

Import of Goods and Services: Comparison between Current Tax Regime and upcoming GST Regime:

- **Import of Goods under current Tax Regime:**

Under the present regime of indirect taxation, the procedures for import of goods are governed by the provisions of Customs Act, 1962, and Rules and Regulation framed thereunder. Currently, Customs Duties, which are charged on all imported goods, are comprised of:

1. Basic Customs Duty (BCD) as per the Customs Act, 1962; BCD is charged on c.i.f. value of imports (imports valued at cost including freight).
2. Additional Duty of Customs, commonly known as CVD, Countervailing Duty- it is levied under section 3(1) of the Customs Tariff Act, 1975, which is equal to the Excise Duty for the time being in force on an identical / similar /like product produced or manufactured in India; CVD is charged on value of imports inclusive of BCD
3. Special Additional duty (SAD): SAD leviable under Section 3(5) OF THE Customs Tariff Act, 1975. SAD was imposed through the Union Budget of 1998-99 to provide level playing field with respect to the burden of state and local taxes on domestic and imported goods. SAD is payable on value of imports inclusive of BCD
4. Other Additional Duties like Anti-Dumping Duty, Safeguard Duties etc.

The formula for calculating Customs Duties is: $V = (1+tbcd) \times (1+tcvd) \times (1+tsad)$, where
 $V = \text{Value of Import Goods}$; $tbcd = \text{Rate of BCD}$; $tcvd = \text{Rate of CVD}$; $tsad = \text{Rate of SAD}$

- **Import of Services under current Tax Regime:**

The import of services or receipt of services where a service provider is situated outside India by a service receiver located in India. The charging of such services is in India as per Reversed Service Charge mechanism as per the provisions of Notification No. 30/2012-ST dated 20-Jun-2012.

Further the Place of Provision of Services rules, 2012 also act as governing provision which determine the taxable territory.

- **Import of Goods and Services under GST Regime:**

The GST will be levied on imports with necessary Constitutional Amendments. Both CGST and SGST will be levied on import of goods and services into the country. The incidence of tax will follow the destination principle and the tax revenue in case of SGST will accrue to the State where the imported goods and services are consumed. Full and complete set-off will be available on the GST paid on import on goods and services.

Vide the Constitution (One Hundred and Twenty Second Amendment) Bill, 2014, the Constitution is proposed to be amended by inserting Article 269A, which is read as under:

“269A. (1) Goods and services tax on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council.”

“269A. (2) Parliament may, by law, formulate the principles for determining the place of supply, and when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.”

Explanation:

For the purposes of this clause, supply of goods, or of services, or both in the course of import into the territory of India shall be deemed to be supply of goods, or of services, or both in the course of inter-State trade or commerce.

Therefore, under the GST regime, supplies of goods and services, or both, that are in the course of inter-state trade and commerce. The Amendment Bill further proposes to treat supply of goods and services, in the course of import into the territory of India as though these are supplies in the course of inter-state trade or commerce.

The exclusive power to formulate rules for determining the place of supply of goods or/and services, will vest with the Parliament. Therefore, the Import transactions will be subjected to IGST under the GST framework.

The revised formula for calculating Customs Duties can be: $V = (1+tbcd) \times (1+tigst)$, where
V = Value of Import Goods; tbcd = Rate of BCD; tigst = Rate of integrated goods and service tax i.e., SGST+CGST

In the proposed GST regime, multiplicity of levies, in a manner of speaking, will ensue; CVD (levied in lieu of Excise duty) and SAD (levied in lieu of (VAT)) will be absorbed into IGST, yet, the following duties will not be subsumed but, will continue to be levied:

- (i) Basic Customs Duty,
- (ii) Anti-Dumping Duty,
- (iii) Safeguard Duties