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YOJANA

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Goods and Services Tax

GST

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Rolling out of GST in Parliament

Goods and Services Tax (GST), a historic tax reform, which is expected to transform the indirect taxation landscape in the country came into effect from July 1, 2017. Involving both the Central and State levies, GST will be administered together by the Centre and States.

To commemorate the historic occasion, a function was held in the Central Hall of Parliament on the mid-night of June 30 - July 1, 2017 in the prescence of Hon'ble President, Hon'ble Vice President, Hon'ble Prime Minister, Hon'ble Speaker of Lok Sabha and Hon'ble Union Finance Minister among other dignitaries.

Speaking on the occasion, the President said that the introduction of GST is a momentous event for the nation. It was also a moment of some satisfaction for him because, as the Finance Minister, he had introduced the Constitution Amendment Bill on March 22, 2011. The President said, when a change of this magnitude is undertaken, however positive it may be, there are bound to be some teething troubles and difficulties in the initial stages. Success of such major changes always depends on their effective implementation. In the months to come, based on the experience of actual implementation, the GST Council and the Central and State Governments should continuously review the design and make improvements, in the same constructive spirit as has been displayed till now.

The Prime Minister said that the day marks a decisive turning point, in determining the future course of the country. He described GST as an example of Cooperative Federalism. The Prime Minister quoted *Chanakya* to say that hard work can overcome all obstacles and help us accomplish even the most difficult of objectives. He said that just as Sardar Patel had ensured political integration of the country, GST would ensure economic integration. The Prime Minister said GST would lead to a modern tax administration which is simpler, more transparent, and helps curb corruption. He described GST as a "Good and Simple Tax" which would ultimately benefit the people. The Prime Minister also quoted a *shloka* from the *Rig Veda* to describe the spirit of common goal, common determination, leading to mutual and shared benefit for the society.

The biggest tax reform since independence - GST - will pave the way for realization of the goal of One Nation - One Tax - One Market. GST will benefit all the stakeholders namely industry, government and consumer. Under the GST regime, exports will be zero-rated in entirety unlike the present system where refund of some of the taxes does not take place due to fragmented nature of indirect taxes between the Centre and the States. GST is largely technology driven and will reduce the human interface to a great extent.

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Let noble thoughts come to us from all sides
Rig Veda

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Towards Destination Tax

2017 will go down as one of the most significant years in the history of India with Goods and Services Tax becoming a reality from July 1, 2017. The new system is being regarded as the most revolutionising tax reform in the Indian taxation history.

Sound tax policies of a nation are an indication of strong governance and sustainable development. This fact is reflected from the historical perspective also. All the successful rulers known for being good administrators had also put in place an excellent revenue collection system - be it the Mauryas, Guptas, Iltutmish or Akbar. Their name to fame was not just because of their political supremacy but also because of the taxation policies they pursued.

Tax apart from being a source of revenue and growth, also plays a key role in making the state accountable to its taxpayers. Effective taxation ensures that public finances are sustainable in the longer term to support social objectives and promote economic development. Complexity of the Indian tax system has however, always perplexed the best of minds in the taxation world. With the Centre, State and local bodies having the powers to levy a plethora of taxes, every single person ranging from the common man to the manufacturers and traders have felt the burden of multiple taxes. All these years, taxes were collected at various levels right from the place of origin of the goods to the final destination. So, very often, goods or services were taxed multiple times. Goods which had to move across States were often stopped at borders for hours together just to pay various taxes resulting in huge losses in terms of damaged goods and high transportation costs.

The new regime aims to transform the tax scenario of the country by streamlining the system through a single tax for supply of all goods and services across the country. Heralded as a 'destination tax', the GST is a tax on goods and services which will be paid at the point of receiving. For example, tax on cloth will be paid where the cloth is sold. This is against the earlier regime where the tax was paid at various points beginning with manufacturing, transportation and finally where it was sold. This meant that a lot of goods were taxed multiple times without the consumer actually being aware of all the taxes he was paying. The single tax system will thus benefit the consumer by easing out the multiple taxation and reducing the prices. GST, because of its transparent character, will also be easier to administer. This will give a fillip to Make in India as well as ease of doing business. With India expected to play significant role in the world economy, GST will also prove to be a game changer as it will make Indian products competitive in the domestic as well as the international markets leading to an overall increase in exports.

A system of this gigantic nature requires an adequately strong IT infrastructure base. The Goods and Services Tax Network (GSTN), created for the purpose, is expected to make this landmark reform a success through its strong network. Once implemented, this unparalleled tax reform holds great promise in terms of sustainable growth for the Indian economy. It will help in creating a uniform national market making the dream of "One Nation, One Tax, One Market" a reality.

OVERVIEW

GST Regime -A Fillip to Make in India

Arun Goyal

The Central and the state governments will witness tax buoyancy and the tax collection costs will reduce significantly. Exports will become more competitive as goods and services will be exported without any taxes embedded in them. 'Make in India' programme will get a major fillip due to increased ease of doing business and protection from cheap imports as all imports will be subject to Integrated GST, in addition to the basic customs duty. All these benefits will add significantly to the GDP growth of India in the medium and long run

The Good and Services Tax (GST) was launched in India on July 1, 2017 in a midnight function at the Central Hall of Parliament by the Prime Minister in the august presence of the President of India. It was indeed a historic occasion and a paradigm shift as India moved towards 'One Nation, One Tax, One Market.' The global experience has shown that implementation of GST results in numerous benefits for all stakeholders. In the Indian GST regime, the consumers will benefit from lower prices due to removal of cascading in taxes and efficiency gains. The trade and industry will benefit because of uniform single indirect tax throughout the country, seamless flow of input tax credit, removal of tax related barriers at inter-state borders, reduced logistic costs, end to end IT enabled system and minimal interface with the tax authorities. The manufacturers will be able to take more rational decisions with regard to sourcing of raw materials, location of manufacturing and warehousing facilities. The Central and the state governments will witness tax buoyancy and the tax collection costs will reduce significantly. Exports will become more competitive as goods and services will be exported without any taxes embedded in them. 'Make in India' programme will get a major fillip due to increased ease of doing business and protection from cheap imports as all imports will be subject to Integrated GST, in addition to the basic customs duty. All these benefits will add significantly to the GDP growth of India in the medium and long run.

Need for the Constitutional Amendment:

In the countries where GST has been introduced, barring rare exceptions, GST is unitary in character and is levied either by the Central Government or by the State Governments. The introduction of GST in India required amendment in the Constitution as prior to the Constitutional amendment the fiscal powers between Centre and the states were clearly demarcated as per the entries in the Union List and the State list. The Centre had the powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the states had the power to levy tax on the sale of goods. In case of inter-state sales, the Centre had the power to levy a tax (the Central Sales Tax) but the tax was collected and retained entirely by the states. As for services, only the Centre was empowered to levy the Services Tax.

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As both the levels of Government have distinct responsibilities to perform, according to the division of powers prescribed in the constitution, both the states and the centre needed resources to be raised. Therefore, amendment was required in the Constitution so as to concurrently empower the centre and the states to levy and collect GST. The dual GST introduced in India is in keeping with the Constitutional requirements of fiscal federalism.

Journey to launch of GST in India:

The GST has already been introduced in nearly 160 countries and France was the first to introduce GST in the year 1954. In view of numerous benefits GST brings in to the economy, introduction of GST has been on the political agenda of the country for quite some time. The journey to introduction of GST in India has been long and is a culmination of the efforts of many political leaders, economic thinkers and officers of the Centre and the State Governments. The idea of GST was first mooted in the year 2000 during the Prime Ministership of Shri Atal Bihari Vajpayee and a committee was set up headed by the then West Bengal Finance Minister Shri Asim Dasgupta to design a GST model. In 2003, the Vajpayee government set up another task force under Shri Vijay Kelkar to recommend tax reforms. On February 28, 2006, the then Union Finance Minister in his budget for 2006-07 proposed that GST would be introduced from April 1, 2010. The Empowered Committee of State Finance Ministers (EC), which had formulated the design of State VAT, was requested to come up with a roadmap and structure for the GST. Joint Working Groups of officials having representatives of the States as well as the Centre were set up to examine various aspects of the GST and draw up reports specifically on exemptions and thresholds, taxation of services and taxation of inter-State supplies. Based on detailed discussions, the EC released its First Discussion Paper (FDP) on GST in November, 2009. The FDP spelt out the features of the proposed GST and has formed the basis for the present GST regime.

As introduction of GST required constitutional amendment, the political consensus could not be garnered for a long time. The efforts to introduce GST in India picked up momentum after the formation of the present Government. The Constitution (122nd Amendment) Bill, 2014 was introduced in Lok Sabha on December 19, 2014 and was passed by Lok Sabha in May 2015. The bill was taken up in the Rajya Sabha and was then referred to the Joint Select Committee of the Rajya Sabha and the Lok Sabha on May 14, 2015. The Committee submitted its report on July 22, 2015. The progress was rather fast after that. Based on the consensus, the revised constitutional amendment bill was moved on August 1, 2016. The bill was passed by the Rajya Sabha on August 3, 2016 and in the Lok Sabha on August 8, 2016. After ratification by required number of state legislatures and assent of the President, the Constitutional amendment was notified as Constitution (101st Amendment) Act 2016 on September 8, 2016. The Constitutional amendment paved the way for introduction of Goods and Services Tax in India.

Constitution (101st Amendment) Act 2016:

The Constitutional amendment empowers the Centre and the States to levy and collect the Goods and Services Tax (GST). The GST has been defined as a tax on supply of goods or services or both, except supply of alcoholic liquor for human consumption. Thus, alcohol for human consumption has been kept out of the GST by way of definition of the GST in the Constitution. On the other hand, five petroleum products viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel have temporarily been kept out and the GST Council can decide the date from which they shall be included in GST. On inter-State supply of goods and services, an Integrated GST (IGST) would be levied and collected by the Centre. It will ensure that the GST is truly a destination based consumption tax, and there is seamless flow of input tax credit, even when goods are moving from one state to another.

The GST Council:

A significant feature of the Constitutional amendment is provision

GST Council - Constitution

- Chairperson – Union FM
- Vice Chairperson - to be chosen amongst the Ministers of State Government
- Members - MOS (Finance) and all Ministers of Finance / Taxation of each State
- Quorum is 50% of total members
- States - 2/3 weightage and Centre - 1/3 weightage
- Decision by 75% majority
- Council to make recommendations on everything related to GST including laws, rules and rates etc.

relating to constitution of the GST Council. The Council comprises of the Union Finance Minister (Chairman of the Council), the Union Minister of State (Revenue) and the State Finance/Taxation Ministers of 29 states and two union territories with legislature (Delhi and Puducherry). The guiding principle of the GST Council is to ensure harmonization of different aspects of GST between the Centre and the States as well as among States with a view to develop a harmonized national market for goods and services within India. The Council is tasked to make recommendations to the Union and the States on the following:

(i) the taxes, cesses and surcharges levied by the Centre, the States and the local bodies which may be subsumed under GST;

(ii) the goods and services that may be subjected to or exempted from the GST;

(iii) the date on which the GST shall be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel;

(iv) model GST laws, principles of levy, apportionment of IGST and the principles that govern the place of supply;

(v) the threshold limit of turnover below which the goods and services may be exempted from GST;

(vi) the rates including floor rates with bands of GST;

(vii) any special rate or rates for a specified period to raise additional resources during any natural calamity or disaster;

(viii) special provision with respect to the North-East States, J&K, Himachal Pradesh and Uttarakhand; and

(ix) any other matter relating to the GST, as the Council may decide.

The Constitutional amendment provides that every decision of the GST Council shall be taken at a meeting by a majority of not less than 3/4th of the weighted votes of the members present and voting. The vote of the Central Government shall have a weightage of 1/3rd of the votes cast and the votes of all the State Governments taken together shall have a weightage of 2/3rd of the total votes cast in that meeting. One half of the total number of members of the GST Council shall constitute the quorum at its meetings. The weightage of voting has been so assigned that it is not possible for either the Centre or the states to take any decision unilaterally. As the Centre only has 33 per cent weightage in voting, support of majority of the states is also required for any decision to be taken by the Council. However, till now all the decisions in the Council have been taken by consensus and there has not been any occasion for voting.

Functioning of GST Council:

The GST Council, in its 18 meetings held before the roll out of the GST on July 1, 2017 has done commendable work in developing consensus over a number of issues which looked intractable at one time. The Council was able to recommend draft legislations pertaining to the Central GST, the State GST, the Union Territory GST, Integrated GST and Compensation to the states and number of GST related Rules within a span of a few meetings. The difficult issue of cross empowerment and administrative division of tax payers between the states and the centre was resolved in a true spirit of give and take. Despite varying rates of VAT on goods in different states, all goods and services have been fitted into different slabs in a smooth manner. The newly created constitutional body, the GST Council, has emerged as a new model of cooperative federalism, where the centre and the states are willing to share and pool in their sovereignty and give fiscal space to each other. The Council has taken unbelievable fiscal and tax related decisions through consensus and is seen as an example to be followed in other spheres of cooperation between the centre and the states.

Compensation to the States:

As GST is a destination based tax, there was apprehension amongst some states, particularly manufacturing states, that implementation of GST may result in loss of revenue for them. Therefore, the Constitution (One Hundred and First Amendment) Act, 2016 provides for compensation to the States for loss of revenue arising on account of implementation

GST Council - Decisions

- Threshold limit for exemption to be Rs. 20 lac (Rs. 10 lac for special category States)
- Compounding threshold limit to be Rs. 50 lac with -

Categories	Tax Rate
Traders	1%
Manufacturers	2%
Restaurants	5%

- Government may convert existing Area based exemption schemes into reimbursement based scheme
- Four tax rates namely 5%, 12%, 18% and 28%
- Some goods and services would be exempt
- Separate tax rate for precious metals

GST Council - Decisions

- Cess over the peak rate of 28% on specified luxury and sin goods
- To ensure single interface – all administrative control over
  - 90% of taxpayers having turnover below Rs. 1.5 cr would vest with State tax administration
  - 10% of taxpayers having turnover below of Rs. 1.5 cr. would vest with Central tax administration
  - taxpayers having turnover above Rs. 1.5 cr. would be divided equally between Central and State tax administration

of the Goods and Services Tax for a period of five years. Based on the recommendations of the GST Council, the Goods and Services Tax (Compensation to States), Act 2017 has been enacted. The Compensation Act has fixed the revenues of the year 2015-2016 as the base year revenues and further a nominal annual growth rate of 14 per cent has been provided. The Act provides for levying of a cess, which shall be used for compensation to the states in case there is loss of revenue. This cess shall be levied on luxury items and goods.

Deciding Tax Rates:

While deciding on the tax slabs, the GST Council had a difficult task of balancing three objectives. Firstly, to ensure that interests of poor and vulnerable sections of the society are protected and goods of mass consumption and essential commodities remain at affordable level. Secondly, to ensure that the overall revenues of the States and the Centre are protected. Thirdly, to see that the tax incidence on the goods and services does not increase or decrease substantially from the present incidence of tax. Taking into consideration all these factors and after long deliberations, the Council carefully decided on four tax rates of 5 per cent, 12 per cent, 18 per cent and 28 per cent slabs. In addition, there is an exempt category also.

Supporting Medium and Small Enterprises:

The GST regime has many provisions to address the concerns of the medium and small enterprises. The law provides for an exemption threshold where by it is not mandatory for a business whose aggregate turnover in a financial year is less than Rs. 20 lakh (Rs.10 lakh for special category States) to register. Such small enterprises would be exempt from paying GST. In addition, there is also a composition scheme under which an eligible registered person, whose aggregate turnover in the preceding financial year did not exceed Rs.75 lakhs can opt to file summarised returns on a quarterly basis. The taxpayers dealing in goods (both traders and manufacturers) and restaurant sector can only opt for the composition scheme. Under the Composition Scheme, the manufacturer will pay tax at the rate of 1 per cent; restaurant sector at the rate of 2.5 per cent and traders at the rate of 0.5 per cent of the turnover each under CGST Act and SGST Act. However, the service providers and the tax payers making inter-state supplies or making supplies through e-commerce operators are not eligible for the composition scheme.

Tackling Tax Leakages and Corruption:

The Indian GST will have a mechanism of matching of invoices. Input tax credit of purchased goods and services will only be available if the taxable supplies received by the buyer get matched against the taxable supplies received by the supplier. The Goods and Services Tax Network which is responsible for IT backbone is geared up to match more than three billion invoices per month. This would be a self-regulating mechanism. This will not only check tax frauds and tax evasion, but also bring in more and more businesses into the formal economy. In the new GST regime, the tax-payer can register, file returns and make payment of taxes on a single portal on the net. Even in a rare case, if the tax-payer is to interact with the tax authorities, he will have to interact with only one authority, either from the State Government or from the Central Government as tax officers of the Central Government and the State Government are being cross empowered to take action in one another's law. Thus, corruption will be checked to a large extent as it will become increasingly difficult for the taxpayer to evade taxes and he will have minimal interaction with the tax authorities.

Conclusion:

The launch of GST in India with effect from July 1, 2017 is a transformative reform and will change the way businesses are done in India. All stakeholders have welcomed the reform. The new GST regime will bring in more and more businesses into the formal economy. Radical change of this magnitude is bound to bring about some pain. The tax administrations, both at the centre and the states, are working hard to ensure that the transition is smooth. The gains of this little pain are going to be many and long lasting for the Indian economy. ❑

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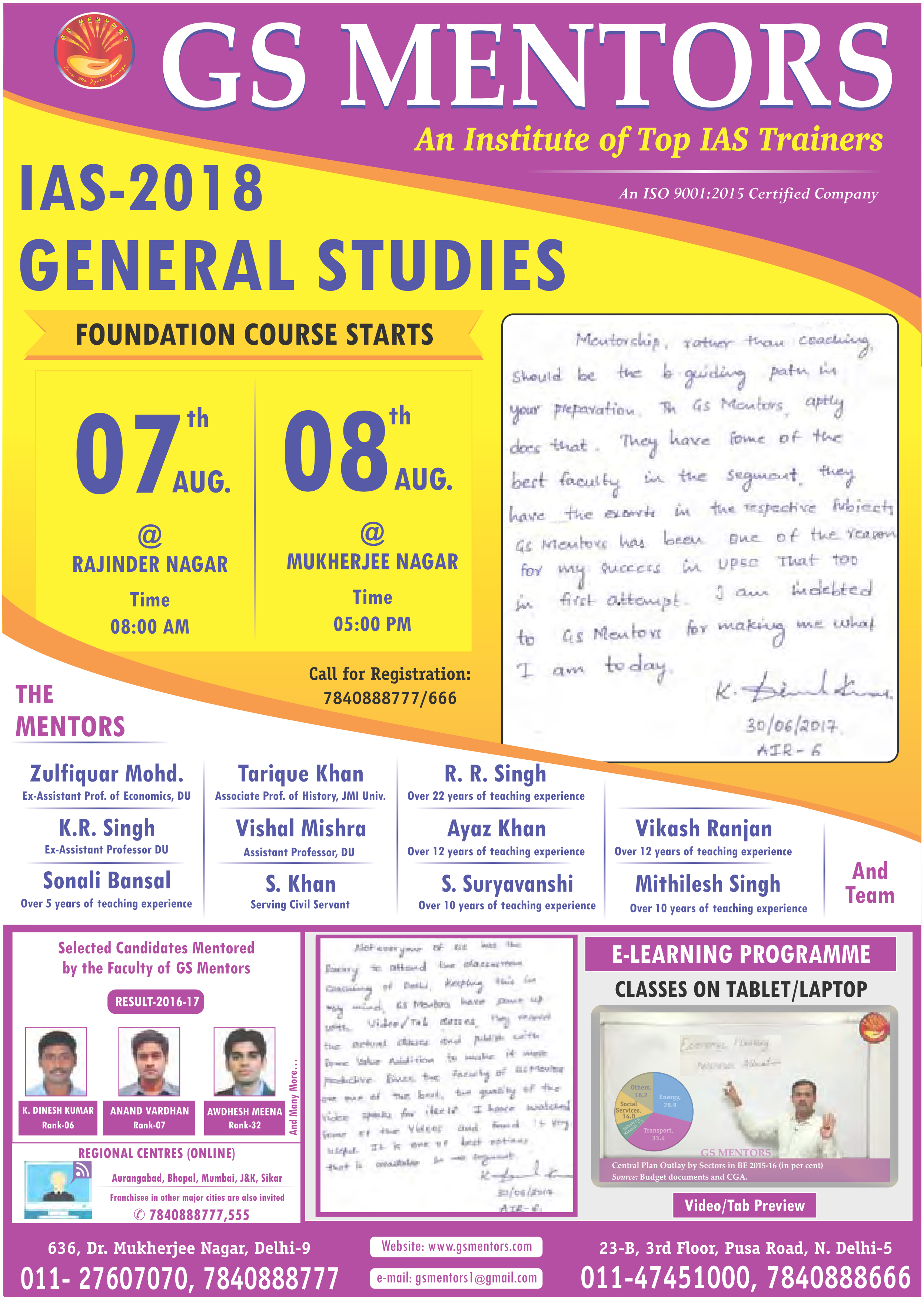

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Creating a Unified Taxation Regime

TN Ashok

GST is a 2nd major surgical strike on tax evaders, brings most traders into the tax net, makes movement of commodities freer in the country, attracts foreign investors with a unified market with a single tax, though it has inconvenienced citizens on a spending spree with inflated bills, on wining and dining, travelling, property purchase etc. But GST on 81 per cent of the commodities is expected to make them cheaper. A long term benefit with short term suffering as the country shifts to a new taxation regime

The midnight of June 30-July 01 2017 saw history in the making. Though the midnights of 2017 and 1947 are not comparable in euphoria of freedom, but, the setting, the high domed Central Hall of Parliament was virtually recalling history with a Prime Minister and President present in the august precincts. This time it was economic freedom, if it was political emancipation then.

The government of India, following in the credo of "One Nation and One Tax", and wanting an unified market that could make the movement of goods freer across the country making life easier for manufacturers, producers and investors.

Though GST seeks to align the Indian taxation system with the global standards and norms particularly with Europe and USA, the main trading partners, it has induced collateral damage in terms of its four layered tax system , making some products costly and making some cheaper.

Items of mass consumption have become cheaper. Items of luxurious nature have become costlier. Prices have gone up stiff. It will take time for people to understand the new taxation system, the balance between lower taxation rates on daily use products and higher taxes on services that they enjoy not daily.

The credit for ushering in Goods and Services and Tax (GST) cannot be given to a single political party though they differed in the manner of its implementation. The government under the then Prime Minister Dr Manmohan Singh, the architect of economic reforms under the then PM Narasimha Rao, could be given the credit for setting the ball rolling on GST. But both the then government and the present government have differed on some of the provisions.

Let's take a look at history and see how GST came into being.

The present government endorsed GST adopting a package of four legislations by Lok Sabha and returned by the Rajya Sabha (Rajya Sabha cannot adopt money bills, it can only return).

The new tax that seeks to usher in a uniform indirect tax regime will not lead to inflation as apprehended by some sections, the Finance Minister has stated. Successive governments have contributed towards GST and no one person can take credit for it. The bills were cleared by the Rajya Sabha after negation of a host of amendments moved by the opposition parties. The Lok Sabha had passed these bills on March 29. In mid-May the government gave final approval to rules and rates.

The author was the Editor (Economic Affairs) in PTI. He is also associate Editor of Hamburg based journal LOG. He has travelled to more than 30 countries as a journalist covering major events such as the RIO Earth Summit (1992) and inaugural ministerial meet of WTO (1996) in Singapore. He is currently Executive Editor of "Corporate Tycoons" and "The Flag Post".

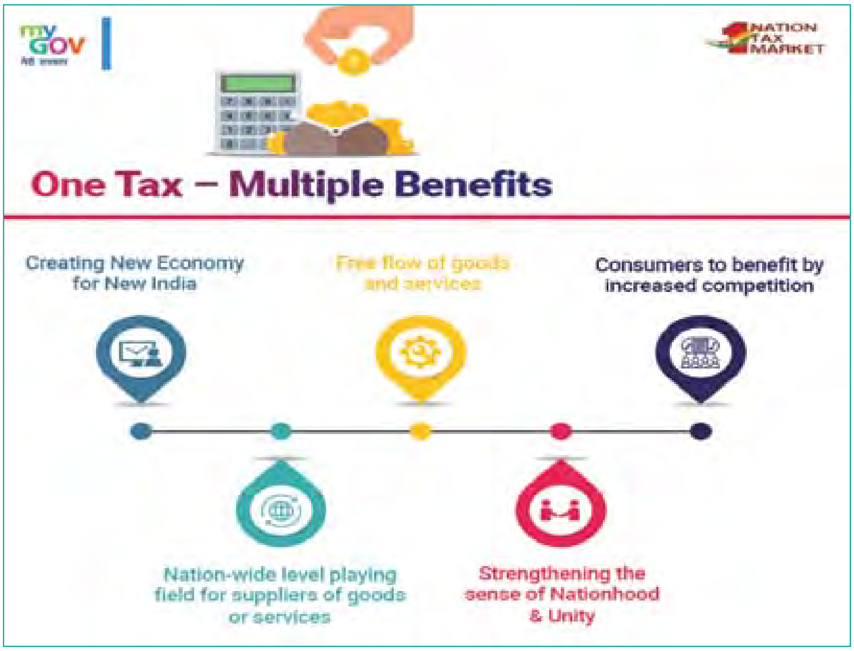
To implement GST, Parliament had cleared the 1) Central GST Bill, 2017; 2) The Integrated GST Bill, 2017; 3) The GST (Compensation to States) Bill, 2017; and 4) The Union Territory GST Bill, 2017.

The Goods and Services Tax (GST) mainly seeks to replace taxes levied by the Central and State governments. GST was implemented through the Constitution (One Hundred and First Amendment) Act 2016, following the passage of Constitution 122nd Amendment Bill. The GST is governed by the GST Council and its Chairman is the Union Finance Minister. Under GST, goods and services will be taxed at the following rates, 0.25 per cent, 5 per cent, 12 per cent, 18 per cent, 28 per cent. There is a special rate of 0.25 per cent on rough precious and semi-precious stones and 3 per cent on gold.

If we delve into history a bit , we will learn that in 1986, the then Prime Minister Vishwanath Pratap Singh introduced the Modified Value Added Tax (MODVAT). Goods and Services Tax (GST) will subsume various indirect taxes including central excise duty, services tax, additional customs duty, surcharges, state-level value added tax and octroi. Other levies which are currently applicable on inter-state transportation of goods are also likely to be done away with in the GST regime.

The following taxes will be bound together by the GST: Central Excise Duty, Commercial Tax, Value Added Tax (VAT), Food Tax, Central Sales Tax (CST), Octroi, Entertainment Tax, Entry Tax, Purchase Tax, Luxury Tax, Advertisement tax.

GST will be levied on all transactions such as sale, transfer, purchase, barter, lease, or import of goods and/or services. India will adopt a dual GST model, meaning that taxation is administered by both the Union and State Governments. Transactions made within a single state will be levied with Central GST (CGST) by the Central Government and State GST (SGST) by the government of that state. For inter-state transactions and imported goods or services, an Integrated GST (IGST) is levied by the Central Government.



GST is a consumption based tax, therefore, taxes are paid to the state where the goods or services are consumed not in the state in which they were produced. IGST complicates tax collection for State Governments by disabling them to collect the tax owed to them directly from the Central Government. Under the previous system, a state would have to only deal with a single government in order to collect tax revenue.

The central government has assured states of compensation for any revenue loss incurred by them from the date of GST for a period of five years. One of prime effects of GST is daily changes in fuel prices in India.

A 21-member select committee was formed to look into the proposed GST law. State and Union Territory GST laws were passed by all the states and Union Territories of India except Jammu & Kashmir, paving the way for smooth rollout of the tax from July 1 , 2017. On July 7, Jammu and Kashmir Assembly also adopted a resolution to implement the GST. There will be no GST on the sale and purchase of securities. That will continue to be governed by Securities Transaction Tax (STT).

As a parallel development, a "Goods and Services Tax" Network (GSTN), a non-profit organization has been formed to create a platform for all the concerned parties i.e. stakeholders, government, taxpayers to collaborate on a single portal. The portal will be accessible to the central government which will track down every transaction at its end while the taxpayers will be having a vast service to return/ file their taxes and maintain records. The IT network will be developed by private firms which will tie up with the central government and will take its share of stakes accordingly. The known authorized capital of GSTN is Rs.10 crore (US$1.6 million) in which Central Government holds 24.5 per cent of shares while the state government holds 24.5 per cent and rest are with private banking firms.

Under the GST act it has to be implemented latest by September 1, 2017. Grace is given upto September 12, 2017, after which all previous taxes will cease to exist. That's why government wanted to roll out GST by July 1, 2017 to subsume all indirect taxes and replace it with a single uniform tax. The country could not afford a situation where the nation went taxless.

That's why the government literally burnt the midnight oil and lived upto the promise of GST roll out by July 1, 2017 amid much fanfare with a midnight session in Parliament so that the world took notice of this historic development. There were reservations on some of the taxation rates and the manner of its quick implementation and industry felt it was not yet ready to restructure its operations to take in the new tax system.

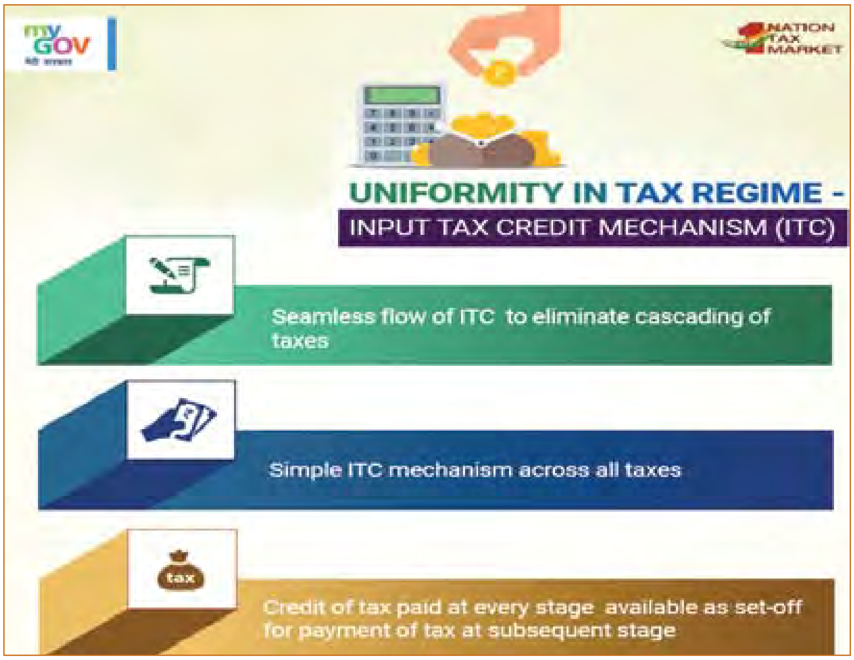
Just as any new law brings an element of suspicion and confusion, GST too took an entire nation by surprise when citizens suddenly found their bills inflated. What the citizens did not understand was that the country had switched over to a 'destination tax'. That is a consumption tax. Tax is levied at the place of consumption – a good produced in Tamil Nadu or Maharashtra or Andhra Pradesh—was taxed where it was consumed say in Delhi, Chandigarh, Jaipur or Lucknow.

If the November 8, 2016 demonetisation left a nation puzzled for the first week, then the historic Goods and Services Tax (GST) roll out on July 1 has taken many by surprise, shocked, stunned at inflated bills. But the government's intentions are fair and clear. It sought to usher in "One Nation, One Tax" with a view to unifying markets and aligning to global standards to make India more competitive in international markets.

GST is essentially the 2nd surgical strike on black money as every trader has to be registered and get the GSTIN (registration number) and submit a monthly or a quarterly tax collection statement. Accounting by every trader becomes now legit and mandatory.

What the government has sought is:

1) GST aims to subsume a plethora of some 15 to 20 taxes into one single tax across the country, unify markets pan India, and make goods uniformly priced across the country, albeit some goods become costly and some become cheaper.



2) GST is a simple tax but its implementation has been complex as it has a five layered taxation slab for various commodities. Luxury goods become costlier, items of mass consumption become cheaper. This is nothing new; most countries of the world are already implementing it to make their goods internationally competitive. Except that at the highest layer GST tax of 28 per cent on luxury goods is the highest in the world. Even UK and USA don't have GST higher than 17 per cent.

3) The concept of GST is quite different. It's not taxation at source. It is a destination tax or rather it's a consumption tax. A product is manufactured in Tamil Nadu and travels through the country and say reaches Delhi, where the buyer or consumer pays the tax for it. Both the centre and state have their share in this tax. If tax levied at a restaurant is 18 per cent then 9 per cent goes to centre through CGST and 9 per cent goes to state under SGST. This is reflected in the bills.

Wining and dining has become costlier, travelling especially by air has become prohibitive and ACs, fridges and washing machines, in short, white goods are costlier. The GST has been imposed on some 1200 items with tax of 18 per cent being the most common on a wide range of commodities in the basket. 81 per cent of commodities are said to be in this basket.

Items that have become cheaper are: **Eatables:** 1. Milk powder 2. Curd 3. Butter milk 4. Unbranded natural honey 5. Dairy spreads 6. Cheese 7. Spices 8. Tea 9. Wheat 10. Rice 11. Flour 12. Spices 13. Groundnut oil 14. Palm oil 15. Sunflower oil 16. Coconut oil 17. Mustard oil 18. Sugar 19. Jaggery 20. Sugar confectionery 21. Pasta 22. Spaghetti 23. Macaroni 24. Noodles 25. Fruit and vegetables 26. Pickle 27. Murabba 28. Chutney 29 Sweetmeats.

Items of daily use: 1. Bathing soap 2. Hair oil 3. Detergent powder 4. Soap 5. Tissue papers 6. Napkins 7. Matchsticks 8. Candles 9. Coal 10. Kerosene 11. LPG domestic 12. Spoons 13. Forks 14. Ladles Skimmers 16. Cake servers 17. Fish knives 8. Tongs 19. Agarbatti 20. Toothpaste. **Stationery** :1. Notebooks 2. Pens 3. All types of paper 4. Graph paper 5. School bag 6. Exercise books 7 Picture, drawing and colouring books, 8. Parchment paper 9. Carbon paper 10. Printers. **Healthcare** : 1. Insulin, 2. X-ray films for medical

use 3. Diagnostic kits 4. Glasses for corrective spectacles 5. Medicines for diabetes, cancer. **Apparels:** 1. Silk, 2. Woollen fabrics, 3. Khadi yarn 4. Gandhi topi 5. Footwear below Rs 500 6. Apparel up to Rs 1,000.

One expects the lower GST rate may lead to a decline in inflation. Economic growth may not improve significantly in the short term even though it will benefit both India Inc. and the government in the medium term, financial experts say. Most economists forecast inflation to come down as GST rates for most goods have been fixed at a lower rate. India Incorporated has a major task on hand as most manufacturing units and industries would now have to reorganise their businesses as the country switches to the GST regime, which brings in more small companies into the tax net because of registration through the GSTIN.

What is intriguing is that, though inflation is set to come down, economists believe that this may not influence the Reserve Bank of India (RBI) to cut policy interest rates at the next policy review. RBI will assess the monsoon situation as well as the way the new tax regime pans out, Sunil Sinha, Chief Economist of India Ratings is quoted by the media as saying.

Economists and Industry observers claim that the GST will have five major impacts in the short term:

Shake Up Corporate Entities and their Operations: How? The new tax regime will force many companies to restructure their operations. Companies will now insist to vendors and suppliers to furnish invoices as GST will make it impossible for firms to evade taxes. Big companies stand to benefit as they have a supply chain in order and can offset taxes paid on inputs. Smaller firms may end up spending more as compliance cost will rise. “While the impact on companies varies following existence of production units in the excise exempted zones, implementation of GST should result in cost savings in the supply chain network and expedite a shift from unorganized to organized trade,” a foreign brokerage firm Jefferies is quoted as saying in the media.

How to pass Benefits of Lower Tax to the Public? While the GST Council, headed by Finance Minister, is expected to keep a close watch on whether companies are passing on the benefit of lower taxes to consumers, experts are, however, divided on their opinion on the implementation of the policy of anti-profiteering.

“We believe that while corporates would pass on the direct benefits of GST (like a lower tax rate), they would aim to retain partly (if not fully) the indirect benefits from the saving in logistics costs, streamlining of business processes and the seamless flow of input credits,” Financial Services company Nomura is quoted as saying.

Though GST laws focus on anti-profiteering measures—the benefits of the reduction in the tax rate and input credit shall be passed on by a commensurate reduction in prices—such measures are difficult to implement and would be a retrograde step, similar to price controls, if implemented in haste, Nomura claimed.

Companies may use the savings from tax outgo under the GST regime to improve profit margin to some extent and invest the rest in building new capacities, it is claimed.

Most taxation experts feel the real impact of the government’s big-bang reform can be assessed only after a full year of its implementation. But its immediate impact is that in many cases it weighs heavily on your pockets while in others it may soothe the traders’ frayed nerves with input tax credit.

In terms of GST effect on the government’s revenue kitty, it seems to be on the wait and watch mode. Services, including banking and telecom, get more expensive, as also purchase of flats, ready-made garments, monthly mobile bills and tuition fees. In the GST regime buying a flat or shop, will attract 12 per cent tax as compared to current six per cent approximately. Foreign investors have welcomed the GST as it makes it easier for them to manufacture and move their commodities in a freer manner as most of the states have dismantled their check posts and gates.

Commodities trading guru and hedge fund manager Jim Rogers, who had sold his holdings in Indian companies and exited late 2015 on the grounds that the government had then failed to live up to investors’ expectations, says that he is considering re-entering India. With Indian markets sustaining a record-breaking rally, Rogers admitted that he may have missed the bus on India, “On GST, I am amazed, shocked and stunned,” he said in an interaction, referring to the goods and services tax that will create a unified market in India.

In conclusion, GST is a 2nd major surgical strike on tax evaders, brings most traders into the tax net, makes movement of commodities freer in the country, attracts foreign investors with a unified market with a single tax, though it has inconvenienced citizens on a spending spree with inflated bills, on wining and dining, travelling, property purchase etc. But GST on 81 per cent of the commodities is expected to make them cheaper. A long term benefit with short term suffering as the country shifts to a new taxation regime. It’s but natural. ❑

(E-mail:feedback@ashoktnex@gmail.com)

GST - Dawn of a New Era

Upender Gupta

...if we have a comprehensive view of this transformational reform it can be seen as a business change, a social regeneration, a revolution that will reenergize the sagging wheels of our economic growth, a booster dose for the immunity of our economy from the vagaries of world developments and last but not the least a future where the head will be held high and minds will be free

The sound of the bell which was rung in the Parliament at the stroke of midnight of 30 June, 2017 has echoed in the world as the trumpet of Indian political maturity and cohesion. It was a tryst with destiny moment for the Indian economy when the whole country came out as one united for transforming the indirect tax regime from an anarchic and complex system to a "Good and Simple Tax". There has been no doubt of the fact that GST has emerged as the new bastion of success for the Indian political class and a saviour for the Indian economy from the tyranny of the myriad, entangled labyrinth of taxes which the trade and industry and through them the common man was suffering till now.

India is a Union of States and politically we are one nation since 1947, but are we an economic union? Can a trader sitting in Tamil Nadu sell goods in Himachal Pradesh without having to worry about the rates of taxes in each state? Can a truck starting from Jammu and Kashmir and going up to Kanya Kumari travel without being stopped at the check posts on the borders of each State? GST has the potential to remove all these obstacles and forge India into one economic State or a common national market where the trade is really done without fear or favour in any State of the country.

Now the common refrain no longer is as to what is GST? The waves of awareness have swept through the country and it would not be a fallacy to say that even a child would know that GST stands for Goods and Services Tax. But what he might not know is that what has created the need for ushering this mammoth reform in the country? Why it has taken more than ten years for the country to see the dawn of a new era? Well, the answer to this would lie in the backdrop of history with which our taxation system was much in favour with. Historically, the Central Government levies tax on manufacture (Central Excise duty), provision of services (Service Tax), inter-State sale of goods (CST - levied by the Centre but collected and appropriated by the States) and the State Governments levy tax on retail sales (VAT), entry of goods in the State (Entry Tax), Luxury Tax, Purchase Tax, etc. Not only the sheer number of these taxes is mind boggling but the compliance mechanisms for all these taxes is nightmarish for any taxpayer. Adding complexity to the problem is the fact that these taxes were existing in silos i.e. there was no credit chain between the taxes paid to the Central government or the State government. Resultantly, there was cascading of taxes, tax arbitrage between the inter-State and intra-State sales spawning a vortex of unscrupulous elements

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who took advantage of these artificial barriers. Alongside the matrix of forms and cumbersome regulations combined with tardy and inefficient compliance mechanism made conduct of business in India a tribulation for most of the trade and industry.

These vexatious experiences are going to be forgotten as a bad dream and what we are going to see is arrival of SMART governance with key attributes being smart, moral, accountable, responsive and transparent in the GST regime. Various taxes have been subsumed in a single tax called the Goods and Services Tax (GST) which will be levied on supply of goods or services or both at each stage of supply chain starting from manufacture or import and till the last retail level. With India being a federal setup where both the Central and State government have independent powers of taxation, GST in India is a dual levy where the Central Government will levy and collect Central GST (hereinafter referred to as "CGST" or "Central tax") and the States will levy and collect State GST (hereinafter referred to as "SGST" or "State tax") on intra-State supply of goods or services. The Centre will also levy and collect Integrated GST (hereinafter referred to as "IGST" or "Integrated tax") on inter-State supply of goods or services. Besides these there will be a levy of Union territory GST ("UTGST" or "Union territory tax") on intra-Union territory supplies that take place in Union territories without legislatures. Also, for gathering of resources that would be required by the Central government to pay the States as compensation on account of any loss that they might suffer due to introduction of GST, a GST Compensation cess is being levied on certain sin and luxury goods or services.

Key Features of GST:

In order to understand GST it would be better if the key features of GST model in India are detailed out which are as follows:-

(1) The territorial spread of GST is whole of the country including the State of Jammu and Kashmir.

(2) GST is applicable on "supply" of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.

(3) It is based on the principle of destination based consumption taxation as against the present principle of origin based taxation.

(4) Import of goods is treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.

(5) Import of services is treated as inter-State supplies and would be subject to IGST on reverse charge basis.

(6) CGST, SGST /UTGST & IGST is levied at rates mutually agreed upon by the Centre and the States under the aegis of the GST Council (GSTC).

(7) There are four tax slabs namely 5 per cent, 12 per cent, 18 per cent and 28 per cent for all goods or services. Precious metals would be subject to tax @ 3 per cent whereas rough precious stones attracts tax @ 0.25 per cent. Some specified goods or services have been exempted.

(8) GST covers the entire gamut of goods and services except Alcohol for human consumption which is constitutionally out of GST. Besides, five petroleum products (Crude, Petrol, Diesel, ATF and Natural gas) are out of GST at present and can be brought into GST fold on recommendation of GST Council.

(9) A common threshold exemption of Rs. 20 lakhs (Rs. 10 lakhs for special category States as specified in article 279A of the Constitution except State of Jammu & Kashmir) for both CGST and SGST/UTGST has been provided for. Besides, an option to pay tax under composition scheme (i.e. to pay tax at a flat rate without credits) is available to small taxpayers (other than specified category of manufacturers and service providers) having an annual turnover of up to Rs. 75 lakhs

(Rs. 50 lakhs for special category States as specified in article 279A of the Constitution except State of Jammu & Kashmir qnd Uttrakhand).

(10) Exports and supplies to SEZ are zero-rated.

(11) Credit of CGST paid on inputs may be used only for paying CGST on the output and the credit of SGST/UTGST paid on inputs may be used only for paying SGST/UTGST. In other words, the two streams of input tax credit (ITC) cannot be cross utilized, except in specified circumstances of inter-State supplies for payment of IGST. The credit would be permitted to be utilized in the following manner:

a) ITC of CGST allowed for payment of CGST and IGST in that order;

b) ITC of SGST allowed for payment of SGST and IGST in that order;

c) ITC of UTGST allowed for payment of UTGST and IGST in that order;

d) ITC of IGST allowed for payment of IGST, CGST and SGST/UTGST in that order.

ITC of CGST cannot be used for payment of SGST/UTGST and vice versa.

(12) Electronic filing of returns has to be done by different class of persons at different cut-off.

(13) Various modes of payment of tax available to the taxpayer including internet banking, debit/ credit card and National Electronic Funds Transfer (NEFT) / Real Time Gross Settlement (RTGS).

(14) Refund of tax has to be sought by the taxpayer or by any other person who has borne the incidence of tax within two years from the relevant date.

(15) System of self-assessment of the taxes payable by the registered person has been provided for.

(16) Audit of registered persons to be conducted in order to verify compliance with the provisions of the Act.

(17) Advance Ruling Authority in States in order to enable the taxpayer to seek a binding clarity on taxation matters from the department. Centre would adopt such authority under CGST Act.

(18) An anti-profiteering clause has been provided in order to ensure

that business passes on the benefit of reduced tax incidence on goods or services or both to the consumers.

(19) Elaborate transitional provisions have been provided for smooth transition of existing taxpayers to GST regime.

Benefits of GST:

(A) Make in India:

(i) Will help to create a unified common national market for India, giving a boost to Foreign investment and "Make in India" campaign;

(ii) Will mitigate cascading of taxes as Input Tax Credit will be available across goods and services at every stage of supply;

(iii) Harmonization of laws, procedures and rates of tax;

(iv) More efficient neutralization of taxes especially for exports thereby making our products more competitive in the international market and give boost to Indian Exports;

(v) Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption, which in turn means more production thereby helping in the growth of the industries. This will create India as a "Manufacturing Hub".

(B) Ease of Doing Business:

(i) Simpler tax regime with fewer exemptions;

(ii) Reduction in the multiplicity of taxes that are at present governing our indirect tax system leading to simplification and uniformity;

(iii) Reduction in compliance costs - No multiple record keeping for a variety of taxes- so lesser investment of resources and manpower in maintaining records;

(iv) Simplified and automated procedures for various processes such as registration, returns, refunds, tax payments, etc;

(v) All interaction to be through the common GSTN portal- minimal public interface between the taxpayer and the tax administration;

(vi) Common procedures for registration of taxpayers, refund of taxes, uniform formats of tax return, common tax base, common system of classification of goods and services will lend greater certainty to taxation system.

(C) Benefit to Consumers:

(i) Final price of goods is expected to be lower due to seamless flow of input tax credit between the manufacturer, retailer and supplier of services;

(ii) Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption.

Conclusion:

Looking at GST from a myopic view point only shades of indirect tax reform will be visible. But if we have a comprehensive view of this transformational reform it can be seen as a business change, a social regeneration, a revolution that will reenergize the sagging wheels of our economic growth, a booster dose for the immunity of our economy from the vagaries of world developments and last but not the least a future where the head will be held high and minds will be free. ❑

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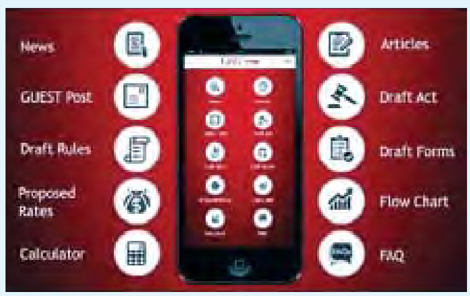
Mobile App "GST Rates Finder"



A mobile app "GST Rates Finder" was launched recently. This Mobile app, which is now available on android platform and will soon be available on iOs platform, helps users to find rates of GST for various goods and services. It can be downloaded on any smart phone and can work in offline mode, once downloaded. The user can determine the GST rate for a good or a service by entering the name or Chapter heading of the commodity or service. The search result will list all the Goods and Services containing the name which was typed in the Search Box. The user can scroll down the list of description and when any specific item on the list is clicked, the display window will pop-up, containing details such as GST rate, description of goods or services and the Chapter heading of the Harmonised System of Nomenclature (HSN). For example, any person who has been billed by a hotel or a restaurant or for footwear can cross verify the correctness of the rate of GST charged.

CBEC has also provided a GST rate finder on its portal cbec-gst.gov.in to help the taxpayers know the applicable GST rate on their supplies of goods and services. A taxpayer can search for applicable CGST, SGST, UTGST rate and Compensation Cess on a supply. The search can be made based on description of goods or services or HSN Chapter or section or heading number.

These initiatives are aimed to serve as a ready reckoner on GST rates. This will empower not only the taxpayers, but every citizen of the nation, to ascertain the correct GST rate on goods and services.

Creating a Strong IT Backbone

Prakash Kumar

The objective of GSTN is not just to simplify the compliance work but also make the process of paying taxes simple and convenient. By reforming this indicator alone, we can significantly improve upon India's rankings on the global scale on the Ease of Doing Business criteria. Designed as a self-service mode, which is simple and adaptable for mobile systems as well, the interface will play a major role in empowering business and entrepreneurs and easing their tax paying procedures

On July 1, 2017, India unleashed its most revolutionary taxation reform till date in the form of the Goods and Services Tax (GST) that promises to infuse a fresh vigor into the economy by unifying the entire country into one single market. Twenty six years after opening its economy to the outside world, India has now rolled out another significant financial reform that aims to carry forward and cement on the growth benefits of liberalization.

The new Goods and Services Tax subsumes 17 Central and state taxes and 22 types of Cess into one single tax, thereby eliminating the complexity of multiple taxes, cascading of taxes and thus achieving significant simplification in indirect taxation. Thirty four state VATs had 97 different types of returns to be supported with 317 annexures and 28 declarations. Similarly, Central Excise had 13 Return Forms which were required to be supported by one declaration. Even the Challan used was of twelve types. All these have been replaced by twelve forms and one challan which are uniform across the country. Not only does GST make it more convenient to pay taxes and file returns, it also promises to reduce the burden of compliance and radically improve the ease of doing business.

GST envisages credit of Input tax credit (ITC) of 80 lakh taxpayers to be processed within ten days after filing of monthly returns which is expected to contain 2.6 to 3.0 billion business to business invoice data. This feat is impossible without strong IT Infrastructure. Thus, it would not be incorrect to say that GST is incomplete without a strong IT backbone. The IT backbone has come up in the form of GST System consisting of GST Portal and IT platform – the highly advanced technological infrastructure that has made the timely roll out of the new tax regime possible. The GSTN has successfully developed a common GST Portal that acts as a one stop shop for all businesses, taxpayers and other stakeholders involved in the indirect taxation system. At the time of writing this piece, over 69 lakh existing taxpayers had already migrated to the new GST regime by enrolling on the GSTN portal. On June 25, 2017, the portal was also opened for fresh registration of new businesses which will enter the tax matrix for the first time. More than five lakh new entities have already applied for new registration out of which more than three lakhs have been granted registration so far.

GSTN: The IT enabler of GST

The Goods & Services Tax Network or GSTN was conceived as the IT backbone of GST – an organization that would put in place the IT infrastructure

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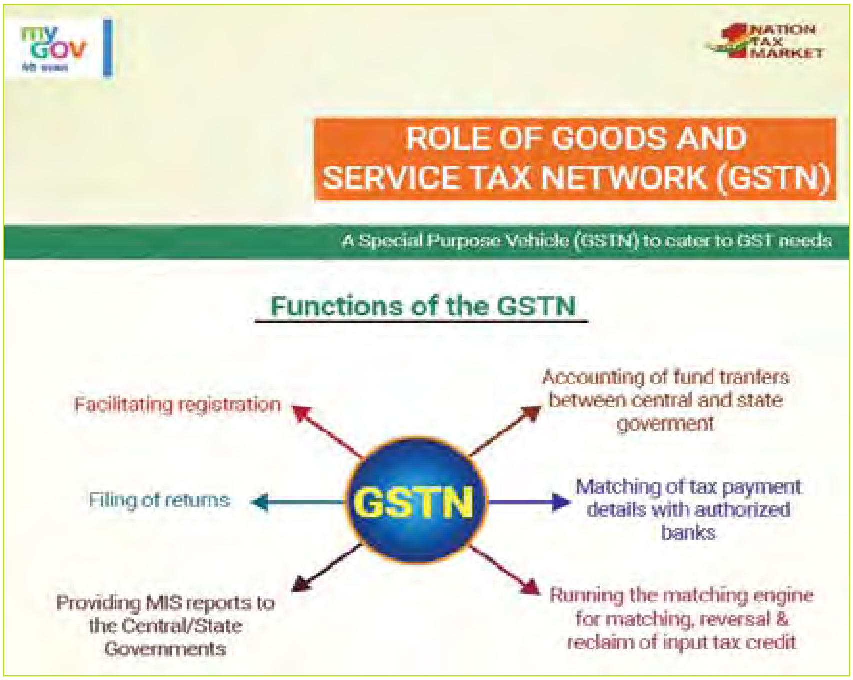
for the new regime and enable the transition of taxpayers from the multiple existing systems to a single one. The Government of India and State Governments came together to create the Goods and Services Tax Network (GSTN), a Special Purpose Vehicle as non-government, not-for-profit Company where Centre holds 24.5 per cent shares and all States collectively hold 24.5 per cent. The remaining shares are held by five private financial institutions. This structure brings flexibility of private sector while ensuring that strategic control remains with the government.

Make no mistake, unifying a whopping number of taxation systems working at different levels of administration into one single interface is no mean task. The GST System Project is a unique and complex IT initiative. It is unique as it seeks, for the first time to establish a uniform interface for the tax payer and a common and shared IT infrastructure between the Centre and States. Integrating 36 disparate systems, which were at different levels of maturity has been quite a complex task. Besides, GST being a destination based tax, Inter- state trade of Goods and Services (IGST) needs a robust settlement mechanism amongst the States and the Centre. This can be possible only when there is a strong IT Infrastructure and Service back bone which enables capture, processing and exchange of information amongst the stakeholders including tax payers, States and Central Governments, Accounting Offices, Banks and RBI.

GSTN has worked tirelessly over the past few years to plan, strategize, implement and develop a common GST Portal that functions as the front-end of the overall GST IT eco-system. To develop the Application Softwares, GSTN has partnered Infosys as its Managed Service Provider (MSP) for the next five years.

The Common GST Portal is the single interface for all taxpayers from any part of the country. Only in case where a taxpayer is picked up for scrutiny or audit, he will interface with the respective tax authority. For all other cases, which is expected to be around 95 per cent, the Common GST Portal will be the only interface for taxpayers.



How it Works

The GSTN has been designed to work as a one-stop shop for all indirect tax stakeholders providing services like common registration, creation of challan for payment through designated banks and upload of business to business invoice data to create return. GSTN has also been asked to provide backend modules like assessment, appeal, enforcement etc. to 27 States and UTs. GSTN rolled out the registration module on 8th of November 2016 to onboard taxpayers registered under VAT, Service Tax, Central Excise and other taxes to be subsumed in GST. The Common Portal became operational since then, providing one interface for all taxpayers. The applications received are checked for their completeness by carrying out validation of data with other agencies like PAN validation with CBDT, Aadhaar validation with UIDAI and DIN/CIN validation with MCA.

Payment of taxes has also started taking place using one Challan for all types of taxes which are prepared on the GST portal. Once the Challan is created with GSTIN, name of taxpayer, amount under various tax heads and sub-heads etc, the taxpayer has two options to pay the tax. He can either use net-banking facility out of 25 authorized banks or print the challan and take it to an authorized bank for payment over the counter (OTC). The OTC payment can be up to Rs 10,000 in a month per taxpayer. The taxpayer can also use NEFT/RTGS from any bank operating in India to make tax payment after creating challan on the GST Portal. At the end of the day, the GST portal prepares a summary of all payment confirmations received by it from banks and shares the same with the accounting authorities for reconciliation. The accounting authorities get the payment details from RBI who in turn get the same on daily basis from banks. The confirmation of payment received from banks is reflected in the cash ledger of the taxpayer for utilization against any liability.

Making Compliance Easy

Paying taxes is the duty of the taxpayers, but making the eco-system of filing returns easy, convenient and reduce time of compliance is the responsibility of the taxation authorities. The idea behind the tax

GST Network (GSTN)

- A section 25 private limited company with Strategic Control with the Government
- To function as a Common Pass-through portal for taxpayers-
  - submit registration application
  - file returns
  - make tax payments
- To develop back end modules for 25 States (MODEL –II)
- Infosys appointed as Managed Service Provider (MSP)
- 34 GST Suvidha Providers (GSPs) appointed

reform is to make compliance easy and convenient for taxpayers. At GSTN, we have crafted a series of services and technological tools to ensure that paying taxes and filing returns becomes convenient for the last common denominator.

In the GST regime, all normal and casual taxpayers are expected to furnish their outward supply details of each month by the 10th of the subsequent month in GSTR 1 format. As part of this effort, GSTN has designed an offline tool and a simple excel based template that will facilitate the taxpayers in preparing and filing their monthly returns with maximum ease and minimal cost.

The excel workbook template can be freely downloaded from the GST Common portal -**www.gst.gov.in**, and can be used by taxpayers to collate all invoice related data on a regular basis. The data in excel sheet will then be used by the Offline Tool that will be able to import data from the Excel sheet and generate JSON file which will have to be uploaded on GST Portal after connecting to Internet. This is the only time when the taxpayer will need Internet connectivity.

Small taxpayers making sales to consumers only, will not have any business to business invoices and thus their return will have just five line items representing five tax rates. Similarly, the small taxpayers having turnover of Rs 75 lakhs and below have been given an option to opt for composition under which they need to file return once in a quarter and that return is also very simple.

The only objective is to make preparation of return easy and simple. The Excel format can be used by businesses to maintain their data under various heads. The taxpayer can prepare the details of his outward supply on weekly or any other suitable regular interval which can then be uploaded on GST portal. The tool can pull 19000 line items from Excel sheet to generate a 5 Mb file in one go. The tool can be used multiple times to upload data for creating GSTR-1, if required. This way most of mid-size taxpayers engaged in business to business sales can also create return and file the same. The GSTR1 excel template workbook can be used to prepare the GSTR 1 return without connecting to internet in offline mode. This also benefits taxpayers in remote areas where Internet connectivity might not be good.

Improving Ease of Doing Business

The 'ease of doing business' criteria is a key measure of an economy's openness and amenability to businesses. Unfortunately, India has continued to lag behind in the global economy on this count. World Bank's 'Ease of Doing Business' report takes into account a series of indicators that determine the ease or difficulty an entrepreneur faces in his/her journey towards setting up and running a business. One of the important indicators assessed here is the ease of paying taxes.

The objective of GSTN is not just to simplify the compliance work but also make the process of paying taxes simple and convenient. By reforming this indicator alone, we can significantly improve upon India's rankings on the global scale on the Ease of Doing Business criteria. Designed as a self-service mode, which is simple and adaptable for mobile systems as well, the interface will play a major role in empowering business and entrepreneurs and easing their tax paying procedures.

With a successful implementation of the GST, powered by the GSTN, India is looking forward to make major gains in the ease of doing business criteria. The implementation is expected to boost businesses and propel the economy's growth story. ❑

(E-mail:prakash@gstn.org.in)

Removing Cascading Effect of Taxes

Suraj Jaiswal

There are two different ways in which GST can have impacts on consumers. Firstly, the direct and immediate impact of GST will be a new 'effective' tax rate on each of the goods and services. Depending on how different the new 'effective' tax rates are as compared to the pre-GST period, prices will increase or decrease accordingly. Secondly, an indirect impact of GST, which is likely to be visible only in the medium to long term, can come through changes in production and supply chain processes

What is GST : Based on who pays and how it is collected, taxes are divided into two categories – Direct Tax and Indirect Tax. Generally levied on Income, Profit or Wealth, some examples of direct taxes are Income Tax, Corporation Tax, Wealth Tax and Property tax. In contrast, Indirect taxes are levied on the transactions of goods or services and can be borne either by the seller or by the buyer. However, the sellers can and in most cases do, pass it on to the buyers. Some examples of indirect taxes are – custom duty on foreign import of goods, service tax on the service provided by a commercial entity, excise duty on the manufacturing of goods, sales tax on the goods being sold and so on. Goods and Services Tax (GST) is an indirect tax which will replace almost all other indirect taxes levied by central and state governments.

Applicable in India from July 1, 2017, two main features of GST are that each good/service will attract only one tax, which will be the same across all states of the country. However, it is noteworthy that there are a few sectors, such as petroleum, alcohol and real estate, which have been kept outside GST and will continue under the previous taxation framework. Custom duties have been continued but integrated in GST, while taxes imposed by local bodies like municipalities, gram panchayats have also been excluded. Barring such exemptions, all indirect taxes in India that were applicable earlier are going to be replaced by GST. Some of the major indirect taxes being subsumed under GST are – Excise duty, Service tax, Special additional duty of customs, State VAT, State sales tax, Entertainment tax, Entry tax, Luxury tax.

There are three main stakeholders who would be affected with the coming in of GST – the Consumers, the Governments and the Businesses. This article tries to analyse how GST is different in comparison to the earlier tax regime and the resultant impacts it can have on the consumers.

How is GST Different from the Previous Tax Regime

Before a particular good/service is finally bought by a customer for his/her personal use, it passes through a number of stages in the production and supply-chain, such that it used to attract one or more indirect taxes at different stages, some levied by the Central government and others by respective State governments. For example – A TV set manufactured in India had to pay excise duty when leaving the factory. If it had used some imported components then custom duties on those items had to be paid, in the next leg of its journey from the manufacturer to the wholesaler there were sales tax, and finally from the

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wholesaler to the retailer there could have been VAT. The situation was more complex when goods moved between the states as not only did they attract a Central sales tax, also the rate for it varied across the states, for example – before GST, value added tax (VAT) was 12.5 per cent in Maharashtra while the same tax in Gujarat was 15 per cent. Many a times, taxes were also levied to promote or dis-incentivise certain products/services, like Luxury taxes or Sin tax. This multiplicity of taxes and complex incidence on multiple stages created two problems – first, it made tax compliance harder for tax payers and also provided opportunities for tax evasion. Secondly, since each new tax was applied on the selling price that also includes tax paid in the previous stage, it basically meant a tax on the amount of tax paid at the previous stage, a phenomenon known as the cascading effect of taxes.

In the picture -1, A is a wholesaler, B is a retailer and C is a consumer. When C pays 20 per cent tax on the price of Rs. 130, which includes the taxes paid by B when buying from A; C effectively not only pays the tax on the actual cost of the good (Rs. 100 + Rs. 20), but he/she also pays tax on the tax paid by B (Rs. 10 and 20 per cent on Rs. 10). Such tax on tax incidences ultimately increases the final price paid by the consumer.

Under the new GST regime, a particular good/service will attract only one tax rate, and it will be same in all the states. Also, each manufacturer/seller/business entity will be able to avail the benefits of a scheme known as ‘Input Tax Credit’ (ITC). To elaborate from the previous picture – when B buys input worth Rs 110, it includes tax payment of Rs 10. When A deposits this amount with the government along with the details of buyer (B in this case); B will receive a ‘Tax Input Credit’ of Rs 10. When B sells that

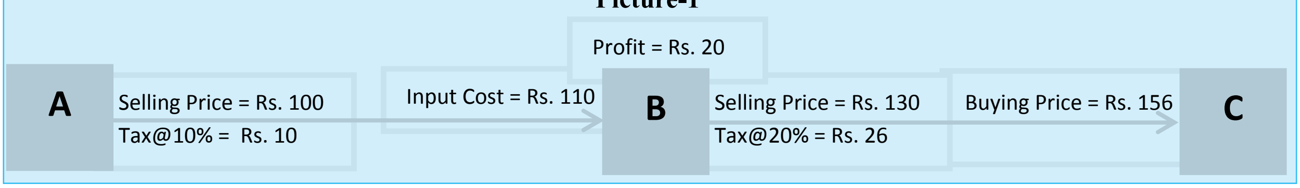
good finally to C at price Rs. 130, the amount of tax that B needs to deposit with government is Rs. 13 (uniform GST at 10 per cent now). However, since B already has a tax credit of Rs. 10, it will need to pay only Rs. 3 extra. Thus, while GST makes indirect tax simpler and uniform across states, the ITC mechanism reduces the total tax incidence and hence overall cost for business.

Potential Benefits/side-effects for the Consumer

There are two different ways in which GST can have impact on the consumers. Firstly, the direct and immediate impact of GST will be a new ‘effective’ tax rate on each of the goods and services. Depending on how different the new ‘effective’ tax rates are as compared to the pre-GST period, prices will increase or decrease accordingly. Secondly, an indirect impact of GST, which is likely to be visible only in the medium to long term, can come through changes in production and supply chain processes. Both of these potential impacts are discussed in greater details in the following sections.

Under GST, each good or service will be subjected to one of the four prescribed tax rate slabs – 5 per cent, 12 per cent, 18 per cent and 28 per cent or it could be exempted from tax meaning it would have a 0 per cent tax rate. A difference in the ‘effective’ tax rate as compared to pre GST period could arise due to the good/service being placed in different slab. For example – let’s say there is product X which is manufactured and directly sold to the consumer. Under the previous regime, the taxes levied before final sale were Excise duty, State Vat, Entry tax, etc. Let’s assume that the sum total of all such taxes amounted to 15 per cent. If under GST this product is placed in the 18 per cent slab then it becomes

Picture-1



costlier, however if it is put in the 12 per cent or 5 per cent slab then it will become cheaper. It should be noted that due to erstwhile difference in rates across states, there is possibility that a particular good/service becomes cheaper in one state while it gets costlier in another state.

Under GST, agriculture and food products, like food grains, pulses, fruits, vegetable and milk have been exempted along with education and health care. All of these combined together contribute close to 40-45 per cent of expenses of an average household, as measured in the consumer price index. While other necessary items like coal, sugar, edible oil, coffee are placed at 5 per cent. However, the standard rate for services has been kept at 18 per cent which is higher than the pre-GST rate of 14-15 per cent. Due to the multiplicity of taxes and incidences of taxes in multiple stages in the pre GST period, calculating the exact change in effective tax rate for individual goods/service is rather difficult. However, there are estimates by some economists that broadly, tax incidence on 50 per cent of items will remain same, 30 per cent can come down while another 20 per cent may actually see an increase.

Another way in which the effective tax rate can change, is through the Input Tax Credit scheme. As explained previously, this process, by reducing the effective total tax incidence, reduces the overall cost for manufacturers/sellers. This reduction in cost is expected to ultimately bring down the final price paid by consumers. To deal with firms not passing on the benefits of reduced cost to the consumers, Government has introduced a clause in the GST bill known as 'Anti-Profiteering Rules' which mandates the firms/businesses that any reduction in cost due to Input Tax Credit has to be passed on to the consumer by way of commensurate reduction in prices. However, it remains to be seen if the prices will actually fall, which can be difficult, at-least immediately, due to reasons like logistic challenges of existing MRPs on the products.

Notwithstanding the potentially lower or same effective tax rates, there are a number of economists and commentators who foresee an increase in inflation in the immediate future. There can be two possible reasons behind this prediction. Experiences from other countries, such as Japan, Australia, Canada, and others show that there was an increase in inflation post GST implementation, and the same situation can arise in India as well. The other potential increase in prices is possible due to increased compliance cost, especially for small and medium enterprises, which brings us to the next part that how GST can affect consumers through its impact on production, businesses and supply chain processes.

One widely discussed aspect of GST is its impact on small and medium enterprises. Currently, a disproportionately large number of business entities in India operate under the informal economy, which basically means that they escape regulatory and taxation obligations. This escape or evasion, though, also helps in keeping the overall costs down for such entities. Under the Input Tax Credit system, however, one entity can avail its benefit only if it buys from an entity that is registered with the GST network and also has paid taxes accordingly. Due to this provision, there is a strong likelihood that a buyer will buy only from a GST compliant seller, and this can lead to a large part of business entities previously operating outside regulations to register, and hence bear the appropriate regulatory and taxation cost. Even for those enterprises already complying with the existing regulations, shifting to GST network may increase cost, at-least in the initial phase. While on the upside, this has a significant potential to enhance the tax base and overall tax revenue for the government, depending on how it affects the overall cost structure associated, it can also increase prices accordingly.

Lastly, another major impact of GST is likely to be on the transportation of goods, especially inter-state transportation. A long line of trucks at the state border check posts waiting for clearance was a common phenomenon to be seen. However, with GST making the tax rates uniform across states, these queues are expected to disappear. Most of the states have already abolished the check posts. This uninterrupted movement of goods across the country is likely to have a significant reduction in terms of transportation cost as well in terms of time requirement, thereby bringing the overall cost down.

Concluding Observations

GST is being touted as one of the biggest tax reforms in independent India, and there are good reasons to expect that it will have far reaching consequences. From a consumer's perspective, there are some uncertainties as to how GST will change the overall price level, as there are factors acting on both the sides, to reduce it as well as increase it. Lower effective tax rates for a large basket of goods, Input Tax Credit and improvements in the supply-chain are those factors that should reduce price level. On the contrary, increase in effective tax rates for services and increased compliance cost, especially for small and medium enterprises, have the potential to increase prices. The presence of factors on the conflicting sides makes the task of predicting the price level in the immediate future difficult. And while it is tempting to compare with other countries who have implemented GST before, none of them are as diverse and multi-layered as India, not to mention the complexity of system being replaced by GST. Against this background, it remains to be seen as to how the interaction of all these factors pans out and how does the GST ultimately affect the consumers. ❑

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Balancing Federal Fiscal Relations

Jayanta Roy Chowdhury

What the future holds for India's tax structure and balance of powers between the Union and states is something which the Indian polity shall decide over time. However, the last word may not have been heard over GST and states, seeking to augment their resources may well seek changes in the law in the not too distant future

By giving away their constitutional ability to tax, states have bet big time on the success of the new all-India tax Goods & Services Tax.

However, to guard themselves against GST failing to deliver the promised increase in revenues, states had fought long and hard to get the Centre to bring in a cess which is expected to raise about Rs 50,000 crore to be divided among states to compensate for any loss in revenues.

The thinking behind this is that, in case the economy goes through another slowdown induced by an oil shock or another bout of recession globally, neither will the economy grow at the promised 7.5-8 per cent rate nor will revenues grow as promised.

The problem with GST is that, the tax, like all taxes, is dependant on the economy doing well. Conceptually, the GST should broaden the tax base. The tax GDP ratio could increase to 16 per cent from the current 10 per cent. However, whether this would be achieved, would depend on the next year or so. Specially on how the government and industry manage to work in tandem to smoothen the overall transaction and rate of compliance.

The RBI itself, in a report on state finances, has warned that "Due to prevailing uncertainty about the revenue outcome from the GST implementation, the outlook for revenue receipts of states could turn uncertain."

States, on the other hand, face an ever increasing cost curve. With the 7th Pay Commission being implemented, their wage bills are expected to go up considerably. A rush to write off farm loans started by Uttar Pradesh, has till now seen three state governments agreeing to write off loans.

The problem for the states and the centre is that already a debt time bomb is ticking, which risks turning India into another Greece. India's public debt, which is the sum total of central and state debt, as a percentage of GDP already stands at 67 per cent, the highest among major Asian economies, except for Japan.

This time round if all states were to write off farm loans, and pay for this act by taking fresh loans, their new debt would amount to Rs 3 lakh crore, finance ministry officials have calculated. This kind of debt taking is unsustainable at any given time, but at this juncture when we are experimenting with a new tax structure and do not know how state finances will behave- whether they will go up or down, this is obviously even more risky and the states know so.

Reserve Bank of India (RBI) has reported that the debt-to-state GDP ratio

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of as many as 17 Indian states increased in the past year. The RBI report said "The consolidated finances of states has deteriorated in recent years… information on 25 states indicates that improvement in fiscal metrics budgeted by states for 2016-17 may not materialise."

The Gross Fiscal Deficit-GDP ratio in 2015-16 has already breached the 3 per cent ceiling considered fiscally prudent for the first time since 2004-05.

Under these circumstances, inability to meet the states' demands for cash to pay for wages, development expenses and the loan waivers they are announcing, may see the states going on the warpath against the centre.

However, officials also point out that 45 per cent of the indirect taxes are not covered by GST such as items like real estate, petroleum products, alcoholic beverages etc., and the state will have the ultimate right to tax them and even increase taxes on them.

The GST Bill promises that in time the GST Council will move these items into the GST fold. However, it is more than likely that states will in time realise that they do need to have some measure of financial independence. This, coupled with the need to build a financial cushion, would possibly see them working actively to retain these items of taxation in their portfolio.

One may recall, that when the issue of division of financial powers between the Union and provinces came up in the Constituent Assembly, many MPs including from the Congress had argued in favour of giving more powers to states. However, the fear of excessive federalism was cogently argued as being against the spirit of One India and the framework which thus came out tended to focus legislative and taxation powers with the centre rather than with the states.

Some constitutional experts rightly point out that this bias will be even more pronouncedly be in the Centre's favour with the implementation of the

GST. Observers point out that if states were to give away their freedom to increase taxes in respect of at least some goods, their ability to raise resources to address problems unique to them would be compromised. The State of Tamil Nadu, which opposed many clauses in the GST had a point when it said that it had implemented wide ranging social sector reforms on the back of cash generated from its taxation programme.

It is true that the Southern state has done remarkably well in its social parameters – its health and education parameters have helped catapult it way ahead of its rivals and are comparable to that of Organisation for Economic Co-operation and Development (OECD) countries. In the words of economist Jean Dreze "Kerala and Tamil Nadu routinely come at — or near — the top in rankings of summary development indexes, they also surpass other States in terms of the speed of improvement."

Legally speaking the GST Amendment Act effectively transfers the power of taxation over large swathes of possible taxation to an unelected body. Effectively, the GST Council, set up by the Act, takes on the power of deciding tax rates from both the Parliament and State Legislatures and these have to be implemented across the country. Without going into the issue of weightage of voting powers within the GST Council, the fact remains that this Council will now be the Supreme legislative body in determining tax rates on all goods and services through the length and breadth of the country and not the directly or indirectly elected Members of Parliament and State legislature. In essence, this will be like an educated super-body elected by Electors, without any direct responsibility to citizen-voters.

States would also like to retain some powers of taxation as the passage of GST places them, in some ways, at a disadvantage with respect to subordinate bodies like Municipal bodies etc., who have now more power to increase their quantum of taxes!

Entry taxes by municipal bodies, entertainment tax levied by local bodies, stamp duties, products such as alcohol and fuels, and electricity cesses are still not covered by GST. This gives them the right to increase or decrease these taxes and thus build greater financial independence from state governments. While the reverse would be the case for states, who

would be bound by the decisions of the GST Council as far as the bulk of their revenues is concerned.

It would do well to remember that in most countries where deferral authorities have the right to determine indirect taxes and enjoy the right to raise them, provinces have the right to direct taxes. In Canada where the GST was introduced in the last century, the provinces have the power over direct taxes, while the federal Government has the power to tax indirect taxes, which is why the change over to GST did not entail any impact on state powers. In India, however, the Centre not only enjoys sole rights over direct taxes, a portion of which it may give to states, but it also now enjoys the exclusive right to nearly half of the GST proceeds.

It is yet to be seen how the Indian polity will respond to the challenge to the eventual implementation of the Goods and Services tax. It could well accept the taxation powers which have now evolved or chaffe at the bit and seek a change from the new status quo.

In case, states eventually decide to seek a fiscal arrangement which is less straight-jacketed they could then either chose the Australian model, where 75 per cent of all taxes are raised by the federal or commonwealth government and distributed through a very sophisticated mechanism akin to that established.

What the future holds for India's tax structure and balance of powers between the Union and states is something which the Indian polity shall decide over time. However, the last word may not have been heard over GST and states, seeking to augment their resources may well seek changes in the law in the not too distant future. ❑

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GST means Ease of Doing Business

Danish A Hashim
Varsha Kumari

Effective implementation of GST will result in redressal of all these issues, and many more, by way of simplifying tax compliance, reducing the restrictions in inter-state movement of goods, mitigating the tax burden, facilitating timely realization of tax refunds, and so on. This, in turn, will also help in sharply improving the country's global ranking in 'Paying Taxes' in the World Bank's Doing Business Report

After 17 years of a marathon journey of the most crucial tax reform in the country, entailing rounds of debates, discussions, meetings, consultations and disagreements, the Goods and Services Tax (GST) came into effect in India on July 1, 2017. The journey started in 2000 during the Atal Bihari Vajpayee government with the setting up of a committee to suggest a GST model, followed by the formation of a task force under the chairmanship of Vijay Kelkar in 2003. There has been no looking back since then and the Central government has been working consistently along with the state governments to ensure its earliest implementation.

With the implementation of GST, India joins the league of over 160 odd countries, including Germany, Italy, UK, South Korea, Japan, Canada, Australia, Russia, China, Singapore and Malaysia, which have introduced a GST / VAT regime. France was the first country to implement a GST regime way back in 1954 to address the problem of tax evasion. The introduction of GST in India is a big step in the direction of improving the country's ranking in the ease of doing business. Currently, India is placed at a lowly 130th position out of 190 countries in the World Bank's *Doing Business* report 2017.

Understanding the GST

GST is a destination-based single tax on the supply of goods and services from the manufacturer to the consumer, which has replaced multiple indirect taxes levied by the Central and state governments, thereby converting the country into a unified market (Table 1) Among other benefits, GST is expected to improve the ease of doing business in tax compliance, reduce the tax burden by eliminating tax-on-tax, improve tax administration, mitigate tax evasion, broaden the organized segment of the economy and boost tax revenues for the exchequer. It has also lowered the taxes paid for industrial products from an earlier average rate of 25-28 per cent to 18 per cent now.

GST seeks to replace 17 indirect taxes (8 Central + 9 state levels) and 23 Cesses of the Centre and states, eliminating the need for filing multiple returns and assessments and rationalizing the tax treatment of goods and services along the supply chain from producers to consumers. GST comprises of Central GST (CGST) and the State GST (SGST), subsuming levies previously charged by the Centre and state governments respectively.

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GST (CGST + SGST)is charged at each stage of value addition and the supplier off-sets the levy on inputs in the previous stages of value chain through the tax credit mechanism. The last dealer in the supply chain passes on the added GST to the consumer, making the GST a destination-based consumption tax. The provision of availing input credit at each stage of value chain helps in avoiding the cascading effect (tax on tax) under GST, which is expected to reduce prices of commodities and benefit the consumers. In the earlier regime, tax on tax was a major issue, raising the cost of production. For instance, a manufacturer would pay a Central Excise duty of Rupees 12 on a shirt of Rupees 100. At the next level, the state government would charge a VAT of 15 per cent not on Rupees 100 but on Rupees 112, making a case of tax on tax.

Facilitating seamless movement of goods and services across state borders, GST has removed the tax barrier on inter-state transaction by introducing an integrated GST (IGST) levied by the Centre and doing away with the need of paying taxes at two places in case of inter-state transfers. Besides simplifying the compliance burden, this is expected to help reduction in transaction costs by saving time taken by trucks to negotiate check posts at state borders, which, according to an estimate, consumed around 60 per cent of the trucktransit time.

Table 1: Indirect Taxes Subsumed by GST

Sr. No.	Central Government	State Governments
1	Central Excise Duty	State VAT
2	Duties of Excise (Medicinal and Toilet Preparation)	Central Sales Tax
3	Additional Duties of Excise (Goods of Special Importance)	Luxury Tax
4	Additional Duties of Excise (Textiles and Textiles Products)	Entry Tax (all forms)
5	Additional Duties of Customs (CVD)	Entertainment and Amusement tax (except when levied by local bodies)
6	Special Additional Duty of Customs (SAD)	Taxes on Advertisements
7	Service Tax	Purchase Tax
8	Central Surcharges and Cesses so far as they relate to supply of goods & services	Taxes on Lotteries, betting and gambling
9		State surcharges and Cesses so far as they relate to supply of goods & services

Source: CBEC

In India, GST is a four-tier tax structure of 5, 12, 18 and 28 per cent, with lower rates for essential items and the highest for luxury and de-merit goods that also attracts an additional cess to compensate states for any loss in indirect tax revenue. Around 30-35 per cent items of the Consumer Price Index (CPI) basket are under exempt category, which should help in keeping prices of essential items under control. The export of goods or services is considered as a zero-rated supply with no GST to be levied. An attempt has also been made to ensure that revenue collection by the Centre and the states is not hit adversely. Nearly 60 per cent of all goods under GST are taxed at either 18 per cent or 28 per cent and nearly 20 per cent are taxed at 28 per cent, which, besides luxury and negative items, also includes products such as chocolates, chewing gum, shampoo, deodorant, paint etc[1]. Electricity duty, stamp duty, excise duty and VAT on alcoholic beverages, petroleum products (like crude, natural gas, petrol and diesel) are outside the ambit of GST for the time being. Businesses dealing only in exempted goods or with a turnover of below Rupees 20 lakh annually but not engaged in interstate supplies are also exempted from filing the returns for GST.

GST, by and large, would have only marginal impact on the prices / cost of major sectors (such as consumer durables, construction material and FMCG) in the short run as tax rates on them are mostly in line with the earlier effective tax incidence. Impact on FMCG would vary from state to state, owing to variation in VAT rates across states earlier. Businesses with higher incidence of CST earlier (owing to inter-state movement of goods) would benefit to the extent of around 2 per cent. Tax saving is relatively higher for the automobiles sector as the tax incidence has reduced from over 50 per cent earlier to 43 per cent (28 per cent GST + 15 per cent Cess) now. Overall, automobile and FMCG sectors have witnessed lower prices post GST.

Impact of GST on Ease of Doing Business

Highlighting the specific areas of difficulty in indirect tax compliance, which adversely affects the ease of doing business in India, a study by CII-KPMG (2014)[2] found that companies faced major issues with respect to registration of VAT, excise, customs and service tax; movement of goods; dealing with tax authorities; settling tax disputes; availing tax incentives; and obtaining timely tax refund. In the previous regime, states were imposing different tax rates, resulting in disadvantage for businesses working in states with higher tax rates. Transfer of goods across state borders involved payment of taxes in both states, besides resulting in compliance cost. Non-uniformity in taxes across states created uncertainty and confusion in business decisions. Taxes levied on goods and services had no clear mechanism for rebates on taxes paid in the previous stages of the value chain, and hence, led to a cascading effect (tax-on-tax).

Effective implementation of GST will result in redressal of all these issues, and many more, by way of simplifying tax compliance, reducing the restrictions in inter-state movement of goods, mitigating the tax burden, facilitating timely realization of tax refunds, and so on. This, in turn, will also help in sharply improving the country's global ranking in 'Paying Taxes' in the World Bank's Doing Business Report, where it ranks poorly at 172 out of 190 economies.

Some of the major benefits of GST on ease of doing business can be enumerated as the following:

Easier Compliance

In the previous tax regime, businesses had to file several returns for multiple taxes, face multiple authorities and suffer long bureaucratic delays for assessment of different indirect taxes. GST, by merging all indirect taxes into one single tax, has made the compliance much easier for businesses. Using the IT platform of GST Network (GSTN), which is a shared IT infrastructure between the Centre and States, providing reliable and efficient IT backbone for the smooth functioning of the GST, taxpayers can register, file, make payments and claim refunds online at anytime from anywhere without having to interface with tax officials. This makes the compliance process easier, transparent, faster and paperless and sets the stage for enhanced productivity and efficiency of businesses going forward.

Easier Inter-State Movement of Goods

Transport vehicles would earlier get inordinately delayed during inter-state movement of goods for paying taxes at check posts in different states. GST has done away with this requirement by amalgamating several indirect taxes including Entry tax and Octroi duty. This would bring down the logistics costs (in money as well as time terms) for businesses and prices for consumers. Check posts have been abolished across all state borders, and there is evidence that travel time of trucks has significantly reduced.

Single Interface for All

The GSTN provides a single interface of tax-payers with tax authorities and a single platform for resolving differences. With suppliers, buyers and tax authorities having access to all the relevant information, it will be easier to collate and match invoices. Besides, the input tax credit requires all invoices to be matched in order to avail credit, which automatically places the onus on buyers to ensure that suppliers file returns and pay taxes on time.

Reduction in Tax Burden

Unlike the previous regime, GST allows availing credit on taxes on

RELIEF TO SMALL TRADERS/MANUFACTURERS/RESTAURANTS

raw materials and inputs levied in the previous stages of the value chain, which mitigates the cascading effect (tax on tax). Since a manufacturer now pays tax only on the value added in a given stage of the process, rather on the total cost of products, the tax burden will be reduced.

Creates Common Market

Manufacturers will be able to take more rational decisions regarding sourcing of raw materials, location of manufacturing and warehousing facilities and sale of output, as India becomes one big common market post implementation of GST. Uniformity in the process and centralized registration will make expansion of businesses across states much simpler.

Enhancing Export Competitiveness

In the previous tax regime, we exported a portion of taxes owing to double taxation, which, combined with higher transaction cost related to tax compliance, lowered India's competitiveness in the global market. GST, by avoiding cascading taxes and reducing the burden of tax compliance, should help in boosting exports, as happened in several economies including New Zealand and Australia. New Zealand, for instance, saw its export jumping up by over 22 per cent in the very next year after it implemented GST in 1986.

Reducing Bias

Businesses have tendency to allocate resources in a state and sector offering favorable tax compliances and rates, disregarding other indirect factors /advantages. This leads to distortions in allocation of resources as well as supply chain, eroding the overall competitiveness of a firm. GST, by helping doing business in the country tax neutral, irrespective of the location of the business, addresses this issue by minimizing the sector and state variation in compliances as well as rates.

Improves Ease of Doing Business for MSMEs

In the previous tax regime, MSMEs with an annual turnover of Rupees 5 lakh, were required to register for VAT. In case of multi state operations, businesses had to comply with varied tax rates, rules and procedures, across states. This not only had high compliance burden on MSMEs but also forced many of them to hire professionals to assist in tax compliance. GST brings a uniform, online, fast and transparent tax administration across states, making compliance much easier and saving money cost as well. MSMEs also stand to benefit from the provision of input credit on taxes under GST, which would help them become more competitive.

Way Forward

GST promises to improve the ease of doing business, reduce the tax burden for both producers and consumers, and increase the governmental tax collection. This reform touches the lives of all three major stakeholders of the economy comprehensively – Consumers, Producers and the Government. It also involves all the state governments and Union Territories in an exemplary spirit of cooperative federalism.

There can hardly be any doubt about the positive impacts of the roll

out of GST on the ease of doing business. The direct benefits for businesses include reduced compliance cost, reduction in tax burden, and easier movement of goods across states, among several others. Having implemented such a comprehensive reform successfully, efforts should now be made to evolve the GST continually to the next level. We should now direct our efforts in ensuring that GST lives up to the credo of 'One Nation, One Tax' in the truest sense of the term, doing away with the existing situation of multiple rates and numerous avoidable exemptions. Creating a platform and mechanisms for regular feedback from industry and other stakeholders will also be helpful. Simultaneously, state governments and local bodies should be convinced to resist from levy of additional duties in the form of various indirect taxation in the interest of realizing greater benefits out of GST. Broadening the GST net and encouraging the unorganized sector to join the platform should continue to be another important goal.

Further, like Singapore and Malaysia, which have a single rate of GST at 7 per cent and 6 per cent, respectively, India should speedily move towards a single rate, which is also low, with minimum exemptions possible. It is also important that going forward, the model must do away with separate registrations and tax filings in all states of operation for businesses that work in different states. Measures such as these will be vital for further unshackling the potential for improvement in the ease of doing business in India and enhancing the overall competitiveness in the global arena, which is crucial for the success of 'Make In India' program of the government. Having completed the long journey of implementation of GST, we now need to start a quick journey to ensure its most effective implementation at par with the best in the world.

Endnotes

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PROTECTING CONSUMERS' INTEREST

TAX CREDIT

Profiteering, a GST Implementation Challenge

Gireesh Chandra Prasad

...policy makers' biggest concern is to make sure that consumers get the benefit of reduced tax burden on goods and services that the new indirect tax code offers. The steps are being taken to make sure that businesses and traders pass on the benefits to the consumer—such as setting up an anti-profiteering authority and creating awareness among traders and consumers

India's shift to a Goods and Service Tax (GST) regime replacing 17 central and state taxes and dismantling state barriers to create a single market of $2.3 trillion is sure to make life easy for businesses and investors. But policy makers' biggest concern is to make sure that consumers get the benefit of reduced tax burden on goods and services that the new indirect tax code offers. The steps are being taken to make sure that businesses and traders pass on the benefits to the consumer—such as setting up an anti-profiteering authority and creating awareness among traders and consumers–is significant considering that countries like Malaysia and Australia had reported cases of profiteering during their shift to GST.

Unlike the convoluted and opaque indirect tax system that existed before, GST is transparent and lets the final consumer know the actual tax incidence on a commodity or service, which gives the impression that the tax rate has gone up.

Under the earlier system, consumers could only see the value added tax (VAT) charged by states at the retail level or the service tax levied by the central government but not the taxes that get built into the product or service at previous stages of production or supply. Examples include excise duty levied at factory gate or the duty paid by a telecom company on the equipment it uses. The authorities do not want traders to mislead consumers and charge higher price, abusing the increased transparency.

GST also allows businesses to pay off the tax liability on their product or service using the credit earned for the taxes paid at previous stages in the supply chain, more than what was allowed in the earlier tax regime.

Thus, a telecom service provider can use the credit for the taxes paid on the equipment used in its business for setting off part of the GST to be paid on the service given to its consumers. That helps to reduce the actual tax burden on the commodity or the service even if the specified GST rate is a bit higher than the one specified in the previous system.

The Finance Minister had on June 11 said that the GST Council which met on that day went an extra mile to lower the tax burden on many of the items to even below the level of tax burden applicable on them under the earlier system. This was done taking into account the changing consumption patterns and economic realities. The Council that day reduced the GST rate on 66 products from the levels decided at the Council's meeting held in Srinagar in May.

The idea of rolling out GST along with an anti-profiteering clause is to prevent the possibility of businesses and traders retaining the benefits of

The author is a New Delhi-based business journalist with 17 years experience.

tax reduction to themselves rather than passing them on to consumers, which is against the intent of the government of the day.

Central GST Act specifies that "Any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices."

The proposed anti-profiteering authority chaired by a secretary-level official to enforce this provision will refer suspected cases of profiteering to the director-general of safeguards, a body under the Central Board of Excise and Customs (CBEC) for detailed investigation.

The authority can order a supplier of goods or services to reduce prices or return to a buyer an amount equal to the tax not passed on as warranted by the reduced tax burden under the GST regime. If found guilty of profiteering, a business or trader will also have to pay 18 per cent interest on the quantum of tax reduction that was not passed on to consumers. If the customer does not claim the benefit of reduced tax burden, the authority can recover it from the supplier. Profiteering can attract penalty and could cost a business its registration or licence.

While this sounds a stringent provision, the idea of the government is to have an effective deterrent and use it only in large scale profiteering across an industry or product rather than getting into micromanagement of prices in a free market economy. The anti-profiteering provision will remain in force only during the period of transition to the new indirect tax regime.

So far, the transition has been smooth and businesses have been quick to pass on the benefits to consumers, some even from the midnight of July 1, when GST was rolled out. In the weekend that followed the Saturday midnight rollout of GST, a popular mobile, laptop and watch manufacturing company cut the retail prices of its products in India, while another consumer goods company reduced prices of some of its detergents and soaps. A two-wheeler maker also slashed prices of its models by Rs. 400-Rs1,800.

Ensuring that the reduction in tax burden on goods and services benefits customers is also important considering the fact that indirect taxes apply to the rich and the poor alike, unlike income taxes which are based on people's ability to pay. Income tax rates go up with the income levels of assessees.

The Council's focus on anti-profiteering measures stems from the desire that lower prices thanks to reduced tax burden will cool retail inflation which will help in boosting demand in the economy and improve tax buoyancy. Higher tax revenue will, in turn, help central and state governments to spend more on welfare measures and infrastructure. To a great extent, competition in the market is likely to make sure that businesses pass on any benefit to consumers, as no firm would like to lose market share.

To make sure that GST does not pinch the poor, GST Council, the federal indirect tax body chaired by Finance Minister deviated from the ideal concept of a GST with a single rate across products and services to have four different slabs-5 per cent, 12 per cent, 18 per cent and 28 per cent. This enabled placing mass use items in a lower slab and luxury items in a higher slab.

The GST rates have been fixed based on a principle of equivalence—that is, as close to the current tax incidence on goods and services. While some sections of the industry such as textiles demand an exemption from the GST, such a move could do more harm than good. If a commodity is exempted from the GST, the seller cannot claim credit for the taxes paid on raw materials at previous stages of production, which get built into the price.

One concern among the industry is a possible increase in tax burden on certain services. Taxing services at par with goods is a global practice that the GST Council has adopted. The GST rate on telecom services, for example, has accordingly gone up to 18 per cent from the earlier 15 per cent service tax rate. This, the telecom services industry fears, will lead to increase in telephone bills. The government has on May 26 clarified that tax credits available to companies from the service tax paid earlier on spectrum payments and import of equipment will more than offset the tax rate hike. "All of these (tax credits) would reduce the telecom companies' liability to pay GST through cash to about 87 per cent of what they paid in the last fiscal," the clarification said.

Companies on the other hand are waiting for completing the first billing cycle after GST introduction to conclude if GST will increase their cost of supplying telecom service.

The revenue secretary had time and again explained that the anti-profiteering body will examine the price behaviour of businesses from the day GST rates have been decided. However, the provision is likely to be invoked only in large scale and industry-wide instances of profiteering, not in the case of minor price revisions. The focus of the GST Council and the tax authorities in the transition period is to handhold businesses into the new regime and help them settle. Minor procedural lapses in this period are likely to be viewed leniently. ❑

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DO YOU KNOW?

NATIONAL ANTI PROFITEERING AUTHORITY

Anti- profiteering measure is one of the key features of recently implemented Goods and Services Tax- GST law. These measures prevent entities from making excessive profits due to the GST. Since the GST, along with the input tax credit, is eventually expected to bring down prices, a National Anti-profiteering Authority (NAA) is to be set up to ensure that the benefits that accrue to entities due to reduction in costs is passed on to the consumers. Also, entities that hike rates inordinately, citing GST as the reason, will be checked by this body.

The Anti-Profiteering Rules, 2017 lay down details about the selection of the members of the NAA and the other committees that will assist the NAA in investigating the complaints, the procedure to be followed in investigations and the powers given to the authority.

According to the rules, the Authority will have a 3 tier structure, including a Standing Committee on Anti-profiteering, State-level Screening Committees, and a National Anti-profiteering Authority.

Once the registered entity, which has profiteered illegally, is identified, it can be asked to — one, reduce prices if it has hiked prices too much and , two, if price reduction due to GST has not been passed on to consumers, to return to the consumers the sum equivalent to the price reduction along with 18 per cent interest from the date the higher sum was collected. The authority can impose penalty on the profiteer or cancel its registration.

If we learn by the experiences of some countries that have adopted GST such as Singapore and Australia, we found that they had witnessed a spurt in inflation after GST implementation. Malaysia also saw surge in inflation and avoided it by effectively implementing anti-profiteering rules.

A formula was laid down wherein the net profit margin in the period preceding GST was compared to the post-GST margins to see if inordinate gains had gone to the bottom-line. Gains were determined after taking in to account the supplier's cost, costs incurred for furthering business, market conditions and other relevant issues.

If a super-market is selling grocery at a higher price saying that it is due to GST, one can file a complaint to the National Anti-profiteering Authority (NAA). Similarly if the cost of soap has moved lower, but shopkeeper sells at the old price, a complaint in this regard can be filed at NAA. It will ensure that the benefit of reduced taxes under GST is passed to consumers. The Authority is also empowered to make a company lower its prices and refund money to consumers or deposit it in the Consumer Welfare Fund. It can also impose a penalty and cancel the registration of the company. The new authority can summon representatives of any company against which a complaint has been filed, and also initiate investigations through other government wings such as the Directorate of Data Analytics or the Directorate General of GST. Its orders can be appealed against in the High Court only.

Excel Template for Taxpayers Perform Easy Data Entry

Goods and Services Network (GSTN) has unveiled a simple excel based template that will facilitate the taxpayers in preparing and filing their monthly returns with maximum ease and minimal cost.

The excel template is a part of GST Council's approach to make tax compliance highly easy and convenient for taxpayers and also reduce the time of compliance to improve ease of doing business. This excel workbook template can be freely downloaded from the GST Common portal (www.gst.gov.in), and can be used by taxpayers to collate all invoice related data on a regular basis.

The Excel format can be used by businesses to start maintaining their data. The taxpayer can prepare the details of his outward supply on weekly or any other suitable regular interval which can then be uploaded on GST portal on or before the 10th of subsequent month. The GSTR1 excel template workbook can be used to prepare the data for GSTR 1 return without connecting to internet in offline mode. This also benefits taxpayers in remote areas where Internet connectivity might not be good.

The template comprises of eight worksheets. Summary of key values in each worksheet has been provided at the top to help taxpayers easily reconcile the data entered in the worksheets with that recorded in his accounting system/books to accurately prepare the return. Based on data entered in the Excel sheet, offline tool will prepare a file which will have to be uploaded by the taxpayer on GST Portal to create GSTR-1. Only while uploading the file on the GST portal, Internet connectivity will be required.

Transitional Challenges Ahead

Devaraja Reddy M

There are many areas, which have to be addressed as a part of transition to GST. There are concerns about registration, carry forward of credits and taking new credits, pending refund/rebate claims, review of contracts, change in taxable event for incomplete transactions, pending assessments, job work transactions, treatment of stock in hand, filing of returns etc. The need for smooth transition is imperative for the success of GST. Despite having transition rules in place they might be some demanding situations on this front. Practitioners and advisors would have their hands full in resolving the myriad issues which are sure to arise

Goods and Services Tax (GST), a historic tax reform, has come into effect from July 1, 2017 which aims to completely transform the Indirect Taxation landscape in the country involving both the Central and State levies. The biggest tax reform since independence - GST - will pave the way for realization of the goal of One Nation - One Tax - One Market and is expected to benefit all the stakeholders namely industry, government and consumer. It is anticipated that under the GST regime the cost of goods and services will be lowered, the economy will get a boost and the Indian products and services will be made globally competitive, in turn giving a major boost to the 'Make in India' initiative. Under the GST regime, exports will be zero-rated in entirety unlike the present system where refund of some of the taxes does not take place due to fragmented nature of indirect taxes between the Centre and the States. GST is expected to make India a common market with common tax rates and procedures and remove economic barriers. GST is largely technology driven, has reduced the human interface to a great extent and is expected to improve ease of doing business in India.

Example: - A product whose base price is Rs.100 and after levying excise duty @ 12 per cent (assumed) value of the product is Rs. 112. On sale of such goods VAT is levied @ 12.5 per cent (assumed) and value to the ultimate consumer is Rs. 126. In the proposed GST system on base price of Rs.100 CGST and SGST both will be charged, say @ 9 per cent each, then the value to the ultimate consumer is Rs. 118. So, in such a case the industry can better compete in the global environment. Therefore, GST is a broad based and a single comprehensive tax levied on goods and services consumed in an economy. GST is levied at every stage of the production distribution chain with applicable set offs in respect of the tax remitted at previous stages. It is basically a tax on final consumption.

To put at a single place, GST may be defined as a tax on goods and services, which is leviable at each point of supply (i.e sale of goods or provision of service), in which at the time of sale of goods or providing the services the seller or service provider may claim the input credit of tax which he has paid while purchasing the goods or procuring the service.

The main features of GST are as under: -

(a) GST is based on the principle of value added tax and either "input tax method "or "subtraction" method, with emphasis on voluntary compliance and accounts based system.

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(b) It is a comprehensive levy and collection on both goods and services at the same rate with benefit of input tax credit or subtraction of value of penultimate transaction value.

(c) Minimum number of floor rates of tax.

(d) No scope for levy of cess, re-sale tax, additional tax, special tax, turnover tax etc.

(e) No scope for multiple levy of tax on goods and services, such as, sales tax, entry tax, octroi, entertainment tax, luxury tax, etc.

(f) Zero rating of exports and inter State sales of goods and supply of services.

(g) Taxing of capital goods and inputs whether goods or services relatable to manufacture at lower rate, so as to reduce inventory carrying cost and cost of production

(h) A common law and procedures throughout the country under a single administration.

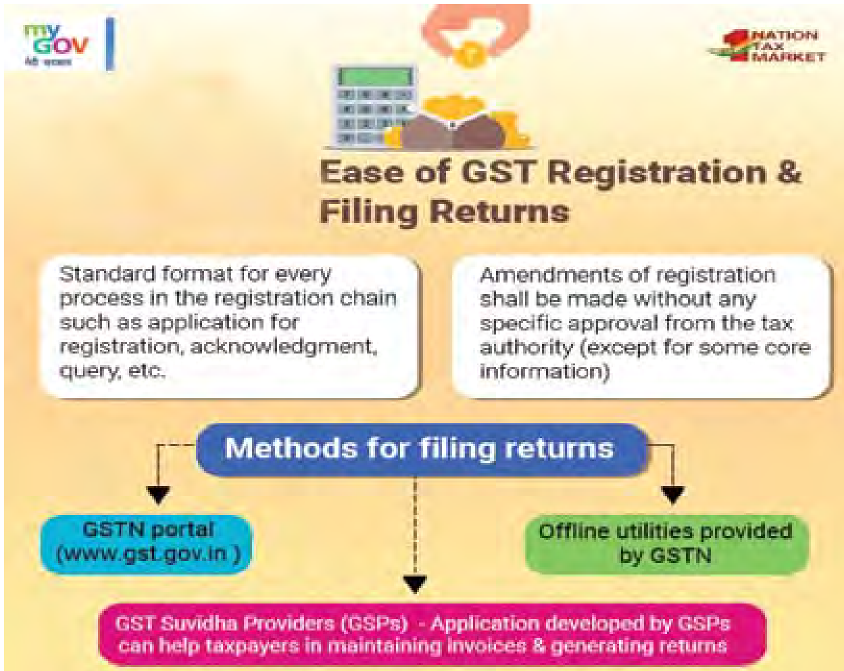
(i) GST is a destination based tax and levied at single point at the time of consumption of goods or services by the ultimate consumer.

Benefits of GST

GST will create a single, unified Indian market to make the economy stronger. In totality, GST will benefit the Government as well as the consumers in the long run thus creating a win-win situation for both. Some of the benefits of GST are enlisted as follows:

(a) Abolition of multiple layer of taxes

Implementation of GST in India will integrate the existing line of taxes like Central Excise, Service Tax, Sales Tax, Value Added Tax etc. into one tax i.e. GST. This will help avoiding multiple taxes currently being levied on products and services. For example in case of restaurant services we end up paying both Service tax and VAT making taxable amount approximately 140 per cent for the total amount (VAT on 100 per cent Value and Service Tax on abated 40 per cent Value).



(b) Mitigation of Cascading Taxation

Under the GST regime the final Tax would be paid by the Consumer for the goods/ services but there would be an input tax credit system in place to ensure that there is no cascading of taxes. GST would be levied only on the value added at every stage unlike the present scenario wherein Tax is also required to be paid on Tax in few cases i.e. VAT is payable on Excise duty.

(c) Development of Common National Market

GST would introduce a uniform taxation law across states and different sectors in respect to indirect taxes which would make it easier to supply goods and services hassle free across the country. This will help in removing economic distortions, promote exports and bring about development of a common national market. This will definitely give a boost to India's tax-to-gross domestic product ratio and thus help in promoting economic efficiency and sustainable long term economic growth.

(d) Increase in Voluntary Compliance

Under GST regime, the process will be simple and articulate with a lesser scope for errors. As all the information will flow through the common GST network it would make tax payment and compliances a regular norm with lesser scope for mistakes. It will only be upon the payment of tax, the consumer will get credit for the taxes they pay on inputs. This will generate an automatic audit trail of value addition and income across the production chain, creating a unified base of tax potential that can be tapped. Thus, GST model will do away the need of the current patchwork of indirect taxes that are fractional.

(e) Reduced Litigation

Taxation under GST would reduce litigation on account of clarity regarding the jurisdiction of taxation as against the present structure where there still exists an uncertainty regarding jurisdiction of taxation by Centre and State in few cases like in case of Software, Right to use of Goods etc. In the GST Regime, with a single tax law in place, there would be smooth assessments as compared to the present multiple assessments in different tax laws.

(f) Efficient Administration by Government

Presently, on account of multiplicity of taxes and there by cascading effects, lack of integrated network, the administration of indirect taxes is a mammoth task for the government which also adds to the compliance and administration costs. Under the GST regime, with unified tax rate, simple input tax credit mechanism and integrated GST Network, information would be readily available and administration of resources would be easy and efficient for the Government. There would be a single tax, reduced errors and litigations thus resulting in reduced administration costs too

Challenges Under GST

Goods and Services Tax has been called a "Potential Game Changer" for its far-reaching impact on businesses, manufacturers, traders and service providers across the country have been placed under one unified tax umbrella, and no longer need to work with distinct type of taxes previously been complied with.

This is the single biggest tax reform undertaken by the Government in 70 years of independence coining the concept of "One Nation, One Market, One Tax". However, every new legislation brings with it certain teething problems.

Some of the challenges being faced are:

- **IT Preparedness and Infrastructure:** GST is an IT driven law and it cannot be assured whether all the States and Union Territories in India are currently equipped with infrastructure and requisite manpower to embrace this law. Except few States like Karnataka, Maharashtra and Gujarat, who have pioneered the E-Governance model, we have not heard about this trend in other States and Union Territories. In some States, even today only manual VAT returns are in vogue. They also need to be taken on board.

- **Officers Training:** In any new law, the old law as well as the new thought process of trust needs to be imbibed. The unlearning of the old law and learning GST provisions is imperative. All central and state government officers whether in VAT, service tax, excise or customs would have to learn the GST provisions and possible implications viz. a viz present gamut of taxes.

  Further, GST law heavily banks on Information Technology and hence proper training has to be given to the departmental officers for effective usage and implementation.

- **New Registrants:** GST is expected to bring within its fold many new registrants, who have been hitherto kept outside the purview of tax mainly due to exemptions and also since the taxable event is wider in scope in GST. Transition of existing registered assessees and registration of new assessees and resolving of migration issues is a big challenge.

- **Transitional Issues:** There are many areas, which have to be addressed as a part of transition to GST. There are concerns about registration, carry forward of credits and taking new credits, pending refund/rebate claims, review of contracts, change in taxable event for incomplete transactions, pending assessments, job work transactions, treatment of stock in hand, filing of returns etc. The need for smooth transition is imperative for success of GST. Despite having transition rules in place they might be some demanding situations on this front. Practitioners and advisors would have their hands full in resolving the myriad issues which are sure to arise.

- **Pending Cases/ Past Disputes:** There are many disputes pending in the context of present indirect tax laws (both Centre and State), which are at various stages viz., adjudication or appellate level. The adjudicating/appellate authorities, Courts and Tribunal are burdened with the pending cases. With GST now implemented, the Government should find ways and means to resolve these disputes. A possibility of introducing a dispute settlement scheme on the lines of *Kar Vivad Samadhan* Scheme needs to be explored, which would enable the litigants to resolve pending matters under earlier laws. If the past disputes are allowed to continue then the adjudicating/appellate authorities and Courts/Tribunals would be pre-occupied with old cases and would not have time to resolve any issues/disputes cropping up under GST law.

- **Tax Administration (Alignment/ Merger):** With GST structure in place both the Centre and State level officers are expected to work under one roof and in tandem by giving up their differences and non-alignment in the old regime. Cadre differences may arise, as presently in Central Excise and Service Tax, the departments are headed by Officers of the Indian Revenue Service, whereas in the State Commercial Departments, the Commissioner is from Indian Administration Service (IAS) and his subordinates would be from State Administration Service. In Central Excise and Service Tax there are posts like Principal Chief Commissioner or Commissioner and Chief Commissioner or Commissioner etc. How these differences would be addressed in the GST regime remains to be seen

- **Impact on Small Enterprises** -The impact of GST on small enterprises is often cited as a concern. There may be three categories of small enterprises in the GST regime:

- Those below the threshold of Rs. 20 lakhs (Rs.10 lakhs in case of specified) who need not register under the GST. Practically they can only be in business to consumer traders/ manufacturers/ food service providers.

- Those between the threshold and composition turnover of Rs.75

Lakhs have the option to pay 2.5 per cent in the case of manufacturers and 1 per cent in the case of traders. Given the possibilities of input tax credit, not all small enterprises that do B2B business may seek the turnover tax option. Practically they can only be in business to consumer traders/ manufacturers/ food service providers.

- The third category of small enterprises above the turnover threshold would need to be within the GST framework.
- **Other Issues:**.
- Thorough reading of the GST law to pre-empt the possible consequences on one's business
- Assessing the manner and quantum of input credit as available under GST.
- Evaluation of the competitiveness and the demand for the products in the backdrop of the new GST rate structure to ensure that products are neither overpriced nor under priced.
- Preparation of procedures/SOPs to be followed in the organization.
- Records to be updated up to the authorized date and necessary amendments/ additions/deletions to be made in records for meeting the requirements of the new law
- Transition requirements
- Returns to correctly reflect the details of business e.g. CENVAT credit as reflected in the return for the period ending June 30, 2017, would only be allowed to be carried forward post the authorized date
- Inventory check and proper recording
- Development of IT infrastructure to support the GST requirements
- Analyzing the MIS reports that would be required post GST implementation
- Analyzing impact of other laws and integration with customs and FTP

In spite of all the above challenges and myriad problems discussed above, GST ushers a transparency to measure taxes levied on a product, bringing an end to the host of hidden and embedded taxes that were been paid so far. GST is expected to facilitate free flow of goods and services across the country and therefore, expected to add to India's GDP by 1 to 1.8 per cent. Further reduction in multiplicity of taxes will lead to confidence building of foreign investors thus giving a boost to Foreign Direct Investments in the country.

Reforms do not end here but the much needed first step has been undertaken successfully. With more reforms to follow we do expect that development of Indian economy will reach new heights. ❑

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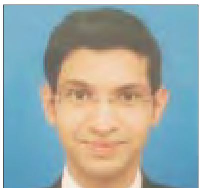
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NORTHEAST REGION STATES TO BENEFIT FROM GST

Eight states of Northeast region are among the states which are likely to benefit from the GST rollout. GST will offer these States an opportunity to realize fiscal growth in tandem with the more developed states of India .This was stated by the Union Minister of State for Development of North Eastern Region (DoNER) Dr Jitendra Singh during a media interaction on GST rollout.

Taking cognizance of the Internet-connectivity issues in Northeast, Dr Jitendra Singh said that a number of easier options are being worked out and reminded that the Internet connectivity is required only at the time of registration or logging-in. For the convenience of the traders and others, during the initial transition period, he said, GST will be filed for first two months up to August 20, 2017, thereafter again by September 20, 2017 and thereafter, eventually every month as per norm.

He said that a 2-day training programme for the Northeast officials is being conducted on regular basis at Shillong and on similar lines, an identical programme is also being currently carried out at Faridabad. The officials who get well versed in GST and its rollout procedure, he said, should in turn function as resource persons and collaborate with the GST Commissioner offices spread all over the country including in Northeast in conducting awareness and assistance programmes for businessmen, traders, members of the industry and other stakeholders.

Referring to the exemption limit of up to Rs.10 lakh to Northeast, the minister recalled that earlier it was much lesser in some of the North-Eastern States like, for example, Rs. 3 lakh for Sikkim, Rs. 2 lakh for Arunachal Pradesh and Rs.6 lakh for Assam.

FICCI ASSURED FULL SUPPORT FOR SMOOTH GST ROLLOUT IN NORTHEAST

The President of Federation of Indian Chambers of Commerce and Industry (FICCI), had assured full support from FICCI for the smooth rollout of GST, all over the country including in Northeast through a series of awareness workshops about GST filing procedures and other aspects.

There were also some apprehensions about certain local products having been brought under tax while they were exempted from tax in the past, but it was explained that earlier there were embedded taxes, which were not visible, but have been eliminated now as a result of which, the overall outcome cost would be the same. In the long run, the peripheral States of Northeast and Jammu and Kashmir are bound to benefit the maximum because GST would ensure for them an equitable economic growth at par with the more developed states of India.

SWACHH BHARAT ABHIYAN

In a move to change the people's mindset by creating awareness among them for proper sanitation, a campaign on Swachh Bharat Abhiyan was organized in Tezpur recently under the aegis of District Legal Service Authority in association with the District Health Service. On this occasion speakers emphasised on the involvement of common people in Swachh Bharat Mission and said that all sections of the society should come forward and contribute to make the nation clean and hygienic. All of them were of the view that the task of collecting, dumping and destroying the waste materials of homes and industries should be done by using the most modern scientific methods, techniques and equipments so that environment is not polluted.

YOJANA

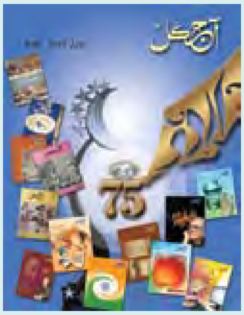
Forthcoming Issue

Housing for All

DIAMOND JUBILEE CELEBRATION OF AJKAL (URDU)

The Publications Division's premier Urdu literary journal, Monthly Ajkal, completed 75 years of its publication. To mark the occasion, the Publications Division organised a programme at its Book Gallery.

Speaking on the occasion, Prof. Irteza Karim, Director, National Council for Promotion of Urdu language (NCPUL) said that 'Ajkal' has maintained its credibility among the readers. There is hardly any Urdu literary journal in the government sector, which can match 'Ajkal's record of continuous publication for 75 years.



Noted Urdu fiction writer Ratan Singh nostalgically recalled his association with 'Ajkal' since 1953. He said at that time it was a privilege to be published in this journal which remains so even now. Director General, Publications Division, Dr. Sadhna Rout, lauded the contribution of Ajkal (Urdu) in the field of language, literature and culture.

The programme was attended by a large number of Urdu writers, poets and journalists apart from officers and staff of the Publications Division.

A premier monthly literary journal of Publications Division Ajkal, was started in June 1942. It was first brought out as a part of 'Pushto' language journal of Publications Division's predecessor United Publications during the British period. It assumed the name 'Ajkal' on November 10, 1942 and became a full- fledged Urdu journal. With the passage of time, the journal carved out a niche for itself in the world of Urdu literature. It maintained high standards of journalism by its objective and dispassionate selection of contents. The works of best writers be it in prose or poetry, found place in this magazine. Its contents were selected on their literary merit alone. This lent credibility to the journal and helped winning the trust of its readers.

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Rolling out of GST in Parliament

Goods and Services Tax (GST), a historic tax reform, which is expected to transform the indirect taxation landscape in the country came into effect from July 1, 2017. Involving both the Central and State levies, GST will be administered together by the Centre and States.

To commemorate the historic occasion, a function was held in the Central Hall of Parliament on the mid-night of June 30 - July 1, 2017 in the prescence of Hon'ble President, Hon'ble Vice President, Hon'ble Prime Minister, Hon'ble Speaker of Lok Sabha and Hon'ble Union Finance Minister among other dignitaries.

Speaking on the occasion, the President said that the introduction of GST is a momentous event for the nation. It was also a moment of some satisfaction for him because, as the Finance Minister, he had introduced the Constitution Amendment Bill on March 22, 2011. The President said, when a change of this magnitude is undertaken, however positive it may be, there are bound to be some teething troubles and difficulties in the initial stages. Success of such major changes always depends on their effective implementation. In the months to come, based on the experience of actual implementation, the GST Council and the Central and State Governments should continuously review the design and make improvements, in the same constructive spirit as has been displayed till now.

The Prime Minister said that the day marks a decisive turning point, in determining the future course of the country. He described GST as an example of Cooperative Federalism. The Prime Minister quoted *Chanakya* to say that hard work can overcome all obstacles and help us accomplish even the most difficult of objectives. He said that just as Sardar Patel had ensured political integration of the country, GST would ensure economic integration. The Prime Minister said GST would lead to a modern tax administration which is simpler, more transparent, and helps curb corruption. He described GST as a "Good and Simple Tax" which would ultimately benefit the people. The Prime Minister also quoted a *shloka* from the *Rig Veda* to describe the spirit of common goal, common determination, leading to mutual and shared benefit for the society.

The biggest tax reform since independence - GST - will pave the way for realization of the goal of One Nation - One Tax - One Market. GST will benefit all the stakeholders namely industry, government and consumer. Under the GST regime, exports will be zero-rated in entirety unlike the present system where refund of some of the taxes does not take place due to fragmented nature of indirect taxes between the Centre and the States. GST is largely technology driven and will reduce the human interface to a great extent.

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