

Bill Summary

Model Central/State Goods and Services Tax Bill

- The Central Bureau of Excise and Customs released the Model Central and State Goods and Services Tax (GST) Bills in November 2016. The Model Central/State GST Bill provides for the levy of: (i) the Central Goods and Services Tax (CGST) by the centre, and (ii) State Goods and Services Tax (SGST) by the states.
- **Levy of CGST/SGST:** The centre will levy CGST and the states will levy SGST on the supply of goods and services within the boundary of a state. Supply include sale, transfer and lease made for a consideration to further a business.
- **Tax rates:** The tax rates of CGST/SGST will be recommended by the GST Council. The tax rate for CGST and SGST will not exceed 14%. In addition, the Model Bill allows certain taxpayers whose turnover is less than Rs 50 lakh to pay tax on turnover (known as composition levy).
- **Exemptions from CGST/SGST:** The centre and states may exempt certain goods and services from the purview of GST by issuing a notification. The GST Council will make recommendations on these exemptions.
- **Liability to pay CGST/SGST:** The liability to pay CGST/SGST in relation to supply of goods and services will arise on the date of: (i) issue of invoice, (ii) receipt of payment, whichever is the earliest.
- **Taxable amount (value of supply):** The CGST/SGST will be levied on the supply of goods and services, whose value includes: price paid on the supply; taxes and duties levied under a different tax law; interest, late fee, penalties for delayed payments, etc.
- **Input tax credit:** Every taxpayer while paying taxes on outputs, may take credit equivalent to taxes paid on inputs. However, this will not be applicable on supplies related to: (i) personal consumption, (ii) supply of food, outdoor catering, health services, etc.
- **Registration:** Every person who makes supply of goods and services and whose turnover exceeds Rs 20 lakh has to register in every state in which he conducts business. The turnover threshold is Rs 10 lakh for special category states. A person may have multiple registrations for different business verticals in a state.
- **Returns:** Every taxpayer should self-assess and file tax returns on a monthly basis by submitting: (i) details of supplies provided, (ii) details of supplies received, and (iii) payment of tax. In addition to the monthly returns, an annual return should be filed by each taxpayer.
- **Refunds and welfare fund:** Any taxpayer may apply for refund of taxes in cases including: (i) payment of taxes in excess, or (ii) unutilized input tax credit. Upon such application, the refund may be credited to the taxpayer, or to a Consumer Welfare Fund. The Fund will be used for the purpose of consumer welfare.
- **Prosecution and appeals:** For offences such as mis-reporting of: (i) goods and services supplied, (ii) details furnished in invoices, a person may be fined, imprisoned, or both. Such orders can be appealed at the National Appellate Tribunal, whose order can be further challenged at the High Court.
- **Transition to the new regime:** Taxpayers with unutilised input tax credit obtained under the current central excise and state value added tax laws may utilise it under GST. In addition, businesses may also avail input tax credit on stock purchased before the implementation of GST.
- **Anti-profiteering measure:** The central government may, by law, setup an authority to examine if reduction in tax rate has resulted in commensurate reduction in prices of goods and services. The Authority may impose a penalty if prices have not been reduced.
- **Compliance rating:** Every taxpayer shall be assigned a GST compliance rating score based on his record of compliance with the provisions of this Bill. The compliance rating score will be updated at periodic intervals and be placed in the public domain.

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