The transition from VAT to GST: A Policy Perspective – Likely Implication in Direct Taxes

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PRESENTATION PLAN

• VAT/GST and Centre–State Financial Relations
• Constitution (122nd) Amendment Bill, 2014
• Other legislative amendments
• GST A Game Changer
• Salient Features of GST
• Implication in Direct Tax Laws
The fiscal powers between the Centre and the States are clearly demarcated in the Constitution.

The Centre has the powers to levy tax on the manufacture of goods while the States have the powers to levy tax on the sale of goods.

In case of inter-State sales, the Centre levies the Central Sales Tax but, the tax is collected and retained by States.

As for services, it is the Centre alone that is empowered to levy service tax.

Introduction of the GST has necessitated amendments in the Constitution so as to simultaneously empower the Centre and the States to levy and collect this tax.
The Constitution (122nd) Amendment Bill was introduced in Lok Sabha in December, 2014 and has since been passed by the House in May, 2015. The salient features are as under:

- The GST is levied on all goods and services except alcoholic liquor for human consumption.
- The tax is levied as dual GST separately by the Union and the States.
- Parliament will have power to make laws with respect to CGST and State Legislatures will have power to make laws with respect to SGST.
- Parliament will have exclusive power to make laws with respect to levy of IGST on inter-State trade or commerce.
- Government of India will have exclusive power to levy and collect IGST. This tax is apportioned between the Union and States.
• Petroleum & petroleum products is subject to GST.

• Five petroleum products is kept out of GST in initial years of implementation.

• In the case of tobacco and tobacco products, the Centre could levy excise duty in addition to GST.

• Taxes on entertainments and amusements to the extent levied and collected by a Panchayat/Municipality/Regional Council/District Council shall not be subsumed under GST.

• Parliament may, by law, provide for compensation to States for revenue loss arising out of implementation of GST.

• Such compensation could be for a maximum period of 5 years.
• A GST Council is constituted comprising the Union Finance Minister, MoS (Revenue) and the State Finance/Taxation Ministers to recommend on:

- the taxes, cesses and surcharges to be subsumed under GST;
- goods and services that may be subjected to or exempted from GST;
- date from which the specified petroleum products is subject to GST;
- model GST laws, principles of levy, apportionment of IGST and principles that govern the place of supply;
- threshold limit of turnover below which the goods and services may be exempted from GST;
rates including floor rates with bands of GST;

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

special provision with respect to NE States, J&K, HP and Uttarakhand.

• The GST Council may decide about the modalities to resolve disputes arising out of its recommendation.
Central GST Bill, Integrated GST Bill and State GST Bills drawing powers from the Constitution was passed in Parliament and most of the State Legislatures.

The levy of the tax can commence only after the GST law has been enacted by the respective legislatures.

Unlike the State VAT, the date of commencement of this levy would need to be synchronized across the Centre and the States.

This is because the IGST model cannot function effectively unless the Centre and all the States participate simultaneously.

Hence, the effective date of implementation of GST was decided unanimously at GST Council as 1st July, 2017.
GST
A GAME CHANGER
The benefits of this transformational tax reform are manifold. The benefits include:

- A single tax has replaced multiple taxes.
- Set-off of prior-stage taxes has mitigated the ill effects of cascading.
- Tax burden on goods and services has decreased, benefiting common man.
- Implementation of GST is likely to make our products competitive in domestic and international markets.
- It is likely to boost economic activity and create more jobs.
- The GDP is likely to grow though the estimates in this regard vary.
SALIENT FEATURES OF GST

• The GST is applicable on the supply of goods or services.

• It is a destination based consumption tax.

• It is a dual GST with the Centre and States simultaneously levying it on a common tax base.

• The GST to be levied by the Centre is called Central GST (CGST) and that levied by States is called State GST (SGST).

• The GST applies to all goods other than alcoholic liquor for human consumption and five petroleum products.

• The GST applies to all services barring a few to be specified.
SALIENT FEATURES OF GST.. Contd.

- Tobacco and tobacco products is subject to GST. In addition, the Centre could levy excise duty on these products.

- The GST has subsumed numerous Central and State taxes.

- The CGST and SGST is levied at rates to be jointly decided by the Centre and States.

- The rates are notified on the recommendations of the GST Council.

- There is a floor rate with a small band of rates within which the States may fix the rates for SGST.

- The exemption list is common for the Centre and the States.
SALIENT FEATURES OF GST.. Contd.

• Tax payers with an aggregate turnover in a financial year up to [Rs.10 lakhs] is exempt from tax.

• For NE States and Sikkim, the threshold exemption is [Rs. 5 lakhs].

• Tax payers making inter-State supplies or paying tax on reverse charge basis are not eligible for threshold exemption.

• Small taxpayers with an aggregate turnover in a financial year up to [Rs. 50 lakhs] are eligible for composition levy.

• Under the scheme, a taxpayer is to pay tax as a percentage of his turnover during the year without the benefit of input tax credit (ITC).

• Tax payers making inter-State supplies or paying tax on reverse charge basis are not eligible for composition scheme.
SALIENT FEATURES OF GST.. Contd.

• An Integrated GST (IGST) is levied and collected by the Centre on inter-State supply of goods and services.

• Tax payers is allowed to take credit of taxes paid on inputs (input tax credit) and utilize the same for payment of output tax.

• CGST credit can be used for payment of CGST and SGST/UTGST credit can be used for payment of SGST.

• No ITC on account of CGST is utilized towards payment of SGST/UTGST and vice versa.

• Credit of IGST is permitted to be utilized for payment of IGST, CGST and SGST/UTGST in that order.

• SGST/UTGST portion of IGST is transferred to the destination State where the goods or services are eventually consumed.
SALIENT FEATURES OF GST.. Contd.

- HSN code is used for classifying the goods under the GST regime.

- Taxpayers whose turnover is above Rs. 1.5 crores but below Rs. 5 crores shall use 2-digit code and the taxpayers whose turnover is Rs. 5 crores and above shall use 4-digit code.

- Export is treated as zero-rated supply. No tax is payable on exports but ITC related to the supply is refunded to exporters.

- Import of goods/services is subject to IGST in addition to customs duties.

- IGST paid is available as ITC for further transactions.
- Laws and procedures for levy and collection of CGST/SGST/UTGST is harmonized to the extent possible.
MODEL GST LAW
GUIDING PRINCIPLES

• Clarity in Tax Laws
• Tax laws which are easy to administer
• Tax laws which are non-adversarial and tax-payer friendly
• Fair dispute resolution mechanism
• Improving Ease of Doing Business

SOURCE MATERIAL

• Central Excise & Customs Law
• Service Tax Law
• State VAT Laws
• WTO Law
PRESENTATION PLAN

• Meaning and scope of supply
• Taxable person
• Threshold Exemption
• Composition Scheme
• Exemption
• Valuation
• Input Tax Credit
• Registration
• Return
• Invoice matching
• Payment of Tax
• Refund
• Assessment

• Audit
• Demands
• Tax collected but not paid to Government
• Recovery of Tax
• Search, Seizure & Arrest
• Penalty
• Prosecution
• Appeals
• Advance Rulings
• Transitional Provisions
• Other Critical Provisions
• Model GST Law: Highlights
• Conclusion
• Under GST regime, tax is payable on the supply of goods and/or services.

• Supply includes
  ➢ All forms of supply made or agreed to be made for a consideration in the course or furtherance of business.
  ➢ Specified supplies made or agreed to be made without a consideration.
  ➢ Importation of service, whether or not for a consideration and whether or not in the course or furtherance of business.

• Transaction between a principal and agent is deemed to be a supply.
• Supply of any branded service by an aggregator under a brand name is deemed to be a supply.
TAXABLE PERSON

Sec. 9

- Means a person who is registered or required to be registered under Schedule III.
- Liability to pay tax arises only when the taxable person crosses the exemption threshold i.e. [Rs. 10 lakhs.]
- The Central / State Government and local authorities are regarded as taxable person.
- Persons who are not regarded as taxable persons under GST:
  - an agriculturist
  - an employee providing services to his employer
  - person dealing with goods and/or services that are not liable to tax under the Act
  - person receiving services of value not exceeding Rs..... in a year for personal use
• Taxpayers with an aggregate turnover up to [Rs. 10 lakhs] in a FY is exempt from tax.

• Aggregate turnover is computed on all India basis.

• For NE States and Sikkim, the exemption threshold is [Rs. 5 lakhs].

• All taxpayers eligible for threshold exemption will have the option of paying tax with input tax credit (ITC) benefits.

• Tax payers making inter-State supplies or paying tax on reverse charge basis shall not be eligible for threshold exemption.
COMPOSITION SCHEME

Sec. 8

• Small taxpayers with an aggregate turnover up to [Rs. 50 lakhs] in a FY is eligible for composition levy.

• Under the scheme, a taxpayer shall pay tax as a percentage of his turnover during the year without the benefit of ITC.

• The floor rate of tax for CGST and SGST shall not be less than [1%].

• A tax payer opting for composition levy shall not collect any tax from his customers.

• Eligible taxpayers shall have the option of paying tax with ITC benefits.

• Tax payers making inter-State supplies or paying tax on reverse charge basis shall not be eligible for composition scheme.
EXEMPTION

Sec. 10

• On the recommendation of the Council, the Central/State Govt. may, by notification, exempt specified goods and/or services from payment of CGST/SGST.

• Exemptions are of two types: General and Ad hoc.

• General exemptions are universal in nature and are issued in public interest.

• Ad hoc exemptions are issued in public interest to deal with circumstances of an exceptional nature.

• An explanation can be inserted in the notification within one year of its issue, clarifying the intent and scope.

• Notification is published in the official gazette and made available on the official website.
Valuation to be done on the basis of transaction value.

Transaction value is the price actually paid or payable for the goods and/or services.

Transaction value shall, inter-alia, include:

- any taxes, duties, fees and charges levied under any statute other than CGST/SGST/IGST Act.
- incidental expenses such as commission, packing etc. charged by the supplier to the recipient of supply.
- royalties and license fees related to the supply of goods and/or services.
- subsidies provided in any form or manner including subsidies provided by the Government.
- any discount or incentive that may be allowed after supply has been effected.
• Transaction value shall not include trade discounts allowed before or at the time of supply.

• Transaction value shall not include post supply discount which is given as per the agreement and is known at or before the time of supply.

• Where the value cannot be determined on the basis of transaction value, the same is determined in accordance with the Valuation Rules.

- Determination of value by comparison
- Computation method. Cost of production plus an amount towards profit and general expenses.
- Residual method using reasonable means consistent with the principles and general provisions of valuation rules.
INPUT TAX CREDIT (ITC)

Sec. 16

- ITC is available for business purposes and in respect of all taxable supplies.

- ITC is available on all goods other than goods and/or services in the negative list.

- Negative list comprises, *inter alia*,
  - motor vehicles (except when they are used for certain purposes)
  - goods and services provided in relation to food and beverages, outdoor catering, beauty treatment etc.
  - goods and / or services on which tax has been paid under composition scheme

- Full ITC is allowed on capital goods on its receipt.
• The taxable person shall take credit and may utilize the same for payment of output tax.

• Unutilized credit can be carried forward or can be claimed as refund in certain situations.

• Condition for availing of ITC by taxable person:
  ➢ he is in possession of a tax invoice
  ➢ he has received the goods and/or services
  ➢ the tax charged in respect of the supply has been paid to Government
  ➢ he has furnished the return

• ITC cannot be availed on invoices which are more than one year old.
• Manner of utilization of credit

  • ITC on account of CGST shall first be utilized towards payment of CGST; the amount remaining, if any is utilized towards payment of IGST

  • ITC on account of SGST shall first be utilized towards payment of SGST; the amount remaining, if any is utilized towards payment of IGST.

  • No ITC on account of CGST is utilized towards payment of SGST and vice versa.

  • ITC on account of IGST shall first be utilized towards payment of IGST; the amount remaining, if any is utilized towards payment of CGST and SGST, in that order.
REGISTRATION
Schedule III & Chapter VI

• Liability to be registered
  - Every person who is registered or who holds a license under an earlier law
  - Every person whose turnover in a year exceeds Rs. [9 lakhs]

• Liability to be registered irrespective of threshold
  - Persons making inter-State taxable supply
  - Persons required to pay tax under reverse charge
  - Casual and non-resident taxable persons
  - E-Commerce operator
  - Persons who supply goods through e-commerce operator
  - An aggregator who supplies services under his brand name
  - Persons who supply goods and/or services on behalf of a registered taxable person.
  - Input Service Distributor
  - Persons required to deduct tax at source
• A person, though not liable to be registered, may take registration voluntarily [Sec. 19 (3)].

• Registration to be granted State-wise. A person having multiple business verticals in a State may obtain separate registration [Sec. 19 (1) & (2)].

• UN agencies, Multilateral Organizations, Embassies etc. is granted a Unique Identity Number instead of registration [Sec. 19 (6)].

• Registration is approved by both the Central and State authorities.

• Registration is deemed to have been granted if no deficiency is communicated to the applicant within the prescribed period [Sec. 19 (9)].

• Cancellation of registration under CGST Act means a cancellation of registration under SGST Act and vice-versa [Sec. 21 (6)].
• Taxpayers shall file monthly returns. Return to be filed within 20 days after the end of tax period [Sec. 27 (1)].

• Composition taxpayers shall file quarterly returns [Sec. 27 (1)].

• ITC is provisionally allowed on filing of return (Sec. 28).

• Short-filing of return is allowed, but returns filed without payment of full tax shall not be treated as a valid return for allowing ITC in respect of supplies made by taxable person [Sec. 27 (3)].

• Annual return to be filed on or before 31st December following the end of the financial year [Sec. 30 (1)]

• Audited statement of accounts and reconciliation statement to be submitted along with the Annual Return by certain taxable persons [Sec. 30 (2)].
INVOICE MATCHING
Sec. 29 & 29A

• After filing of return by the taxable person, his inward supplies and/or debit notes is matched with the corresponding outward supplies and/or debit notes declared by the supplier in his tax return.

• In case of matching, the ITC claimed by the taxable person is finally accepted and he is informed.

• In case of mis-match, the discrepancy is notified to the taxable person and his supplier.

• Where the supplier does not rectify the discrepancy in his return, the amount to the extent of discrepancy is added to the output tax liability of the taxable person.
Likewise, the reduction in tax liability due to issue of a credit note by the supplier is matched with the reduction in ITC claimed by the recipient in his return.

In case of matching, such reduction in the tax liability is finally accepted and communicated to the supplier.

In case of mis-match, the discrepancy is notified to the supplier and the recipient.

Where the recipient does not rectify the discrepancy and reduce his ITC claim in his return, the amount to the extent of discrepancy is added to the output tax liability of the supplier.

A taxable person can reclaim the ITC reversed only after the concerned supplier furnishes the details of invoice and/or debit note in his return.
Every deposit made by a taxable person is credited to the electronic cash ledger of such person [Sec. 35 (1)].

ITC as self assessed in the return of a taxable person is credited to his electronic credit ledger [Sec. 35 (2)].

Payment of tax is made by way of the debit in the electronic cash or credit ledger [Sec. 35 (3) & (4)].

Taxable person shall discharge his tax and other dues in the following order [Sec. 35 (8)]:

- Self-assessed tax, and other dues related to returns of previous tax periods;
- Self-assessed tax, and other dues related to returns of current tax period; and
- any other amount payable under the Act or rules made there under including the demand determined under section 51.
• Refund can be claimed within 2 years from the relevant date.
• Refund of ITC allowed in case of exports or where the credit accumulation is on account of inverted duty structure.
• Refund is granted within 90 days from the date of receipt of application.
• In case of refund claim on account of exports, 80% of the claim can be given immediately on a provisional basis.
• Applicant shall produce documentary evidence that he has not passed on the incidence of tax on to any other person.
• No need to furnish such evidence if the refund claim is less than Rs. 5 lakhs. Self-certification would suffice.
• Interest payable after 3 months from the date of receipt of application till the date of refund.
• Refund of ITC not allowed where the export goods are subject to duty.
• Taxable person shall himself assess the taxes payable

• Taxable person may request for provisional assessment in cases where he is unable to determine the value or rate of tax

• Taxable person will have to furnish bond and security for availing this facility.

• Provisional assessment is to be finalized within 6 months

• After final assessment, the taxable person is liable to pay additional tax or may claim refund, as case may be
• Audit can be conducted at the place of business of the taxable person or at the office of the tax authorities.

• Taxable person is informed sufficiently in advance, prior to the conduct of audit.

• Audit is carried out in a transparent manner.

• Audit to be completed within 3 months, extendable by a further period of 6 months.

• On conclusion of audit, the proper officer shall without delay notify the taxable person of the findings, the taxable person’s rights and obligations and reasons for the findings.
DEMANDS

Sec 51

• Adjudication order is issued within 3 years of filing of annual return in normal cases

• The time limit is 5 years (from filing of annual return) in fraud/suppression cases.

• No separate time lines for issue of SCN and adjudication order.

• Provisions for settlement of cases at every stage, right from audit/investigation to the stage of passing of adjudication order and even thereafter.

• No/Minimal penalty if the tax and interest is paid at the stage of audit/investigation.

• The officer shall in his order set out the relevant facts and the basis of his decision.

• The amount of tax, interest and penalty demanded in the order shall not be in excess of the amount specified in the notice.

• No demand is confirmed on grounds other than the grounds specified in the notice.
Any amount collected as tax from customers is paid to Govt. regardless of whether the supplies are taxable or not.

If not paid, SCN is issued.

The proper officer shall, after considering the representation if any, determine the amount.

The person concerned shall pay tax along with interest right from the day the tax was collected till the date of payment.

The proper officer shall issue the order within 1 year from the date of issue of SCN.

The person who has ultimately borne the incidence of tax may apply for refund as per the provisions of Sec. 38.
The proper officer may deduct the amount from any money owing to such person which is under his control or he may make a request to another officer to do so.

The proper officer may recover the amount by detaining and selling goods belonging to such person which are under his control, or he may make a request to another officer to do so.

The proper officer may, by notice in writing, require any other person from whom money is due or may become due to such person to pay the amount to the Govt.

Every person to whom the notice is issued is bound to comply with such notice.

The proper officer may prepare a certificate specifying the amount and send it to District Collector, who shall recover the amount as if it were an arrear of land revenue.
• Power to search places and seize goods, documents etc. has been retained under GST law.

• After seizure of goods, if notice not is given within 60 days, the goods is returned to the person. The period is extendable up to 6 months.

• A person can be arrested only where the amount of tax evaded exceeds Rs.50 lakh or where it is a repeat offence.

• If the amount of tax evaded exceeds Rs.2.5 crore, the offence is cognizable and non-bailable.

• If the amount of tax evaded is below Rs.2.5 crore, the offence is non-cognizable and bailable.

• Thus, the power to arrest is restricted under the GST Law.
PENALTY DISCIPLINES

Sec. 68

- No substantial penalties for minor breaches of tax regulations or procedural requirements.

- No penalty if any omission or mistake in documentation which is easily rectifiable and obviously made without fraudulent intent or gross negligence.

- Penalty is commensurate with the degree and severity of the breach.

- No penalty is imposed w/o issue of SCN and w/o giving PH.

- Reasoning to be given in the order, specifying the nature of the breach and the applicable laws or procedure.

- In case of voluntary disclosure of breach, the tax authorities may consider this fact as a potential mitigating factor when establishing a penalty for that person.
## PROSECUTION

**Sec. 73**

### OFFENCES

- Amount of tax evaded exceeds Rs. 2.5 crore, and repeat offences.
- Amount of tax evaded exceeds Rs. 50 lakhs but does not exceed Rs. 2.5 crore.
- Amount of tax evaded exceeds Rs. 25 lakhs but does not exceed Rs. 50 lakhs.

### PUNISHMENT

- 5 years imprisonment plus fine
- 3 years imprisonment plus fine
- 1 year imprisonment plus fine

- Punishment prescribed under the GST law is lesser as compared to the present provisions.
• First appeal against any order passed by an adjudicating authority shall lie before the First Appellate Authority.

• Subsequent appeals lie before the Tribunal, High Court and Supreme Court.

• Pre-deposit of 10% of the amount in dispute for filing an appeal before the First Appellate Authority and Tribunal.

• The Department could request for higher amount of deposit in “serious cases,” where the disputed tax liability is Rs.25 crore or more.

• First Appellate Authority/Tribunal shall hear and decide the appeal within a period of 1 year, where it is possible to do so.
• Appeal cannot be filed in the High Court against an order of the Appellate Tribunal.
  - where two or more States or a State and the Centre have a difference of views regarding place of supply or
  - where the matter involves two or more States or a State and Centre regarding treatment of transactions being intra-State or inter-State (Sec. 87),

• Certain decisions are not appealable (Sec. 93), viz.,
  - an order for transfer of proceeding from one officer to another officer.
  - an order pertaining to seizure or retention of books of account, register and other documents.
  - an order sanctioning prosecution under the Act.
  - an order passed by the Commissioner allowing payment of tax dues in installments.
• Advance ruling may be sought iro classification, method of valuation, rate of tax, admissibility of ITC etc.

• Advance ruling is not to be given where the issue is

  ➢ already pending in the applicants’ case before any appellate forum.

  ➢ the same as in a matter already decided by the Appellate Tribunal or any Court.

• Advance ruling to be issued within 90 days.

• Advance ruling is binding only on the applicant and jurisdictional tax authorities.

• Advance ruling is binding unless there is a change in law or facts.

• Advance ruling is void in certain circumstances.
TRANSITIONAL PROVISIONS

- The existing taxpayers is issued a certificate of registration valid for 6 months. Upon furnishing of prescribed information, registration is granted on a final basis (Sec. 142).

- The amount of Cenvat credit / VAT carried forward in a return is allowed as input tax credit under GST (Sec. 143).

- Un-availed Cenvat credit on capital goods, not carried forward in a return, shall also be allowed as ITC under GST (Sec. 144).

- Credit of eligible duties and taxes in respect of inputs held in stock is allowed to a registered taxable person (Sec. 145).

- Credit of eligible duties and taxes in respect of inputs held in stock is allowed to a taxable person switching over from the composition scheme to the normal scheme (Sec. 146).

- No tax is payable on the goods removed/despatched earlier but returned to the place of business within 6 months after the introduction of GST (Sec. 148 & 149).
TRANSITIONAL PROVISIONS...Contd.

• No tax is payable on the inputs, semi-finished goods and finished goods removed/despatched earlier for job work and which are returned to the place of business within 6 months after the introduction of GST (**Sec. 150, 151 & 152**).

• Pending refund claims is disposed of in accordance with the provisions of earlier law and the amount of refund is paid to the claimant in cash (**Sec. 154**).

• Pending claim of Cenvat credit /ITC is disposed of in accordance with the provisions of earlier law and the amount of credit is paid to the claimant in cash (**Sec. 155**).

• No tax is payable on the supply of goods and /or services made before the introduction of GST where a part of consideration for the said supply is received on or after the introduction of GST, but the full duty or tax payable on such supply has already been paid under the earlier law (**Sec. 161**).

• No tax is payable on the goods sent on approval basis before the introduction of GST but are rejected and returned to the seller within 6 months from the introduction of GST (**Sec. 162D**).
OTHER CRITICAL PROVISIONS

• Provision kept for assessment of non-filers of Returns. Issue of notice followed by best judgment assessment (Sec. 46).

• Provision kept for assessment of unregistered persons. Issue of notice followed by best judgment assessment (Sec. 47).

• Also, there is a provision for summary assessment in special cases. Protective assessment to safeguard the interests of revenue (Sec. 48).

• E-commerce companies would collect and pay to the government, out of the amount payable to the supplier of goods, tax at the notified rate (Sec. 43B & 43C).
• Central/State Govt. departments, local authorities and governmental agencies to deduct tax @ 1% from the payment made to the supplier where the total value of supply under a contract exceeds Rs.10 lakhs (Sec. 37).

• Transporter of goods carrying a consignment of value more than Rs. 50,000 to carry with him a way bill for verification by tax authorities (Sec. 61).

• Test purchase of goods to check the issue of tax invoices. On return of goods taxable person shall refund the amount (Sec. 121).

• Liability of partners, guardians, trustees, court of wards etc. in certain situations (Sec. 111, 112 & 113)

• GST Compliance Rating of a taxable person based on his record of compliance. To be determined on the basis of prescribed parameters and placed in public domain (Sec. 116).
• Registration is granted on line and is deemed to have been granted if no deficiency is communicated to the applicant within 3 working days [Sec. 19 (9)].

• Taxable person shall himself assess the taxes payable (self-assessment) and credit it to the account of the Government (Sec. 44 & 27).

• Payment of tax is made electronically through internet banking (Sec. 35).

• Taxpayers shall furnish the details of sales and purchases electronically without any physical interface with the tax authorities (Sec. 25 & 26).

• Tax payers shall file, electronically, monthly returns. Composition tax payers shall file, electronically, quarterly returns. Omission/incorrect particulars can be self-rectified before the filing of annual return (Sec. 27).
• Matching, reversal and reclaim of ITC is done electronically on the GSTN portal without any tax payer contact (Sec. 29 & 29A).

• Tax payers is allowed to keep and maintain accounts and other records in electronic form (Sec. 42).

• Tax payments for all months is made in the succeeding month. Tax dues of March are thus to be paid in April and not March, as at present in the Central Government (Sec. 27).

• New modes of payment of tax are being introduced, viz. through credit and debit cards, NEFT and RTGS (Sec. 35).

• Composition taxpayers shall pay tax on a quarterly basis in the month succeeding the quarter-end (Sec. 27).
• Taxpayers are allowed to issue supplementary or revised invoice in respect of a supply made earlier (Sec. 23).

• Taxpayers are allowed to file the details of sales and purchases, and the various returns through Tax Return Preparers (Sec. 34).

• Taxpayers can issue credit notes for reduction in tax liability and debit notes for increase in tax liability (Sec. 24).

• Commissioner has been empowered to grant extension of time for payment of certain tax dues or allow payment of such amount in monthly instalments to the tax payer (Sec. 55).

• Provision has been made for the Government to provide remission of tax on supplies which are found to be deficient in quantity due to any natural causes (Sec. 11).
• Exports is treated as zero rated supply. No tax is payable on exports but credit of the input tax related to that supply is admissible and the same can be claimed as refund by them [Sec. 2 (109)].

• The facility of job work has been continued under the GST regime (Sec. 43A).

• Facility of distribution of ITC for services amongst group companies has been allowed.

• Appeals can be filed against advance rulings (Sec. 99).

• A separate schedule (schedule II) has been provided to clarify certain types of supply as either supply of goods or of services. For example, supply of intangibles, works contract supplies, lease transactions and restaurant supplies are categorised as supply of services.
CONCLUSION

GST : A Game Changer

• Introduction of GST is a very significant step in the field of indirect tax reforms in India.

• Revenues of Centre and States would rise due to widening of tax base, increase in trade volumes and improved tax compliance.

• Introduction of GST would reduce economic distortions caused by inter-State variations in taxes.

• It will streamline tax administration and avoid harassment of business.

• Compliance costs for the industry will go down.

• The GST, because of its transparent nature, is easier to administer.

• It would pave the way for a common national market.
GST
IMPLICATION IN
DIRECT TAXES
Evasion in Direct Taxes

- Evasion in Direct Taxes takes place by suppression of Income. The tax evasion can be broadly categorised as

  - Under Reporting
  - Non Reporting
  - Under payment of Taxes
Under Reporting

• When a person files an Income Tax return without declaring his full income is categorised as Under Reporting. It consists of:
  ➢ undervaluation of sales
  ➢ overstating purchases
  ➢ inflating expenditures
  ➢ under reporting of Profit
Non Reporting

• When a person, having taxable income, do not file any Income Tax return, though he is liable to as per existing provisions, it is Non Reporting of Income.

➢ No figure of sales
➢ No figure of purchase
➢ No figure of Expenditure incurred
➢ No figure of Profit
Applying G S T in Direct Taxes

- Returns of GST gives granular data invoice-wise of the following:
  - Sales
  - Purchase
  - Services
  - Expenditures
  - Identification of transactees
• A deep look into the GST return provides entire transaction details pertaining to a business/service provider.

• Comparing the GST return with the Income Tax return gives ample opportunity to an assessing officer for one-to-one mapping of all transactions without referring to the assessee.

• This takes care of the gaps in the Income Tax returns filed by an assessee and throws light on the real turnover, purchase, expenditure & Net Profit.
Similarly, if an assessing officer of GST looks deep into the Income Tax return, where the assessee is also filing GST return, he may find interesting clues as to the gaps in GST return from the parameters indicated on

- sales
- Purchase
- expenditure
THANK YOU