Recent Updates on Goods and Services Tax (GST)
August 2016
Key updates on GST

Introduction of Constitutional Amendment Bill in Parliament

- The Constitution Amendment Bill (the Bill) for introduction of the Goods and Services Tax (GST) was presented in the Parliament. The Bill was passed by the Rajya Sabha on 3 August 2016 and by the Lok Sabha on 8 August 2016.
- As a next step, the Bill will need to be ratified by more than 50% state legislatures, before being put for the President’s assent.
- A well-designed GST is expected to simplify and rationalize the current indirect tax regime, eliminate tax cascading and put the Indian economy on a high growth trajectory. The current tax system suffers from significant distortions and compliance issues. Furthermore, taxation of complex transactions and situations that are emerging in the current environment has become a challenge. GST provides the right opportunity to address the current distortions and replace them with an efficient tax system.

Salient features

- The proposed Article 246A intends to grant concurrent powers to the Union and state legislatures to make laws with respect to GST. The power to make laws in respect of supplies in the course of inter-state trade or commerce will be vested only in the Union Government. States will have the right to levy GST on intra-state transactions including services.
- Centre Government will levy Integrated GST (IGST) on inter-state supply of goods and services. On intra-state supply of goods and services, the Central Government will levy Central GST (CGST) while state Governments will levy State GST (SGST). Import of goods will be subject to basic customs duty and IGST.
- GST is defined as any tax on supply of goods and services other than on alcohol for human consumption.
- Central taxes such as, Central Excise duty, Additional Excise duty, Service tax, Additional Custom duty and Special Additional duty, Central Sales tax as well as state-level taxes such as, VAT or sales tax, Entertainment tax, Entry tax, Purchase tax, Luxury tax and Octroi will subsume in GST.
- Petroleum and petroleum products will be subject to GST on a date to be notified by the GST Council.
- Alcohol for human consumption will be out of GST; states will continue to levy taxes on alcohol. Tobacco products will be subjected to separate Excise Duty by the Centre over and above GST.
- There is a provision to remove imposition of entry tax/Octroi across India.
- Entertainment tax, imposed by states on movie, theatre, etc., will be subsumed in GST, but taxes on entertainment at panchayat, municipality or district level will continue.
- GST is likely to be levied on the sale of newspapers and advertisements and this will give the Government access to substantial incremental revenues.
- Stamp duties, typically imposed on legal agreements by the state, will continue to be levied by the states.
- Article 279 provides the constitution of GST Council by the president within 60 days from the date of the passing of the Bill and also provides for the appointment of members of the GST Council and its composition and powers to make recommendation.
- Administration of GST will be the responsibility of the GST Council, which will be the apex policy-making body for GST. Members of the GST Council are Central and State ministers in charge of the finance portfolio. In the GST Council, the Centre will have a one-third vote and all states combined will have two-third vote. Quorum for GST Council is 50% of total members and for majority of Council decisions 75% of the weighted votes of the members present and voting.

EY Comment

GST has been identified as one of most important tax reform post-independence. The Government is serious about implementing GST in April 2017.

GST is a tax trigger and will lead to business transformation for the industry and requires proactive and advance planning to leverage this opportunity and be compliant in the new regime.
The GST Network (GSTN)
- A Special Purpose Vehicle (SPV) has been set up to provide shared IT infrastructure and services to the Central Government and state governments, tax payers and other stakeholders for implementation of GST.
- It has been incorporated as a non-government, non-profit private limited company. 49% of GSTN is held by the Central and State Government and balance by private players (including financial institutions).
- It has been designed to respect constitutional autonomy of states and ensure uniformity of policy administration across Centre and states.

Appointment of Chairman of the Empowered Committee of State Finance Ministers
- West Bengal’s Finance Minister, Mr. Amit Mitra, has been appointed as the new Chairman of Empowered Committee of State Finance Ministers.

Revenue Neutral Rate (RNR) for GST
- A committee on Revenue Neutral Rates (RNR) under GST, headed by the Chief Economic Adviser, Dr. Arvind Subramanian, has submitted its report in December 2015 and has a proposed an RNR of 15% to 15.5%. The previous studies of RNR rates by the National Institute of Public Finance and Policy (NIPFP) was around 26.7% CGST and SGST combined. The Government has again requested NIPFP to re-visit the RNR proposed by them and come up with the new RNR. The new report from NIPFP is pending.

GST threshold proposals
- The Model GST law provides that a taxpayer for GST purposes is one whose aggregate turnover in a financial year exceeds INR10 lakh (INR5 lakh for all North-Eastern states, including Sikkim).

EY Comment
In view of recent developments, it appears that the Government is set to meet the target of implementing the GST with effect from 1 April 2017.

GST is not just a change in tax regime but a business transformation. Introduction of GST will necessitate review and change of tax positions, supply chain, ERP system, business processes and accounting, among others. If GST is introduced from 1 April 2017, the industry has very limited time to undertake such changes.

Furthermore, after the introduction of GST, it is expected that there is likely to be an increase in ongoing compliances.

While increased compliances is likely to bring greater transparency and result in a positive impact on the economy, the industry will need to set in place appropriate processes and ERP systems in order to handle the change and be GST ready.

The GST RNR should be reasonable for effective compliance and efficacy of the GST regime.

There is also a need for a structured forum for discussions with industry stakeholders for finalizing draft GST laws.
EY GST team

Harishanker Subramaniam
Partner and National Leader – Indirect Tax Services
harishanker1.subramaniam@in.ey.com
+91 124 4604 4103
Delhi

Satya Poddar
Senior Tax Advisor – Tax Policy Group
satya.poddar@in.ey.com
+91 124 464 4750
Delhi

VS Krishnan
Advisor – Tax Policy Group
Vs.Krishnan@in.ey.com
+91 9004 939443
Delhi

Indirect Tax Partners:

Delhi:

Bipin Sapra
bipin.sapra@in.ey.com | +91 124 671 4312

Abhishek Jain
abhishek.jain@in.ey.com | +91 124 464 4980

Mumbai:

Heetesh Veera
heetesh.veera@in.ey.com | +91 22 6192 0310

Uday Pimprikar
uday.pimprikar@in.ey.com | +91 22 6192 0190

Divyesh Lapsiwala
divyesh.lapsiwala@in.ey.com | +91 22 6192 2706

Suresh Nair
suresh.nair@in.ey.com | +91 22 6192 2004

Bangalore:

Vivek Pachisia
vivek.pachisia@in.ey.com | +91 80 4027 5196

Abraham Kuruvilla
abraham1.kuruvilla@in.ey.com | +91 80 6727 5040

Pune:

Gyanendra Tripathi
gyanendra.tripathi@in.ey.com | +91 20 6603 6013

Chennai:

B Sriram
b.sriram@in.ey.com | +91 44 66548700

Kolkata & Ahmedabad:

Sidhartha Jain
sidhartha.jain@in.ey.com | +91 33 66153565

Recent updates on GST
Our offices

Ahmedabad
2nd floor, Shivalik Ishaan
Near. C.N Vidhyalaya
Ambawadi
Ahmedabad – 380 015
Tel: +91 79 6608 3800
Fax: +91 79 6608 3900

Bengaluru
12th & 13th floor
“U B City” Canberra Block
No.24, Vittal Mallya Road
Bengaluru - 560 001
Tel: +91 80 4027 5000
Tel: +91 80 6727 5000
Fax: +91 80 2210 6000 (12th floor)
Fax: +91 80 2224 0695 (13th floor)

Ground Floor, ‘A’ wing
Divyasree Chambers
#11, O’Saughnnessy Road
Langford Gardens
Bengaluru – 560 025
Tel: +91 80 6727 5000
Fax: +91 80 2222 9914

Chandigarh
1st Floor
SCO: 166-167
Sector 9-C, Madhya Marg
Chandigarh - 160 009
Tel: +91 172 671 7800
Fax: +91 172 671 7888

Chennai
Tidel Park
6th & 7th Floor
A Block (Module 601,701-702)
No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: +91 44 6654 8100
Fax: +91 44 2254 0120

Delhi NCR
Golf View Corporate
Tower - B
Sector 42, Sector Road
Gurgaon – 122 002
Tel: +91 124 464 4000
Fax: +91 124 464 4050

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity New Delhi - 110 037
Tel: +91 11 6671 8000
Fax +91 11 6671 9999

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
NOIDA - 201 304
Gautam Budh Nagar, U.P.
Tel: +91 120 671 7000
Fax: +91 120 671 7171

Hyderabad
Oval Office
18, iLabs Centre
HiTech City, Madhapur
Hyderabad – 500 081
Tel: +91 40 6736 2000
Fax: +91 40 6736 2200

J amshedpur
1st Floor,
Shantinketan Building
Holding No. 1, SB Shop Area
Bistupur, Jamshedpur – 831 001
Tel: + 91 657 663 1000

Kochi
9th Floor “ABAD Nucleus”
NH-49, Maradu PO
Kochi - 682 304
Tel: +91 484 304 4000
Fax: +91 484 270 5393

Kolkata
22, Camac Street
3rd Floor, Block C’
Kolkata - 700 016
Tel: +91 33 6615 3400
Fax: +91 33 6615 3750

Mumbai
14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (west)
Mumbai - 400 028
Tel: +91 22 6192 0000
Fax: +91 22 6192 1000

5th Floor Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: +91 22 6192 0000
Fax: +91 22 6192 3000

Pune
C–401, 4th floor
Panchshil Tech Park
Yerwada (Near Don Bosco School)
Pune - 411 006
Tel: +91 20 6603 6000
Fax: +91 20 6601 5900