

Managing Change In Governance: A Case Of GST

Presentation

By

MCTP Phase III (Group –II)

Presentation Plan

- * Introduction to GST
- * Need and Objectives of the study
- * Discussion and findings on the Objectives
- * Conclusion and Suggestions

GST - An International Scenario

- * About 160 countries have adopted GST
- * European Union (EU) –
 - * to replace turnover taxes on account of the ease of handling cross border-transactions,
 - * facilitating development of common market
 - * Reducing trade and economic distortions.
- * (Norway, New Zealand etc.) -
- * To increase revenue from general consumption
- * To cut down rate of income taxes.
- * Other countries –
- * moved to VAT/GST to consolidate and modernize existing tax structure comprising of multiple sales tax at different rates.

Key Factors for adoption of GST

- * 1. VAT/GST preserves neutrality by taxing the value added by each factor equally;
- * 2. Consumption tax is large and more stable source of revenue; and
- * 3. Potentially self-enforcing in nature.

Need for GST

- * Complications arising due to multiplicity of taxes
- * To avoid the ill effects of cascading/double taxation
- * Complexities in the present tax regime
- * Distortion in prices across states
- * Hindrance to a common national market
- * Higher Level of Compliance Costs
- * Leakages and less revenue collection

GST...

- * Destination-based Consumption Taxation
- * Applies to all supplies of goods/services(as against manufacture, sale or provision of service)made for a consideration except–
 - * Exempted goods/services–common list for CGST&SGST
 - * Goods/ services outside the purview of GST
 - * Transactions below threshold limits
- * Dual GST having two concurrent components
- * Central GST(CGST) levied & collected by Centre
- * State GST(SGST) levied & collected by States
- * CGST & SGST on intra-State supplies of goods /services in India

Objectives of the Study

- * **To examine the IT infrastructure and preparedness for implementation of GST;**
- * **To study the re-engineering business processes including processes of registration, refunds, returns through the GSTN portal**
- * **To analyse the capacity building and training of personnel in CBEC and States; and**
- * **To study the reorganization of administrative set up at the Centre and interface between Central and State administrations;**

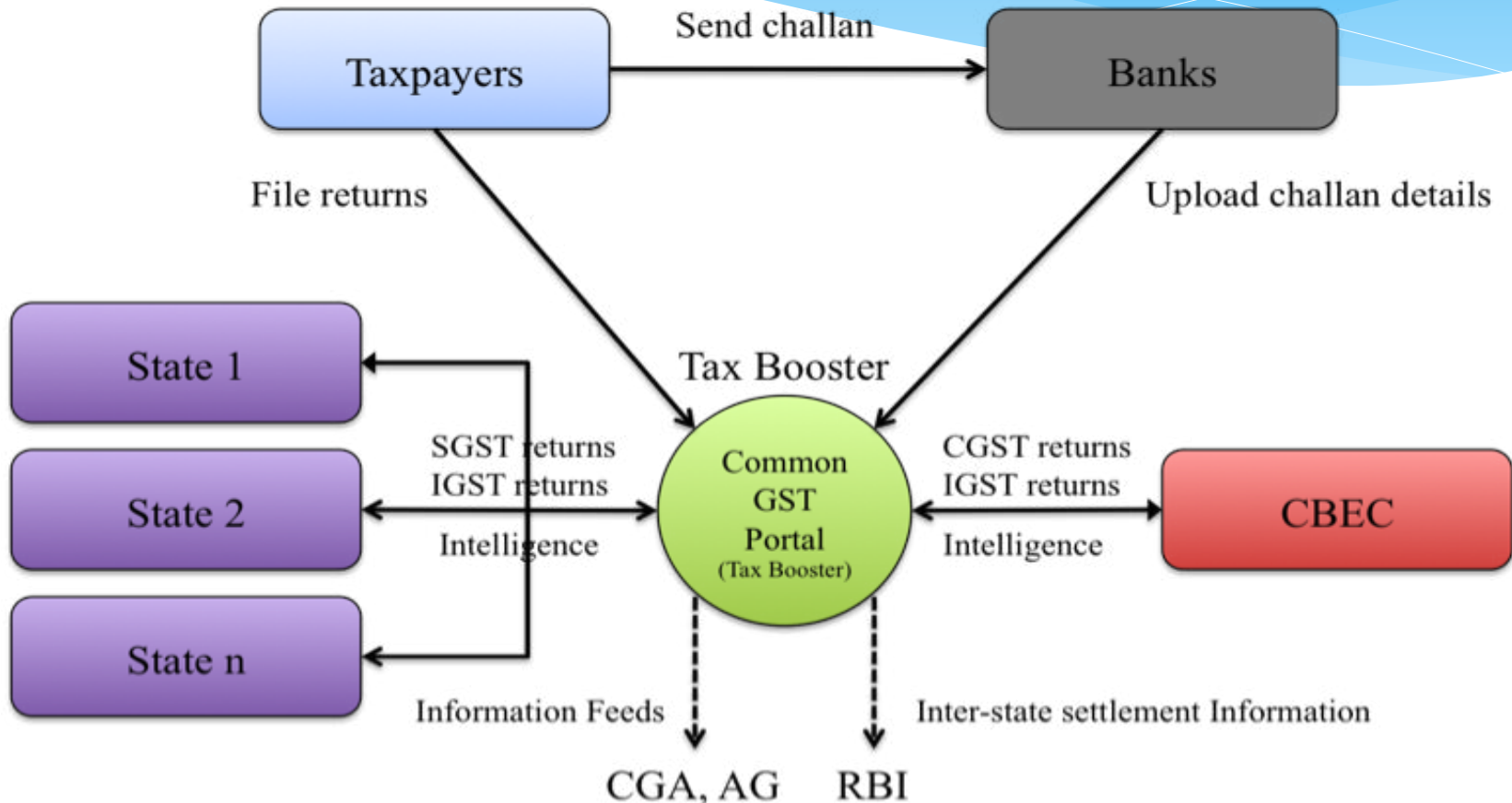
IT Infrastructure & Preparedness

GSTN

- * **GSTN is a common GST portal** and designed to meet the requirement of all stakeholders.
- * GSTN is entrusted with the following three major functions: -
 - * Common PAN-based registration. The existing registrations of taxpayers at Centre and States are being migrated to GSTN.
 - * Common standardized return for all taxes (with different account heads for CGST, SGST, IGST)
 - * Common standardized challan for all taxes (with different account heads for CGST, SGST, IGST)

GSTN

Information flows unmodified through Common GST Portal to states and CBEC
Common GST Portal will also integrate with systems of CBDT, MCA, etc.



Project Saksham

- * This project proposes to integrate CBEC's IT systems with GSTN for processing of registration, payment and returns data sent by GSTN systems to CBEC.
- * To act as a front-end for other modules like Audit, Appeal, Investigation.
- * Help in the extension of the Indian Customs Single Window Interface for Facilitating Trade (SWIFT) and other taxpayer-friendly initiatives under Digital India and Ease of Doing Business of CBEC.
- * To provide facility for taxpayers to Upload of Digitally Signed Scanned Documents in order to reduce the physical interface with tax authorities and to increase the speed of clearance.
- * To introduce mobile services for taxpayers and departmental users to increase the outreach of its services.

Challenges in IT infrastructure

- * Full-fledged IT infrastructure at the end of taxpayers.
- * A great challenge for small tax payers as they may not have skill and resources
- * Common file formats and message specifications should be released early to allow IT vendors that provide software to corporate taxpayers
- * Train the officers in using the IT tools and processes hands on so that they are ready at the time of implementation of GST

Re-Engineering of Business Processes

* Under the Proposed GST Act, Four Major Business Processes have been Identified

➤ Registration

➤ Returns

➤ Payment

➤ Refunds

Registration

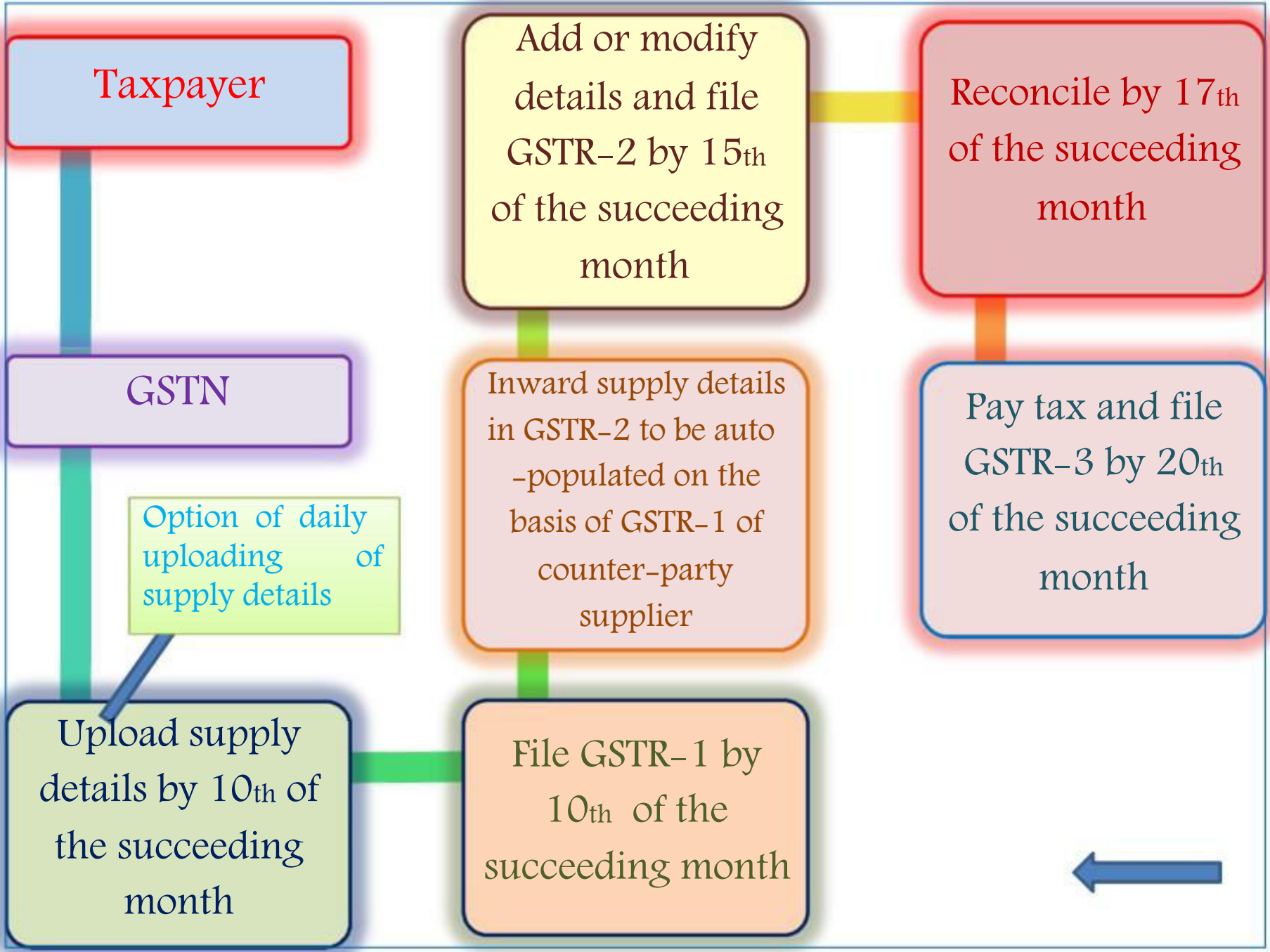
- * existing tax payers will be subsumed under GST
- * Persons with All-India Gross Turnover more than a threshold
- * Persons making interstate supplies & reverse charge
- * Casual and non-resident suppliers
- * Voluntary Registration below threshold
- * Unique-id for specific class of persons

Registration(Contd)

- * PAN based Registration: PAN will be mandatory
- * Online unified application to both tax authorities through Common Portal,
- * Need not apply separately for each State
- * State-wise registration for entities having presence in more than one State
- * To be filed within 30 day & Deemed approval within three days
- * Within a PAN, separate registration for separate business verticals within a State possible

Returns

- * Self-assessment of tax liability by the taxpayer
- * Common e-Return for CGST, SGST, IGST & Additional Tax
- * Separate returns for different categories of taxpayers
- * Normal/Regular & Casual Taxpayer (GSTR-1, 2, 3 & 8)
- * Compounding Taxpayer (GSTR- 4 & 8)
- * Foreign Non-Resident Taxpayer (GSTR-5)
- * Input Service Distributor (GSTR- 6)
- * Tax Deductor (GSTR-7)
- * Payment of due tax is must for filing valid return
- * Provision for filing revised information
- * Maintenance of separate Electronic Cash Ledger, Electronic ITC Ledger & Electronic Tax liability Ledger



Taxpayer

GSTN

Option of daily uploading of supply details

Upload supply details by 10th of the succeeding month

File GSTR-1 by 10th of the succeeding month

Inward supply details in GSTR-2 to be auto-populated on the basis of GSTR-1 of counter-party supplier

Add or modify details and file GSTR-2 by 15th of the succeeding month

Reconcile by 17th of the succeeding month

Pay tax and file GSTR-3 by 20th of the succeeding month



PAYMENTS

- * TAX TYPES & MODES OF PAYMENT
- * Under GST, 4 types of Taxes to be paid- CGST,IGST, Additional Tax and SGST
- * Three Modes of Payment
 - * Electronic including CC/DC (Mode I)
 - * Over The Counter Payment (for Payments upto Rs. 10,000/-) (Mode II)
 - * Payment through RTGS/NEFT (Mode III)
- * Payment can be accepted by Departmental officers in enforcement cases only

REFUNDS

- * No Partial refund. Entire refund claim may be sanctioned within the time limit laid down in the GST Law.
- * In cases of inverted duty structure, cash refund may be granted after due audit and should be sanctioned only after the input tax credit has been matched from the purchase and sales statements filed along with monthly returns
- * No Refund of ITC paid on inputs for manufacturing of Goods on which Custom Export Duty is leviable

REFUNDS(Contd)

S No	Situation of Refund	Relevant Date
1	On account of Excess Payment of GST due to mistake or inadvertence	Date of Payment of GST
2	On Account of Export of Goods	Date of LEO
3	On Account of Export of services	Date of BRC
4	On Account of Finalisation of P/A	Date of Finalisation Order

Documents to be filed for Refund

- * Documents required to be enclosed with the refund application should be minimal but adequate:
- * Since all payments of tax will be in electronic mode and all B2B invoices will be uploaded on the portal, the following evidences **may not be** called for:
 - * Copy of proof of deposit of tax i.e. challan etc/ copy of return evidencing payment of duty.
 - * Copy of invoices.
 - * Documents evidencing export (online verification with ICEGATE).
- * A Chartered Accountant's Certificate may be called for evidencing that the tax burden has not been passed on to the buyer under Principle of "unjust enrichment"

Export of Goods(Refunds)

Shipping Bill	Not Needed...	To be verified online
Export Invoice	Not needed.. .	To be verified online
Packing List	Not needed...	To be verified online
Mate Receipt	Need to be filed online with refund application	
Bill of Lading	Needed to be filed online with refund	
BRC.	To be filed within one year of Export or in a period as prescribed by RBI. To be submitted with application in case of advance payment	

Export of Services(Refunds)

- * Invoice
- * Bank Realization Certificate (BRC). No refund without filing of BRC. Cut-off date for filing of refund to be linked to receipt of BRC
- * No custom documents that can substantiate the occurrence of event of export as no shipping bill is required to be filed.

Capacity Building & Training

- ❖ A GST cell in CBEC has been created and initially the task of the officers in GST cell was to conduct workshops/symposiums/seminars on the developments in GST for the benefit of trade and officers.
- ❖ The GST cell selected a group of officers who were involved in the drafting of Model GST law and various business processes. These officers were given the title of “Source Trainers”. The composition of these officers included the senior officers from both Centre and states.
- ❖ The Source trainers were responsible for training the “Master Trainers” in GST through NACEN, Faridabad and the various regional training institutes of NACEN Faridabad.
- ❖ The Master trainers were given the task of visiting their respective Zones and training the “Trainers” in the Model GST Law.
- ❖ Finally the trainers were entrusted the task of training all the field officers in GST (Trainees) by the end of December,2016.

Capacity Building & Training(Contd)

Training(Updated status of Officers trained)

SI No.	Level	Status	Target (officers)	Achieved
1	L I	Completed	25	25
	Source Trainers			
2	L II	Completed	300	310
	Master Trainers			
3	L III	Completed	1,600	2060*
	Trainers			
4	L IV	Ongoing	60,000	36,774(as on 09.12.2016)
	Field Officers			

* Includes 36 from CAG

Suggestions for Effective Capacity Building & Training

- * Centre – Around 36,000 officers trained till now
- * 24,000 Officers yet to be trained
- * State – Around 2,40,000 Officers yet to be trained By March,2017
- * All the RTI's of NACEN may be connected through WAN so that possibility of lectures through Video Conferencing, may be explored.
- * Seminars/Symposiums/Workshops may be organised at field for Trade & Industry.
- * E-Books , Short Films , video campaigns may be used for training
- * Most importantly , an Offline Link to the GSTN may be made operational and provision for hands –on training may be enabled for the field officers and trade.

Tax Administration in GST

- * Present Tax Administration In Centre & States
- * Division of Assesses between Centre & States
- * DGHRD proposal for Re -Organisation of CBEC

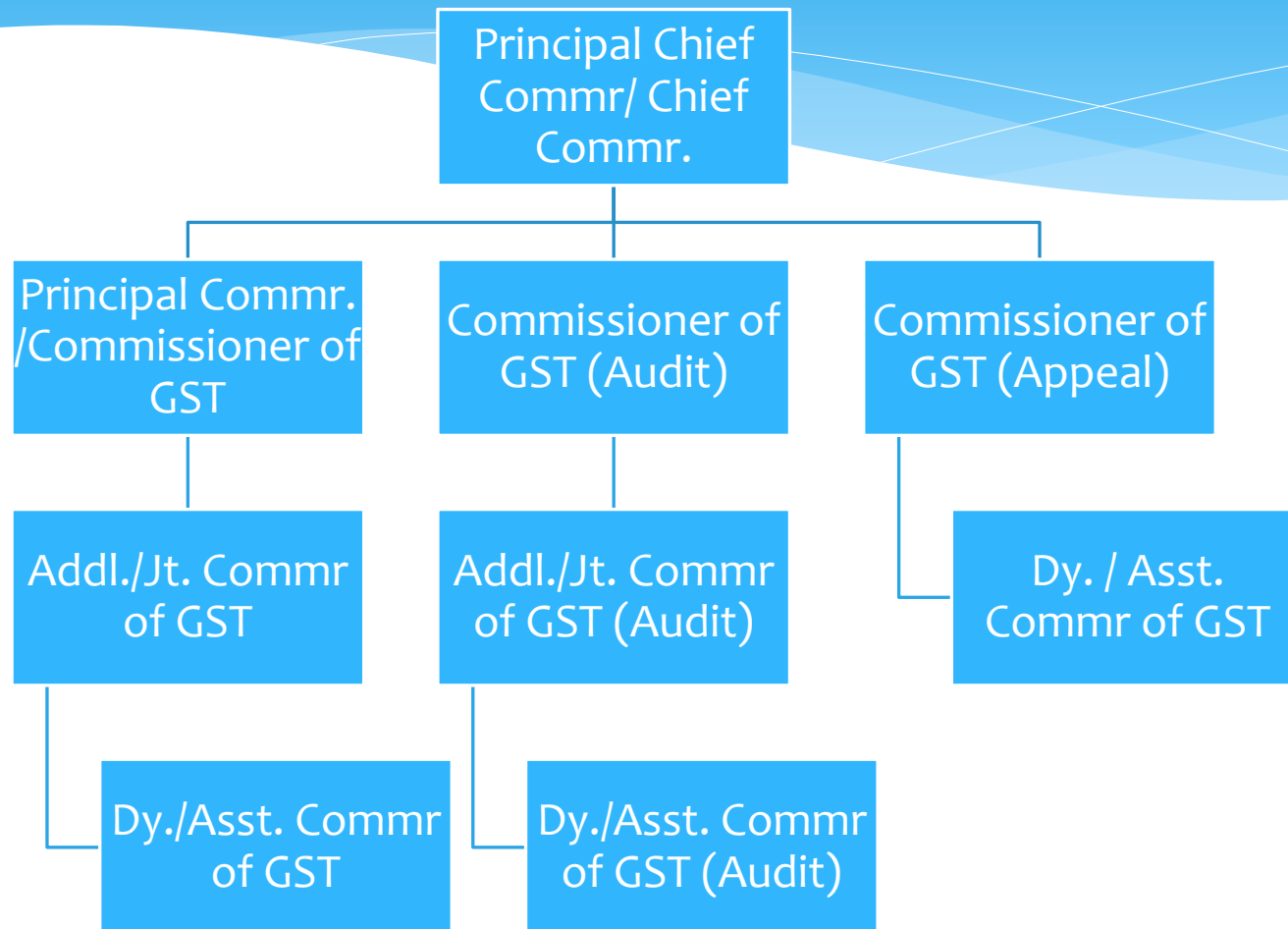
Division of Assesses between Centre & States



Tax Administration ???

- * Horizontal Vs Vertical Distribution of assessee base.
- * Administrative control mechanism with respect to sharing of talent pool in GST
- * There is a need to create a GST secretariat in each state to bring senior CBEC and state commercial tax officers on a common platform.
- * Set up a Directorate General of Dispute resolution (DGDR) to analyse dispute issues for identifying patterns and examine orders to assess fitness for appeals among others.
- * Any decision on administration should be guided by the federal principle and reduction of compliance cost for the taxpayers

DGHRD proposal for Re -Organisation of CBEC



Conclusions and Suggestions

- * Dual interface with a major role for centre is inevitable because of the constitutional mandate for administration of IGST and further in case of assured compensation to states.
- * Poorly administered GST would be counterproductive
- * Need for formation of GST Secretariat
- * The development of GSTN and Project Sakasham of CBEC should go hand in hand for a smooth transition into the GST era.
- * Effective reengineering of important business processes
- * The capacity building and proper training of officers at centre and state lies at the core of success of GST implementation.
- * Centre and States to prepare for legacy issues
- * Formulate GST laws with maximum clarity to avoid litigation on interpretational issues.



Questions ???



Thank you