

Products out of GST

- In the initial year five petroleum products
 - i. Diesel
 - ii. Petrol
 - iii. Natural gas
 - iv. Crude petroleum
 - v. Aviation turbine fuel

- Alcoholic beverages (state excise would continue to apply)

- **Note:** Tobacco products are subjected to GST with ITC. Centre will levy excise duty on tobacco products over and above GST with ITC.

A working example of GST vs. the current tax system

(INR)	Current system	GST
Manufacturer		
Cost of goods	0	0
<i>Add: Value addition</i>	<i>10,000</i>	<i>10,000</i>
Basic price	10,000	10,000
<i>Add: CENVAT @ 12.5%</i>	<i>1,250</i>	<i>0</i>
<i>Add: GST @ 18%</i>	<i>0</i>	<i>1,800</i>
Total price	11,250	11,800
Wholesaler/distributor		
Cost of goods	11,250	11,800
<i>Less: Input GST credit</i>	<i>0</i>	<i>(1,800)</i>
<i>Add: Value addition</i>	<i>5,000</i>	<i>5,000</i>
Basic price	16,250	15,000
<i>Add: VAT @ 12.5%</i>	<i>2,031</i>	<i>0</i>
<i>Add: GST @ 18%</i>	<i>0</i>	<i>2,700</i>
Total price	18,281	17,700
Retailer		
Cost of goods	18,281	17,700
<i>Less: Input VAT credit</i>	<i>(2,031)</i>	<i>0</i>
<i>Less: Input GST credit</i>	<i>0</i>	<i>(2,700)</i>
<i>Add: Value addition</i>	<i>2000</i>	<i>2000</i>
Basic price	18,250	17,000
<i>Add: VAT @ 12.5%</i>	<i>2,281</i>	<i>0</i>
<i>Add: GST @ 18%</i>	<i>0</i>	<i>3060</i>
Total price paid by consumer	20,531	20,060
Total value added in the	17,000	17,000
Total taxes paid	3531	3060
Effective tax rate (% of value addition)	21	18

Structure of the Model GST Law

- > 25 Chapters
- > 162 clauses
- > 4 Schedules:
 - ✓ **Schedule I** – Matters to be treated as supply without consideration
 - ✓ **Schedule II** – Matters to be treated as supply of goods or services
 - ✓ **Schedule III** - Liability to be registered
 - ✓ **Schedule IV** - Activities of Govt. which are exempted
- > GST Valuation (Determination of Value of supply of goods and services) Rules, 2016

Features of GST

- GST - applicable on the supply of goods or services.
- GST - a destination based consumption tax.
- There is a levy on value addition at each stage
- Dual GST with the Centre and States simultaneously levying it on a common tax base.
- GST levied by the Centre would be called Central GST (CGST) and that to be levied by States would be called State GST (SGST).
- GST would apply to all supply barring a few to be specified.

Features of GST

- The CGST and SGST would be levied at rates to be jointly decided by the Centre and States.
- The rates would be notified on the recommendations of the GST Council.
- There would be a floor rate with a small band of rates within which the States may fix the rates for SGST.
- The exemption list may be common for the Centre and the States.
- In GST, tax payers shall be allowed to take credit of taxes paid and utilize the same for payment of output tax.

Features of GST

- An Integrated GST (IGST) would be levied and collected by the Centre on inter-State supply of goods and services.
- Parliament will have exclusive power to make laws with respect to levy of IGST on inter-State trade or commerce.
- SGST portion of IGST shall be transferred to the destination State where the goods or services are eventually consumed.
- Exports shall be treated as zero-rated supply. No tax is payable on exports but ITC related to the supply shall be refunded to exporters.
- No mechanism for upfront zero rating of supplies of goods and services required for authorized operations of SEZ / EOU / STP units