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Unit-1: Introduction and Overview of GST

Chapter 1: Introduction

1.1 Introduction

Goods and services tax (GST) has been identified as one of the most important tax reforms post independence. GST is a path breaking indirect tax reform which will create a common national market by removing inter-state trade barriers. GST has subsumed (absorbed or include) multiple indirect taxes imposed by central and state.

GST subsumed the following

Central taxes	State taxes
Central excise duty	Sate VAT

Additional excise duty	Entertainment Tax
Service Tax	Entry Tax
Surcharge and cess	Luxury Tax
Central Sales Tax	Purchase Tax

GST was first introduced in France in the year 1954. Within 62 years of its introduction about 160 countries across the world have adopted GST. Generally GST is popular for single model but Canada and Brazil also have dual model of GST. India has adopted a dual GST which will be imposed concurrently by centre and states.

1.2 GENESIS OF GST IN INDIA

2004	The idea of GST was emerged in India from the recommendation of Kelkar Task Force
2007	Union Finance Minister, Shri P. Chidambaram, while presenting the central Budget (2007-08) announced the GST would be introduced in India.
2014	NDA government tabled the Constitution (122nd Amendment) Bill
2016	It got assent of the president on 8th September, 2016 and became Constitution (101st amendment) Act, 2016, which paved the way for the introduction of GST in India.
2017(March)	Central Goods and Services Tax Bill, 2017, Integrated Goods and Services Tax Bill, 2017, Union Territory Goods and Services Tax Bill, 2017 and Goods and Services Tax (Compensation to States) Bill, 2017 were introduced and passed these bills in Lok Sabha and receipt of President Assent on 12th April, 2017 became enacted.

	Subsequently State GST laws have been enacted by respective state Government.
2017(July)	w.e.f 1st July 2017 GST has implemented across India

1.3 CONSTITUTIONAL AMENDMENT FOR GST

Constitution (101st amendment) Act, 2016 was enacted on 8.09.2016 for the following significant amendments.

- (a) Concurrent (simultaneously) power on Parliament and State legislatures to make laws for imposing taxes on goods and services.
- (b) GST will be levied on all supply of goods and services except alcoholic liquor for human consumption.
- (c) Parliament has exclusive power to make laws with respect to goods and services tax of inter-state (from one state to another state) supply.
- (d) Parliament shall decide principles for determining the place of supply and when supply takes place in course of inter-State trade and commerce.
- (e) The explanation to Articles 269A of Constitution of India provides that the import of goods and services will be deemed as a supply takes place in course of inter-State trade and commerce.
- (f) For the following items Central Excise duty will be imposed on their production and respective States will impose Sales tax on their sales.
 - i) Petroleum crude
 - ii) High speed diesel
 - iii) Motor spirit (commonly known as petrol)
 - iv) Natural gas
 - v) Aviation turbine fuel
 - vi) Tobacco and tobacco products
- (g) Article 279A of the Constitution of India empowers the president of India to

Constitute Goods and Service tax Council (GST Council) under the chairmanship of the Union Finance Minister to recommend about (Article 279A):

- i) the GST rate
- ii) Valuation and other fundamental rules
- iii) Exemption
- iv) Future changes
- v) Return
- vi) Registration

1.4 Legislative Framework

There are total 35 GST Acts in India

- 1- The Central Goods and service Tax Act, 2017 for imposing CGST on intra-State supply of goods and services.
- 31- State Goods and service Tax Act, 2017 for imposing SGST by respective state on intra-State supply of goods and services.
- 1 – The Union Territory Goods and Services Tax Act, 2017 for levying UTGST in 5 union Territories without State Legislatures on intra-Territory supply of goods and services. (Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu and Chandigarh)
- 1 – The Integrated Goods and Service Tax Act, 2017 for levying IGST and ▪1 – The Goods and services Tax (Compensation to states) Act, 2017 for levying GST Compensation Cess.

1.5 STRUCTURE OF GST

1. GST is levied on supply of goods and services across India (including Jammu and Kashmir). It is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Under GST credit of taxes paid at previous stages is available as set-off from the output tax.
2. GST is destination based consumption tax. Benefit of tax (STCG/ UTGST) will accrue to the consuming state.
3. Centre and states will impose tax on goods and services simultaneously. Centre now

can impose tax on sale of goods within State and States can impose tax on services.

(1) Intra-State supply of goods and services-

- CGST- Payable to Central Government
- SGST/ UTGST- Payable to State Government/ Union Territory (as applicable) where they are consumed

(2) Inter-States Supply of goods and services

- IGST - Payable to Central Government

4. Centre will levy and administer CGST and IGST while respective States/ UTs will levy and administer SGST/UTGST.
5. Import will be treated as inter-States supply and IGST will be chargeable along with basic Customs duty.
6. However, in GST Export will be treated as Zero rated supplies and no IGST is payable.
7. The rates of GST are 0.5%, 3%, 5%, 12%, 18% and 28%. In addition , compensation cess will be payable on pan masala, coal, aerated water and motor cars (Sin cess). There is no Education cess or Swach Bharat cess or Krishi Kalyan Cess on GST.
8. GST will be calculated on value of supply of goods and services, which is transaction value. (subject to some exceptions)
9. Under GST, every suppliers who have made taxable supply shall required to get himself registered under GST Law.
10. A registered person is entitled to take credit (deduction) of input tax paid from the output tax (if any) subject to following restriction:
 - (a) **Utilisation of IGST** : first utilised for the payment of IGST then the balance may be utilize towards payment of CGST and SGST/UTGST
 - (b) **Utilisation of CGST**: first utilised for the payment of CGST then the balance may be utilize towards payment of IGST.
 - (c) **Utilisation of SGST/UTGST**: first utilised for the payment of SGST/UTGST then the balance may be utilize towards payment of IGST.
11. Under GST regime there is a seamless (without any obstruction) credit flow in case

of inter-state supplies, which is not possible in pre GST period. No credit is available for CST paid by the buyer. Under GST regime the seamless credit will flow as follows:

- (a) The inter-state supplier in exporting state is allowed to set off the available credit in IGST, CGST and SGST/UTGST against the IGST payable. on inter-state supply made by him.
- (b) The buyer of importing state in inter-state supply can avail the credit of IGST paid on purchase, from the output tax payable. so ne break of taking seamless credit.
- (c) The exporting state transfers to the centre the credit of SGST/ UTGST utilised for the payment of IGST.
- (d) The Centre transfers to the importing state the credit of IGST used in payment of SGST/UTGST.

12. A common portal or platform is needed which could act as a clearing house and verify the claims and inform the respective government to transfer the funds. This is possible with the help of a strong IT infrastructure. Accordingly Government has established common GST Electronic Portal (www.gst.gov.in), a website managed by Goods and Services Network (GSTN) for the tax payer and common IT infrastructure for Central and States. Primarily, GSTN provides three services to taxpayers.

- (a) Facilitating of Registration.
- (b) Forwarding the returns to Central and states authorities
- (c) Computation and settlement of IGST
- (d) Matching of tax payment details with banking network
- (e) Providing analysis of taxpayers' profile.

1.6 Benefits of GST

GST is a win-win situation for the entire country. It provides benefits to all the stakeholders of industry, Government and customers. It is expected that it will reduces cost of goods and services and make them globally competitive. The significant benefits of GST are discussed

hereunder:

- (a) **Creation of unified national market:** GST aims to make India a common market with common tax rates and compliances (procedures) and remove the economic barriers to form an integrated economy at the national level.
- (b) **Mitigation of ill effects of cascading:** GST subsumes most of the Central and states indirect taxes into a single tax and allows the credit of tax paid from the output tax for the transaction across the entire value chain process. Eradication of “tax on tax” gives the benefit to the industry.
- (c) **Boost to ‘Make in India ‘ initiative:** GST will give a major boost to the ‘Make in India ‘ initiative of the government of India by making goods and services produced in India competitive in the national as well as international market.
- (d) **Increase in government revenue:** GST is expected to increase the Government revenue by widening the tax base and improving the taxpayer compliances.

Short Answer type Questions

1. What is Goods and Services Tax?
2. Which of the existing taxes are subsumed under GST?
3. What is a taxable event under GST?

Long Answer type Questions

1. What constitutional amendment is needed for the implementation of GST? Also explain the concept of GST together with its structure and types.

Thank-You