

Bill Summary

Model Integrated Goods and Services Tax Bill

- The Central Bureau of Excise and Customs released the Model Integrated Goods and Services Tax Bill in November 2016. The Model Bill provides for the levy of the Integrated Goods and Services Tax (IGST) by the centre.
- **Levy of IGST:** The centre will levy IGST in the case of (i) inter-state supply of goods and services, (ii) imports and exports, and (iii) supplies to and from special economic zones. Supply includes sale, transfer, exchange and lease made for a consideration to further a business. In addition, IGST will be levied on any supply which will not fall under the purview of the Central and State GST Acts.
- **Tax rates:** The tax rate of IGST will be recommended by the GST Council and will not exceed 28%.
- **Exemptions from IGST:** Exemptions made by the centre in the Central GST (CGST) Act will be applicable for the IGST Act. The GST Council will make recommendations on these exemptions.
- **Apportionment of IGST revenue:** The IGST revenue collected will be apportioned between the centre and the state where the supply of goods or services happened. The collected revenue will be apportioned to the central account by assuming a tax rate specified in the CGST Act. The rest will be apportioned to the state account.
- **Place of supply:** The Model Bill provides provisions based on which the place (state) of supply of goods and services will be determined. Such provisions differ for supply of goods and services.
 - **Place of supply of goods:** In cases where a good has been moved to make its supply, the place of supply will be the final destination of the good. In other cases, place of supply will be the place where the good is received by the recipient.
 - **Place of supply of services:** Provisions with respect to determining place of supply rules have been specified in the Model Bill. However, such provisions may vary across certain specific services. For example, place of supply for services provided with respect to immovable properties (example: architects designing a building), will be the location of the immovable property. Such specific services provisions have also been made for supply of services such as catering services, sporting events, transportation of goods, telecommunications, etc.
 - **Input tax credit:** Every taxpayer while paying taxes on outputs, may take credit equivalent to taxes paid on inputs. The amount of input tax credit accrued under the Act can be used to pay taxes under: (i) IGST, (ii) CGST, and (iii) State GST, in the order.
 - **Application of provisions of CGST:** The provisions of the CGST Act with respect to registration, valuation, time of supply of goods and services, returns, refunds, prosecution, appeals will be applicable to the IGST Act.

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