

What is GST?

- GST (Goods and Service Tax) is a comprehensive tax on the supply of goods and services at each stage of any transaction.
- It is charged on the value added at each stage and providing input tax credit on value added at every previous stage.
- Therefore, the final consumer only bears the tax charged by the last dealer.

How does GST work?

- The following example will help understand how the model of GST functions:

Stage of supply chain	Purchase input	Value addition	Value of goods supplied to next stage	Rate %	Output tax (1)	Input credit (2)	Net tax (3)=(1)-(2)
Manufacturer	100 + 10 (GST)	30	130	10	13	10	3
Wholesaler	130	20	150	10	15	13	2
Retailer	150	10	160	10	16	15	1

- From the above example, you can see that net tax charged is directly attributable to the value addition in that particular stage and input credit is available to the recipient of a supply if he is engaged in business activity.

What all taxes will be replaced by the introduction of GST?

- GST is a single tax charged on the entire supply chain.
- Considering the services provided by the Stock Holding Corporation of India Ltd (SHCIL) the taxes charged are Service tax, VAT, Luxury Tax and other Cesses.

- It is to believe that GST would replace most of the taxes that are currently being charged by SHCIL.

When will GST be implemented?

- The Government intends to implement GST from April 1st 2017. However, we believe that it will not be delayed beyond September 2017.

What is the dual model in GST? How does it work?

- There will be 2 components in the GST model- Central GST (CGST) and State GST (SGST).
- Both the Central Government and the State Government will levy tax on every supply of goods and services other than those exempt, outside the purview of GST.
- On any supply, Central Government will levy and collect CGST and simultaneously State will levy and recover SGST.
- The following illustration shows how a transaction will be charged simultaneously under Central GST and State GST:
- Suppose the rate of CGST is 10% and that of SGST is 10%. When a stock broking company located in Mumbai (Maharashtra State) supplies demat services to its' customers located within the State of Maharashtra for, let us say Rs. 100, the broking company would charge CGST of Rs. 10 as well as SGST of Rs. 10 to the basic value of the service.

What is IGST? How will it work?

- Integrated GST (IGST) would be levied and collected by the Central Government on all inter-state supply of goods and services.
- It will be the sum of State GST and Central GST on all inter-state supply of goods and services.

- The seller will pay IGST to the Central Government after adjusting available credit of IGST, Central GST and State GST.
- The following illustration shows how a transaction will be charged to IGST:
Suppose the rate of CGST is 10% and that of SGST is 10%. Then IGST rate will probably be 20%. So, now when a stock broking company located in Mumbai (Maharashtra State) supplies demat services to its' customers located within the State of Tamil Nadu (different state) for, let us say Rs. 100, the broking company would charge IGST of Rs. 20 to the basic value of the service.

What is the expected rate of GST on services offered by SHCIL?

- As explained, there would be a dual rate structure in GST.
- There are four bands of GST rates being proposed - 5%, 12%, 18% and 28%.
- The entire rate schedule for each commodity/ service is not yet disclosed by the Government.
- It is expected that services offered by SHCIL will most likely be charged at 18% GST (9% CGST + 9% SGST or 18% IGST).

How will GST impact the customers of SHCIL?

- The customers of SHCIL (being non-business entities) may face an increase in the prices directly proportionate to the increase in rate to 18% from current service tax rate of 15%.

What are the compliance requirements if a business entity wants to take credit?

- If a business entity wants to take credit of GST charged the following requirements must be fulfilled
 1. The customer must possess a valid GST Tax Identification Number (TIN).
 2. The customer must intimate the correct GST TIN to SHCIL.
 3. The customer must comply with the requirement of GST returns which are to be uploaded online.

What are the changes in KYC requirements of SHCIL?

- The customers (business entities) will need to provide their GST registration number along with a copy of their registration certificate.