Chapter 4

Goods and Services Tax one Country –One tax –One Market

After a long journey of 13 years from being first mentioned within the statement of the Kelkar commission might on not direct taxes, now GST is being introduce within the nation. Chronological order sketching out the diagram for introduction of indirect tax is as follows:

The Committee formed had a brief talk on GST road map and the Constitution (115 Amendment) bill and its delineation was submitted in Gregorian calendar month 2013. Based on the submitted delineation, the World Organization in their meeting at Bhubaneswar in 2013 recommended changes within the constitution.

1. This sovereign committee within the Bhubaneswar meeting additionally set to represent three committees of officers to discuss and delineate on various details of GST which are as follows:
   (a) Twin management threshold and exemptions committee
   (b) Policy and returns Neutral charge committee:
   (c) IGST and GST on import group.

2. In August, 2013 the parliamentary commission submitted its report to the Lok Sabha. The legislatives department inspected the counsel of the sovereign Committee and the counsel of the parliamentary commission.

3. The ultimate draft constituting various changes were sent to the sovereign committee to give a thought to it in September, 2013.

4. In Shillong, in November 2013 the World Organization held a meeting and gave suggestions on the bill. Some of the suggestions were taken into account and were integrated within the draft. The re-evaluated Constitution Bill(115th Amendment) was sent to the committee to look upon in March, 2014.

5. M. The GST was introduced within. It was the one hundred and fifteenth Constitution (Amendment) Bill.

6. To the committee to be approved by the current Government in the Gregorian calendar month 2014.

7. An exhaustive agreement reached the committee and on 17.12.2014 with the consent of Parliament revising the Constitution of Republic of India, the GST was welcomed in the country.
The Bill was introduced within the Lok Sabha on 19.12.2014, and was slipped by then quoted the committee of Rajya Sabha, that submitted it’s delineating on 22.07.2015.

4.1 Administering the Goods and Services Tax (GST)
At the same time, so there are going to be two components. Centre would impose and collect taxes from each supplier of products and repair. Centre would impose and collect Central product and Services Tax (CGST), State would impose and collect the State product and Services Tax (SGST) on all transactions with in an exceedingly state. At every step the CGST is accountable for the input step down dismissing.
The CGST and SGST would be imposed at the same time on each conversion of product and services except the excused products and services i.e. transactions whose area unit is below the prescribed threshold limits. Each one of them would be imposed on similar value or not similar like State VAT which is imposed inclusive of Central Excise. GST model is shown in figure 4.1

![Dual GST within State: Working Example](image_url)
4.2 Cross utilization of credits between goods & services: - Between products and services, cross employment of credits of CGST would be permissible; and just in case of SGST, equally the power of cross usage of credits is going to be exerted. But it is only it is allowable that is beneath the IGST model explained particularly in answer to result the questions.

Conversions of Inter-State: -

The constitution of India, in the matter of inter-State transitions, the Centre would levy and collect the incorporate product and services tax which is also called IGST, on all Inter-State services and products. To CGST and SGST the IGST would approx. plenty. To make sure about the seamless flow of input step-down among the states transactions, mechanism of the IGST has been planned. On the sale of his/her product the Inter-State vendor would pay IGST to the Central Govt. once aligning the credit of CGST, SGST and IGST on his buys (in that order). In the payment of the IGST, the Mercantilism State can reassign to the middle the credit of applied SGST. Credit of IGST can be claimed by the importation dealer whereas dispatching his/her outcome indebtedness (both SGST and CGST) in his own state. In the payment of SGST, the middle can reassign to the Importation State the credit of IGST assigned. Since Goods and Services Tax (Called GST) could be a destination primarily based tax; then this ultimate merchandise can naturally fall to the vivid state to all SGST. For the inner-state group action, a represented diagram of the functioning of the IGST model show in fig. 4.2

Use of IT

Within the country, for the effectuation of GST, as a not for benefit, the Central and state govt. have put together filed product and services tax networks (GSTN), different shareholders and tax payers. To make a distinctive and unvarying interface, the key aim of GSTN is to the For the organization of GST, all State accounting regimes, banks and tally also are getting ready their IT infrastructure.

Filing of returns is not manual.
4.3 Main features of the establishment Bill, 2014

The well-known features of the Bill are:

- To make laws governing GST, confabbing simultaneous power upon state legislatures and parliaments;
- Colligating of several different central indirect taxes and levies;
- Colligating of Sales Tax and State VAT, Central Sales Tax
- Under the constitutions, distributing with the concept of announced special importance and goods;
- Levy of integrated GST on the transactions of goods and services at the level of Inter-State;
- Except alcoholic liquor for human usage, On the testimonial of GST Council petroleum and products derived from the petroleum
- Recompenses to the State for loss of revenue originating on account of execution of the GST council.
- Compensation to the state for loss of revenue arising on GST for a time period of 5 years;

4.3.1 GST to Make Return filing Easy & Online.
Myth 1: Every taxpayer has to file invoice wise details in the return.
Reality: Only suppliers to re-sellers (i.e. B2B suppliers) not under compositions scheme have to file invoice wise details.

Myth 1: There are 3 returns to be filed every month.
Reality: There is only return to be filed by the taxpayer with other components getting auto-populated.

**The return filling strategy in Goods and Services tax for different category are listed as follows:**

**Category 1: Taxpayer**
Aggregate turnover less than Rs. 20 lakhs, No details information required, there is no use of GST and No Periodicity/last date.
Aggregate turnover up to Rs. 75 lakhs and availing the Composition Scheme.
1. Consolidated details of outward supplies made by you during the quarter including that of advances received.
2. Details of supplies received (auto-populated from the GSTR-1 of the supplier).
3. There is FORM GSTR-4 full fill.
4. Periodicity/last date is Quarterly/18th of the month following the quarter.
   (a) Aggregate turnover more than Rs. 20 lakhs and not availing the Composition Scheme but supplying to consumers (only B2C supplies)
   1. Tax-rate wise summary of inter-state supplies made.
   2. There is FORM GSTR-1 full fill.
   3. Periodicity/last date is Monthly/10th of the following month.
   (b) Aggregate turnover more than Rs. 20 lakhs and not availing the Composition Scheme but supplying to consumers (only B2C supplies)
   1. Supplies received required.
   2. There is FORM GSTR-2 full fill.
   3. Auto-populated by the computer and only needs to be verified and submitted by 15th of the following month.
   (c) Aggregate turnover more than Rs. 20 lakhs and not availing the Composition Scheme but supplying to consumers (only B2C supplies)
1. Final return in details information required.
2. There is FORM GSTR-3 full fill.
3. Auto-populated by the computer and only needs to be verified and submitted by 20th of the following month.

(d)(a) All other suppliers including suppliers to re-sellers and / or consumers) both B2B and/or B2C supplies
Involve-wise details of all B2B supplies and Inter-state B2C supplies of value above Rs. 2.5 lakh
1. There is FORM GSTR-1 full fill.
2. Monthly/10th of the following month.

(b) Aggregate turnover more than Rs. 20 lakhs and not availing the Composition Scheme but supplying to consumers (only B2C supplies)
1. Supplies received
2. There is FORM GSTR-2 full fill.
3. Auto-Populated by the computer and only needs to be verified and submitted by 15th of the following month.

Remarks: Even in case where the details of invoice has be provided, an offline free software utility provided by GSTN can be used during the month, which can automatically convert in to return on uploading.

Provisions for the first two month of transition
Return filling process has been simplified and a simplified FORM GSTR -3B, containing only summary details, has been provided for all classes of tax payers for acclimatization of the taxpayers with the new GST tax regimes[60]. The details are as follows:
1. In July 2017, GSTR-1 return for the 5th September instead of 10th August. GSTR-2 return is 10th September instead of 15th August and GSTR-2B is return for the 20th August.

Attention Importers and Exporters
Indian Customs gears up for GST roll-out
IGST and GST Compensation Cess, wherever application, would be levied on wares inward on initial Gregorian calendar month 2017. It’d be effective from hour of thirtieth Gregorian calendar month 2017.

wares arrived up to thirtieth Gregorian calendar month would not attract IGST

Extra duty of Customs would still be levied for imports of oil and Tobacco merchandise.

Importers might inform themselves with IGST and GST Compensation Cess rate schedule and exemptions that area unit offered on CBEC internet site (https://www.cbec.gov.in).


**Imports and Input diminution**

- All Imports /Exports need to obligatorily declare GST range.
- Conditional IDs issued by GSTN is asserted throughout the transition quantity. However, Importers and exports unit prompt finishing their registration technique for GSTIN.
- Inputs diminution of IGST would be offered supported GSTIN declared among the bill of entry.
- Customs EDI system would be GST ready by initial Gregorian calendar month 2017 and each one out efforts unit being created for swish transition.
- Customs EDI system would be interconnected with GSTN for validation of inputs diminution.
- Bill of entry info in non-EDI location would be digitized and used for validation of inputs diminution info provided by GSTN.

**Exports, Refunds, Drawback, Exports Promotions Schemes, SEZ and EOUs.**

- Exports square measure zero-rated provides below GST law.
- Disadvantage schemes would continue .New disadvantage schemes would be free before first Gregorian calendar month 2017.
- Living duty disadvantage schemes shall continue for 3 month from information of introduction of GST as per of transition to GST.
- Imports from SEZ to domestic tariff space would attract IGST from first Gregorian calendar month 2017.
- One hundred Exports familiarized Units would attract IGST on imports from first Gregorian calendar month 2017.
EXIM Scrip’s can't be used for payment of IGST and GST Compensation Cess in imports and CGST, IGST and GST Compensation Cass for domestic procural.

Imports below Advance licenses and Exports promotion Capital merchandise schemes (EPCG) aren't exempted from payment of IGST and GST Compensation Cess.

**Accounts and Records**

- One Tax, One sort of records: No ought to maintain separate records for various sort of taxes as within the era of VAT, Excise and Services Tax.
- There'll be freedom to decide on the format of the accounts & records, and solely data required is prescribed. The records can take the shape of paper –based supply documents as well as pc printouts or digital records.
- The specified records are:-
  - All records of products and services that someone provides or receives within the course of his business.
  - All records of products foreign; and
  - Any alternative supporting documents reminiscent of contracts and worth quotation to indicate his liability to GST.
- Digital GST: Records are often maintained in electronic format further.
- Wherever an explicit category of Taxable persons cannot keep and maintain records as prescribed, the Commissioner might allow them to keep up records otherwise as prescribed.
- Taxable persons with turnover of lower than two corers aren't needed to induce their accounts audited or submit reconciliation statement with annual returns.
- Straightforward records to be unbroken by agents, transporters and warehouse keepers:

  **Agents**: someone operating as associate agent is needed to keep up records depiction the outline, worth and amount (wherever application) of products and services received or equipped

  **Transporters**: someone's engaged within the business of transporting product is needed to keep up straightforward

  **Warehouse keepers**: someone operational a warehouse or warehouse is needed to stay records with reference to the dispatch, movement, receipt, disposal and amount that the products stay within the warehouse or warehouse.
The first course Canadian province British Columbis implemented GST but reverted to the older system only in the span of two years.

Goods and Services Tax to condense tax-evasion Ever since over 140 countries have implemented GST law in various forms. Indian GST is not at all seamless as all taxes are not being fused. One of the notable differences between GST in India and GST in other countries is that two types of GST are charged (dual GST) in India. At Both the stages of Govt. have various duties to achieve interpreting to the cuttings of power dictated in the constitutions for which they need to back the resources.

GST has been a component of European tax orientation for over 50 years. It is also broadly acknowledged and favored from of indirect tax. There are over 40 frameworks of GST currently in power running and it is very fascinating to note this through the system of various economies in the world, each with its own distinctive features.

Countries like processing, and replacement services. It is merely recoverable on goods used in the production process and GST on static assets is not recoverable.

GST is a federal tax in Australia, collected by the Center and circulated to the states without any conflict arising through the process. On the other hand, the GST model of Brazil is much sovereign in comparison to other nations and has a dividing rule of taxes between the states and the centre. In almost all cases, GST rates are prefaced between 16 to 20% and India has enwrapped hints from this and specked the similar pattern.

An additional aspect stumbled upon and recognized by most of the GST countries lies in the indicator that GST will inflationary, particularity if the effective tax rate is greater that what persisted before. In 1994 when it hosted the GST. That insinuates the administrators to watch for fluctuations in the price after imposition of the tax.

### 4.4 India Goods and Services Tax (GST) Rates:-

- On 3rd November 2016 which is as under Four rates of Goods and service tax in India help by GST counseling meeting:
- Some goods such as luxury car, tobacco, aerated drinks falling fewer than 28% category of GST will be levied with cess.
The main reform being undertaken in the Indian tax system in reference to indirect taxation is presented in

**Indian GST rates category are listed as follows:**

- In rates 5%, it will be levied on essential food items and goods that are commonly used.
- In rates 12%, standard rate in Goods and Services tax.
- In rates 18%, not included items in the supra rates will be taxed at slab rate of 18%.
- In rates 28%, this rate will be levied on luxurious goods. This will include car, washing machine, air conditioner, etc.

The main reform being undertaken in the Indian tax system in reference to indirect taxation is presented in

**The details, year-wise summary of Indian tax system is as follows:**

- In 1974, VAT should be introduced was proposed by the report of L.K. Jha Committee.
- In 1986, Foundation of a circumscribed VAT called MODVAT.
- In 1991, Accounted by the Chelliah Committee proposed either GST or VAT which was recognized by the Government.
- In 1994, unveiling of Service Tax at the rate of 5 per cent.
- In 1999, Organizations of Empowered Committee on State Value Added Tax.
- In 2000, For VAT at the rate of 1, 4 and 12.5%, execution of consistent floor rate of tax and abolition of tax related bonuses granted by the States.
- In 2003, In April 2003, Value Added Tax (VAT) applied in Haryana.
- In 2004, Substantial progress towards MODVAT, CENVAT was got rid of and credit account was unified with excise and service tax to allow for cross employment.
- In 2005-06, Value Added Tax was implemented in 26 more states.
- In 2007, In January, First GST declared by Mr. P. Shome, Finance Minister declares for GST in budget Speech and CST phase out starts in 1 April 2007. Then, Joint Working Group formed and a report was submitted by them.
- In 2008, In April 2008, EC settles the view on GST construction.
- In 2017, In midnight 1st July, 2017 GST was launched in Indian Parliament named as Goods and Services Tax.

**4.5 Rising of Tax System in India**
The assignment system Indian constitution suggests. The idea of separation is followed by tax system. It distributes the main broad base and corporate taxes, excise and duty taxes on manufactured goods. National tax is applied all over India for example agricultural income and wealth tax, sales tax, alcohol consumption tax, motor vehicle passenger, stamp duty and transfer of property taxes and electricity tax. Among them, the sales tax is the most imported ants, accounting for 60% of the country. They are having the right to levy taxes on entertainment, professional taxes, transactions, calls and employment, which are exercised by the State itself or assigned to local institutions.68 Many countries which include property taxes and taxes on the consumption, use or sale of goods entering the premises and has been allocated to local institutions.

Tax policy in the public sector, under the skeleton of heavy industry system rise, import substitution industrialization strategy has a number of effects. First, the tax policy is designed to provide substantial. Second, on the one hand to achieve the socialist pattern, on the other hand the expropriation of the permit system, quota system and restrictions system, to belittle the oligopoly of rent, it is required to further implement the tax system. Third, a negative impact on efficiency and level of equity. This also provides a big way for tax evasion and tax avoidance.80. Fourthly, the above considerations complicate the tax system, and the right to vote and discretion becomes the legal part guidelines and management.

Fifth, the effect of special groups, prioritization, lack of information systems and scientific results led to a special and often variable sighting of policies. Lastly, a selective application of the tax system does not provide good information.

4.5.1 Demerits of Tax system in India

Basically ‘Tax’ is the payment to the government and authority for goods and services. This is the collection that Government uses to develop all the establishments like military, infrastructure, economy and society, basic facilities, welfare then on. In India, personal income tax, wealth tax, capital tax are direct taxes and custom tax, state and centre consumption tax, service tax, price value add tax come under indirect taxes.82

4.5.2 History of Tax reforms

An itinerated attempt to implement an independent Indian tax system began with the implementation of the Tax Investigation Board's report. In fact, It provides a base for the
processing of resources like increasing of savings redistribution status. Draw a national tax system which covers central, national and local taxes.

Since then, there are some tries, most of that are a part of the legal system on all aspects of relief. In view of the very fact that with in the early fifties, savings were solely regarding, and expenditure was levied as a live to curb consumption, as suggested by the Caledon Commission (India, 1956). However, it had to be withdrawn between 1957 and fifty eight years as a result of it didn't manufacture the expected financial gain, it's obsessed to mobilize resources and succeed the expected distribution standing that leads call manufacturers to plot tax rates on revenue enhancement rates. This diode to a big reduction within the marginal charge per unit by the tax Investigation Commission (India, 1971), leading to higher potency of evasion, high recovery rates, low chance of discovery, and therefore the inability of the system to impose fines for an inexpensive amount of your time. In the case of indirect taxes, the revenue enhancement Investigation Commission (India, 1977) tried a straightforward, large-scale job, though it absolutely was not enforced till 1986.

When the execution of the free enterprise reform in 1991, the central level system reformed the system during a comprehensive manner. The Tax Reform Commission (India, 1991) has developed a framework for direct and revenue enhancement. Reform is within the short term to realize financial gain neutrality, improve the semi-permanent financial gain productivity. The most facet of TRC is to

(i) Scale back the part of the trade tax in the limit of the total tax taxation; and
Bring up the share of inland or domestic consumption tax by manipulating the domestic consumption tax to the VAT tax.

(ii) The necessary recommendations of TRC embody reduction of the magnitude relation of all major taxes, like customs, personal and company revenue enhancement and excise duty to an inexpensive level, and to take care of a property tax.

TRC recommends that measures be taken to attenuate exemptions and concessions, to contour laws and procedures, to determine applicable info systems and to tax automation, also on reform the modernization of body and social control mechanisms and to expand the foundations of all taxes. It is additionally suggested that each one house production9 taxes may be regenerate to VAT and extended to wholesale levels as in agreement by the State and extra revenue on the far side the post-production section and is transferred to the state
governments. A detailed study of continuous Tax restructuring of the new century relies on the report of the scoped teams on direct and revenue and Reforms in 1993 target simplicity and strength in many alternative ways in which from the past. From the former days. Moreover, the task force's report relies on the TRC's recommendations