**B.Com. I**

**Goods and Service Tax**

**Group-C Paper VI**

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| **STUDY MATERIAL** |

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It will cover Unit-1 of the paper:

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| **Unit-1****Basic Concepts**Taxable person Assessee, Types of Assesses, Meaning of Goods and Services, Difference between CGST, SGST, IGST, UTGST, Input Service, Input Tax, Output Tax, place of business, place of supply, reverse charge, exempted goods, various rate of taxes, exemptions for small traders, benefits of GST |
| **Objective of the Study material:***To provides basic knowledge and equip students with applications of provisions of Goods and Services Tax Act of 2017* |

**Introduction**

Taxation policy is one of the important instruments in the hands of the government to decide the direction of economic development. India had started economic reforms, taxation reforms and changes in the fiscal and monetary policies after 1991 with a view to develop world class economic competitiveness, to increase India’s share in world trade and to integrate and improve the health of Indian economy. However, it took more than 25 years to get harmonization of indirect taxes fully implemented across the country.

The introduction of the Goods and Services Tax (GST) is a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, GST will mitigate ill effects of cascading or double taxation in a major way and pave the way for a common national market. Introduction of GST would also make Indian products competitive in the domestic and international markets owing to the full neutralization of input taxes across the value chain of production and distribution. Studies show that this would have a boosting impact on economic growth. Last but not the least, this tax, because of its transparent and self-policing character, would be easier to administer. It would also encourage a shift from the informal to formal economy. Integration of goods and services taxation would give India a world class tax system and improve tax collections.

**Pre-GST Regime**

***First Phase---Pre-VAT status: Cascading of taxes***

Before the implementation of Value Added Tax (VAT) in the states, there was a system of state’s Sales Tax and Central Sales Tax (CST) wherein the tax was collected at the first/last point of the transaction involving sale of goods. There were multiplicities of taxes besides the sales tax, such as excise duties, cess, surcharge etc. at central level and sales tax, turnover tax, purchase tax, state excise duties, entertainment tax, octroi, entry tax, taxes on lottery, betting and gambling etc. at state’s levels resulting in unfair double taxation. Under the sales tax structure, the dealers were facing a lot of problems in doing business due to ‘Inspector Raj’ of various tax departments at central and state levels. In addition, the proportion of cost of collection of taxes always remained high in comparison to the revenue earned. Besides this, corruption had become a common feature of tax structure.

***Second Phase----VAT and its effects***

The State VAT design was based largely on the blueprint recommended in a 1994 by a team led by late Dr. Amaresh Bagchi (Bagchi Report) of the National Institute of Public Finance and Policy. The process of state-level implementation of VAT has, in fact, started in 1995 when the then Union Finance Minister convened a meeting of the Chief Ministers of all states for issues related to VAT. In 1999, in a significant meeting of all the Chief Ministers, it was decided to set-up an ‘Empowered Committee of state Finance Ministers’ for evolving consensus and to look into the problems involved in implementation of VAT. A white paper on state-level VAT was released by the then Finance Minister, P.Chidambaram, in January, 2005. The design of state level VAT had been worked out by the Empowered Committee of State Finance Ministers under the chairmanship of Dr. Asim Dasgupta through several rounds of discussion and striking a federal balance between VAT’s common points of convergence and flexibility in the local characteristics of the state. VAT covers 550 goods. There were two basic rates of 4% and 12.5%. The replacement of the state sales taxes by the VAT from 1st April, 2005 marked a significant step forward in the reform of indirect taxes in India (Poddar). It resulted in a major simplification of the rate structure and broadening of the tax base. It addressed the distortions and complexities associated with the erstwhile trade tax system. The introduction of state-level VAT had been deferred twice in 2002 and 2003. Haryana was the first state to implement VAT on 1st April, 2003. The VAT at national level could finally become a reality after six years of political and economic debate on 1st April, 2005 when 16 other states got it implemented. The four north-east states-namely, Assam, Manipur, Meghalaya, and Mizorum, adopted VAT one month after on i.e.,1st May, 2005. Other states follow the steps thereafter.

At the central level, the system was implemented under excise law in 1986 with Modified Value Added Tax (MODVAT), which was subsequently converted to full fledged VAT system known as Central Value Added Tax (CENVAT) from 1st April, 2000.

But the change over from sales tax system to VAT system was not an easy task, as tax on sale of goods was a state subject and each state had its own sales tax Act, rules and rates.

**Pre-GST Indirect Tax Structure in India**

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| --- | --- |
| **Central** | **States** |
| * Central Excise duty
* Additional duties of excise
* Excise duty levied under Medicinal & Toilet Preparation Act
* Additional duties of customs (CVD & SAD)
* Service Tax
* Surcharges & Cesses
 | * State VAT / Sales Tax
* Central Sales Tax
* Purchase Tax
* Entertainment Tax (other than those levied by local bodies)
* Luxury Tax
* Entry Tax (All forms)
* Taxes on lottery, betting & gambling
* Surcharges & Cesses
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**Moving towards GST**

Buoyed by success of the State VAT, the Centre has embarked on the design and implementation of the unified GST regime. Our Ex-Finance Minister Mr. P. Chidambaram had been making call for GST in his four consecutive budget speeches from 2004-05 to 2007-08. In the budget speech of 2004-05 (Para 119), Mr. Chidambaram spoke about the intention to align India’s tariff structure with those of ASEAN countries and the need of a uniform rate of tax on goods and services. He expressed that the entire production-distribution chain should be covered by a National VAT, or even better a goods and service tax, encompassing both the Centre and State in his budget speech for 2005-06 (Para 94). In the budget speech 2006-07 (Para 155), he proposed April 1, 2010 as the date for introduction of GST. In Budget Speech for 2007-08 (Para 116) Mr. Chidambaram said “I wish to record my deep appreciation of the spirit of co-operative federalism displayed by State Governments and especially their Finance Ministers…. The Empowered Committee of State Finance Ministers has agreed to work with the Central Government to prepare a roadmap for introducing a national level Goods and Services Tax (GST) with effect from April 1, 2010.”

In the speech for Budget 2009-2010, the then Finance Minister Mr. Pranab Mukherjee has also declared that Goods and Service Tax (GST) is coming w.e.f. 01.04.2010. Para 85; “The broad contour of the GST model is that it will be a dual GST comprising of a Central GST and a State GST. The Centre and the States will each legislate, levy and administer the Central GST and State GST respectively.

The real work started with the appointment of Joint Working Group (JWG) by the Empowered Committee of State Finance Ministers to give recommendations regarding detailed frame work to be adopted for GST, in May, 2007. JWG was given the task to suggest a model for the base and rate structure of GST. JWG has submitted the report in November, 2007 after making study of GST Act of several countries and making study tours to Brazil, Australia and Singapore. The Empowered Committee of State Finance Ministers has issued first Discussion Paper on Goods and Services Tax in India on November 10, 2009.

**Moving toward GST…………**

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| 2006 | Announcement to introduce GST by 2010 |
| 2009 | First Discussion Paper (FDP) released by EC |
| 2011 | Constitution (115th Amendment) Bill introduced |
| 2013 | Three committees constituted by EC and GSTN set up |
| 2014 | Constitution (122nd Amendment) Bill (CAB) introduced in Lok Sabha |
| 08/09/2016 | Constitution Amendment Bill notified |
| 12/09/2016 | GST Council constituted |
| 16/09/2016 | Government of India issued notifications bringing into effect all the sections of CAB setting firmly into motion the rolling out of GST. This notification sets out an outer limit of time of one year, that is till 15-9-2017 for bringing into effect GST |
| 16/09/2016 | GST Council setup |
| April 2017 | CGST, UTGST, IGST, Compensation Cess Bills notified  |
| 01/07/2017 | Implementation of GST |

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| **Efforts For GST: 10Years… In Making*** 14 Empowered Committee Meetings
* 30 + Sub-Groups & Committees
* 175 + Officers Meetings
* 31000 + Industry professionals trained
* 51000 + Officers trained
* 18000 + Man Hours of discussion by GST Council
* Constitution Amendment and 5 Laws approved by collaborative effort
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**NEED FOR CAA**

1. Taxation powers distributed between Centre & States
2. Centre levies duty on manufacture (except alcohol for human consumption)
3. Centre levies services tax
4. Centre levies CST (retained by originating States) on inter-State sales
5. State levies VAT on intra-State sales
6. State levies Entry tax / Octroi/ Luxury tax, etc.
7. CAA required for assigning concurrent powers to Centre and States to levy GST on all supplies

**Key Features of 101st Constitution Bill:**

* Concurrent jurisdiction for levy & collection of GST by the Centre & the States – Article 246A
* Centre to levy & collect IGST on supplies in the course of inter-State trade or commerce including imports – Article 269A
* Compensation for loss of revenue to States for five years on recommendation of GSTC – Clause 19
* GST on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas & aviation turbine fuel to be levied from a later date on recommendations of GSTC.
* GSTC to be constituted by the President within 60 days from the coming into force of the Constitution Amendment.

**GST Council**

* GST Council constituted w.e.f. 12.09.2016
* Consists of Union FM & Union MOS (Rev)
* Consists of Ministers in charge of Finance / Taxation of each State
* Chairperson – Union FM
* Vice Chairperson - to be chosen amongst the Ministers of State Government
* Quorum is 50% of total members
* Decisions by majority of 75% of weighted votes of members present & voting (Centre plus 20 States)
* Centre – 1/3rd of total votes cast
* States (all taken together) – 2/3rd of total votes cast

**Task of GST Council**

--Council to be guided by need for a harmonized structure of GST; and a harmonized national market for goods & services

--Council to make recommendations on Taxes to be subsumed in GST

--Exemptions & thresholds

--GST rates

--Thirteen meetings held so far.

**Decision of GST Council so far**

* Threshold limit for exemption to be Rs. 20 lakh (Rs. 10 lakh for special category States)
* Compounding threshold limit to be Rs. 50 lakh – not available to inter-State suppliers, service providers (except restaurant service) & specified category of manufacturers
* Government may convert existing area based exemption schemes into reimbursement based scheme
* 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
* Same arrangement would be applicable for IGST Act with few exceptions
* CGST, UTGST, IGST, SGST & GST Compensation Law recommended
* Formula for calculating compensation finalized

**Compensation Mechanism for States**

Compensation = (State’s Revenue for FY 2015-16)\* 14%x -State’s Revenue (for x year)

Revenue of all taxes subsumed in GST by the State for 2015 – 16 as the base

Assumption of 14% Annual Growth Rate

Compensation to be provided through Cess

Cess only on few specified luxury and sin goods

* Tax rates

Four tax rates namely 5%, 12%, 18% and 28%

Some goods and services would be exempt

Separate tax rate for precious metals

Cess over the peak rate of 28% on specified luxury and demerit goods

* Rules on input tax credit, composition levy, transitional provisions and valuation recommended
* Rules on registration, invoice, payments, returns and refund, finalized in September, 2016, changed in light of the GST bills introduced in the Parliament also recommended.

**What is GST ?**

The goods and service tax (GST) is a comprehensive value added tax on manufacture, sale and consumption of goods as well as services at national level. It is levied and collected on value addition at each stage of sale or purchase of goods or supply of services based on input tax credit method but without state boundaries. The main features of GST are as under:

1. It is imposed on value creation at each step during the process of purchase or supply of goods or service provided with input tax credit (ITC).
2. Voluntary compliance and use of information technology results in lesser cost of collection of taxes and other administrative cost for the Government.
3. Due to widened tax base and cost efficiency, revenue to the Centre and State increased over time.
4. Four rates of tax-5%, 12%, 18% and 28%.
5. It is neutral to business processes, business models, organisation structure, geographic location and product substitutes.
6. It will subsume all other taxes on goods and services at central and state, level and removes distortion in the economy.
7. A common law and procedure throughout the country under one single administration.
8. It gives competitive edge in international market for goods and services.
9. It reduces litigation, harassment and corruption.
10. All transactions and processes only through electronic mode – Non-intrusive administration.
11. Registration only if turnover more than Rs. 20 lakhs.
12. Input Tax Credit available on taxes paid on all procurements (except few specified items).
13. GST Practitioners for assisting filing of returns.
14. GSTN and GST Suvidha Providers (GSPs) to provide technology based assistance.
15. Tax can be deposited by internet banking, NEFT / RTGS, Debit/ credit card and over the counter.
16. Refund to be granted within 60 days and Provisional release of 90% refund to exporters within 7 days.
17. Interest payable if refund not sanctioned in time.
18. Comprehensive transitional provisions for smooth transition of existing tax payers to GST regime.
19. Anti-Profiteering provisions

**MAIN FEATURES OF GST LAW**

**(AS NOTIFIED ON 12TH APRIL, 2017)**

**Taxable event:**

Tax on supply of goods or services rather than manufacture / production of goods, provision of services or sale of goods

Powers to declare certain supplies as supply of goods or of services – Schedule II

Powers to declare certain activities/transactions as neither supply of goods nor of services - Schedule III

On Intra-State supplies of goods or services - CGST & SGST shall be levied by the Central and State Government respectively, at the rate to be prescribed

Maximum rate ring fenced in law

On Inter -State supplies of goods or services - IGST shall be levied by the Central Government, at the rate to be prescribed

Maximum rate ring fenced in law

**Composition Scheme:**

Provision for levy of tax on fixed rate on aggregate turnover upto a prescribed limit in a financial year (Composition scheme) without participation in ITC chain

Time & Value of supply:

Elaborate principles devised for determining the time of supply of goods or services with following being crucial determinants with certain exceptions:

Date on which supplier issues invoice

Date on which supplier receives the payment, whichever is earlier

Tax is to be paid on Transaction value (TV) of supply generally i.e. the price actually paid or payable for the supply of goods or services

**Input Tax Credit (ITC):**

ITC is available in respect of taxes paid on any supply of goods or services used or intended to be used in the course or furtherance of business (i.e. for business purposes)

Negative list approach for non-allowance of ITC

ITC of tax paid on goods or services used for making taxable supplies by a taxable person allowed subject to four conditions:

possession of invoice;

receipt of goods or services;

tax actually paid by supplier to government;

furnishing of return

Determination of nature of supply:

Elaborate Rules provided for determining the place of supply

Intra-State supply of goods or services - where the location of the supplier and the place of supply are in the same State

Inter-State supply of goods or services - where the location of the supplier and the place of supply are in different State

**Liability to pay:**

Liability to pay tax arises only when the taxable person crosses the exemption threshold

**Input Tax Credit (ITC):**

Full ITC allowed on capital goods in one go

Proportionate credits allowed in case inputs, inputs services and capital goods are partly used for business and partly for non-business purposes

Proportionate credits allowed in case inputs, inputs services and capital goods are used for taxable including zero rated and exempt (including non-taxable) supplies

**Input Tax Credit (ITC):**

ITC cannot be availed after filing of return for the month of September of next Financial Year or filing of Annual Return

ITC available only on provisional basis for a period of two months until payment of tax and filing of valid return by the supplier

Matching of supplier’s and recipient’s invoice details

ITC to be confirmed only after matching of such information

ITC to be reversed in case of mis-match

Input Service Distributor mechanism for distribution of ITC of input services

**Registration:**

PAN based Registration

required to be obtained for each State from where taxable supplies are being made

A person having multiple business verticals in a State may obtain separate registration for each business vertical

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 the threshold

**Registration:**

A person, though not liable to be registered, may take voluntary registration

Certain suppliers liable for registration without threshold

Registration to be given by both Central and State Tax Authorities on a common e-application

Deemed registration after three common working days from date of application unless objected to

Self –serviced Amendments except for certain core fields

Provision for surrender of registration and also for suo-moto cancellation by the tax authorities

**Returns:**

Normal taxpayers, compositions taxpayers, Casual taxpayers, non-resident taxpayers, TDS Deductors, Input service Distributors (ISDs) to file separate electronic returns with different cut-off dates

Annual return to be filed by 31st December of the following Financial Year along with a reconciliation statement

Short-filed returns not to be treated as a valid return for matching & allowing ITC and fund transfer between Centre and States

GST practitioners scheme to assist taxpayers mainly in filing of returns

**Payment:**

System of electronic cash ledger and electronic ITC ledger

Tax can be deposited by internet banking, NEFT / RTGS, debit/credit card and Over The Counter

Date of credit to the Govt. account in the authorized bank is the date of payment for credit in electronic cash ledger

Payment of Tax is made by way of the debit in the electronic cash or credit ledger

**Payment:**

Cross-utilization of ITC between CGST & IGST, between SGST/UTGST & IGST allowed

Hierarchy for discharging payments of various tax liabilities

Provision for TDS on certain entities

E-Commerce Operators, facilitating supplies by other suppliers, to collect Tax at source (TCS), at the time of supply, out of payments to be made to such suppliers

**Refund:**

Time limit for refund of tax or interest is two years

Refund of accumulated ITC allowed in case of exports or where the credit accumulation is on account of inverted duty structure

Refund to be granted within 60 days from the date of receipt of complete application

Interest is payable if refund is not sanctioned within 60 days

**Refund:**

Refund claim along with documentary evidence to be filed online without any physical interface with tax authorities

Provisional sanction of 90% of refund claim on account of zero-rated supplies within 7 days

Tax refund will be directly credited to the bank account of applicant

**Assessment and Audit:**

Self –assessment of tax

Provisions for assessment of non-filers, unregistered persons & summary assessments in certain cases

Provision for provisional assessment on request of taxable person – to be finalized in six months

Audit to be conducted at the place of business of the taxable person or at the office of the tax authorities, after prior intimation to taxable person

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

**Demand:**

Adjudication order to be issued within 3/5 years of filing of annual return in normal cases & fraud / suppression cases respectively

SCNs to be issued at least 3 months and 6 months prior to last date of passing adjudication order in normal cases and in fraud cases respectively

Taxable person can settle demand at any stage, right from audit/investigation to the stage of passing of adjudication order and even thereafter

**Power of officers and taxpayers right to appeal:**

Officers to have power of search & seizure with inbuilt safeguards

Restricted power to arrest and for prosecution

Elaborate provisions for appeals up to Supreme Court

**Miscellaneous:**

Advance ruling mechanism

Comprehensive transitional provisions for smooth transition to GST

Provision for Job work provided

System of GST Compliance rating provided

Anti-profiteering provision made to dis-incentivize non-passing of price reduction benefits to consumers

**IMPORTANT DEFINITIONS**

**Goods: Sec. 2 (*52*)**

Goods means every kind of movable property other than money andsecurities but includes actionable claim, growing crops, grass and things attached toor forming part of the land which are agreed to be severed before supply or under acontract of supply.

**Input Service: Sec 2(*60*)**

Input Service means any service used or intended to be used by a supplier in the course or furtherance of business.

**Input tax: Sec 2 (*62*)**

Input tax in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—

(*a*) the integrated goods and services tax charged on import of goods;

(*b*) the tax payable under the provisions of sub-sections (*3*) and (*4*) of section 9;

(*c*) the tax payable under the provisions of sub-sections (*3*) and (*4*) of section 5 of the Integrated Goods and Services Tax Act;

(*d*) the tax payable under the provisions of sub-sections (*3*) and (*4*) of section 9 of the respective State Goods and Services Tax Act; or

(*e*) the tax payable under the provisions of sub-sections (*3*) and (*4*) of section 7 of the Union Territory Goods and Services Tax Act, but does not include the tax paid under the composition levy;

**Output Tax: Sec. 2 (*82*)**

Output tax in relation to a taxable person, means the tax chargeable underthis Act on taxable supply of goods or services or both made by him or by his agentbut excludes tax payable by him on reverse charge basis.

**Place of Business: Sec. 2 (*85*)**

Place of business includes––

(*a*) a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both; or

(*b*) a place where a taxable person maintains his books of account; or

(*c*) a place where a taxable person is engaged in business through an agent, by whatever name called.

**Place of supply: Sec. 2 (*86*)**

Place of supplymeans the place of supply as referred to in Chapter V of the Integrated Goods and Services Tax Act.

**Reverse charge: Sec. 2 (*98*)**

Reverse charge means the liability to pay tax by the recipient of supply ofgoods or services or both instead of the supplier of such goods or services or bothunder sub-section (*3*) or sub-section (*4*) of section 9, or under sub-section (*3*) or subsection (*4*) of section 5 of the Integrated Goods and Services Tax Act.

**Services: Sec. 2(*102*)**

**Services**  means anything other than goods, money and securities butincludes activities relating to the use of money or its conversion by cash or by anyother mode, from one form, currency or denomination, to another form, currency ordenomination for which a separate consideration is charged.

**Taxable person: Sec. 2(*107*)**

**Taxable person** means a person who is registered or liable to be registeredunder section 22 or section 24.

**Person : Sec 2(84)**

1. an individual;
2. a Hindu Undivided Family;
3. a company;
4. a firm;
5. a Limited Liability Partnership
6. an association of persons or a body of individuals whether incorporated or not, In India or outside India;
7. any corporation established by or under any Central Act, State Act or Provincial Act or a Government company as defined in **Section 2(45)** of the Companies Act, 2013;
8. any body corporate incorporated by or under the laws of a country outside India;
9. a co-operative registered under any law relating to co-operative societies;
10. a local authority;
11. Central Government or a State Government;
12. Society as defined under the Societies Registration Act, 1860;
13. Trust; and
14. Every artificial juridicial person, not falling within any of the above.

**Union territory: Sec. 2(*114*)**

Union territory means the territory of—

(*a*) the Andaman and Nicobar Islands;

(*b*) Lakshadweep;

(*c*) Dadra and Nagar Haveli;

(*d*) Daman and Diu;

(*e*) Chandigarh; and

(*f*) other territory.

*Explanation*.––For the purposes of this Act, each of the territories specified in sub-clauses (*a*) to (*f*) shall be considered to be a separate Union territory

**Difference between CGST, SGST, UTGST and IGST**

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| --- | --- | --- | --- |
| **SGST** | **UTGST** | **CGST** | **IGST** |
| Tax levied by state government. | Tax levied by union territory government.  | Tax levied by Central government. | Tax levied by Central government  |
| It is charged on supplies in intra state. | It is charged on supplies in intra union territory.  | It is charged on supplies in intra state and intra union territory.  | It is charged on inter-state supplies and imports. |
| It collected by state government. | It collected by union territory government. | It is collected by central government. | It is collected by central government. |
| It belongs to state government.  | It is of union territory government. | It is with central government. | It is shared by central and state / union territory government. |
| Registration is required if turnover is more than 20 lakhs in a FY.  | Registration is required if turnover is more than 20 lakhs in a FY. | Registration is required if turnover is more than 20 lakhs in a FY. | Registration is compulsory for inter-state supplies. |
| Composition scheme is available. | Composition scheme is available. | Composition scheme is available. | Composition is not scheme is available. |

**Various Rates of Taxes**

There are five categories of rates

1. Zero percent rate- exempted goods and services.
2. 05% rate
3. 12% rate
4. 18% rate
5. 28% rate

**Exempted Goods**

**0%NoTax***Goods*
No tax will be imposed on items like Jute, fresh meat, fish chicken, eggs, milk, butter milk, curd, natural honey, fresh fruits and vegetables, flour, besan, bread, prasad, salt, bindi. Sindoor, stamps, judicial papers, printed books, newspapers, bangles, handloom, Bones and horn cores, bone grist, bone meal, etc.; hoof meal, horn meal, Cereal grains hulled, Palmyra jaggery, Salt - all types, Kajal, Children's' picture, drawing or colour ..
*Services*

Hotels and lodges with tariff below Rs 1,000, Grandfathering service has been exempted under GST. Rough precious and semi-precious stones will attract GST rate of 0.25 per cent.

**5%**
*Goods*
Items such as fish fillet, Apparel below Rs 1000, packaged food items, footwear below Rs 500, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee, tea, spices, pizza bread, rusk, sabudana, kerosene, coal, medicines, stent, lifeboats, Cashew nut, Cashew nut in shell, Raisin, Ice and snow, Bio gas, Insulin, Agarbatti, Kites, Postage or revenue stamps, stamp-post marks, first-day covers, Branded food, walnuts, dried tamarind,  roasted gram, Dhoop batti, Corduroy fabric, saree fall, Paper mache items,Oil cakes, Duty Credit Scrips,Cotton quilts(quilts not exceeding Rs 1000 per piece),corals,Rosaries and prayer beads,Hawan samagri,Grass, leaf and reed and fibre products,including mats, pouches, wallets, mangoes sliced dried, Khakra and plain chapati / roti, branded Namkeens, Ayurvedic, Unani, Siddha, Homeopathy medicines; Paper waste or scrap; Real Zari; Plastic waste, parings or scrap; Rubber waste, parings or scrap; Hard Rubber waste or scrap; Paper waste or scrap; Real Zari; Cullet or other waste or scrap of Glass; E-Waste; Biomass briquettes.
*Services*
Transport services (Railways, air transport), small restaurants will be under the 5% category because their main input is petroleum, which is outside GST ambit. Textile job work will be taxed at 5%.

**12%**
*Goods*
Apparel above Rs 1000, frozen meat products , butter, cheese, ghee, dry fruits in packaged form, animal fat, sausage, fruit juices, Bhutia, namkeen, Ayurvedic medicines, tooth powder, agarbatti, colouring books, picture books, umbrella, sewing machine, cellphones, Ketchup & Sauces, All diagnostic kits and reagents, Exercise books and note books, Spoons, forks, ladles, skimmers, cake servers, fish knives, tongs, Spectacles, corrective, Playing cards, chess board, carom board and other board games, like ludo, rubber band, Wood, stone, metals, marble idols,Table and kitchenware,Batters, including idli / dosa batter, Textile caps,sprinklers,Cotton quilts(quilts exceeding Rs 1000 per piece),Statues, statuettes, pedestals,ceramic articles, porcelain items, ornamental articles, bells, gongs, non-electric of base metal,animal carving material, synthetic filament yarn, such as nylon, polyester, acrylic, etc; artificial filament yarn, such as nylon, polyester, acrylic, etc; artificial filament yarn, such as viscose rayon, Cuprammonium; Sewing thread of manmade staple fibres; Yarn of manmade staple fibres;

*Services*
State-run lotteries, Non-AC hotels, business class air ticket, fertilisers, Work Contracts will fall under 12 per cent GST tax slab

**18%**
*Goods*
Most items are under this tax slab which include footwear costing more than Rs 500, Trademarks, goodwill, software, Bidi Patta, Biscuits (All categories), flavoured refined sugar, pasta, cornflakes, pastries and cakes, preserved vegetables, jams, sauces, soups, ice cream, instant food mixes, mineral water, tissues, envelopes, tampons, note books, steel products, printed circuits, camera, speakers, Kajal pencil sticks, Headgear and parts thereof

Aluminium foil, Weighing Machinery [other than electric or electronic weighing machinery], Printers [other than multifunction printers], Electrical Transformer, CCTV, Optical Fiber, Bamboo furniture, Swimming pools and padding pools, Curry paste; mayonnaise and salad dressings; mixed condiments and mixed seasonings, Tractor parts, raincoats, Medical grade disposable gloves, Computer monitors(up to 20 inch),Custard powder,Rice rubber rolls for paddy de-husking machine,Kitchen gas lighters, poster .. Colour; Modelling paste for children amusement; Fittings for loose-leaf binders or files, letter clips, letter corners, paper clips, indexing tags and similar office articles, of base metal; staples in strips;
*Services*
AC hotels that serve liquor, telecom services, IT services, branded garments and financial services will attract 18 per cent tax under GST, Room tariffs between Rs 2,500 and Rs 7,500, Restaurants inside five-star hotels

**28%**
*Goods*
Bidis, chewing gum, molasses, chocolate not containing cocoa, waffles and wafers coated with choclate, pan masala, aerated water, paint, deodorants, shaving creams, after shave, hair shampoo, dye, sunscreen, wallpaper, ceramic tiles, water heater, dishwasher, weighing machine, washing machine, ATM, vending machines, vacuum cleaner, shavers, hair clippers, automobiles, motorcycles, aircraft for personal use, will attract 28 % tax - the highest under GST.

*Services*
Private-run lotteries authorised by the states, hotels with room tariffs above Rs 7,500, 5-star hotels, race club betting, cinema will attract tax 28 per cent tax slab under GST

**Cess on cars**
Small cars: No cess
Mid-range cars: 45%
Large cars: 48%
13 seater cars: No cess
SUV vehicle: 50%
Hybrid vehicles: No cess
Luxury vehicles: 5%

Read more at:
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**Exemptions for Small Traders**

The small traders are exempted from registration and any legal formalities. The following categories of persons are exempted from registration under GST Act:

1. The businessmen in non-special states having total turnover of 20 Lakhs in a financial years is exempted from registration under GST
2. The businessmen in special states having total turnover of 10 Lakhs in a financial years is exempted from registration under GST.
3. There is a composition scheme. A businessmen having turnover of Rs. One crores may opt for composition scheme entailing benefits of lesser compliance, quarterly filing of returns, lesser rates of taxes.

**Benefits of GST**

1. Overall reduction in Prices for Consumers
2. Reduction in Multiplicity of Taxes,
3. Cascading and Double Taxation
4. Uniform Rate of Tax and Common National Market
5. Broader Tax Base and decrease in “Black” transactions
6. Free Flow of Goods and Services –
7. No Checkpoints
8. Non-Intrusive Electronic Tax Compliance System
9. More efficient neutralization of taxes especially for exports
10. Fewer rates and exemptions
11. Distinction between Goods & Services no longer required
12. Simpler Tax system
13. Reduction in prices of goods & services due to elimination of cascading
14. Uniform prices throughout the country
15. Transparency in taxation system
16. Increase in employment opportunities
17. GST is backed by the GSTN, Which is fully integrated tax platform to deal with all aspects of GST.

**DISADVANTAGE of GST**

1. Some economist says that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
2. Some experts says that CGST (Central GST), SGST (State GST) are nothing but new name for Central Excise / Service Tax Vat and CST. Hence there is no major reduction in the number of tax layer.
3. Some retail products currently have only fore percent tax on them. After GST, garments and clothes could become more expansive.
4. The aviation industry would be affected. Service tax on air fares currently range from 6 to 9 percent. With GST, this rate will surpass fifteen percent and effectively double the tax rate.
5. Adoption and migration to the new GST system would involve teething troubles and learning for the entire ecosystem.

### As per 22nd GST Council meeting of 6th October 2017

**Rates for 27 items have been reduced.**

More reduction is expected especially for the 28% tax bracket. A Group of Ministers will relook at the tax rates and submit its report.

We already know that the GST slabs are pegged at 5%, 12%, 18% & 28%. According to the latest news from the GST council, the tax structure for common-use goods are as under:

**GST Rates Structure**

| **Tax Rates** | **Products** |  |
| --- | --- | --- |
| 0% | Milk | Kajal |
| Eggs | Educations Services |
| Curd | Health Services |
| Lassi | Children’s Drawing & Colouring Books |
| Unpacked Foodgrains | Unbranded Atta |
| Unpacked Paneer | Unbranded Maida |
| Gur | Besan |
| Unbranded Natural Honey | Prasad |
| Fresh Vegetables | Palmyra Jaggery |
| Salt | Phool Bhari Jhadoo |
| 5% | Sugar | Packed Paneer |
| Tea | Coal |
| Edible Oils | Raisin |
| Domestic LPG | Roasted Coffee Beans |
| PDS Kerosene | Skimmed Milk Powder |
| Cashew Nuts | Footwear (< Rs.500) |
| Milk Food for Babies | Apparels (< Rs.1000) |
| Fabric | Coir Mats, Matting & Floor Covering |
| Spices | Agarbatti |
| Coal | Mishti/Mithai (Indian Sweets) |
| Life-saving drugs | Coffee (except instant) |
| 12% | Butter | Computers |
| Ghee | Processed food |
| Almonds | Mobiles |
| Fruit Juice | Preparations of Vegetables, Fruits, Nuts or other parts of Plants including Pickle Murabba, Chutney, Jam, Jelly |
| Packed Coconut Water | Umbrella |
| 18% | Hair Oil | Capital goods |
| Toothpaste | Industrial Intermediaries |
| Soap | Ice-cream |
| Pasta | Toiletries |
| Corn Flakes | Computers |
| Soups | Printers |
| 28% | Small cars (+1% or 3% cess) | High-end motorcycles (+15% cess) |
| Consumer durables such as AC and fridge | Beedis are NOT included here |
|  | Luxury & sin items like BMWs, cigarettes and aerated drinks (+15% cess) |

In addition to the above, a few other items were mentioned in the Council’s announcement of rates. These items, and the applicable rates on them are as follows:

* Sugar, Tea, Coffee and Edible oil will fall under the 5 per cent slab, while cereals, milk will be part of the exempt list under GST. This is to ensure that basic goods are available at affordable prices. However, instant food has been kept outside this bracket so, no relief for Maggie lovers!
* The Council has set the rate for capital goods and industrial intermediate items at 18 per cent. This will positively impact domestic manufacturers as seamless input credit will be available for all capital goods. Indeed, it is time for “Make In India”.
* Coal to be taxed at 5 percent against current 11.69 per cent. This will prove beneficial for the power sector and heavy industries which rely on coal supply. This will also help curb inflation. Expect a good run for Coal India tomorrow.
* Toothpaste, hair oil, and soaps will all be taxed at 18 percent, where currently they are taxed at 28 percent. Most of the cosmetics and fast moving consumer goods (FMCG) brands should get the benefit of this tax reduction. After all, Fair and Lovely might seem fairer in its pricing from now on!
* The ‘mithai’ from the neighbouring sweet shop might lose some of its flavour as Indian sweets will now be taxable at 5 per cent. If you have a sweet tooth, this could hurt your pocket a wee bit in the coming days.

Plus, it was announced that:

* for restaurants serving alcohol, the tax bracket will be 18 per cent
* education, healthcare are going to be exempted from GST
* services on Non-AC restaurants will be 12 per cent