



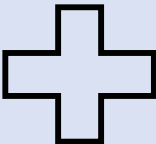

GiST OF GST

(for those who were sleeping)

(a non expert informal summary)

(needs patience of the interested)

Gist of GST A basic info for beginners

History:	share				
	Excise duty	~ 1/3		Sales tax	states, single point tax at point of sale
	Custom duty	~ 1/3			
	Service tax (1994 ~)	~ 1/3			
	Cascading of tax (tax on tax)	Yes			
1 apr-2005 (VAT)					
	Cascading of tax (tax on tax)				
	Excise duty	No		Sales Taxes	No
	Service Tax	No			
	But cascading of Sales Tax (states) on Center govt taxes (excise/service)	Yes !!!			
GST					
For consumer, it will be a single GST all over the country. Some portion will go to center, some to state, so there are CGST and SGST					
Before GST			After GST		
Cascading of taxes	Yes	eg. VAT on (cost + custom duty) so it is tax on tax situation	Cascading of taxes	No	
<u>Value chain</u>		<u>Taxed by</u>			
Mfg part		center	<u>Value chain</u>	<u>Taxed by</u>	Central GST State GST IGST
Trading part		states	Mfg part	center	states
Services		center	Trading part	center	states
			Services	center	states
					Imports will be treated as interstate
Entry Tax	Yes		Entry Tax	No	: No need of trucks paying taxes at state checkposts
Luxury tax	Yes		Luxury tax	No	
entertainment tax	Yes		entertainment tax	No	
purchase tax	Yes		purchase tax	No	
etc.			etc.		
~ 15 kinds of taxes			Only 1 GST		
GST exclusions			These will remain with states only for now. May be after few years, it will be merged with GST too. Reason : These are total ~ 1/3 of all state tax revenue, so states did not give consent to merge these with GST *Center has committed to states for 14% min growth rate. If actual is < 14% then center will compensate (for 5 years)		
	Stamp duty on property	states			
	Electricity duty	states			
	Petroleum products n=5	states			
	(crude oil, diesel, petrol, natural gas ar center				
	Alcohol	states			
GST tax slabs			Reason for 4 slabs : Because in India, pre-GST, there are so many varieties of taxes, so the range of current tax goes from 0% on some products to 50% on others (luxury, entertainment etc). If single tax was to be there, then the general tax will be around 18% (median) on all basket items Luxury items currently taxed at 40% will become 18% taxed		

Essential items like milk, will also become 18% taxed
Once in future, the revenue trend becomes know and becomes stable, a single tax slab can be considered.

popular : 0% , 5% , 12% , 18% , 28%
But also : 0.25% (precious stones) & 3% (gold)

GST input tax credit Meaning : To not pay tax which you have paid at time of RM purchase again at the time of produce selling

Current Mechanism : \ VAT input credit

But adherence is not fool-proof



Claim input tax credit from govt. by giving details of invoices of RM purchase
Improvement from VAT :-
input credit is ONLY allowed if your supplier has deposited the tax he collected from you.
So whole supply chain has to be GST compliant and tax payment adherent
There will also be a compliance rating by gov't. Instant returns if high rating

If tax on inputs > tax on output → carry forward input tax or claim refund
If tax on output > tax on inputs → pay balance

Reverse Charge Meaning : If supplier is unregistered, then the liability to pay tax is of *recipient*

Current : applicable on Services

eg Driver to Ola	100	Driver : unregistered
Customer to Ola	120	
Ola to driver	100	Driver pays no tax (since unregistered)
Ola to Govt	5	Ola pays tax on behalf of driver
Profit	15	



Now :- Applicable for services as well as Goods

<u>Before GST</u>		<u>After GST</u>	
A (unregis.) to B	100	A (unregis.) to B	100
B to A	90	B to A	100
B to govt	5	B to govt	5
Profit	5	Profit	0

Due to above, it is expected that business of unregistered suppliers will go down
=> High tax compliance

Composition Scheme Meaning : For small traders, easy tax computation to reduce admin job

*This is optional for the tax payer

If the annual turnover is less (75L for some states, 50L for others), the tax is fixed :	
Traders	1%
Manufacturers	2%
Restaurants	5%

GST indirect tax & direct tax Linking

GSTIN linked with PAN
Must for turnover >20 L



GST DO IT