Chapter 6

Interface with Goods and Service Tax in the Family, Society and Nation.

Fundamental of Human Values & Basic of GST (Goods & Service Tax)

How GST will impact a common man’s budget

The Goods and services tax (GST) entry has been easy if the industry will support. The question is that how indirect tax system (GST) will impact a common people budget. In India, Goods and services tax is beginning to be one of the largest tax reforms. It effects not only to the business man but also on the common man. The initial effect to be mat up by the clients to change their prices according to goods and services tax rates. In consumer’s point of view, impact of GST rates could be leading all the prices like a mixed bag. In the long term benefit of GST are likely to boot in terms of upper input credits, it is anticipated that the inflationary effect will come down and prices, in general, would come down and stabilize.

Within the household budget, there are likely to be some obvious gainers and some obvious losers but once the law and pricing of commodities reach steady state, all consumers should gain. We have provided a few examples to explain the impact of GST on the common man, the impact on pricing on account of additional credits and hence reduced cost of supply is separate.

GST is expected to bring greater transparency, improve compliance levels and create a common playing field for businesses. By amalgamating a host of central and local taxes. It would change the current tax regime of production-based taxation to a consumption-based system. There is no doubt that the corporate would benefit once they settle in under GST and assess the impact on their respective businesses; however, the advantages to the common man may take longer to be apparent.

After adjustment in several taxes before Goods and Services Tax, the aftermath holds tax relief especially because there will be a reduction in prices for FMCG products such as chocolates, shampoos, also small cars, booking air tickets, DTH etc. Eating out may also become cheaper, as earlier the service tax and VAT together made dining out experiences quite heavy on the pocket.
Now VAT is applicable only on places that allow alcoholic drinks. Otherwise, GST has replaced service tax.

On the other hand, there will be increase in prices for luxury cars, gold, textiles, aerated beverages, and tobacco. In terms of prices, services would be more expensive at the onset of GST. However, in the long run, benefits of GST will kick in terms of reduction in inflation and higher input credits, thus, bringing down most of the prices for goods and services.

**The tax rate for services has increased from 15% to 18%. Thus, in short-run, the common man will encounter 3% rise in service prices, but also benefit from GST in the following ways:**

It is expected that the consumer would also reap the benefits of the new tax regime, once the corporate have transitioned complete.

**Restaurant Bills** I have visited a restaurant and purchased a food for Rs. 2000 in Delhi, So Under GST, A food at an AC restaurant shall draw 18%. I have pay Rs. 360 as tax and post GST but post GST VAT @12.5% and services tax @ 6% charged. I have paid 370 as tax.

**Air Travel** I have traveled in domestic economy class on a ticket of 2,000 So Under GST; A air travel class is 5% taxable. In case of business class travelled GST rates is bigger to 12% from 9% under service tax. Post GST travels in domestic economy class on a ticket of 2, 000, services tax at 6%.

**Holidays** I have stayed in hotels which has tariff amount of Rs.10,000 a night. In pre GST the gross indirect tax rates ranged from 19% to 25% ,In PostGST,sinces tariffs between 1,000 and 2,500 would have GST of 12 %, and between Rs.2,500 and 7,500 would have GST of 18% .

**Car Expenses** In Pre GST , I have taken an Ola or Uber and the ride costs Rs.100, Post GST marginal saving sinces cab facilities would attract at 5% as compared to 6% serviecs.

**Banking and Insurance** In Post GST rates is services will be more expensive and Pre GST services is services will be less.
**Other Household Expenses** In post GST food prices unlikely to go up in the range of 0 to 5%. In post GST FMCG products likely to become cheaper.

In post GST services like salon, dry machine and phone to become more expensive due to 3% increase in tax rate.

**Real Estate** In post GST 12% will be levied resulting inflation under construction property for one crore. In Pre GST (both VAT and Services tax) rate of around 5.5%.

The above examples will help you understand the impact of GST on common man in a simpler manner. The impact on pricing due to additional credits and reduced cost of supply are two separate aspects. Goods and services tax shall bring greater transparency in taxation regime in India and enhance compliance levels for creating common playing field for businesses and leveling the central and local taxes accountably.

GST has definitely changed the earlier tax regime taxation, which was production-based, to now-consumption based system. The common man, in the long-run would be benefited from GST in terms of infrastructure and economic growth of the country, and a lot more.

The goods & services tax (GST), which is likely to play a big role in boosting growth in Asia’s third-largest economy, is likely to boost earnings of many companies in sectors which have a high presence of an unorganised market.

The GST rates for 1,211 products do not show any major deviation from the current effective tax rates except in the case of a few consumer products in which the council tried to minimize inflationary impact.

“Historic experience shows that the implementation of GST could result in disruption for short period of time as businesses adjust to the new tax regime and results in an uptick in inflation,” he said.

The biggest beneficiary of the GST implementation would be the sectors that have a high share of unorganised segment. It will bring about lower tax incidence, reduction in logistics costs, higher compliance etc.

“We feel consumables like FMCG, dairy industry would largely benefit; logistics and warehousing sector would benefit both qualitatively and quantitatively as the time spent on the
state borders drops thus saving both fuel and time to reach the destination,” Arun Thukral, MD & CEO, Axis Securities told Moneycontrol.

“Small cars will get slightly costlier, while SUVs will attract an additional cess. The power sector will gain as the rate for thermal coal has been categorized under 5 percent vs 11.7 percent earlier,” he said.

Decoding: What does GST mean for you?

We have collated a list of 10 stocks which analysts think could benefit the most from the implementation of GST.

**Hindustan Unilever (HUL)**

HUL is expected to gain market share with the implementation of GST as business shifts from unorganised to organised segment. HUL will benefit from moving to a moderately lower 18 percent tax slab and its major raw materials - consumer staples falling in the lowest tax labs (0-5 percent).

Further, incremental benefits may arise from the input tax credits. Broad-based portfolio of brands, innovative pipeline, robust distribution network (enhanced focus on direct reach expansion) & government thrust to stimulate the rural economy will help HUL.

**Dabur India**

In pre GST dabur India main products of Dabur soaps and hair oil less prices under lower tax slab of 18% . In post GST dabur India main products compared to the current effective rate of 26% to 28%. The major product honey continues to fall under the exempt category.

Dabur can be an indirect beneficiary if GST helps in bringing down the rural inflation as major consumer staples coming under the exempt category which could impetus to the rural demand.

**ITC**

The ITC pre GST products Apprehension over the GST rates has been an overhang on the stock for a while. The final GST rates with a cap on Cess leads to a lower incidence of taxes than the current effective tax rate. Leadership position in cigarette category, continuous investment behind brand building & innovations in other FMCG business will also drive the business growth.

**Ashok Leyland**
The Strong volume growth and market share gains continued with Ashok Leyland (AL’s) domestic M&HCV volume growth compared with industry growth. While the recent growth has been driven by replacement demand (replacing over 10 years old diesel vehicles by government order) and infra demand. Moreover, the management expects improvement in mining/infra sector to be the next drivers for growth. Apart from a revival in M&HCV demand, the management expects exports and defense as the next major growth driver - management targets 33 percent of revenues in the medium-term from the export segment. According to the management, the hub and spoke model of transport of goods is likely to gain with the implementation of the GST regime and it will boost the sales of vehicles, driven by requirements in the logistics sector.

Godrej Industries
The company has reported good quarter earning with commendable growth in the majority of the businesses. Major contributors to the growth have been the real estate, consumer, and chemicals businesses. The management expects in FY18, implementation of GST would provide strong momentum for a much better economic environment and stronger consumer demand. Going forward, through its CREATE strategy, the company would continue to strengthen its position in all its core businesses while fostering an inspiring place to work.

Prabhat Diary
Value added products of the company are specialty dairy powder, ghee, condensed milk, and cheese. Nonvalue-added products are liquid milk. Net debt is around Rs 250 crore. cheese capacity utilization is presently around 18-20 percent. The management expects an increase in capacity utilization for the cheese to be 40-50 percent for next year. Almost 65-70 percent of milk procurement is direct. The company is present in both B2B and a B2C segment with contribution 70 percent and 30 percent, respectively. It plans to contribute in ratio 50:50 from both by 2020. The company plans to expand its distribution network from 25 states in the b2C segment to be a pan-India player. Foodgrains, milk and other articles of daily use have been exempted from taxation under the GST regime, which would give a good boost up to the company.
GST rates are here! How it will affect your restaurant bills

Colgate Palmolive India

GST impact on consumer sector is largely positive. In addition, many companies in the sector will also gain as a result of the potential shift from unorganized segment to organized segment as a result of GST implementation. "Clear benefits are to toothpaste and soaps players as well as cigarette players for whom no increase in effective rates is always good news," Gautam Duggad, Head of Research, MOSL told money control.

"Colgate pays an effective tax of 25-26 percent and so 18 percent tax on toothpaste (80 percent of sales) is a positive, particularly as it levels the playing field against two players Dabur and Patanjali who enjoys tax benefits," he said.

Kajaria Ceramics

ICICI Securities maintains a hold rating on Kajaria and see a modest upside towards Rs725 in the next 12 months post Q4 results. The GST rate for ceramic tiles has been fixed at 28 percent, which would largely be a neutral rate for Kajaria as the current incidence of the indirect tax is between 26.5 percent & 29 percent.

However, on a positive note, GST will benefit the sector as it would provide a level playing field for organised players (unorganised players have a 50 percent share in tiles market) and bring in consolidation in the sector.

Furthermore, tiles industry is set to benefit from various government initiatives like ‘Swachh Bharat Abhiyaan’, ‘Housing for All by 2022’ & ‘Smart City Mission’ as they would drive demand for tiles. The domestic brokerage firm believes that Kajaria, being the market leader, would be a major beneficiary of these initiatives.

Britannia Industries

ICICI Securities maintain a buy rating on Britannia with a target price of Rs4270 to be achieved in the next 3 months and a stop loss of Rs3315. Most of the FMCG products have been subsumed in the nearest slab of existing indirect tax.
However, for toothpaste, hair oil & soaps, it would come down from current 23 percent to 18 percent. Dairy milk products will also be at lower end of tax implication.

With the anti-profiteering clause in place, companies would be required to pass on the benefit of tax rates to the consumer in the form of lower prices. "We believe this could result in faster consumption shift from unbranded to branded products, spurring the volume growth for FMCG companies," said the report.

Relaxo Footwear

Shrekhan maintains a buy rating on Relaxo Footwear with a target price of Rs525. Relaxo has a superior portfolio of footwear brands and its relentless focus on driving sales through the expansion of distribution and improving the brand presence (270 Company Owned & Company Operated stores and over 50,000 retailers across India) augurs well for the company to achieve good growth in the backdrop of better demand environment.

The GST implementation (likely to be from July 1, 2017) will be a key growth lever for Relaxo, as a large part of the Indian footwear market is unorganised (60 percent). The GST rollout will reduce the pricing difference between branded and non-branded players in the near future. Relaxo's stock price is currently trading at 29x its FY2019 Earnings.

Here are 10 things to know:

GST helps to eliminate "tax on tax" or the cascading impact of tax, thus bringing down the overall cost of goods. GST shifts the tax incidence near to the consumer and benefits the industry through better cash flows and better working capital management.

Input tax credit: The mechanism of input credit under GST is one of the most important features of GST. This means that at the time of paying tax on output, manufacturers or service providers, for example, can reduce their tax payable by the amount they have already paid on inputs. For example, if a manufacturer's total tax on output comes to Rs. 5,000 while tax paid on input (purchases) is Rs. 3,000, the manufacturer needs to deposit only Rs. 2,000 (Rs. 5,000 - Rs. 3,000) as tax, thus reducing the overall incidence of tax on final product. Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption.

But input credit is available to the recipient (the manufacturer in this case) only if details provided by the supplier in its return matches with those claimed by the recipient. Thus, it
encourages suppliers of goods and services to become GST-complaint. So GST helps in checking evasion of taxes.

In the current regime, tax rates vary from state to state. So companies often choose warehouses for their inventory based on tax considerations. Under GST, the country will move to 'One Nation, One Tax' regime, giving companies freedom to set up their own warehouses to optimise cost and improve customer service.

Also, transportation costs could also fall due to reduction in long and winding queues at border check-points and other entry points within and between the states. This will reduce operational costs and will benefit companies. According to a World Bank report, corporates can save up to 40 per cent of their logistic costs incurred at check-posts and toll plazas.

Analysts say that GST will usher in a more stable tax regime. "The real value of GST will be in the area of tax governance, where a system plagued with a plethora of discretionary, ad-hoc taxes will move toward a ruled-based, transparent and stable tax regime," said domestic brokerage Motilal Oswal in a note. Under GST, the Centre and the states will jointly administer and decide the taxes.

GST could also boost exports by making Indian goods competitive in global markets. Exports will be treated as zero rated supplies which means no tax will be payable on exports of goods or services. However, exporters can claim input tax credit.

For manufacturers or service providers, GST will help in ease of doing business. GST will bring in a simpler tax regime with fewer exemptions, reduce multiplicity of taxes, reduce compliance costs - no multiple record keeping for a variety of taxes, usher in simplified and automated procedures for various processes such as registration, returns, refunds and tax payments. All interaction needs to be through the common GSTN portal - so less public interface between the taxpayer and the tax administration.

However, there could be short-term challenges for business. The transition to GST could disrupt the working capital cycle of businesses in the initial phase due to "input credit lock-up" in initial months, according to ratings agency India Ratings. Moreover, service tax rates are likely to increase to 18 per cent as against 15 per cent.

Goods and Services Tax is seen boosting India's GDP or gross domestic product growth by 1.5-2 per cent over the long term. GST will deliver significant benefits by improved taxation efficiency
and ease of doing business, and will convert India into one common market, Finance Minister Arun Jaitley has said

**Negative effect of Goods and Services Tax.**

Some Economist say that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent. Some Experts says that CGST(Central GST), SGST(State GST) are nothing but new names for Central Excise/Service Tax, VAT and CST. Hence, there is no major reduction in the number of tax layers. Some retail products currently have only four percent tax on them. After GST, garments and clothes could become more expensive. The aviation industry would be affected. Service taxes on airfares currently range from six to nine percent. With GST, this rate will surpass fifteen percent and effectively double the tax rate. Adoption and migration to the new GST system would involve teething troubles and learning for the entire ecosystem. Tax rate for services is very high thus it will drive services cost to a new high which includes telecom, airlines and more just to say it will increase your monthly mobile bills. The proposed 18% is higher than many countries such as China, Singapore, Malaysia etc. Imported goods will come costly and will be taxed around 6% Many states mostly manufacturing states will lose a huge share of their revenue and monopoly on taxes of central government will increase. It could potentially drive up the costs in real estate by upto 8%

**Disadvantages of GST Tax**

Would impact the Real-State Market – GST Tax would swell negative remarks on the real-estate as perceived, GST will increase the cost of the new homes by 8% which in turn will cease the demand by 12%. Old Wine in a New Bottle – According to the experts, terms such as GST which includes CGST, SGST, and IGST is nothing but just a new name in accordance with the existing tax systems. Kind of old wine in a new bottle.
Costlier Service – The current Service Tax stands at 15% as of now which will increase to 18%-20% when GST is levied. As such many services will be on the costlier side with telecom, airline and banking affected majorly. In fact, insurance and petroleum are also said to be majorly affected by the enactment of GST Tax.

Complexity for the Businessmen – According to the proposal of the GST Tax, the control on business will be rendered to Central and State Governments with businessmen binding by-laws. As such complexity may arise for many businessmen across the nation.

Income Tax Credit Mismatch – As the change in tax guard will take place, the first few instances of application would mean high tax paying at the start. That said, they will only be able to exercise the tax input on the latter stages when the loop is exercised. With that in place, there would be ITC mismatch during the early uses of GST Tax.

Disability Tax – Opposition has called it as a Disability Tax as many of the things related to disabled people which were earlier Tax-Free are now included in GST Taxation. Prior to implementation of GST, brail paper, typewriter, hearing aid and motorized wheelchair were tax-free whereas these things are being taxed now. Opposition have made pleas to roll back the tax on such items

Expensive Banking and Insurance – On one end, Modi government is trying to give a push to banking services and insurance in India and on another side of the picture, the government has decided to tax banking and insurance service at higher rates when compared to the previous rates

Impact on Discounts – GST has also had an impact on discount and reward programs as well. The product is being taxed at the rates pre-discount whereas the products were earlier taxed at post discount prices. Most of the companies have also suspended reward programs on temporary basis because of complexities of GST

Mid-Year Launch – Government has chosen a mid-year launch for GST and this will lead to problems in taxation and reporting during the end of the financial year. Ideally, the government should have launched GST at end of financial year as this would have avoided a lot of confusion during taxation and reporting.

Registration in the Many States Required–As per GST, the seller would require registering in all the states that it does business in and that would increase the complexity for the seller. The government should have created a provision for centralized registration of State GST as this would have helped many sellers during the rollout.
Changing Tax Slabs– Earlier the government had a higher tax slab for many products but in a recent revision, the government has changed the tax slabs for the many products. This includes the restaurants as well. The changing tax slab means the higher operational cost for the organizations and it also makes the changes in software complicated.

Petrol not Under GST– The Petrol doesn’t come under GST and that is one of the major controversial issues. The petrol is taxed at a much higher rate and if the government is rolling out a unified taxation system then each and everything should be taxed under GST.

Online Taxation– Online taxation system is an advantage as well as disadvantage. Many people are not able to process their taxes and this forces them to reach out to a third party for tax filing purpose. This has increased the overall cost for such small businessman who needs to approach the third party for filing tax.

Higher Tax Burden for SME– There is a certain tax burden on small and medium enterprise because of this GST. As per the information, earlier, the organization with a turnover of over Rs 1.5 crore had to pay excise duty but now even a businessman with a revenue of over Rs 20 Lakh has to pay the GST.

Still Unclear about Process– It’s been almost 6 months since the GST has been rolled out and there are people who are still not clear about GST. During the initial phase, the government was taking initiatives in helping people to understand GST but all that seems to be cold now.

The post-GST era has so far witnessed exporter numerous strikes, error and mismatch in returns filed as well as the World Bank calling GST a very complex Taxation system. But, eight months ago, on July 1st, 2017, India as a nation had taken a giant leap towards a new order in its Taxation History. GST was touted as India’s second tryst with destiny. However, more than 8 months down the line and after multiple policy updates, it seems that not everything has unfolded as planned. This was, however, a possibility and the Government was prepared to incur short-term losses in exchange for large future gains. GST in India not only boasts of one of the highest tax rates but also consists of the largest number of tax slabs. Add to this the growing compliance burdens, technical as well as compliance issues.

Among Asian countries, India has the highest standard GST rate. On the planet, it is second only to Chile. The non-zero rated products (5, 12, 18 and 28 percent) combined with the remaining zero-rated products and the 3 percent GST rated Gold are a sharp deviation from the one Nation one GST Tax dream. Petroleum products, power, and real estate are still outside the GST ambit.
GST is still in its teething period and will enter its second fiscal year on April 1st. In this blog, we try to throw light on the issues that currently plague the newly levied GST taxation system in India as well as the taxpayer’s grievances.

**Tax Slabs: Problems for Small Unorganised Wholesalers**
Still fresh from the impact of demonetization, the unorganized cash based small wholesalers were served a final knockout with GST. Small shopkeepers and even dealers are now forced to buy their daily grocery supplies from GST compliant wholesale chains like Walmart and Metro cash. Aside from a slight price rise of daily use consumer goods, the unorganized sector also needs to maintain proper GST compliant bills and invoices to survive in the post-GST regime.

Many food retailers, especially Mithai shopkeepers are also confused about how to charge GST on different items in a single dish. For example, a ‘Mix vegetable’ contains different types of vegetables and even some fruits and dry-fruits, so whether they should charge different taxes or a single tax on the dish. Or should they stop making different varieties of dishes altogether just to keep a basic GST rate? The same problem is being faced by various other businesses.

**Creating Invoices and Filing Returns Not Easy**
Creating different invoices for goods with different GST rates can be tedious and time-consuming. SMEs are the most affected by this complex invoice maintaining system. SME owners have so many types of items with different GST categories. Maintaining separate invoices is uncalled for uphill task.

**Filing GST Returns Remains Error Prone**
The tax return filing procedure under GST is also becoming a major cause of a headache for small businesses. No one seems to be sure about the appropriate process for filing GST return. For now, people have to file only one return every month and an annual tax return. For this, you will have to fill GSTR-1 to GSTR-11 forms on GST online portal. If you are not sure about this, it would be wise to take the help of a CA.

**GST on Local (GST Exempted) Goods**
Clothing and footwear that cost below Rs. 500 are exempted from GST. But many shopkeepers, especially retail chains are still charging GST rate of 5% in their bills for such items. The fact that shopkeepers producing computerized bills and having an AC in the shop are allowed to charge GST on all their goods encourages such practices.

**Some Pertinent Issues for Small Traders**
GST implies additional operational costs for Small businesses. In a developing country like ours, not all SMEs will be able to afford the cost of computers and accountants required to implement GST (make bills and file tax returns). 28% GST rate on some products like plywood, automobile parts and electronic items forces potential buyers to opt for unregistered dealers. It is too difficult to assign MRP to handmade products like local shoes, Banarasi Sarees, etc. Most small artisans are illiterate and therefore unable to write MRP on their products and/or do any paperwork. Dealers are confused how to rates of such products. Small businesses that have a small turnover and need not pay GST face trust issues. Buyers demand bills from even those sellers who are exempted from GST. Without proof of certificate of GST exemption, small shop owners find themselves stranded and immobile.

**Issues for E-commerce Companies**

E-commerce giants like Flipkart, Amazon also have not escaped the aftereffects of GST rollout. TCS has to be collected by the e-commerce companies from the sellers at the time of payment. The capital blockage will hamper day to day operational cost due to TCS provisions. The GST council has fixed the 1 percent TCS over the deduction made while payment to the sellers.

**E-way Bill and Interstate Trade**

E-way bill had the potential to liberate interstate trade from all sorts of obstructions. The excitement could be felt among the slightly nervous business community. But on the day when the Finance Budget 2018 was being introduced to the Lower House, the lethargic GST network turned to be a major spoilsport and February 1 turned out to be a watershed moment for the upbeat government. The inability of the network to handle large volume e-way bill requests was at the forefront of public jokes and disappointment. Immediately e-way bill was rolled back. In the aftermath of the failure, goods carrying vehicles were left stranded and highways enjoyed pin drop silence for a few hours. The crumbling GST network has been in the spotlight from the very beginning and it continues to garner unwanted criticism and public grievances.

The GST Council need to find permanent scalable solutions rather than interim ones like the GSTR-3B. The sloppy GSTN Network raises serious concerns over the Government’s claim of a digital powered economy. GSTN is managed by Infosys, a premier IT services company. The e-way bill network was managed by the venerated NIC.

The GST E-way bill is a major concern for most of the companies which are regularly into the business of transporting goods and sending material over the locations, the transport company is
also trying to figure out how it would deal with the GST E-way bill provisions. As soon the bill expires the transport company or the trucker himself has to generate the GST E-way bill on his own. The GST Council must have taken all these concerns into strict consideration and ensured easy and simple e-way bill generation procedure which would be partially effective from April 1, 2018

Evaders Bonanza
The consistent policy rollbacks and amendments, powered by the glitchy GSTN Network, have enabled massive tax evasion. The benevolent composition scheme, as well as windows for filing quarterly returns, raises concerns about the intention and execution prowess of the government at the center. The increased pool of registered taxpayers has had little but no impact on Revenue generation. Only 70% taxpayers file returns regularly. A major headache is, however, the mismatch between initial and final returns filed by taxpayers. There is an estimated mismatch of Rs 34,000 crore tax liabilities reported in GSTR-1 and GSTR-3B. The present GST structure has no mechanism for checking discrepancies found between GST Returns for July-Dec and Final Returns. About 84% of the taxpayers were unable to correctly report revenue statements. The discrepancies and e-way bill failure demand that the GST Council now needs to take rigorous measures to tackle the menace of tax evasion through under-invoicing.

GST and Fiscal Fractures
The GST revenue shortfall promises large dents in the Centre and states’ fiscal applecart. The Center and State budgets will be pegged down by the gap in Tax revenue. The common man will find himself on the receiving end if such gap in revenue continues. To bring states on the same wavelength and approve GST, the government had offered state compensations to the tune of Rs 60,000 crore for July to March in FY18. In order to stay true to its pre-GST promises, it is estimated the Central Government will have to make payment to the tune of Rs 90,000 crore further in FY19.

Understandably, the Budget 2018 unleashed record taxation of over Rs 90,000 crore in the form of capital gains tax, increase in customs duty, cess and surcharge. The fall in revenue has further made states apprehensive about bringing petroleum products and real estate under the GST ambit.

Adapting to IT Ecosystem is Hard
Indian economy is majorly driven by small business unit’s i.e SMEs. It will be unfair to expect small-scale business firms to make the transition to an online IT platform and expect no errors in return filing. It is an uphill task for the majority of our working population which has little hands-on experience with IT solutions. The cost of SRP deployment is a major concern for micro-small-medium scale enterprises.

The Confusion

For a frictionless and less burdened GST, the government is looking to shore up revenues to the tune of Rs 1 lakh crore per month. It would be interesting to see if the Government still has the courage to take stern measures against tax evaders and other business firms involved in anti-profiteering activities. The GST was projected as India’s second tryst with destiny. However, the financial budget 2018 has thrown a wide plethora of taxes at the Indians to gobble up. Increased taxation it seems is the only way for generating operational revenues for a complex system like GST in the nonlinear Indian Demographics.

In conclusion, the present GST appears to deliver little on promises. The GST rollout it seems was done with very little homework both at operational and technical ends. For the time being, the GST Council needs to pay heed to grow public as well as taxpayer grievances. It must take note of the fact that policy must be designed to reduce the compliance burden on the taxpayers. Compliance strategies must include compulsory education and assistance programs and risk-based audit programs. It must also run communications campaign that enlightens the various effects as well as benefits of GST amidst businesses, consumers and important intermediaries.

**What is Goods and Services Tax Network (GSTN)?**

Launch of GST needs mega infrastructural support including IT facilities. So far, the Centre and State indirect tax administrations worked under different laws, regulations, procedures and formats and consequently they have independent IT systems. Integrating them for GST implementation and bringing them under an entirely new indirect tax system and administration need fresh institutional arrangement. For this task, the government has created Goods and Services Tax Network (GSTN).

**What is GSTN?**

The Goods and Services Tax Network (GSTN) is a non-government non-profit private limited company created for providing the front end and back end IT and infrastructural support for the
working of GST. It is registered as a non-profit Company under the New Companies Act in March 2013.

**Shareholding**

Given its non-government nature, the shareholding is important. Here, the Governments—centre, states plus UTs hold 49% of GSTN. Central government holds 24.5% while the remaining governmental share of 24.5% is held by states and UTs. It has an authorized capital of Rs.10 crore to establish and operate the IT backbone of GST.

The remaining 51% share is divided among five financial institutions—LIC Housing Finance with 11% stake and ICICI Bank, HDFC, HDFC Bank and NSE Strategic Investment Corporation Ltd with 10% stake each.

**Management**

Though the shareholding looks non-government, governments have more say in the management of GSTN. The Central and the state governments together have seven members in the 14-member GSTN board, including the Chairman. Private share-holders have only three members. The remaining three are independent members and a board-appointed chief executive officer. This means that the strategic control of the company lies with government.

**What are the functions of GSTN?**

The GSTN as a back end infrastructural support mechanism has the main responsibility of providing a well-built IT infrastructure and the related services to the Central and State Governments, taxpayers and other stakeholders, for the implementation of GST. GSTN would be integrating the common GST portal and will be connected with the existing tax administration IT systems.

**Administrative functions of GSTN**

GSTN as a tax administration platform is deeply connected with the existing administrative mechanisms. The common GST Portal developed by GSTN will function as the front-end of the overall GST IT eco-system. The common GST portal by GSTN will process applications for registration, payment, return and prepare MIS/ reports.

Similarly, the IT systems of CBEC (Central Board of Excise and Customs) and State Tax Departments (except Model I states) will function as back-ends. The work of back-end operation is to handle tax administration functions such as registration approval, assessment, audit, adjudication etc. Fifteen Model I state and CBEC are developing their own dedicated backend
systems as per the available information. This means that GSTN is doing the backend for remaining States and UTs.

**Functions of GSTN**

Following are the main functions of GSTN:

(i) Facilitating registration;

(ii) Filing and forwarding the returns to Central and State tax authorities;

(iii) Computation and settlement of IGST;

(iv) Matching of tax payment details with banking network;

(v) Providing various Management Information System reports to Governments.

(vi) Analysis of tax payers’ profile; and

(vii) Running the matching engine for input tax credit.

**What is GST Suvidha Providers or GSP?**

GSP or GST Suvidha Providers are third party IT vendors who develop the web or mobile base interfaces for taxpayers to interact with the GST network.

**Global Value Added Tax (VAT)/Goods and Service Tax (GST) Trends.**

The spread of Value Added Tax (VAT) or Goods and Services Tax (GST) system of Indirect taxes across the globe is showing an increasing trend with more than 160 countries. Countries introduced VAT/GST for different reasons depending on their existing tax system and in case of European Union (EU) to replace turnover taxes on account of the ease of handling cross border-transactions, facilitating development of common market and reducing trade and economic distortions. Another reason of countries adopting VAT/GST was to increase revenue from general consumption to cut down rate of income taxes. Revenue neutral approach was another reason (Norway, New Zealand etc.). Other counties moved to VAT/GST to consolidate and modernize existing tax structure comprising of multiple sales tax at different rates. This increasing trend towards VAT/GST can be attributed to key factors such as

1. VAT/GST preserves neutrality by taxing the value added by each factor equally;
2. Consumption tax is large and more stable source of revenue; and
3. Potentially self-enforcing in nature.
A roundup of VAT/GST structure of some of the major economies and taking stock as to rate of tax, threshold limits, exemptions, zero-rated transactions etc. would provide a guidance and allow legislators of jurisdictions, planning to introduce new tax regime or replace existing structure with revised structure, to learn from other consumption tax systems and adopt the best practice in laying the groundwork.

**European Union (EU)**

European Economic Community adopted VAT throughout Europe, replacing cascading multi-stage turnover tax, owing to the ease with which it handled cross-border transactions and facilitated development of a common market. Council Directive 2006/112/EC adopted in 2007 (‘VAT Directives’) codifies the provisions implementing the common system of VAT and Council Regulation (EU) No 282/2011(VAT Implementing Regulation) lays down binding implementing measures to ensure uniform application of the VAT Directive. The VAT Directive sets the framework for the VAT structure in the EU, but it gives national governments freedom to set the number and level of rates they choose and transport provisions of VAT Directives into national legislation, subject to below basic rules:

Supply of all goods and services in the course of business by a taxable person within EU is subject to VAT at a standard rate not lower than 15%, unless specifically exempt. EU member states can opt to apply one or two reduced rates not less than 5% for supplies of goods or services, such as foodstuff, water supplies, pharmaceutical, books, and admission to cultural/amusement/sporting services, social services, medical services and equipments, agricultural inputs etc., listed in Annex III of the VAT Directive. Member states may continue to charge any lower rates, including zero rates, which were in place on 1 January 1991, though they cannot introduce any new rate under 5%.

Activities and supplies in public interest, such as medical care, services linked to welfare and social security work by public entities or charitable organizations, certain education and cultural services; specific financial and insurance services; certain supplies of land and buildings; export of goods, intra-EU supplies etc. are exempt from VAT.

**Canada**
In Canada, GST is applicable on supply of most goods and services including real property and intangible personal property and is governed by Excise Tax Act. Canada has a federal government (like in India) and a federal GST was introduced in 1991 replacing the existing federal sales tax imposed on manufacturers and certain licensed wholesalers at a general rate of 13.5%. However, all provinces continued with the provincial retail sales tax (‘PST’) thereby having two levels of levy. The harmonized sales tax (HST) is imposed in provinces that have harmonized their provincial sales tax with the GST (New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario, Prince Edward Island) and is a combination of a federal component and a provincial component (i.e., 5 percent to 8 percent) applicable generally on same base of property and services as the GST. In the remaining provinces, GST is imposed on taxable goods and services along with provincial sales tax or a retail sales tax. The three territories (NorthwestTerritories, Nunavut and Yukon and Province of Alberta charge GST at the rate of 5%. Most goods and services supplied in or imported into Canada are taxable supplies and are subject to GST at the rate of 5% or HST in the range of 13% to 15% (federal component of 5% and provincial component of 8 to 10%) with certain exceptions based on policy decisions such as:

Exports and supplies of goods and services relating to basic needs of individuals such as drugs and biologicals, medical and assistive devices, basic groceries, agriculture and fishing, transportation and travel etc. are taxed at the rate of 0% (zero-rated)6.

Supplies of goods and services supporting public needs such as certain real property, healthcare, educational, child and personal care, legal aid, public sector bodies, financial services, ferry/road/bridge tolls etc. are exempted from GST/HST7.

**New Zealand**

The New Zealand GST, enacted in 1988, was designed as a comprehensive tax base including many difficult-to-tax goods and services. The New Zealand GST become an international benchmark for indirect tax design, for instance, the Institute of Fiscal Studies of United Kingdom, considered the New Zealand GST model as the benchmark for evaluation of the European VAT Directives8.
In New Zealand, GST governed by GST Act, 1985 is applicable on most indigenous goods and services, most imported goods, and certain specified imported services at a rate of 15%.

Goods include all types of personal and real property except actionable claims, money and products transmitted by a non-resident to a resident by means of wire, cable, radio etc. and by other such technical systems. Services cover everything other than goods or money.

Supply of certain goods and services such as exported goods and services, telecommunication services, supplier is a territorial authority and the consideration for the supply is proceeds from the local authorities, sales of going concern (slump sale), sale of land etc. are subject to GST at the rate of 0%.

Supply of certain goods and services such as private property (car or home not used for business), financial services such as interest payment on loan or bank fees, donated products and services sold by not-for-profit organization, rental on residential property, penalty interest etc. are exempt from GST.

Australia

Implementation of New Tax System package in Australia including New Tax System (Goods and Services Tax) Act, 1999 is considered as a landmark change to the Australian tax system. The new GST replaced the federal wholesale sales tax and some state and territory taxes with a single tax rate of 10% tax on supply of most goods and services with some exceptions.

The basic rule of GST in Australia is destination-based consumption tax with limited tax base exclusions.

Certain supplies such as certain food products, most medical and health services, drugs, medical aids and appliances, most education courses, child care, exports, religious services, international transport etc. are known as GST-free on which GST not payable (other counties refer to these as zero-rated).

Certain supplies such as financial supplies, residential rent, residential premises, precious metals, school tuck shops and canteens and fund raising events conducted by charities etc. are known as input-taxed supplies (other countries refer to these as exempt) and no GST is applicable on such supplies.

GST, the greatest tax reform since Independence is here. As are the challenges for businesses across the country. Like everything else, all is not smooth sailing for GST and there are some obvious challenges for businesses and end consumers which we will discuss in detail here.
Challenges That Businesses Need To Overcome in the GST Regime

Change in Business Software
Most businesses use accounting software or ERPs for filing tax returns which have excise, VAT, and service tax already incorporated in them. The transition to GST will require businesses to change their ERPs, too; either by upgrading the software or by purchasing new GST-compliant software. This will lead to increased costs of buying new software and training employees on how to use it.

ClearTax is the first company in India to launch a ready-to-use GST software. It is currently available at reduced prices for SMEs, to help them to transit to GST to smoothly. To ease the pain of the people, it doesn’t require you to update the existing software and provide free services for first 3 months.

GST Compliance
SMEs are still not completely aware of the nuances of the new tax regime. Changing over to a completely new system of taxation requires understanding of the minutiae, which businesses lack right now. Most of them are worried about filing timely returns, but it is important to note that even before businesses can reach the filing stage they have to issue GST-compliant invoices. For a traditionally pen-and-paper economy like India, this change to digital record-keeping is going to be massive. Invoices after 1st July will need to be GST-compliant with all details such as GSTIN, place of supply, HSN code etc. as mandated by the law.

The Clear Tax Bill Book web application, which is available for free on their site, is an easy solution to this problem. It will help every business issue GST-compliant invoices to their customers. These same invoices can then be used for return filing through the Clear Tax platform.

Increase in Operating Costs
Most small businesses in India do not employ tax professionals, and have traditionally preferred to pay taxes and file returns on their own to save costs. However, they will require professional assistance to become GST compliant as it is a completely new system. While this will benefit the professionals, the small businesses will have to bear the additional cost of hiring experts.

Also, businesses will need to train their employees in GST compliance, further increasing their overhead expenses.
Policy Change during the Middle of the Year
GST will go live three months into the financial year 2017-18. So, for FY 2017-18, business will follow the old tax structure for the first 3 months, and GST for the rest of the time. It is impossible to cross over from one tax structure to the other in just a day, and hence businesses will end up running both tax systems in parallel, which might result in confusion and compliance issues.

Online Procedure
GST compliance, return filing and payments all have to be done online. Many small businesses are not tech-savvy and do not have the resources for fully computerized compliance. Even as the rest of the nation gets ready to go digital, businesses in small cities across India face a huge technology problem in the days ahead.
Cloud-based software like the Clear Tax GST software could be an answer to this problem. This does not require any downloads, and the process for return filing on ClearTax GST is very simple. Business owners need only upload their invoices, and the software will populate the return forms automatically with the information from the invoices. Any errors in invoices will be clearly identified by the software in real-time thus increasing efficiency and timeliness.

Higher Tax Burden for Manufacturing SMEs
Small businesses in the manufacturing sector will not have it easy in the GST regime. Under the excise laws, only manufacturing business with a turnover exceeding Rs. 1.50 crores had to pay excise duty. Whereas, under GST the turnover limit has been reduced to Rs. 20 lakh, thus increasing the tax burden for many manufacturing SMEs. However, SMEs with a turnover of upto 75 lakhs can opt for the composition scheme and pay only 1% tax on turnover in lieu of GST and enjoy lesser compliances. The catch though is these businesses will then not be able to claim any input tax credit. The decision to choose between higher taxes or the composition scheme (and thereby no ITC) will be a tough one for many SMEs.

No clarity on tax holidays
Many manufacturers (textile, pharmaceutical, FMCG industries) enjoy tax holidays and state benefit schemes. There is still no notification regarding these benefits. This will mean increased costs for these industries, which will probably be passed on to the end consumers.

Disruption to Business
Cloth merchants (unorganized) are going on strike to protest against GST. Eateries and drug shops in Chennai are also threatening to protest the regime change - and this is only the tip of the iceberg. In the coming days, we can expect to see more of these protests happening across the country and these will undoubtedly disrupt business. If there's any solace, it's in knowing that other countries who implemented GST never had it easy either. Malaysia recently introduced GST in 2014 and faced nationwide strikes and protests. How the Indian government will handle these events is left to be seen.

**Conclusion**

The government is trying to reduce the burden of compliance for businesses by relaxing the return filing requirements for the first two months post implementation. Also, the provisions of TCS on e-commerce and registration for online sellers have also been relaxed for the time being. Change is definitely never easy. The government is trying to smoothen the road to GST. It is important to take a leaf from global economies that have implemented GST before us, and who overcame the teething troubles to experience the advantages of having a unified tax system and easy input credits.

Once GST is implemented, most of the current challenges of this move will be a story of the past. India will become a single market where goods can move freely and there will lesser compliances to deal with for businesses.

**GST: Lower tax rates would not solve the problems of small businesses entirely**

The Group of Ministers (GOM) led by Himanta Biswa Sarma, Assam's Finance Minister, has on Sunday recommended a few more reliefs for small businesses -- hike in turnover threshold for composition scheme to Rs 1.5 crore from the recently hiked Rs 1 crore per annum plus a uniform rate of goods and services tax (GST) of 1 percent under the composition scheme as opposed to the current rates of 1 percent, 2 percent and 5 percent respectively for traders, manufacturers and restaurateurs. Smallness would be coveted like never before if these recommendations are accepted.

Even the current dispensation provides the much-needed gravitas for smallness. On air-conditioners, the GST rate is 28 percent but not so on the entire amount if you purchase it from a small trader eligible for composition. He gets away with 1 percent and so do you even though he
is not allowed to charge GST in his invoice to the ultimate customer just as he is not entitled to
input tax credit hitherto paid by the supply chain.
The denial of input tax credit may not mean gloom and doom in a country where the last-mile
retail margin is heavy, in the region of 30 percent to 40 percent in a vast majority of cases with
medicines enjoying top-of-the-mind recall among the cognoscenti. In other words, the retailer’s
margin which is value addition of anything between 30 percent and 40 percent would get away
with just a rap on the knuckles -- 1 percent tax.
Etailers would be hit badly because supply to and through online portals such as Amazon or
Flipkart does not qualify for composition. ACs may witness sale only through small traders with
annual turnover of not more than Rs 1.5 crore that converts into a monthly turnover of Rs 12.5
lakh that in turn converts into a monthly sale of 50 ACs assuming an average price of Rs 25,000
per AC. That should leave everyone happy, including the small trader and the ultimate consumer
except the online portals who may have the mortification of seeing their turnover taking a dip in
favor of the bricks and mortar small traders who dot our rural and urban market scape. ACs is
just a metaphor for high tax GST items.
The result would be two-fold -- tremendous loss of revenue to the exchequer should the
smallness frenzy grip our trade with even the big ones courting and contriving it. And what
happens to your eloquent Hawaii chappals - BMW dichotomy, Mr. Jaitley? Finance Minister
Arun Jaitley never tires of reminding us the need for 5 rates of GST as opposed to a single rate of
18 percent written into the Constitution as canvassed by the Congress. He says the lowly Hawaii
chappals must be taxed lightly and the swanky BMW car must be taxed stiffly much to the
Communists’ delight. But aren’t you taxing AC, the metaphorical BMW, at 1 percent on as much
as 30 percent of its turnover assuming the last-minute retail margin on it to be 30 percent and
further assuming people thronging in droves to small shops for purchasing ACs? Indeed the one-
size-fits-all norm of 1 percent GST might come to haunt the government if the country witnesses
the smallness mania like never before. The 1 percent tax that he is not able to pass on to the
customers won’t be a burden at all given the huge retail margins the country is famous for.
The truth is the government and its ministers are clueless about the nature of difficulties faced by
the small businesses. Their difficulties do not center around rates because the GST imports is in
any case passed on to the ultimate consumer but around procedural and implementation hassles.
These need to be eased. India boasts just a 40 percent internet access unlike 100 percent by
countries like Sweden. And even this 40 percent is irrelevant because a lion’s share of it is through mobile networks whereas GST uploading presupposes and requires robust broadband network across the country.

GST Procedures
There are following four basic types of GST procedures:

Audits
Assessment
Demand and Recovery
Advance Ruling

Audits under GST
This is the process of auditing the records supplied and maintained by registered taxpayers on their GST accounts, to check their validity and accuracy and to assess the tax compliance level.

The audit process under GST will be completed in one of the following two ways.

1. Audit by Registered Dealer: Any dealer having an annual turnover above Rs. 1 crore will have to perform the audit himself by hiring a CA or CMA.

2. Audit by GST Authorities: For small dealers, the GST commissioner himself or one of his appointed officials will conduct the General audit.

For complex and/or high revenue cases, the department may choose to conduct a special audit by appointing a CA or CMA for the job.

Assessment under GST
The process of assessment involves the verification of tax liability of a particular taxpayer. There are following 5 types of assessments in GST.

1. Self Assessment: As the name suggests, the process involves every GST registered taxpayer self-assessing his/her tax liability (and penalties, if any), and filing the returns accordingly, for each tax period.

2. Provisional Assessment: In case if a taxpayer is not able to determine the taxable value of his goods/service or find the tax rate for the same, he can request a provisional assessment by one of the GST officials. Then, the person will be allowed to file returns and pay taxes on a provisional basis as instructed by the officer.

3. Scrutiny Assessment: A GST officer, in his own capacity or as instructed by the authorities, can conduct a scrutiny assessment to check the validity and correctness of the return filed by one
of the taxpayers. If any discrepancies are found in the return, the officer is allowed to ask for explanations from the particular taxpayer.

4. Summary Assessment: A summary assessment is done when there is no time to conduct a full assessment or if the delay in revealing the tax liability is going to harm the revenue interest. The respective officer, with the permission of the joint/additional GST commissioner, can produce the summary assessment to protect the revenue interest.

5. Best Judgment Assessment: It is done in the following two situations.
   Assessment of no return filing: The proper officer will assess the tax liability according to his best judgment for those taxpayers who have not filed their returns even after receiving a notice.
   Assessment of unregistered taxpayers: The officer will assess the tax liability of the persons who are liable to pay tax but have not obtained a GST registration yet. A notice will be sent to the concerned person.

Demand and Recovery of GST Tax
Based on the findings of the auditing and assessment of tax provisions and liabilities of various taxpayers, a show cause notice will be issued by the proper officer to the guilty taxpayers who have not paid taxes, paid wrong or incomplete taxes and/or claimed incorrect ITC or refunds.

Demands can be requested in any or all of the following cases:
- When tax is unpaid or paid wrong or short
- When a taxpayer collects tax but does not deposit the same to the government
- When CGST/SGST was paid on an IGST applicable supply and vice versa.

If demands are not paid even after the notice, the department can start tax recovery proceedings.

Advance Ruling
The GST has the provision for taxpayers to request advance clarifications from the authorities on specific tax related matters before starting a legal or any other proposed activity. The tax authority will produce a written decision or advance ruling to the applicant clarifying his/her queries on the specific issue.

How GST will impact Event Industry in India?
Details of GST on different types of events:
GST Rates on Non – Entertainment events:
1) Non-Entertainment events like conferences, seminars, marathons, workshops & Trainings, treks & trips which used to fall under 15% service tax category earlier will now fall under 18% GST tax category

2) Event who’s ticket price is less than INR 250 rupees will exempted from Goods & Services Tax. So, this is good news for small ticketed events.

GST Rates on Entertainment events:
1) Services by way of admission to entertainment events or access to amusement facilities including exhibition of cinematograph films, theme parks, water parks, joy rides, merry-go-rounds, go-carting, casinos, race-course, ballet, any sporting event such as IPL and the like would be taxed at 28% with availability of full Input Tax Credit.

2) Services by way of admission or access to circus, Indian classical dance including folk dance, theatrical performance, drama would be taxed at 18% with availability of full Input Tax Credit.

3) Exempted services – Services by way of right to admission to, –
Circus, dance, or theatrical performance including drama or ballet; award function, concert, pageant, musical performance or any sporting event other than a recognized sporting event; recognized sporting event; where the consideration for admission is not more than Rs 250 per person.

Ease of conducting Entertainment events:

GST is a great boon for Entertainment events. It will make life easier of entertainment events managers as now you don’t need to go to local Entertainment tax department for NOC. You can directly start selling tickets and pay the GST through the usual process.

GST’s Impact on selling event tickets online

Compulsory GST registration of Event Organizers selling tickets online:
1) As per the new rule, anyone who’s “selling tickets (or any other product) online” will have to be registered for GST. Yes! Even if your sales are less than INR 20 lacs annually, you still need to be registered for GST.

2) You may visit official website (https://www.gst.gov.in/) for GST Registration in case the same is not obtained yet.
2) The reason why you need to register under GST is because online e-commerce platforms are liable to collect TCS from you. Though government has deferred Tax Collected at Source provision to a later date.

3) The date hasn’t been announced yet, so it’s a quick relief for event managers still not registered under GST.

Collection of TCS by Online Ticketing Platforms:
1) Collection of TCS by online event ticketing platforms: All the e-commerce / online ticketing platforms are required to collect TAX collection at Source (i.e. TCS)
2) The rate of TCS would be maximum 2% (i.e. 1% CGST +1% SGST/UTGST).
3) TCS would be collected on the base value of the supply (Base Value = Ticket amount less applicable GST) and is to be paid to the government on monthly basis by the 10th of succeeding month.
4) You would be able to claim credit of the TCS against your GST output liability.

Responsibility of you as an event organizer selling tickets online:
1) You need to register and provide GST number to your online platform where you are selling tickets.
2) Prior to listing an event on any platform, you must provide us with your billing address for the event and location of the event in order to enable us to collect appropriate TCS and comply with GST Provisions

For End Consumers
Let us understand the impact of GST on the end consumer using movie halls as an example. In movie theaters (multiplexes), food and beverages are taxed at a VAT of 20.5% and an average of 30% tax is levied on tickets, depending on the state.

Movie tickets will attract GST at 28%. As food and beverages fall under the supply of food/drinks in outdoor catering, they will attract 18%. Thus, we see that the GST rates for the entertainment industry are lower than the VAT and Service Tax.

GST will have a mixed effect on the entertainment industry, depending on the states. For states with a high entertainment tax, GST will be beneficial as it will reduce the prices for the end consumers. However, GST will have a negative effect on states which already have a low entertainment tax.

As we see above, the GST impact on ticket prices will differ from state to state.
For Entertainment Industry Owners

Like the end consumers, even the entertainment industry will see a varied impact of GST implementation. Movie theaters and amusement parks may see either a positive or a negative impact depending on the state they are in.

Availability of ITC

ITC will now be available on the services component of activities like catering, renting of premises for movie halls, security costs which were not available under the pre-GST regime. So, the input GST paid when renting a premise can be adjusted with the output GST from selling tickets.

Thus, the tax burden on the owners of theaters, amusements parks etc. is set to reduce in the coming days.

Additional Tax by Municipalities

Municipal bodies have so far not had any share in entertainment taxes collected by states. However, there are reports that some states such as Madhya Pradesh, Rajasthan, and Gujarat which might ask their local bodies to charge entertainment tax. If local taxes become applicable, then the operating margins and profits, as calculated above, will be affected.

Conclusion

The impact of GST on the entertainment industry can be both positive and negative, depending on the state. Owners of movie halls, parks etc. stand to gain under GST thanks to the provision of input tax credit. However, the effect of any additional local taxes (if levied) needs to be seen.

Indirect Tax Turnover Approach

This approach, presented by the National Institute of Public Finance and Policy, estimates the base in a three step process. First, it estimates the goods base at the level of the States. This base is estimated by converting data on actual collections and statutory rates into a goods base. In other words, the effective rate becomes the basis for the estimation of the goods base. In the absence of data for all the States, the key assumption is that States collect revenues at the three rates (1 per cent, 6 per cent, and 14 per cent) in such a proportion so as to yield a total taxable base of Rs. 30.8 lakh crore.
In the second stage, the services base is estimated based on turnover data of 3.25 lakh firms from the newly available MCA database (this base is estimated at Rs. 40.8 lakh crore).

In a third stage, adjustments are made to this base to remove IT-related services, because a large part of them are exported, and to remove most of real estate and financial services from the base because of the manner in which these items will be treated under the GST. This adjusted base is then subject to an input-output analysis to deduct from the base taxable inputs used for service provision and also deduct services used as inputs into taxable manufacturing. All these adjustments result in an incremental services base (incremental to whatever has already been incorporated in goods) of Rs. 8.5 lakh crore and a combined base (goods and services) of Rs. 39.4 lakh crore.

This base, in turn yields a single RNR of 17.69 per cent under the scenario of having to compensate the States for the 2 per cent CST. The corresponding standard rate under current structures of taxation is estimated at 22.76 per cent. It is worth recalling that an earlier analysis based on the same methodology by NIPFP was presented to the Empowered Committee of the GST in February 2014. That analysis yielded an estimate of the RNR of 18.86 percent and a standard rate of 25 per cent.

Direct tax turnover Approach

A third approach—which was described in the Thirteenth Finance Commission—is based on using income tax data which are available for about 94.3 lakh registered entities (including companies, partnerships, and proprietorships but not charitable organizations). The data are classified into 10 sectors and 75 sub-sectors. These data allow the potential base for the GST to be calculated. Unlike the indirect tax turnover approach but like the macro approach, this approach yields a combined base for goods and services, rather than separate bases for goods and services.

The profit and loss accounts provide data on value of supply of goods and services (which is equivalent to turnover) to which can be added imports of goods and services. This yields the tax base of at about Rs. 222 lakh crore in turnover terms. Deducting the exempt sectors from this
base (petroleum, land component of real estate, the interest component of the financial sector, electricity, gem and jewellery, education, health, and agricultural produce) narrows the output tax base down to about Rs. 194 lakh crore.

Next, purchases are divided into 2 categories, those that reduce the base because of the availability of input tax credits and those that add to the base either because they are purchases by or from exempt sectors. The former include intermediate goods and services (Rs. 183 lakh crore) and capital goods (Rs. 6 lakh crore). The latter include purchases by exempt sectors (Rs. 25 lakh crore), purchases of primary goods (Rs. 11 lakh crore) and purchases from unregistered dealers Rs. 24 lakh crore). This yields an input tax base of Rs. 130 lakh crore.

Further adjustments are made to take account of the value added of firms that will fall below the exemptions threshold (removed from the taxable base); of the alcohol sector (removed from the taxable base); and the rail sector (added to the base because this sector is not part of the data set in the first place).

Putting all these together gives a potential tax base of Rs. 58.2 lakh crore, yielding a combined RNR of 11.98 per cent.

Single-rate GST: The higher the single rate, the greater the price impact. For example, a 14% rate would drive CPI higher by 1.0% if the producers don't factor in the input-tax credit and 0.7% if they do. An 18% single rate would increase prices by 2.5% with or without input tax credits. (Figure 10 shows the sensitivity to various rates). The items that may see the largest increase in prices are clothing and medicines. The (small) increase in food and beverages is largely because a number of even primary food items are currently taxed in some states (though not in all). As we have assumed the current tax rate to be an average of state tax rates, the average tax rate jumps from low single digits to the RNR, a substantial increase.

Dual-rate GST with a lower rate of 12 per cent and a standard rate of 18 per cent: This rate structure would correspond broadly to an RNR of about 15-15.5 per cent. As one can expect, this has low inflation impact given the small part of CPI that gets taxed at the normal tax rate an 18%
standard rate would impact CPI by -0.1% if all producers reacted to headline tax changes and 0% if they reacted after adjusting for input tax credits as well. Under this dual rate structure, food and beverages would see virtually no price increase and neither would fuel and light, which would be especially important for protecting poorer consumers.

Dual-rate GST with a lower rate of 12% and standard rate of 22%: This rate structure would correspond broadly to an RNR of about 17-18%. The inflation impact in this scenario lies in between the first and second scenarios: a 22% standard rate would drive a CPI increase of 0.3% if all producers reacted to headline tax changes and by 0.7% if they adjusted for input taxes: the increase is a reflection of hidden taxation, i.e. the headline taxes may be low, but an increase in input taxes would raise inflation. Health (excluding medicines) would see the highest increases.

McClure points out some adverse outcomes emanating from inefficient indirect taxation:

Differential tax regime on taxation of consumers on goods and services has adverse implications for economic neutrality as well as equity. Consumers with relatively strong preference for taxed goods are at disadvantage vis-à-vis consumers with the same income level but preferring consumption of non-taxed / less taxed services. The equity aspect refers to the fact that the higher income household allocates relatively proportion of their incomes on purchase of services. Failure to provide full tax offsets to the business firms leads to distortions of choice of methods of production based on the types of differentially taxed inputs and also impacts household consumption patterns. Taxation of capital goods without apt offsets to business is perhaps the most serious consequence of inefficient taxation system. This discourages savings and investment and decelerates growth of productivity. Domestic producers face competitive disadvantage in the absence of destination based taxation principle both between India and rest-of-world as well as across states.
Some states may have more complex tax regime as compared with some other states. Lack of proper coordination between the central and the state-level tax administration creates complexities and cost inefficiency.

Impact of GST on Agricultural Sector

Introduction

The impact of GST on agricultural sector is foreseen to be positive. The agricultural sector is the largest contributing sector the overall Indian GDP. It covers around 16% of Indian GDP. The implementation of GST would have an impact on many sections of the society. One of the major issues faced by the agricultural sector is the transportation of agriculture products across state lines all over India. It is highly probable that GST shall resolve the issue of transportation. GST may provide India with its first National Market for the agricultural goods. There are a lot of clarifications which need to be provided for rates for agricultural products. Special reduced rates should be declared for items like tea, coffee, milk under the GST.

Current Tax laws

There are certain food items like rice, sugar, salt, wheat, flour which are exempted from CENVAT. Under the state VAT, cereals and grains are taxed at the rate of 4%. Agricultural products go through a lot of licensing and a number of indirect taxes(VAT, excise duty, service tax) under the current tax laws.

State VAT is currently applicable to all the agricultural goods at each state, it passes through prior to final consumption. Although there are certain exemptions available from state VAT for certain unprocessed food products like meat, eggs, fruits, vegetables etc.

National agricultural market (NAM)

A scheme for the promotion of National Agricultural Market (NAM) is introduced by the central government. Involving all the farmer and traders in the regulated markets with a common e-commerce platform for a transparent, impartial trade of agri-commodities can be termed as National Agricultural Market. Due to the different state VAT and APMC (Agricultural produce market committee) law’s, implementation of NAM scheme would be challenging.
GST is crucial for creating a path regarding the successful implementation of NAM. Most of the indirect taxes levied on agricultural products, would be subsumed under GST. GST would provide each trader, the input credit for the tax paid on every value addition. This will create a transparent, hassle-free supply chain which would lead to free movement of agri-commodities across India.

Most of the agricultural commodities are perishable in nature. An improved supply chain mechanism due to GST would reduce the time taken for inter-state transportation. The benefit of reduction in time would be passed on to the farmers/retailers. Some states in India like Maharashtra, Punjab, Gujarat, Haryana earn more than Rs 1000 crores from charging CST/OCTROI/Purchase Tax. GST would subsume all the above taxes. Hence these states would need to be compensated for the loss of revenue.

**Impact of GST on Agricultural sector.**

GST is essential to improve the transparency, reliability, timeline of supply chain mechanism. A better supply chain mechanism would ensure a reduction in wastage and cost for the farmers/retailers. GST would also help in reducing the cost of heavy machinery required for producing agricultural commodities. Under the model GST law, dairy farming, poultry farming, and stock breeding are kept out of the definition of agriculture. Therefore these will be taxable under the GST.

Fertilisers an important element of agriculture was previously taxed at 6% (1% Excise + 5% VAT). In the GST regime, the tax on fertilisers has been increased to 12%. The same impact is on Tractors. Wavier on the manufacture of Tractors is removed and GST of 12% has been imposed. This is beneficial as now the manufacturers will be able to claim Input Tax Credit

India’s milk production in 2015-16 was 160.35 million ton, increased from 146.31mt in 2014-15. Currently, only 2% VAT is charged on milk and certain milk products but under GST the rate of fresh milk is NIL and skimmed milk is kept under 5% bracket and condensed milk is going to be taxed at the rate of 18%. Tea is probably one of the most crucial items in an Indian household. The price of tea might also increase due to the tax rate of 5% under GST rate from the current average VAT rate of 4-5% with Assam and West Bengal with the exception of 0.5 and 1%.

**Conclusion**

An increase in the cost of few agricultural products is anticipated due to the rise in inflation index for a brief period. Though, implementation of GST is going to benefit a lot, the farmers/
distributors in the long run as there will a single unified national agriculture market. GST would ensure that farmers in India who contribute the most to GDP, will be able to sell their produce for the best available price.

**Impact of GST on Education Sector in India**

The Right of Children to Free and Compulsory Education Act of 2009 has made education not only compulsory but has also made the Govt. responsible to provide education at economical rates. The Council has kept education sector free from its ambit. Services related to education, provided by any educational institution to its students, faculty and staff like transportation, catering, mid day meals, admissions, examinations, housekeeping etc. have been exempted under GST. The educational institutions that have been granted the exemption from GST are pre-schools and higher secondary educational institutes both private and Govt.

The exemption has also been granted to the services provided by the Indian Institutes of Management to their students, by way of the –

1. Two year full-time residential PG programs in Management for Post Graduate Diploma in Management, admission in which is granted via CAT.

2. Fellowship programs in Management.

3. Five Year Integrated Programs in management studies (but excludes the Executive Development Program).

The education services provided by the below are also exempted from GST:

1. National Skill Development Corporation set up by the Government of India
2. Sector Skill Councils approved by the National Skill Development Corporation
3. Assessment agencies approved by the Sector Skill Council or the National Skill Development Corporation
4. Training partners approved by the National Skill Development Corporation or the Sector Skill Council are also included w.r.t the following programs:

The National Skill Development Programme implemented by the National Skill Development Corporation.

A vocational skill development course under the National Skill Certification and Monetary Reward Scheme.

Any other Scheme implemented by the National Skill Development Corporation”.

1. Higher Education Institutions and Private Institutions

The exemption under GST has been granted just for pre-schools till higher secondary education and since universities and other advanced educational institutions have not been mentioned in the exception list, and thus GST of 18% is expected to be levied on this.

Higher education in the private segment will end up being more costly and in turn, rivalry for admissions in government schools/colleges/foundations will increment. There will be a 3 to 5% of the obligation jump on the cost of administrations that will over the long haul impact the common man. The burden will be the most on middle class families who obtain education loans or put their life-long savings into educating their wards at reputed institutions.

2. Coaching Institutes

Coaching institutes form an integral part of education today as clearing competitive exams and entrance exams seems just impossible without taking professional coaching on how to clear and attempt them. GST has raised the rate of taxes to 18% from 14% for these coaching institutes. This will be a burden for all parents whose child is about to start coaching for IITs and other competitive examinations.

3. Cost of Organizing Events

Any educational/training events organized in India by foreign entities which are attended by professionals, individuals and overseas participants as well would be taxed under GST.

Impact of GST on real estate

Albeit GST in real estate is welcome move, however, lack of its effective implementation in true essence and spirit as provided under the scheme of the GST Act, due to certain notifications
(which devise a new set of mechanism for calculations of GST liability completely overriding the scheme as provided in the Parent Act) has left a huge financial impact deep inside the pockets of real estate developers and the ultimate purchasers.

1. Broad legal position:
   I. As per GST law:
      i) GST is levied on supply of goods and/or services;
      ii) As per section 15 of CGST Act, The value of a supply of goods or services or both shall be the transaction value, which is the price actually paid or payable for the said supply of goods or services or both where the supplier and the recipient of the supply are not related and the price is the sole consideration for the supply.

   II. Constitutional position:
      i) The land is state subject and this is also clear from a perusal of Entry 5 of Schedule III of the CGST Act which expressly excludes “sale of land” from the ambit of GST. This means that GST is only on the supply of construction service (which includes both materials & services).
      ii) The Article 265 of the Constitution of India, specifically states that, “No tax shall be levied or collected except by authority of law”

2. Implications of Notifications No. 8/2017-Integrated Tax (Rate) & 11/2017-Central Tax (Rate)
   As per notifications in case of supply of service involving transfer of property in land or undivided share of land, as the case may be, the value of supply of service and goods portion in such supply shall be equivalent to the total amount charged for such supply less the value of land or undivided share of land, as the case may be, and the value of land or undivided share of land, as the case may be, in such supply shall be deemed to be one third of the total amount charged for such supply. For above purposes “total amount” means the sum total of (a) Consideration charged for aforesaid service; and (b) amount charged for transfer of land or undivided share of land, as the case may be.

3. Cumulative effect of the GST law and notifications:
   Notifications provide method of valuation by way of deduction of 1/3 (being deemed land value) of total consideration, which is contrary to section 15(1) of CGST Act since the same provides the transaction value of supply of goods and/or services as the basis for calculation.
4. Blatant anomalies

i) Since the land is state subject and the circle rates for land are determined by the state government after exercise of valuation and therefore such valuation should not at least be contradicted and/or disputed by the Union Government, as the same would tantamount to transgressing upon the federal structure of the Constitution of India. The limit may not be transgressed even under a pretense or disguise of doing something that is permissible; such transgression may in substance and reality would be an attempt to achieve something that is prohibited and tantamount to achieving desired result in an indirect and circuitous manner.

ii) The determination of value of land as fixed 1/3rd in all the cases throughout India hypothetically in a mechanical manner without any basis, logic, scientific study, ground realities, the nature of construction, the purpose for which it is used, its situation, its capacity for profitable user and other relevant circumstances etc. is against the law and judicial pronouncements; As a matter of fact the value of land varies from place to place even in same locality and by no means it can be determined as the same (that is 1/3rd) throughout India; The value of land depends on various factors including its usage (that is residential/commercial), location, FAR permissible, etc. This proposition of law had also been clearly established by the Hon’ble Delhi high court in the case of “Amit Gupta V. GNCTD & Others” WP (C) 3591/2014; 

a) Let us take an example: In Delhi, the Circle Rates of Lands in various Categories are different and the highest being the ‘A’ Category priced at Rs. 7,74,000/- Per Sq. Mtrs. And the Lowest being ‘H’ Category priced at Rs. 23,280/- Per Sq. Mtrs. Based on these calculations, for a plot of land of 1000 Sq. Mtrs. In A category, like Prithvi Raj Road, New Delhi, (say ‘PLOT A’) price would be Rs. 77,40,00,000/- while that of H category like Aya Nagar Village (say ‘PLOT B’) would be Rs. 2,32,80,000/-, therefore land value of land in A category is about 3300% than the value of land in H category. This distinction in valuation of two different plots is as per Delhi Government Rules/ Circle Rates Policy. Likewise, the construction rates in A category are Rs. 21960/- Per Sq. Mtrs. And that in H Category are Rs. 3480/- Per Sq. Mtrs. Assuming covered area in both buildings (since of same size) is 1400 Sq. Mtrs. And the construction costs are same as per circle rates, the construction value on Plot A would be Rs. 3,07,44,000/- while that on Plot B would be Rs. 48,72,000/-. In case these plots are being sold at under construction stage to prospective buyers then Juxta positioning the impact of GST on these two transactions pre and post situations would make viz-a-viz the said Notifications:-
From the above example it is amply clear that the land has been taxed indirectly by way of the Notifications;

Further, if we breakdown the per sq. Mtrs. cost of construction comes to about Rs. 5,67,498/- Per Sq. Mtrs. in A category colony. These figures can get even more interesting in case of commercial property, at approx. Rs. 17,02,491 Per Sq. Mtrs. since land rates in such cases are three times the value of residential land; It is noteworthy that the above rates of Per Sq. Mtrs. construction costs, itself reveals that the method of calculations is absurd and needs to be rectified.

The most interesting part of these deemed valuations is that they have no direct relation to actual costs incurred and irrespective of usage, nature and quality of construction, the methodology of determining the costs remain the same.

Various tenders floated /contracts awarded by Union Government from time to time may be checked and verified to ascertain per sq. Mtrs. Cost of construction of any residential / commercial project;

b) The courts have time and again resorted to the application of maxim `what cannot be done directly cannot be done indirectly'. Further, the said notifications are an indirect invasion on federal structure of the Constitution.

c) There cannot be two different valuations for same piece of land that is one for payment of stamp duty to state government and the other for payment of GST to the Union;

5. Impact of these notifications qua concerned matters on foreign investments and Ease of Doing Business;

i) Foreign investments are directly related to the transparency and clarity of law and ease of doing business in any country;

ii) These notifications if not amended/ rectified will seriously shake the trust of the foreign and domestic real estate developers and investors. And at the same time, it will adversely affect the local home buyers and a genuine home buyer will end up paying much more than he deserves to pay. This will adversely affect the salary class and the middle class of the society making homes expensive and thus further harboring inflation.

What will make GST world class?
The first feature that the GST design must have is a comprehensive base. Tax should apply to all goods and services. The traditional approach of exempting basic necessities and items consumed by the low-income strata (e.g., food, medicines, health care and education) have been found to be ineffective in helping those in need. Their benefits are distributed disproportionately to the rich. Moreover, they give rise to classification disputes and make compliance more complicated particularly for small and medium enterprises. International best practices suggest no such exemptions. New Zealand is an example where such a comprehensive model is followed. An important element of the tax base is real property (land, buildings and structures). In modern VAT jurisdictions, no distinction is made between movable and immovable property, and tax applies seamlessly to both. Exclusion of land from the tax base gives rise to many complications. For instance, let us consider the current work contract system under the VAT and service tax. As per current rules, works contract is divided in three parts - value of services, value of land and value of goods. The division among the three components is ad-hoc and arbitrary, which gives rise to significant complexities in applying the tax when contractors or sub contractors are involved in furnishing supplies. There is significant litigation on the definition of what constitutes a work contract. For instance, whether an agreement for sale of an apartment prior to its construction constitutes a work contract is a disputed matter. There is no clarity in the Constitution (A) Bill about whether real property will be subject to GST or not. Tax could apply to the entire price of the agreement as per one interpretation or to the price of supplies under such agreements. Equally, the Constitutional provision could be interpreted, such that no part of the supplies would be taxable. Such an interpretation would create a huge gap or hole in the GST base. One unfortunate consequence of the exclusion of real estate from GST would be an increase in cascading. Builders and contractors would not be able to get input tax credit for goods, equipment, material and services that go into real estate construction. The resulting cascading burden will be substantial, which will only deter investments. It will defeat the basic purpose of GST, i.e., to reduce tax cascading. Similar concerns hold true in the case of other sectors such as petroleum and alcohol, which states are proposing to exclude. The Centre has failed to persuade states to fully include these sectors under the GST base. Even the compromise that the Centre has proposed for zero-rate petroleum is being resisted
by States. The second important feature of GST is tax rate. The Empowered Committee announcement suggests that the rate is likely to be 12% for basic necessities and 27% for all other goods and services. Such a high rate structure is unviable for the Indian economy and will lead to massive non-compliance.

There will be disputes about classification of goods and services in the low- and high-rate baskets. Most importantly, the high tax rate will be devastating for the services sector, which has been the engine of growth for the economy. Currently, indirect taxes collected by the Centre and States in India amount to 5% of GDP. It should be possible to raise this quantum of revenue from tax rates in the range of 12%, provided the base is comprehensive. A tax at this single uniform rate will simplify tax administration, encourage voluntary compliance and minimize disputes. It can convert a vicious cycle of “narrow base - high rate - low compliance – narrow base-higher rate” to a virtuous cycle of “wider base-lower rate-better compliance-wider base-lower rate”. Another key feature in the GST design is the “place of supply” rules for dividing the tax base among States. The so-called place-of-supply rules developed until now and approved by the Empowered Committee are modeled after the rules that apply at a national level. Their application at the State level is not simple or straightforward and requires much greater thought than has gone into it. For instance, the current version of the rules defines the place of service on the basis of the place where the supplier is located, the place where the recipient is located and the place where services are performed. In the case of many of the services, none of these indicators help in determining a unique place of supply. The supplier could be based in multiple locations within India, and could be supplying from one or more of them. Even the customer could be based at multiple locations. A case in example is advertising services, which could be offered from any of the locations of an advertising company to a customer with business establishments in multiple locations. The rules would need considerable refinement to tackle such issues at a sub national level. The last component of GST is the design of a single IT platform – the GST network - for the core functions of GST administration, i.e., registration, filing and processing of returns, payments and refunds. The use of a single platform for both Centre and State GSTs will require full harmonization of policy and procedures across India. While the details of the system are yet to be put in place, the benefits of the system are undisputable. In fact, without a harmonized system,
the GST can degenerate into a tax jungle of 36 taxes rather than transforming the existing tax system. It is the opportune time for the Government, industry and professionals to collaborate their efforts to design a world class GST. Until now, the Empowered Committee has been a fortress, with minimal opportunity for stakeholders to have a constructive dialogue on issues going into policy making. A modern tax reform of this magnitude is not possible without the active and significant participation of taxpayers. A successful GST has to be one that is of the tax payers, for the tax payers and by the tax payers.

Lessons for the GST from international experience: possibilities and pitfalls

However, the good things associated with the VAT do not come automatically. They require effective administration and coherent policy. One possible advantage of a VAT over a cascading tax, for instance, is that a tax-compliant company will want its suppliers to be compliant too — otherwise its input prices while being increased by the tax amount that those suppliers have paid on their own inputs but, being oncompliant, cannot recover through the crediting mechanism of the VAT. Therefore, it can form “good” chains of compliance. By the same token, however, a company, which is not compliant, prefers its suppliers not to be compliant either, since otherwise its input costs will rise by the full amount of the tax. So there can be “bad” VAT chains too. Encouraging good chains and thwarting bad ones is a core administrative challenge. Policy decisions can also undermine the inherent strength of a VAT, maybe even more fundamentally. One danger is excessive differentiation of rates across various goods and services. This evidently adds to the costs of administering and complying with the tax - the lawyers, of course, relish it. However, it may be a very inefficient way of achieving policymakers’ objectives. Pressures to set reduced rates on goods largely consumed by the poor, in particular, are well-intentioned, but consequences are often not well understood. For while the least well off may spend a large proportions of their income on some item than the rich. The rich, being richer, may very well spend a large total amount on it. And so they get the bulk of the benefit, perhaps by a very long way. An OECD study for Mexico some time ago found, for instance, that for each US$100 of revenue foregone only about $4 goes to the poorest ten percent. The real question is then, in this example, if the government has US$100 to spend on helping the poorest, could it not find some other
way that benefited them by at least US$4? In economies with sophisticated income-related benefits the answer is almost surely yes. Even in countries with much crude instruments to pursue poverty alleviation, however, these may provide a better approach than very poorly targeted price-based measures. Reduced rates may be much less compassionate than they look. Another set of dangers relates to treatment of goods and services that are desired to be taxed at particularly high rates, perhaps because of the harm they cause to those who use them, or to others, or maybe just because they are good revenue-raisers. Alcohol, tobacco and petroleum are the classics. These distinct considerations do not mean that these products should be subject only to special taxes outside the VAT. Policy coherences require that they be subject to special taxes and the VAT. VAT aims to raise revenue, not to discourage the consumption of particular things by making them more expensive relative to others. The aim of the special taxes, however, is to do both. This generally means these should be in “specific” form, charged as fixed monetary amounts, not a percentage of the price, (the local pollution that petroleum causes, for instance, depends on how much is burned, not how much it cost). Suppose then we charge specific taxes of this kind on these particular items, but not VAT. Then increasing (for instance) the VAT rate will actually make them cheaper relative to everything else, so encouraging their use. Clear policy becomes harder to make. Charging both (with VAT on top of the special tax) avoids such unintended side effects. Perhaps the most intrinsically difficult design problem that has had to be faced in India is the treatment of interstate trade. As the EU has learnt, zero rating “exports” between countries, or states, that have no border controls between them makes the system vulnerable to fraud. This problem is inevitable in federations that wish to operate sub-national VATs. Moreover, it is arguably the main reason why many of the last adopters of the VAT are federations in which sub-national jurisdictions have extensive powers in indirect taxation. This, of course, is where the similarity with the US comes in. In India, the IGST is an imaginative attempt to solve the problem, which no one else has yet managed to do. It has its complexities. But much of the tax world will watch with particular interest how it works — certainly in the EU, and, who knows, maybe in the US too.
Some states have represented that they would like to have the flexibility of changing the SGST rate within a particular band so that they preserve their autonomy. Do you feel such autonomy is desirable?

In my view, a single rate should be applicable across the country – the principle of a simple and standardized GST levy. Multiplicity of rate would create undesired complexities and distortions. Also, narrow rate bands are not going to be beneficial for States. Thus, it is best that such concepts are not made a part of the GST design.

Do you see the likelihood of a partial GST roll-out, with some states going in at the first stage and the rest follow suite later, like it happened in VAT implementation?

No, I do not see this materializing. I strongly believe that the entire country will move in a united manner toward this reform. What is, however, possible is that we are not able to implement a perfect GST to begin with, but that we improvise on it over the years. The Constitution amendment must be very broad, so that we have the ability to improvise.

**With regard to the median rate of tax under GST, a recent NIPFP study suggests that the revenue neutral rate works out to 27%. What is your reaction to this?**

The suggested rate seems extremely high. Once GST is in force and taxes on the supply of goods and services are merged, the tax base would expand. This would make tax evasion very difficult. Therefore, on the same rate, revenues will rise. The increased tax collection of State governments when they moved from sales tax to VAT regimes is a case in point. Although rates were kept moderate under VAT, collections increased. A 27% rate of GST could potentially have a negative effect on the economy. In such a scenario, in my view, collection will decrease. So, I think it is not reasonable at all. In my view, GST should be around 18% to begin with. If tax collections dip, governments should consider increasing the rate in later years.

**Now if we talk about the impact of GST on the businesses in India, what do you think will be the high points or the big positives of the GST coming in?**
There will be several positives. A reasonably framed GST will lead to a GDP growth addition of 2 percentage points, other things being equal. In addition evasion will be very difficult, and reasonable rates of tax will yield more revenues leading to lower consumer prices and higher consumption, and so on. Also, GST implementation will lead to lower logistics and manufacturing costs. It will create more tax efficiency and neutrality for exports, clearly giving an impetus to both goods and services exports. It will create a virtuous cycle. In my view, people do not attribute sufficient credit for the strong growth enjoyed by the country between 2004 and 2008 to the change from the archaic sales tax regime to a broad-based and more efficient VAT regime. VAT introduction removed several distortions and made the tax framework more consistent across States. This, in my view, clearly helped the business environment. I also think people have not sufficiently realised that Chinese growth acceleration in the 1990s was due to them reforming their indirect tax systems. Similarly, GST would boost growth in India. To my mind, if we move to GST, we can have several years of high GDP growth, possibly 10%+.

**Do you think there are any big threats or downsides of GST?**

Not at all; I do not see any downsides for any stakeholder, be it the Central or State governments, or trade, or consumers.

**What would you advise the business houses, how should they approach GST and what they should be thinking of GST?**

They need to plan well for its implementation. While it will help everybody, it will be most beneficial for B2C businesses. It will also help B2B businesses because the general economy will improve. Given that it is a positive change, it will throw up opportunities, which businesses can capitalize on. Better planning would ensure greater outcomes.

**Do you really think that April 2016 is realistic for the implementation of GST, as is being assured by the governments?**

I think it is very doable; it is a question of how it is being handled. Our Hon’ble Finance Minister is paying a lot of attention to this, and it appears to be one of his most important agenda items. Therefore, I see GST being implemented by April 2016. There are some political matters to be
addressed, but I am confident that the present Government will be able to address them proactively.

**Are you happy with the Government’s steps towards internal preparedness such as IT system (GSTN) and administrative structure?**

I am quite happy with the progress being made. GSTN development seems to be on track and is being managed professionally. I am certain that it is working to a time frame to be ready for a roll-out much before April 2016. Also, I do not see any significant challenges on the administrative side; the Centre and State governments should be able to chalk out a workable organisation structure for administrating GST.

**Any other thought on GST that you would like to share?**

I cannot think of any other reform in the country that can collectively add as much value as this reform to economic growth and market development. However some parties, including the business community, do not realize the beneficial effect of this reform. In this light, it is extremely important that all their energies are focused on GST’s implementation. I am confident that GST is going to be a reality soon and I am looking forward to it.

**What does GST mean for the infrastructure sector?**

The proposed Revenue Neutral Rate (RNR) of about 27% has sent the industry into a spin, making it imperative that the tax structure of the infrastructure supply chain is carefully thought out under GST. Given that the underlying premise of a GST is widening the tax base while minimising exemptions, the key issue for the sector is the continuity of current concessions and exemptions under GST and its plausible impact on credit chains and costing. This aspect needs to be resolved through active engagement between stakeholders and the Government. For example, at present, there are no indirect taxes on the output of the power sector, except electricity duty levied by States. As a result, all input taxes (such as capital expenditure on setting up power plants and duties and taxes on coal) are a cost to power companies. If power is kept out of the ambit of GST and there is no concessional GST on the input side (like the 2% CST and service tax of 12.36%), the 27% GST paid on procurements will significantly increase the cost for this sector. There are similar skews in other sub-sectors. In the mining sector, VAT is generally
applicable, whereas excise duty is not leviable on most products arising out of mining. For roads, VAT is generally applicable on goods used for construction, whereas service tax is exempt on the actual construction of road. Furthermore, in the railway and port sector, construction, erection and commissioning services are exempt from service tax. On the contrary, rail travel services are partially taxable and port services are fully taxable. Thus, it would be critical as to how each of these sectors is handled under GST.

II. India’s Tax Regime

Tax policies play an important role on the economy through their impact on both efficiency and equity. A good tax system should keep in view issues of income distribution and, at the same time, also endeavor to generate tax revenues to support government expenditure on public services and infrastructure development. Cascading tax revenues have differential impacts on firms in the economy with relatively high burden on those not getting full offsets. This analysis can be extended to international competitiveness of the adversely affected sectors of production in the economy. Such domestic and international factors lead to inefficient allocation of productive resources in the economy. This results in loss of income and welfare of the affected economy. For a developing economy like India it is desirable to become more competitive and efficient in its resource usage. Apart from various other policy instruments, India must pursue taxation policies that would maximize its economic efficiency and minimize distortions and impediments to efficient allocation of resources, specialization, capital formation and international trade. With regard to the issue of equity it is desirable to rely on horizontal equity rather than vertical equity. While vertical equity is based on high marginal rates of taxation, both in direct and indirect taxes, horizontal equity relies on simple and transparent broad-based taxes with low variance across the tax rates. Traditionally India’s tax regime relied heavily on indirect taxes including customs and excise. Revenue from indirect taxes was the major source of tax revenue till tax reforms were undertaken during nineties. The major argument put forth for heavy reliance on indirect taxes was that the India’s majority of population was poor and thus widening base of direct taxes had inherent limitations. Another argument for reliance on indirect taxes was that agricultural income was not subjected to central income tax and there were administrative difficulties involved in collecting taxes. The ratio of indirect taxes to GDP in India increased from 3.99 per cent in 1950-51 to 13.32 per cent in 1985-86. It then decline to 10.95 per cent in 1999-2000 and increased thereafter to 12.7 per cent in 2008-09.
In order to simplify and rationalise indirect tax structures, Government of India attempted various tax policy reforms at different points of time. Through 1950s to 1970s, base of the indirect taxes particularly excise duties was widened. In case of excise duty, attempts were made to curb the consumption of luxury and semi luxury items, mopping excess profits in the case of commodities in short supply and for encouraging exports. In 1975-76, a general levy of one per cent ad valorem covering all goods produced for sale or other commercial purposes not specified in the central excise tariff was imposed with exemptions for a few items. Around the same time, it became evident that indirect taxes lead to undesirable effects on prices and allocation of resources. The Government of India constituted Indirect Taxation Enquiry Committee in 1976 headed by Shri L. K. Jha to study the structure of indirect taxes, central, state and local level taxes and suggest policy reforms. Indirect Taxation Enquiry Committee submitted its report in 1978. The committee found a major problem with indirect tax regime as it had caused unintended distortion in the allocation of resources and cascading effects. The committee recommended that indirect taxation should move towards taxation of final products and introduce modified form of value added tax. However, a major obstacle in rationalisation of indirect tax system was the levy of tax on commodities by government at different levels viz., centre, state and local authorities. This multiple taxation provides incentives for tax evasion and undermines efficiency. Further, there is lack of uniformity in the pattern of commodity taxation resulting in harassment to the public by multiple tax authorities. Heavy reliance on indirect taxes for raising revenue was also found to increase cost and fuel inflation. The Government of India introduced the Long Term Fiscal Policy (LTFP) on 19 December 1985 for prudent fiscal management. LTFP was expected to provide a definite direction and coherence to annual budgets and to bring about a greater predictability and stability in the economic system. It would provide rule based fiscal and financial policies rather than discretionary approach. Further, it would also facilitate effective coordination of different dimensions of economic policies. Major reforms in excise and customs taxation were proposed under LTFP. These reforms were considered for progressively moving from discretionary, quantitative restrictions and physical controls to non-discretionary fiscal methods. The major reforms announced under Union excise taxation aimed at reducing the number of effective rates after harmonisation of the tariff classification with the custom nomenclature and implementing a modified system of value added taxation, i.e., MODVAT. Excise duty is collected as CENVAT introduced in 2000 through re-naming of
MODVAT of 1986. However, fillip to tax policy reforms came in with the introduction of economic reforms in 1990s. It was realised that a complex tax structure involving both the centre and the states taxing production and sales of commodities was not fostering efficiency in the economic activities. The presence of central sales tax acted as constraint to inter-state trade movement and contradicted the idea of India being a common market. The Government of India constituted Tax Reforms Committee under the Chairmanship of Dr. Raja J. Chelliah in August 1991 so as to bring comprehensive reforms in the Indian tax system. The Committee suggested policy reform measures to restructure both direct and indirect tax systems. For indirect tax, the Committee recommended reduction in the general level of import tariffs comparable with similar developing countries, reduction in dispersion of tariff rates and abolition of end use exemptions. The excise duty was to be progressively converted from MODVAT to VAT. Some specific recommendations of the Tax Reforms Committee included higher import tariffs on finished goods than basic raw materials and moderate rates for components and machinery. Central excise duties were to be restructured into three-rate MODVAT regime at the manufacturing level at 10, 15 and 20 per cent and selective excise on nonessential commodities at 30, 40 and 50 per cent. The 1990s tax reforms brought structural changes in the tax system. These reforms aimed at correcting imbalances in the sources of revenues through increasing the share of direct taxes. In July 2002, Government of India constituted a Task Force under the Chairmanship of Dr. Vijay Kelkar to suggest measures for simplification and rationalisation of indirect taxes. The Task Force recommended various measures including trust based customs clearance, automation and modification of CENVAT rules to remove the distinction between capital goods and inputs. On central excise, all duties should be replaced by only one levy, the CENVAT. Scope of service tax should be expanded.

A system of VAT on services at the central government level was introduced in 2002. The states collect taxes through state sales tax VAT, introduced in 2005, levied on intrastate trade and the CST on interstate trade. The Government of India constituted a Task Force on implementation of Fiscal Responsibility and Budget Management Act, 2003 to chalk out a framework for fiscal policies to achieve FRBM targets. Task Force headed by Dr. Vijay L. Kelkar made a number of recommendations. Among others, it suggested an All India goods and services tax (GST) which would help achieve a common market and widen the tax base. It recommended that the multiplicity of tariffs should be reduced to three components viz., basic customs duty,
additional duty and anti-dumping duties. All exemptions should be removed barring life saving drugs, security items, goods for relief and charitable purposes and international obligations. Despite all the various changes the overall taxation system continues to be complex and has various exemptions. The Report of the Task Force on implementation of the FRBMA, chaired by Dr. Vijay Kelkar, submitted its Report in July 2004. It has recommended introduction of a national VAT on goods and services (GST) which would help improve the revenue productivity of domestic indirect taxes and enhance welfare through efficient resource allocation. The Joint Working Group of the Empowered Committee of the State Finance Ministers submitted its report on the proposed Goods and Services Tax (GST) to the Finance Minister in November 2007. A dual GST, one for the Centre and other for the states, would be implemented by 1 April 2010. The new system would replace the state VAT and the CENVAT. Most of the indirect taxes would be subsumed under GST except for stamp duty, toll tax, passenger tax and road tax. All goods and services would be taxed with some exceptions. There is a debate on the specific rate of the GST within a band varying from 12 to 20 per cent. Nevertheless the move to GST would be one of the most important indirect tax reforms in India. An “Empowered Committee of the State Finance Ministers” (EC), constituted by the Government of India in July 2000, submitted a White Paper on State-Level Value Added Tax in January 2005. It suggested state VAT to have two basic rates of 4 per cent and 12.5 per cent. There is an exempt category and a special rate of 1 per cent for a few selected items.

The items of basic necessities and goods of local importance are put under the exempted category. Special rate of 1 per cent is applicable for Gold, silver and precious stones. The 4 per cent rate applies to other essential items and industrial inputs. The 12.5 per cent rate is residual rate of VAT applicable to commodities not covered by other schedules. There is also a category with 20 per cent floor rate of tax, but the commodities listed in this schedule will not be subjected to VAT. This category covers items like motor spirit (petrol, diesel and aviation turbine fuel), liquor, etc. VAT system makes provision for eliminating the multiplicity of taxes. Several State taxes on purchase or sale of goods have been subsumed in VAT. It also permits input tax credit. Since VAT is implemented intra-state and does not cover inter-State sale transactions. Input credit is
not available for inter-state purchases. Further, exports will be zero-rated, and at the same time, credit will be given for all taxes on inputs purchases related to such exports.

**Gainers: the industries which will gain are:-**

**Logistics**
With the "Indian manufacturing", with the rapid growth of e-commerce growth, participation in logistics companies may be profitable. Indian container companies, Inter globe Airways, Allcargo, Aegis Logistics, Adani Special Economic Zone, Gujarat Power and others will be boosted.

**Automobiles**
Small carmakers Maruti, Hyundai and Tata Motors, cherish Hero Motors, Echia Motors, and Baja Jay Motors cherish, and are an enormous benefactor.

**FMCG**
Giant fast-paced goods firms cherish geographical region Levers, P & G, Godrej and ITC area unit seemingly to learn from lower tax and supply prices durables. Most firms within the business can have the benefit of lower tax and supply prices.

**Cement**
The main investment within the infrastructure business, the demand for many cement firms is rising. With the consumption tax, reducing prices can more increase India's infrastructure wants and overall value reductions.

**Losers:**

**Luxury car manufacturers**
Luxury cars will become more expensive, thus increasing the pressure on existing low sales.

**Mobile phones**
Mobile phone buyers now have to pay more for the phone.

**Restaurants**
Now eat, now spend more time to hit the salaried class.

**Branded Jewellery**
Brand jewellery will become more expensive, such as the Titan Company; due to high cost of gold imports have been suffering.

**Pharmaceutical**
Most pharmaceutical companies may see an increase in indirect taxes, and consumers must pay more than the current price. It is likely to see protests in the next few days.

Utilities
As electricity sales stop consumption tax, the cost of using coal and renewable energy companies may increase costs.

Oil and Gas
Aviation turbines, high-speed diesel, crude oil and other non-consumption tax-free petroleum products, if double indirect taxes cannot be eliminated, will lead to rising costs.

**Challenges to smooth transition to GST regime**
In 2013, a replacement GSTN was created and chargeable for making and maintaining an outsized range of IT infrastructures required taking care of a consumption tax infrastructure.

There are twenty-nine states and federal territories that remodel existing business into one seamless integration platform that may effectively manage the registration method, filing and observance, and taxpayers’ settlement isn’t straightforward. The problem is that the gap between the IT infrastructure running on totally different platforms in every country, further as changes in technical quality. Additionally, to the IT infrastructure, thanks to the standard of IT employees, GST on the road before the promotion of skills is proscribed, thus countries should settle for the coaching of latest platforms, it'll be a challenge GSTN faces a significant challenge because the government's goal is to implement a consumption tax from July 1, 2017.

**How GST can impact a standard man's budget**
The Goods and services tax (GST) entry has been simple if the trade can support. The question is that however taxation system (GST) can impact a standard folk’s budget. In India, product and services tax is getting down to be one among the most important tax reforms. It effects not solely to the business man however conjointly on the soul. The initial impact to be change by the purchasers to vary their costs in keeping with product and services tax rates. In consumer’s purpose of read, impact of GST rates may be leading all the costs sort of a smorgasbord. Within the long run good thing about GST square measure likely in addition in terms of higher input
credits, it's anticipated that the inflationary impact can return down and costs, in general, would return down and stabilize.

Within the family budget, there square measure probably to be some obvious gainers and a few obvious losers however once the law and valuation of commodities reach steady state, all customers ought to gain. we've provided many examples to elucidate the impact of GST on the soul, the impact on valuation on account of extra credits and therefore reduced price of provide is separate.

GST is anticipated to bring bigger transparency, improve compliance levels and build a standard taking part in field for businesses. By amalgamating a number of central and native taxes. It might amendment the present tax regime of production-based taxation to a consumption-based system. there's little question that the company would profit once they settle in below GST and assess the impact on their various businesses; but, the benefits to the soul could take longer to be apparent.

when adjustment in many taxes before product and Services Tax, the aftermath holds tax relief particularly as a result of there'll be a discount in costs for FMCG merchandise like chocolates, shampoos, conjointly little cars, booking air tickets, DTH etc. feeding out can also become cheaper, as earlier the service tax and VAT along created feeding out experiences quite serious on the pocket. Currently VAT is applicable solely on places that enable alcoholic drinks. Otherwise, GST has replaced service tax.

On the opposite hand, there'll be increase in costs for luxury cars, gold, textiles, aerated beverages, and tobacco. In terms of costs, services would be costlier at the onset of GST. However, within the long-standing time, advantages of GST can kick in terms of reduction in inflation and better input credits, thus, transferral down most of the costs for product and services.

The rate for services has augmented from V-day to eighteen. Thus, in short-term, the soul can encounter third rise in commission costs, however conjointly like GST within the following ways:

It is expected that the buyer would conjointly reap the advantages of the new tax regime, once the company have transitioned complete.
Restaurant Bills I actually have visited an eating place and purchased a food for Rs. 2000 in urban centre, thus below GST, A food at AN AC eating place shall draw eighteen. I have pay Rs. 360 as tax and post GST however post GST VAT @12.5% and services tax @ 6 June 1944 charged. I actually have paid 370 as tax.

Air Travel I actually have travelled in domestic economy category on a price tag of two,1000 thus below GST; A travelling category is five-hitter non-exempt. Just in case of business category cosmopolitan GST rates is larger to 12-tone system from Sep 11 below service tax. Post GST travels in domestic economy category on a price tag of two, 000, services tax at 6 June 1944.

Holidays I actually have stayed in hotels that have tariff quantity of Rs.10, 000 an evening. In pre GST the gross taxation rates ranged from nineteen to twenty fifth, In Post GST, since tariffs between 1,000 and 2,500 would have GST of twelve the concerns, and between Rs.2,500 and 7,500 would have GST of eighteen

Car Expenses In Pre GST , I actually have taken AN olla or Uber and therefore the ride prices Rs.100, Post GST marginal saving since cab facilities would attract at five-hitter as compared to six services.

Banking and Insurance In Post GST rates is services are going to be a lot of expensive and Pre GST services is services are going to be less.

Other family Expenses In post GST food costs unlikely to travel up within the vary of zero to five.

In post GST FMCG merchandise likes to become cheaper. In post GST services like salon, dry machine and phone to become costlier owing to third increase in rate.

Real Estate In post GST twelve discipline be levied ensuing inflation below construction property for one large integer. In Pre GST (both VAT and Services tax) rate of around five.5%.

The on top of examples can assist you perceive the impact of GST on soul in a very easier manner. The impact on evaluation as a result of extra credits and reduced value of offer are 2 separate aspects. Product and services tax shall bring larger transparency in taxation regime in Bharat and enhance compliance levels for making common taking part in field for businesses and leveling the central and native taxes accountably.
GST has undoubtedly modified the sooner tax regime taxation that was production-based, to now- consumption primarily based system. The soul, within the long would be benefited from GST in terms of infrastructure and economic process of the country, and lots additional.

The goods & services tax (GST), that is probably going to play a giant role in boosting growth in Asia’s third-largest economy, is probably going to spice up earnings of the many corporations in sectors that have a high presence of associate unorganised market.

The GST rates for one, 211 merchandise don't show any major deviation from this effective tax rates except within the case of some shopper merchandise within which the council tried to attenuate inflationary impact.

“Historic expertise shows that the implementation of GST may lead to disruption for brief amount of your time as businesses go with the new tax regime associated ends up in a transaction in inflation,” he said.

The biggest beneficiary of the GST implementation would be the sectors that have a high share of unorganised section. It’ll achieve lower tax incidence, reduction in provision prices, higher compliance etc.

“We feel consumables like FMCG, dairy farm business would mostly profit; provision and reposition sector would benefit each qualitatively and quantitatively because the time spent on the state borders drops so saving each fuel and time to achieve the destination,” Arun Thukral, MD & CEO, Axis Securities told Money control.

“Small cars can get slightly costlier, whereas SUVs can attract a further cess. the ability sector can gain because the rate for thermal coal has been classified below five % vs eleven.7 % earlier,” he said.

Decoding: What will GST mean for you?

We have collated a listing of ten stocks that analysts suppose may gain advantage the foremost from the implementation of GST.

Hindustan Unilever (HUL)

HUL is predicted to realize market share with the implementation of GST as business shifts from unorganised to organized section. HUL can enjoy moving to a moderately lower eighteen % tax block and its major raw materials- shopper staples falling within the lowest tax labs (0-5 percent).
Further, progressive advantages could arise from the input tax credits. Broad-based portfolio of brands, innovative pipeline, strong distribution network (enhanced specialize in direct reach expansion) & government thrust to stimulate the agricultural economy can facilitate HUL.

**Individual Interface with GST**

**Central Goods and Services Tax Section, 2017**

**NO. 12 OF 2017 [12th April, 2017.]**

GST is an Act to make an arrangement for exact and accumulation of assessment on intra-State supply of products or administrations or both by the Central Government and for issues associated therewith or coincidental thereto.

Presentation of GST has been instituted by Parliament in the Sixty-eighth Year of the Republic of India as takes after: —

1. Terminology, Applicability and Commencement—Understanding for regular folks
   (1) This Act might be known as the Central Goods and Services Tax Section, 2017.
   (2) It stretches out to the entire of India.

It became effective on such date as the Central Government may, by notice in the Official Gazette, name:

Given that unique dates might be chosen for various arrangements of this Act and any reference in any such arrangement to the beginning of this Act should be interpreted as a kind of perspective to the coming into power of that arrangement.

**Idea/Definitions**

In this Section, unless the setting generally requires,—

(1) "Noteworthy claim" this has an indistinguishable cognizance from specified in act 3 of the Transfer of Property Section, 1882;

(2) "Address of conveyance" implies the address of the recipient of merchandise or benefits or both considers the expense receipt issued by an enlisted individual for conveyance of such products or administrations.

(3) "Address on record" implies the address of the recipient as accessible in the records of the great or administration provider.

Given that distinctive dates might be selected for various arrangements of this Act and any reference in any such arrangement to the initiation of this Act should be interpreted as a source of perspective to the coming into power of that arrangement.
(4) "settling specialist" implies any expert, apportioned or approved to endorse any request or choice GST Section, however does exclude the Central Board of Excise and Customs, the revisional Authority, the Appellate Authority for Advance basic leadership, the Appellate Authority and the Appellate Tribunal.

(5) "specialist" remains for a factor, intermediary, commission operator, arhatia, del credere operator, a salesperson or some other business operator, by whatever name called, who carries on the matter of supply or receipt of products or administrations or both for the benefit of another; According to act86 'Where a specialist executes with any assessable products for his foremost, in this condition both the gatherings, mutually be subject to pay the expense payable on such merchandise under this Section.'

Further, Schedule I regards following as supply (regardless of whether without worried) of merchandise.

(a) Principal to his operator where the specialist attempts to supply such merchandise for the benefit of the important.

(b) An operator to his essential where the specialist starts to get such products for his key.

(6) "total turnover" implies the combined estimation of every single assessable product (aside from the estimation of internal supplies on which impose is payable by a man on topple charge premise), absolved supplies, fares of merchandise or benefits or both and between State supplies of people having a similar PAN, to be ascertained on all national baisi however rejects focal duty, State assess, A union act assess, incorporated expense and cess.

Act23 stipends alleviation from getting enrollment to:

a. Any individual affianced totally in the matter of providing products or administrations or when both are not obligated to assess or entirely excluded from impose under this Actor under the Integrated Goods and Services Tax.

b. An agriculturist, to the degree occupied with developing product and development of it.

(7) "Agriculturist" implies an individual or a Hindu Undivided Family who embraces development of land—

(a) by claim labor/works, or

(b) by the of family, or
(c) by hirelings on day by day payouts payable in real money or kind or by adhoc work under onec's immediate supervision or the supervision of any mindful individual from the family; The term farming is been secured under segment 23, wherein it's predetermined that an agriculturist are not at risk for enrollment under the demonstration.

Further, vide Not. No. 3/2017-CT in the event of Cashew nuts, not shelled or peeled, Bidi wrapper leaves (tendu) and tobacco leaves the risk to pay GST on supply is thrown on the beneficiary enrolled individual.

(8) "Redrafting Authority" implies a man selected or approved to deliver requests as alluded to in act107.

(9) "Re-appraising Tribunal" implies the Goods and Services Tax Appellate Tribunal constituted under act109.

(10) "Selected day" implies the date on when the arrangements of GST Section, might be compelling from.

(11) "Evaluation" procedure of settling on the duty obligation under this Act and incorporates self-appraisal, impose re-evaluation, temporary appraisal, rundown appraisal and best judgment appraisal;

(12) "Related endeavors" this have an indistinguishable significance from assigned to it in act92A of the Income-charge Section, 1961.

(13) "Audit" this could be translated as evaluation of records, returns and different archives kept up or outfitted by the enrolled individual under this Act and the principles made there under or some other law for the anytime to confirm the exsecutioness of turnover declared, taxes paid, refund guaranteed and input charge credit profited, and to survey his consistence with the arrangements of this Act and the guidelines made there under;

According to act35 (5) of 'Each enlisted individual whose turnover amid a budgetary year surpasses the recommended restrain might get his records examined by a sanctioned bookkeeper or a cost bookkeeper and should present a duplicate of the audited yearly records, the compromise explanation under

(14) "Approved bank" might mean a bank or a branch of a bank approved by the Government to gather the assessment or some other sum payable under this Section;
(15) "Approved delegate" implies the agent as alluded to in act116; 58

(16) "Board" a collection of master individuals Central Board of Excise and Customs constituted under the Central Boards of Revenue Section, 1964.

(17) "Business" incorporates

(a) Any exchange, trade, produce, calling, employment, enterprise, bet or some other comparative movement, regardless of whether it is for a financial advantages.
(b) Any movement/exchange in relationship with or supplementary or auxiliary to sub-statement (a);
(c) Any movement/exchange in the idea of sub-condition (a), regardless of whether there is an amount, recurrence, normality of such exchange;
(d) Acquisition of products including capital merchandise and ventures in association with starting or conclusion of business;
(e) Provision by a club, contribution, society, or any such body (for a membership or some other thought) of the offices or advantages to its individuals.
(f) Admission, for a thought, of people to any premises.
(g) Services provided by a man as the holder of an office which has been acknowledged by him in the course or encouragement of his exchange, calling or livelihood;
(h) Any administrations gave by a dashing organization by method for permit to book producer in such an organization.
(i) Any sectionion/exchange started by the Central Government, a State Government or any neighborhood expert in which they are locked in as open specialists;

The term 'business' could be of importance for act7, which expresses that supply ought to be in the course or assistance of 'business'.
The meaning of the term 'business' is extremely huge, any little and single exchange could be secured under its ambit.

Further, it is solely given that any exchange attempted by the Central Government, a State Government or any nearby specialist in which they are locked in as open experts will likewise qualify as business and business exchanges.

(18) "business vertical" stands for a recognizable segment of an undertaking that is occupied with the supply of individual products or administrations or a gathering of related merchandise or
administrations which is liable to dangers and returns that are not the same as those of alternate business verticals.
For the motivations behind this proviso, factors that ought to be considered in deciding if products or administrations are connected include—
(a) Type/nature of the products or administrations;
(b) Type of the generation forms;
(c) Category/class of clients for the merchandise or administrations;
(d) Methodologies used to convey the merchandise or supply of administrations; and
(e) Nature of administrative condition (wherever appropriate), including saving money, protection, or open utilities.
Anybody having more than one business verticals in a State/UT may get separate enlistment for every business vertical, subject to such conditions as might be recommended [act25 (2)].
(19) "Capital merchandise" depicts such products, the estimation of which is promoted in the books of record of merchandise guaranteeing the information impose credit and which are expected to be utilized as a part of further preparing of business.
The term capital products is currently charsectionerized in a straightforward way (when contrasted with recent CENVAT Credit Rules) to express that capital merchandise mean merchandise, the estimation of which is promoted in the books of records.
(20) "easygoing assessable individual" means a man who once in a while attempts exchanges including supply of merchandise or benefits or both in the course or facilitation of business, regardless of whether as vital, specialist or in some other limit, in a State or a Union region where he has no settled place of business;
Creator remarks: according to act25 even an easygoing assessable individual or a non-inhabitant assessable individual might apply for enrollment no less than five days preceding the initiation of business. According to Act24 easygoing assessable individual needs to acquire enlistment, independent of the limit.
(21) "Focal expense" it's a focal products and ventures assess connected under act9 of GST.
(22) "Cess" it has an indistinguishable importance from gave to it in the Goods and Services Tax (Compensation to States) Section.
(23) "Contrsectioned bookkeeper" implies a sanctioned bookkeeper as charsectionerized in proviso (b) of subact(1) of act2 of the Chartered Accountants Section, 1949;
(24) "Magistrate" implies the Commissioner of focal duty and incorporates the Principal Commissioner of focal expense delegated under act3 and the Commissioner of coordinated assessment designated under the Integrated Goods and Services Tax Section;
(25) "Magistrate in the Board" implies the Commissioner alluded to in act168;
(26) "Normal entry" implies the regular products and ventures assess electronic entryway alluded to in act146;
Creator remarks: Vide Not. No. 4/2017-CT gst.gov.in is advised as the Common Goods and Services Tax Electronic Portal for:
  a. Encouraging enlistment
  b. Installment of duty
  c. Outfitting of profits
  d. Calculation and settlement of incorporated expense and
e. Electronic way charge
(27) "regular working days" in regard of a State or Union region should mean such days in progression which are not pronounced as gazetted occasions by the Central Government or the concerned State or Union region Government;
(28) "Organization secretary" implies an organization secretary as charsectionerized in statement (c) of subact(1) of act2 of the Company Secretaries Section, 1980;
(29) "Capable expert" means such specialist as might be advised by the Government;
(30) "joined supply" implies a supply made by an assessable individual to a beneficiary comprising of at least two assessable supplies of merchandise or benefits or both, or any blend thereof, which are normally packaged and provided in conjunction with each other in the customary course of business, one of which is an important supply;

(an) A composite supply comprises of at least two wares, one of which is a central supply, might be dealt with as a supply of such key supply;

(b) A blended supply involving at least two supplies might be dealt with as supply of that specific supply which pulls in the most noteworthy rate of assessment.
According to act 2 (90) "key supply" remains for the supply of merchandise or administrations which constitutes the real component of a compound supply and to which some other supply shaping piece of that composite supply is subordinate.

"Thought" in connection to the supply of products or administrations or both incorporates (an) installment made, regardless of whether in cash or some other method of installment, in regard of, in light of, or for the motivating force of, the supply of merchandise or benefits or both, whether by the beneficiary or some other individual however it wo exclude any money related help given by the Central Government or a State Government.

(b) The monetary estimation of any demonstration or tolerance, in regard the supply of merchandise or benefits or both, regardless of whether by the recipient or by some other individual however should exclude any appropriation given by the Central Government or a State Government.

Given that a store done in setting of the supply of products or administrations o installment made for such supply unless the provider applies such store as thought for the said supply;

The term 'thought' could be charsectionerized as, even installment by some other individual than a beneficiary can qualify as thought. Any sponsorship given by the Central Government or a State Government might not shape some portion of thought. As respects, stores (regardless of whether refundable or not) given in regard of the supply of merchandise or potentially benefits it is expressed that the same should not be considered as installment made for the supply unless the provider applies the store as thought for the supply.

"Thought" in connection to the supply of merchandise or benefits or both incorporates (an) installment made, regardless of whether in cash or some other method of installment, in regard of, because of, or for the motivation of, the supply of merchandise or benefits or both, whether by the beneficiary or some other individual yet it wo exclude any budgetary help given by the Central Government or a State Government.

(b) The financial estimation of any demonstration or mercy, in regard the supply of merchandise or benefits or both, regardless of whether by the recipient or by some other individual yet should exclude any appropriation given by the Central Government or a State Government.

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The term 'thought' could be characterized as, even installment by some other individual than a beneficiary can qualify as thought. Any appropriation given by the Central Government or a State Government should not shape some portion of thought. As respects, stores (regardless of whether refundable or not) given in regard of the supply of merchandise and additionally benefits it is expressed that the same should not be considered as installment made for the supply unless the provider applies the store as thought for the supply.

(32) "constant supply of products" to clarify supply of merchandise, or consented to be provided, ceaselessly or on rehashed premise, under an agreement, regardless of whether by methods for a wire, link, pipeline or other channel, and for which the provider solicitations the beneficiary on a customary or intermittent premise and incorporates supply of such products as the Government may, subject to such conditions, as it might, by notice, determine;

The term constant supply of products is utilized as a part of the act31 (4) which depicts as far as possible for discharging a receipt as 'nonstop supply of merchandise, where continuous articulations of records or succeeding installments are included, the receipt is been issued earlier or at the time each such proclamation is issued".

"ceaseless supply of administrations" implies a supply of administrations which is given, or consented to be given, constantly or on intermittent premise, under an agreement, for a period surpassing three months with occasional installment commitments and incorporates supply of such administrations as the Government may, subject to such conditions, as it might, by notice, indicate;

(34) "Transport" incorporates an art, a flying machine and an engine vehicle.

(35) "cost bookkeeper" remains for a cost bookkeeper as charsectionerized in provision (c) of sub-act(1) of act2 of the Cost and Works Accountants Section, 1959;

(36) "Gathering" remains for the Goods and Services Tax Council built up UA-279A of the Constitution of India.

(37) "Credit note" implies a record issued by an enlisted individual under sub-act(1) of act33.

(38) "Charge note" implies a record issued by an enlisted individual under sub-act(3) of act34.

(39) "Considered fares" means such supplies of merchandise as might be informed under act147.

(40) "assigned specialist" means such expert as might be informed by the Board;
(41) "archive" incorporates composed or printed record of any kind and electronic record as charsectionerized in condition (t) of act2 of the Information Technology Section, 2000;
(42) "downside" India numerous merchandise are created and sent out, the refund of obligation, impose or cess chargeable on any foreign made sources of info or on any household information sources or information administrations utilized as a part of the generation of these great, could be clarified as disadvantage of the framework.
(43) "Electronic money record" it alludes to electronic trade record out Sub Sec. (1) of act49.
(44) "Electronic trade" supply of merchandise or benefits or both, including advanced items over web/computerized media.
(45) "electronic trade administrator" individual who works his business/and business exchanges by means of advanced or electronic office or stage for electronic trade;
(46) "Electronic credit record" alludes to electronic credit record alluded to in sub-act(2) of act49.
(47) "excluded supply" clarifies the things those which are exempted nil rate of expense/which are completely absolved from assess under act11, or under act6 of the Integrated Goods and Services Tax Section, and incorporates non-assessable supply;
(48) "existing law" remains for winning guidelines and directions, warning, arrange, at present in power to impose and gathering of obligation or assessment on products or administrations or both passed or made before the initiation of this Act by Parliament or any Authority or individual having the ability to make such law, notice, request, lead or control;
(49) "family" means,– –
(I) spouse/Wife and offspring of a person
(ii) guardians, great guardians, kin of an individual in the event that they are totally or principally reliant on the said individual;
(50) "Settled foundation" remains for a place (other than the enrolled place of business) which is portrayed by a sufficient level of strength and appropriate association as far as human and specialized assets to supply benefits, or get benefits according to require.
(51) "Reserve" implies the Consumer Welfare Fund built up under act57;
(52) "Merchandise" incorporates sort of portable property other than cash and securities yet incorporates significant claim, developing yields, grass and things joined to or framing some
portion of the land which are consented to be disjoined before supply or under an agreement of supply.

(53) "Government" implies the Central Government;

(54) "Merchandise and Enterprises Tax (Compensation to States) Section" implies the Goods and Services Tax (Compensation to States) Section, 2017;

(55) "merchandise and enterprises impose specialist" implies any individual who has been affirmed under act48 to go about thusly professional;

(56) "India" it covers an area of India as informed to in article 1, of the Constitution, its regional waters, seabed and sub-soil fundamental such waters, mainland rack, elite monetary zone or some other sea zone as alluded to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Section, 1976, and the air space over its region and regional waters;

(57) "Incorporated Goods and Services Tax Section" implies the combined Goods and Services Tax Section, 2017.

(58) "Incorporated assessment" alludes to a joined products and ventures charge imposed under the Integrated Goods and Services Tax Section.

(59) "input" implies any products other than capital merchandise utilized or proposed to be utilized by a provider in the course or advancement of business;

(60) "input benefit" implies any administration utilized or expected to be utilized by a provider in the course or facilitation of business;

(61) "Info Service Distributor" alludes to an office of the provider of merchandise or administrations towards the receipt of information administrations and issues a pre charesectionerized report for the reasons for circulating the credit of different state and focal expenses i.e. focal assessment, State impose, coordinated duty or Union domain charge paid on the said administrations to a provider of assessable merchandise or benefits or both having a similar Permanent Account Number as that of the said office;

(a) the incorporated products and enterprises impose charged on import of merchandise;

(b) the assessment payable under the arrangements of sub-sections (3) and (4) of act9;

(c) the assessment payable under the arrangements of sub-sections (3) and (4) of act5 of the Integrated Goods and Services Tax Section;
(d) the assessment payable under the arrangements of sub-sections (3) and (4) of act 9 of the particular State Goods and Services Tax Section; or
(e) the duty payable under the arrangements of sub-sections (3) and (4) of act 7 of the Union Territory Goods and Services Tax Section, yet does exclude the expense paid under the synthesis exsection;

(62) "area of the beneficiary of administrations" implies,—
(a) where a supply is gotten at a position of business for which the enrollment has been acquired, the area of such place of business;
(b) where a supply is gotten at a place other than the place of business for which enrollment has been acquired (a settled foundation somewhere else), the area of such settled foundation;
(c) where a supply is gotten at more than one foundation, regardless of whether the place of business or settled foundation, the area of the foundation most specifically worried about the receipt of the supply; and
(d) without such places, the area of the standard place of living arrangement of the beneficiary;

(63) "area of the provider of administrations" implies,—
(a) where a supply is produced using a position of business for which the enrollment has been gotten, the area of such place of business;
(b) where a supply is produced using a place other than the place of business for which enrollment has been acquired (a settled foundation somewhere else), the area of such settled foundation;
(c) where a supply is produced using more than one foundation, regardless of whether the place of business or settled foundation, the area of the foundation most specifically worried about the arrangements of the supply; and
(d) without such places, the area of the standard place of living arrangement of the provider;

(64) "fabricate" implies handling of crude material or contributions to any way that outcomes in development of another item having an unmistakable name, charsectioner and utilize and the expression "maker" might be interpreted as needs be;
(65) "showcase esteem" should mean everything which a beneficiary of a supply is required to pay keeping in mind the end goal to acquire the merchandise or administrations or both of like
kind and quality at or about a similar time and at a similar business level where the beneficiary and the provider are not related;

(66) "receipt" or "duty receipt" implies the expense receipt alluded to in act31;

(67) "Internal supply" in connection to a man, should mean receipt of products or administrations

(68) "work" implies any treatment or process embraced by a man on merchandise having a place with another enrolled individual and the articulation "work laborer" might be interpreted in like manner;

(69) "neighborhood specialist" means—

(a) a "Panchayat"

(b) a "District"

(c) Local organization experts Municipal Committee, a Zilla Parishad, a District Board, and some other specialist lawfully qualified for, or endowed by the Central Government or any State Government with the control or administration of a metropolitan or nearby store;

(d) a Cantonment Board as charsectionerized in act3 of the Cantonments Act2006;

(e) A Regional Council or a District Council constituted under the Sixth Schedule to the Constitution;

(f) A Development Board constituted under article 371 of the Constitution; or

(g) A Regional Council constituted under article 371A of the Constitution;

(70) "Information impose credit" implies the credit of information assess;

(71) "Intra-State supply of products" might have an indistinguishable importance from doled out to it in act8 of the Integrated Goods and Services Tax Section;

(72) "Intra-State supply of administrations" should have an indistinguishable importance from doled out to it in act8 of the Integrated Goods and Services Tax Section;

(73) "Area of the beneficiary of administrations" implies,—

(a) Supply is gotten at a position of business for which the enrollment has been acquired, the area of such place of business;

(b) Where a supply is gotten at a place other than the place of business for which enrollment has been acquired (a settled foundation somewhere else), the area of such settled foundation;
(c) Where a supply is gotten at more than one foundation, regardless of whether the place of business or settled foundation, the area of the foundation most specifically worried about the receipt of the supply; and

(d) without such places, the area of the standard place of home of the beneficiary;

(74) "Area of the provider of administrations" implies

(a) Supply is produced using a position of business for which the enrollment has been acquired, the area of such place of business.

(b) Supply is produced using a place other than the place of business for which enlistment has been gotten (a settled foundation somewhere else), the area of such settled foundation.

(c) Supply is produced using more than one foundation, regardless of whether the place of business or settled foundation, the area of the foundation most specifically worried about the arrangements of the supply; and

(d) Absence of such places, the area of the typical place of habitation of the provider.

(75) "Make" alludes handling of crude material or contributions to any way that outcomes in rise of another item having a particular name, charsector and utilize and the expression "producer" might be translated as needs be.

(76) "advertise esteem" alludes everything which a beneficiary of a supply is required to pay with a specific end goal to acquire the products or administrations or both of like kind and quality at or about a similar time and at a similar business level where the beneficiary and the provider are not related;

(77) "blended supply" implies at least two individual supplies of products or administrations, or any mix thereof, made in conjunction with each other by an assessable individual at a solitary cost where such supply does not constitute a composite supply;

(78) "cash" alludes to an Indian lawful delicate or any outside money, check, promissory note, bill of trade, letter of credit, draft, pay arrange, explorer check, cash arrange, postal or electronic settlement or some other instrument perceived by the Reserve Bank of India when utilized as a thought to settle a commitment or trade with Indian legitimate delicate of another category yet might exclude any cash that is held for its numismatic esteem.

(79) "engine vehicle" alludes to an indistinguishable significance from relegated to it in condition (28) of act2 of the Motor Vehicles Section, 1988;
"non-inhabitant assessable individual" any individual who every so often embraces exchanges including supply of merchandise or benefits or both, regardless of whether as important or operator or in some other limit, however who has no settled place of business or living arrangement in India;

"Non-assessable supply" remains for or administrations or both which isn't leviable to charge under this Acton under the Integrated Goods and Services Tax Section.

"Non-assessable region" implies the region which is outside the assessable domain.

"Warning" alludes to a data distributed in the Official Gazette and the articulations "tell" and "told" should be understood in like manner.

"Other region" it includes regions other than those containing in a State and those alluded to in sub-provisions (a) to (e) of condition (114).

"yield impose" it comprises of an assessable individual, implies the duty chargeable under this Acton assessable supply of merchandise or benefits or both made by him or by his operator however rejects charge payable by him on invert charge premise.

"outward supply" in connection to an assessable individual, implies supply of products or administrations or both, regardless of whether by deal, exchange, bargain, trade, permit, rental, rent or transfer or some other mode, made or consented to be made by such individual in the course or promotion of business;

"man" incorporates

(a) a person;
(b) a Hindu Undivided Family;
(c) an organization;
(d) a firm;
(e) a Limited Liability Partnership;
(f) a relationship of people or a collection of people, regardless of whether joined or not, in India or outside India.
(g) Any organization built up by or under any Central Section, State Actor Provincial Actor a Government organization as charsectionerized in provision (45) of act2 of the Companies Section, 2013.
(h) Legal body corporate consolidated by or under the laws of a nation outside India.
(I) Registered co-agent society under any law identifying with co-agent social orders.
(j) a neighborhood expert;
(k) Central Government or a State Government;
(l) society as charsectionerized under the Societies Registration Section, 1860;
(m) trust; and
(n) each counterfeit juridical individual, not falling inside any of the above;
(88) "place of business" incorporates
(a) Business is a heap of exercises and incorporates a distribution center, a godown or whatever other place where an assessable individual stores his merchandise, supplies or gets products or administrations or both.
(b) Soundings where assessable individual keeps up his books of record.
(c) a place where an assessable individual is occupied with business through an operator, by whatever name called;
(89) "place of supply" implies the place of supply as alluded to in Chapter V of the Integrated Goods and Services Tax Section;
(90) "endorsed" implies recommended by rules made under this Acton the proposals of the Council;
(91) "important" means a man for whose benefit a specialist carries on the matter of supply or receipt of products or administrations or both;
(92) "primary place of business" implies the place of business indicated as the important place of business in the endorsement of enrollment;
(93) "Vital supply" implies the supply of merchandise or administrations which constitutes the transcendent component of a composite supply and to which some other supply framing some portion of that composite supply is auxiliary; people.
(94) "legitimate officer" in connection to any capacity to be performed under this Section, implies the Commissioner or the officer of the focal assessment who is allocated that capacity by the Commissioner in the Board;
(95) "quarter" might mean a period including three continuous timetable months, finishing on the most recent day f March, June, September and December of a logbook year;

(96) "Beneficiary" of supply of merchandise or benefits or both, implies—
(a) Where a thought is payable for the supply of merchandise or benefits or both, the individual who is obligated to pay that thought;
(b) Where no thought is payable for the supply of products, the individual to whom the merchandise are conveyed or made accessible, or to whom ownership or utilization of the merchandise is given or made accessible; and

c) where no thought is payable for the supply of an administration, the individual to whom the administration is rendered, and any reference to a man to whom a supply is made might be interpreted as a kind of perspective to the beneficiary of the supply and should incorporate a specialist going about all things considered for the benefit of the beneficiary in connection to the products or administrations or both provided;

(106) "State" according to constitution of India Union region with Legislature;