



**Private Circulation Only*

News Alert – GOODS & SERVICE TAX (“GST”)

By Amita Desai & Co.



We love to serve and add value to business of our clients



Mumbai Off :

1005, Hubtown Solaris Landline: + 91-22-2684-5920/21
Off Western Express Highway Fax: + 91-22-6678-7499
East End of Andheri Flyover
Andheri(East) Mumbai-400069 Mobile : + 91-982-017-7691

Hyderabad Off :

My Home Hub, 4th Floor, C Block, Madhupur,
Hi-Tech City, Hyderabad, AP 500 081

GOODS & SERVICE TAX

-A NEW ERA IN INDIRECT TAX

Meaning:

Goods and Services Tax (“GST”) defined as any tax on supply of goods and services other than on alcohol for human consumption. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer.

Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

GST will be the Country’s most comprehensive tax change since independence and the single biggest reform initiative after the 1991 opening up of what is now the fastest growing major economy in the world--- Courtesy Economic Times

History of Bill

GST was first introduced during 2007-08 budget session. On 17th December 2014, the current Union Cabinet Ministry approved the proposal for introduction GST Constitutional Amendment Bill. On 19th of December 2014, the bill was presented on GST in Loksabha.

Finally, after a long wait and much coaxing by the Prime Minister Narendra Modi-led Indian Government, the Rajya Sabha On 3rd August, 2016 passed the Goods and Services Tax (“GST”) Constitutional Amendment Bill which the Lok Sabha had already approved last year. The exact rate of the tax will only be decided in the weeks or months ahead.

The GST, once implemented, will bring all states and people of India under one tax regime and it is a significant reforms that will simplify and unify the tax structure of India

Dual System

A dual GST system is planned to be implemented in India as proposed by the Empowered Committee under which the GST will be divided into two parts:

- Central Goods and Services Tax (CGST) : The current taxes like Excise duties, service tax, custom duty etc will be merged under CGST
- State Goods and Services Tax (SGST) : The taxes like sales tax, entertainment tax, VAT and other state taxes will be included in SGST.

Tax Regime in India:

Currently power to levy tax is with Central and State Government

S. No.	Central Government	State Government
1.	Income Tax	VAT/Sales Tax
2.	Excise Duty	Entry Tax / Octroi
3.	Service Tax	Taxes on lottery, betting & gambling
4.	Central Sales Tax (CST)	Property Tax
5.	Securities Transaction Tax	Agriculture Tax

Benefits of GST

- 1) **Easy Compliance**: GST will result in better tax compliance due to a robust IT infrastructure.
- 2) **Uniformity in Tax rates**: As the tax rates for goods and services will be same.
- 3) **Elimination of Cascading effect**: A tax that is levied on a good at each stage of the production process up to the point of being sold to the final consumer is called cascading effect. After implementation of GST, it will remove cascading effect to the great extent.
- 4) **Transparency**: It is transparent Tax and also reduce numbers of indirect taxes. It is expected to help corruption free Tax administration. A business premises can show the tax applied in the sales invoice because it is a destination based tax, Customer will know exactly how much tax they are paying on the product they bought or services they availed.
- 5) **Encourage entrepreneurship and help for Make In India** : Perception will be changed & more people will come in Manufacturing rather than trading as tax burden earlier was less on trading than Manufacturing, By introduction of GST, it will save Tax leakages & give level playing field to Manufacturing and trading which will help the concept of make in India.
- 6) **Reduction in cost of compliance** : GST will replace 17 Indirect taxes which will reduce the cost of compliance.
- 7) **More powerful economy**: it will boost the Economy and GDP growth.
- 8) **Wider the tax base** : Simple and transparent system of tax will encourage people for a more compliance regime and there by it will widen the tax base
- 9) **Reduction in cost**: Entry tax / Octroi will be removed which will increase the movement of Transport, and reduce the cost of logistics, resulting also in reduction of Inventory cost due to which Customers will get product at cheaper price than earlier.
- 10) **Availing Input Tax Credit**: with GST, Input tax credit for capital goods will be allowed and hence it will boost the investment in capital goods.
- 11) **Benefits to startups**: It will help the startups & make in India (ease of doing Business) as it will result in nullifying cascading effect & will provide for appropriate countervailing duty.
- 12) **State wise Benefits**: It will help less developed States to get a lift.
- 13) **Unified market across India** : GST will help E-commerce Company as it allows free movement and supply of goods in every part of the country.

Salient Features of GST

- The power to make laws in respect of supplies in the course of inter-State trade or commerce will be vested only in the Union Government. States will have the right to levy GST on Intra-State transactions including on services.
- Centre will levy IGST on inter-State supply of goods and services. Import of goods will be subject to basic customs duty and IGST.
- Provision for removing imposition of entry tax / Octroi across India.

Impact of GST

- **Economy** : GST will have impact on manufacturing, supply chain, inventory, pricing of goods & services, widening of tax. Simple System of return will fetch more revenues & reduce compliance cost.
- **Making One India** : GST will bring concept of “Making One India” and in process it will boost economy and convert India into a single market.
- **SME**: Due to single tax system SME will be benefitted.
- **Business and consumer** : Lower Logistics cost will help to reduce the price and customer will get benefit of such reduction in cost.
- **Professional**: With the change of reforms in Tax regime, new breed of GST experts will be in great demand, so each professional need to gear up with learning of new and unlearning of old tax system. There will be number of programs and seminars organized to sensitize the industry on and around GST.

Way forward

The changes to the Constitution (122nd Amendment) Bill, 2014 cleared by the Rajya Sabha on 3rd August 2016 will now require ratification of Lok Sabha and approval of 50% of State Assemblies and then will be approved by the President, triggering of the rest of the process that will culminate in the roll out of the tax.

For detailed draft GST bill please refer below mentioned link:

http://www.finmin.nic.in/reports/ModelGSTLaw_draft.pdf

**This legal update is not intended to be a form of solicitation or advertising. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate thereafter. No person should act on such information without appropriate professional advice based on the circumstances of a particular situation. This update is intended for private circulation only.*

Amita Desai & Co. Company Secretaries

Mumbai Off :

1005, Hubtown Solaris
Off Western Express Highway
East End of Andheri Flyover
Andheri(East) Mumbai-400069

Landline: + 91-22-2684-5920/21

Fax: + 91-22-6678-7499

Mobile : + 91-982-017-7691

Hyderabad Off :

My Home Hub, 4th Floor, C Block, Madhupur,
Hi-Tech City, Hyderabad, AP 500 081

Chief Editor: Mrs. Amita Desai

**Editor: For Amita Desai & Co.
Amit Dharmani**