

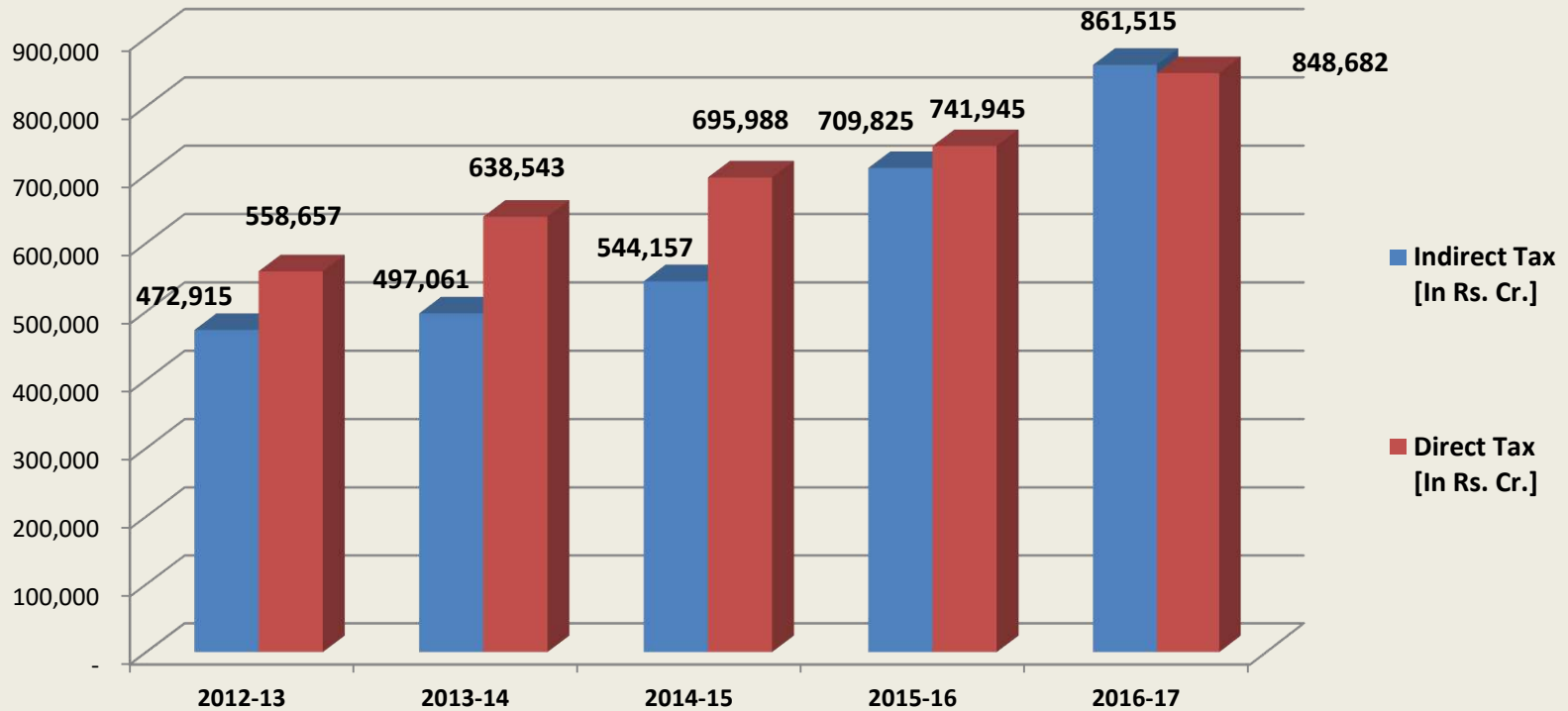
Goods and Services Tax: Economic Policy Bases, Federal Experiences Elsewhere and Navigating the Shift in India

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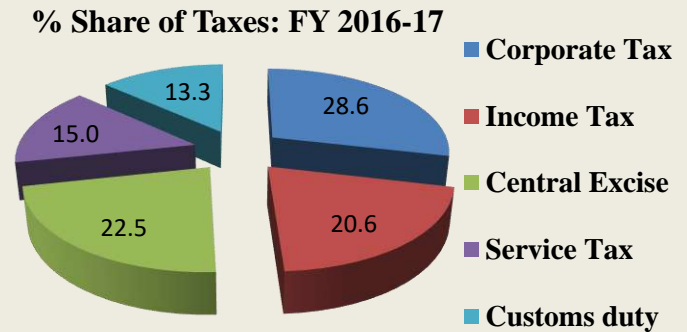
Presentation Overview

- Objectives of Indirect Tax Reform in India
- Indirect Taxes in Pre-GST era - Shortcomings
- Federal Experiences Elsewhere
- Evolution of GST in India
- Navigating the Shift in India

Central Taxes & Indirect Tax Share



F.Y	Indirect Tax [In Rs. Cr.]	Direct Tax [In Rs. Cr.]	Total Tax [In Rs. Cr.]	% Share of Indirect Tax in Total Tax
2012-13	472,915	558,657	1,031,572	45.8
2013-14	497,061	638,543	1,135,604	43.8
2014-15	544,157	695,988	1,240,145	43.9
2015-16	709,825	741,945	1,451,770	48.9
2016-17	861,515	848,682	1,710,197	50.4



Objectives of Indirect Tax Reform in India

- Widening the tax base
- Rationalizing the rate structure – few rates; low rates
- Enhancing equity of the tax system
- Shift to non-distortionary consumption taxes
- Enhance international competitiveness of Indian goods and services
- Fiscal autonomy of States
- Simplifying the tax laws and processes to optimize tax collections and reducing compliance cost

Indirect Taxes in Pre- GST era - Shortcomings

- Division of taxation powers
- CENVAT on goods manufacturing stage
- States excluded from taxing services
- Tax cascading
- Complexity - non-uniformity in tax laws, multiplicity of tax rates and exemptions.
- Eroding difference between supply of goods and services - overlapping of taxes e.g. works contract

GST Design

- Concurrent Dual GST
 - CGST and SGST on intra-State supply of goods or services or both
 - IGST on inter-State supply of goods and services including imports
- Shift from origin based taxation to destination based taxation
- Uniform legislation, rules and procedures
- Uniform threshold, rates and common exemptions both at the State and Central level
- Taxable event – supply defined to cover all transactions other than transfer of title in land and immovable property

GST - Features

- Maximum rate prescribed in the Act
- Cross credit utilization in respect of inter-State supplies
- Electronic matching of input tax credit
- Key business processes – registration, return, payment through common portal – GSTN
- Cross empowerment of tax officers for single interface
- Elaborate provisions on place of supply under IGST Act
- Inter-governmental fund settlement
- Anti-profiteering

Federal Experiences Elsewhere

- GST/VAT – Global scenario
- Unified GST Vs. Dual GST
- Federal experiences
 - Canada
 - Brazil
 - European Union
 - Australia

European Union

- European Economic Community adopted VAT in 1991 replacing turnover tax to efficiently handle cross-border transactions for developing a common market
- EU Council Directive 2006/112/EC and Council Regulation 282/2011
 - Lays down the framework for the VAT structure in the EU
 - Binding implementing measures to ensure uniformity
 - Standard rate of tax - 15%
 - Gives national governments freedom to set the number and level of rates not less than 5%
 - Listing of goods and services which could be exempt from VAT

Canada

- Dual GST– Federal Tax (GST) and Retail Sales Tax (RST) / Provincial Sales Tax (PST)
- Levy of Harmonized Sales Tax (HST) by provinces who have harmonized the provincial sales tax with GST
- Most of the goods and services are subject to GST @ 5% or HST in the range of 13% to 15% (federal component of 5% and provincial component of 8% to 10%)
- Exempted and Zero rated supplies
- Elaborate place of supply rules for cross-border transactions and supplies within Canada
- Quebec Model

Australia

- GST levied by the federal government @10% from 1999 replacing the sales tax levied by the governments at different levels
- The GST levied and collected by the federal government is shared with the provinces based on consumption formula
- GST free / Zero rated supplies – food products, medical and health services, education, exports, religious services and international transport
- Input taxed supplies (tax exempt) – financial supplies, charities, residential rent etc.

Evolution of GST in India

- Kelkar's Task Force Report July 2004
- Proposal to introduce national level GST– Budget Speech 2006-07
- Preparing the design & road map to implement GST entrusted to EC 2007
- Release of First Discussion Paper on GST, November 2009
- Introduction of the Constitution (115th Amendment) Bill, March 2011
- Select Committee Report on CAB July 2014

Evolution of GST in India

- Introduction of the Constitution (122nd Amendment) Bill, December 2014
- Select Committee (Rajya Sabha) Report, July 2015
- Enactment of 101st Constitutional Amendment Act, September 2016
- Constitution of GST Council, September 2016
- Important GST Council decisions
 - Determining threshold for registration and composition
 - Approval and recommendation of draft model GST law – CGST, SGST, UTGST, IGST and GST Compensation Act
 - Approval of GST rates
 - Approval of GST Rules and Forms

Evolution of GST in India

- Enactment of key legislations for implementing GST April, 2017
 - The Central Goods and Services Act, 2017
 - The Integrated Goods and Services Act, 2017
 - The Union Territory Goods and Services Act, 2017
 - The Goods and Services Tax (Compensation to States) Act, 2017
- Migration of existing taxpayers of VAT, Service tax, Excise duty and other indirect taxes to GST, September 2016 to June, 2017
- Preparation of sub-ordinate legislation CGST Rules, June 2017
- Nationwide implementation of GST effective from 1st July, 2017

Navigating the GST Shift in India

- Achieving political consensus in designing and preparing a road map for implementing GST in India – Role of Empowered Committee of State Finance Ministers (EC)
- Role of GST Council in taking key decisions paving way for smooth implementation of GST (20 meetings held since its constitution with effect from 12th September, 2016)
- Compensation to States - guaranteed through Constitution.
- Co-operative federalism – every decision taken in the GST Council so far is based on consensus without putting to vote
- Role of GST Network (GSTN) in implementing GST
- Inclusion of Petroleum products under GST in future

Navigating the GST Shift in India

- GST Implementation
 - Smooth nationwide roll out
 - Wide ranging consultations with all stake holders – draft legislations / rules / forms put in public domain for obtaining feedback
 - Nationwide GST campaign and outreach programs for creating awareness and tax-payer education
 - More than two lakh tax officials working both under Central and State Government trained in GST law and procedures as well as IT applications
 - Hand holding of tax-payers in migrating to GST system and meeting with their compliance obligations

Thanks