

GST in India: highlights for Belgian exporters

Goods and Services Tax (GST) was introduced in India on 01/07/2017. The GST is a new form of indirect tax which subsume the current indirect taxes into a unified tax.

The aim of this document is not to explain in full detail the GST legislation but to focus on what is important for the Belgian exporters.

Alcohol and petroleum products are out of scope of GST.

1. Taxes to be paid at the time of import of goods

PREVIOUS SITUATION (before 01/07/2017)	ACTUAL SITUATION (06/02/2018)
Basic Customs Duty (=BCD)	Basic Customs Duty (=BCD)
Education Cess (2% on BCD) Secondary and Higher Education Cess (1% on BCD)	Social Welfare Surcharge (10% on BCD)
Countervailing duty (12.5%) Additional Countervailing duty (4%)	GST (possible rates 0, 5, 18 and 28%)

The basic customs duty depends on the product.

On <https://www.icegate.gov.in/Webappl/Trade-Guide-on-Imports> you can find the duties to be paid at import per product.

Since February 1th (Budget 2018-2019) the Education and Secondary and Higher Education Cess was abolished and replaced by the Social Welfare Surcharge.

This is an **increase of 6.3 %** on the total duties to be paid at import (GST included)

2. Refund of GST vs refund of Counter Vailing Duties

	PAST SITUATION	ACTUAL SITUATION
REAL COST	Basic Customs Duty Education Cess (2% on BCD) Sec. and Higher Education Cess (1% on BCD)	Basic Customs Duty Social Welfare Surcharge (10% on BCD)
REFUND FOR PRODUCERS	Countervailing duty (12.5%) Additional Countervailing duty (4%)	GST
REFUND FOR TRADERS	Depending on the type of goods in some cases: Additional Countervailing duty (4%)	GST

Before the introduction of GST, the Countervailing duty (CVD) was a compensation for the Excises that were levied on locally produced goods. All Indian production companies had to be registered with Excises. These companies could get a refund of the CVD and additional CVD paid at import.

When the consignee was a trader, he could not get the refund for the CVD and additional CVD.

In the worst case the imported product was around 17% more expensive when it was imported by a trader than when it was sold directly to a production company.

With GST, there is no difference in refund between the producers and the traders.

This can be a big advantage for companies who are selling their goods to, for example, a daughter company which is acting like a trading company.

3. GST declaration: the principle

A GST declaration is totally different from a Belgian VAT declaration.

In a Belgian VAT declaration, the companies are declaring the total value of services and goods they sold and they bought in the last month/quarter. Once a year, they also file a customer listing.

A GST declaration is the full detail of all the outgoing invoices (filing 10th of the month) and all the incoming invoices (filing 15th of the month).

There is a link between the outgoing invoice of the supplier and the incoming invoice of the customer. The filing of the incoming invoices is in fact the customer agreeing with the list of invoices that appear in the system and that were uploaded by all the suppliers.

If a supplier is not filing the invoice in the GST system, then the invoice doesn't appear on the customer's side. As a consequence, the customer will not be able to get the GST credit of that invoice.

There will be a rating of the companies to show their compliance with the GST system.

4. GST is stimulating clients to pay their suppliers

If a customer is not paying his supplier within 180 days, the customer is not getting the GST credit.

5. GST registration for foreign companies without a branch in India

Foreign companies without a branch in India, should not register for GST.

Foreign companies who deliver e-books, domain names and online software, should appoint an agent who will pay the GST in their account.

6. Trading by a Belgian company without a branch in India

A Belgian company who wants to buy and sell goods (trading activity) in India without having a branch in India or an agent: this activity is not possible. A system of GST representation is not in place.

7. Internal borders between States: no more checkpoints

Before GST was introduced, there were border controls inside the country. Taxes were levied when goods entered another State. For efficiency reasons it is very common for production companies to operate their production units in the same State as their main customers.

These interstate taxes are now integrated in GST so the internal border controls are no longer necessary. As we have seen in Europe after the introduction of the Customs Union in 1993, this implicates faster transport.

8. In a nutshell

- Indian companies will be rated for their tax compliance. This can be an indication for the Belgian exporters to find trustworthy companies.
- The GST paid at import is refundable for ALL the Indian companies registered with GST. CVD was only refundable for companies who were in the excises scheme (=production units) and not for traders. Products can get 17% cheaper for the Indian customers due to the GST introduction.
- GST will have a positive influence on the logistic flow within the country.
- Alcoholic products are out of scope for GST.

For more detailed information, contact babette.desfossez@minfin.fed.be.