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NEWSFLASH - FAQs ON GOODS AND SERVICES TAX (GST)
Ministry of Finance, Press Release dated 3 August 2016

A) INTRODUCTION

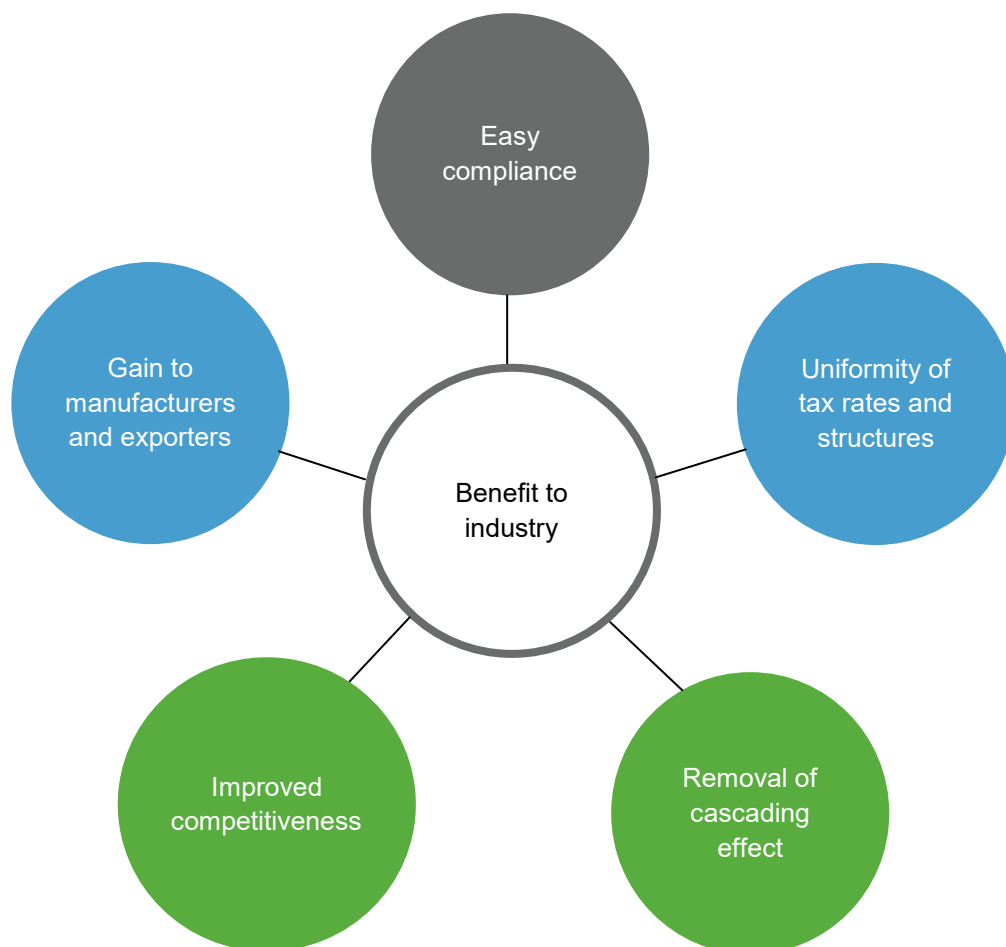
On 3 August 2016, the Rajya Sabha passed the constitution amendment bill for the goods and services tax (GST), setting in motion the process for rolling out the country's single biggest tax reform. The amended Bill has to be again cleared by the Lok Sabha. Once the bill gets Parliament's nod, it will have to be ratified by 50% of the states assemblies and then receive the President's assent. Subsequently, a GST council will be set up which will decide on the rates, threshold and dual control. Thereafter, two legislations-central GST (CGST) law and integrated GST (IGST) law will have to be passed by the Parliament and a state GST legislation by the state legislatures. Subsequent to the passage of the bills, the rules will be notified for finalizing the processes under GST.

B) ALL ABOUT GOODS AND SERVICE TAX (GST)

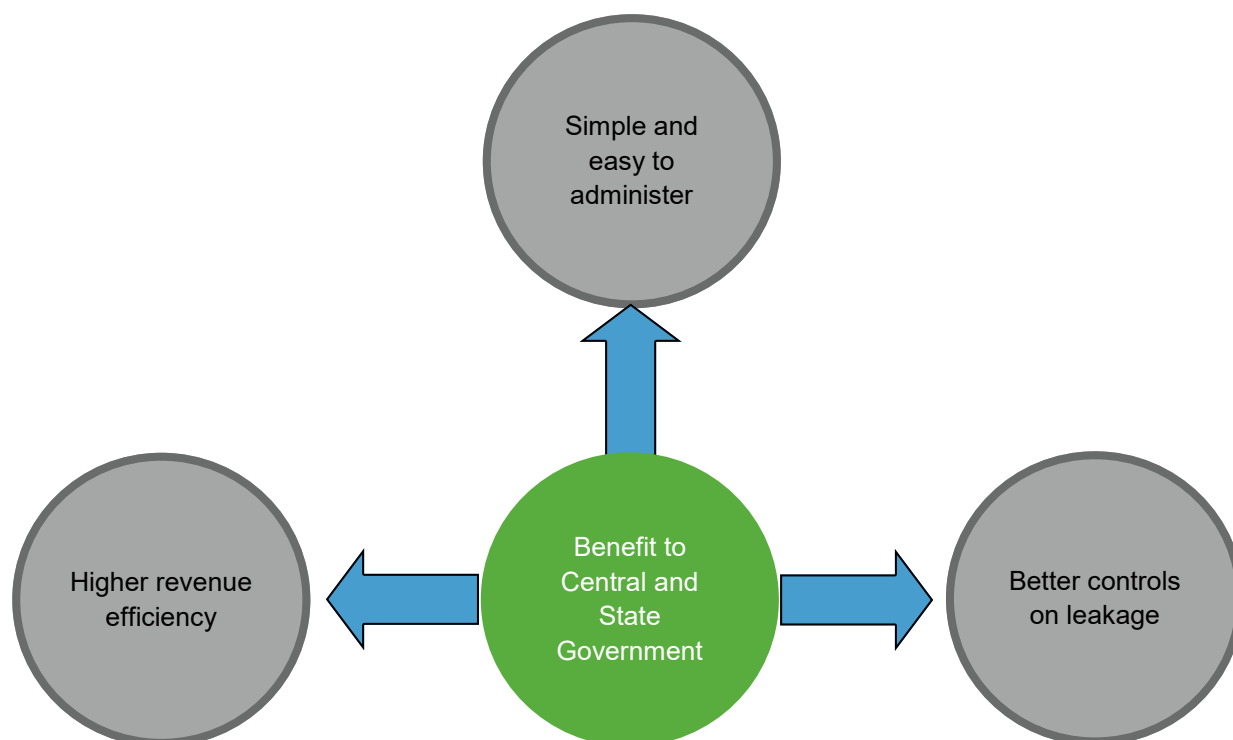
– What is GST? How does it work?

- GST is one indirect tax for the whole nation, which will make India one unified common market.
- GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

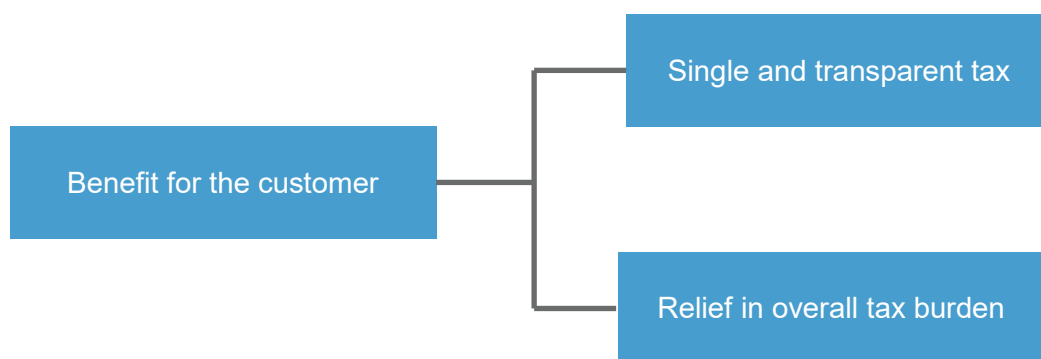
– What are the benefits of GST for business and industry?



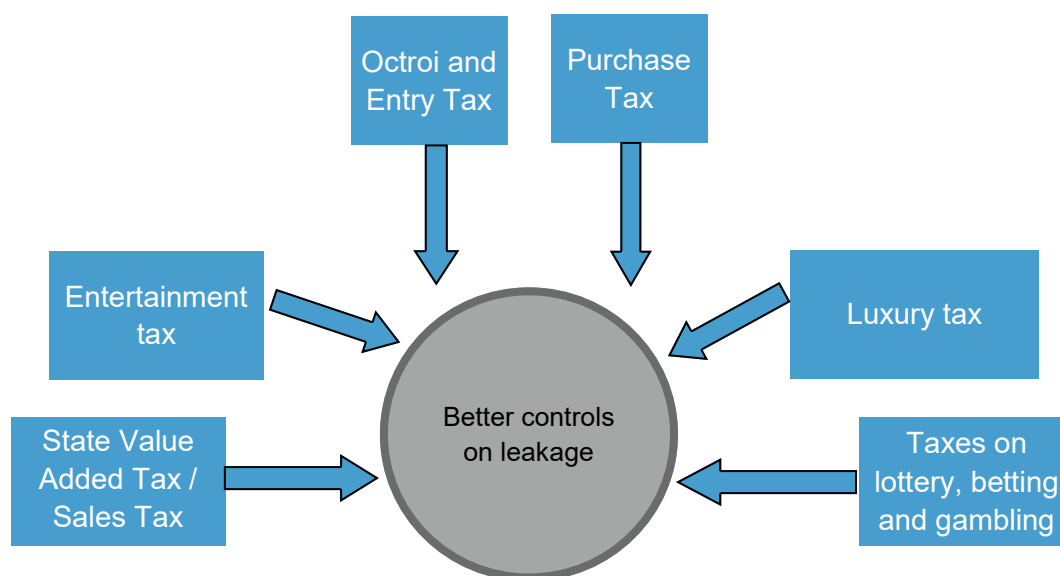
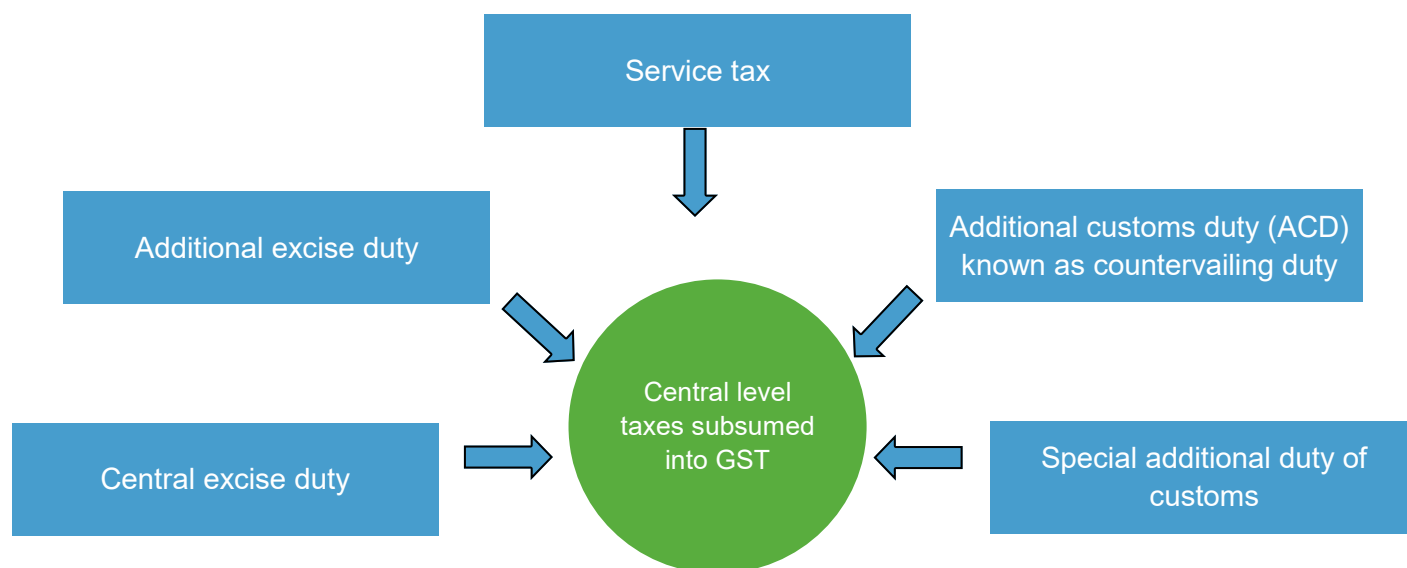
– What are the benefits of GST for Central and State Governments?



– What are the benefits of GST for the consumer?



- Which taxes at the Centre and State level are being subsumed into GST?



- Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (Levied by the Centre and collected by the States)

– **How would GST be administered in India?**

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

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

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

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

- Cross utilization of credit of CGST between goods and services would be allowed. Similarly, the facility of cross utilization of credit will be available in case of SGST. However, **the cross utilization of CGST and SGST would not be allowed except in the case of Inter-State supply of goods and services under the IGST model.**

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

- In case of Inter-State transactions, the Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all Inter-State supplies of goods and services under Article 269A (1) of the Constitution. **The IGST would roughly be equal to CGST plus SGST.** The IGST mechanism has been designed to ensure seamless flow of input tax credit from one State to another.

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

- For the implementation of GST in the country, the Central and State Governments have jointly registered Goods and Services Tax Network (GSTN) as a not-for-profit, non-Government Company to provide shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders. The key objectives of GSTN are to provide a standard and uniform interface to the taxpayers, and shared infrastructure and services to Central and State/UT governments.
- GSTN is working on developing a state-of-the-art comprehensive IT infrastructure including the common GST portal providing frontend services of registration, returns and payments to all taxpayers, as well as the backend IT modules for certain States that include processing of returns, registrations, audits, assessments, appeals, etc. All States, accounting authorities, RBI and banks, are also preparing their IT infrastructure for the administration of GST.
- There **would no manual filing of returns**. All taxes can also be paid online. All **miss-matched returns would be auto-generated**, and there would be no need for manual interventions. **Most returns would be self-assessed.**

– How will imports be taxed under GST?

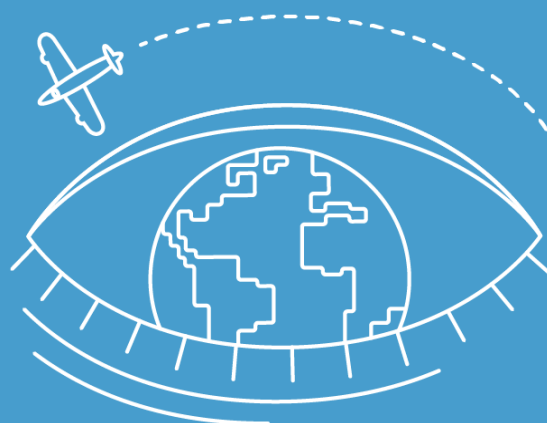
- The Additional Duty of Excise or CVD and the Special Additional Duty or SAD presently being levied on imports will be subsumed under GST. As per explanation to clause (1) of article 269A of the Constitution, IGST will be levied on all imports into the territory of India. Unlike in the present regime,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

– What are the major features of the proposed registration procedures under GST?

- The major features of the proposed registration procedures under GST are as follows:
 - ◆ **Existing dealers:** Existing VAT/Central excise/Service Tax payers will not have to apply afresh for registration under GST.
 - ◆ **New dealers:** Single application to be filed online for registration under GST.
 - ◆ The registration number will be PAN based and will serve the purpose for Centre and State.
 - ◆ Unified application to both tax authorities.
 - ◆ Each dealer to be given unique ID GSTIN.
 - ◆ Deemed approval within three days.
 - ◆ Post registration verification in risk based cases

– What are the major features of the proposed returns filing procedures under GST?

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



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This newsflash is general in nature. In this newsflash, we have summarized the FAQs on GST released by the Ministry of Finance on 3 August 2016. It may be noted that nothing contained in this newsflash should be regarded as our opinion and facts of each case will need to be analyzed to ascertain applicability or otherwise of the respective release and appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this newsflash.

5 August 2016

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