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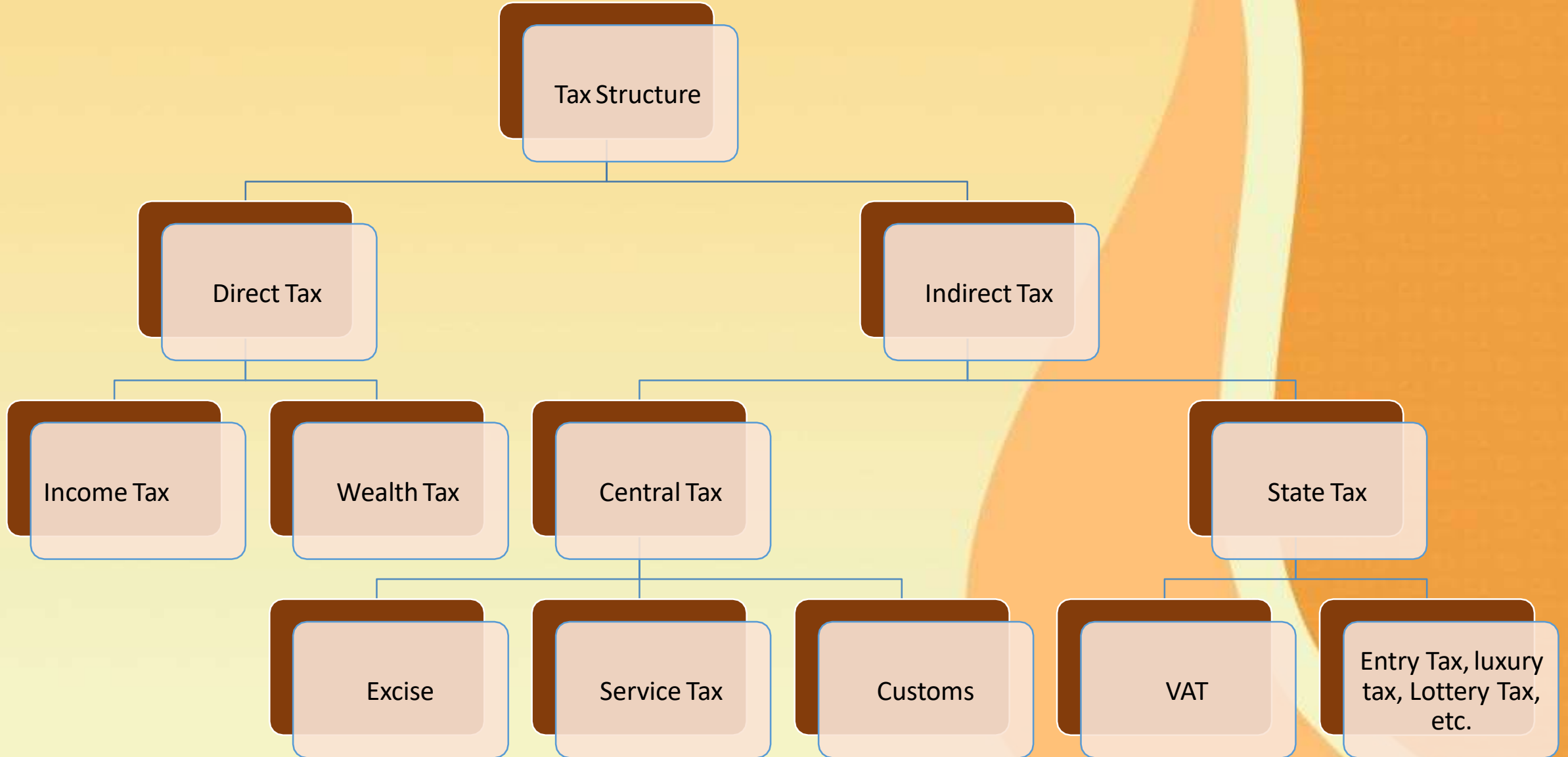
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WHAT IS

TAX

# EXISTING TAX STRUCTURE IN INDIA



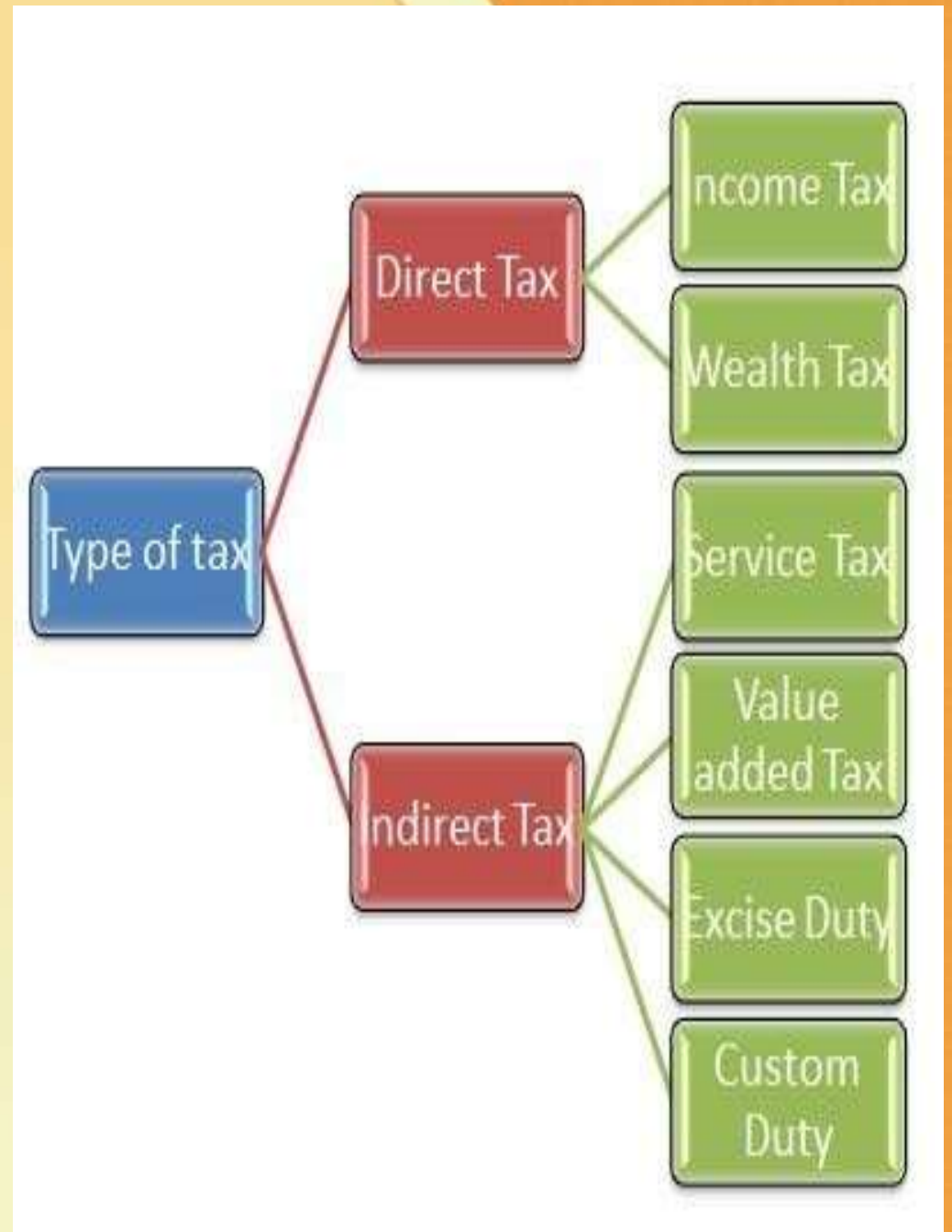
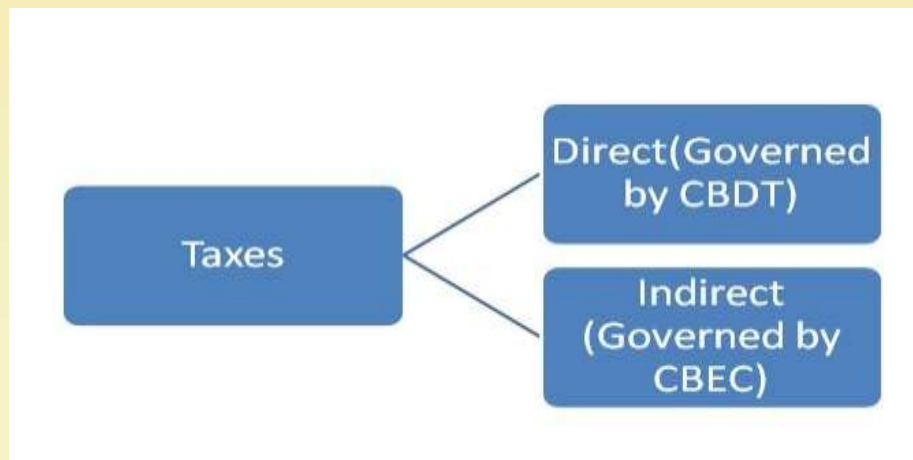




# TYPES OF TAX

➔ DIRECT TAX

➔ INDIRECT TAX



# INTRODUCTION TO GST

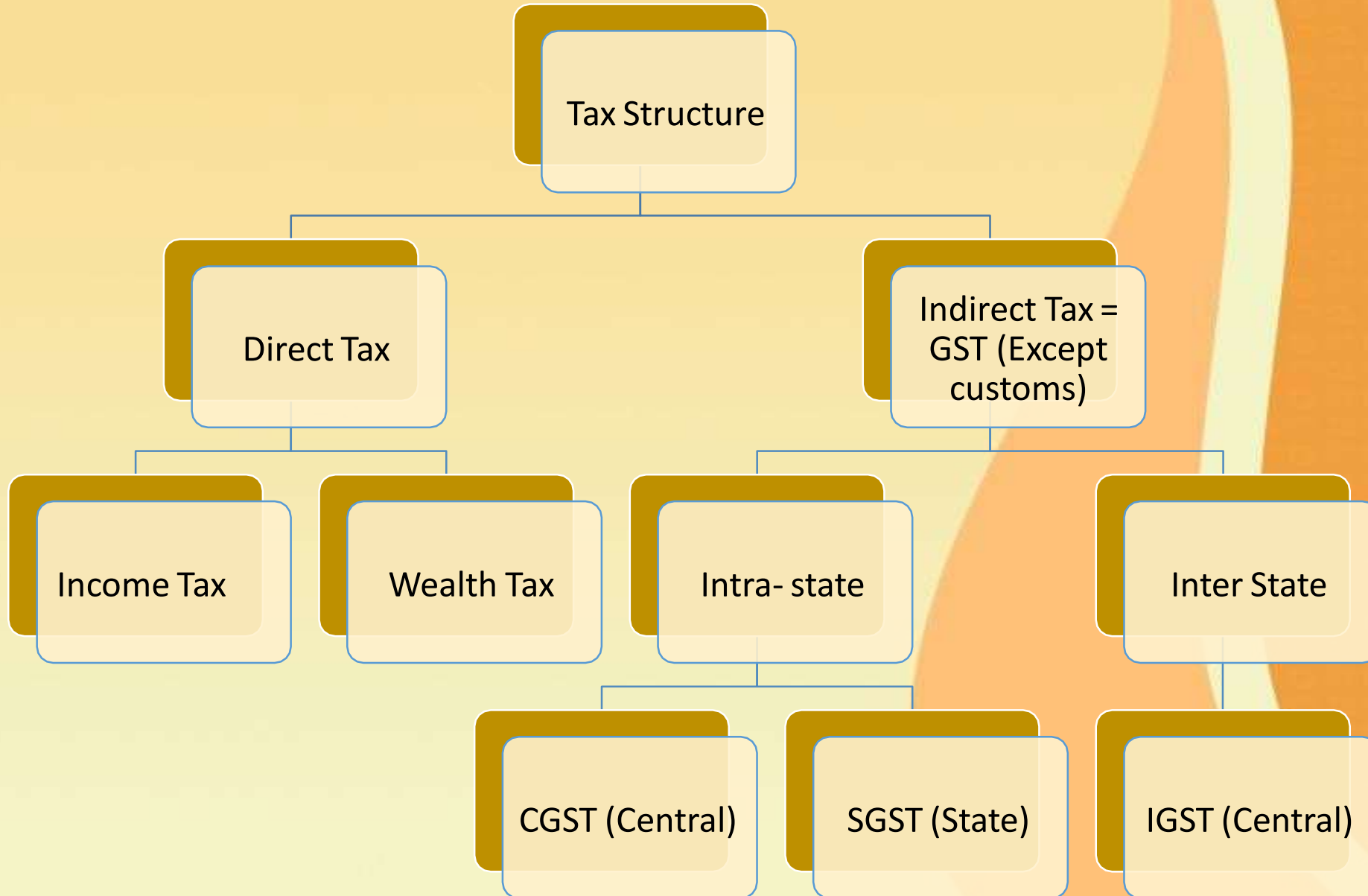


# GST

- ➔ FIRST INTRODUCED DURING **2007-08** BUDGET SESSION
- ➔ ADMINISTERED & GOVERNED BY **GST COUNCIL**
- ➔ AT PRESENT, ITS **CHAIRMAN IS UNION FINANCE MINISTER ,ARUN JAITLEY**
- ➔ A SIGNIFICANT STEP IN **REFORM OF INDIRECT TAXATION IN INDIA**
- ➔ STEP TO REPLACE **TAXES** LEVIED BY THE **CENTRAL & STATE** GOVERNMENTS
- ➔ **TAX** THAT WE NEED TO PAY ON SUPPLY OF **GOODS & SERVICES**
- ➔ ANY **PERSON**, WHO IS PROVIDING OR SUPPLYING **GOODS & SERVICES** IS LIABLE TO CHARGE GST



# PROPOSED TAX STRUCTURE IN INDIA



# COMPONENTS OF GST

## CGST

- > • CGST stands for Central GST
- This is applicable on supplies within the State
- Tax collected will be shared to Centre

## SGST

- > • SGST stands for State GST
- This is applicable on supplies within the State
- Tax collected will be shared to State

## IGST

- > • IGST stands for Integrated GST
- This is applicable on interstate and import transactions
- Tax collected is shared between Centre and State

# CENTRAL GOODS & SERVICEs TAX (c g s t)

- ★ **SERVICE TAX**
- ★ **CENTRAL EXCISE DUTY**
- ★ **ADDITIONAL CUSTOMS DUTY**
- ★ **SPECIAL ADDITIONAL DUTY OF CUSTOMS**
- ★ **CENTRAL CESS & SURCHARGES**

# State GOODS & SERVICES TAX (sgst)

- ★ **VALUE ADDED TAX (VAT)**
- ★ **CENTRAL SALES TAX (CST)**
- ★ **STATE CESS & SURCHARGES**
- ★ **OCTROI / ENTRY TAX**
- ★ **PURCHASE TAX**
- ★ **LUXURY TAX**
- ★ **ENTERTAINMENT TAX**
- ★ **LOTTERY & GAMBLING TAX**

# NEED OF GST

- **TO REPLACE THE EXISTING MULTIPLEX TAX STRUCTURE**
- **TO EMERGE ECONOMIC ENVIRONMENT**
- **TO REMOVE ECONOMIC DISTORTIONS**
- **TO DEVELOPE COMMON NATIONAL MARKET**
- **TO BRING UNIFORM TAX LAWS ACROSS ALL THE STATES**



# **GST – SALIENT FEATURES**

- ➔ **APPLICABLE TO ALL TRANSACTIONS OF GOODS & SERVICES**
- ➔ **WILL BE LEVIED ON IMPORT OF GOODS & SERVICES**
- ➔ **PAYMENTS OF  
GST**
- ➔ **MAINTENANCE OF RECORDS**
- ➔ **REDUCES AVERAGE TAX BURDENS**

# REGISTRATION UNDER GST

STEP-1 ➤ SUBMIT DETAIL IN PART A OF FORM GST REG-01 ON THE GSTN PORTAL

STEP-1 ➤ VERIFICATION OF PAN & OTHER DETAIL WITH OTP

STEP-1 ➤ FILL PART- B OF FORM GST REG-01 & SPECIFY THE ARN

STEP-1 ➤ SUBMISSION OF FORM

➤ FOR ADDITIONAL INFORMATION FORM GST REG- 03 WILL BE ISSUED

➤ IF YOU HAVE PROVIDED ALL REQUIRED INFORMATION VIA FORM GST REG-01 OR FORM GST REG-04,  
YOU WILL BE REGISTERED AS SOON AS POSSIBLE

**Contd...**

# REGISTRATION UNDER GST

Based on the information provided by [GSTn](#), registration process looks like this:

1. The applicant, will need to submit his PAN, mobile number and email address in Part A of Form GST REG-01 on the GSTN portal or through Facilitation center (notified by board or commissioner).
2. The PAN is verified on the GST Portal. Mobile number and E-mail address are verified with a one-time password (OTP). Once the verification is complete, applicant will receive an application reference number on the registered mobile number and via E-mail. An acknowledgement should be issued to the applicant in FORM GST REG-02 electronically.
3. Applicant needs to fill Part- B of Form GST REG-01 and specify the application reference number. Then the form can be submitted after attaching required documents.
4. If additional information is required, Form GST REG-03 will be issued. Applicant needs to respond in Form GST REG-04 with required information within 7 working days from the date of receipt of Form GST REG-03.
5. If you have provided all required information via Form GST REG-01 or Form GST REG-04, the registration certificate in Form GST REG -06 for the principal place of business as well as for every additional place of business will be issued to the applicant. If the person has multiple business verticals within a state he can file a separate application for the registration in Form GST REG-01 for each business verticals. If the details submitted are not satisfactory, the registration application is rejected using Form GST REG-05. The applicant who is required to deduct TDS or collect TCS shall submit an application in Form GST REG - 07 for registration. If he is no longer liable to deduct or collect tax at source then the officer may cancel and communicate the cancel of registration.

# TAXABLE PERSON

- ✦ **COVER ALL TYPES OF PERSON CARRYING ON BUSINESS ACTIVITIES**
- ✦ **A COMPANY WITH ITS ALL BRANCHES**
- ✦ **ALL THE DEALERS / BUSINESS ENTITIES**

# SUBSUMING OF EXISTING TAXES

CGST

- Central Excise
- Additional duties of Custom (CVD)
- Service Tax
- Surcharges and all cesses

SGST

- VAT/sales tax
- Entertainment Tax
- Luxury Tax
- Lottery Tax
- Entry Tax
- Purchase Tax
- Goods and passenger Tax
- Tax on vehicle
- Electricity, banking, Real state

IGST

- CST



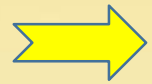
# TAXES THAT MAY OR MAY NOT BE SUBSUMED

- ◆ **PURCHASE TAX**
- ◆ **STAMP DUTY**
- ◆ **VEHICLE TAX**
- ◆ **ELECTICITY DUTY**
- ◆ **OTHER ENTRY TAXES &  
OCTROI**

# RATE OF TAX

TWO RATE STRUCTURES:--

- **A LOWER RATE-** NECESSARY ITEMS & ITEMS OF BASIC IMPORTANCE
- **A STANDARD RATE-** GOODS IN GENERAL
- **A SPECIAL RATE-** PRECIOUS METALS & A LIST OF EXEMPTED ITEMS



**In INDIA, The combined GST rate is being discussed by government. The rate is expected around 16 percent**



**TODAY THE RATE OF GST IN SOME COUNTRIES ARE –**

<b>Australia 10%,</b>	<b>France 19.60%,</b>	<b>Canada 5%,</b>
<b>Germany 19%,</b>	<b>Japan 5%,</b>	<b>Singapore 7%,</b>
<b>Sweden 25%,</b>	<b>New Zealand 15% &amp;</b>	<b>Pakistan 17%</b>

# FUNCTIONING OF GST

**The illustration shown below indicates, in terms of a hypothetical example with a manufacturer, one wholesaler and one retailer, how GST will work.**

- ▶ **Manufacturer :** Let's assume that a manufacturer of trousers buys raw materials. This raw material costs the manufacturer **Rs.200**. This Rs.200 includes **10%** tax of **Rs.20**. Once the trouser is made, he has added his own value (say) **Rs.60**. Then the total cost of the trouser is now **Rs.260** (Rs.200+Rs.60). With the 10% tax rate, the tax on trouser would be **Rs.26**. However, since the manufacturer has already paid **Rs.20** as tax while buying raw material, under **GST** the tax incidence will now be only **Rs.6** (Rs.26-Rs.20).
- ▶ **Wholesaler:** Now, the wholesaler would buy the trouser at **Rs.260** & would keep a margin on it to make profit say (**Rs.40**). The cost of the clothing item now becomes **Rs.300**. Applying the same **10% principle**, the tax would be **Rs. 30**. But, out of this **Rs.30**, **Rs.26** are already accounted from stage one. So the effective tax incidence for the wholesaler would be **Rs.4** (Rs.30-Rs 26).

# FUNCTIONING OF GST

- ➔ **Retailer:** Now that the retailer has bought the trouser at **Rs.300**, he would also keep a profit margin (say **Rs.20**). The total cost becomes **Rs.320**. Using the 10% rule, the tax would be **Rs.32**. However, with **Rs.30** already accounted for in the earlier two stages, the tax incidence would be **Rs.2** (Rs.32- Rs.30).
- ➔ **Total Liability:** Thus, to sum up the total GST for the entire chain, from manufacturer to retailer is **Rs.32** (20+6+4+2).

# LATEST UPDATES ON GST

- ★ The four GST slabs have been set at 5%, 12%, 18% and 28% for different items or services.
- ★ **5% SLAB-** This is applicable on items of mass consumption used by common people.  
**12 % & 18% SLAB-** These are two standard rates  
**28% SLAB-** This rate is for white goods like T.V., Air Conditioners, Refrigerators, stoves, etc.  
**28% + cess-** It is for all luxury goods & tobacco products etc.
- ★ The tax rate proposal will now be placed in Parliament for its approval.



# GST Rate Structure

Essential Commodities

0%



Items of Mass Consumption

5%



Standard Rates

12-18%



Demerit Goods

28%+



# GST Slab Rates



## ZERO RATE

Suggested for 50% of basic commodities used to calculate inflation (CPI index)

5%

Other items of common use

12% and 18%

Standard rate for remaining items

28% + Cess

Luxury goods, aerated drinks, tobacco and other 'sinful' items

# Multi-tiered system

Tax rate      Indicative items

0%

50% of the consumer price basket, including foodgrains



18%

Soaps, oil, toothpaste, refrigerator, smartphones



5%

Mass consumption items like spices and mustard oil



28%

White goods, cars



12%

Processed foods



28% plus cess

Luxury cars, pan masala, tobacco, aerated drinks



# ADVANTAGES OF GST

- ➔ GST WILL REPLACE THE MULTIPLEX TAX STRUCTURE
- ➔ IT WOULD CREATE A COMMON TAX PLATFORM
- ➔ GST WOULD PROVIDE THE UNIFORM TAX LAWS
- ➔ LOWER PRICES FOR CONSUMERS FOR MANY MANUFACTURED PRODUCTS
- ➔ GST WOULD CREATE A COMMON MARKET ACROSS INDIA
- ➔ GST WOULD REDUCE THE COST OF PRODUCTION OF GOOD & SERVICES.



# DISADVANTAGES OF GST

- ➔ DUE TO GST RATES, LUXURY GOODS MAY BE MORE PRECIOUS
- ➔ SERVICES MAY BECOME MORE EXPENSIVE. e.g TELEPHONE, BANKING, AIRLINE ETC
- ➔ NEED FOR REGISTRATION IN DIFFERENT STATES.
- ➔ SOME ECONOMIST SAY THAT CGST, SGST & IGST ARE NOTHING BUT NEW NAMES FOR CENTRAL EXCISE/SERVICE TAX, VAT & CST & HENCE GST BRINGS NOTHING NEW FOR WHICH WE SHOULD CHEER.
- ➔ AN INCREASE IN INFLATION MIGHT BE SEEN INITIALLY.

# GST Impact **START UP, SMALL ENTREPRENEUR & TRADER**

- ⊗ A business operating in many States has to face a lot of issues regarding the different procedures and fees in each state.
- ⊗ **GST will bring about a uniformity in process and centralized registration that will make starting business much simpler in different States .**
- ⊗ As per the current structure, any business with a turnover of more than Rs. five lakh has to get VAT registration and pay VAT.
- ⊗ **GST will make this limit higher, to upto Rs. 10 lakh and, further to it, businesses with turnover between Rs. 10 and 50 lakh will be taxed at a lower rates. This will bring respite from tax burdens to newly established businesses.**

# GST & IT

- ★ **Will eliminate multiple levies for IT companies**
- ★ **Cost of laptops, mobiles may increase**
- ★ **May create over 100 taxation points for IT companies**
- ★ **To increase administrative costs for e-commerce companies**
- ★ **Mobile tariffs may go up**
- ★ **May hurt Telecom tower companies**





**Thank  
You!!!**