



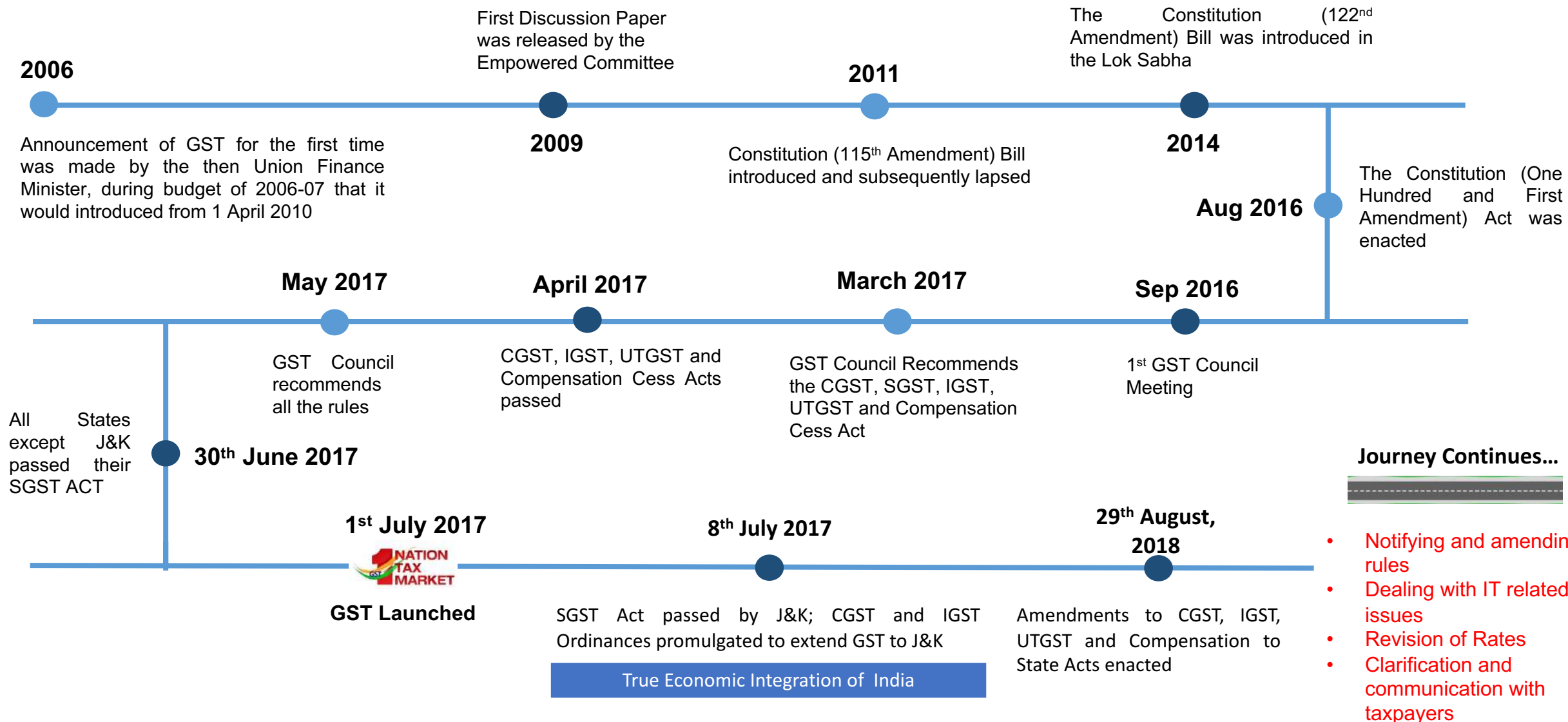
*GST – An Update
(As on 1st February 2019)*



*This presentation is for education purposes only and
holds no legal validity*



The Journey to GST



GST Law from a Constitutional Perspective (1/2)

Definition of GST

Article 366(12A)

“**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

Sl No	Definition	Article	Definition
1.	Goods	366(12)	Includes all materials, commodities, and articles [Pre Existing Definition]
2.	Service	366 (26A)	Anything other than goods [Introduced vide 101 st Constitutional Amendment Act]
3.	State	366(26B)	With reference to articles 246A, 268, 269,269A and Article 279A includes a Union territory with Legislature. [Introduced vide 101 st Constitutional Amendment Act]

“**Goods and Services tax**” law while having unique principles, has significant elements of prior Central and State laws; and is also inspired by VAT/GST legislation of EU, Australia, Malaysia etc. along with International VAT/GST guidelines of OECD

GST Law from a Constitutional Perspective (2/2)

- Bill 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
 - ✓ Compensation for loss of revenue to States for five years on recommendation of GSTC – Clause 19
 - ✓ GST on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas & aviation turbine fuel to be levied from a later date on recommendations of GSTC

Pre-GST Indirect Tax Structure in India

Central Taxes

- Central Excise duty
- Additional duties of excise
- Excise duty levied under Medicinal & Toilet Preparation Act
- Additional duties of customs (CVD & SAD)
- Service Tax
- Surcharges & Cesses

State Taxes

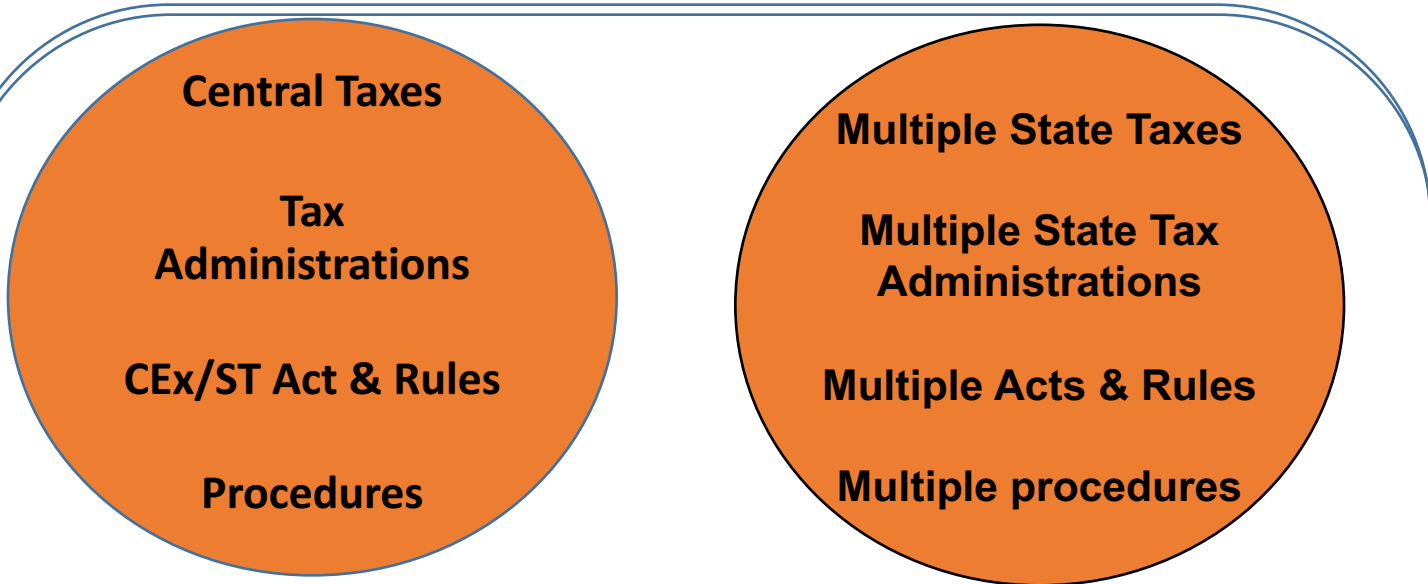
- State VAT / Sales Tax
- Central Sales Tax
- Purchase Tax
- Entertainment Tax (other than those levied by local bodies)
- Luxury Tax
- Entry Tax (All forms)
- Taxes on lottery, betting & gambling
- Surcharges & Cesses

+ 13 Cesses

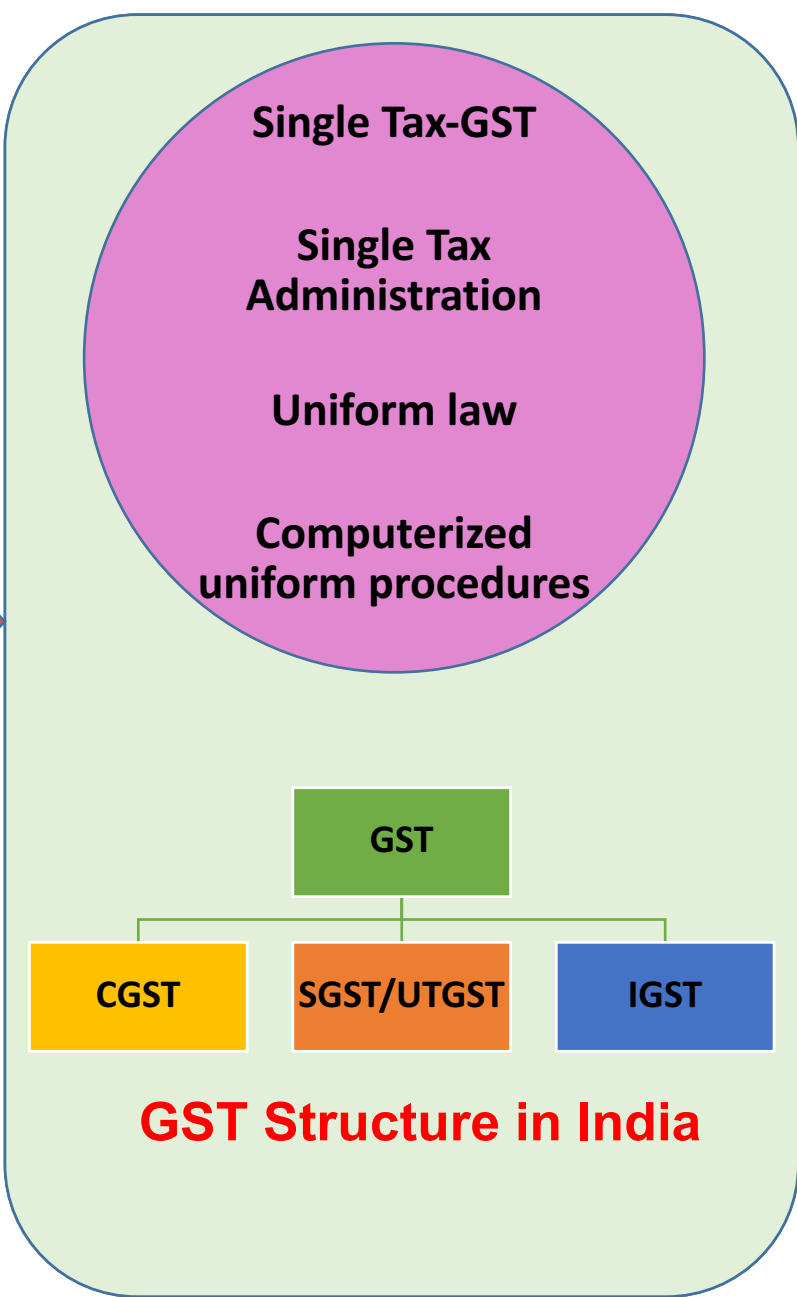
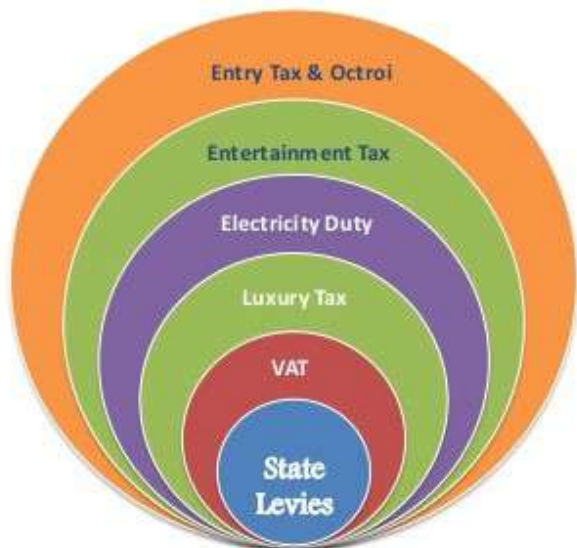
GST



Constitution amended to provide concurrent powers to both Centre & States to levy GST (Centre to tax sale of goods and States to tax provision of services)



Pre-GST Indirect tax structure in India



GST Structure in India



Alcohol for human consumption

Power to tax remains with the State



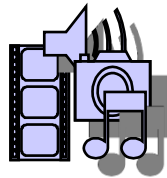
Five petroleum products – crude oil , diesel, petrol, natural gas and ATF

GST Council to decide the date from which GST will be applicable



Tobacco

Part of GST but power to levy additional excise duty with Central Government



Entertainment tax levied by local bodies

Power to tax remains with local bodies

- Chairperson – Union FM
- Vice Chairperson - to be chosen amongst the Ministers of State Government
- Members - MOS (Finance) and all Ministers of Finance / Taxation of each State
- Quorum is 50% of total members
- Decision by 75% majority
- States - 2/3 weightage and Centre - 1/3 weightage
- Council to make recommendations on everything related to GST including laws, rules and rates etc.

- Threshold limit for exemption to be Rs. 20 lac (Rs. 10 lac for special category States except J&K)
- Composition threshold limit to be Rs. 1 Crore with -

Categories	Tax Rate
Traders	1%
Manufacturers	1%
Restaurants	5%

- Maximum permissible turnover limit recommended to be raised to Rs. 1.5 Cr in 23rd GST Council meeting – Act has been amended & limit would be raised wef 01.04.2019
- Government may convert existing Area based exemption schemes into reimbursement based scheme – Already notified by Centre on 05.10.2017
- Four tax rates namely 5%, 12%, 18% and 28%
- Some goods and services would be exempt
- Separate tax rate (3% or 0.5%) for precious metals / stones

GST Council - Decisions (2/16)

- Cess over the peak rate of 28% on specified luxury & sin goods
- To ensure single interface – all administrative control over
 - ✓ 90% of taxpayers having turnover below Rs. 1.5 cr would vest with State tax administration
 - ✓ 10% of taxpayers having turnover below of Rs. 1.5 cr. would vest with Central tax administration
 - ✓ taxpayers having turnover above Rs. 1.5 cr. would be divided equally between Central and State tax administration
- Power under the IGST Act shall also be cross-empowered on the same basis as under CGST and SGST Acts with few exceptions
- Power to collect GST in territorial waters delegated to the States
- Eighteen rules on composition, registration, valuation, input tax credit etc. have been recommended and notified
- Last date for furnishing return in FORM GSTR-7 for the months of October, November & December extended upto 28.02.2019
- Due date for furnishing FORM GSTR-8 by e-commerce operators for the months of October, November and December, 2018 extended upto 07.02.2019
- Due date for submitting FORM GST ITC-04 for the period July 2017 to December 2018 extended upto 31.03.2019

- Exemption from registration
 - ✓ to suppliers of services making inter-State supply upto Rs. 20 lacs
 - ✓ to suppliers providing services through an e-commerce platform provided their aggregate turnover does not exceed Rs. 20 lacs
- No reverse Charge on purchase from unregistered persons till notification is issued under amended section 9(4)
- No requirement on payment of tax on advance received for supply of goods by all taxpayers
- Exemption from tax for supplies from GTA to unregistered person
- TCS / TDS provisions implemented from 01.10.2018
- Introduction of nation-wide E-way bill for inter-State supplies from 01.04.2018 and for intra-State supplies for all States by 16.06.2018
- www.ewaybillgst.gov.in, managed by NIC would be the portal for generation of e-way bill
- Complete waiver of late fee for all taxpayers in case FORM GSTR-1, FORM GSTR-3B & FORM GSTR-4 for the months / quarters July, 2017 to September, 2018, are furnished after 22.12.2018 but on or before 31.03.2019

GST Council - Decisions (4/16)

- All taxpayers to file monthly GSTR-3B & pay tax on monthly basis
- Taxpayers with turnover upto Rs. 1.5 Cr to file quarterly GSTR – 1 returns – Monthly for other taxpayers
- One more window for completion of migration process is being allowed. The due date for the taxpayers who did not file the complete FORM GST REG-26 but received only a Provisional ID (PID) till 31.12.2017 for furnishing the requisite details to the jurisdictional nodal officer shall be extended till 31.01.2019. Also, the due date for furnishing FORM GSTR-3B and FORM GSTR-1 for the period July, 2017 to February, 2019/quarters July, 2017 to December, 2018 by such taxpayers extended till 31.03.2019
- For obtaining registration in each State / UT under TCS, e-commerce operator may declare the HO as its place of business for obtaining registration in that State / UT where it does not have physical presence
- Single cash ledger for each tax head. Modalities for implementation would be finalised in consultation with GSTN and the Accounting authorities
- A scheme of single authority for disbursement of the refund amount sanctioned by either the Centre or the State tax authorities would be implemented on pilot basis. Modalities for the same shall be finalized shortly

GST Council - Decisions (5/16)

- From October 2017 onwards, the amount of late fee payable by a taxpayer
 - ✓ whose tax liability for that month was 'NIL' will be Rs. 20/- per day instead of Rs. 200/- per day
 - ✓ whose tax liability for that month was not 'NIL' will be Rs. 50/- per day instead of Rs. 200/- per day
- All the supporting documents/invoices in relation to a claim for refund in FORM GST RFD-01A shall be uploaded electronically on the common portal at the time of filing of the refund application itself, thereby obviating the need for a taxpayer to physically visit a tax office for submission of a refund application
- Facility for manual filing of application for advance ruling
- Supply of services to Nepal and Bhutan exempted from GST even if payment not received in foreign convertible currency if so permitted by RBI – such suppliers to be eligible for input tax credit
- Centralized UIN to be issued to every Foreign Diplomatic Mission / UN Organization by the Central Government
- www.gst.gov.in, managed by GSTN, would be the common portal
- New return filing system shall be introduced on a trial basis from 01.04.2019 and on mandatory basis from 01.07.2019
- Due date for furnishing the annual returns in FORM GSTR-9, FORM GSTR-9A and reconciliation statement in FORM GSTR-9C for FY 2017 –18, extended till 30.06.2019
- ITC in relation to invoices issued by the supplier during FY 2017-18 may be availed by the recipient till the due date for furnishing of FORM GSTR-3B for the month of March, 2019, subject to specified conditions

GST Council - Decisions (6/16)

In its 28th meeting held in New Delhi on 21.07.2018, the GST Council recommended certain amendments in the CGST Act, IGST Act, UTGST Act and the GST (Compensation to States) Act. These amendments have been passed by Parliament and have been enacted wef 01.02.2019. Major amendments are :

- Upper limit of turnover for opting for composition scheme to raised from Rs. 1 crore to Rs. 1.5 crore. Present limit of turnover can now be raised on the recommendations of the Council
- Composition dealers allowed to supply services (other than restaurant services), for upto a value not exceeding 10% of turnover in the preceding financial year, or Rs. 5 lakhs, whichever is higher
- Levy of GST on reverse charge mechanism on receipt of supplies from unregistered suppliers, to be applicable to only specified goods in case of certain notified classes of registered persons, on the recommendations of the GST Council

- Threshold exemption limit for registration in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Meghalaya, Sikkim and Uttarakhand increased to Rs. 20 Lakhs from Rs. 10 Lakhs
- Taxpayers may opt for multiple registrations within a State/Union territory in respect of multiple places of business located within the same State/Union territory
- Mandatory registration is required for only those e-commerce operators who are required to collect tax at source
- Registration to remain temporarily suspended while cancellation of registration is under process, so that the taxpayer is relieved of continued compliance under the law

- Following transactions are NO SUPPLY (no tax payable) under Schedule III:
 - ✓ Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India
 - ✓ Supply of warehoused goods to any person before clearance for home consumption
 - ✓ Supply of goods in case of high sea sales
- Scope of input tax credit has been widened, and it would now be available in respect of the following:
 - ✓ Most of the activities or transactions specified in Schedule III
 - ✓ Motor vehicles for transportation of persons having seating capacity of more than thirteen (including driver), vessels and aircraft
 - ✓ Services of general insurance, repair and maintenance in respect of motor vehicles, vessels and aircraft on which credit is available
 - ✓ Goods or services which are obligatory for an employer to provide to its employees, under any law for the time being in force

- Registered persons may issue consolidated credit/debit notes in respect of multiple invoices issued in a Financial Year
- Amount of pre-deposit payable for filing of appeal before the Appellate Authority and the Appellate Tribunal capped at Rs. 25 Cr and Rs. 50 Cr respectively
- Commissioner empowered to extend the time limit for return of inputs and capital sent on job work, upto a period of one year and two years, respectively

- Supply of services to qualify as exports, even if payment is received in Indian Rupees, where permitted by the RBI
- Place of supply in case of job work of any treatment or process done on goods temporarily imported into India and then exported without putting them to any other use in India, to be outside India
- Recovery can be made from distinct persons, even if present in different State / Union territories
- The order of cross-utilisation of input tax credit has been rationalized

Amendment to provide for ad-hoc apportionment of IGST

- **Section 17 of the IGST Act** has been amended to provide that the amount of IGST not apportioned to the Centre or the States/UTs may, for the time being, on the recommendations of the Council, be apportioned at the rate of fifty per cent. to the Central Government and fifty per cent. to the State Governments or the Union territories, as the case may be, on **ad hoc basis** and this amount shall be adjusted against the amount finally apportioned

Above amendment has been made effective from 01.02.2019.

Amendments in GST (Compensation to States) Act

- Fifty per cent of such amount, as may be recommended by the Council, which remains unutilised in the Fund, at any point of time in any financial year during the transition period shall be transferred to the Consolidated Fund of India as the share of Centre and the balance fifty per cent. shall be distributed amongst the States in the ratio of their base year revenue
- In case of shortfall in the amount collected in the Fund against the requirement of compensation to be released for any two months' period, fifty per cent. of the same, but not exceeding the total amount transferred to the Centre and the States as recommended by the Council, shall be recovered from the Centre and the balance fifty per cent. from the States in the ratio of their base year revenue

Above amendments have been made effective from 01.02.2019.

GST Council - Decisions (13/16)

GST Council in its 28th meeting held in New Delhi on 21.07.2018, also approved the new return formats and associated changes in law. The main features of the new return filing format are the following:

- All taxpayers excluding small taxpayers and a few exceptions like ISD etc. shall file one monthly return
- The return is simple with two main tables. One for reporting outward supplies and one for availing ITC based on invoices uploaded by the supplier
- Invoices can be uploaded continuously by the supplier & can be continuously viewed and locked by the buyer for availing ITC. This process would ensure that very large part of the return is automatically filled based on the invoices uploaded by the buyer and the supplier
- Simply put, the process would be “UPLOAD – LOCK – PAY” for most tax payers

- Taxpayers would have facility to create his profile based on nature of supplies made and received. The fields of information which a taxpayer would be shown and would be required to fill in the return would depend on his profile
- NIL return filers (no purchase and no sale) shall be given facility to file return by sending SMS
- There shall be quarterly filing of return for the small taxpayers having turnover below Rs. 5 Cr as an optional facility. Quarterly return shall be similar to main return with monthly payment facility but for two kinds of registered persons – small traders making only B2C supply or making B2B + B2C supply. For such taxpayers, simplified returns have been designed called Sahaj and Sugam. In these returns details of information required to be filled is lesser than that in the regular return
- New return design provides facility for amendment of invoice and also other details filed in the return. Amendment shall be carried out by filing of a return called amendment return. Payment would be allowed to be made through the amendment return as it will help save interest liability for the taxpayers

GST Council - Decisions (15/16)

- Group of Ministers (GOM) constituted for promoting digital payment has recommended to allow cashback to an amount equal to 20% of GST paid or Rs. 100, whichever is lower for cases where payment is made by BHIM or Rupay card. Necessary infrastructure is being developed & soon the scheme would be implemented on pilot basis in State of Assam & few other States who volunteer for the same.
- GOM constituted to look into the issues being faced by MSMEs and to provide solutions for the same.
- GOM constituted to study the revenue trend, including analyzing the reasons for structural patterns affecting the revenue collection in some of the States.
- GOM constituted for boosting real estate sector under the GST regime.
- GOM constituted to address issues related to taxation on lottery under the GST regime.
- State of Kerala has been allowed to levy cess at the rate of 1% for not more than two years in order to overcome losses due to natural calamity.

GST Council - Decisions (16/16)

GST Council in its 31st meeting held in New Delhi on 22.12.2018 gave in principle approval to the following amendments in the GST Acts:

- Creation of a Centralized Appellate Authority for Advance Ruling (AAAR) to deal with cases of conflicting decisions by two or more State Appellate Advance Ruling Authorities on the same issue.
- Amendment of section 50 of the CGST Act to provide that interest should be charged only on the net tax liability of the taxpayer, after taking into account the admissible input tax credit, i.e. interest would be leviable only on the amount payable through the electronic cash ledger.

The above recommendations of the Council will be made effective only after the necessary amendments in the GST Acts are carried out.

Relief to MSMEs

GST Council in its 32nd meeting held in New Delhi held on 10.01.2019 took the following major decisions to give relief to MSME (including Small Traders) among others (these decisions would be made effective from 01.04.2019) :

- Limit of Annual Turnover in the preceding FY for availing Composition Scheme for Goods shall be increased to Rs 1.5 crore. Special category States would decide about the Composition Limit in their respective States.
- Composition Scheme for Services: A Composition Scheme shall be made available for Suppliers of Services (to those who are not eligible for presently available composition scheme) with a Tax Rate of 6% (3% CGST +3% SGST) having an Annual Turnover in the preceding FY up to Rs 50 lakhs.
- Composition taxpayers would be liable to file one Annual Return with Quarterly Payment of Taxes (along with a Simple Declaration).
- Two Threshold Limits for exemption from registration for suppliers of Goods i.e. Rs 40 lakhs and Rs 20 lakhs. States would have an option to decide the threshold. Threshold for registration for Service Providers would continue to be Rs 20 lakhs.

Main Features of the GST Act (1/5)

- Concurrent jurisdiction for levy & collection of GST by the Centre (CGST) and the States (SGST)
- Centre to levy and collect IGST on supplies in the course of inter-State supplies & on imports
- Compensation for loss of revenue to States for five years
- All transactions and processes only through electronic mode – Non-intrusive administration
- PAN Based Registration
- Registration only if turnover more than Rs. 20 lac (Rs. 10 lac for special category States except J&K)

Main Features of the GST Act (2/5)

- Option of Voluntary Registration
- Composition threshold shall be Rs. 100 lac
 - ✓ Composition scheme shall not be available to inter-State suppliers, service providers (except restaurant service) and specified category of manufacturers
- Deemed Registration in three working days
- Input Tax Credit available on taxes paid on all procurements (except few specified items)

Main Features of the GST Act (3/5)

- Set of auto-populated Monthly returns and Annual Return
- Composition taxpayers to file Quarterly returns
- Automatic generation of returns
- GST Practitioners for assisting filing of returns
- GSTN and GST Suvidha Providers (GSPs) to provide technology based assistance

Main Features of the GST Act (4/5)

- Tax can be deposited by internet banking, NEFT / RTGS, Debit / credit card and over the counter
- Concept of TDS for certain specified categories *wef 01.10.2018*
- Concept of TCS for E-Commerce Companies *wef 01.10.2018*
- The e-way bill system has been introduced nation-wide for all inter-State movement of goods with effect from 01.04.2018. As on 16.06.2018, all States and Union Territories have introduced e-way bill system for intra-state movement of goods
- Refund to be granted within 60 days
- Provisional release of 90% refund to exporters within 7 days

Main Features of the GST Act (5/5)

- Interest payable if refund not sanctioned in time
- Refund to be directly credited to bank accounts
- Comprehensive transitional provisions for smooth transition of existing tax payers to GST regime
- Special procedures for job work
- System of GST Compliance Rating
- Anti-Profiteering provision – National Anti-Profiteering Authority already set up
 - ✓ Standing Committee on Anti-Profiteering already set up
 - ✓ State level Screening Committee already set up

Benefits of GST (1/2)

- 1 Reduction in Cascading of Taxes
- 2 Overall Reduction in Prices
- 3 Common National Market
- 4 Benefits to Small Taxpayers
- 5 Self-Regulating Tax System
- 6 Non-Intrusive Electronic Tax System

Decrease in
Inflation

Ease of Doing
Business

Decrease in “Black”
Transactions

Benefits of GST (2/2)

7 Simplified Tax Regime

8 Reduction in Multiplicity of Taxes

9 Consumption Based Tax

10 Abolition of CST

11 Exports to be Zero Rated

12 Protection of Domestic Ind. - IGST

More informed
consumer

Poorer States
to Gain

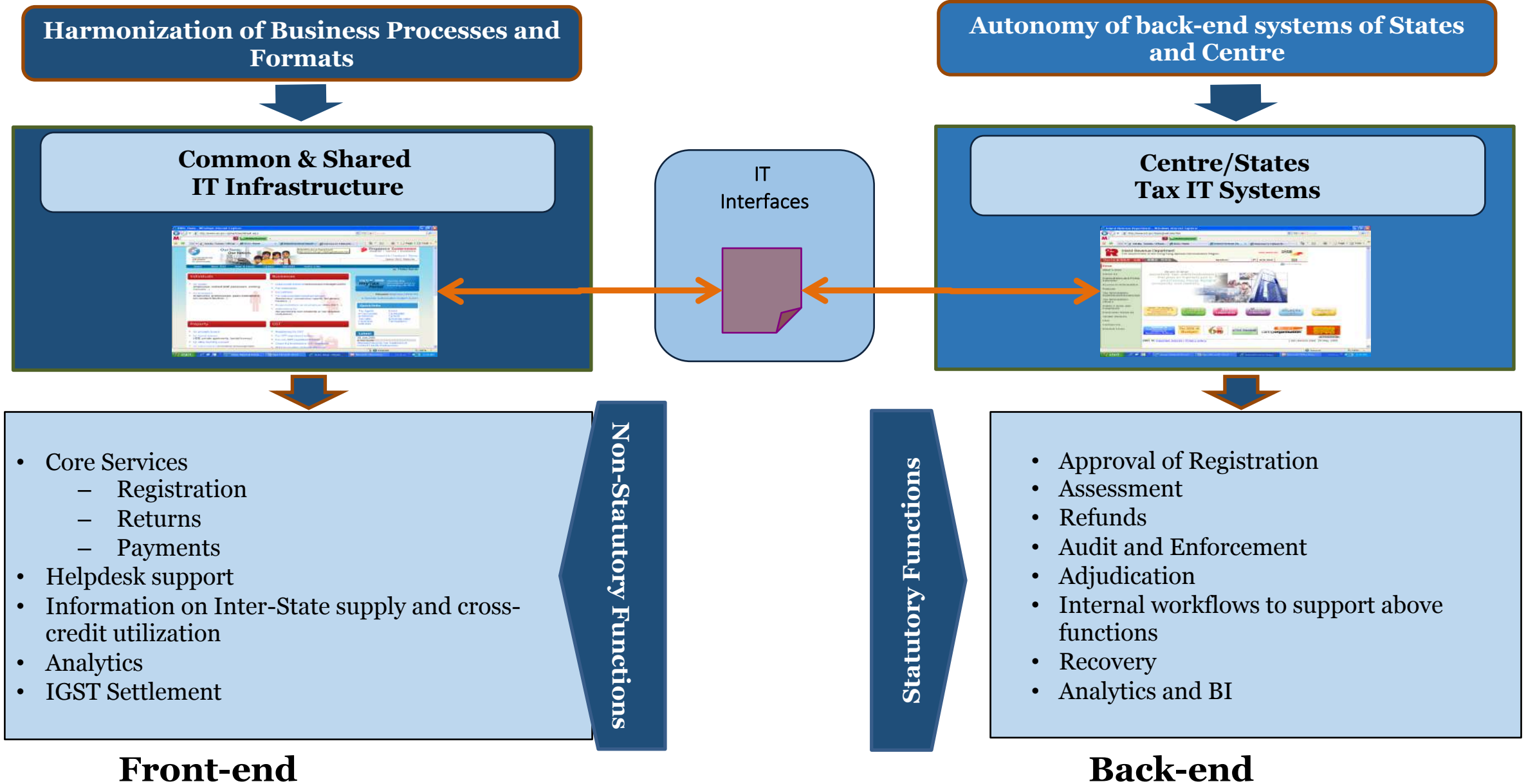
Make in India

Goods and Service Tax Network (1/4)

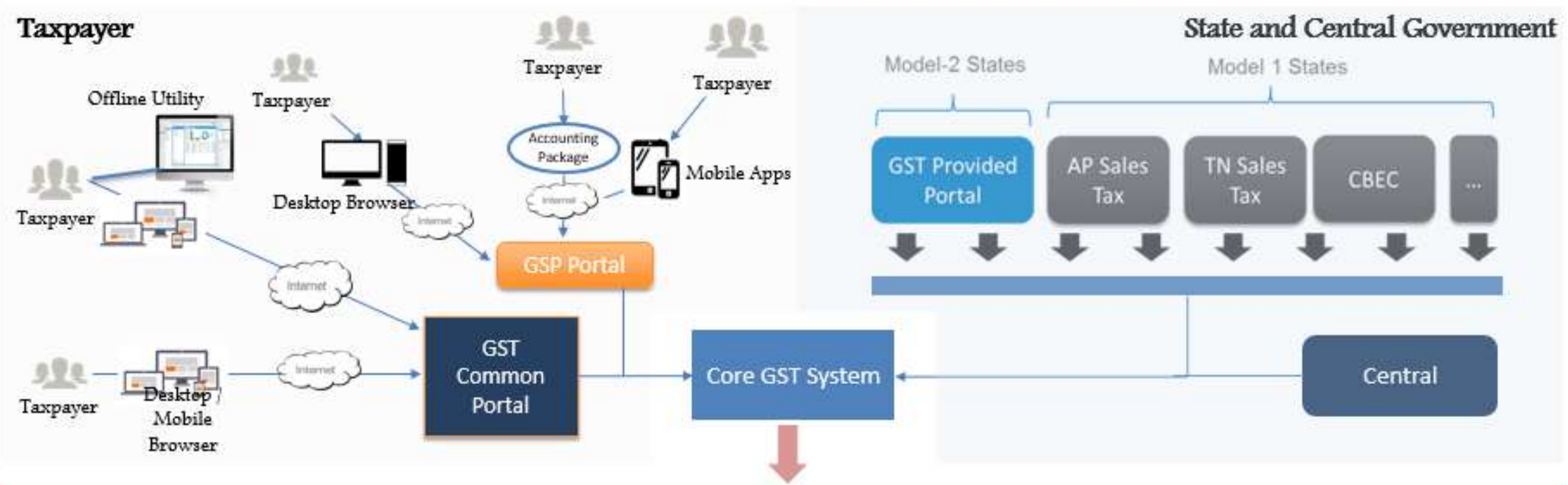
- Incorporated in March 2013 as Section 25 private limited company with paid up capital of Rs. 10 crore
- Equity Holders
 - ✓ Central Government - 24.5%
 - ✓ EC and all States together - 24.5%
 - ✓ Financial Institutions – 51%
- To function as a Common Pass-through portal for taxpayers-
 - ✓ submit registration application
 - ✓ file returns
 - ✓ make tax payments
- To develop back end modules for 27 States (MODEL –II)
- Infosys appointed as Managed Service Provider (MSP)
- Appointed 73 GST Suvidha Providers (GSPs)

- The GST Council in its 27th meeting held on 04.05.2018 has approved the change in shareholding pattern of GSTN
- Considering the nature of ‘state’ function’ performed by GSTN, the GST Council felt that GSTN be converted into a fully owned Government company
- Accordingly, the Council approved acquisition of entire 51 per cent of equity held by non-Governmental institutions in GSTN amounting to Rs. 5.1 Cr, equally by the Centre and the State Governments

Goods and Service Tax Network (3/4)



Goods and Service Tax Network (4/4)



- Role in Policy making: Drafting of GST Law, Rules & Procedures – CGST, UTGST & IGST Law
- CBIC is responsible for administration of the CGST and IGST law
- Assessment, Audit, Anti-evasion & enforcement under CGST, UTGST & IGST Law
- Levy & collection of Central Excise duty on products outside GST – Petroleum Products & Tobacco
- Levy & collection of Customs duties
- Developing linkages of CBIC - GST System with GSTN
- Training of officials of both Centre & States
- Outreach programs for Trade and Industry
- Director General of Anti- Profiteering, CBIC has been mandated to conduct detailed enquiry on anti-profiteering cases



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