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GST FOR BUSINESS AND INDUSTRIAL SECTOR

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Introduction

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

The benefits of GST can be summarized as under for business and industry

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,

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.

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.

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

Gain to manufactures and exporters: The subsuming of major Central and Sales competitiveness of Indian goodsand 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.

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-build 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.

Benefit 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.

At the Central level, the following taxes are being subsumed:

- Central Excise Duty,
- Additional Excise Duty,
- Service Tax,
- Additional Customs Duty commonly known as Countervailing Duty, and
- Special Additional Duty of Customs

Taxes covered under state level at GST

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

GST is being introduced in the country after a 13 year long journey since it was first discussed in the report of the Kelkar Task Force on indirect taxes. A brief chronology outlining the major milestones on the proposal for introduction of GST in India is as follows:

1. In 2003, the Kelkar Task Force on indirect tax had suggested a comprehensives Goods and Services Tax (GST) based on VAT principle.
2. A proposal to introduce a National levels Goods and Services Tax (GST) by April 1, 2010 was first mooted in the Budget Speech for the financial year 2006-07.
3. Since the proposal involved reform/restructuring of not only indirect taxes levied by the Centre but also the States, the responsibility of preparing a Design and Road Map for the implementation of GST was assigned to the Empowered Committee of State Finance Ministers (EC).
4. Based on inputs from Govt of India and States, the EC released its First Discussion Paper on Goods and Services Tax in India in November, 2009.
5. In order to take the GST related work further, a joint Working Group consisting of officers from Central as well as State Government was constituted in September, 2009.
6. In order to amend the Constitution to enable introduction of GST, the Constitution (115th Amendment) Bill was introduced in the Loksabha in March 2011. As per the prescribed procedure, the Bill was referred to the Standing Committee on Finance of the Parliament for examination and report.
7. Meanwhile, in pursuance of the decision taken in a meeting between the Union Finance Minister and the Empowered Committee of State Finance Ministers on 8th November, 2012, a 'Committee on GST Design', consisting of the officials of the Government of India, State Government sand Empowered Committee was constituted.
8. This committee did a detailed discussion on GST design including the Constitution (115th) Amendment Bill and submitted its report in January, 2013. Based on this Report, the EC recommended certain changes in in the Constitution Amendment Bill in their meeting at Bhubaneswar in January 2013.
9. The Empowered Committee in the Bhubaneswar meeting also decided to constitute three committees of officers to discuss and report on various aspects of GST as follows:

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 State would levy and collect the State Goods and Services Tax (SGST) on all transactions within a state.

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 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.

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 accure to the consuming State.

- Conferring simultaneous power upon Parliament and the State Legislatures to make laws governing goods and services tax;
- Subsuming of various Central indirect taxes and levies such as Central Excise Duty, Additional Excise

Duties, Service Tax, Additional Customs Duty commonly known as Countervailing Duty, and Special Additional Duty of Customs:

- Subsuming of State Value Added Tax/Sales Tax, Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States), Octroi and Entry tax, Purchase Tax, Luxury tax and Taxes on lottery, betting and gambling.
- Dispensing with the concept of 'declared goods o special importance' under the Constitution:
- Levy of Integrated Goods and Services Tax on inter-State transactions of goods and services:
- GST to be levied on all goods and services, except alcoholic liquor for human consumption.
- Compensation to the States for loss of revenue arising on account of implementation of the Goods and Services Tax for a period of five years;
- Creation of Goods and Service Tax Council to examine issues relating to goods and services tax and make recommendations to the Union and the States on parameters like rates, taxes, cesses and surcharges to be subsumed, exemption list and threshold limits, Model GST laws, etc. the Council shall function under the Chairmanship of the Union Finance Minister and will have all the State Governments as Members.

Conclusion

Goods and Service Tax, with end-to-end IT-enabled tax mechanism, is likely to bring buoyancy to government revenue. It is expected that the malicious activity of tax theft will go away under Goods and Service Tax regime in order to benefit both governments as well as the consumer. In reality, that extra revenue that the government is expecting to generate won't come from the consumers' pocket but from the reduction of tax theft.

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