

## **TASK force on Goods and Service Tax**

On 15 December, 2009 Task force set up on GST came up with a report on GST. This report deals with several issues in detail and lays down the path of GST in India. We here under try to summarize the report of 170 pages only in few pages.

### **Chargeability**

The tax base of GST comprehensively extends over all goods and services upto the final consumer point. GST would be structured on the destination principle, as a result of this, tax base will shift from production to consumption whereby imports will be liable to both CGST and SGST and exports should be relieved from the burden of goods and service tax by zero rating. Consequently, revenue will accrue to the State in which the consumption takes place or is deemed to take place. In Law, no classification of goods and services would be prescribed, so as to avoid classification disputes.

### **Rate**

Goods would be categorized as:

- 1) SIN Goods; and
- 2) Non SIN Goods

The rate of CGST and SGST on all non-SIN goods and services should be fixed at a single positive rate of 5 per cent and 7 per cent, respectively i.e. total GST rate would be 12%. In addition, there should be a zero rate applicable to all goods and services exported out of the country.

### **SIN goods**

The SIN –goods comprising of emission fuels, tobacco products and alcohol should be subject to a dual levy of GST and excise. No input credit should be allowed for excise. However, industrial fuels should be subjected only to CGST and SGST with the benefit of input credit like any other intermediate good.

## **Credit**

### *Capital goods*

Full and immediate input credit should be allowed for tax paid (both CGST and SGST) on all purchases of capital goods (including GST on capital goods) in the year in which the capital goods are acquired. Similarly, any kind of transfer of the capital goods at a later stage should also attract GST liability like all other goods and services.

### *Inputs*

There should be no distinction between raw materials and capital goods in allowing input tax credit.

## **Exemption**

Ordinarily, there should not be any exemption from CGST or SGST.

However, if it is considered necessary to provide exemption, the Centre and the States should draw up a common exemption which should be restricted to the following:

- All public services of Government: including Civil administration, health services and formal education services provided by Government schools and colleges, Defence, Para-military, Police, Intelligence and Government Departments.  
However, public services will not include Railways, Post and Telegraph, other commercial Departments, Public Sector enterprises, banks and Insurance, health and education services;
- Any service transactions between an employer and employee either as a service provider, recipient or vice versa;
- Any unprocessed food article which is covered under the public distribution system should be exempt regardless of the outlet through which it is sold;
- Education services provided by non-Governmental schools and colleges; and
- Health services provided by non-Governmental agencies.

The area based exemption in respect of CENVAT should not be continued under the GST framework. In case it is considered necessary to provide support to industry for balanced

regional development, it would be appropriate to provide direct investment linked cash subsidy. There should be no exemption for the developers of, or units in, the Special Economic Zones.

### **Threshold**

Small dealers, service providers and manufacturers should be exempted from the purview of both CGST and SGST if their annual aggregate turnover (excluding both CGST and SGST) of all goods and services does not exceed Rs.10 lakh. However, tax payers below the threshold limit may be allowed to register voluntarily. The threshold exemption limit should be uniform for both CGST and SGST and across States. The existing exemption upto Rs.1.5 crores of turnover for small-scale industries would discontinued under the GST framework.

### **Compounded levy Scheme**

1. Small dealers with annual aggregate turnover of goods and services between Rs.10 lakh - Rs.40 lakh may be allowed to opt for a compounded levy of one percent, each towards CGST and SGST. However, no input credit should be allowed against the compounded levy.
2. Certain high value goods comprising of (i) gold, silver and platinum ornaments; (ii) precious stones; and (iii) bullions are prone to smuggling due to high tax incidence. Therefore, it is recommended that dealers in such high value items may, without the ceiling of Rs. 40 lakh, also be allowed to opt for the compounded levy of one percent, each towards CGST and SGST.

### **Taxes to be subsumed**

The following Central Taxes should be subsumed in the CGST:-

- a. Central Excise Duty (including Additional Excise Duties);
- b. Service Tax;

- c. Additional Customs Duty (commonly referred to as 'CVD');
- d. Surcharges and all cesses

The following State level taxes, should be subsumed in the SGST:-

- a. VAT/Sales Tax (including Central Sales Tax and Purchase tax);
- b. Entertainment tax (other than levied by local bodies);
- c. Entry taxes not in lieu of Octroi;
- d. Other Taxes and Duties (includes Luxury Tax, Taxes on lottery, betting and gambling, and all cesses and surcharges by States);

Since all taxes on goods and services levied by the Centre or the States, should be subsumed in the GST, the following other taxes levied by the States on goods and services should also be subsumed:

- i. Stamp duty;
- ii. Taxes on Vehicles;
- iii. Taxes on Goods and Passengers; and
- iv. Taxes and duties on electricity.

### **Sector wise analysis**

#### ***Power sector***

Power sector must form an integral part of the comprehensive GST base recommended by us over which both the Central and State Governments would have concurrent jurisdiction. The tax regime for the power sector should be the same as in the case of any other normal good. The electricity duty levied by the States should be subsumed in the SGST. Article 278 and Article 288 of the Constitution should be amended to enable levy of GST on supply of electricity to Government at all levels like any other normal good.

#### ***Tax on vehicles and the tax on goods and passengers***

The tax on vehicles and the tax on goods and passengers levied by the State Governments should be subsumed in the GST. All transport equipments and all forms of services for

transportation of goods and services by railways, air, road and sea must form an integral part of the comprehensive GST base recommended by us over which both the Central and State Governments would have concurrent jurisdiction. The tax regime for the transport equipments and transport services should be the same as in the case of any other normal good.

### ***Financial services***

The consumption of financial services should be comprehensively taxed under the GST framework on the basis of full taxation method.

### ***Real estate sector***

The real estate sector should be integrated into the GST framework by subsuming the stamp duty on immovable properties levied by the States to facilitate input credit and eliminate cascading effect. The new GST regime for immovable property transactions and real estate services should be designed on the lines of the comprehensive taxation method. Therefore, the new regime would comprise of the following elements: -

- a.** The GST should apply for all newly constructed property (both residential and commercial). If it is self-used by the person who constructed it, the GST should be applied on the cost of construction. If it is sold or transferred, the GST should be applied on the consideration received at first transfer or sale. In both cases, credit should be allowed in respect of input tax paid on raw materials used in construction.
- b.** Rental charges received (excluding imputed rental values) in respect of leasing of immovable property used for both residential and commercial purposes should be charged to GST.

Input tax credit would be allowed only in respect of input tax paid on goods and services used for maintenance. No input tax credit should be allowed in respect of tax paid on construction or acquisition of the property or tax paid on improvements thereto. All secondary market transactions in immovable properties (whether constructed before or after the introduction of GST) should be liable to GST. However, if the property has been constructed after the introduction of GST, the GST

should be levied on the resale value and input tax credit should be allowed in respect of the GST paid upon construction or purchase of the property after making adjustment for inflation. If the property has been acquired by the seller before the introduction of GST, the GST should be levied on the difference between the sale price and the cost of acquisition and improvements thereto. In such cases, no input tax credit would be allowed.

- c. The new regime will also be subject to the threshold exemption of Rs.10,00,000/- for small businesses.
- d. Immovable property will also include land and, therefore, the new regime will also be applicable to land transactions. However, where land is used for construction of a property, it will be treated as an input. In such cases, the GST paid in respect of land will be allowed as input tax credit in the same manner as other inputs used in construction.
- e. The State Governments would continue to perform essential asset registry functions, and enforces property rights associated with them. States may continue to levy a registration fee at a specific rate not exceeding Rs 1000 per transaction in immovable property, which is merely a user charge for the IT systems used in property registration.

### ***Inter-state sales/transfers***

In the course of inter-state Business to business supply, the seller in the origin State shall collect the SGST leviable on the transaction from the buyer in the destination State as if the sale was within the origin State.

### ***Miscellaneous***

- (i) The seller would issue an invoice to the buyer indicating the details of the transaction and his business identification number ('BIN').
- (ii) The seller shall use the input SGST for payment of the output SGST on both intra-state and inter-state transactions. To the extent total output SGST is in excess of the input SGST, the same shall be paid into any of the authorised bank in the prescribed manner.

- (iii) All registered dealers across the country shall pay the sum due as CGST and SGST to the credit of the Central Government and all other States within one week from the end of the month to which the sale transactions relate.
- (iv) It would be mandatory for all registered dealers to make the payment by electronically furnishing Form No. GST-I, which would be a combined monthly payment and return form for all intra-state and inter-state transactions.
- (v) As far as the registered dealer is concerned, he would be required to make a single payment of the aggregate of all sums due to the Centre and all other States. Even though he would have collected tax in the Origin State for inter-state transactions with buyers in a number of destination States, he can fulfil his obligation of directly remitting the tax so collected to all the destination states through a single payment by electronically furnishing Form No. GST-I.

The Central Board of Excise & Customs and the State Tax Administrations shall be responsible for implementing the CGST and SGST respectively.. The various tax administrative functions such as assessment, enforcement, scrutiny and audit should be undertaken by the CBEC in respect of the CGST and by the State tax administration in respect of the SGST. However, from a taxpayer's perspective all compliance and enforcement procedures under CGST and SGST should be uniform. The Central Government shall establish a common IT infrastructure which will serve the needs of both CGST and SGST.

The jurisdiction between the CBEC and the State Administration may be divided between the two in such a manner that the interface of the taxpayer is confined to one tax administration only. The basis for division could be turnover or any other criteria which is considered reasonable so that the compliance and administrative burden is minimized.

*[Comment: Task force report is only an indication of what GST structure might comprise, however actual law is expected to have departure from this task report.*

*The task force report is a distant dream as huge infrastructure is required for implementation of these proposals on all India basis.]*

# FORM NO. GST-I

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<b>FORM</b>	<b>GST 1</b>	<b>Goods and Services Tax</b> [This form is to be used for reporting of transactions and payment of both CGST and SGST]	<b>Financial Year</b> <table border="1" style="width: 100%; height: 20px;"> <tr> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> </table>										

Business Identification Number (BIN)	Date of deposit(DD/MM/YYYY)	Month to which transactions relate

Form Identification Number (FIN)	BSR Code	Date (DD/MM/YYYY)	Serial Number

Transaction Reference Number

**Full Name**


**Complete Address with City & State**


**Email Address** **PIN**

**Phone Number (with STD Code)**

**Mobile No.**

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<b>Details of payment</b>						
<b>Total amount of CGST and SGST payable (in figures)</b>						
Total Amount of CGST and SGST payable (in words)	Crores	Lakhs	Thousands	Hundreds	Tens	Units
Paid by debit to account (Account No. of the deductor)				Date of debit		
Name of the Bank in which payment is made						

<b>Computation of tax liability</b>				
<b>Sale transactions</b>		<b>Value of transaction</b>	<b>CGST</b>	<b>SGST</b>
a.	Registered dealers (intra-state)			
b.	Unregistered dealers (all transactions)			
c.	Exports out of India			
d.	Inter-state sales (registered dealers)			
e.	Inter-state branch transfer			
f.	<b>Total</b>			
<b>Purchase transactions</b>				
a.	Registered dealers (intra-state)			
b.	Unregistered dealers (all transactions)			
c.	Exports out of India			
d.	Inter-state sales (registered dealers)			
e.	Inter-state branch transfer			
f.	<b>Total</b>			
<b>Total GST payable (CGST plus SGST)</b>				
Interest				
Penalty				
Others				
<b>Total amount</b>				



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Details of Transactions of sale or purchase undertaken during the month (if the number of records exceeds 10 for registered dealers, upload transaction file)				Upload transaction file	
Unique Transaction Number	BIN of the person with whom the transaction of sale or purchase is undertaken	Name of seller/purchaser	Value	Amount of CGST	Amount of SGST
<b>a. Purchase transactions</b>					
<b>b. Sale transactions</b>					

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**VERIFICATION**

I..... son/daughter of .....holding Permanent Account Number ..... solemnly declare that to the best of my knowledge and belief, the information given in the return and the schedules thereto is correct and complete and that the particulars shown therein are truly stated and are in accordance with the provisions of the Central Goods and Services Tax Act, 2010 and the provisions of the State Goods and Services Tax Act, 2010 in respect of the Central Goods and Services Tax and State Goods and Services Tax chargeable for the month of..... I further declare that I am making this return in my capacity as .....and I am also competent to make this return and verify it.

**Place :** **Date :** **Sign here**

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Note: Please do not furnish transaction wise details of unregistered purchases and sales.

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