

**Ease of Doing Business**  
**GST Reform Update**  
**(last updated on 23.08.2018)**

1. **Reform of indirect taxation architecture:** Goods and Services Tax has replaced and subsumed the following indirect taxes/cesses:

- Taxes/cesses earlier levied and collected by the Centre:
  - i. Central Excise duty
  - ii. Duties of Excise (Medicinal and Toilet Preparations)
  - iii. Additional Duties of Excise (Goods of Special Importance)
  - iv. Additional Duties of Excise (Textiles and Textile Products)
  - v. Additional Duties of Customs (commonly known as CVD)
  - vi. Special Additional Duty of Customs (SAD)
  - vii. Service Tax
  - viii. Central Surcharges and cesses so far as they relate to the supply of goods or services
  
- State taxes/cesses
  - i. State VAT
  - ii. Central Sales Tax
  - iii. Luxury Tax
  - iv. Entry Tax (all forms)
  - v. Entertainment and Amusement Tax (except when levied by the local bodies)
  - vi. Taxes on advertisements
  - vii. Purchase Tax
  - viii. Taxes on lotteries, betting and gambling
  - ix. State Surcharges and Cesses so far as they relate to supply of goods and services

This has led to the following benefits:

- Common procedures for registration, return filing and payment of taxes
- Seamless flow of credit from manufacturers/suppliers to user/retailer, thereby eliminating cascading effect of taxes
- Now, one commodity has the same rate pan-India
- **Reduction in number of tax payments made:** Pre-GST payments were being made separately for CENVAT, CST, ST and VAT. After introduction of GST, all such payments can be made through one challan on the common portal
- **Reduction in time for return filing:** Under the GST regime, two returns are being currently filed by a normal taxpayer every month, i.e. GSTR-1 and GSTR-3B. Small taxpayers have the option of filing GSTR-1 on a quarterly basis. Each return on an average takes 1.5 hours for return preparation, filing and payment of

taxes. This has reduced the total time required for return preparation, filing and payment of taxes from 105 hours to 36 hours, annually

## **2. Exports and Refunds**

- Exports through Merchant Exporters at nominal GST rate of 0.1%
- Extending the Advance Authorization (AA) / Export Promotion Capital Goods (EPCG) / 100% Export Oriented Units (EOU) schemes to sourcing inputs etc. from abroad as well as domestically. Holders of AA / EPCG and EOUs are not required to pay IGST, Cess etc. on imports. Further, domestic supplies to holders of AA / EPCG and EOUs are treated as deemed exports under section 147 of CGST/SGST Act and refund of tax paid on such supplies is given to either the supplier or the recipient
- All exporters, except those facing prosecution for an offence where the amount of tax evaded exceeds Rs. 2.5 crore, have been exempted from furnishing Bond and Bank Guarantee when they clear goods for export

## **3. Composition Scheme**

- Small businesses can avail of a composition scheme, subject to certain conditions, wherein only a quarterly return needs to be filed in a simple form and tax can be paid on total turnover at a nominal rate, without worrying about Input Tax Credit (ITC). Compliance with the rules of this scheme is extremely easy.
- The composition scheme made available to taxpayers having annual aggregate turnover of up to Rs. 1 crore.
- Uniform rate of tax @ 1% under composition scheme for manufacturers and traders. Tax to be paid only on the taxable turnover for traders. The applicable rate on restaurants remains 5 per cent.
- A person eligible for composition scheme also supplying exempt services including services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, would not become ineligible for the composition scheme. Further, for computing the aggregate turnover for eligibility for the scheme, the turnover of exempted services, including services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, supplied by a taxpayer will not be included.

## **4. Benefits extended to small taxpayers**

- Exempting service providers making inter-state supplies from the requirement of registration provided their aggregate turnover does not exceed Rs. 20 lakhs. This measure is expected to significantly reduce the time & compliance cost of small service providers.
- Allowing exemption from registration to persons making inter-State taxable supplies of handicraft goods up to aggregate turnover of Rs. 20 lakhs.
- Exemption from registration to the suppliers of handicrafts with annual turnover of up to Rs. 10 lakh for the Special Category States (other than the State of Jammu & Kashmir) and up to Rs. 20 lakh for other States making inter-State supply as also making supply as a casual taxable person

- Taxpayers not required to pay GST at the time of receipt of advances on account of supply of goods. The GST on such supplies shall be payable only when the supply of goods is made.
- Fabrics attract GST at the rate of 5% subject to the condition that refund of accumulated ITC on account of tax inversion will not be allowed. After taking into considering the difficulty faced by the Fabric sector on account of this condition, the GST Council in its 28<sup>th</sup> meeting held on 21.07.2018, recommended for allowing refund to fabrics on account of inverted tax structure with prospective effect from 27.07.2018

## **5. E-way Bill**

- Abolition of check post across the states when goods passes through different states. Earlier every states had different documents to comply with in presence of check post. Now e-way bill forms/rules are uniform across the states. This will drastically reduce to time taken to transport goods and help in saving the transportation cost.
- Single e-way bill introduced for all inter-state movement of goods throughout the country with effect from 01.04.2018.
- For intra-State movement, it was brought into force in a staggered manner. All the States / UTs implemented the same by 16.06.2018. This re-scheduling was done in order to give trade and industry more time to acclimatize itself with the new e-way Bill system in GST regime
- E-Way Bills are getting generated successfully and till 20<sup>th</sup> August, 2018, more than 18.5 crore e-Way Bills (out of which 9.33 crore are for intra-State movement) have been generated

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