G-NEWS
The voice of G-TEC
G-TEC COMPUTER EDUCATION
www.gteceducation.com
G-TEC COLLEGE FOR ADVANCED STUDIES GCAS
www.gteccollege.com
G-TEC GENSMART ACADEMY
www.gensmartacademy.com

THE WORLD OF TAXES

TAXES

What is Tax?

A tax (from the Latin taxo) is a mandatory financial charge or some other type of levy imposed upon a taxpayer (an individual or other legal entity) by a governmental organization in order to fund various public expenditures. A failure to pay, along with evasion of or resistance to taxation, is punishable by law. Taxes consist of direct or indirect taxes and may be paid in money or as its labor equivalent.

Most countries have a tax system in place to pay for public/common/agreed national needs and government functions: some levy a flat percentage rate of taxation on personal annual income, some on a scale based on annual income amounts, and some countries impose almost no taxation at all, or a very low tax rate for a certain area of taxation. Some countries charge a tax both on corporate income and dividends; this is often referred to as double taxation as the individual shareholder(s) receiving this payment from the company will also be levied some tax on that personal income.

Various Tax Heads World Wide

A. Income
1. Income tax
2. Negative income
3. Capital gains
4. Corporate

B. Social security contributions
C. Payroll or workforce
D. Property
1. Property taxes
2. Inheritance
3. Expatriation
4. Transfer
5. Wealth (net worth)

E. Goods and services
1. Value added
2. Sales
3. Excises

F. Tariff
G. Other
1. License fees
2. Poll
3. Other

H. Descriptive labels
1. Ad valorem and per unit
2. Consumption
3. Environmental
4. Proportional, progressive, regressive, and lump-sum
5. Direct and indirect

1. Fees and effective

Here one tax which benefits the addressee directly is Negative Income Tax where people earning below a certain amount receive supplemental pay from the government instead of paying taxes to the government.

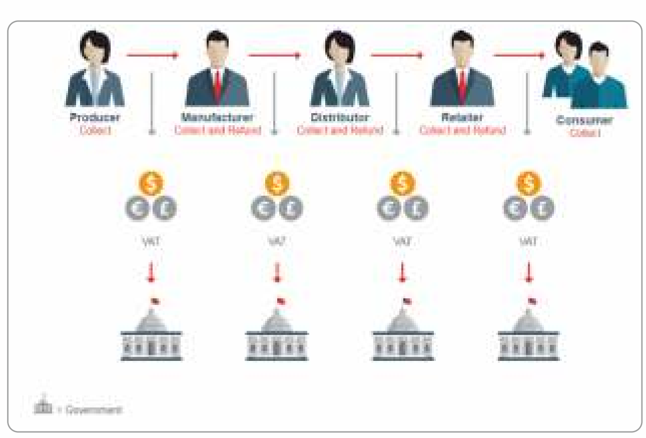
New Tax reforms in Middle East and India:

GCC VAT in Middle East-

The Gulf Cooperation Council (GCC) is set for a major milestone next year, as states in the GCC start to introduce VAT. Value-added tax (or VAT) is an indirect tax added to a product's sales price. It represents a tax on the value added to goods or services throughout their production process.

VAT has been a standard source of revenue for governments around the world, in European countries like England, France, and Germany, as well as in Canada, Australia, and many others. Now, for the first time, companies in the GCC will have to collect VAT.

VAT is levied at nearly every stage of the supply chain, from raw materials to the final product sold in stores. Ultimately, consumers end up paying the tax—but businesses are still responsible for collecting it, submitting it to the government, and reporting on how much they collected; along with how much they deducted for their own costs. With that in mind, it's important to make provision and plan ahead to efficiently integrate this change into your organization's processes and culture



GST in India

Goods and Services Tax (GST) is an indirect tax (or consumption tax) levied in India on the supply of goods and services. GST is levied at every step in the production process, but is meant to be refunded to all parties in the various stages of production other than the final consumer.

Goods and services are divided into five tax slabs for collection of tax - 0%, 5%, 12%,18% and 28%. However, Petroleum products, alcoholic drinks, electricity, and real estate are not taxed under GST and instead are taxed separately by the individual state governments, as per the previous tax regime. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 22% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. Pre-GST, the statutory tax rate for most goods was about 26.5%, Post-GST, most goods are expected to be in the 18% tax range.

The tax came into effect from July 1 2017 through the implementation of One Hundred and First Amendment of the Constitution of India by the Indian government. The tax replaced existing multiple cascading taxes levied by the central and state governments.

The tax rates, rules and regulations are governed by the GST Council which consists of the finance ministers of centre and all the states. GST is meant to replace a slew of indirect taxes with a unified tax and is therefore expected to reshape the country's 2.4 trillion dollar economy, but not without criticism. Trucks' travel time in interstate movement dropped by 20%, because of no interstate check posts. Our G-NEWS will take you for a deeper dive on GST..

Source: Wikipedia, Oracle, EY

28th GST COUNCIL MEETING UPDATES – RATE CHANGES FOR GOODS

Reduction in GST Rates – 28th GST Council Meeting

The 28th GST Council meeting saw a plethora of reductions in the GST rate, which are listed as follows:

Reduction in GST Rates from 28% to 18%

As per the 28th GST Council recommendations, the rate of the following goods were reduced from 28% to 18%:

- Paints and varnishes, including enamels and lacquers
- Glazier's putty, grafting putty, resin cements
- Refrigerators, freezers and other refrigerating or freezing equipment including water cooler, milk coolers, refrigerating equipment for leather industry, ice cream freezer etc.
- Washing machines
- Lithium ion batteries
- Vacuum cleaners
- Domestic electrical appliances – food grinders and mixers, food or vegetable juice extractors, shavers, hair clippers etc.
- Storage water heaters and immersion heaters, hair dryers, hand dryers, electric smoothing irons etc.
- Televisions up to the size of 68 cm
- Special purpose motor vehicles – crane lorries, fire fighting vehicle, concrete mixer lorries, spraying lorries
- Works trucks which are self-propelled, not fitted with lifting or handling equipment which are used in factories, warehouses, dock areas or airports for short transport of goods
- Trailers and semi-trailers
- Miscellaneous articles such as scent sprays and similar toilet sprays, powder puffs and pads for the application of cosmetics or toilet preparations

Reduction in GST Rates from 28% to 12%

As per the 28th GST Council updates, the GST rate for fuel cell vehicles was reduced from 28% to 12%. In addition, the 28th GST Council also decided to remove the previously applicable compensation Cess on fuel cell vehicles.

Reduction in GST Rates from 18% to 12%

- Bamboo flooring
- Brass kerosene pressure stove
- Hand operated rubber roller
- Zip and slide fasteners
- Handbags including pouches and purses, Jewellery box
- Wooden frames for painting, photographs, mirrors etc.
- Art ware of cork, including articles of sholapith
- Stone art ware, stone inlay work
- Ornamental framed mirrors
- Glass statues, other than those of crystal
- Glass art ware including pots, jars, votive, cask, cake cover, tulip bottle, vase
- Art ware of iron
- Art ware of brass, copper / copper alloys, electro plated with nickel / silver
- Aluminum art ware
- Handcrafted lamps including panchloga lamp
- Worked vegetable or mineral carving, articles thereof, articles of wax, of stearin, of natural gums or natural resins or of modelling pastes, including articles of lac, shellac
- Ganjifa card

Reduction in GST Rates from 18% to 5%

As per the 28th GST Council meeting highlights, the GST rates of the following goods were reduced from 18% to 5%:

- Ethanol for sale to oil marketing companies for blending with fuel
- Solid bio fuel pellets

Reduction in GST Rates from 12% to 5%

As per the 28th GST Council meeting news, the GST rates of the following goods was reduced from 12% to 5%:

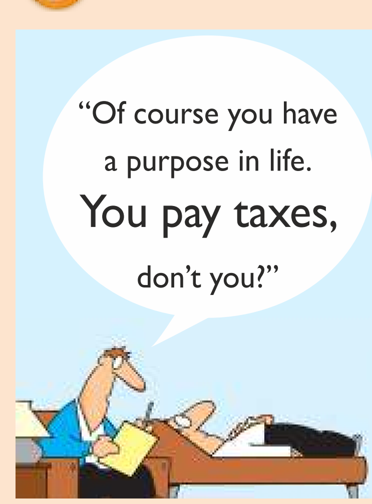
- Chenille fabrics and other fabrics
- Handloom dari
- Phosphoric acid – fertilizer grade only
- Knitted cap / topi having retail sale value not exceeding INR 1000
- Handmade carpets and other handmade textile floor coverings, including namda / gabba
- Handmade lace
- Hand woven tapestries
- Hand-made braids and ornamental trimming in the piece
- Toran

Reduction in GST Rates to 0%

This was probably the most lauded section of the 28th GST Council changes. At the 28th GST Council meeting, the GST rate for the following goods were culled down to 0%:

- Stone / Marble / Wood Deities
- Rakhi (other than that of precious or semi-precious material)
- Sanitary Napkins
- Coir pith compost
- Sal Leaves, siali leaves and their products
- Sabai Rope
- Phool Bhari Jhadoo which is a raw material for brooms
- Khali dona
- Circulation and commemorative coins, sold by Security Printing and Minting Corporation of India Ltd to the Ministry of Finance

Smile Corner



Clarifications in GST Rates – For specific goods

Apart from GST rate reductions, certain clarifications with regards to GST rates of certain goods also formed part of the 28th GST Council highlights.

Fabrics

Fabrics attract GST at the rate of 5%, but it was subject to the condition, that refund of accumulated ITC because of inverted duty structure will not be allowed. However, considering the difficulties faced by the fabric sector, it was decided in the 28th GST Council meeting, that the refund will henceforth be allowed – and the same will be applicable on all purchases post the notification is issued.

Footwear

A GST rate of 5%, which was earlier applicable to footwear priced up to INR 500, will now be extended to footwear priced up to INR 1000. Footwear having a retail sale price of more than INR 1000, will continue to attract 18% GST.

Other Clarifications

Milk enriched with vitamins or minerals salt (fortified milk) will be exempt from GST

Water supplied for public purposes (other than in sealed containers) will be exempt from GST

5% GST will be charged on Pool Issue Price (PIP) of Urea imported on government accounts for direct agriculture use, instead of assessable value plus custom duty

5% GST will be charged on both treated (modified) tamarind kernel powder and plain (unmodified) tamarind kernel powder

5% GST will be charged on beet and cane sugar, including refined beet and cane sugar

5% GST will be charged on marine engines

5% GST will be charged on unpolished kota stone and similar stones (other than marble and granite)

18% GST will be charged on ready to use polished kota stone and similar stones (other than marble and granite)

Coal rejects from washery, arising out of Cess paid coal on which ITC has not been taken, will be exempt from GST compensation Cess

Post these changes, the most important 28th GST Council news doing the rounds is, that only 35 goods now remain in the highest tax bracket i.e. 28% – a huge relief for household consumers. The 28th meeting of the GST Council has indeed paved the way for a more simplified GST tax bracket, and one can hope that it will continue to get even more simplified in the days to come

Freedom from Fear – Avoid GST Mismatches and Notices

Over the past few months, several businesses across the nation have been plagued with GST notices from the government. If reports are to be believed, there has been a nearly 34% of GST mismatch or underpayment of GST, amounting to an overwhelming deficit of INR 34,400 Crores. Both taxpayers and firms have been served these notices, in response to all GST returns that have been filed between July and December 2017 – leading to a general feeling of fear surrounding GST compliance. As we start off yet another year as an independent nation, presenting a blog on how we can possibly get freedom from fear – and avoid GST mismatches and GST notices.

Reasons behind GST mismatch

To begin with, there are two major reasons, why GST mismatches occur. First, difference between the self-declared GST liability and available input tax credit, after one has filed summary returns in Form GSTR-3B, and provided invoice-wise details of all outward supplies in Form GSTR-1. Second, difference between values appearing in Form GSTR-3B and Form GSTR-2A i.e. the details of purchases from one's suppliers. Quite understandably, the latter reason is more crucial for the government, as any incorrect ITC allocation against the tax that is actually paid by the supplier, results in GST revenue loss.

Reasons behind GST mismatch

With the emergence of these GST mismatches and GST notices, it can be fairly assumed that the tax department's previous soft approach towards non-compliance may be coming to an end in the GST era. The government has gone about its business in a stern manner indeed, mandating a time of 30 days to all businesses who have received a notice. Upon issue of the notice, if no explanation is received within the stipulated date, it will be assumed that one has no explanation to provide, and the relevant proceedings will be initiated against a business. Not to forget the stringent GST procedures, which have stipulated an 18% interest on wrongly claimed ITC, which is bound to discourage tax evasion or manipulation practices. Thus, it is important that businesses know what is to be done to avoid GST mismatches and in turn, avoid GST penalties.

Steps you can take to avoid GST mismatch

Under such circumstances, what could a business possibly do to avoid GST mismatches, thus attaining freedom from GST notices?

Work with the right vendors

One of the first steps that can be taken is to work with the right set of GST compliant suppliers. Doing so will ensure, that at no point in time, is there any GST mismatch between the purchase details uploaded by a business and the data uploaded by its suppliers. This will eliminate the possibilities of varying ITC calculations, and could go a long way to ensure that the data in Form GSTR-3B and Form GSTR-2A is consistent.

Maintain records systematically

Another step, is the need for businesses to keep a close watch on the data being fed in while filing summary returns in Form GSTR-3B and while filing final returns in Form GSTR-1. This requires a fairly high degree of GST compliance concentration from businesses, which can only be made possible by adapting a systematic way of maintaining books of accounts and records of transactions. Quite understandably, those businesses who still go about manual records or who maintain business records on spreadsheets, would be finding it a tad difficult to bring in the necessary corrections, and that too within the short time-frame, which is available to respond to such notices. The need of the hour, naturally, is some automated system or GST software system, which enables a business to be compliant.

However, what is encouraging to note is, that even with the original return filing model having given way to a condensed model with Form GSTR-1 and Form GSTR-3B, the government is able to enforce a fair degree of GST compliance across the country. With the simplified return filing model knocking at the door, it will be the right time for businesses to adapt the right technology, and enjoy freedom from GST notices, avoid GST mismatches and stay away from hassles at the end of the day.

G NEWS

Publisher
Mehroof I. Manalody

Chief Editor
S. Thulaseedharan Pillai
AGM - Operations

Editor
Joseph M Thomas
HOD - Academics

Our pride

G-TEC HELPING HANDS

CHALAKKUDY

PAYYANNUR