

THE MOTOR SHOW

AUTOGUIDE

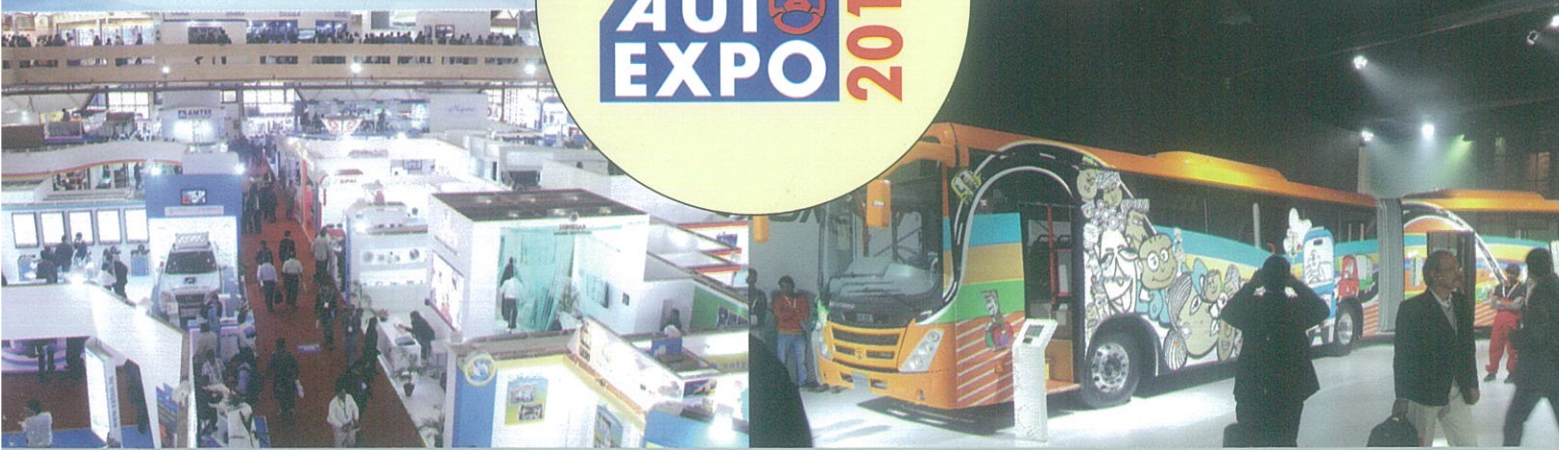


India's Automotive Industry & Trade Journal

www.autoguideindia.com



Auto extravaganza



THE Good & Services Tax (GST) will have a lot of implications after it is implemented in the country. After the introduction of CENVAT at the Central Government-level and VAT at the State-level, GST is going to be the largest indirect tax reform in the country. In fact the present Finance Minister has called it the “biggest tax reform since 1947”.

The concept of GST in India was introduced by Kelkar Task Force in 2004. After several rounds of intense negotiations between the Centre and



states over several years, finally the 122nd Constitutional Amendment Bill seeking to introduce Goods and Service Tax was tabled in Parliament. Once the Bill is passed by a two-thirds majority and ratified by at least half the state assemblies, the GST will replace several taxes, hopefully w.e.f. April 1, 2016.

Goods and Service Tax is a comprehensive tax on manufacture, sale and consumption of goods and services at a national level. Through a tax credit mechanism, this tax is collected on value-addition in goods and services at each stage of sale or purchase in the supply chain. The system allows the set-off of GST paid on the procurement of goods and services against the GST which is payable on the supply of goods or services. However the end-consumer bears this tax as he is the last person in the supply chain.

India is planning a dual GST system. Under dual GST, a Central Goods and

GST to be largest indirect tax reform

By **D.C. SHARMA**, Group CFO, Spark Minda, Ashok Minda Group



Mr D.C. Sharma

Services Tax (CGST) and a State Goods and Service Tax (SGST) will be levied on the taxable value of a transaction. All goods and services, barring a few exceptions, will be brought into the GST base. There will be no distinction between goods and services. Most of the indirect taxes at Central-level and State-level will merge in CGST and SGST respectively.

Among the Central government taxes that will get abolished and merged in GST are central excise duty, additional excise duties, excise duty under the Medicinal and Toiletries Reparation Act, service tax, additional customs duty, special additional customs duty, surcharges and cess.

Among the State Government taxes, VAT, sales tax, entertainment tax, luxury tax, tax on lottery, betting and gambling, state cess and surcharges and entry tax will be removed.

As for the rates, the combined GST rate is still being planned by the government. The rate is expected to be between 15 and 25 per cent. After the total GST rate is arrived at, the States and Centre will decide on the CGST and SGST rates. Only alcohol, tobacco, petroleum products and basic custom duty and safeguard duties on import of goods in India are likely to be out of the GST regime.

In GST regime, the taxation burden will be divided equitably between manufacturing and services through a lower tax rate by increasing the tax base and minimising exemptions. It is expected to help build a transparent and corruption-free tax administration. GST will be levied only at the destination point and not at various points from manufacturing to retail outlets.

Also, the successful implementation of the GST will not only streamline and modernise a thoroughly fragmented indirect tax system with multiplicity of rates levied by States, it could politically signal a new era of cooperation between Centre and States. According to a study by the National Council of