



Overview of GST BY Ashima Bansal. Joint Secretary ,GSTCS.

Outline

1. Objectives, Salient Features and Uniqueness of Indian GST
2. GST Revenue Performance
3. Initiatives in GST
4. Challenges and Way forward

1. Objectives, Salient Features & Uniqueness of Indian GST



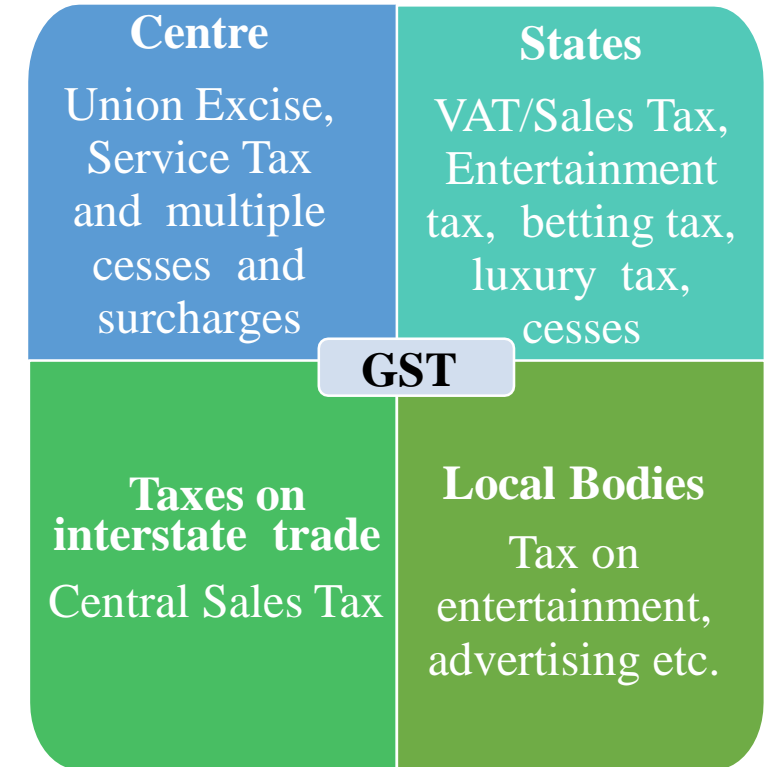
GST in India – One Nation, One Tax

Indirect Tax regime in India was highly fragmented

- Multiple taxes levied by multiple tiers of Government
- Non-uniformity in legal provisions, compliance framework, rates etc.

Indian GST is a unique model

- Concurrent laws & powers
- Unification through IGST & GST Council



Objectives of GST:

‘Good and Simple Tax’..

Raise Tax
revenues

Broaden the tax
base

Uniformity in
Tax Rates across
the Country

Minimize the
Cascading effect
of Taxes

Transparency in
Incidence of tax

Establishment of
a Common
National Market



Benefits for Trade, Industry and Exports

Ease in Compliance

- Multiple returns & agencies, around 500 forms
- Common compliance framework
- One compliance portal for all services

Smoother Interstate Trade & Commerce

- No tax arbitrage
- No check posts, no statutory forms
- Seamless flow of credit across State border
- No cascading of taxes

Reduced taxation

- Cascading of taxes led to exports not being fully tax- free
- Post GST, no cascading allows exports to be zero rated
- Makes them more competitive

Faster refunds

- Higher scrutiny due to difficulties in verifying ITC
- System verified input tax credit – less hassle in refunds
- Refunds processed through a single source

Benefits for Government, trade & Industry

Clarity in taxation leading to lower disputes

- Different events of taxation pre-GST – manufacturing, sale, purchase, entry, services, luxury → to one event of supply
- Goods and services treated differently; sectors with overlap → goods and services treated similarly

Uniformity of taxes

- Race to the bottom – adverse impact on revenues
- No competition among states and steal thy neighbour policies

1

- More and more businesses moving in the formal economy is evident from the significant increase in the GST taxpayer base.

2

- Moving to the formal economy will bring in more visibility and hence more opportunities for MSMEs. For instance, new GST registrations have also increased MSMEs credit uptake.

3

- Common set of data available to both Centre and the States making tax collections more effective. **Tax Revenue on Rise.**

Salient features



Unique Federal Body called GST Council –Article 279A

- 31 Independent States and Union Territories come together with the Central Government to pool their sovereign indirect tax powers. Chaired by Union FM with States FM or Minister nominated as Members. Power to recommend principles of levy of tax, exemptions, floor rates, rates, special rates



Cooperative Federalism –Dual concurrent levy

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



Non-Intrusive IT based System

- All compliance, return filing and payments made through one common portal for all taxpayers

01

Law Committee

- Proposes changes in the GST laws taking into account various feedbacks about the problems being faced by various industries/ trades/ taxpayers.
- Preparing draft Rules/notifications
- Examining all representations of trade on Legal issues

02

Fitment Committee

- tasked with evolving a principle and a subsequent methodology to determine rates for various supplies under GST. Recommending any other rate provided in Act or Rules
- Examining all representations of trade on rate, classification and other issue related to rates like inverted duty structure

03

GIC

- decision-making body at the top tier
- takes decisions to the extent possible and where necessary, on issues of urgent and procedural nature

04

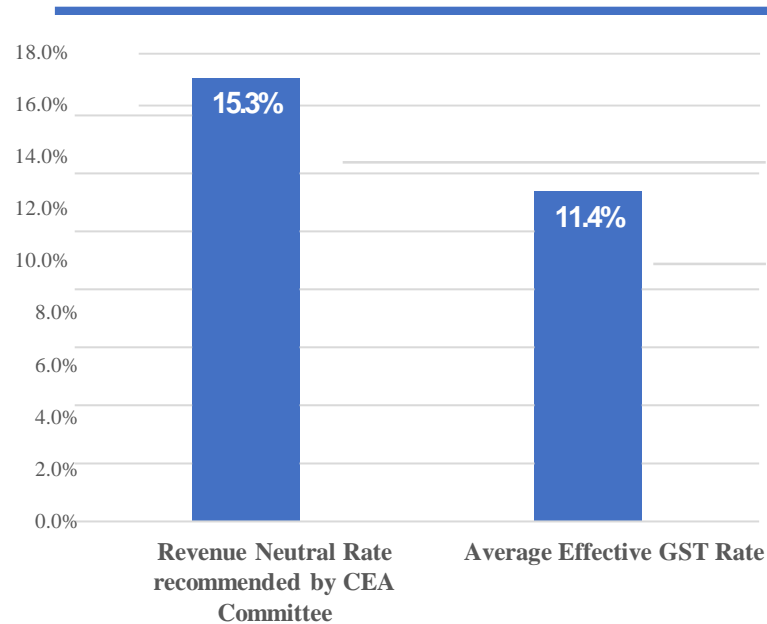
ITGRC

- The IT Grievance Redressal Committee was envisaged to address the difficulties faced by a section of taxpayers owing to technical glitches on GST Portal.
- SoP to submit the issues of data fixation to the GST Council.

Salient features of Indian GST:

- Dual GST – Concurrent taxation by the States and Centre
- Multiple rate slabs – Allowing for the consumption of goods by different income groups to be taxed differently
- IT based system- GST portal-registration, returns and refunds
- Inherited complexity due to pre-GST structure. Separate registrations in each State as opposed to single nationwide registration in pre-GST regime in service sector.
- Legal provisions and GST rates kept close to the pre-GST regime. Tax rates below the revenue neutral rate.

Estimated Benefits to the Public



The GST rate is about 3.9 % lower than the Revenue Neutral Rate

This has resulted in estimated savings of Rs. 18 lakh cr to the public

The average savings are about Rs. 28,000 crore per month

This translates to a savings of Rs. 12,000 per household per year

Salient Features



Free flow of goods – No Check posts - No physical barriers-E-way bill

- Moving from 31 different fractured markets to establishing one common market with no physical barriers between States for movement of goods – Reducing travel time considerably
- Electronic Way-Bills that can be generated online, SMS, Mobile App (~2Mn generated every day, ~1 Bn till date)



Feedback based taxation policy design

- Responsive to challenges faced by taxpayers and providing solutions on a real time basis

Salient Features



The Tax Credit System

- A truly value added tax system where cross utilization of all GST paid taxes is available



Streamlining Imports and Exports

- Easing imports and exports through easy payment systems, refund processes and tax credits



One Authority – One Administration

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

salient Features



Restriction on input tax credit

- ITC restricted to 100% of the eligible credit as per the GSTR-2B return.



Leaner Supply Chains

- With same incidence of taxes across the country, supply chains are leaner and more efficient



Lower Cost of Doing Business

- With fungible credit and reduced incidence of taxes - Cost of doing business is reduced

Salient Features GSTN Portal

Compliance: Return Filing, Tax Payment, filing ITC forms

Taxpayers Education: CBT, User Manuals, Webinars, Twitters, e-mails, Advisories

GST services: Registration, Refund, Appeal, Revocation App., Advance Ruling, Clarification and Replies,

Tracking Status: Refund, LUT, Return, Registration etc. & view filing Status

Taxpayers' Needs: Engage/dis-engage GSTP, Accounting & Billing software

Updates: News, Updates, Alerts, Notifications, SMS and e-mails

Grievance Redressal: Help Desk, Extensive Error list, reasons and solutions, Self-Help Portal

View and Download: GSTR-2A, GSTR-2B, GSTR-3B, Import BE etc.

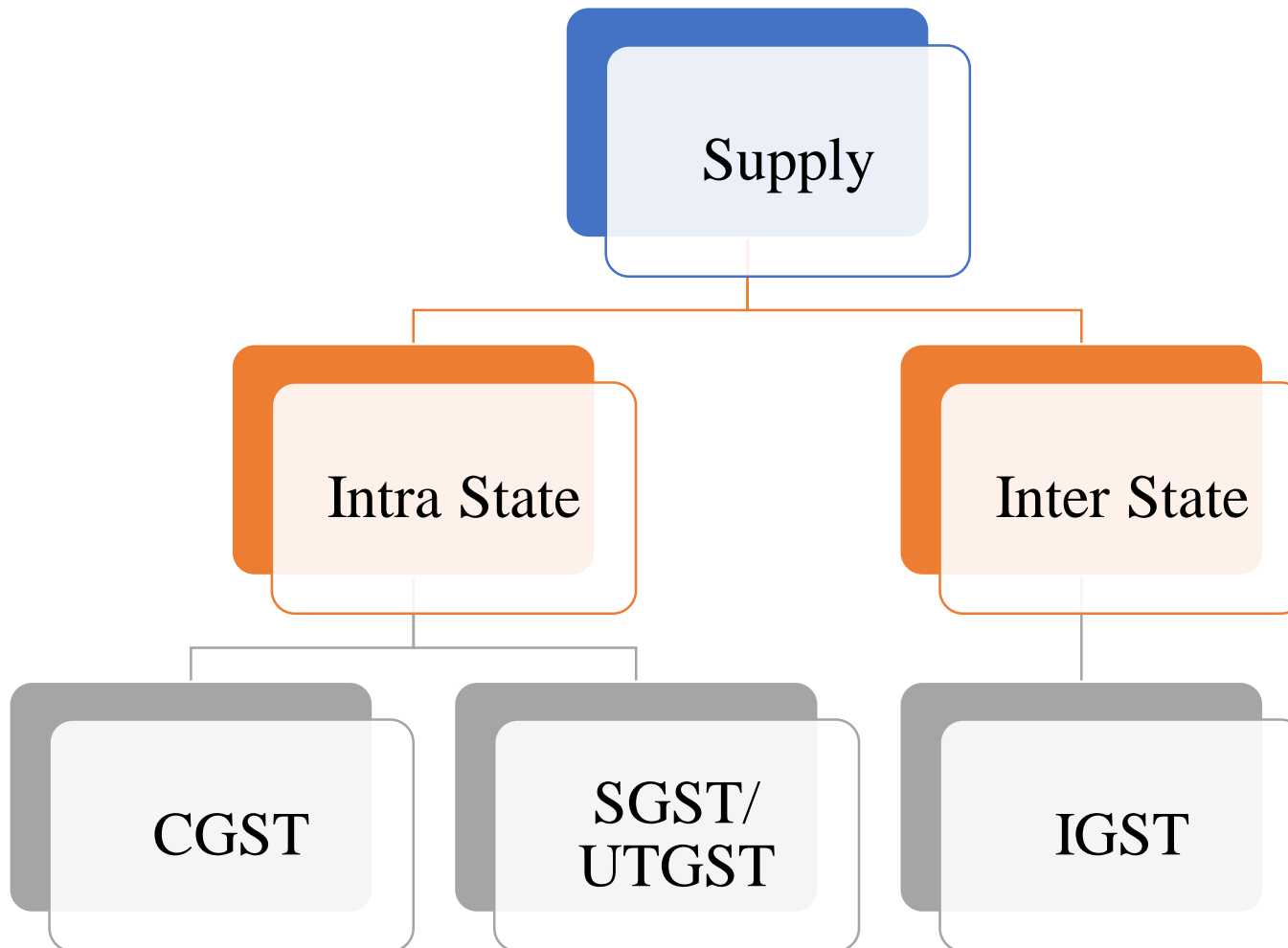
Statutory Conformity: Demand, Recovery, Audit, Assessment, Adjudication, ITC/EWB blocking, Enforcement Actions, Declarations

Empowerment: Ledgers' View, Return Dashboard, Comparison Report, Risk Rating, Matching tools,

Facilities to Opt-in, Opt-out, Withdrawal, Cancellations etc.

Nudging: Alerts, Deadlines, Red-flags,





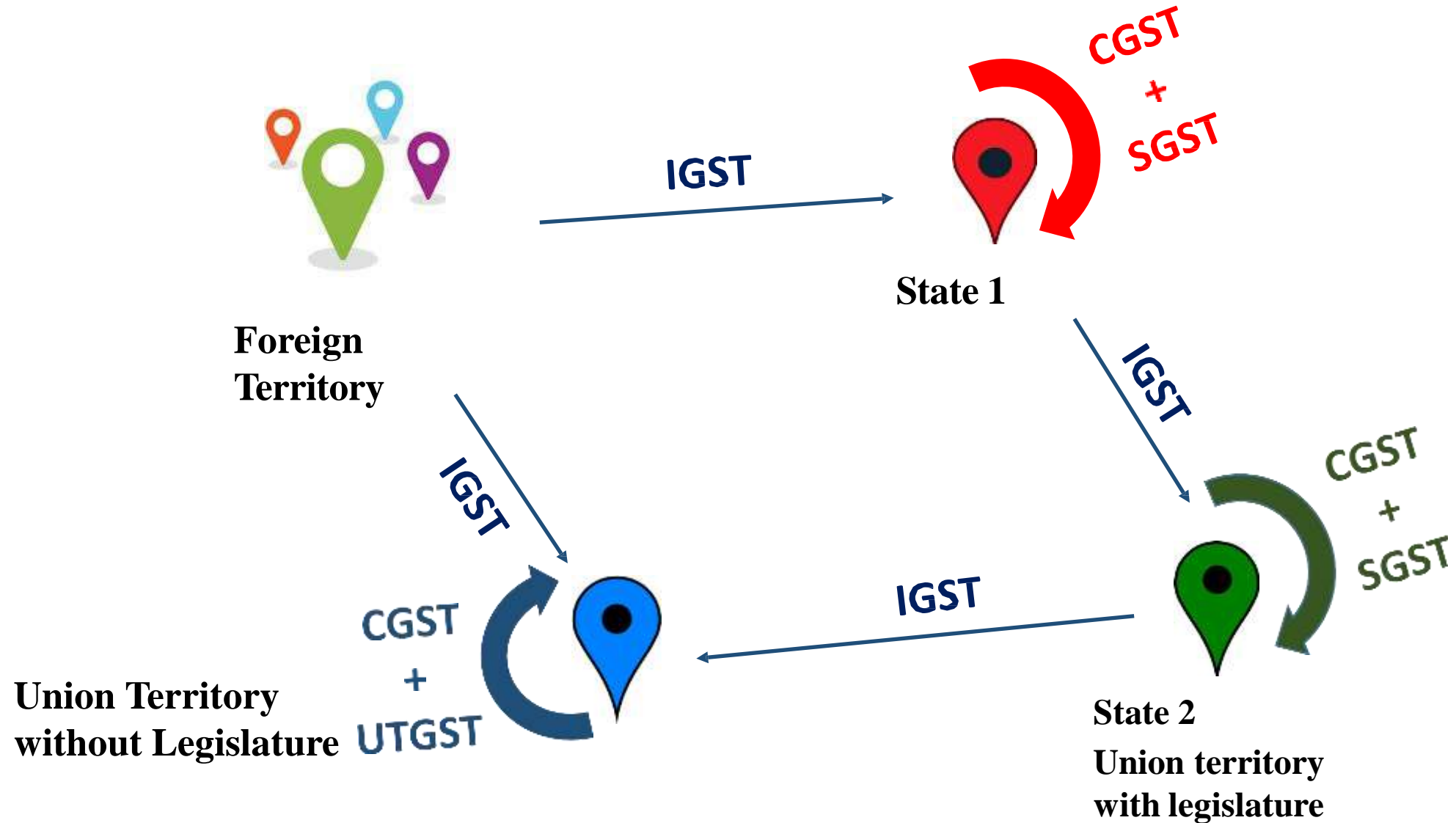
When UTGST would be charged?

List of UT –

1. Andaman and Nicobar,
2. Chandigarh,
3. Dadra and Nagar Haveli and Daman and Diu,
4. Lakshadweep,
5. Ladakh and

With Legislature

1. Puducherry.
2. National Capital Territory of Delhi,
3. Jammu and Kashmir,



GST - Impact on Cost and ITC

A Ltd	
Selling Price	1000
GST @ 12%	?
Total	?
Tax Payable	?
Less: Input tax Credit	80
Net Payment	?

	B Ltd
Cost	?
Profit	1,000
Total Taxable Value	?
GST @18%	?
Total Invoice	?
Tax Payable	?
Less: Input tax Credit	?
Net Payment (in Cash)	?

Type of
Ledger in
GST ?

GST - Impact on Cost and ITC

A Ltd	
Selling Price	1000
GST @ 12%	120
Total	1120
Tax Payable	120
Less: Input tax Credit	80
Net Payment	40

	B Ltd
Cost	1,000
Profit	1,000
Total Taxable Value	2,000
GST @18%	360
Total Invoice	2,360
Tax Payable	360
Less: Input tax Credit	120
Net Payment (in Cash)	240

Electronic
Credit
Ledger

Electronic
Cash Ledger

GST System Statistics

As on 31st January, 2023



1.37 Cr.

Registered Tax Payer



104.57 Cr.

Total Return Filed



336.25 Cr.

E-way Bill



1580 Cr.

Total Invoice Upload



54.19 Lakh Cr.

Payment Through the Portal
(Excluding IGST on Imports)



27.34 Cr.

Total No. of Payment
Transactions



24.85 Lakh

Highest Returns Transactions
in a day



9.55 Lakh

Highest Payment Transactions
in a day

Unique Feature -Compensation Cess

- At the time of introduction of GST, the Constitution amendment provided that the Parliament, by law shall provide compensation to States for a period of five years for loss of revenue due to introduction of GST.
- Accordingly, the GST Compensation to States , 2017 was legislated which provides for release of compensation against **14% year-on-year growth over revenues in 2015-16** from taxes subsumed in GST. Provision for levy of cess on certain luxury items and demerit goods and this cess collected is to credited into a Public Account known as **GST Compensation Fund**.
- The States were compensated for loss of revenue due to implementation of GST (w.e.f. 01.07.2017) for 5 years' period till June,2022

To safeguard that States have adequate and timely resources to combat Covid and related issues, Centre borrowed ₹ 1.1 lakh crore in 2020-21 and ₹ 1.59 lakh crore in 2021-22 and passed it on to States on a back-to-back basis. All the States agreed on this decision. Pertinently, the Government issued Notification No. 1/2022–Compensation Cess dated 24.06.2022 extending the Goods and Services Tax (GST) compensation cess until March 31, 2026 in order to meet the GST revenue shortfall as well as servicing the abovementioned loan borrowed through special window scheme

2. GST Rate Structure & Rationalization



Principles Guiding the GST Rate Structure

Rate of incidence should not increase from Pre-GST tax structure

Need to protect revenues of Centre and States

The rate structure should not be regressive in nature

Items of mass consumption should not be taxed at higher rates

The prices of goods of basic necessities (CPI basket) should not increase

Many items could not be taxed at 40%, as they were consumed by the middle class

**As decided in the 3rd
meeting of GST Council
- October 2016**

GST Rate Structure as Decided in 4th GST Council Meeting

S. No.	Goods with Combined tax rate of Central Excise and VAT	Proposed GST rate bands for such goods
1	Between 3% and less than 9%	5%
2	Between 9% and less than 15%	12%
3	Between 15% and less than 21%	18%
4	Equal to or more than 21%	28%

As decided in the 4th GST Council Meeting - November 2016

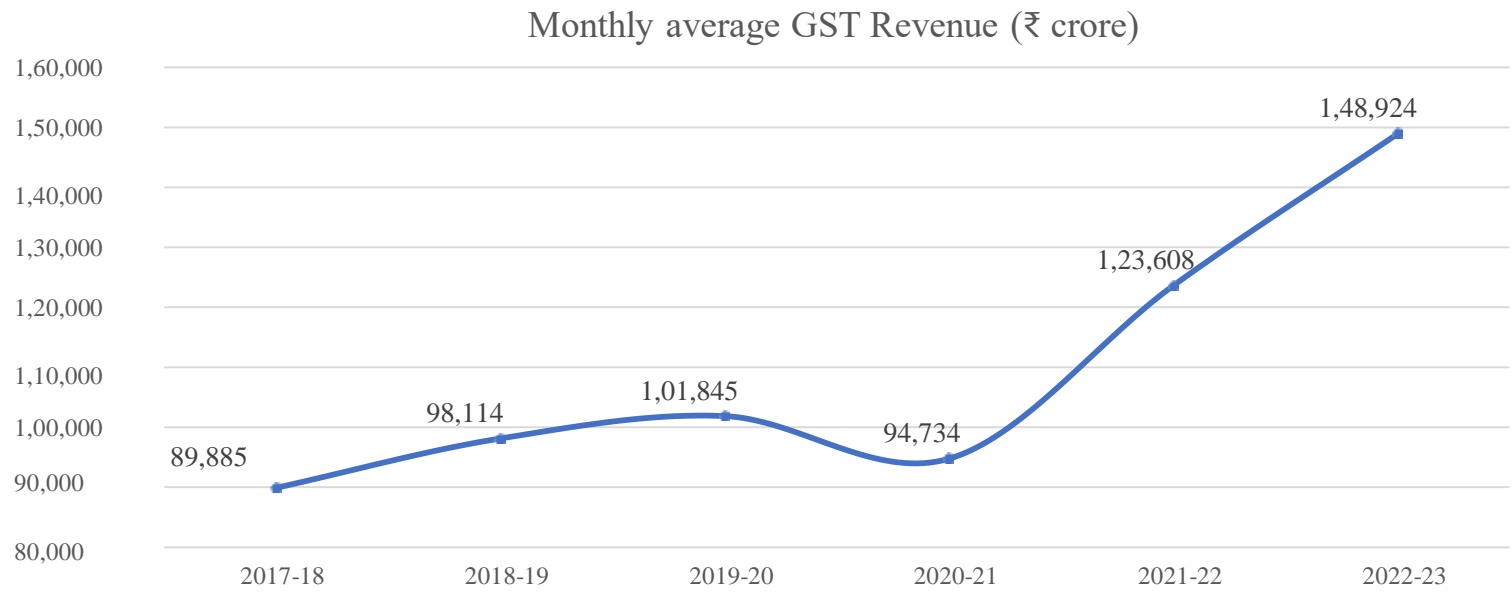
Fitment of various Goods and Services into the Rate Structure

Rate	Goods / Services
0%	Vegetables, fruits, cereals, milk products, hearing aids, agricultural implements etc.
0.25%	Diamonds and precious stones
1%	Construction service in relation to affordable housing
3%	Gold and Semi precious stones
5%	Fertilizers, Footwear Renewable equipment, Man-made yarns, Tractors, Fabrics, Pharma, RMG and Made-ups, Generators / inverters, Edible oil, Specified Job work services, Aggarbatti, Construction service other than affordable housing, Restaurant services etc.
12%	Agri machinery, Utensil, Bicycles, LED light, Milling machines, Ink, Ethyl alcohol, Medical equip, PP_bags, Water pumps, Other Misc items
18%	Mobile phones, Metals, Organic chemicals, Services etc.
28%	Automobiles, Cement, Cigarettes etc.

3. GST Revenue Performance



Trends in GST Revenue



3. Initiatives in GST

- a. E-invoicing*
- b. QRMP*
- c. MSME*



GST Council in its 35th meeting held on 21st June 2019 proposed to introduce an e-invoicing system in India in a phased manner on a voluntary basis

Accelerating business process automation

Reducing compliance burden

Enhancing ease of doing business and

Reducing tax evasion

E-invoicing was mandatorily introduced for all taxpayers with an annual aggregate turnover of above **Rs. 500 crores from October 01, 2020, and those with an annual aggregate turnover of above Rs. 10 cr at present.**



a government department, a local authority,

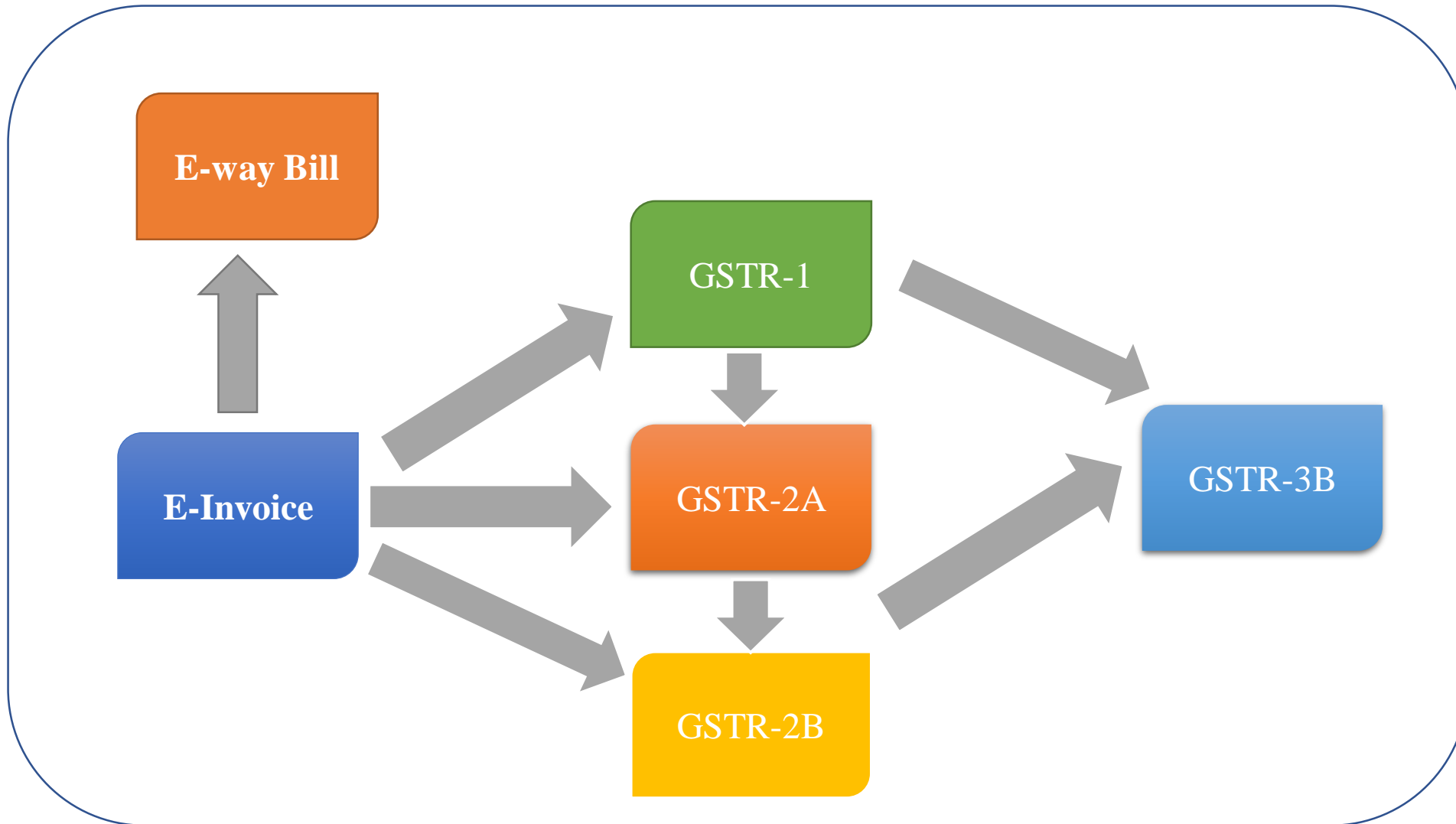
SEZ Units (However SEZ Developer not exempted from E Invoice)

Insurance, Banking, FI [including NBFCs] Rule 54(2)

Goods Transport Agency – Rule 54(3)

Passenger Transport Services– Rule 54(4)

Multiplex Cinema – Rule 54(4A)





Quarterly Return and Monthly Payment (QRMP) Scheme and Invoice Furnishing Facility (IFF)



Composition Scheme



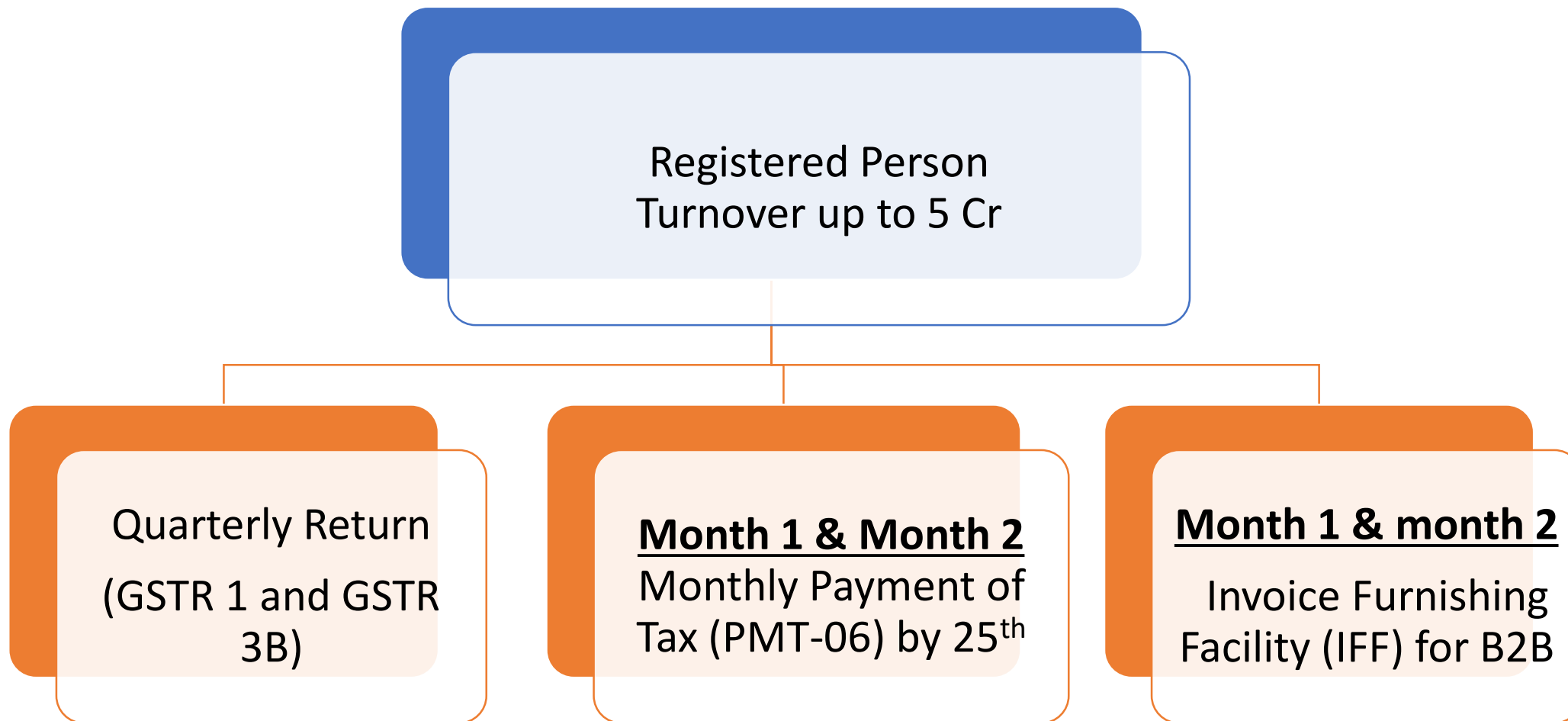
NIL Return Filing Facility




Exemption from Annual Return,

<=2 Cr: GSTR-9/9A (Optional)

<= 5 Cr: GSTR-9C (Not required)





GOODS AND SERVICES TAX NETWORK


Introducing Quarterly Return Monthly Payment (QRMP) Scheme

Can quarterly filers file Nil return through SMS?

Yes, Quarterly taxpayers may send the following SMS to 14409 to file a Nil GSTR-1 or Nil FORM GSTR-3B

NIL 3B GSTIN MMYYYY

NIL R1 GSTIN MMYYYY



MM should be the last month of the quarter for which the return is being filed.
For example, for the month of June 2020, taxpayer shall send
NIL 3B XXXXXXXXXXXXXXXX 062020 to 14409

To opt in for the scheme —————> Login > Services > Returns > Opt-in for quarterly return

4. Challenges and Way Forward



Rate rationalisation.

GoM on rate rationalization

GoM on casinos, online gaming and horse racing

Fake invoicing & ITC Fraud

- Risk profiling of taxpayers
- Database analysis
- Limiting ITC to 100% of the reported invoices
- Enhanced KYC norms like using Aadhaar
- Fetching Pan based e-mail and mobile number from CBDT database (to be introduced)
- Freezing of assets, bank accounts

Perception of Law, Compliance burden

- GST Suvidha Kendras
- Document Identification Numbers mandated for all communication with taxpayer

Tax evasion

- Red Flag Reports shared daily with tax administrators.
- BIFA
- E-way Bill and FASTag integration

Reduce Blockage of working capital

- Special Refund weeks
- Complete online refund process eliminating physical interaction
- Single disbursement authority

Reduce Pending legal cases

- Legacy dispute resolution scheme to pre-GST disputes
- Early establishment of GSTAT

Enforcement Measures taken to Curb Fraud

Registration:

- Suspension of registration Rule 21A
- Verification of new registration

Min Cash Payment

- Minimum cash payment of 1% of liability if the taxable supply of the registered assessee is more than 50 lakh in a month- Rule 86B

E-way bill

- Distance covered 200 km / day
- No e-way bill if two GSTR-3Bs are not filed

Way forward

Broad basing GST and Revenue optimization

Sealing leakages & Enforcement

Rationalization of GST rates & structure

Pre population of returns

Simplification of Reports

Uniform backend application

Dynamic Law Review

Capacity Building & awareness – GST practitioners with facilitation centres

Bottom Line : Co-operative Federalism & Consensus based decision making



Thank You