NES RATNAM COLLEGE OF ARTS, SCIENCE & COMMERCE

MIRAGE

Road Ahead for Accounting

GST

NEW VISION

M.COM

A/Y 2017-18

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FROM EDITOR'S DESK

The college Magazine team works to bring out the annual official M.Com Magazine of Post Graduate department of commerce in Assessment year 2017-2018 on the Theme " Goods & Service Tax (GST) " topped off with lots of information and endurance.

We, the Editors are propitious to be a part of it. " Goods & Service Tax" – It comprises a range of accounting models designed to correct problems arising from historical cost accounting in the in the presence of high inflation and hyperinflation."

Thanks to our Co-ordinator Mr. Rajiv Mishra for having faith on us to launch the Magazine for M.Com Department.

We hope you will enjoy every bit of "MIRAGE"

Happy reading cheers......!!!

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ABOUT US

Established in the 1983 the National Education Society"s Ratnam College of Arts, Science and Commerce has evolved as an institution which believes that along with academic excellence, formal education must ideally seek and include programmers & processes aimed at character & personality building. So, at Ratnam we go beyond the confines of class room teaching /learning and endeavor to make each and every Ratnamite well-honed and confident to face the challenges of the outside world. The institution has an array of co-curricular & extra-curricular activities to give opportuni- ties to budding talented students to express themselves.

The college has been the proud recipient of ISO 9001:2000 Certificate on April 14, 2002 - first of its kind in Maharashtra for any education institu- tion for conforming to world standard in education. Our Institution was the re- cipient of the best College Award in the Urban Area by the University of Mum- bai for the Academic Year 2013-14.

The National Assessment and Accreditation council (NAAC) an autonomous body established by the University Grant Commission (UGC) of India to assess and accredit institutions of higher education in the country certified us with an „A" Grade in 2004, reaffirmed the status in 2011 and in 2017 to achieve a hat trick of „A" .

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GST ~ A GAME CHANGER

Introduction:

GST, The Goods and Services Tax is one of the most discussed topics in the current scenario. In simple words we can describe The Goods and Services Tax (GST) as a value-added tax levied on most goods and services sold for domestic consumption. The GST is paid by con- sumers, but it is remitted to the government by the businesses selling the goods and ser- vices. In effect, the Goods and Services Tax provides revenue for the government. The GST has created a lot of buzz since its inception and has been discussed all over India by all the professionals. The impact of GST has been such that each and every one all over the country, whether concerned with it or not has been trying to breakdown the said term. GST in India is implemented with the propaganda of **“One nation one Tax”** and it has been one of the very important factors all over the world as it has made certain outstanding dif- ferences in the economic structures of some countries. Though in India the GST roll-out is expected to boost the economy by at least 2 per cent in the coming years, some experts and analysts believe that the short-term impact of GST can be neutral or it may be nega- tive even. In the long run, the GST will be beneficial to all as it is expected to help cur- tail tax evasion and check price rises. Moving on further, now we are about to crack the term GST (i.e. the goods and services tax).

GST in India:

Goods and service tax has taken India by the storm as it is believed that it will bring in **“One nation one tax”** to unite indirect taxes under one umbrella and facilitate Indian businesses to be globally competitive. In India GST has been implemented with a view to provide efficient tax collection, reducing corruption, easy movement of goods, provide with meticulous tax calculation system while providing better economic functionality and reducing tax evasion. The Goods and Services Tax has revolutionized the Indian taxa- tion system. In India the GST Act was passed in the Lok Sabha on **29th March, 2017** and came into effect from **1st of July, 2017** however it took drastically long enough for the act to be implemented. The other thing to be taken care of is that India has the highest rate of GST at 18% compared to some other emerging market economies of the world. India has two types of GST hence it called as duel GST model which includes CGST (Central Goods and Services Tax) and SGST (State Goods and Services Tax). The GST in India was imple- mented after so many controversies, so let us have a look at the timeline of the GST imple- mentation in India.

CSGT

Central GST is referred as CGST, applicable on supplies within the state. Tax collected will be shared to Centre.

SGST

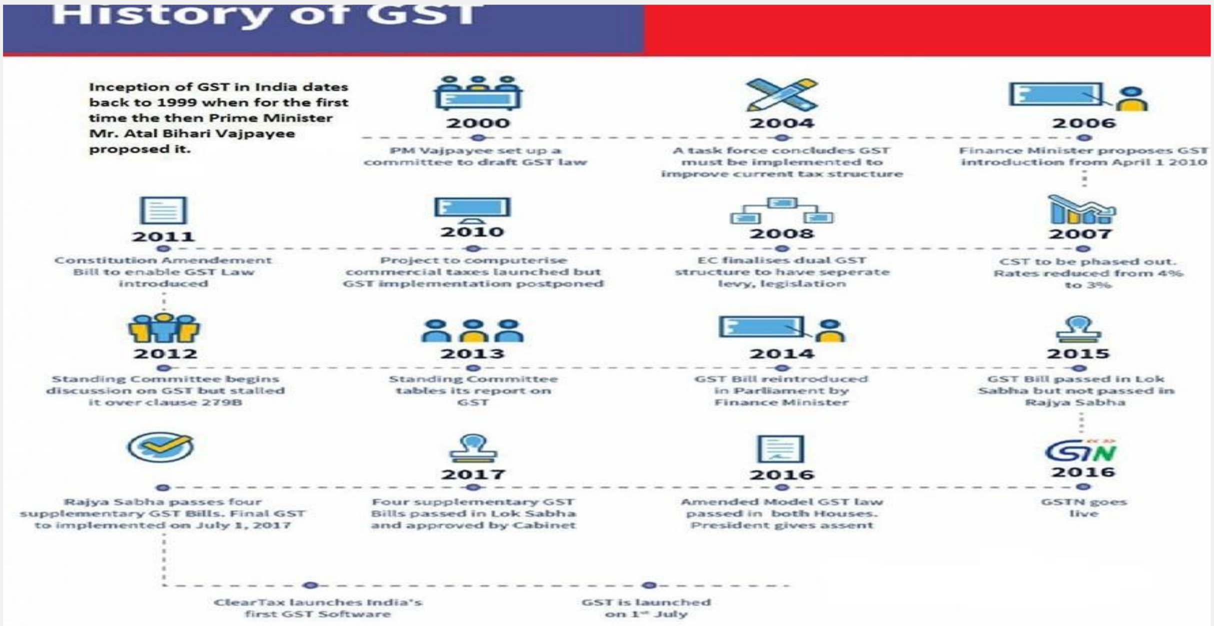
State GST is referred as SGST, applicable on supplies within the state. Tax collected will be shared to State.

UTSGT

Union Territory GST is referred as UTGST, applicable on supplies within the union territory. Tax collected will be shared to State.

ISGT

Integrated GST is referred as IGST, applicable on interstate and import transactions. Tax collected is shared between Centre and State.



Here are four impacts GST will have in the near term:

- **Shaking up corporate operations:** The new tax regime will force many companies to restructure their operations. Companies will now insist vendors and suppliers to furnish invoices as GST will make it impossible for firms to evade taxes. Big companies stand to benefit as they have a supply chain in order and can redeem taxes paid on inputs. Smaller firms may end up spending more as a compliance cost will rise.

- **Passing on the benefit of lower tax:** The benefits of the reduction in the tax rate and input credit shall be passed on by a commensurate reduction in prices—such measures are difficult to implement and would be a retrograde step, similar to price controls, if implemented in haste, Nomura added. Companies may use the savings from tax outgo under the GST regime to im- prove profit margin to some extent and invest the rest in building new capacities.

- **Inflation may remain low**.: Most of the services are not accounted in the consumer price CPI inflation basket and, hence the higher GST rates may not get reflected in the retail price movement as measured by the government data. There are services like health, education, mis- cellaneous segment, transportation are outside the scope of GST. —Hence, GST implementa- tion of CPI impact will be minimal. We estimate that GST will have a neutral impact on head- line CPI, forecasting the average inflation at 4-4.5% during 2017-18.

- **Economic growth may not jump immediately** The immediate impact of GST, it slow growth in the short term as big companies reorganize their businesses and as small firms lose reve- nue.—the tax reform will be beneficial to the economy in the medium to long term.

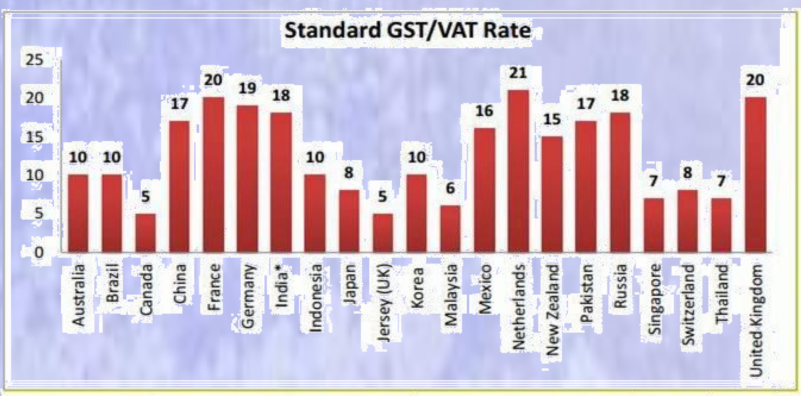
Traveling will be anti-inflationary with GST levied only 5%

Some historic trends of GST in various countries of the world:

Russia did the same in the year 1991 whereas Saudi Arabia plans to implement a single unified taxation in the year 2018.Despite being a major economy in the world The Unit- ed States of America does not have GST states however, enjoy high autonomy in taxation. China had implemented GST in the year1994 and later on in 2016 Beijing completed Value Added Tax (VAT) reforms to replace its conflicting business tax system ceasing and doing away with business tax and other taxes and switching to VAT contributed to bursting of the Chinese real estate bubble. Japan introduced consumption tax in 1989 at a rate of 3 percent which later on in the year 1997 was increased to 5 percent and the Asian country had to face the recession. In 2012 i t doubled the tax to 10 percent but had to delay the tax increase to October 2019.In Malaysia too, after the 26 years of debate implementation of GST was possible in 2015 at 6 percent. Australia introduced GST in 2000 where the implementation was quite smooth compared to other coun- tries. The rate was fixed at 10 percent but now it plans to increase GST rate to 15 percent. New Zealand introduced GST in 1986 at a rate of 10 percent and had to change the rates twice, 12.5 percent in 1989 and 15 percent in 2010.Singapore introduced GST in 1994 at a rate of 7 per- cent. Austria introduced GST at a rate of 20 percent, Sw eden at 25 percent and Pakistan at 17 percent. It can be observed from the above trend that the GST has always been on a constant hike wherever and in whichever country it was implemented.

In the **Asia Pacific geography**, there are above 40 models of GST applications which are cur- rently running through the system of various economies in the world which includes a diverse set of rules and regulations. As again watching over the **difference in Indian GST vs Foreign GST**, countries like New Zealand and Singapore have been applying the taxes on everything at a single and consistent rate. While Indonesia has a total of five possible accepted rates with zero rates includ- ed and also bearing above 30 exemptions within it. After the European and Asia Pacific market, the China has maintained the GST applications over the goods and the conditioned provision of repairs, processing and replacement assisted services, which also means that it is restrictedly collected on goods which are consumed in the manufacturing process as the fixed asset goods and service tax in foreign countries like China is not under recoverable terms.

Going to the far shores, in Australia, the GST is a federal tax, which is collected by the supreme authority and thus di- vided further among the states without any conflict arising through the process. Now look- ing to Canada model of GST, the country governs the taxation re- gime under 3 schemes, i.e. Fed- eral GST, Joint federal and sep- arate federal. Federal tax is gen- erally accepted tax system while joint federal is run on the basis of synchronized behavior of the economy and states and the last one separate federal which only applies to the Quebec as it is deemed as a quasi-independent province.



*Note: * The GST structure ranges between 5%-28% with majority to commodities falling under 18% bracket.*

Source: OECD (2016) and CBEC

Talking about the Brazil model of GST, it is much independent and carefree in comparison to other nations and has a dividing rule of taxes between the states and the center. In all cases, GST rates are prefixed between 16 to 20 percent and India has somehow taken the cues from this and jotted down the similar pattern. Finally, the great beginning is about to flash in the Indian economy because the speculated taxpaying community is likely to get a growth of 5 to 6 times than the current figure.

As the accompanying chart shows, barring Canada, the threshold for GST applicability in other countries is higher than in India. A higher threshold was desirable as it would have reduced the tax burden on small businesses.

Particulars	India	Canada	UK	Singapore	Malaysia
Name of GST in the country	Goods and s ervice tax	Federal Goods and Service Tax & Harmonized	Value Added Tax	Goods and Service tax	Goods and Service tax
Standard Rate	0% (for food staples), 5%, 12%, 18% and 28% (+ Cess for luxury items)	GST 5% and HST varies from 0% to 15%	20%Reduced rates- 5 %, exempt, zero rated	7% Reduced rates- Zero rated, exempt	6%
Threshold exemption Limit	20 lakhs (10 lakhs for NE states)	Canadian $ 30,000 (Approx Rs. 15.6 lakhs in INR	£ 73,000 (Approx Rs. 61.32 lakhs)	Singapore $ 1 million (Approx Rs. 4.8 crore)	MYR 500,000 (Approx Rs. 75 lakhs)
Liability arises on	Accrual basis: Issue of invoice OR Receipt of payment - earlier	Accrual basis: The date of issue of invoice ORthe date of receipt of payment- earlier.	Accrual Basis: Invoice OR Payment OR Supply - earliest Cash basis (T/O upto 1.35 mn): Payment	Accrual Basis: Issue of invoice OR Receipt of payment OR Supply - earliest Cash basis: (T/O upto SGD$1mn): Payment	Accrual Basis: Delivery of goods OR Issue of invoice OR Receipt of payment
Returns and payments	Monthly and annual return	Monthly, quarterly or annually based on turnover	Usually quarterly. Small business option annual	Usually quarterly Business option-Monthly returns.	Large organsations-Monthly
Reverse charge Mechanism	Apply on goods (new) as well as services (currently under Service tax)	Reverse charge applies to importation of services and intangible properties.	Applicable	Reverse charge applies to supply of services	Reverse charge applies to imported services
Exempt services	Manufacture ofexempted goods or Provision of exempted services (to be notified)	Real estate, Financial Services, Rent (Residence), Charities, Health, Education	Medical, Education, Finance, Insurance, Postal services	Real estate, Financial services, Residential rental	Basic food, Health Transportation, Residential property, Agricultural land

Soft drinks and flavoured water have been placed under the highest tax slab of 28% with an additional cess.

Facts on GST

The government of India has been preparing for the introduction of "Goods and Services Tax" for over a year now. Here are some fascinating facts that you need to know about the GST.

- **It has been 17 years since GST was first conceptualised in India.**

That's right! In the year 2000, the Vajpayee government started a discussion on GST by setting up an empowered committee headed by Asim Dasgupta. He was the then Finance Minister of West Bengal.

- **About 160 countries in the world have the GST.**

Presently, there are around 160 countries that have implemented the GST or VAT in some form or the other. France was the first country to have introduced GST. India, being a federal country, is going to have a dual-GST structure – Central GST and State GST. The only other country with a dual GST is Canada.

- **Rate of GST**

Globally, the standard GST rate varies from 1.5% in Aruba to 27% in Hungary. The GST Council in India has proposed a four-tier rate structure with two standard rates – 12% and 18%, a lower rate of 5% for the essentials and a higher rate of 28% for the luxury goods and sin goods. The government may even levy a cess on sin goods over and above the higher rate of 28%. The cess will fulfill two purposes – discourage the consumption of sin goods and source additional revenue to compensate the States

- **33 GST Acts will be passed.**

An act of a legislature lists rules and regulations and empowers the government to enforce the said rules. For the nationwide implementation of GST, 33 GST Acts would be required :

Particulars	Number of acts
Central GST Act	1
Integrated GST Act	1
State GST Acts:	-
States	29
Union Territories	2
Total	33

- **How will GST benefit the economy?**

GST will ensure seamless flow of credit across the supply chain, thus overcoming the inflationary effects of cascading of taxes.

Further, GST will open up the Indian economy to FDI by foreign investors who are reluctant to invest in India due to its complicated tax structure.

- **GST is a tax on supply.**

The taxable events for the existing indirect taxes are sale, manufacture, provision of service or import. For GST, the taxable event is a supply of goods and/or services. This term covers within its ambit all kinds of existing taxable events.

- **Definition of goods and services under GST**

Goods has been defined to mean every kind of movable property. Services have been defined as "anything other than goods". If we go by the literal meaning of this definition, even immovable property will be treated as services for the purpose of GST.

- **Growth Rate Increased**

After GST Implementation the export of goods and service will become competitive due to of Nil Effect of taxes done on goods and service. As per the Research by NCAER GST is an Important key revolution in Indian Economy. It Could Increase the GDP up to 0.9 to 1.7 percentage. As per the trade experts the growth will be around 1 to 2 percentage after the implementation of GST. This will not only create new jobs for people but also increase the productivity.

- **Alcoholic liquor for human consumption has been kept outside the scope of GST**

No need to celebrate, alcoholics! State excise duties and VAT will still be applicable on alcoholic liquor for human consumption. A few other petroleum products have also been kept outside the scope of GST for the time being, but the same may be brought under the ambit of GST at a later date. Excise duties and VAT would continue to apply on such items till such date.

- **Tobacco shall be leviable to existing taxes as well as GST.**

The power to levy Excise duty on tobacco has been retained in the Constitution. Further, it has not been kept outside the scope of GST. So, it is safe to assume that the government plans to levy both the taxes on Tobacco and Tobacco products

- **The Recipient shall be entitled to credit only if the supplier pays tax to the government.**

The GSTN system would match the details of tax paid by the supplier to the details of credit claimed by the recipient. In case the recipient claims excess credit, it shall be disallowed automatically till the time the return is rectified. This system motivates the recipient to keep a check on his supplier. The government has shifted its burden of ensuring compliance of GST system to the recipient of supplies.

- **Prison on Tax Evasion**

If any business has tax evasion of above 5 crore will be non Bailable. In this there is a provision of jail to 5 years. Interest on tax payment up to 18 percent may be requires.

- **Reduce tax rate**

Before applying the GST you have to pay the Tax up to 30 -35 percent during purchasing of goods. But after applying the GST the tax slab reduced and the tax percent came down up to 20 –25 percent.

Televisions, refrigerators, & air-conditioners are set to go up by 4-5%; proposed at 28% GST on the consumer electronics.

Inspirational Stories

Onceuponatime,averystrongwoodcutteraskedforajobinatimbermerchantandhegotit. The pay was really good and so was the work condition. For those reasons, the woodcutter was determined to do his best.

Hisbossgavehimanaxeandshowedhimtheareawherehesupposedto work. The first day, the

woodcutter brought 18 trees.

“Congratulations,” the boss said. “Go on that way!”

Verymotivatedbythebosswords,thewoodcuttertriedharderthenextday,buthecouldonly bring 15 trees. The third day he tried even harder, but he could only bring 10 trees. Day after day he was bringing less and less trees.

“I must be losing my strength”, the woodcutter thought. He went to the boss and apologized, saying that he could not understand what was going on.

“When was the last time you sharpened your axe?” the boss asked.

“Sharpen? I had no time to sharpen my axe. I have been very busy trying to cut trees…”

Reflection:

Our lives are like that. We sometimes get so busy that we don’t take time to sharpen the “axe”. In today’s world, it seems that everyone is busier than ever, but less happy that ever.

Why is that? Could it be that we have forgotten how to stay “sharp”? There’s nothing wrong with activity and hard work. But we should not get so busy that we neglect the truly important things in life, like our personal life, taking time to get close to our Creator, giving more time for our family, taking time to read etc.

We all need time to relax, to think and meditate, to learn and grow. If we don’t take the time to sharpen the “axe”, we will become dull and lose our effectiveness.

GST is a destination based tax. The states that supply will have to pay less tax.

Mann ki Baat ~ On Financial Trends

Demonetization: "It is a corrective step by the government. I consider demonetization as an Investment". However there will be little impact in the financial system for the short period, but it will be helpful to us for the long term.

Priyanka Shinde
M.Com (Part II)

Make In India: The aim of launching this campaign in India is to make India a world level manufacturing powerhouse which will definitely help in solving the biggest issue of Indian economy. Youths of the India have enough talent, skill, discipline, and determination to get the goal.

Veena Panchal
M.Com (Part II)

New currency: Introduction of new currency demonetization of Rupees 50 & 200, the design is done keeping in consideration various factors like ease of transaction for the common man, replacement of soiled bank notes & Inflation.

Tabasum
M.Com (Part I)

Digital India: The Vision of Digital India Progremme is to transform India into a digital Empowered society. The Government citizens aims to empower every Indian citizen and enable business to transact easily and efficiently.

Tukaram Rane
M.Com (Part I)

GST will ensure seamless flow of credit across the supply chain, thus overcoming the inflationary effects of cascading of taxes. It Could Increase the GDP up to 0.9 to 1.7 percentage.

Ganesh Malum
M.Com (Part I)

GST rates for the entertainment tickets is 28%. This is at par with casinos and five-star hotels.

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