GST – One Country One Tax May 2017 Brahmayya&co. www.brahmayya.com

Introduction

Goods and Services Taxes has finally become a reality and the stage is all set for its roll out. After 17 long years since the concept was first suggested, this new law comes to effect from 1st July 2017. In April 2017, Honorable President had given his assent to four enabling bills, namely, CGST Act 2017, IGST Act 2017, UTGST Act 2017, & GST (Compensation to States) Act 2017 which form the core legislative framework and facilitated enforcement of GST. Rates have also been finalized for as many as 98 categories of goods and 36 categories of services. This puts an end to all the uncertainties cropping up about the new tax regime and gives ample time for the industry to align their operations. GST is definitely the most significant indirect tax reform which our country has ever embraced and expectations from it are manifold. It is expected to contribute positively to our GDP, and make the cumbersome tax structure uniform and compliance friendly. This article attempts to simplify various intricacies of GST and its perceived impact and mandated compliances.

To start with, let us have a look on the History, basic concept, structure and rates concerning GST.

History

THE GST TIMELINE		
2000	PM Vajpayee sets up Committee to draft GST Law	
2004	Task force concludes importance of revision of current tax structure	
2006	Finance Minister proposes GST introduction from April 2010	
2007	Empowering Committee formed & CST proposed to be phased out	
2008	Dual GST Structure finalized	
2010	GST implementation postponed	
2011	Constitution Amendment Bill introduced to enable GST Law	
2012	Parliamentary Standing Committee begins discussion on GST	
2013	Standing Committee tables its report on GST	
2014	GST Bill reintroduced in the Parliament by Finance Minister	
2015	GST Bill passed in Lok Sabha but does not pass in Rajya Sabha	
2016	Amended GST Law passed in both houses and receives Presidential Assent & GSTN live	
2017	Four supplementary bills passed in both houses with effective date as 1st July 2017	

Multi-stage Single Levy

GST is a multi-stage, destination based and comprehensive tax that will be levied on every value addition. Under earlier indirect-tax regime, there were multiple types of taxes levied across the value chain. Now, a uniform GST will be levied and the complicated tax structure will be simplified. GST may not bring down the ultimate tax outgo from customer's pocket but it will definitely simplify the tax collection and payment aspect as it will subsume many indirect taxes under one label. GST is also multi stage, but it involves levy under a single label and not various different tax heads.

Destination based tax

GST is destination based which can be understood from the following illustration:

Suppose manufacture of an article 'X' takes place in Bihar, purchased by wholesaler in Bihar and final sale happens in Tamil Nadu, then State of Bihar will get revenue from GST levied on the manufacture and wholesaler stage. However, GST levy on final sale will go to coffers of Tamil Nadu State since Tamil Nadu is the destination of consumption. The provisions of supply are to be understood correctly to enable successful GST implementation since GST will be levied on supply of goods/services unlike the present regime where tax is levied on manufacture or sale of goods/services.

Taxes subsumed

Central Taxes	State Taxes
Central Excise Duty	State Value Added Tax
Additional Duties of Excise	Central Sales Tax
Additional Duties of Customs(CVD)	Purchase Tax
Special Additional Duty of Custom(SAD)	Luxury Tax
Service Tax	Entry Tax
Cess and Surcharge	Entertainment Tax

Types of GST

Centre and State would levy GST simultaneously on a dual tax base.

Types	Details
Central GST	GST levied by Centre on Intra-State supply of goods and services
State GST	GST levied by State on Intra-State supply of goods and services
Integrated GST	GST levied by Centre on every Inter-State supply of goods and services

Who is liable to pay GST?

Tax is to be paid by the taxable person. Liability arises when the taxable person crosses the turnover threshold of INR 20 Lakhs and INR 10 Lakhs for North East and Special Category States. However, there are specific cases that require registration irrespective of monetary threshold limit.

GST Rates

The GST Council on its 14th meeting held in Srinagar on 18th and 19th of May 2017, broadly approved the GST rates for Goods and Services and also approved the Compensation Cess rates for sin/demerit goods. Further, exemption under erstwhile negative list and mega exemption under service tax regime is carried forward in the GST regime and 12 Services have been kept in the ambit of Reverse Charge Mechanism. The GST Rates are 0%, 5%, 12%, 18% and 28%.

Applicability of GST

- · Supply of Goods.
- · Supply of Services.
- Transfer of the right to use goods for any purpose for cash/deferred payment/other valuable consideration.
- Any transfer of right in goods or of undivided share in goods without the transfer of title thereof.
- Supply consisting transfer of title in goods under an agreement which stipulates that property in goods shall pass at a future date upon payment of full consideration as agreed.

Advantages of GST

- · Contributes to economic growth and development
- · Easier to comply and administer
- · Will align our market place with global market
- Mitigates cascading effect
- Reduces corruption
- Eliminates multiplicity of taxes

Conclusion

The GST implementation is probably the largest tax reform the world has ever evidenced. As we inch towards its roll-out on 1st July 2017, it is important for businesses to evaluate the impact through diagnostic studies and also align to the IT infrastructures required. We will soon join a league of nations having implemented GST, hence utmost cooperation is expected. While temporary hardships are unavoidable, the success depends on its acceptance – One Country, One Tax!!

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