Gearing up for GST-
Impact on the Printing Industry

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GST – EVOLVING LAW

The details, rules and processes of GST Law are evolving. All concerned would be well advised to keep a tab on further developments.

WHY GOODS AND SERVICES TAX

- Multiplicity of taxes
- Central Government – Excise Duty / Service Tax and State Governments – Sales Tax / Value Added Tax.
- Lack of harmonization and uniformity.
- Cascading effects and double taxation makes indigenous production uncompetitive against imported goods.
- The multiple tax structure and compliances scares away the investors, the costs are very high.

WHY GOODS AND SERVICES TAX

- No credit of Excise / Service Tax charged at the stage of manufacture to traders and vice-versa.
- No credit of state taxes paid in one state can be availed in other state(s).
- Due to liberalization of global markets, India needs to have rational indirect tax structure to effectively compete & grow.

WHAT IS GOODS AND SERVICES TAX

- GST is a comprehensive value added tax on goods and services.
- It is a destination based consumption tax, levied at multiple points during the production-distribution chain. It is passed to the ultimate consumer at the time of consumption of goods or services.
- It is levied and collected on value addition at each stage of sale / purchase of goods and services based on input tax credit method without state boundaries.

HOW WILL GST BENEFIT THE ECONOMY

- Create one common / single Indian market.

- By providing seamless credit of input tax across entire supply chain, it will remove the cascading effects of tax , thereby reducing the cost of indigenous goods and services and making them more competitive in the international market.

- Simplified and harmonized tax structure, rates and procedures across the country will lead to reduced compliance and administration cost for the government as a whole.

- Considered as a progressive system of taxation, it will bring Indian taxation system at par with system existent in developed countries.

- Widened tax base through promoting voluntary compliance.

CURRENT FRAGMENTED TAX SYSTEM

Tax

Centre

- Excise Duty except on alcohol, narcotics
- Customs duty on import/export
- Tax on services
- Tax on sale of newspapers and advertisements therein
- Inter-state Sales tax

State

- Sale/purchase of goods (except newspapers)
- Entry tax/Octroi/LBT
- Entertainment and Luxury taxes
- Tax on immovable property /stamp duties
- Electricity duty

TAXES TO BE SUBSUMED IN GST

Central / State Taxes

- Excise Duty, Additional E.D
- CVD/ SAD of Customs
- Service Tax
- VAT / CST
- Entertainment Tax levied by State
- Entry Tax
- Luxury Tax
- All surcharges and cesses which relate to supply of goods and services

TAXES THAT REMAIN POST GST

Tax

Centre

- Basic Customs Duty
- Excise on petroleum products
- Excise on tobacco products
- Taxes on transaction in stock markets and futures

State

- VAT on alcoholic liquor
- VAT on petroleum products
- Entertainment Taxes by local bodies
- Tax on immovable property/stamp duties
- Electricity duty

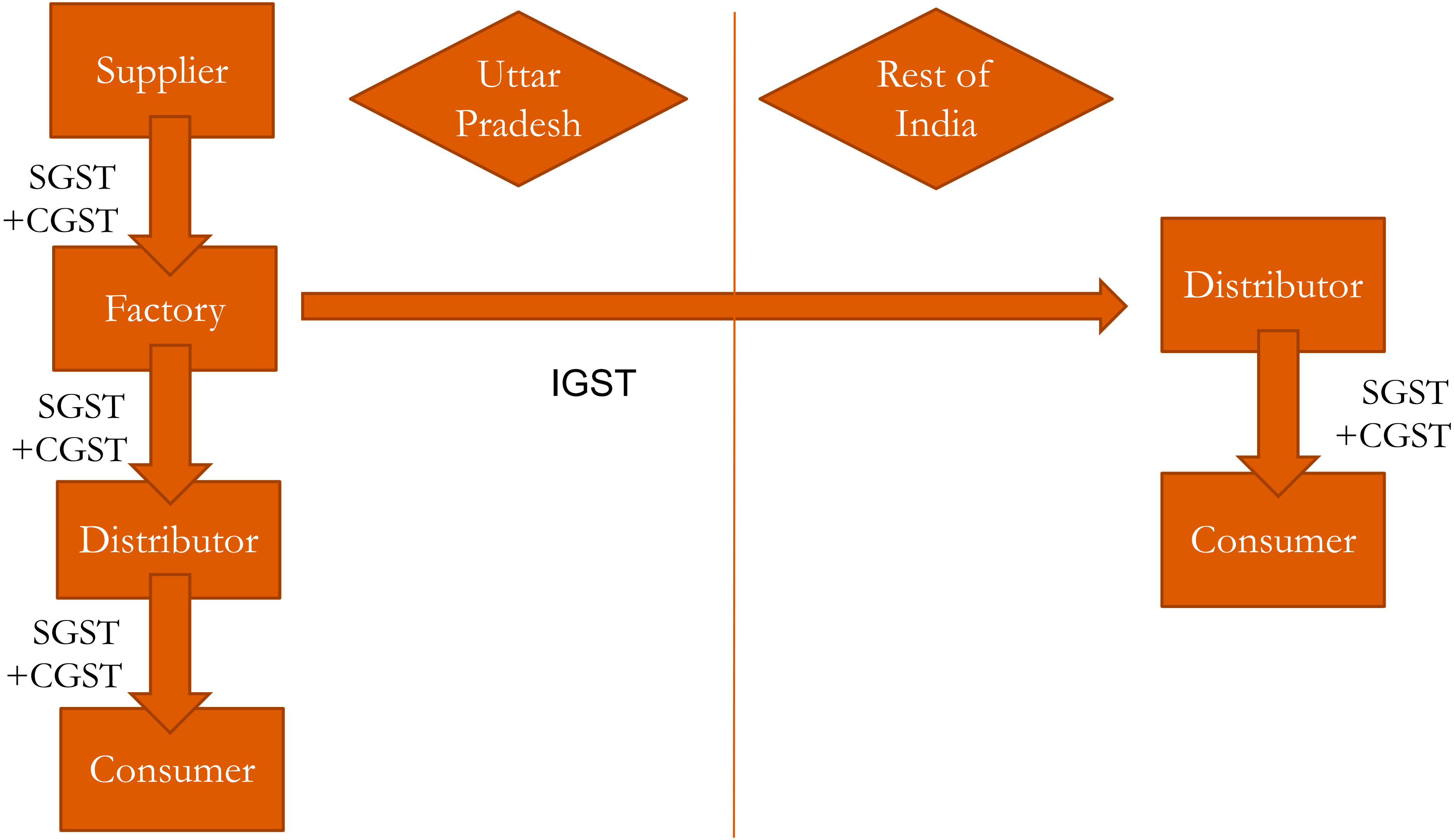
IDEAL GST v/s GOOD GST

- Principle of cooperative federalism is enshrined in our Constitution, so we cannot have an ideal GST but a good one will do.
- So we have two tax administration agencies – Centre and the State.
- Taxable Event – 'SUPPLY'.
- Intra state -CGST and SGST; Inter state –IGST – Multiple Statutes.
- Applicable on all transactions of goods and services made for a consideration in the course of business except Alcoholic Liquor, Petroleum Products.

GST ON EXPORTS & IMPORTS

- Exports would be zero rated.
- Along with Basic Customs Duty, IGST (CGST + SGST) will be levied on import of goods and services. It will follow the destination tax principle. Full ITC available on the GST paid on imports.

PROPOSED GST STRUCTURE



RATE OF GST

Merit Rate

- Essential Food grains - Exempt
- Necessary and daily use - 5%

Standard Rate I – 12%

Standard Rate II- 18%

Peak Rate – 28%

Luxury goods, Tobacco, Aerated Drinks – 28% + Cess

INPUT TAX CREDIT

- Every registered taxable person (RTP) shall be entitled to take credit of input tax charged on any supply of goods or services to him which are used or intended to be used in the course or furtherance of his business and The said amount shall be credited to the electronic credit ledger of such person

No RTP shall be entitled to the credit of any input tax unless following four conditions are satisfied:

- RTP is in possession of a tax invoice, debit note issued by a supplier registered under this Act, or such other *taxpaying document* as may be prescribed
- RTP has *received* the goods or services
- The tax charged in respect of such supply has been *actually paid by the supplier* to the credit of the appropriate government, either in cash or utilization of input tax credit admissible in respect of the said supply
- RTP has furnished the *return under section 34*

UTILIZATION OF ITC

Order of utilization

IGST	CGST	SGST
IGST	CGST	SGST
CGST	IGST	IGST
SGST		

Provisionally approved credit can be utilized.

Cross utilization of CGST and SGST is not allowed.

KEY COMPLIANCES

Filing of Returns	Due date
Submitting details of outward supplies	By the 10th of the following month
Submitting details of inward supplies	By the 15th of the following month
Filing monthly return	By the 20th of the following month
Payment of tax	By the 20th of the following month
Filing annual return	By the 31st of December following the end of such financial year
Payment of tax deducted at source to the credit of Government	Within 10 days after the end of the month
Filing return by registered taxable person required to deduct tax at source	Within 10 days after the end of the month
Persons registered under composition scheme	By the 18th of the following quarter

IMPACT AREAS IN CASE OF GST

GST enactment will impact tax structure, tax incidence, tax payment, tax computation.

Cost competitiveness of printing industry would improve with the unification of fragmented domestic market.

IMPACT AREAS IN CASE OF GST

- Cash Flow
- Contracts / Agreements
- Pricing
- Record keeping
- IT System
- Supply Chain
- Operations

IMPACT AREAS IN CASE OF GST

The real impact of GST on the industry can only be assessed after the effective rate is finalized. Transportation, logistics cost, taxes on input raw material would also affect the business decisions.

HOWEVER, GST WILL HAVE AN OVERALL POSITIVE IMPACT ON THE PRINTING INDUSTRY.

Present v/s Proposed Structure for Printing Industry

PRESENT V/S PROPOSED TAX STRUCTURE

Business Model	Present					
	Excise / BCD / CVD / SAD		VAT/ CST		Service Tax(on RCM)	
	Input	Output	Input	Output	Input	Output
Manufacturer	✔	✔	✔	✖	✔	✖
Importer	✔	✖	✔	✖	✔	✖
Distributor	✔	✖	✔	✔	✔	✖
Design Services	✔	✖	✖	✖	✖	✔
Printer	✔	✔	✔	✔	✔	✖
Publisher	✔	✔	✔	✔	✔	✔

Business Model	Proposed				Remarks
	BCD		GST		
	Input	Output	Input	Output	
Manufacturer	✖	✖	✔	✔	- GST shall be charged on each supply and credit shall be eligible - Credit of taxes on purchase shall be available - CST will be subsumed in GST and credit shall be available - GST will subsume multiple taxes thereby removing cascading impact
Importer	✔	✖	✖	✖	
Distributor	✖	✖	✔	✔	
Design Services	✖	✖	✔	✔	
Printer	✖	✖	✔	✔	
Publisher	✖	✖	✔	✔	

TRANSITION TO GST

It is very important on the part of taxpayers / assesses to keep a check on their readiness for a smooth transition into GST regime. We have to analyze, plan, implement, prepare for and get ready for the mammoth change knocking at our doors.

With just few months to go tax payers should gear up and initiate the process of identifying potential issues that might emerge while transitioning to GST.

TRANSITION FROM THE EXISTING INDIRECT TAX LAWS

- Computing the incremental tax impact on the existing supply chain
- Making a list of creditable and non-creditable taxes
- Carrying forward of available / un-utilized CENVAT credit
- Vendor consolidation and Communication
- Pricing policies and promotional schemes
- Contractual Agreements
- I-T readiness
- Inter-unit transfer of goods
- Change in working capital requirements
- Optimization of supply chain
- Compliances

TRANSITION FROM THE EXISTING INDIRECT TAX LAWS

It is advisable for the industry to plan its transition to the GST regime in advance to enable the three key objectives-

- No business disruption as on the cut over date.
- 100% compliance of all legal and procedural requirements under the new law.
- Managing opportunities effectively to generate business value.

Goods & Services Tax (GST)

Tax compliance will be easier with the simplified tax regime

The advantages to trade and industry are clearly evident

All this will give a further fillip to the economy

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