

1. Deficiencies in Earlier Tax Laws

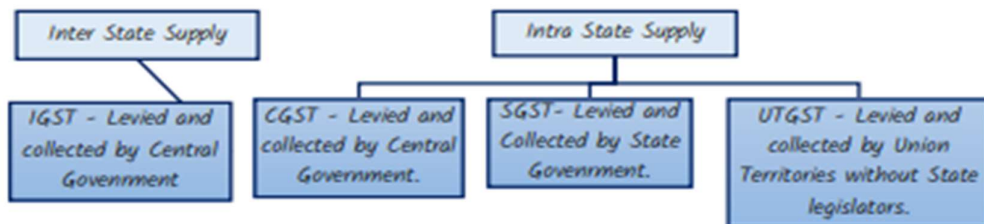
- **Cascading effect** of taxes on account of – (i) levy of non-VATABLE CST and, (ii) inclusion of CENVAT in the value for imposing VAT.
- **No CENVAT** after manufacturing stage
- **Non- integration** of VAT & Service tax
- **Double taxation** of a transaction as both goods and services.
- **Non – inclusion of several local levies** in state VAT such as luxury tax, entertainment tax etc.

2. Concept of GST

- GST is a value added tax levied on **manufacture, sale and consumption of goods and services.**
- GST Provides **comprehensive and continuous chain** of tax credits from the producer / service provider up to retail level / consumer level.
- Each Person will get **credit for the taxes paid** at earlier stage. The consumer will **bear the final tax.**
- Since, only the value added at each stage is taxed under GST, there is **no tax on tax or cascading** of taxes under GST system.
- GST does **not differentiate between goods and services** thus, the two are taxed at single rate.

3. Administration

**GST is a destination based tax** applicable on all transactions involving supply of goods and services for a consideration subject to exceptions thereof.



4. Major Taxes Subsumed and not Subsumed under GST are:

| <u>Taxes to be Subsumed under GST</u>                                 |   | <u>Taxes not Subsumed under GST</u>        |
|---|---|--|
| <u>Central Taxes to be subsumed</u>                                   | <u>States Taxes to be Subsumed</u>  |  |
| Central Excise Duty   | VAT / Sales Tax   | Custom Duty<br>Stamp Duty                  |
| Additional Excise Duty  | Luxury Tax on lottery, Betting and Gambling                                     | Vehicle Tax                                |
| Service Tax   | Octroi and Entry Tax  | Excise on Liquor                           |
| Additional Custom Duty (Commonly Known as Countervailing Duty)        | Purchase tax  | Tax on Sale and consumption of Electricity |
| Central Sales Tax   | States Surcharges and cesses so far they relate to supply of goods and services | Road Tax                                   |
| Central Surcharges so far they relate to supply of goods and services | -   | Entertainment Tax (Levied by Local Bodies) |

5. Body of GST Law

GST in India will comprise of:

- Central Goods and Service tax Act, 2017(CGST)
- State Goods and Service tax Act, 2017(SGST) (for 29 States and 3 union territories : Delhi, Jammu and Kashmir and Pondicherry deemed to be states)
- Union territory Goods and Service tax Act, 2017 (UTGST) (For Andaman and Nicobar, Lakshadweep, Ladakh, Dadra and Nagar Haveli & Daman and Diu and Chandigarh)
- Integrated Goods and Service tax Act, 2017(IGST)
- GST Compensation Act, 2017

6. GENESIS OF GST IN INDIA

France was the First country to implement GST in 1954

At Present, more than 160 Countries have implemented it.

Dr Kelkar Task Force recommended the need of a national GST on 16-07-2004

**GST has been implemented cross India w.e.f 1st July 2017**

GST in the state of Jammu & Kashmir came into force w.e.f. 8th July 2017

7. Goods and Service Tax Portal : [www.gst.gov.in](http://www.gst.gov.in) – a website managed by Goods and Services Network (GSTN)

**Functions of GSTN Includes:**

- Facilitating Registration
  - Forwarding the returns to central and state authorities
  - Computation and settlement of IGST
  - Matching of tax payment details with banking network
  - Providing analysis of tax payers profile and
  - Running the matching engine for matching, reversal and reclaim of input tax credit.
8. Constitutional Amendments : Article 246: Subject Matter of laws made by parliament and by the Legislature of States

| Schedule VII   |  |  |   |  |       |
|--|--|--|---|--|-------|
| List I (referred as Union List):<br>This list enumerates the matters in respect of which the parliament has an exclusive right to make law |  | List II (referred to State List):<br>This list enumerates the matter in respect of which the legislature of any state has an exclusive right to make laws. |   | List III (concurrent List): This list enumerates matters in respect of which both the parliament & Legislature of any state have power to make laws. |       |
| Entry No   | Items  | Entry No   | Items   | Entry No   | Items |
| 84   | Duties of excise on the following goods manufactured or produced in India namely :<br>(i) Petroleum Crude<br>(ii) High Speed Diesel<br>(iii) Motor Spirit (Commonly Known as Petrol)<br>(iv) Natural Gas<br>(v) Aviation turbine fuel<br>(vi) tobacco and tobacco products | 54   | Taxes on sales of<br>(i) Petroleum crude<br>(ii) High Speed Diesel<br>(iii) Motor Spirit (Commonly Known as Petrol)<br>(iv) Natural Gas<br>(v) Aviation Turbine Fuel<br>(vi) Alcoholic Liquor for human consumption.<br>But Not including<br>* Sale in course of inter - State trade or commerce or<br>* Sale in the course of international trade or commerce of such goods. |  |       |

On the following products GST shall not be levied, till a date to be notified on the recommendations of the GST Council.

| Goods   | Production     | Sale      |
|---|----------------|-----------|
| Alcoholic Liquor for Human Consumption (Completely outside GST) | State Excise   | VAT / CST |
| Petroleum Crude   | Central Excise | VAT / CST |
| High Speed Diesel   | Central Excise | VAT / CST |
| Motor Spirit  | Central Excise | VAT / CST |
| Natural Gas   | Central Excise | VAT / CST |
| Aviation Turbine Fuel   | Central Excise | VAT / CST |
| Tobacco and Tobacco Products                                    | Central Excise | GST       |

- Constitutional Amendment for GST: Insertion of new article Article 246A**

(1) Notwithstanding anything contained in articles 246 and 254, **Parliament, and, subject to clause (2), the Legislature of every State, have power to make laws** with respect to goods and services tax imposed by the Union or by such State.

(2) **Parliament has exclusive power** to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place in the course of **inter-State trade or commerce**.
- "Article 279A": Goods and Service tax Council**

|   |                                    |   |
|---|------------------------------------|---|
| 1 | <b>Constitution of GST Council</b> | Article 279A of the constitution empowers the <b>President of India to constitute a joint forum of the Centre and State</b> namely, Goods & Service Tax Council (GST Council). The Provisions relating to GST council came into force on 12 <sup>th</sup> Sept 2016. The President constituted the GST council on 15 <sup>th</sup> Sept 2016. |
|---|------------------------------------|---|

|   |                       |  |
|---|-----------------------|--|
| 2 | <b>Members of the</b> | <p><b>Chairperson</b> - The Union Finance Minister</p> <p><b>Member</b> - The Union Minister of State in charge of Revenue or Finance.</p> |
|---|-----------------------|--|

|                       |  |
|-----------------------|--|
| GST Council           | Member - The Minister of charge of Finance or taxation or any other Minister nominated by each state department  |
| 3 Vice Chairperson    | The state Finance Minister shall choose one amongst themselves as Vice Chairperson of the council for such period as the case may decide.  |
| 4 Role of GST Council | <p>Shall make recommendations to the union and the states on-</p> <ul style="list-style-type: none"> <li>(i) the taxes, cesses and surcharges levied by the Union, the states and the local bodies which may be subsumed in the goods and service tax;</li> <li>(ii) the goods and services that may be subjected to or exempted from the goods and service tax</li> <li>(iii) model of goods and Service Tax Laws, principles of levy, apportionment of Goods and service Tax levied on supplies in the course of inter-state trade or commerce under Article 269A and the principles that govern the place of supply</li> <li>(iv) the threshold limit of turnover below which goods and services may be exempted from GST</li> <li>(v) the rates including floor rates for a specified period, to raise additional resources during any natural calamity or disaster</li> <li>(vi) Special provision w.r.t Special categories states (10 States)</li> <li>(vii) Any other matter relating to the goods and services tax, as the council may decide</li> </ul> |