



One Nation- One Tax

Goods and Services Tax





“Ek Bharat Sreshtha Bharat. GST stands for Good and Simple Tax. It is a path breaking legislation for New India. It’s a revolutionary taxation system for the digital India. GST is not just a tax reform, but it is a landmark step towards economic and social reforms”

**- Narendra Modi, Prime Minister
on roll out of GST**



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Introduction

- Before the 1st July, 2017, Indian indirect tax regime was highly fragmented. Centre and States were separately taxing Goods and services. There were many taxes like excise duty, service tax, VAT, CST, purchase tax, entertainment tax, octroi.
- In addition, there was multiplicity of rates. Law and procedures. This caused heavy compliance burden.
- Imposition of tax on tax was another serious problem. For example, VAT was levied on a value that included excise duty.
- Input tax credit chain broke as goods moved from one state to another, resulting in hidden cost for the business.
- Further, pre-GST, there were tax nakas at every inter-state border, creating bottlenecks in inter-state transport of goods.
- As a result, logistics sector remained inefficient and it adversely impacted the businesses.
- Every state was effectively a distinct market for the industry as well as consumer.
- Industry's choice of locating factories or warehouses was heavily influenced by the prevailing tax regime rather than pure business consideration.
- This made our industry uncompetitive.

- Therefore, it was a momentous occasion when the Goods and Services Tax (GST), the biggest tax reform, was rolled out on July 1, 2017 from precincts of the Central Hall of Parliament. GST removed the inefficiencies and complexities of the erstwhile archaic taxation system and helped in accelerating growth.

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“In the process of nation building, we often arrive at a moment which leads us to a path breaking juncture and opens up a plethora of opportunities imploring us to aspire for new dreams. At the stroke of the midnight hour today, together we shall ensure a pioneering future of the nation.

Within few moments from now, our nation will embark upon a new economic regime. The entire 1.25 billion citizens of the country are a witness to this historical event. I do not believe that this process at GST is restricted to the scope of economy only. This momentous occasion stands today as a testimony to the concept of Co-operative Federalism in Indian Democracy. This hallmark day was possible due to the relentless efforts put in over decades by several stalwarts under whose guidance various teams developed this GST framework.”

Prime Minister Narendra Modi,
Speech at Launch of GST from
Parliament, July 2017

”

The journey to One Nation, One Tax, One Market

- GST is not merely a tax reform but a milestone in realizing Sardar Vallabhbhai Patel's dream of building 'ek bharat – sreshtha bharat'.
- As Prime Minister Modi aptly said, Sardar Patel oversaw the merger of over 500 princely states to catapult India as world's largest democracy while GST integrated them economically.
- Any such reform would not have been possible without taking each and every state on board.
- However, this was not easy. Each state was at a different stage of development, had varied economic activities and priorities and had distinct source of revenues. More than anything else they had freedom to frame their indirect tax policies and had discretion in choosing the tax base and rates.
- While, in principle there may not have been much disagreement to the need of having a GST regime, the issue of pooling in the sovereign power of Centre and States coupled with fear of loss of revenue were real challenges.
- Foundation to unify the country's markets was laid

in 2000 by the then Prime Minister Atal Bihari Vajpayee. The visionary that he was, Vajpayee took the lead and set up a high- powered panel to design the right GST model to suit India's diversities and complexities.

- Public announcement for roll out of GST from 2010 was made in the year 2006. However, no further progress could be made for a long period after this initial announcement and consensus on knotty issues remain elusive. GST roll out was postponed.

- It was only the coming of new Government to power in the Centre, in the year 2014, that spurred the process. Shri Narendra Modi gave the vision of India working together as one to achieve the economic goals of the Country. In building this economic future, he emphasized the need for a single tax system across to country.

- Under this vision and guidance of Prime Minister, it was the painstaking effort of Shri Arun Jaitley, the then Union Finance Minister, that brought in the consensus amongst States against all odds.

- Post 2014, the Central Government expedited the process, resumed discussions with states and all other stake holders with new vigor. It began working simultaneously on to expedite the process.

- First and foremost was the requirement of amendment of Constitution, as GST levy with concurrent powers to Centre and State in the sphere of taxation was something new to the Constitution and required an innovation. A Constitution Amendment Bill was tabled in

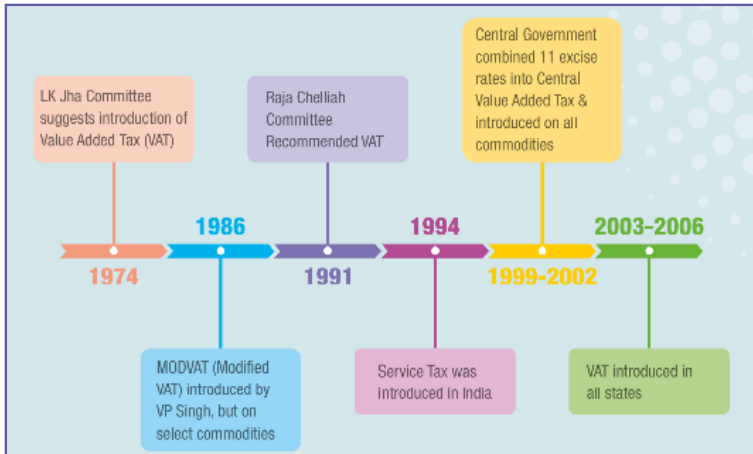
the Parliament in May, 2015 and overcoming all hurdles, the Central Government ensured that the Bill was enacted in August, 2016.

- Simultaneously, the central Government brought States together and started working on other aspects of GST, e.g., law, GST model for interstate supplies, IT system for GST (created GSTN in 2015), and addressing issues that posed challenges to taxation of goods and services in a dual tax administration. The pace of interaction with stake holders, i.e., trades, associations, economist, common people was increased and the whole process was institutionalized.
- Two significant initiatives of the Government of India – creation of the GST Council and assuring the States of a guaranteed revenue flow to them proved to be decisive in bringing the States on board.
- Creation of GST Council, by the Central Government, gave a platform for state to express their concerns which were resolved amicably after long spell of deliberations. Further, Government of India assuring each State a minimum growth of 14% per year for five years over their revenues. This commitment of Centre clearly showed its belief in the long term benefits of GST and helped assuage the concerns of the States.
- Creation of GSTN, a special purpose vehicle, by the Central Government, for automation of business processes with equal participation of Centre and States, with its adequate resourcing was also a major step taken by central Government towards GST.

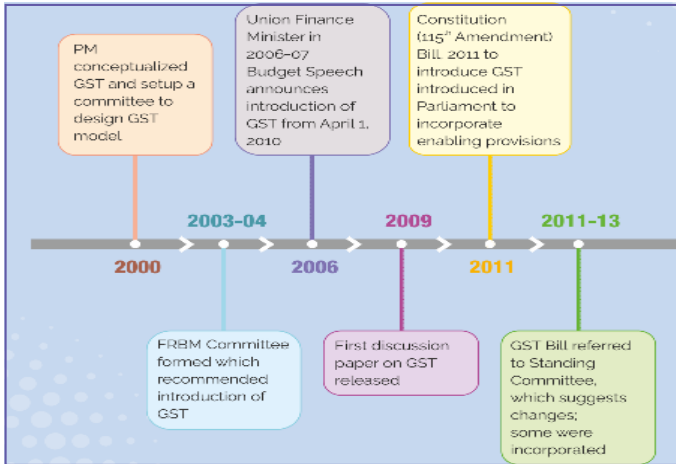
- The unrelenting approach and sincere efforts of the central Government ensured that all thorny issues in the way to GST are resolved to the comfort of States. GST Council also made significant contribution in bringing the consensus.

Journey to GST- Mile stones

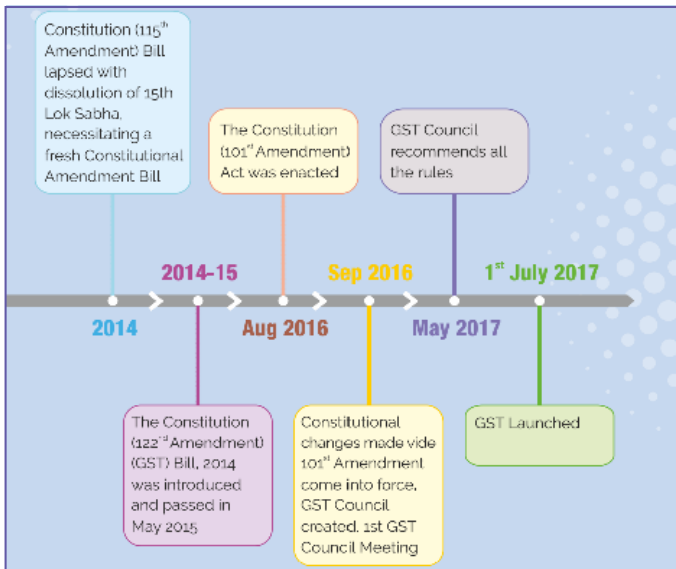
- VAT – it took 3 decades for its introduction



- **VAT to GST- Phase I [more than a decade]:**
Mostly discussions with no tangible progress



- **VAT to GST- Phase II [3 years]:** Movement towards GST in a decisive way



GST: A boost to inclusive growth

Boost to Ease of doing business in India

- Ending decades of twists and turns, GST subsumed 17 large taxes and 13 cesses
- With uniform tax on supplies of goods and services India turned into one market.
- GST benefited all, be it consumers, manufacturer,



traders, service providers or exporters. Some of the gains that GST offered are:-

1. Elimination multiplicity and cascading of taxes-
Overall reduction in tax incidence
2. Compliance simplification
 - Uniform processes across country
 - Simple registration process
 - Single return
 - Minimal physical interface
3. Faster refunds
4. Fully IT driven system
5. Free flow of goods – Check post removed

Compliance Simplification in GST

Pre-GST [Excise+VAT]*	Form Type	In GST
317	Annexure	0
12	Challan	1
32	Declarations	0
122	Forms	11
2	Transit pass	0
4	Worksheet	0
5	Invoice format	0
1	Register	0
495	Total	12

* Considering compliance requirement in all states

Benefits to MSME

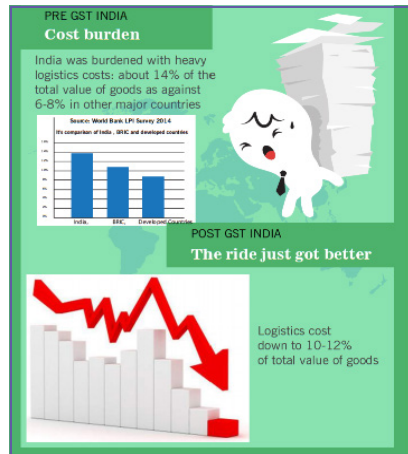
- MSMEs have gained significantly in GST.
- Earlier VAT exemption and composition scheme thresholds were very small.
- In GST, threshold has been initially fixed at Rs 20 lakh and has subsequently been increased to Rs 40 lakh for goods.
- GST introduced a composition scheme which allowed small businesses to pay a fixed rate on their turnover with no paperwork.
- This composition threshold is Rs 1.5 crore a year for goods and Rs 50 lakh for services.
- Hence small businesses can breathe easy.
- In addition, GST has opened up new avenues through quick bill discounting and loans to MSMEs. The Trade Receivables e-Discounting System (TReDS) has been implemented. This will enable entrepreneurs to access credit based on upcoming receivables. This would be allowed where receivables to MSME are from identified corporates and Central PSE. Already about 500 such companies and 170 CPSE have registered in TReDS. This will help thousands of MSMEs.
- Compliance burden of MSMEs has reduced significantly with option of quarterly return filing for taxpayer having annual turnover of Rs 5 crore.

A boon to logistics

- GST ended long queues of trucks & goods carriers at highway toll plazas freeing goods movement across states.
- Nakas, notorious for corruption, restricting and slowing goods' movement disappeared.
- Credible studies point to an improvement of over 33 per cent in transport time after GST implementation.
- Millions of litres in petrol and diesel have also been saved apart from decongesting arterial roads.



- Before GST, companies were forced to put up and maintain warehouses in every state due to different taxation slabs.
- GST does away with the need to have a separate warehouse for every state.
- This means a leaner and smarter logistics chain. It has encouraged more investments in the sector.
- So far in the roll out of business, global players, pension funds have invested significantly in India's warehousing business. In the first two years itself, \$1.5 billion was invested.



- GST is also expected to boost demand for high tonnage trucks which shall bring further efficiency in logistics sector
- Besides gains for business, an efficient logistics sector will also reduce pollution and increased employment.
- E-way bill has been another innovation in GST. Details of transport of goods is captured in a fully automatic mode wherein transport details could even be furnished through mobile.
- E-way bill system has helped government to facilitate monitoring of movement of essential commodities and medical supplies during lockdown necessitated by Covid-19 pandemic.

GST: Truck movement picks up pace as border check post starts disappearing

A truck from Chennai to Jamshedpur carrying tyres made by Apollo Tyres reached in three and a half days as state border barriers began to be dismantled after the goods and services tax (GST) came into force on July 1. The same truck would have taken five days earlier. (The Economic Times, July 10, 2017)



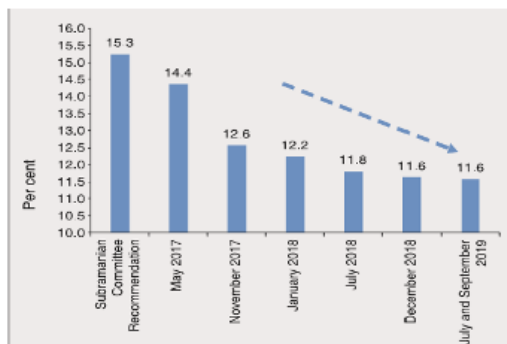
The introduction of the GST is having a far-reaching impact on reducing tax related barriers to trade barriers which was one of the primary goals of the introduction. Logistics companies are reporting that trucks now cover an additional 100-150 km per day after GST an increase of up to 30 per cent. Logistics companies are also consolidating their existing fragmented set of small ware houses in each state, now that the GST has removed state-imposed barriers thereby increasing their efficiency...”

World Bank, March 2018

Consumer gains

- GST is a pro-people reform. Hence, consumer is at the centre of this reform.
- Average tax rates in GST have come down. This has been made possible as tax base expanded on rollout of GST and compliance improved. Taxpayers number has doubled from earlier 60 lakh to about 1.28 crore.
- The Government has progressively lowered tax rates on essential and daily use items.
- A Finance Ministry study suggested that consumers saved at least four percent on their household monthly expenses on an aggregate after GST.
- Thus, consumer now spend less on daily consumables like cereals, edible oils, sugar, sweets and snacks.

Weighted Average (Effective) GST rate [RBI Report]



RBI's observation:

Enhanced buoyancy has been achieved by widening the tax base and reducing distortions

India's economy is picking up and growth prospects look bright- partly thanks to the implementation of recent policies, such as the nationwide goods and services tax. As one of fastest -growing economies -accounting for about 15 per cent of global growth- India's economy has helped to lift millions out of poverty”

**International Monetary Fund,
August 8, 2018**



Attention Consumers!

Consumers to benefit from lower GST rates on a large number of goods & services

More than 95% items are in / below 18% GST slab.

The GST Council has, in its meeting held on 10th November, 2017, recommended GST rate cuts spread across many sectors and many commodities. The highlights are:-

- List of 28% rated goods pruned substantially from 224 headings to just 50 headings.
- GST rates changed on a number of goods to rationalise and minimise classification disputes.
- Clarifications issued to address the grievances on issues relating to rates & taxability of certain goods & services.
- Rates cut on specified goods and services to help the handicraft, restaurants & aviation sectors.
- These changes have become effective from 15th November, 2017.

28% to 18%

- Furniture, mattress, bedding and similar furnishing
- Liquid or cream for washing skin
- Trunk, suitcase, vanity cases, brief cases, travelling bags and other hand bags, cases
- Detergents, washing and cleaning preparations
- Shampoos; Hair cream, Hair dyes (natural, herbal or synthetic) and similar other goods;
- Perfumes and toilet waters
- Beauty or make-up preparations
- Lamps and lighting fittings
- Primary cells and primary batteries
- Sanitary ware and parts thereof of all kind
- Articles of plastic, floor coverings, baths, shower, sinks, wash-basins, seats, sanitary ware of plastic
- Ceramic tiles of all kinds
- Miscellaneous articles such as vacuum flasks, lighters
- Wrist watches, clocks, watch movement, watch cases, straps, parts
- Article of apparel & clothing accessories of leather, fur, skins, artificial fur and other articles such as saddlery and harness for any animal
- Articles of cutlery, stoves, cookers and similar non-electric domestic appliances
- Razor and razor blades
- Multi-functional printers, cartridges



- Doors, windows and frames of aluminium
- Articles of plaster such as board, sheet
- Articles of cement or concrete or stone and artificial stone
- Ceramic flooring blocks, pipes, conduits, pipe fittings
- Wallpapers and wall coverings
- Glass of all kinds and articles thereof such as mirror, safety glass, sheets, glassware
- Electrical apparatus for radio and television broadcasting
- Sound recording or reproducing apparatus
- All musical instruments and their parts
- All artificial flowers, foliage and artificial fruits
- Explosives, anti-knocking preparation, fireworks
- Cocoa butter, fat, oil powder
- Extract, essence and concentrates of coffee, miscellaneous food preparations
- Chocolates, Chewing gum / bubble gum
- Malt extract and food preparations of flour, groats, meal, starch or malt extract
- Waffles and wafers coated with chocolate or containing chocolate
- Wire, cables, electrical plugs, switches, sockets, fuses
- Particle/fibre boards and plywood; Article of wood, wooden frame, paving blocks
- Physical exercise equipment, festival and carnival equipment
- Goggles



18% to 5%

- Puffed rice chikki, peanut chikki, sesamechikki, revdi, silvodi, khaza, kazzali, groundnut sweets gatta, kulya
- Flour of potatoes put up in unit container bearing a brand name
- Chutney powder
- GST rate on Rab (prepackaged and labelled) reduced from 18% to 5% and that on Rab (other than prepackaged and labelled) to nil.
- Ethyl alcohol supplied to Oil Marketing Companies or Petroleum refineries for blending with motor spirit (petrol)



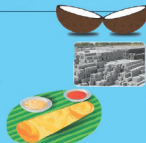
18% to 12%

- Condensed milk
- Refined "flavoured/coloured" sugar and sugar cubes
- Pasta
- Curry paste, mayonnaise and salad dressings, mixed condiments and mixed seasoning
- Diabetic food
- Medicinal grade oxygen
- Printing ink
- Hand bags and shopping bags of jute and cotton
- Hats (knitted or crocheted)
- Spectacles frames and "pencil sharpener"
- Furniture wholly made of bamboo or cane



12% to 5%

- Desiccated coconut
- Narrow woven fabric including cotton newar
- Idi, dosa batter
- Finished leather, chamois and composition leather
- Coir cordage and ropes, jute twine, coir products
- Fishing net and fishing hooks



5% to nil

- Guar meal
- Hop cone (other than grounded, powdered or in pellet form)
- Certain dried vegetables such as sweet potatoes, manioc
- Unworked coconut shell
- Fish frozen or dried (not put up in unit container bearing a brand name)
- Khandasari sugar



GST slashed on your restaurant bill from 18% to 5%

Eating out & ordering food at home much more affordable.

Changes relating to GST rates on certain services

- All stand-alone restaurants irrespective of air conditioned or otherwise, will attract 5% without ITC. Food parcels (or takeaways) will also attract 5% GST without ITC.
- Restaurants in hotel premises having room tariff of Rs. 7500 per unit per day or less will attract GST of 5% without ITC.
- Restaurants in hotel premises having room tariff of more than Rs 7500 per unit per day (even for a single room) will attract GST of 18% with full ITC.
- GST on services by way of admission to "protected monuments" has been exempted.

The complete list of goods, on which GST has been reduced w.e.f. 15.11.2017, is available at URL.goo.gl/9n5q55. Accordingly, there would be a corresponding reduction in price/MRP of these goods. Consumers may take note of these reductions while making purchases. Consumers are advised to approach the State Screening Committees or the Central Standing Committee on Anti-profiteering in case of any grievance(s).

GST - A Good & Simple Tax

Central Board of Excise and Customs & Commercial Taxes Departments of States/Union Territories
www.cbec.gov.in, www.cbec-gst.gov.in



A model of cooperative federalism

- GST is the finest example of co-operative federalism in the history of India. It has been unprecedented in sheer scale.
- Centre and States overcame all the hurdles in the way of GST, in complete consensus, in the larger interest of the country and its people.
- The GST Council, a federal body consisting of Union Finance Minister as it's Chairman and Finance Ministers of all States as members, has played its role to perfection.

The unanimity of Constitutional amendment and the consensus in the GST Council highlights that India can rise above the narrow politics for the nation's interest. With GST, neither the centre nor State lose sovereignty. In contrast they pool their sovereignty on decisions on indirect taxes.

- Tax administration of centre and States are working in close harmony.
- One of the biggest triumphs associated with GST is the spirit and display of cooperative federalism, with almost all decisions on GST being taken with consensus among members of the GST Council
- More than four years have passed since the roll out of GST. The Centre and State co- operation in GST has grown

all these years. GST Council has been able to resolve most complex issues and has simplified GST law and procedure.

- Given the experience and outcome in the last four year of this new tax regime, the continued depiction of cooperative federalism by the GST Council is cherished. The results is there to see:

1. Strong monthly GST revenue collection of more than Rs 1.4 lakh crore for 12 months in a row with Rs. 1.6 lakh crore crossed for the 2nd time in March, 2023 since inception of GST.

2. This revenue growth has been achieved without any increase in rates.

3. Tax base has doubled in GST

4. Goods now move faster.

5. Refunds come quickly.

6. Consumer gains with reduction tax burden on items of consumption.

“The new era in taxation, which we are about to initiate in a few minutes, is the result of a broad consensus arrived at between the Centre and states. This consensus took not only time but also effort to build. The effort came from persons across the political spectrum who set aside narrow partisan considerations and put the nation’s interests first. It is a tribute to the maturity and wisdom of India’s democracy,”

**(Pranab Mukherjee,
then President of India, July 1, 2017)**



Ministry of Information and Broadcasting
Government of India