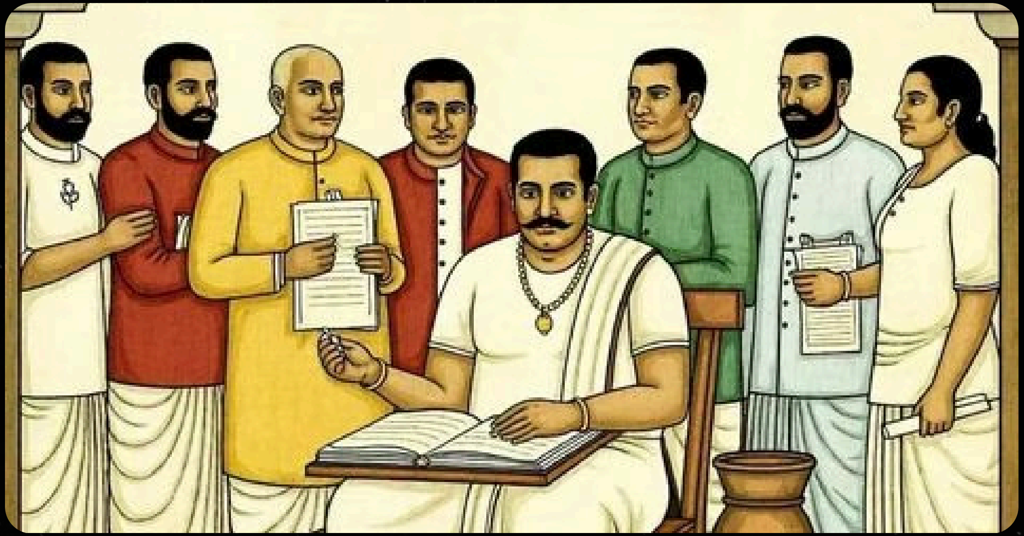
Taxation in India: A Journey Through Time



This presentation will delve into the historical evolution of taxation in India, from its ancient roots to the modern era, with a focus on key features and recent reforms.

Evolution and Structure of Taxation in India: Focus on GST

Overview of Taxation History, Structure, and the GST Revolution

GST Group from commere

New Era Global School, Morbi.

Objectives of GST

1. ### Eliminate Cascading Effect

   GST aims to remove the compounding of taxes by creating a seamless flow of input tax credits.

2. ### Simplify Compliance and Create a Single Market

   GST consolidates multiple taxes into a single system, simplifying compliance and enabling a unified national market.

3. ### Enhance Transparency and Efficiency

   GST increases visibility and traceability, reducing tax evasion and improving collections.

History and Evolution of Taxation in India

History and Evolution of Taxation in India

1 Ancient India

- Taxes were collected in the form of agricultural produce, livestock, and precious metals.
- Tax rates were based on the ability to pay and the nature of the economic activity.

2 Medieval Taxation

- The Delhi Sultanate and Mughal Empire had complex tax systems.
- Taxes were levied on agriculture, trade, and professions.

3 Colonial Era

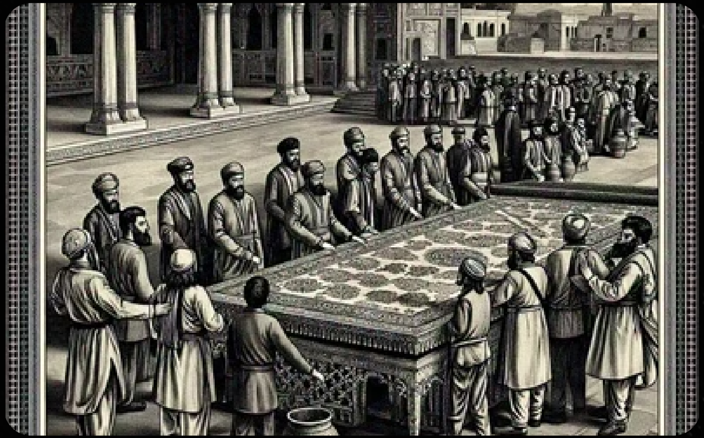
- The British introduced new taxes like income tax and customs duties.
- Tax policies were designed to benefit the colonial government.

4 Modern Indian Taxation

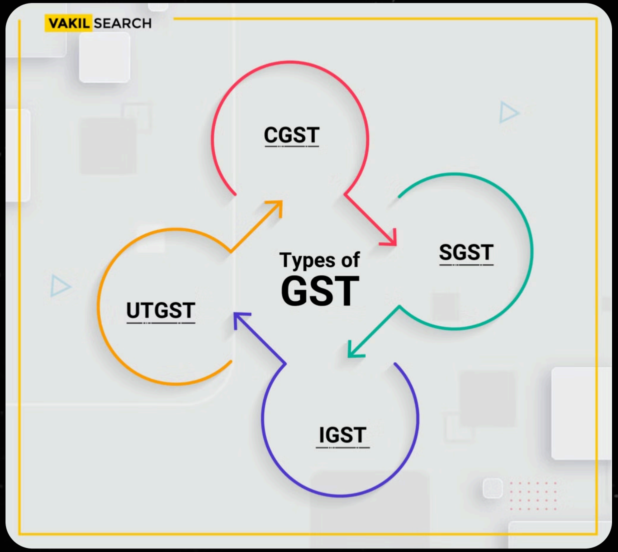
- After independence, the tax system was gradually modernized.
- New taxes like corporate tax and wealth tax were introduced.

5 Goods and Services Tax (GST)

- GST was implemented in 2017 to create a unified indirect tax system.
- It replaced multiple taxes like excise, service tax, and sales tax.



Types of GST



1. **Central GST (CGST)**
   - Levied by the Central Government on intra-state supply of goods and services.

2. **State GST (SGST)**
   - Levied by the State Governments on intra-state supply of goods and services.

3. **Integrated GST (IGST)**
   - Levied by the Central Government on inter-state supply of goods and services.

4. **Union Territory GST (UTGST)**
   - Levied by the Union Territories on intra-UT supply of goods and services.

Key Features of GST Types

1. ### CGST and SGST for Intra-State Supplies

• CGST is levied by the Central Government on intra-state supply of goods and services.

• SGST is levied by the State Governments on intra-state supply of goods and services.

2. ### IGST for Inter-State and Imports

• IGST is levied by the Central Government on inter-state supply of goods and services, as well as on imports.

GST Structure and Framework: GST Tax Slabs and Rates

1

GST Tax Slabs and Rates

- 0% - Applies to essential items like food grains, milk, eggs, and basic healthcare services.
- 5% - Applies to items like basic clothing, footwear, and some processed foods.
- 12% - Applies to items like furniture, electronic appliances, and some services like telecom and financial services.
- 18% - Applies to most goods and services, including consumer durables, industrial machinery, and transportation services.
- 28% - Applies to luxury and sin goods like high-end cars, tobacco products, and aerated drinks.

Key Features of the Indian Taxation Structure

Dual System

India operates a dual taxation system, with both the Central and State governments levying taxes.

Direct and Indirect Taxes

The Indian tax system comprises direct taxes, like income tax, and indirect taxes, like excise and sales tax.

Tax Collection

Under the dual GST model, CGST is collected by the Centre and SGST by the States for intra-state transactions, ensuring revenue sharing.

Benefits of the Dual GST Model

- Simplifies the tax structure and reduces compliance burden for businesses
- Increases tax revenue through better compliance and a broader tax base
- Promotes cooperative federalism and strengthens the Centre-State relationship

Place of Supply Rules

1 Determine Inter-state or Intra-state Taxation

These rules specify the location where a supply of goods or services is deemed to have taken place.

2 Key Scenarios

• Supply of goods - based on location of movement or delivery of goods

• Supply of services - based on location of service provider, recipient, or nature of service

• E-commerce supplies - based on location of consumer

Example: Supply of Goods

If goods are delivered from Delhi to Mumbai, the place of supply is Maharashtra (destination state), so it is an inter-state supply.

Example: Supply of Services

If a consultant in Bangalore provides services to a client in Chennai, the place of supply is Tamil Nadu (location of recipient), so it is an inter-state supply.

GST Registration: Overview

Eligibility Criteria

Businesses must register for GST if their annual turnover exceeds the registration threshold:

- ₹40 lakhs for most businesses
- ₹20 lakhs for businesses in special category states

Registration Types

Compulsory Registration: Required if turnover exceeds threshold

Voluntary Registration: Businesses can opt to register even if below threshold

GST Registration Process

Step 1: Apply on GST Portal

Visit the official GST portal and fill out the registration application form online.

Step 2: Submit Documents

Gather and upload the required documents, which may include:

- PAN card
- Aadhaar card
- Proof of business address
- Bank account details

Step 3: Get Approval

The GST authorities will review your application and issue a unique GST Identification Number (GSTIN) upon approval.

GST Registration Cancellation and Revocation

1

Reasons for Cancellation

GST registration can be canceled for reasons such as:

- Business closure or discontinuation
- Change in the nature of business
- Failure to file GST returns for a continuous period
- Violation of GST laws and regulations

2

Revocation Process

If a GST registration is canceled, the business can apply for revocation by:

- Submitting an application on the GST portal
- Providing relevant documents and explanations
- Clearing any outstanding tax dues
- Obtaining approval from the GST authorities

GST Returns: Types of GST Returns

- **GSTR-1 (Sales):** This return captures details of outward supplies made by a registered taxpayer.
- **GSTR-3B (Summary):** This is a summary return that captures the details of outward supplies, inward supplies, and the taxes paid by the taxpayer.
- **GSTR-9 (Annual):** This is an annual return that contains all the details of the taxpayer's transactions during the financial year.

GST Returns: Filing Process and Deadlines

1

Filing Steps

Taxpayers must file GST returns electronically through the GST portal.

2

Deadlines

Returns must be filed within a specific timeframe, usually monthly or quarterly.

3

Penalties

Late filing can result in financial penalties, interest, and other consequences.

Input Tax Credit (ITC): Concept and Conditions

1 **Definition of ITC**

ITC is a mechanism where a registered taxpayer can reduce their output tax liability by claiming credit for the taxes paid on their inputs.

2 **Conditions for ITC**

To claim ITC, taxpayers must meet specific conditions, including possession of a valid invoice, timely payment of taxes by the supplier, and supplier compliance with GST regulations.

Blocked Credits and Reversals

1

Blocked Credits

Certain goods and services are ineligible for ITC, such as motor vehicles and items for personal use.

2

Reversals

ITC claimed on ineligible goods or services must be reversed, potentially leading to additional tax liability.

GST Payment and Refunds

1

Payment Modes

- Online modes: Net banking, NEFT/RTGS, credit/debit card
- Offline mode: Cash, cheque, demand draft

2

Refund Process

- Filing a refund application on the GST portal
- Verification and processing by the GST authorities
- Crediting the refund to the taxpayer's bank account

GST Refund Process

1

Export Refunds

Taxpayers can claim refunds for taxes paid on exports.

2

Excess Payments

Refunds can be claimed for excess tax payments made during the financial year.

3

ITC Accumulation

Refunds are available for accumulated ITC that cannot be utilized against output tax liability.

Composition Scheme: Overview

- Eligibility: Turnover up to ₹1.5 crore
- Simplified tax rates: 1% for traders, 2% for manufacturers
- Simplified compliance requirements: Less paperwork and fewer returns

Composition Scheme: Restrictions and Benefits

Restrictions

No inter-state supplies allowed under the composition scheme.

Benefits

Simplified compliance requirements and lower tax rates offer attractive advantages.

Thank You

We hope this presentation provided valuable insights into the Indian taxation landscape, particularly the GST system. We are here to answer any questions and support your business as you navigate this evolving regulatory environment.