between the Centre and the States.

11. Introduction of Concept of 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 is prevalent whereby GST is levied by both the federal and state or provincial governments. 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:
The Dual GST is expected to be a simple and transparent tax with one or two CGST and SGST rates. The dual GST is expected to result in:-
Ø Reduction in the number of taxes at the Central and State level
Ø Decrease in effective tax rate for many goods
Ø Removal of the current cascading effect of taxes
Ø Reduction of transaction costs of the taxpayers through simplified tax compliance
Increased tax collections due to wider tax base and better compliance

12. On Existing Central and State Taxes:
On the basis of principles recommended in Empowered Committee the various Central, State and Local levies were examined to identify their possibility of being subsumed under GST.
Following Central Taxes subsumed under Goods and Service Tax:
Ø Central Excise Duty
Ø Additional Excise Duties
Ø The Excise Duty levied under the Medicinal and Toiletries Preparation Act
Ø Service Tax
Ø Additional Customs Duty, commonly known as Countervailing Duty (CVD)
Ø Special Additional Duty of Customs - 4% (SAD)
Ø Surcharges, and Cesses.
Following State Taxes would be subsumed under GST:
Ø VAT / Sales tax
Ø Entertainment tax (unless it is levied by the local bodies).
Ø Luxury Tax
Ø Taxes on lottery, betting and gambling
Ø State Cesses and surcharges in so far as they relate to supply of goods and services.
Ø Entry tax not in lieu of Octroi

13. Applicability of taxes on imports of goods:
Customs duties will remain outside the GST regime. Thus, the applicable basic customs duty will continue to be leviable on import of goods. In addition, both the CGST and the SGST are expected to be levied on imports of goods. Thus, the additional duty of customs in lieu of excise (CVD) and the additional duty of customs in lieu of sales tax / VAT will both be subsumed in the import GST.

14. Tax on import of services and person liable to pay:
Importation of services will be taxed and both the CGST & the SGST will apply on such imports. The tax will be payable on a reverse charge mechanism and the importer of services will hence need to self
declare and pay the tax. As to which State will have authority to collect the relevant SGST, this will be determined based on the place of supply rules that the government is expected to notify for this purpose.

15. Zero Rating of Exports:
Exports would be zero-rated. Similar benefits may be given to Special Economic Zones (SEZs). However, such benefits will only be allowed to the processing zones of the SEZs. No benefit to the sales from an SEZ to Domestic Tariff Area (DTA) will be allowed.

16. Special Industrial Area Scheme:
After the introduction of GST, the tax exemptions, remissions etc. related to industrial incentives should be converted, if at all needed, into cash refund schemes after collection of tax, so that the GST scheme on the basis of a continuous chain of set-offs is not disturbed. Regarding Special Industrial Area Schemes, it is clarified that such exemptions, remissions etc. would continue up to legitimate expiry time both for the Centre and the States.
Any new exemption, remission etc. or continuation of earlier exemption, remission etc. would not be allowed. In such cases, the Central and the State Governments could provide reimbursement after collecting GST.

17. IT Infrastructure:
After acceptance of IGST Model for Inter-State transactions, the major responsibilities of IT infrastructural requirement will be shared by the Central Government through the use of its own IT infrastructure facility. The issues of tying up the State Infrastructure facilities with the Central facilities as well as further improvement of the States’ own IT infrastructure, including TINXSYS, is now to be addressed expeditiously and in a time bound manner.

Preparation for GST
The GST will require legislative and constitutional changes. As the time gap between formation and implementation is very less.
Therefore, following things need to be done:-
1) Constitutional amendment to enable state to levy service tax.
2) Center to tax goods beyond factory Gates
3) Laws of central excise act 1944 and finance act 1994 needs to be
4) Existing VAT laws needs to be repealed.
5) It is highly expected that all steps are taken to ensure that no pending work relating to either Sales Tax, VAT or other Indirect Taxes remains outstanding before implementation of GST so that everybody can concentrate on new law. It is therefore, suggested that some schemes for disposal for all the pending cases should be pronounced before GSTA comes into existence.
6) Central and State Government should be prepared to fulfill the expectations for Trade and Industries.
7) Record keeping will have to be changed and IT software will have to be updated in order to comply with GST provisions.
8) Trade and Industries will have to rethink market strategies, stock transfer pricing and godown keeping policies in different states.
9) Uniform dispute settlement machinery
10) Adequate training for both tax payers and tax enforcers.

Impact of Goods and Service Tax

1. Food Industry

The application of GST to food items will have a significant impact on those who are living under subsistence level. But at the same time, a complete exemption for food items would drastically shrink the tax base. Food includes grains and cereals, meat, fish and poultry, milk and dairy products, fruits and vegetables, candy and confectionary, snacks, prepared meals for home consumption, restaurant meals and beverages. Even if the food is within the the scope of GST, such sales would largely remain exempt due to small business registration threshold. Given the exemption of food from CENVAT and 4% VAT on food item, the GST under a single rate would lead to a doubling of tax burden on food.

2. Housing and Construction Industry
In India, construction and Housing sector need to be included in the GST tax base because construction sector is a significant contributor to the national economy.

3. FMCG Sector

Despite of the economic slowdown, India's Fast Moving Consumer Goods (FMCG) has grown consistently during the past three – four years reaching to $25 billion at retail sales in 2008. Implementation of proposed GST and opening of Foreign Direct Investment (F.D.I.) are expected to fuel the growth and raise industry’s size to $95 Billion by 2018, according to a FICCI – Technopak Report. Implementation of GST will also help in uniform, simplified and single point Taxation and thereby reduced prices.

4. Rail Sector

There have been suggestions for including the rail sector under the GST umbrella to bring about significant tax gains and widen the tax net so as to keep overall GST rate low. This will have the added benefit of ensuring that all inter – state transportation of goods can be tracked through the proposed Information technology (IT) network.

5. Financial Services

In most of the countries GST is not charged on the financial services. Example, In NewZealand most of the services covered except financial services as GST. Under the service tax, India has followed the approach of bringing virtually all financial services within the ambit of tax where consideration for them is in the form of an explicit fee. GST also include financial services on the above gounds only.

6. Information Technology enabled services

To be in sync with the best International practices, domestic supply of software should also attract G.S.T. on the basis of mode of transaction. Hence if the software is transferred through electronic form, it should be considered as Intellactual Propertyand regarded as a service. And If the software is transmitted on media or any other tangible property, then it should be treated as goods and subject to G.S.T..
7. Impact on Small Enterprises

There will be three categories of Small Enterprises in the GST regime.
Ø Those below threshold need not register for the GST
Ø Those between the threshold and composition turnovers will have the option to pay a turnover based tax or opt to join the GST regime.
Ø Those below the threshold need not register for the GST. Those between threshold and composition turnovers will have the option to pay a turnover based tax or opt to join GST regime. Given the possibilities of input tax credit, not all small enterprises may seek the turnover tax option.
Ø Those above threshold limit will need to be within framework of GST

Possible downward changes in the threshold in some States consequent to the introduction of GST may result in obligation being created for some dealers. In this case considerable assistance is desired.

In respect of Central GST, the position is slightly more complex. Small scale units manufacturing specified goods are allowed exemptions of excise upto Rs. 1.5 Crores. These units may be required to register for payment of GST, may see this as an additional cost.

Conclusion
Ø The enumeration of benefits casts a welcome setting for GST
Ø Proving GST as a superior and sufficient system depends upon the structure it is designed into and the manner of implementation.
Ø While it serves to be beneficial set up for the Industry and the Consumer, it would lead to increase in revenue to Government.

Recommended Read
- Service Export From India Scheme (SEIS) - Get 5-7% rebate on Service exports
- Benefit under FTP for service providers - SEIS scheme
very good presentation. ur doing a great job by sharing all these valuable informations.

RAHUL
I want to know the reason that why Some of the state govt. were opposing GST.

DURGA RAO
very good posting and good information to your friends. you are doing a great job and hope you will continue presenting useful information and articles to all your friends. keep sharing your knowledge. thank you.

CA AMIT KUMAR
Thanx 4 sharing. Nice posting.

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Service Tax - Union Budget 2019

- Clarification in respect of goods sent out of India for exhibition on GST
- Detention, seizure and release of goods and conveyances in transit under GST
- All about web based service DIR-3 KYC

Notice Period Recovery - Liable for GST?

- Steps for Filing Form GSTR 9C
- More than 40,000 crore GST claims blocked by Government due to mismatch

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