

# Bill Summary

## The Central Goods and Services Tax Bill, 2017

- The Central Goods and Services Tax Bill, 2017 was introduced in Lok Sabha on March 27, 2017. The Bill provides for the levy of the Central Goods and Services Tax (CGST).
- **Levy of CGST:** The centre will levy CGST 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 will be recommended by the GST Council. This rate will not exceed 20%. In addition, the Bill allows certain taxpayers whose turnover is less than Rs 50 lakh to pay GST at a flat rate on turnover (known as composition levy), instead on the value of supply of goods and services. This rate will be capped at 2.5%.
- **Exemptions from CGST:** The centre may exempt certain goods and services from the purview of GST through a notification. This will be based on the recommendations of the GST Council.
- **Liability to pay CGST:** The liability to pay CGST 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):** CGST will be levied on the supply of goods and services, whose value includes: (i) price paid on the supply; (ii) taxes and duties levied under a different tax law; (iii) interest, late fee, penalties for delayed payments, among others.
- **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 will have to register in every state where he conducts business. The turnover threshold is Rs 10 lakh for special category states.
- **Returns:** Every taxpayer would have to 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 will have to 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, or (ii) details furnished in invoices, a person may be fined, imprisoned, or both by the CGST Commissioner. Such orders can be appealed before the Goods and Services Tax Appellate Tribunal, and further before the High Court.
- **Transition to the new regime:** Taxpayers with unutilised input tax credit obtained under the current laws such as CENVAT may utilise it under GST. In addition, businesses may also avail input tax credit on stock purchased before the start of implementation of GST.
- **Anti-profiteering measure:** The central government may by law set up an authority or designate an existing authority to examine if reduction in tax rate has resulted in commensurate reduction in prices of goods and services. The powers of the authority will be prescribed by the government.
- **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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