



GST in India

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We will talk about ...

- Indirect taxation regime in India before GST
- The evolution of GST in India
- Understanding CGST, SGST, UTGST and IGST
- Novel features of Indian GST
- Comparison of Indian GST with other countries
- Investing in India : GST related advantages
- Future roadmap

Pre-GST Indirect Tax Structure in India

Federal Taxes

- Central Excise duty
- Additional duties of excise
- Excise duty levied under Medicinal & Toilet Preparation Act
- Additional duties of customs (CVD & SAD)
- Service Tax
- Surcharges & Cesses

Sub-National Taxes (States)

- State VAT / Sales Tax
- Central Sales Tax
- Purchase Tax
- Entertainment Tax (other than those levied by local bodies)
- Luxury Tax
- Entry Tax (All forms)
- Taxes on lottery, betting & gambling
- Surcharges & Cesses

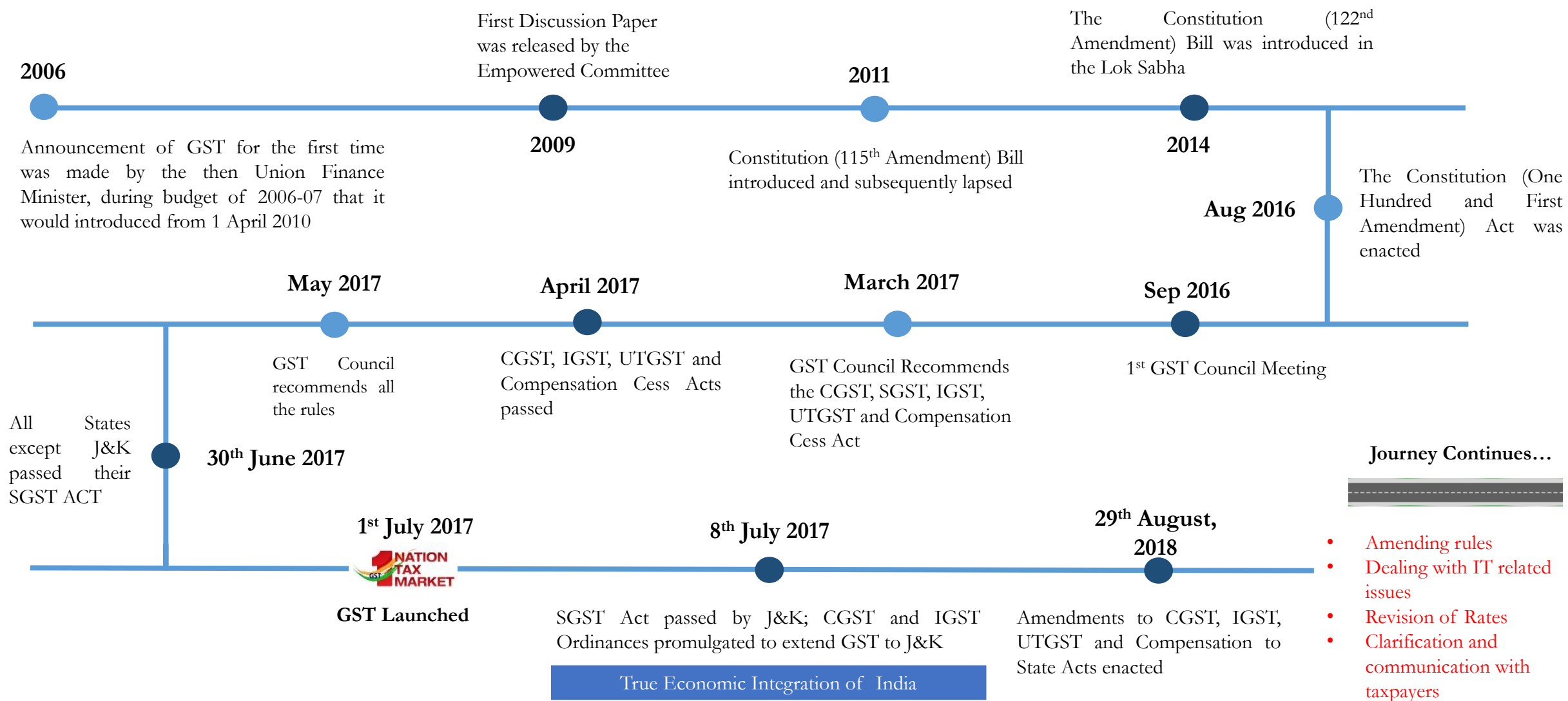
+ *13 Cesses*

GST



Constitution amended to provide concurrent powers to both Federal & Sub-national Governments to levy Goods and Services Tax

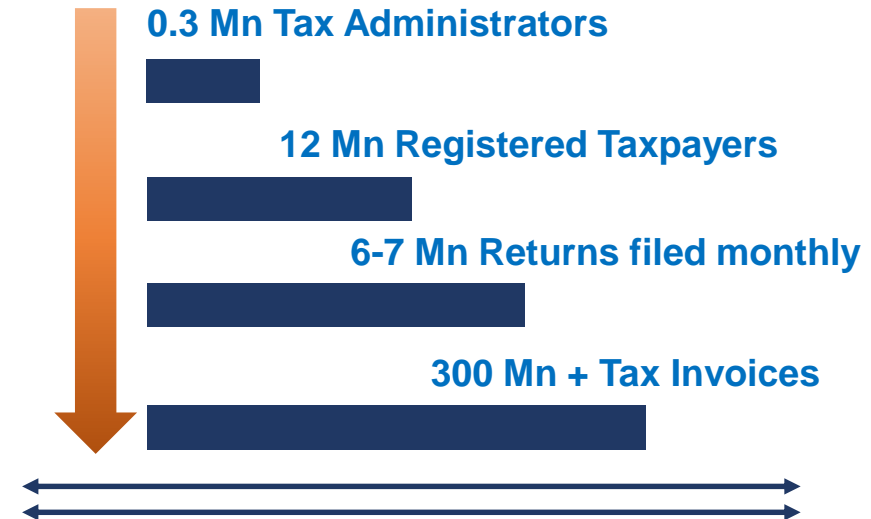
The Journey to GST



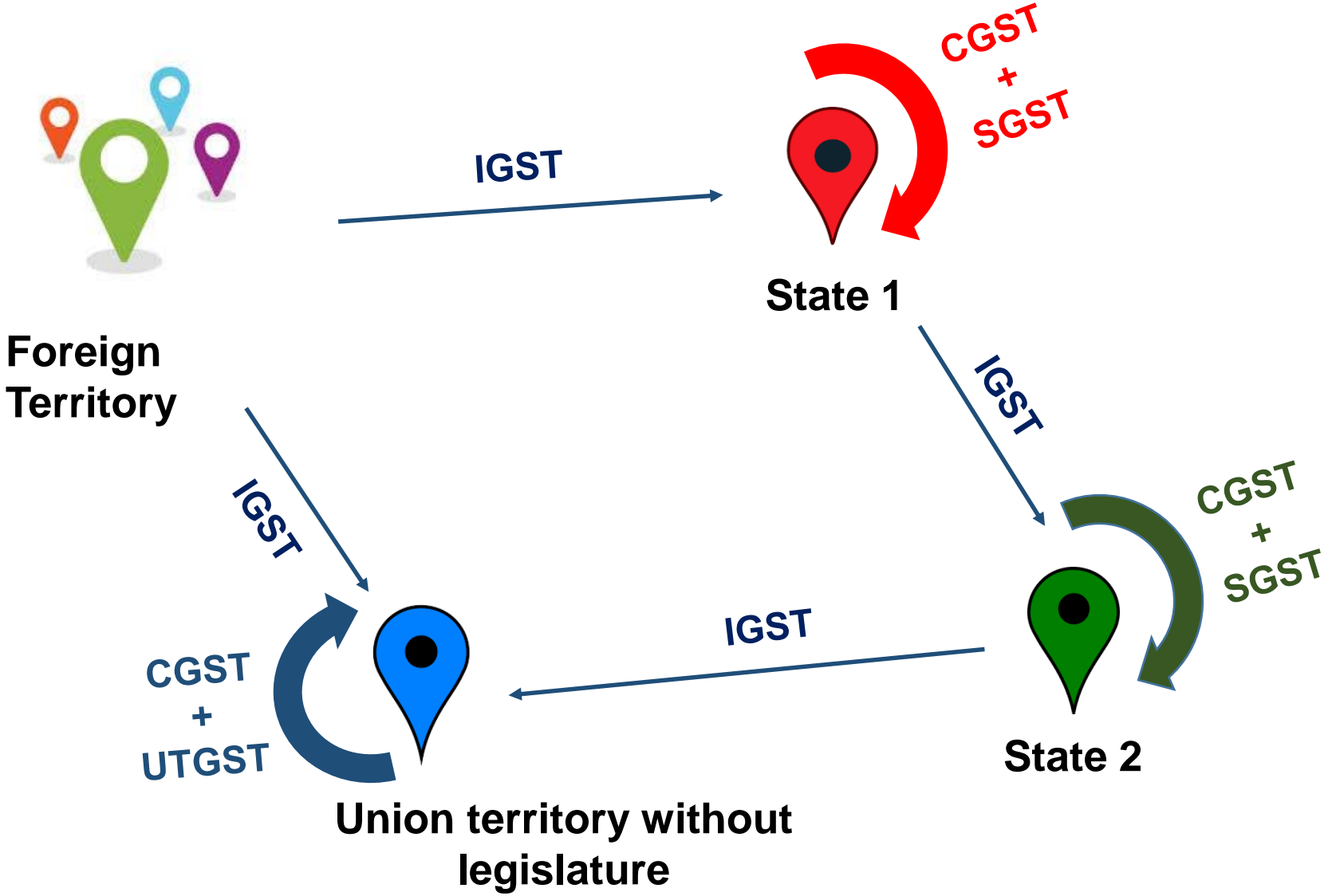
How have we reached here ?

10 Years... In Making	30 GST Council Meetings	35 + Sub-Groups & Committees	20000 + Man Hours of discussion by GST Council
Large no. of Empowered Committee Meetings	Indirect tax law for 29 States and 2 UTs	200 + Officers Meetings	Constitution Amendment and 5 Laws approved by collaborative effort

Himalayan Magnitude of Work



Understanding CGST, SGST, UTGST & IGST



The Unique IGST Model



Foreign Territory

Transaction 1



State 1



How do I transfer taxes to consuming States without levying 31 different types of taxes pertaining to those States ?

Transaction 2



State 2



A third tax called the integrated tax to be levied and settled between 31 States by the Federal Government

- Tax was to be transferred from Producing States to Consuming States
- Credit of taxes was to be made available throughout the value chain
- Imports / Exports to be facilitated irrespective of the State
- Federal Government to act as a clearing house
- A unique Concept called the IGST Model was evolved

Novel Features of Indian GST (1/3)



Unique Federal Body called GST Council

- 29 States and 7 Union Territories came together with the Federal Government to pool their sovereign indirect tax powers



Collaborative Federalism

- Dual levy of tax on same transaction with the Federal Government handholding the States in the initial years of implementation through compensation



Non-Intrusive IT based System

- Electronic compliance through one common portal for all taxpayers. Effort to minimise the physical interface between the taxpayer and the taxman

Novel Features of Indian GST (2/3)



Free flow of goods – No Check posts - No physical barriers

- Integrating 36 fractured markets to one common market – removing tariff and non-tariff barriers - Reducing transport time considerably. Common and uniform e-way bill system.



One Authority – One Administration

- All taxpayers to have a single window tax authority for all compliance purposes



Self-Regulating Tax System

- Invoice Details between two transacting parties are matched and the taxpayer is given adequate time to rectify any errors



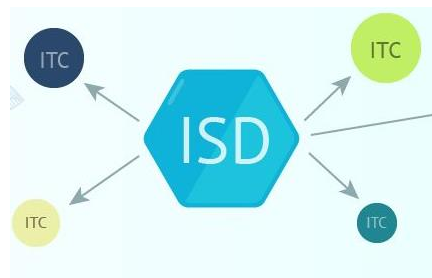
IGST as clearing house mechanism

- Unique model to transfer tax paid from origin State to destination State
- Developed to cleanly execute the ‘origin based destination tax’ principle in a truly federal setup



Job work in GST

- One of the few GST laws in the world to provide for job work
- Job work procedures/forms extensively simplified on demand of trade



Input Service Distributor

- Meant to facilitate taxpayers with pan India presence to better manage their input tax credit

Indian GST in International perspective (1/2)

- More than 160 countries have implemented GST / VAT in some form or the other
- Taxation practice varies from one country to another in terms of technical aspects like ‘definition of supply’, ‘extent of coverage of goods and services’, ‘treatment of exemptions and zero rating’ etc.
- However, at a broader level, there is one common principle, i.e. **destination based consumption tax**



Centralized Vat Structures

- Tax levied and administered by the Federal Government
- Reduces fiscal autonomy for sub-national/local governments
- Lower compliance burden
- Germany, Switzerland, Austria

Middle Path Approach

Indian GST Structure

- Dual-GST (CGST+SGST)
- Pooled sovereignty of all States
- Single interface for all taxpayers
- Tax settlement through IGST mechanism

Decentralized VAT Structures

- Both Centre and States administer tax independently (Canada) with some cooperation (Brazil, Russia)
- More fiscal autonomy for sub-national/local governments
- Higher compliance burden

Variation in GST rates across Countries

Singapore has a lower rate of 7%

Hungary has one of the highest rate of 27%

India has mainly four tax rates namely 5%, 12%, 18% and 28% with most of the items in the 12% and 18% slabs

Continuous process of simplification of tax slabs

The average rate of VAT across the EU is around 19.5%

Australia levies GST at the rate of 10%

Investing in India : GST related advantages (1/3)



Pay tax only on value added

- Tax will be paid only on value added by the taxpayer
- Reduces the cost of production for the taxpayer and the price for the consumer



Free flow of goods – No Check posts - No physical barriers

- No physical barriers of checking
- One E-Way bill required to move goods throughout the country



Export from India

- Tax paid on all inputs (including imports) freely available to be utilized as credits
- All exports are zero-rated – you export and we refund your taxes
- No separate application for refunds (exports of goods)

Investing in India : GST related advantages (2/3)



Certainty in taxes

- Confused about rate of tax ? Applicability of tax ?
- Advance ruling to provide legally binding advice to taxpayers



100% online interface

- Entire lifecycle of the taxpayer from registration, refund and returns online
- Tax compliance one click away



Trust based Regime

- Self-Assessment of taxes by the taxpayers
- Using data analytics and other IT tools to report errors in returns etc.
- Complete autonomy for taxpayers to rectify mistakes and pay taxes for a period of 6 to 18 months.

Investing in India : GST related advantages (3/3)



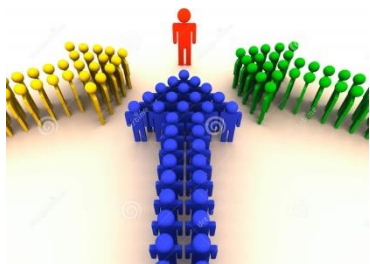
Providing cross border Digital Services

- Provide online services to India without any presence in India
- Register online, file returns and pay taxes online without presence in India



Make in India

- Uniformity in tax laws, rules, procedures and rates
- PAN India market



Single point of contact

- Single tax administration for all indirect tax needs
- Responsive administration through social media (twitter), facilitation centres etc.

Future Road map

- Non – GST goods to be brought into the ambit of GST
- Rationalization of tax rates – Lowering down the peak tax rate - evolving to lesser number of GST rates
- Streamlining IT solutions
- Widening the tax base
- Simplify the procedural requirements & further ease the compliance mechanism
- Encourage voluntary tax compliance behavior among taxpayers
- Better grievance redressal and litigation management systems
- Using data analytics to deter and detect evasion



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