Role of GST on Import Sector in India

Dr. Ruchi Dwevedi
Asst. Prof., Department of Economics, Arya Mahila PG College, Shajhanpur

Abstract

India is one of the fastest growing economies in the world and is becoming a new global production center. While production activity is increasing, both import and export are witnessing the expansion of foreign trade. The Indian parliament has introduced the goods and services tax (GST) in India since July 2017. Undoubtedly this movement is historical in the history of the Indian economy. The transition to the GST law seems to be the next big step since the Indian economic reforms in the 1990s. The government is already preparing to implement the GST in time by strengthening the IT backbone. But at the same time there are some aspects that contradict the growth story and that can be considered as a time-consuming obstacle to overcoming the GST implementation. With the implementation of the goods and services tax (GST), there is no influence on the imposition of basic tariffs, education levies, anti-dumping duties and import duties. Additional rates, usually referred to as special customs tariffs (SAD) and countervailing duties (CVD), will however be replaced by taxable costs for integrated goods and services (IGST). This white paper tries to investigate the impact of GST on importers.

Introduction

In the previous tax system, import duties were levied, such as customs duties, countervailing duties (equal to consumption tax) and special additional duties (equivalent to value added tax). In the context of the reformed tax, the Integrated Goods and Services Tax (IGST) replaces the former indirect tax levied on imports of goods and services. However, some exceptions, such as imports of pan masala and petroleum products, continue to exercise compensatory tasks. In addition to the IGST, rights, disciplinary and other protective duties, such as anti-dumping duties and security obligations, continue to apply to imports of certain goods that have been transferred from previous tax legislation. Only IGST will be charged for service import. Imports under GST are treated as deliveries between countries.

Since GST is a destination-based tax, IGST is charged in the state where imported goods are consumed and import services are received. The IGST can be paid using the central product and service tax (CGST), the goods and services tax (SGST) and the tax deduction for IGST. Tax deductions are credits that can be used by the dealer for taxes paid by the dealer when paying the final tax on sales.

For CGST and SGST, cross-use of tax reductions is not allowed. That is, the entrance tax credit is only available CGST and IGST CGST and SGST deduction of input tax is available only for the payment of SGST and IGST. GST is a destination-based tax on the consumption of goods or services. It is also the government policy of the Indian government to deliver goods and / or services without tax. Exporters would therefore offer an Indian product or service cheaper than allowing a competitive advantage in the international market.

GST's definition of India

CGST Act, which in Section 2 (56) of 2017 defines "India", India is the Indian territory, the territorial waters, seabed and the waters off the coast to inhabit, continental shelf, the exclusive economic zone or the territorial sea and the continental shelf in Article 1 Constitution exclusive economic zones and other maritime zones Act (80 of 1976), the other maritime areas and the airspace over the territory and the territorial waters referred to in Meaning of import and export

Section 2 (5) defines the IGST law, and 2017 means that "export of goods" leaves the country outside India with grammatical variations and similarities.

Section 2 (10) defines the IGST law and 2017 means "goods receipt" means importing goods from India from India to grammatical variations and similarities.

Meaning of import and export service

"Service import" as defined in section 2 (11) of the IGST Act, 2017, means the provision of services,

1. Service providers are located outside of India.
2. The recipient of the service is in India.
3. There is a service provider in India.

"Export of services" as defined in section 2 (6) of the IGST Act, 2017, means the provision of all services,

1. Service provider is in India.
2. The recipient of the service is outside of India.
3. The service provider is outside of India.
4. Payments for such services shall be received by exchangeable currency service providers. and
5. The service provider and the service provider do not have separate persons in accordance with explanation 1 of section 8 only.

Explanation

For purposes of this Act

- Establishment in India and other non-Indian facilities;
- Facilities located in the territory of the United States or the Union and other facilities outside the country, or
- Companies located in the state or territory of the Union and other institutions that have registered vertical activities on their territory of the State or on the territory of the Union are treated as facilities composed of individuals.

Impact of GST on import

- Import of cross-border supply - Imports to India are considered cross-border deliveries according to the Model GST Act, so an integrated goods and services tax (IGST) is charged in addition to BCD and other surcharges.
- Service import - if the recipient of the service is provided by someone outside of India, the GST model is responsible for paying taxes on the recipient of the service. This is similar to the current provisions for reverse invoices, where the service recipient has to pay taxes and file entries.
- Value-based valuation entity based on transactions - model The GST Act borrowed the valuation principle based on a transaction value from the current tax legislation to impose GST. This makes sense at the time of the tax burden, because the current CVD is imposed according to the MRP valuation principle. Under the new scheme, IGST, including CVD, is charged to the transaction price. This may also require a capital restructuring. This may also indicate the margins of service providers that are currently not true.
- Tax-free refunds - Under the new law, taxes paid during the income can be used as a credit for the "import and sell" model, but such credit is not available at the moment. Also, SAD refunds that are currently available and after certain compliance, such restrictions do not apply under GST.
- Current tax exemption - Current customs duties on imports may be revised, withdrawn or converted into a redemption mechanism due to multiple exemptions. This exemption may mean structural changes in the Regulation on Exemption related to exports under the FTP, which may be limited to the waiver BCD IGST, but cannot be waived. Revoke an exemption or radically change some of the remedies and implement the main FTP plans, etc. EGB, STP, prior approval when you switch to a reimbursement mechanism.
- Legislative Rules and Formats - The Indian government has revised the electronic and manual format for entering the entire process, including the delivery to add more details to the GSTIN admission statement, IGST rates and amounts, GST amount of the compensation and the amount of (Courier) Admissions Request Form

Tariff in accordance with the export promotion programs, including the European Championship Export Promotion Capital Goods import, DEEC (tax-free license concerning certificate) and DFIA (duty-free import license) according to the Export Promotion Scheme and the obligation to pay upon import GST regulations via EXIM Scrips will be deviated from). IGST and Compensation Cess may charge on income. According to government announcement, import and export management guidelines in accordance with Chapter 3 FTP export incentives can only be used for customs duties or additional duties for products that do not apply when import GST. This script cannot be used to pay integrated tax and offset tax. You cannot use scrip to pay CGST, SGST or IGST for domestic purchase.

EOUs and special economic zones

Export-oriented companies / EHTPs / STPs can import goods without payment of ordinary customs duties (BCD) and additional duties on land that must be imposed on the customs tariff Act Article 3 (1) and 3 (5). GST is charged for imports of goods or services used in the manufacture of EOUs and can be considered as an import tax credit (ITC). Authorized business activities related to the free economic zone are exempt from IGST.

Import projects: 18% of the tariffs are imposed on all goods according to the project delivery schedule.

Baggage

IGST is exempt from passenger baggage. However, basic customs duty is levied at 35%. In addition, training procedures can be applied to values that are higher than the exception allowance provided in the 2016 luggage policy.

How to calculate GST rate for import

Manufacturers, service providers and traders of the product imported goods / services may be credited against the liability calculated IGST pay for the importation of goods / services. However, the credit of the BCD is not provided to the proposed GST method. For example, "X" imported goods worth INR 10,000 and costs a bit to produce the final product. 10% of the basic rate imposed imported products manufactured goods subject to INR 45,000 and GST. Cost of goods was 10,000 won, the BCD was an increase of 10% in the cost of imported goods 11,000 won, was taxed with 5% (550) CGST and 7% (770) SGST additional cost of imported goods. BCD makes INR 12,320.

When these imported goods are in the states CGST and 45,000 for 5% (2,250) imports and SGST calculates the sales value for INR 50,400 for imports of 7% (3,150). The income of the product / service is considered as a weekly delivery of the goods and is subject to the IGST tax. The import of goods, however, still has to attract Basic Customs Duty (BCD) in addition to IGST. Manufacturers, service providers and traders of the product imported goods / services may be credited against the liability calculated IGST pay for the importation of goods / services. However, the credit of the BCD is not provided to the proposed GST method. For example, "X" imported goods worth INR 10,000 and costs a bit to produce the final product. 10% of the basic rate imposed imported products manufactured goods subject to INR 45,000 and GST. Cost of goods was 10,000 won, the BCD was an increase of 10% in the cost of imported goods 11,000 won, was taxed with 5% (550) CGST and 7% (770) SGST additional cost of imported goods. BCD makes INR 12,320. If the imported product calculates the sales value at 5% (2,250) imports and SGST at 50,400 INR for imports of 45,000 or 7% (3,150) for CGST, the service revenues under GST are taxable as follows:

- Service providers are outside of India.
- The recipient of the service is in India.
- Service providers are in India. and
- The service provider and the recipient of the service are not just a separate person.

Transitional provision

It is important to note that if a service is imported after July 1, 2017, the entity may be liable to tax under the GST law, even if the transaction commenced before July 1, 2017. If the service import tax is partially paid under the previous law, the new tax invoice is required to pay the balance sheet.

Tax refund procedure

Importers must submit a monthly tax return under GST. According to the previous law, importers must file tax returns in accordance with the tax legislation of the state in accordance with the central tax law on goods purchases (goods imports) and countervailing duties. During the revenue report for the month, the importer must declare imported goods in table 5 of the GSTR-2 form and declare imported goods in table 6 of the GSTR-2 form.

Conclusion

India is the fastest growing economy in the world and is ahead of the Chinese economy. India has the seventh largest economy in the world. The most important tool for evaluating all countries is the reserves (including reserves, current and capital accounts). One of the most important factors contributing to the economic growth of a country is trade (import and export). It is therefore important to have the performance of the watch trade not only on the domestic market, but also on the international market. Implementation of the regime will be a gamble for all industrial sectors. After the implementation of GST, the business structure of India will change and important changes will occur in the impact of international trade (import and export) of goods through changes in standard tariff calculations.

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