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REPORT ON AWARENESS SEMINAR ON “IMPLICATIONS OF GOODS AND SERVICES TAX (GST) ON INDIAN HANDICRAFT SECTOR AT NEW DELHI ON 20th JUNE, 2015”. AT THE CONFERENCE HALL, 3RD FLOOR, RAJIV GANDHI HANDICRAFTS BHAVAN, BABA KHARAK SINGH MARG, CONNAUGHT PLACE, NEW DELHI

The Export Promotion Council for Handicrafts regularly conducts seminars for member exporters to educate on new and emerging issues related to exports and how to maximize the same. On 20th of June, the Council held a seminar on “**IMPLICATIONS OF GOODS AND SERVICES TAX (GST) ON INDIAN HANDICRAFT SECTOR**” at the Rajiv Gandhi Handicrafts Bhavan, Baba Kharak Singh Marg, Cannaught Place, New Delhi.



Participants registering in the seminar



Mr Verma sharing his inputs on GST



Participants in the Seminar



The seminar was attended by around 35 delegates and the guest speaker for the event was Attorney Bipin Kumar Verma, Partner, Lakshmikumaran and Sridharan which is one of the biggest law firms in India.

Introduction of an Goods and Services Tax (GST) to replace the existing multiple tax structures of Centre and State taxes is not only desirable but imperative in the emerging economic environment. Increasingly, services are used or consumed in production and distribution of goods and vice versa. Separate taxation of goods and services often requires splitting of transactions value into value of goods and services for taxation, which leads to greater complexities, administration and compliances costs. Integration of various Central and State taxes into a GST system would make it possible to give full credit for inputs taxes collected. GST, being a destination-based consumption tax based on VAT principle, would also greatly help in removing economic distortions caused by present complex tax structure and will help in development of a common national market.

After the opening ceremony of the event, Mr Verma began the session. Mr. Verma started the session by introducing himself and sharing his past experiences in the industry as well as in the government department. He mentioned how tax system can impact the any business. He began with discussing the various indirect taxes levied by Government of India. He also gave detail about the implications of these taxes.

Mr Verma explained that the proposal to introduce a national level Goods and Services Tax (GST) by April 1, 2010 was first mooted in the Budget Speech for the financial year 2006-07. Since the proposal involved reform/restructuring of not only indirect taxes levied by the Centre but also the

States, the responsibility of preparing a Design and Road Map for the implementation of GST was assigned to the Empowered Committee of State Finance Ministers (EC). In April, 2008, the EC a report to the titled "A Model and Roadmap for Goods and Services Tax (GST) in India" containing broad recommendations about the structure and design of GST. In response to the report, the Department of Revenue made some suggestions to be incorporated in the design and structure of proposed GST. Based on inputs from GoI and States, The EC released its First Discussion Paper on Goods and Services Tax in India on the 10th of November, 2009 with the objective of generating a debate and obtaining inputs from all stakeholders.

In order to take the GST related work further, a Joint Working Group consisting of officers from Central as well as State Government was constituted. This was further trifurcated into three Sub-Working Groups to work separately on draft legislations required for GST, process/forms to be followed in GST regime and IT infrastructure development needed for smooth functioning of proposed GST. In addition, an Empowered Group for development of IT Systems required for Goods and Services Tax regime has been set up under the chairmanship of Dr. Nandan Nilekani.

A draft of the Constitutional Amendment Bill has been prepared and has been sent to the EC for obtaining views of the States. GST bill was passed in Lok sabha in the last session and is expected to get approval from Rajya sabha in the next session.

Questions put up by the participants –

Q: WHO WILL LEVY GST?

The Bill proposes that the GST Council shall recommend for setting up of an Integrated GST (IGST). However, only the centre may levy and collect GST on supplies in the course of inter-state trade or commerce. The tax collected would be divided between the centre and the states in a manner to be provided by Parliament, by law, on the recommendations of the GST Council.

Q: How can the burden of tax, in general, fall under GST?

Ans: The present forms of CENVAT and State VAT have remained incomplete in removing fully the cascading burden of taxes already paid at earlier stages. Besides, there are several other taxes, which both the Central Government and the State Government levy on production, manufacture and distributive trade, where no set-off is available in the form of input tax credit. These taxes add to the cost of goods and services through "tax on tax" 34 which the final consumer has to bear. Since, with the introduction of

GST, all the cascading effects of CENVAT and service tax would be removed with a continuous chain of set-off from the producer's point to the retailer's point, other major Central and State taxes would be subsumed in GST and CST will also be phased out, the final net burden of tax on goods, under GST would, in general, fall. Since there would be a transparent and complete chain of set-offs, this will help widening the coverage of tax base and improve tax compliance. This may lead to higher generation of revenues which may in turn lead to the possibility of lowering of average tax burden.

Q: How will GST benefit the exporters?

Ans: The subsuming of major Central and State taxes in GST, complete and comprehensive setoff of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

Q: How will GST benefit the small entrepreneurs and small traders?

Ans: The present threshold prescribed in different State VAT Acts below which VAT is not applicable varies from State to State. The existing threshold of goods under State VAT is Rs. 5 lakhs for a majority of bigger States and a lower threshold for North Eastern States and Special Category States. A uniform State GST threshold across States is desirable and, therefore, the Empowered Committee has recommended that a threshold of gross annual turnover of Rs. 10 lakh both for goods and services for all the States and Union Territories may be adopted with adequate compensation for the States (particularly, the States in North-Eastern Region and Special Category States) where lower threshold had prevailed in the VAT regime. Keeping in view the interest of small traders and small scale industries and to avoid dual control, the States considered that the threshold for Central GST for goods may be kept at Rs.1.5 crore and the threshold for services should also be appropriately high. This raising of threshold will protect the interest of small traders.

The seminar was concluded after giving vote of thanks to all the participants and the honourable guest speaker of the seminar.

We welcome suggestions and feedback to make this initiative more productive. Do write to us at: focusregion@epch.com.