

GST

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GST

- Goods and service tax (GST) is a comprehensive Tax levy on manufacture, sale and consumption of goods and service at a national level.
- GST is a tax on goods and services with value addition at each stage.
- GST will include many state and control level indirect taxes.
- It overcomes draw back present tax system

Tax structure in india

Direct Tax

e.g. Income Tax, Corporate Tax, Wealth Tax

Indirect Tax

e.g. Excise Duty, Custom duty, VAT

Method of Taxation

- Progressive tax

Increasing rate of tax for increasing value or volume.

- Regressive Tax

Decreasing rate tax for Increasing Value or Volume

- Proportional Tax

Fixed rate of tax for every level of income or production

Short Comings in Current Tax System

- ❑ Tax cascading (Tax on Tax)
- ❑ Complexity
- ❑ Taxation at Manufacturing Level
- ❑ Exclusion of Services
- ❑ Tax Evasion
- ❑ Corruption



Cascading Effect of Present Tax System

Producer/ Manufacturer	Cost of Input	Value of Output	Tax Rate	Selling Price Including Tax Rate	Tax Burden
Producer A	-	100	10%	110 (100+10% of 100)	10
Producer B	110	150	10%	165 (150+10% of 150)	15
Producer C	165	200	10%	220 (200+10% of 200)	20

VAT (Value ADDED TAX)

- Implement in April-1/2005
- It is replacement to complex Sales Tax
- It overcomes a cascading Effect to tax
- It applied on “Value Added Portion” in sales price



ILLUSTRATION OF VAT

Table 1: cascading Effect (or tax Upon –Tax) of Sales Tax (Amount in Rs.)

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- In the previous example, 'value added' by B is only Rs. 50 (150-100)
- Tax on producer B would be only Rs. 5 (i.e. 10% of Rs. 50 while)
- The tax paid in previous system was Rs.15 (10% of Rs. 150)

PROBLEMS WITH VAT

- It is not uniform in nature
- VAT is different for different states
- Different rates of taxation for different good



Taxonomy of Indian Taxation

Vat/sales Tax	On sales of goods other than newspapers
Stamp duty	On other than to specified instruments
Tax	On agricultural income
Toll tax	On utilities
Other taxes	On land and buildings, entry of goods in local area(entry tax), consumption or sale of electricity, vehicles, luxuries including taxes on entertainment, betting and gambling, alcoholic liquor, narcotic drugs and opium

PRE-REQUISITES FOR MIGRATING TO A GST REGIME

- Common /Unified Tax Rate for goods and services which may be ideally, revenue neutral (a suitable GST rate) – dual tax proposed
- Avoiding or minimizing differential tax rules – under discussions
- Abolition of other small taxes – under discussions
- Abolition of CST in phased manner- being done
- Power to levy service tax on select/agreed services to states- under discussions.
- Issue of inter state services and goods movement vis-à-vis levy of duty or tax to be sorted out- under discussions.
- Revenue sharing mechanism to be rationalized - under discussions

What is gst

- GST is a comprehensive value added tax on goods and services
- It is collected on value added at each stage of sale or purchase in the supply chain
- No differentiation between goods and services as GST is levied at each stage in the supply chain
- Seamless input tax credit throughout the supply chain
- At all stages of production and distribution, taxes are a pass through and tax is borne by the final consumer
- All sectors are taxed very few exceptions/exemptions

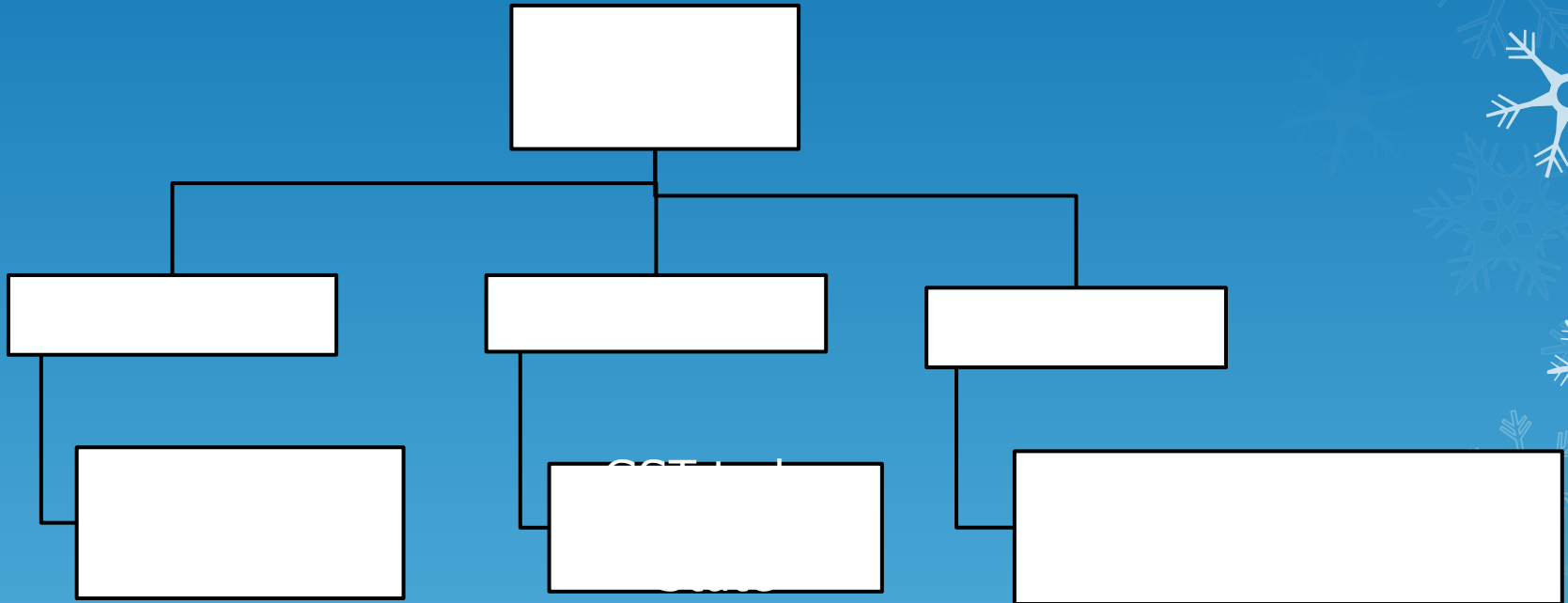
HISTORY

- Feb, 2006 , First time introduced concept of GST and announced the date of its implementation in 2010
- Jan, 2007, First GST study by ASSOCHAM released by Dr. shome
- Feb, 2007, FM Announced introduction of GST from 1 April 2010 in Budgut
- The Government came out with a First Discussion paper on GST in November, 2009
- Introduced the 115th constitution Amendment (GST) Bill in the year 2011.

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MODEL OF GST



PROPOSED GST RATE

Items	Total GST rate (in%)	Centre	State
Goods	20	12	8
Services	16	8	8
Essential Goods	12	6	6
Presently it is (26.5%, CENVAT- 14% and State VAT 12.5%)			

Taxes Proposed to be subsumed in GST

Centre Taxes

- ❑ Excise Duty
- ❑ Additional Excise duty
- ❑ Excise duty under medicinal and toilet preparation ACT
- ❑ Service Tax
- ❑ Additional Custom duty commonly known as countervailing duty (CVD), special additional duty(SAD)
- ❑ Surcharge
- ❑ CENVAT

Taxes proposed to be subsumed in GST

State Taxes

- ❑ Value added tax (VAT)
- ❑ Entertainment tax levied by states
- ❑ Luxury Tax
- ❑ Tax on Lottery, betting and gambling
- ❑ Entry tax other than for local bodies(Octroi)

PRODUCT EXCLUDED FROM GST

- ❑ Petroleum product
- ❑ Alcohol
- ❑ Tobacco product



ILLUSTRATION OF GST



Product A Co	VAT System	GST System
Base Price	100	100
+12% Excise duty	12	NA
+12.5% VAT	14	NA
State GST	NA	S
Centre GST	NA	12
Total Tax Burden	26	20
Value of product to Consumer	126	120

WHY DOES INDIA NEED GST

- GST is introduced majorly due to 2 reason
 1. The current indirect tax structure is full of uncertainties due to multiple rates.
 - 2 . Due to multiple rates there are multiple forms.
- GST the tax complexity in the prevailing tax regime.

GST COUNCIL

- GST Levy will be administered by
 1. Union finance minister(chairmen)
 2. Union minister in charge of state revenue of finance
 3. Minister in charge of finance or taxation.
 4. Any other minister(finance minister of the state) nominated by each state gvt would constitute the council.

DISPUTE SETTLEMENT AUTHORITY(DSA)

- Dispute between state and centre will be handled by the DSA.
- Appeal from DSA would be dealt with supreme court.
- Example, if a state receives less revenue in comparison with its previous one than it can appeal this case to the DSA.

IMPORTANCE OF ARTICLE 246(A)

- There is resistance by the SG as VAT is the main source of revenue for the SG.
- In 246(a) certain powers are allocated to the state government.
- The parliament & legislature of every state will have the power to make law with respect to goods and service tax imposed by union(gvt) or by the state.

BENEFITS OF GST

- ❑ Transparent Tax System
- ❑ Uniform Tax System Across India
- ❑ Reduce Tax Evasion
- ❑ Export will be more competitive



HURDLES IN IMPLEMENTATION

- ❑ Dispute between and Tax over Tax Sharing.
- ❑ Highly sophisticated IT infrastructure required.
- ❑ Issue of taxing e-commerce is to be appropriately addressed and integrated.
- ❑ Political imbalance.

GST Global Scenario

- More than 140 countries have already introduced GST/National VAT.
- France was the first country to introduce GST system in 1954.
- Typically it is a single rate system but two/three rate systems are also prevalent.
- Canada and Brazil alone have a dual VAT.
- Standard GST rate in most countries ranges between 15-20%.

INDIA'S GST STRUCTURE IS COMPLEX, SAYS IMF

- Report says the proposed GST structure will require the center to coordinate with 30 states.
- Even as the international monetary fund (Imp) says the proposes goods and services tax (GST) will improve tax compliance.
- The get design being contemplated is Fairly complex with a duel administrative arranged that involves the tax authorities of both the center and states separately taxing a single transaction.

GST ADVANTAGES

- ❑ As a developing country . India needs a transparent & urumbeguous tax structure.
- ❑ A complex tax structure with multiple rates of taxes.
- ❑ Multiple taxes across the supply chain.
- ❑ Helping as a weapon against corruption.

GST-ADVANTAGES

- Natural of complexities i.e. Classification. Exist in the present structure.

Some of such burning issues are.

- ✓ Excise on MRP
- ✓ Excise VAT and service tax on software.
- ✓ Vat & service tax on.
 - Words contracts
 - Right to use

GST PROPOSED KEY FEATURES

- ❑ Dual GST , center GST & state GST
- ❑ Destination based state GST
- ❑ Uniform classification
- ❑ No cascading of central and state taxes
- ❑ Tax levied from production to consumption

GST : GLOBAL PERSPECTIVE

- It has been a part of the tax landscape in Europe for the past 50 years.
- It is fast becoming the preferred form of indirect tax in the Asia pacific region.
- It is only recoverable on goods used in the production process and gst on fixed assets is not recoverable.
- There is a separate business tax in the form of vat.

Country	S.No	Country	Rate (%)
	1	Australia	10
	2	Austria	20
	3	Canada	7
	4	China	17
	5	Indonesia	10
	6	Denmark	25
	7	Finland	22
	8	France	19.6
	9	Germany	16
	10	Italy	20
	11	Japan	5
	12	Malaysia	5
	13	Mexico	156
	14	New Zealand	12.5
	15	Philippines	10
	16	Russia	18
	17	Singapore	7
	18	South Africa	14
	19	Sweden	25
	20	Taiwan	5
	21	U.K	17.5

GST : GLOBAL PERSPECTIVE

- Goods and service tax in brazil.
 - Brazil was the first country to adopt GST system.
 - Brazil has adopted a dual gst where the tax is levied by both the central and the provincial governments.
 - Gst rate is 20%.

GST-CAN WE ADOP IT

- An information network allowing GST Council to across-check payment information should be developed.
- What is needed is an IT system like the tax information network (tin).
- Paper bills and fraud to be largely eliminated.

□ Thank you