

## **GST HEADLINES**

### **January 20, 2017**

**Textile Industry Seeks 5% Duty under GST**

*[Source: The Hindu]*

**Budget 2017: For GST Success, a Single, Uniform  
Outlook by Centre, States is a Must**

*[Source: The Financial Express]*

# Textile Industry Seeks 5% Duty under GST

The textile industry wants a uniform duty of 5% under the Goods and Services Tax (GST), which is expected to be rolled out from July this year.

The Centre had announced special packages for the apparel sector in June last year and for made-ups (an article manufactured and/or stitched from any type of cloth, other than a garment) in December.

The industry was expecting a special package for power loom sector to be announced shortly.

“We do not expect any major announcement in the budget,” a spokesperson for the industry said.

## Focus on GST

“The government has already announced packages for different segments of the industry. But the focus is on GST,” the spokesperson said. Till the GST is rolled out, “we hope there will be no changes in the optional CENVAT that is implemented now,” said M. Senthil Kumar, Chairman, Southern India Mills’ Association.

## Lowest slab

The textile and clothing sector has sought the lowest duty slab of 5% without exemptions for any segment of the value chain, according to industry representatives.

About 60% of the Indian textile industry is cotton-based and 80% of textile and clothing exports are also cotton-based.

# **Budget 2017: For GST Success, a Single, Uniform Outlook by Centre, States is a Must**



The ninth meeting of the GST Council will go down in history as one of its most crucial one, where the prickly issues of dual control and jurisdiction of the coastal states were discussed and solutions were agreed upon between the Centre and the states—a commendable feat achieved in record time. Further, the finance minister announced July 1, 2017, as the new target date for GST to come alive. Looking at all indications, GST is poised to finally see the light of day. Given the new implementation date, there is not much time between now and July 1 when one looks at the to-do list for the government as well as businesses.

At the top of the list is the finalisation of all important GST rates. The discussion on the GST rates and classification of goods and services under the rate slabs of 0%, 5%, 12%, 18% and 28% is yet to be concluded. Businesses are waiting with bated breath to understand this last but most important facet of the GST reform. Given the way the discussions and decisions on the dual-control issue played out in the GST Council, it is but natural that a conclusion on an universally-acceptable rate classification would also require a considerable length of time. In the next Council meeting, scheduled for February 18, ideally, a draft of the goods and services classification should be circulated for discussion so that a final decision can be taken in the subsequent meeting. This will also help states firm up their FY18 budgets and assist businesses in finalising their GST impact studies.

The indirect tax eco-system consists of various stakeholders. The prominent ones are taxpayers, tax administrators and the tax advisors. All stakeholders play their respective roles in such a manner that there is harmony and balance in the eco-system. The GST would be a revolutionary tax system whereby technology will disrupt the way these stakeholders function. Innovation and digitisation are the new mantras. While, on the one hand, the taxpayers expect the new system to be simple and certain, on the other, tax administrators worry about likely abuse and hence tend to make the system complex. A very strong and user-friendly IT mechanism would go long way in bridging this gap. The focus should be more on how to make the system simple and effective so that it can be used seamlessly by even the smallest taxpayer rather than making it complex fearing abuse by a few. The GST Network (GSTN) is expected to cater to these requirements.

The indirect tax function in an organisation is also poised to undergo significant change. Apart from technical skills, additional skills such as big-data analysis, risk-control mechanics, etc, will be in demand as the details of every B2B transaction in the country are expected to be uploaded on to the GSTN (subject to prescribed threshold limits). The sheer volume of data and the reconciliation that one is expected to do on a monthly basis would warrant IT intervention, and achieving all this manually is simply ruled out.

Coming back to the dual-control issue, the agreed distribution of the assesseees between the Centre and the states looks very simple prima facie and has to be worked out in detail. The agreement for assessing and auditing taxpayers deals with those who are registered and have been filing returns. The distribution of enforcement/anti-evasion powers between the Centre and the states needs to be also agreed upon. Certain protocols and procedures need to be meticulously followed by both the authorities in dealing with such cases. Since the GST would be a destination-based consumption tax, any additional assessment of tax would accrue to the destination state where the ultimate consumption has taken place. While it is irrelevant for the CGST authorities, it is not known whether the destination state GST authorities would get involved or the origin state GST authorities would get involved in a case where tax has been sought to be evaded on inter-state transactions. Or, is it that the IGST authority, which is the CGST authority, alone will be tasked with dealing with tax evasion cases relating to inter-state supply of goods and/or services? These and many more questions require answers before the new tax is rolled out. Assessments and audits are still a year-and-a-half away at the

least, and there is perhaps enough time to agree to the detailed procedures. However, anti-tax evasion and enforcement measures should be in place from day-1 to be fair to the honest taxpayers.

Another important aspect of GST is the interpretation of the GST law and rules across the country. For GST to succeed, it is imperative that it is uniformly applied by the Union and state GST authorities and therefore it is extremely necessary to have a joint approach for a single and uniform outlook which is applicable consistently across the country. Otherwise, it will lead to litigation across the country. A joint GST policy team should be formed, comprising representatives from the CGST and SGST authorities. This team should be entrusted the work of uniformly interpreting the GST law and rules and issue clarifications/ instructions which would be uniformly applicable across the country. The current roles of the Tax Research Unit (at the Centre) and the VAT policy departments (at the state level) need to be merged and entrusted to the joint GST policy team. This will go a long way in achieving the much sought after uniformity in application of the indirect tax laws.

The upcoming Budget 2017 offers the opportunity to announce proposals completely aligned to the GST implementation. There is just not enough time left for getting GST ready. GST implementation is back, right at the centre of the discussion tables!

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