WHAT BUSINESSMAN SHOULD KNOW ABOUT GOODS AND SERVICE TAX (GST)

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ABSTRACT
The most talked about indirect tax reform ‘Goods and Service Tax’ which is going to be implemented from 1st July, 2017. How much do the common people and businessmen who are going to be a part of the system know about it. This paper tries to put together the basic information required by a businessman who is liable to pay the tax. The intention is to throw light on different dimensions of GST

Keywords: GST

OBJECTIVES
1. Create awareness about an important tax reform in the Country.
2. Provide basic information as to how GST will benefit the Indian Economy.
3. What each businessman will have to comply with to adhere to GST norms.

INTRODUCTION
The idea of moving towards the GST was first mooted in the budget for 2006-07 initially it was proposed that GST would be introduced by 1st of April 2010. The Empowered Committee of State Finance Ministers (EC) was requested to come up with the roadmap and structure for the GST. Introduction of GST would require amendments in the Constitution so as to simultaneously empower the Centre and the States to buy and collect this tax. The One hundred and One Amendment Act 2016 received the Presidential assent on September 8th, 2016. The salient features of the Act are:

1. The GST shall be levied on all goods and services except alcoholic liquor for human consumption.
2. The tax shall be levied as dual GST separately by the Union and the States.
3. Parliament will have power to make laws with respect to GST imposed by the Union (CGST).
4. State legislatures will have power to make laws with respect to GST imposed by states (SGST)
5. Petroleum & Petroleum products would be subject to GST (However it has been decided to keep them out of GST in the initial years)
6. In case of tobacco and tobacco products the Centre will have power to levy excise duty in addition to the GST.
7. The local bodies like Panchayat or a Municipality would continue to levy taxes on entertainments and amusements.
8. Parliament may, by law, provide for compensation to States for revenue loss arising out of the implementation of the GST for a maximum period of five years.
WHY DO WE NEED GST?

Almost 150 Countries have introduced GST in some form. While Countries such as Singapore and New Zealand tax virtually everything at a single rate, Indonesia has five positive rates. In China GST applies only to goods and the provision of repairs, replacement and processing services. GST rates of some Countries are given below in Table 1:

<table>
<thead>
<tr>
<th>Countries</th>
<th>Rate of GST</th>
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<tbody>
<tr>
<td>Australia</td>
<td>10%</td>
</tr>
<tr>
<td>France</td>
<td>19.6%</td>
</tr>
<tr>
<td>Canada</td>
<td>5%</td>
</tr>
<tr>
<td>Germany</td>
<td>19%</td>
</tr>
<tr>
<td>Japan</td>
<td>5%</td>
</tr>
<tr>
<td>Singapore</td>
<td>5%</td>
</tr>
<tr>
<td>Sweden</td>
<td>25%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>15%</td>
</tr>
</tbody>
</table>

In India a 4 tier GST tax structure of 5%, 12%, 18% and 28% has been decided. The essential items will have lower rates and luxury items will have higher rates. The GST would replace the following taxes currently levied and collected by the Centre:-

1. Central Excise duty.
2. Duties of Excise (Medicinal and Toilet Preparations)
3. Additional Duties of Excise (Goods of special Importance)
4. Additional Duties of Excise (Textile and Textile Products)
5. Additional Duties of Customs (Commonly known as CVD)
6. Special Additional Duty of Customs (SAD)
7. Service Tax
   ➢ Central Surcharges and Cesses so far as they relate to supply of goods and services. State taxes that would be subsumed under the GST are State VAT, Central Sales Tax, Luxury Tax, Entry Tax (all forms), Entertainment and Amusement Tax (except when levied by the local bodies), Taxes on Advertisements, Purchase Tax, Taxes on lotteries, betting and gambling, State Surcharges and Cesses so far as they relate to supply of goods and services. Thus GST would eliminate the multiplicity of indirect taxation and streamline all the indirect taxes which would benefit the consumers.
   ➢ GST would help in development of common national market.
   ➢ GST would help to eliminate the Cascading effects of production and distribution cost of goods and services. This would help to increase GDP.

BENEFITS TO VARIOUS STAKEHOLDERS

1. For Business and Industry: Easy Compliance, Removal of Cascading effect, Improves Competitiveness
2. For Centre and State Governments: Simple and easy to administer, Better controls on leakages, Consolidation of tax base
3. Higher Revenue efficiency
4. For the Consumers: Single and transparent tax proportionate to the value of goods and services.,
   Reduction of prices.

**WHO HAS TO REGISTER FOR GST?**

Every supplier shall be liable to be registered under this law in the State from where he makes a taxable supply of goods and/or services if his aggregate turnover in a financial year exceeds threshold:

1. Threshold for registration is (Rs. 9 Lakhs)
2. Threshold for north eastern states including Sikkim is (Rs. 4 Lakhs)
3. (See para 5 of Schedule III)

Note: The liabilities to pay tax, however will start only when the registered person reaches a threshold limit of turnover (Rs. 10 Lakhs) and (Rs. 5 Lakhs) respectively.

[See Section 9 (1)]

**HOW TO REGISTER FOR GST?**

Procedure for obtaining Registration:

For obtaining registration, all the taxable persons shall interact with tax authorities through a common portal called GST common portal that would be set up by Goods and Services Tax Network (GSTN). The portal will have backend integration with the respective IT Systems of the Centre and the States.

The applicants can apply for registration at the GST Common Portal directly or at the Common Portal through the facilitation Centre (FC)

A new applicant would be allowed to apply for registration without prior enrollment. Once a complete application is submitted online, a message asking for confirmation will be sent through e-mail and SMS to the authorized signatory of the applicant. On receipt of such confirmation from the authorized signatory, Acknowledgement Number would be generated and intimated to the applicant. Once the application is approved and GSTIN is generated, the same along with log-in ID and temporary Password will be sent to the authorized signatory. This credential will be permanently used to access the GST Common Portal subsequently.

**WHAT ARE THE DOCUMENTS REQUIRED FOR REGISTRATION?**

<table>
<thead>
<tr>
<th>Details</th>
<th>Documents required to be uploaded</th>
</tr>
</thead>
</table>
| **Constitution of Business**     | 1. No documents are required in case of proprietors and companies (Verification through PAN/ Company Identification Number through MCA 21)  
2. Partnership Deed in case of partnership firm and Registration Certificates in case of society, trust etc.as details are not captured in PAN. |
| **Principals Place of Business** | 3. Own premises- any document in support of the ownership of the premises like Latest Tax Paid Receipt or Municipal Khata copy or Electricity Bill copy.  
4. Rented or Leased premises  
5. Consent Letter, duly notarized, obtained from the Lessee of the premises, where the main lease allows sub-lease.  
6. In the absence of consent letter, rent receipt in respect of the relevant premises may be accepted with ownership proof of the property.  
7. Where ownership proof is not available, proof of possession by certain prescribed documents (such as Certificate issued under Shop and Establishment Act, Electricity bill, telephone bill, Bank account showing address proof, etc.) would suffice.  
8. An affidavit in a prescribed format may be taken along with any of the |

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other documents mentioned above where ownership proof or lease agreement is not available.

Bank Account(S)  
9. Any documents that contain the details like the Accounts No., Name of the Account Holder, MICR and IFS Codes and Branch details. This can include documents like (a) self-certified copy of the online banking details; (b) bank statement/cancelled cheque; (c) Also certificate issued by concerned Bank.
10. Required for all the bank accounts through which the taxpayer would be conducting business.

Authorized Signatory  
11. Letter of Authorization and copy of Resolution of the Managing Committee or Board of Directors to that effect.
12. Required to verify whether the person signing as Authorized Signatory is duly empowered to do so.

Photograph  
13. Proprietary Concern- Proprietor
14. Partnership Firm/ LLP- Managing/ Authorized Partners (personal details of all partners is to be submitted but photos of only ten partners including that of Managing Partners is to be submitted)
15. HUF- Karta
16. Company- Managing Director or the Authorized Person
17. Trust- Managing Trustee
18. Association of Person or Body of Individual- Members of Managing Committee (personal details of all members is to be submitted but photos of only ten members including that of Chairman is to be submitted)
19. Local Body- CEO or his equivalent
20. Statutory Body- CEO or his equivalent
21. Others- Person in Charge.
22. Photographs only in jpg and png format

WHAT IS GOODS AND SERVICE TAXPAYERS IDENTIFICATION NUMBER (GSTIN)  
As per the report of the Business Process for GST on GST Registration which has been approved by the Empowered Committee:.

Each taxpayer will be allotted a state wise PAN based 15 digit Goods and Service Taxpayer Identification Number (GSTIN). Various digits in GSTIN will denote the following:

<table>
<thead>
<tr>
<th>State Code</th>
<th>PAN</th>
<th>Entity Code</th>
<th>Blank</th>
<th>Check Digit</th>
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<tbody>
<tr>
<td>1</td>
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<td>14</td>
<td>15</td>
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EFFECTIVE DATE OF REGISTRATION  
With respect to effective date of registration, the following decisions have been taken by the GST law Committee:

1. Effective date of registration shall be date of liability, if the application for registration is filed within 30 days from the date on which the taxpayer becomes liable to pay tax (in case of circumstances given in paragraph 5 in the Schedule III).

2. Effective date of registration shall be the date on which the registration is granted by the tax authority if taxpayer doesn’t apply for registration within time. The liability of taxpayer to pay tax will be from the date of liability but he will be eligible for ITC from the date of registration only. The recipient of supplies (from such supplier) made during the period will not be entitled for ITC, as such a supplier would not be eligible to issue revised tax invoice.
3. The ITC on inputs held in stock will be permitted only if the taxpayer has applied for registration within 30 days from the date he became liable for registration [Section 16(2)]

4. As per section 27A, a person is required to file the first return for a period starting from date of liability till last date of the tax period in which the registration has been granted.

5. As per proviso to section 23, new registrant would be permitted to issue the revised tax invoices in lieu of the invoices already issued during the intervening period i.e. the period from date of liability till the date of grant of registration.

6. The new registrant would be allowed to avail the ITC without matching of invoices on a manual basis provided he satisfies the conditions laid down in Section 18.

**PAYMENT MECHANISM OF GST**

The Payment processes under proposed GST regime have the following features:

1. Electronically generated challan from GSTN Common Portal in all modes of payment and no use of manually prepared challan;
2. Facilitation for the taxpayer by providing hassle free, anytime, anywhere mode of payment of tax;
3. Convenience of making payment online;
4. Logical tax collection date in electronic format;
5. Faster remittance of tax revenue to the Government Account;
6. Paperless transactions;
7. Speedy Accounting and reporting;
8. Electronic reconciliation of all receipts;
9. Simplified procedure for banks;

The following three modes of payment are proposed:

1. Payment by taxpayers through Internet Banking through authorized banks and through Credit Cards/ debit Cards.
2. Over the Counter payments (OTC) through authorized banks.
3. Payment through NEFT/ RTGS from any bank (including other than authorized banks)

**CONCEPT OF INPUT TAX CREDIT (ITC)**

One of the key features of Goods and Service Tax (GST) in India is its uninterrupted and continuous chain of Input Tax Credit (ITC). In the present indirect tax system, cascading of tax is significant due to non-availability of ITC at various stages under GST law, ITC will follow supply chain not only in Intra-State transactions but also in inter-State transactions. Moreover, credit of tax paid at the time of import of goods and services would also be creditable. This is expected to result into significant reduction in cascading of taxes.

**WHAT ARE THE ASSESSMENT PROVISIONS UNDER GST?**

Section 44 of the Act provides for Self-Assessment of tax liability by the tax payer. Thus determination of tax liability is to be undertaken by the tax payer himself and stated in the return to be filed by him. Furnishing of the return required by Section 27 shall operate as the assessment of the tax payer. The self-assessment also includes by way of tax payable for the tax period amount of input tax credit that has been availed by the person.
WHO WILL DO THE SCRUTINY OF RETURNS?

Section 45 of the model GST Law provides that the proper officer may scrutinize a return and the related particulars with a view to verifying the correctness thereof. If upon scrutiny, any discrepancies in the return or related particulars are discovered by the proper offices the assessee shall be informed in the prescribed manner and the assessee shall be asked to provide his explanation for the same. If the explanation is satisfactory no action will be taken. However if the explanation is not satisfactory, the proper officer can proceed to initiate.

1. Departmental audit proceedings under Section 49.
2. Special audit under Section 50.
3. Inspection, Search/Seizure under Section 60.
4. Adjudication proceedings for determining the tax liability under Section 51.

CONCLUSION

GST is an important tax reform in India not only to enhance the revenue of the various governments but also simplify the tax system for business and industry. Consumers will also benefit due to proper implementation of the tax. GST is expected to broaden the tax base, increase tax compliance and reduce economic distortions caused by inter-state variation in taxes. GST will streamline the tax administration, avoid harassment of the business and result in higher revenue collection for Centre and State. Compliance cost for the industry will go down. Last but not the least, it may create more jobs. All this can only be achieved if GST can be implemented efficiently with the co-operation of government business and consumers. However if the implementation of the tax have to be successfully done all stakeholders need to be aware of the provisions of the new tax system and its compliance. We have made a small attempt of bringing together the required information for businessmen.

REFERENCES