

# Goods and Services Tax

*A major tax reform towards transparency*

**Edition 1**  
August 05, 2016

Given the approval of the Constitution Amendment Bill for Goods and Services Tax (GST) in the Rajya Sabha on August 03, 2016, the Government of India seems committed to replace all the indirect taxes levied on goods and services by the Centre and States and implement GST by April 2017. With GST, it is anticipated that the tax base will be comprehensive, as virtually all goods and services will be taxable, with minimum exemptions.

GST will be a game changing reform for Indian economy by developing a common Indian market and reducing the cascading effect of tax on the cost of goods and services.

GST will simplify and harmonize the indirect tax regime in the country. It is expected to reduce cost of production and inflation in the economy, thereby making the Indian trade and industry more competitive, domestically as well as internationally.

The FAQs given below will help understand the GST model in more detail.





## Q1. What is GST and how does it work?

**Ans.** GST is one indirect tax for the whole nation, which will make India one unified common market. 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

## Goods & Services Tax



## Q2. What are the benefits of GST?

**Ans.** The benefits of GST can be summarized as under:

### For business and industry

**a) Easy compliance:** A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.

**b) Uniformity of tax rates and structures:** GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.

**c) Removal of cascading:** A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.

**d) Improved competitiveness:** Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.

**e) Gain to manufacturers and exporters:** The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

### For Central and State Governments

Simple and easy to administer: Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.

Better controls on leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.

Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.

### For the consumer

Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.

Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.



### Q3. How GST be administered in India?

**Ans.** Keeping in mind the federal structure of India, there will be two components of GST – Central GST (CGST) and State GST (SGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

### Q4. Taxes which at the Centre and State level are being merged into GST?

**Ans.** At the Central level, the following taxes are being subsumed:

- a. Central Excise Duty,
- b. Additional Excise Duty,
- c. Service Tax,
- d. Additional Customs Duty commonly known as Countervailing Duty, and
- e. Special Additional Duty of Customs.

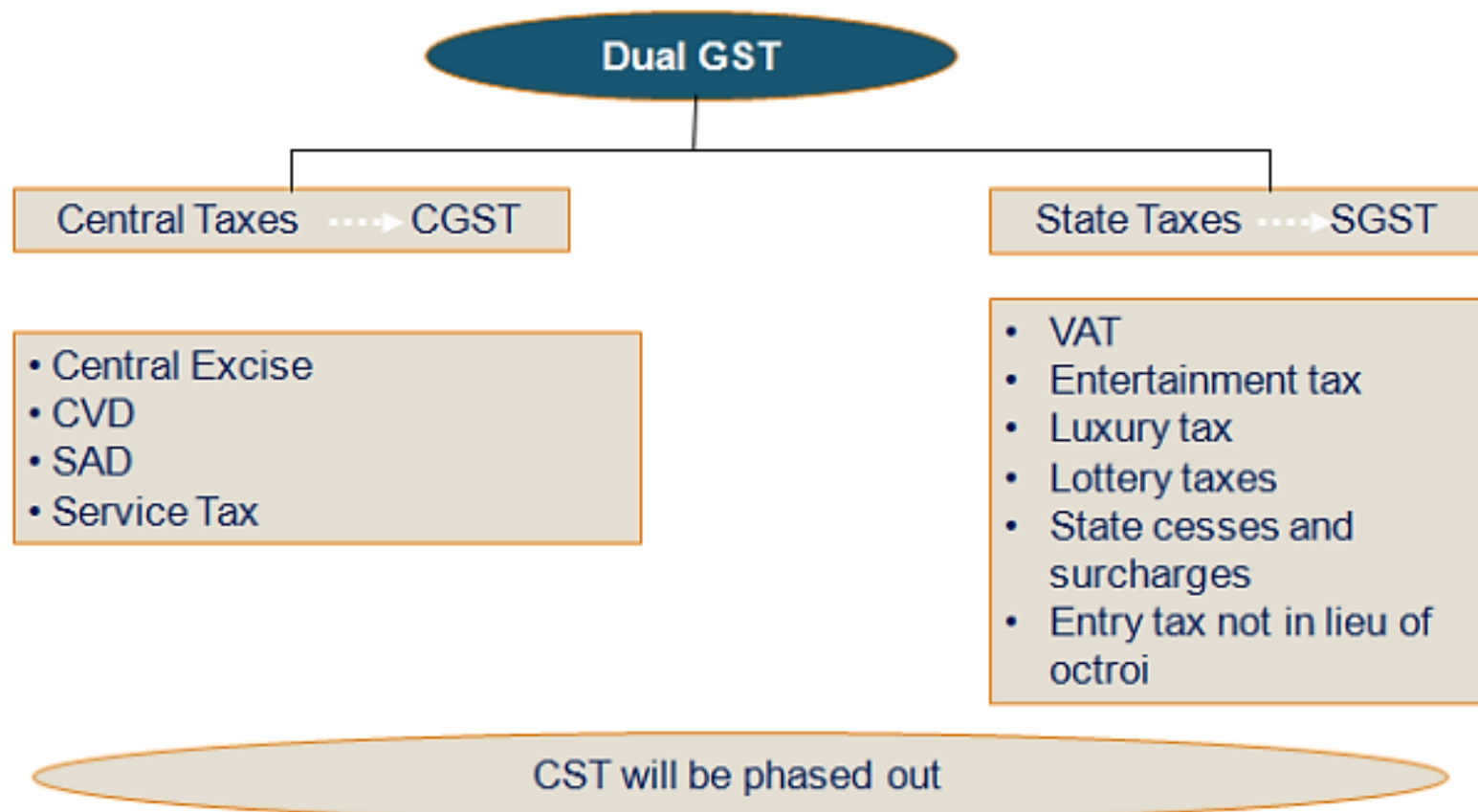
**At the State level, the following taxes are being subsumed:**

- a. Subsuming of State Value Added Tax/Sales Tax,
- b. Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States),
- c. Octroi and Entry tax,
- d. Purchase Tax,
- e. Luxury tax, and
- f. Taxes on lottery, betting and gambling.

## Q5. How would a particular transaction of goods and services be taxed simultaneously under Central GST (CGST) and State GST (SGST)?

**Ans.** The Central GST and the State GST would be levied simultaneously on every transaction of supply of goods and services except on exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. Further, both would be levied on the same price or value unlike State VAT which is levied on the value of the goods inclusive of Central Excise.

### Taxes Subsumed in Dual GST





**Q6. Will cross utilization of credits between goods and services be allowed under GST regime?**

**Ans.** Cross utilization of credit of CGST between goods and services would be allowed. Similarly, the facility of cross utilization of credit will be available in case of SGST. However, the cross utilization of CGST and SGST would not be allowed except in the case of inter-State supply of goods and services under the IGST model which is explained in answer to the next question.

**Q7. How will be Inter-State Transactions of Goods and Services be taxed under GST in terms of IGST method?**

**Ans.** In case of inter-State transactions, the Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supplies of goods and services under Article 269A (1) of the Constitution. The IGST would roughly be equal to CGST plus SGST. The IGST mechanism has been designed to ensure seamless flow of input tax credit from one State to another. The inter-State seller would pay IGST on the sale of his goods to the Central Government after adjusting credit of IGST, CGST and SGST on his purchases (in that order). The exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The importing dealer will claim credit of IGST while discharging his output tax liability (both CGST and SGST) in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST. Since GST is a destination-based tax, all SGST on the final product will ordinarily accrue to the consuming State.



## Q8. What are the major features of the proposed registration procedures under GST?

**Ans.** The major features of the proposed registration procedures under GST are as follows:

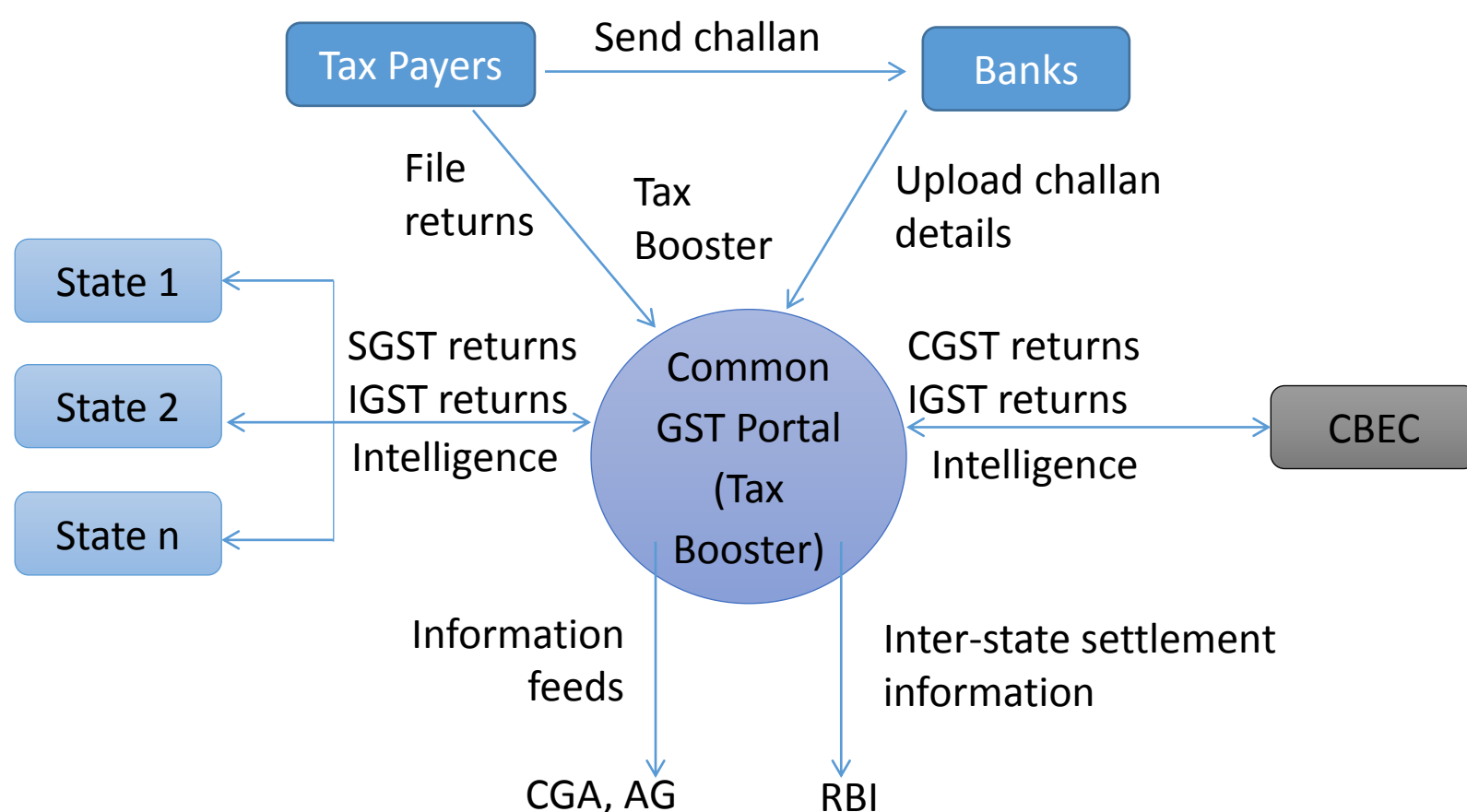
- i. Existing dealers: Existing VAT/Central excise/Service Tax payers will not have to apply afresh for registration under GST.
- ii. New dealers: Single application to be filed online for registration under GST.
- iii. The registration number will be PAN based and will serve the purpose for Centre and State.
- iv. Unified application to both tax authorities.
- v. Each dealer to be given unique ID GSTIN.
- vi. Deemed approval within three days.
- vii. Post registration verification in risk based cases only.



**Ans.** For the implementation of GST in the country, the Central and State Governments have jointly registered Goods and Services Tax Network (GSTN) as a not-for-profit, non-Government Company to provide shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders. The key objectives of GSTN are to provide a standard and uniform interface to the taxpayers, and shared infrastructure and services to Central and State/UT governments. GSTN is working on developing a state-of-the-art comprehensive IT infrastructure including the common

GST portal providing frontend services of registration, returns and payments to all taxpayers, as well as the backend IT modules for certain States that include processing of returns, registrations, audits, assessments, appeals, etc. All States, accounting authorities, RBI and banks, are also preparing their IT infrastructure for the administration of GST.

There would no manual filing of returns. All taxes can also be paid online. All mismatched returns would be auto-generated, and there would be no need for manual interventions. Most returns would be self-assessed.



### Q10. How will imports be taxed under GST?

**Ans.** The Additional Duty of Excise or CVD and the Special Additional Duty or SAD presently being levied on imports will be subsumed under GST. As per explanation to clause (1) of article 269A of the Constitution, IGST will be levied on all imports into the territory of India. Unlike in the present regime, the States where imported goods are consumed will now gain their share from this IGST paid on imported goods.

### Q11. What are the major features of the proposed returns filing procedures under GST?

**Ans.** The major features of the proposed returns filing procedures under GST are as follows:

- a) Common return would serve the purpose of both Centre and State Government.
- b) There are eight forms provided for in the GST business processes for filing for returns. Most of the average tax payers would be using only four forms for filing their returns. These are return for supplies, return for purchases, monthly returns and annual return.
- c) Small taxpayers: Small taxpayers who have opted composition scheme shall have to file return on quarterly basis.
- d) Filing of returns shall be completely online. All taxes can also be paid online.

## Q12. What are the major features of the proposed payment procedures under GST?

**Ans.** The major features of the proposed payments procedures under GST are as follows:

- a) Electronic payment process- no generation of paper at any stage
- b) Single point interface for challan generation- GSTN
- c) Ease of payment – payment can be made through online banking, Credit Card/Debit Card, NEFT/RTGS and through cheque/cash at the bank
- d) Common challan form with auto-population features
- e) Use of single challan and single payment instrument
- f) Common set of authorized banks
- g) Common Accounting Codes





# About Us

## **Who We Are:**

We are a team of distinguished chartered accountant, corporate financial advisors and tax consultants in India. Our firm of chartered accountants represents a coalition of specialized skills that is geared to offer sound financial solutions and advices. The organization is a congregation of professionally qualified and experienced persons who are committed to add value and optimize the benefits accruing to clients.

## **Our Focus:**

To provide high quality services to our clients and believe in upholding high standards of honesty and integrity in what we do.

## **Our Clientele:**

We have been providing services to a proud mix of Multinational companies, Indian companies, High Net Worth Individuals amongst others. Our multinational client-set includes companies belonging to Japan, US, Singapore, China, Taiwan, Hong Kong, and many others.

We advise & also hand-hold foreign companies set-up operations in India & cater to their compliance requirements right from inception to regular day-to-day operations.

## **Our Services:**

### **Accounting / Book-keeping**

Book-keeping, Preparation and Compilation of financial statements, Accounting reconciliations and Consolidations, Accounting system implementation, Development of Accounting policies and Procedures Manual, Forecasting and Projections, Financial analysis of reports, Cash flow management.

### **Audit / Assurance**

Audit, Review of financial statements, Internal control reviews, Reporting requirements, Drafting of Management

### **Regulatory**

Advice on Regulatory matters, Assistance in obtaining Clarifications and Approvals from Reserve Bank of India (RBI) and other Statutory Authorities, Company Law

Compliance, Compliance with Exchange Control Regulations and Import-Export Code norms.

### **Taxation**

Corporate, Individual & International Taxation, Direct & Indirect tax compliance, Return Filing, Tax Advisory, Tax Audit, Dispute Resolution, Transfer Pricing, secretarial records, Filing of necessary forms.

### **Transaction advisory**

Business structuring, Valuations, Corporate Finance, Due diligence, Tax planning.

### **Compliances**

Income tax, Service tax, VAT/ CST, Excise/ Customs, RBI and ROC compliances in respect of all types of regulatory filing of documents and their follow up.





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