

What's New

News Flash



June 2016

Draft Model GST law issued

The draft model Goods and Services Tax ("GST") law was issued today by the Government. Based on the draft law, the Central Government and each of the State Governments would draft their respective Central and State GST Acts to levy GST on intra-State supply of goods and services. Further, a draft of the Integrated GST (IGST) Act, which will govern the levy of GST on inter-State supplies by the Central Government, was also issued.

In addition to the model GST law, draft rules to determine the value of the taxable supplies for levy of GST were also made available.

PwC Comments:

As compared to the previous draft law released on a tax reporting website, significant work seems to have been done by the Government on this draft. While this flash is not aimed at providing a complete analysis of the draft law, some of the important amendments as compared with the previous draft are as under:

1. The provisions to determine place of supply have been shifted from GST Act to IGST Act. This will ensure that there is no inconsistency between Central GST Act and any State GST Act for determination of place of supply.
2. Provisions to determine place of supply of goods have been amended significantly to determine place of supply for in-transit sales as well as bill to-ship to transactions.
3. Provisions of tax collection at source have been proposed to be introduced for e-commerce companies.
4. Detailed transition provisions have been introduced.

Some of the concerns raised on the previous draft of the law, such as inclusion of securities in the definition of 'goods' remain unaddressed. Further, fundamentally, the most complex aspects of GST are the provisions that would allocate the right to tax services to various States. In this aspect, this draft is a work in progress. For example, default place of supply of services to a registered person is the place where such person is registered. However, a person can be registered in several States, and the determination of appropriate State is not addressed in the provisions. Hence, it can be said that this draft is work in progress for supply of services. Despite this, the official release of the draft law provides significant visibility to industry, and highlights the Government's intention to move ahead with the introduction of GST. Industry would now need to analyse the provisions of the draft law in detail and commence the preparations for transition from the existing indirect tax regime to GST.

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PwC TRS Team

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