Impact of GST on Jammu & Kashmir Taxation System — Study Report

Indirect Taxes Committee

The Institute of Chartered Accountants of India

(*Set up by an Act of Parliament*)

New Delhi

FOREWORD

Indian economy is likely to make paradigm shift in the system of Indirect Taxation by introduction of Goods and Services Tax (GST). Implementation of comprehensive GST in India is expected to lead to efficient allocation of factors of production thus, leading to economic gains, increased exports, enhanced economic welfare and returns. Considering the significant economic gains, the Government of India is taking various steps to introduce GST in near future. In this regard, as a latest step towards GST implementation, Government has introduced GST Business processes relating to Registration, Payment, Refund and Returns to help businesses and consumers to gear up for GST regime in India.

ICAI, as a partner to nation building supports various initiatives of the Government and is already gearing up its members for implementation of GST throughout the country. As its contribution to the objective ICAI is conducting various seminars/ workshops on GST. The Institute has also launched various study materials on GST like Background Material on GST, Discussion Paper on Key Transitional Issues in Proposed GST Regime, etc.

To add to this contribution the Indirect Taxes Committee of ICAI has recently prepared GST Study report for Jammu & Kashmir which is based on the discussions held with Hon'ble Finance Minister of Jammu & Kashmir. This Study Report entails the impact of GST implementation on Jammu & Kashmir economy, provides a comparative report on revenues under present and GST regime, analysis impact of GST for J&K based Traders, Industries, Consumers and so on.

I wholeheartedly compliment the efforts put in by the Indirect Taxes Committee of ICAI for undertaking this research and drafting this report. It is with such initiatives, the ICAI can make its mark and assist the Government in hassle-free GST implementation in India.

Date: 16.01.2016
Place: New Delhi

CA. Manoj Fadnis
President, ICAI

Message from Vice-President

Goods and Services Tax (GST) will subsume many Indirect Taxes currently levied at the Central as well as State Level. The proposed dual GST envisages taxation of supply of goods & services, simultaneously by both the Centre and the States. To implement GST in India, an *Empowered Committee of State Finance Ministers* has been constituted for drafting of Model CGST, SGST and IGST law. The Government has recently launched the GST Business processes of registration, payment, refund and return.

ICAI being proactive in its approach has undertaken various initiatives to update the members and other stakeholders at large to remain prepared for smooth implementation of GST in the country. These initiatives include various programmes/seminars, publications and research activities to understand the impact of GST etc. As its latest research initiative, the Indirect Taxes Committee of ICAI has come up with a report named ***"Impact of GST on Jammu & Kashmir Taxation System —Study Report"*** which as the name signifies entails the impact of GST implementation *viz a viz* present tax structure of Jammu and Kashmir (J&K) with the help of illustrations, actual budget values, comparative statements etc. It would be useful not only for J&K Government but also for J&K based Traders, Industries, Consumers etc.

I appreciate the hardwork and efforts put in by the Indirect Taxes Committee for bringing this report to its being. It is with help of such research initiatives that ICAI can make a contribution in creating awareness and implementing GST in India.

Date: 16.01.2016	**CA. M. Devaraja Reddy**
Place: New Delhi	**Vice-President, ICAI**

PREFACE

India is at the behest of implementing by far the most radical taxation -- the Goods and Services Tax (GST). The Government has recently issued four business process of GST *viz.* on registration, payment, refund and return seeking comments and feedback from stakeholders which shows the readiness of the Government of India to implement the GST in the Country at the earliest. The Institute of Chartered Accountants of India is proactively involved in the implementation of GST in India and has recently submitted a study report to the Government to enable smooth Transition from Pre-GST to Post- GST Regime and would also be submitting its suggestion on these business processes shortly.

This GST Study report for Jammu & Kashmir is being prepared based on deliberation held with Hon'ble Finance Minister of Jammu & Kashmir. The report contains comparative analysis of revenue of the State Government of Jammu & Kashmir in Present scenario *viz-a-viz* GST scenario along with the pros and cons for the trade and industry.

We are thankful to CA. Manoj Fadnis, President, ICAI & CA. M. Devaraja Reddy, Vice-President, ICAI for their support and encouragement to this initiative. We heartily compliment the efforts and support provided by Ms. Anu Malhotra, CA. Rohini Agarwal, CA. R K Gupta, CA. H L Madan, CA. Virender Chauhan, CA. Anil Sharma, CA. Deepak Kapahi, CA. Shalay Razdan, CA. Lalit Gupta, CA. Hardeep Aggarwal, CA. Geeta Sharma and other members of Study Group on Service Tax and GST in preparing this report. We must also compliment and appreciate the substantial assistance provided by the Indirect Taxes Committee's Secretariat in preparing this report.

CA. Atul Gupta
Chairman
Indirect Taxes Committee

CA. Shyamlal Agarwal
Vice-Chairman
Indirect Taxes Committee

Date: 16.01.2016
Place: New Delhi

Members of Study Group on Service Tax & GST – Jammu & Kashmir

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About The Institute of Chartered Accountants of India

The Institute of Chartered Accountants of India (ICAI) is a statutory body established under the Chartered Accountants Act, 1949, for regulating the profession of Chartered Accountants in India. ICAI has always remained at forefront in serving our nation and the society at large by establishing the sound financial prudence within the Country.

During its 66 years of glorious existence, ICAI has achieved recognition as a premier accounting body not only in the country but also globally for its contribution in the fields of education, professional development, maintenance of high accounting, auditing and ethical standards. We are proud to state that ICAI is the second largest accounting body in the whole world. ICAI has always been proactively supporting all endeavours of the Government as part of its role in aiding towards better governance.

About Indirect Taxes Committee

The Indirect Taxes Committee is one of the most important non-standing Committees of the ICAI. The main function of the committee is to examine the indirect taxes laws, rules, regulations, circulars, notifications etc., which may be enacted or issued by the Government from time to time and to send suitable memoranda containing suggestions for improvements in the respective legislation. The Indirect Taxes Committee actively facilitates the process of formulation of budget by offering pre-budget and post-budget suggestions/comments to simplify tax laws and their administration for the purpose of making it more responsive to tax payers.

Another important function of the Committee is to enhance the awareness/ knowledge of the members of the ICAI relating to indirect taxes and the potential opportunities offered by this area by organising workshops, certificate courses, seminars, e-learning and interactive programme independently as also with trade and industry.

Goods & Services Tax in India

One of the major tax reforms in the area of Indirect Taxes took place in 1994 with introduction of Service Tax in India. Another major reform took place in 2005 when sale tax was replaced by Value Added Tax (VAT). Year 2012 witnessed introduction of comprehensive approach of taxation of services i.e. all the services except the ones covered under the Negative List of services were made liable to service tax. The Indirect Taxes structure in India is multifaceted and complex which adversely affects competitiveness of trade and industry and growth of economy.

The Discussion Paper released by the Empowered Committee in 2009 had proposed a dual structure GST. A 'Dual rate structure' consisting of CGST [Central Goods and Services Tax] and SGST [State Goods and Services Tax] would be applicable on all transactions involving supply of goods and/or services for a 'consideration'. Both taxes would simultaneously apply on a transaction and principally on the same base. The Inter-State transaction of Goods and Services will be taxed vide Integrated GST (IGST) model. Bringing about an integration of all taxes levied on goods and services in a federal polity with sharp distribution of legislative powers, like India, would be a mammoth task. A harmonized, integrated and fully fledged GST would also call for constitutional amendment, IT infrastructure, sharing of resources between Centre & State, determination of Revenue Neutral Rate etc.

The implementation of GST will lead to the abolition of existing taxes such as excise duty, service tax, central sales tax, State-level sales tax, octroi, turnover tax, etc. thus avoiding multiple layers of taxation that currently exist in India. Another reason to go the GST way is to facilitate seamless credit across the entire supply chain and across all States under a common tax base which is not available in the current scenario. Introduction of GST would also rationalize tax content in product price, enhance the ability of companies to compete globally, and possibly trickle down to benefit the ultimate consumer.

The proposed dual-structure GST - the most ambitious and largest ever indirect tax reform in our country - seeks to create a common national market by bringing down fiscal barriers between the States. Its potential introduction is an incredible challenge considering the issues involving fiscal autonomy of the Centre and of the States. However, considering the testing times which our economy is currently going through, it becomes imperative to accelerate the GST implementation process as it is expected that GST may boost the GDP at least by two percentage points. The law makers should leave no stone unturned and be committed to usher in this tax, as soon as possible, not only to give a fillip to the slowing domestic economy but also to keep pace with the changing global indirect tax scenario.

JAMMU & KASHMIR – A Study Report on GST

The Institute of Chartered Accountants of India (ICAI) considers it a privilege to submit a Study Report on the implementation of GST in the State of Jammu & Kashmir to the Government of J&K.

The Study Report contains a comparative analysis of the Present tax regime *viz-a-viz* GST regime in Jammu & Kashmir for the consideration of the J&K Government. We believe that this report would help in providing a clarity towards implementation of GST in Jammu & Kashmir.

In case any further clarifications or data is considered necessary, we shall be pleased to furnish the same.

The contact details are:

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EXECUTIVE SUMMARY — GST IMPACT IN JAMMU & KASHMIR

Final Impact on Tax Collections under GST Regime

Final Impact on Tax Collections under GST Regime			***(Amount Rs. In Crores)***
Particulars	***Present Scenario***	***GST Scenario***	***Net Gain/ Loss***
Total Tax Collection from Traders [Local + Inter-state]	1,672.99	1,211.45	-461.54
Total Tax Collection from Industry [Local + Inter-state]	156.34	850.56	694.22
Total Tax Collection from Services	1,046.79	3,089.16	2,042.37
Entry Tax	142.50	-	-142.50
Toll Tax	551.98	-	-551.98
Entertainment Tax	0.52	-	-0.52
Total	***3571.12****	***5151.17***	***1,580.05***

* Refer Page 54

Implementation of GST in Jammu & Kashmir would result in net gain of Rs. 1580 crores in the revenue to the J&K Government. Though the government would lose on the revenue from Entry Tax, Toll Tax and Entertainment Tax but will also gain from increase in revenue from tax on services. For a detailed analysis and report please refer page no. 51 to 69.

ANALYSIS OF COST TO INDUSTRY UNDER PRESENT vs GST REGIME

Surplus to J&K's Industry						
S. No	**Particulars**	**Scenario**	**Refer Page No.**	**Present Tax Regime (A)**	**GST Regime (B)**	**Saving in Cost to Industry (A-B)**
1	Interstate Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer	Delhi Mfr. ---------> J&K Mfr.-----------> Punjab Dealer	22	80.81	78.60	2.21
2	Interstate Purchase from an Industry by a Manufacturer and Sale to Local Dealer	Delhi Mfr. ---------> J&K Mfr.-----------> J&K Dealer	26	80.81	78.60	2.21
3	Local Purchase from an Industry by a Manufacturer and Sale to Local Dealer	J&K Mfr. ---------> J&K Mfr.-----------> J&K Dealer	30	78.00	78.00	-
4	Local Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer	J&K Mfr. ---------> J&K Mfr.-----------> Punjab Dealer	34	78.00	78.00	-

The above analysis shows that there will be a saving in cost to Industry of Rs. 2.21 on approximate sale Price of Rs. 100. In other terms there is a benefit of 2.21% of the sale to the local Industry of J&K.

ANALYSIS OF COST TO TRADERS UNDER PRESENT vs GST REGIME

Surplus to J&K's Trade						
S. No	**Particulars**	**Scenario**	**Refer Page No.**	**Present Tax Regime (A)**	**GST Regime (B)**	**Saving in Cost to Industry & Traders (A-B)**
1.	Interstate Purchase from an Industry by a Trader and Sale to Interstate Dealer	Delhi Mfr. ---------> J&K Dealer-----------> Punjab Dealer	38	91.16	78.75	12.41
2.	Interstate Purchase from an Industry by a Trader and Sale to Local Dealer	Delhi Mfr. ---------> J&K Dealer-----------> J&K Dealer	42	91.16	78.75	12.41
3.	Local Purchase from an Industry by a Trader and Sale to Local Dealer *	J&K Mfr. ---------> J&K Dealer-----------> J&K Dealer	46	76.09	78.00	(1.91)**
4.	Local Purchase from an Industry by a Trader and Sale to Interstate Dealer *	J&K Mfr. ---------> J&K Dealer-----------> Punjab Dealer	50	76.09	78.00	(1.91)**

* In case of Local Purchase from an industry by a trader benefit of VAT remission would be available

** Refer Page 8

In case of Interstate Purchase from an Industry by a Trader, the above analysis shows that there will be a saving in cost to Traders of Rs. 12.41 on approximate sale Price of Rs. 100. However, in case of Local Purchase from an Industry by a Trader, there would be an increase in cost by Rs. 1.91 under GST scenario.

ANALYSIS OF COST TO BUYERS UNDER PRESENT vs GST REGIME

Saving in Cost to Buyers (Local Sales + Interstate Sales)						
S. No	**Particulars**	**Scenario**	**Refer Page No.**	**Present Tax Regime (A)**	**GST Regime (B)**	**Saving in Cost to Buyers (A-B)**
1	Interstate Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer	Delhi Mfr. ---------> J&K Mfr.-----------> Punjab Dealer	22	100.85	88.54	12.31
2	Interstate Purchase from an Industry by a Manufacturer and Sale to Local Dealer	Delhi Mfr. ---------> J&K Mfr.-----------> J&K Dealer	26	88.11	86.46	1.65
3	Local Purchase from an Industry by a Manufacturer and Sale to Local Dealer	J&K Mfr. ---------> J&K Mfr.-----------> J&K Dealer	30	85.04	85.80	(0.76)**
4	Local Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer	J&K Mfr. ---------> J&K Mfr.-----------> Punjab Dealer	34	96.53	85.80	10.73

** Refer Page 8

Upon implementation of GST, cost to local as well as Inter-state buyers would generally reduce as compared to the present scenario.

ANALYSIS OF COST TO BUYERS UNDER PRESENT vs GST REGIME

Saving in Cost to Buyers (Local Sales + Interstate Sales)						
S. No	**Particulars**	**Scenario**	**Refer Page No.**	**Present Tax Regime (A)**	**GST Regime (B)**	**Saving in Cost to Buyers (A-B)**
1.	Interstate Purchase from an Industry by a Trader and Sale to Interstate Dealer	Delhi Mfr. ---------> J&K Dealer-----------> Punjab Dealer	38	103.29	87.49	15.80
2.	Interstate Purchase from an Industry by a Trader and Sale to Local Dealer	Delhi Mfr. ---------> J&K Dealer-----------> J&K Dealer	42	100.28	86.63	13.65
3.	Local Purchase from an Industry by a Trader and Sale to Local Dealer	J&K Mfr. ---------> J&K Dealer-----------> J&K Dealer	46	83.70	85.80	(2.10)**
4.	Local Purchase from an Industry by a Trader and Sale to Interstate Dealer	J&K Mfr. ---------> J&K Dealer-----------> Punjab Dealer	50	86.21	85.80	0.41

* In case of Local Purchase from an industry by a trader benefit of VAT remission would be available

** In cases where the traders/ dealers face some loss, State Government may propose to provide them special status for a specific period and may compensate them from the additional earning under proposed GST Regime vs. Present Regime.

Upon implementation of GST, cost to local as well as Inter-state buyers would generally reduce as compared to the present scenario.

ANALYSIS OF COST WHEN J&K IS NOT ADOPTING GST

Saving in Cost to Traders & Industry When J&K not adopting GST				
Particulars	***Scenario***	***Present Tax Regime (A)***	***Non- GST Regime (B)***	***Net Cost (A-B)***
Interstate Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer	Delhi Mfr. -------> J&K Mfr.---------> Punjab Dealer	80.81	92.05	-11.24
Interstate Purchase from an Industry by a Manufacturer and Sale to Local Dealer	Delhi Mfr. -------> J&K Mfr.---------> J&K Dealer	80.81	92.05	-11.24
Interstate Purchase from an Industry by a Trader and Sale to Interstate Dealer	Delhi Mfr. -------> J&K Dealer------> Punjab Dealer	91.16	104.63	-13.46
Interstate Purchase from an Industry by a Trader and Sale to Local Dealer	Delhi Mfr. -------> J&K Dealer------> J&K Dealer	91.16	104.63	-13.46

Saving in Cost to Buyers When J&K not adopting GST				
Particulars	***Scenario***	***Present Tax Regime (A)***	***Non-GST Regime (B)***	***Net Cost (A-B)***
Interstate Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer	Delhi Mfr. ------> J&K Mfr.--------> Punjab Dealer	100.85	113.91	-13.07
Interstate Purchase from an Industry by a Manufacturer and Sale to Local Dealer	Delhi Mfr. ------> J&K Mfr.--------> J&K Dealer	88.11	100.36	-12.26
Interstate Purchase from an Industry by a Trader and Sale to Interstate Dealer	Delhi Mfr. ------> J&K Dealer---> Punjab Dealer	103.29	118.54	-15.25
Interstate Purchase from an Industry by a Trader and Sale to Local Dealer	Delhi Mfr. ------> J&K Dealer------> J&K Dealer	100.28	115.09	-14.81

In a situation where GST is not adopted by Jammu & Kashmir but is made applicable to the rest of the country, we may deduce that Cost to Traders & Industry as well as the Cost to Buyers would be negatively impacted and hence not adopting GST (when the same is applicable to rest of the country) would not bring in positive returns to J&K economy. Refer Pages 71 to 77

JAMMU & KASHMIR ECONOMY & BUDGETS

Jammu & Kashmir state with its varied and diversified geographic, agro-climate and topographic features poses peculiar and unique problems of development. Jammu and Kashmir's economy depends mainly on farming and animal husbandry. Though the manufacturing and services sector is small but it is growing rapidly. Several consumer goods companies have opened manufacturing units in the region. The growth as per advance estimates for the state during 2013-14 at current prices is projected at 15.54%. Similarly the State economy is expected to grow at 5.88% (advanced estimates at constant 2004-05 prices) during 2013-14 as compared to achievement of 5.51% in 2012-13 (quick estimates).

Source: ECONOMIC SURVEY, J&K 2013-14

Prior to understanding the impact of implementation of Goods & Services Tax in Jammu & Kashmir, let us have a brief understanding of the Jammu & Kashmir Budget for the year 2014-15. All through the report year 2013-14 has been taken for analysis. Following is the budget glance for the year 2014-15.

	Main Budget 2014-15				
	TABLE 1: BUDGET AT A GLANCE				
					Amount Rs. In Crores
	Items	**2012-13 (Actuals)**	**2013-14 (BE)**	**2013-14 (RE)**	**2014-15 (BE)**
A	Revenue Receipts	26217	339740	31227	39221
B	Revenue Expenditure	25117	28690	27617	32948
	Revenue Surplus (A–B)	**1100**	**5280**	**3610**	**6273**
C	Capital Receipts	5560	4098	5062	4322
D	Capital Expenditure	6660	9378	86712	10595
	Capital A/C Deficit (C–D)	**–1100**	**–5280**	**–3610**	**–6273**
E	Total Expenditure	31777	38068	36289	43543*
F	Total Receipts	31777	38068	36289	43543
	Budget Deficit	**0**	**0**	**0**	**0**

* Includes expenditure on account of CSS now merged into Plan.

Note : All entries have been adjusted for transfers from and to Public Account.

Main Budget 2014-15				
TABLE 2: BUDGET BASIC DETAILS				
				Amount Rs. In Crores
Items	**2012-13 (Actuals)**	**2013-14 (BE)**	**2013-14 (RE)**	**2014-15 (BE)**
Revenue Receipts				
i. Own Tax Revenue	5,833	6,700	6,820	7,496
ii. Non-Tax Revenue	2,160	3,033	3,400	3,561
iii. Share of Central Taxes	3,870	4,485	4,514	5,191
iv. Resources from Centre	14,354	19,752	16,493	22,973
Total Revenue Receipts (i+ii+iii+iv)	**26,217**	**33,970**	**31,227**	**39,221**
Revenue Expenditure				
i. Plan	1,104	1,564	1,564	3,395
ii. Non-Plan	23,560	27,096	26,023	29,553
of which: Interest payments	*2,707*	*3,300*	*3,300*	*3,470*
iii. CSS	453	30	30	-
Total Revenue Expenditure (i+ii+iii)	**25,117**	**28,690**	**27,617**	**32,948**

Items	**2012-13 (Actuals)**	**2013-14 (BE)**	**2013-14 (RE)**	**2014-15 (BE)**
Capital Receipts				
i. Provident Fund (Net)	1,689	1,287	1,287	1,415
ii. Borrowings and other liabilities	3,869	2,771	3,690	2,839
iii. Non-debt creating	2	40	85	68
Total Capital Receipts (i+ii+iii)	**5,560**	**4,098**	**5,062**	**4,322**
Capital Expenditure				
i. Plan	4,760	7,036	6,336	8,505
ii. Non-Plan	1,689	1,902	1,896	2,090
of which : Repayments	*1,343*	*1,231*	*1,231*	*1,297*
iii. CSS	211	440	440	-
Total Capital Expenditure (i+ii+iii)	**6,660**	**9,378**	**8,672**	**10,595**
Total Expenditure				
i. Plan Expenditure	5,864	8,600	7,900	11,900
ii. Non-Plan expenditure	25,249	28,998	27,919	31,643
iii. CSS	664	470	470	-
Total Expenditure (i+ii+iii)	**31,777**	**38,068**	**36,289**	**43,543**
Total Revenue				
i. Plan Revenue Receipts	10,274	15,650	11,683	19,193
ii. Non-Plan Revenue Receipts	15,943	18,320	19,544	20,028
iii.Capital Receipts	5,560	4,098	5,062	4,322
Total Revenue (i+ii+iii)	**31,777**	**38,068**	**36,289**	**43,543**
Non-Plan Revenue Gap	**-7,617**	**-8,776**	**-6,479**	**-9,525**
Revenue Surplus	**1,100**	**5,280**	**3,610**	**6,273**
Budget Deficit	**-**	**-**	**-**	**-**

Main Budget 2014-15				
TABLE 3: REVENUE RECEIPTS				
				Amount Rs. In Crores
Items	**2012-13 (Actuals)**	**2013-14 (BE)**	**2013-14 (RE)**	**2014-15 (BE)**
I. Resources from Centre				
i. Share of Central Taxes	**3,870**	**4,485**	**4,514**	**5,191**
Non-Plan Grants, of which				
Others	3,706	3,430	3,772	2,715
SRE and Cost Sharing	374	672	1,038	1,065
a. Total Non-plan grants	***4,080***	***4,102***	***4,810***	***3,780***
b. Plan Grants including CSS	10,274	15,650	11,683	19,193
ii.Total Grants from Centre (a+b)	**14,354**	**19,752**	**16,493**	**22,973**
I. Total Resources from Centre (i+ii)	***18,224***	***24,237***	***21,007***	***28,164***
				II. State's Own Revenues
State's Own Tax Revenues				
a. Sales Tax*	4,174	4,799	4,799	5,344
b. Excise Duty	421	423	442	462
c. Others	1,238	1,478	1,579	1,690
1. Total State's Own Tax Revenues (a+b+c)	**5,833**	**6,700**	**6,820**	**7,496**
2. Non-Tax Revenues, of which	**2,160**	**3,033**	**3,400**	**3,561**
Interest Receipts	*16*	*21*	*21*	*23*
II. Total State's Own Revenues (1+2)	***7,993***	***9,733***	***10,220***	***11,057***
Revenue Receipts (I+II)	***26,217***	***33,970***	***31,227***	***39,221***

Source: Budget at a Glance 2014-15

*** Comprises of VAT/GST/CST/ET/MST/ PT/ Stamps – Refer Page 51**

Goods & Services Tax in Jammu & Kashmir

Introduction

Chairman, Indirect Taxes Committee, ICAI had a meeting with Hon'ble Finance Minister of Jammu & Kashmir on 26th July, 2015 wherein it was agreed upon that Institute would submit a report to the Government of Jammu & Kashmir on benefits to the J&K Government if Goods and Services Tax is implemented in place of present various taxes prevailing in the State.

To gain a better understanding to undertake a comparative study another meeting was held on 9th September 2015 at Jammu wherein the revenue realized from different current taxes for J&K were analysed for making a study for proposed GST implementation in J&K. It was deduced that J&K may implement the Goods & Services Tax (GST) if the *status quo* of current state revenues is maintained for the minimum. There may be new additions & deductions from the revenue viz:-

Addition: New Sources of Revenue

(i) Inter-State purchase of goods or Services under B2B and consumed within the state

(ii) Incremental Revenue on Procurement of Local Services apart from 26 Services presently

(iii) Tax on Goods presently exempted and taxable in future

(iv) Additional tax on Inter State Sale/Branch Transfer

(v) Impact of remission in Present VAT- SRO91

Reduction: Loss of Revenue

(i) Taxes subsumed in GST & their value/collection i.e Toll Tax / Entry Tax / Entertainment Tax / Luxury Tax etc.

(ii) Inter-State sale of services presently covered under J&K General Sales Tax Act, if any.

(iii) Basic threshold impact 5 Lac to 10 Lac for services

(iv) Loss on Account of Revenue to the Inter State Sale or on account of Burnout taxes, if any

<u>Remission of VAT as per Notification No. SRO 91, Dated 16th March, 2006</u>

In addition to above the, the current scheme of tax remission needs to be taken into account. As per *Notification No. SRO 91, Dated 16th March, 2006- Remission of Tax* small, medium and large scale industrial units are entitled to remission of VAT upto 31st March, 2016 or till the State adopts the Goods and Services Tax Act, whichever is earlier. It has been provided that every registered industrial unit claiming tax remission shall make price adjustment in the selling price equivalent to the amount of tax chargeable on the finished goods sold, where after tax shall be charged on the net selling price so that the benefit of such price adjustment is passed on to the purchasing dealer/consumer.

For Example, a manufacturer sales goods worth Rs. 100 paying an Excise Duty @ 12.5% of Rs. 12.5. Now in order to make a price adjustment of VAT @ 13.5% (considering it to be inclusive in Rs. 112.5) the VAT would be calculated as [112.5/113.5*13.5] i.e. Rs. 13.38. Thus cost to manufacturer would be Rs. 86.62 [100 - 13.38], Excise would be Rs. 12.5 and VAT would be Rs. 13.38. Herein the amount of Rs. 13.38 would be a remission to the manufacturer. The cost to the purchaser would be Rs. 99.12 [86.62+12.5]. If the purchaser is manufacturer, he would not get the VAT credit of Rs. 13.38. However, the said VAT credit is available to Dealer/ Trader, if the purchase is made by him.

<u>Exemption from Excise as per Notification No. 56/2002 - Central Excise, Dated: November 14, 2002 & Notification No. 19/2008-Central Excise, Dated: March 27, 2008</u>

Another important notification to be taken into account for Manufacturers of J&K is *Notification No. 56/2002 - Central Excise, Dated: November 14, 2002*. CBEC vide this Notification has exempted goods specified in the First Schedule and the Second Schedule to the Central Excise Tariff Act, 1985 with certain exceptions from excise duty /additional duty of excise, equivalent to the amount of duty paid by the manufacturer of goods, other than the amount of duty paid by utilization of CENVAT credit under the CENVAT Credit Rules, 2002. For example: If the Output Excise Duty payable by the manufacturer is Rs. 100 and he has available CENVAT Credit of Rs. 40, the amount of Duty payable would be Rs. 60. Payment of Rs. 60 payable would be refunded to the assessee at the option of assessee as cash Refund or credit entry of refund may also be made in PLA account. However the above notification was amended vide *Notification No. 19/2008-Central Excise, Dated: March 27, 2008* to provide that the excise duty payment would be exempted for the duty payable on value addition undertaken in the manufacture of the said goods by the said unit. The duty payable on value addition would be equivalent to the amount calculated as a percentage of the total duty payable on the said excisable goods as specified in the said notification. The slab of rate provided in revised Notification is as follows:

No.	Chapter of the First Schedule	Description of goods	Rate
1.	29	All goods	29
2.	30	All goods	56
3.	33	All goods	56
4.	34	All goods	38
5.	38	All goods	34
6.	39	All goods	26
7.	40	Tyres, tubes and flaps	41
8.	72 or 73	All goods	39
9.	74	All goods	15
10.	76	All goods	36
11.	85	Electric motors and generators, electric generating sets and parts thereof	31
12.	Any chapter	Goods other than those mentioned above	36

For example: Sales Made Rs. 200, Purchases: Rs. 100, Excise Duty @ 10% = Rs. 20, CENVAT Credit Available: Rs. 10. Balance Duty payable: Rs. 10
Assuming that the Value Addition specified as per said notification is 36%, the Amount of Duty refundable would be 20*36% i.e. Rs. 7.2. CENVAT Credit Available is Rs. 10. This means duty refunded would be Rs. 7.2 against the Duty payment of Rs. 10.

In addition to above, following benefits are available to the Industry from the VAT department:

- Exemptions from the Entry Tax on Approved List of Goods
- Exemptions from the Toll Tax on Approved list of Goods

However, Entry tax & toll tax both is generally being imposed on the packing material and Consumables.

We may understand various transactions in the pre-GST & post-GST with the help of following case studies for different scenarios:

Assumptions:

1. Whatever Raw Material/ Packing Material we have purchased is from Manufacturing Industry
2. Raw Material Cost is assumed 50
3. Packing Material Cost Assumed 10
4. As per Notification - Remission of VAT is allowed to a manufacturing concern only if the sales are made locally
5. If the Manufacturer is claiming Remission he cannot claim ITC on VAT paid on Local Purchase for manufacturing i.e. Raw Material / Packing Material
6. Entry Tax and Toll Tax is exempt on Interstate Raw Material Purchase by a Manufacturer

Rates

Tax Rates Assumed			
Present Scenario		GST Scenario	
Particular	**Rate**	**Particular**	**Rate**
Excise	12.50%	CGST	10%
VAT	13.50%	SGST	10%
CST	2%	IGST	20%
Entry Tax	13.50%	Additional Tax	1%
Toll Tax*	1%	Profit Margin	10%
Profit Margin	10%		

***Normally it has been charged on the basis of weight and it has been assumed @ 1% of the Material Cost**

We would compare the taxation impact and costs under the Present Tax Structure of J&K and GST regime. In both the scenarios we would analyse the following:

1. Cost to Manufacturer
2. Cost to the Dealer
3. Revenue to Central Government
4. Revenue to State Government i.e. Jammu and Kashmir

Post the above analysis, the net effect on tax collections and costs may be calculated to generate the following impacts on:

1. Saving in Cost to Industry/ Manufacturer
2. Savings in Cost to Dealer
3. Revenue to Central Government
4. Revenue to State Government

CASE STUDY I

1. Interstate Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer

In the below example, in present scenario, a manufacturer located in J&K purchases Raw Material & Packing Material from other Manufacturer located outside J&K. Herein though the credit of Central Excise paid on purchase of Raw Material & Packing Material may be availed, the credit of Central Sales Tax paid on the same would not be available as it is an inter-state purchase and thus would form a part of the cost. Entry Tax & Toll Tax are exempt on Raw Material purchased but applicable on packing material & consumables and is non-CENVA Table, thus forming a part of the cost. . The Manufacturer of J&K would charge excise duty @ 12.5% on Finished Goods. The manufacturer would also receive a refund of Net payable excise duty (excise payable after utilizing the CENVAT Credit) from Central Govt. vide *Notification No. 19/2008-Central Excise, Dated: March 27, 2008* Manufacturer is exempt to charge Central Sales Tax on the inter-state sale to the dealer made by him.

Under the GST Scenario, the Manufacturer located in J&K would purchase Raw Material and Packing Material from other Manufacturer located outside J&K after paying IGST @ 20% credit of which would be available to him. At the time of making the inter-state supply to the dealer, he will charge IGST @ 20% and Additional Tax @ 1%. Credit of IGST paid on purchases would be utilized for the payment of IGST collected on Supply.

After the comparison, the aforesaid analysis would be made.

Interstate Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer Delhi Mfr. ---------> J&K Mfr.-----------> Punjab Dealer

Present Scenario

S. No.	*Particulars*	*Credit or Not*	*Amount*	*Amount*
i	Raw Material		50.00	
ii	Add: Excise Duty @ 12.5%	Credit Available	6.25	
iii	Add: CST @ 2%	No Credit Available	1.13	
iv	Add: Entry Tax @ 13.5%	Exempt	-	
v	Add: Toll Tax @ 1%	Exempt	-	
A			***Total Raw Material Cost (i+iii)***	51.13
vi	Packing and Consumables Price		10.00	
vii	Add: Excise Duty @ 12.5%	Credit Available	1.25	
viii	Add: CST @ 2%	No Credit Available	0.23	
ix	Add: Entry Tax @ 13.5%	No Credit Available	1.35	
x	Add: Toll Tax @ 1%	No Credit Available	0.10	
B			***Total Packing Cost (vi+viii+ix+x)***	11.68
C		***Cost of Raw Material and Packing Material (A+B)***		**62.81**
D		***Total CENVAT Credit Available(ii+vii)***		**7.50**
xi	Labour and Overhead Cost			18.00
E			***Cost of Goods Sold(C+xi)***	**80.81**
xii	Add: Profit Margin @ 10%			8.83
F			***Cost of Sale(E+xii)***	**89.64**
xiii	Add: Excise Duty @ 12.5%			11.21
G		***Sale Price (No Remission as Interstate Sale) (F+xiii)***		**100.85**
xiv	Add: CST @ 0%			-
H			***Total Sales Price(G+xiv)***	**100.85**
I	***Refund to Industry from CG (xiii-D)***			**3.71**

Interstate Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer Delhi Mfr. ---------> J&K Mfr.-----------> Punjab Dealer				
GST Scenario				
S. No.	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i	Raw Material		50.00	
ii	Add: IGST @ 20%	Credit Available	10.00	
iii	Add: Additional Tax @ 1%	No Credit Available	0.50	
A			***Total Raw Material Cost (i+iii)***	**50.50**
iv	Packing and Consumables Price		10.00	
v	Add: IGST @ 20%	Credit Available	2.00	
vi	Add: Additional Tax @ 1%	No Credit Available	0.10	
B			***Total Packing Cost (iv+vi)***	**10.10**
C			***Cost of Raw Material and Packing (A+B)***	**60.60**
	Total CENVAT Credit Available(ii+v)			12.00
vii	Labour and Overhead Cost			18.00
D			***Cost of Goods Sold(C+vii)***	**78.60**
viii	Add: Profit Margin @ 10%			9.06
E			***Cost of Sale(D+viii)***	**87.66**
ix	Add: IGST @ 20%			17.53
x	Add: Additional Tax @ 1%			0.88
F			***Total Sales Price(E+ix+x)***	**106.07**
	Refund to Industry from CG	*Refer Article 279A of 122nd Constitution Amendment Bill*		?

Comparative Cost & Revenue Analysis									
Present Scenario (X)				GST Scenario (Y)				Net Effect	
S N	Particulars	Credit Allowed	Amount	Particulars	Credit Allo-wed	Net Price	Total	Differential Cost (X-Y)/ Revenue (Y-X)	Amount
1	*Cost to Industry [E]*		*80.81*	*Cost to Industry [D]*		*78.60*	*78.60*	***Saving in Cost to Industry***	*2.21*
2	*Cost to Importing (Punjab)Dealer[G]*	*Nil*	*100.85*	*Cost to Importing (Punjab) Dealer[E+viii]*	*17.53*	*88.54*	*106.07*	***Saving in Cost to Importing Punjab Dealer***	*12.31*
3	*Revenue to the Central Govt(xiii-I)*		*7.50*	*Revenue to the Central Govt [ix/2]*		*8.77*	*8.77*	***Revenue to the Central Govt***	*1.27*
4	*Revenue to the State Govt. of J & K(ix+x+xiv)*		*1.45*	*Revenue to the J&K State Govt.(x)*		*0.88*	*0.88*	***Revenue to J&K State Govt.***	*(0.57)*

Other Remarks

if sale would be made to Interstate Sale to Manufacturer the Cost would be Rs. 88.89 as the credit of excise duty paid would be available	89.64

CASE STUDY II

2. Interstate Purchase from an Industry by a Manufacturer and Sale to Local Dealer

In the below example, in present scenario, a manufacturer located in J&K purchases Raw Material & Packing Material from other Manufacturer located outside J&K. Herein though the credit of Central Excise paid on purchase of Raw Material & Packing Material may be availed, the credit of Central Sales Tax paid on the same would not be available as it is an inter-state purchase and thus would form a part of the cost. Entry Tax & Toll Tax are exempt on Raw Material purchased but applicable on packing material & consumables and is non-CENVATable, thus forming a part of the cost. The Manufacturer of J&K would charge excise duty @ 12.5% on Finished Goods. The manufacturer would also receive a refund of Net payable excise duty (excise payable after utilizing the CENVAT Credit) from Central Govt. vide *Notification No. 19/2008-Central Excise, Dated: March 27, 2008.* At the time of sale to the local dealer (from J&K), the manufacturer located in J&K would avail the remission benefit as per *SRO-91* as explained earlier. Reverse calculation for computing VAT amount will be made as in the example below.

Under the GST Scenario, the Manufacturer located in J&K would purchase Raw Material and Packing Material from other Manufacturer located outside J&K after paying IGST @ 20% credit of which would be available to him. At the time of making the local supply to the dealer, he will charge CGST @ 10% & SGST @ 10%. Credit of IGST paid on purchases would be utilized for the payment of CGST & SGST collected on Supply.

After the comparison, the aforesaid analysis would be made.

Interstate Purchase from an Industry by a Manufacturer and Sale to Local Dealer Delhi Mfr. ---------> J&K Mfr.-----------> J&K Dealer				
S. No.	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i	Raw Material		50.00	
ii	Add: Excise Duty @ 12.5%	Credit Available	6.25	
iii	Add: CST @ 2%	No Credit Available	1.13	
iv	Add: Entry Tax @ 13.5%	Exempt	-	
v	Add: Toll Tax @ 1%	Exempt	-	
A			*Total Raw Material Cost (i+iii)*	51.13
vi	Packing and Cons Price		10.00	
vii	Add: Excise Duty @ 12.5%	Credit Available	1.25	
viii	Add: CST @ 2%	No CreditAvailable	0.23	
ix	Add: Entry Tax @ 13.5%	No Credit Available	1.35	
x	Add: Toll Tax @ 1%	No Credit Available	0.10	
B			*Total Packing Cost (vi+viii+ix+x)*	11.68
C			*Cost of Raw Material and Packing (A+B)*	62.81
D			*Total CENVAT Credit Available (ii+vii)*	**7.50**
xi	Labour and Overhead Cost			18.00
E			*Cost of Goods Sold (C+xi)*	**80.81**
xii	Add: Profit Margin @ 10%			8.08
F			*Sale Price (E+xii)*	**88.89**
xiii	Add: Excise Duty @ 12.5%			11.11
G			*Sale Price for Remission Purpose (F+xiii)*	**100.00**
xiv	Less: VAT @ 13.5% (100/113.50*13.50)			11.89
H			*Sale Price for VAT purpose (G-xiv)*	**88.11**
xv	VAT @ 13.5%			11.89
I			*Total Sales Price (H+xv)*	***100.00***
J			*Refund to Industry from CG (xiii-D)*	***3.61***

Interstate Purchase from an Industry by a Manufacturer and Sale to Local Dealer Delhi Mfr. ---------> J&K Mfr.-----------> J&K Dealer				
S.No.	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i	Raw Material		50.00	
ii	Add: IGST @ 20%	Credit Available	10.00	
iii	Add: Additional Tax @ 1%	No Credit Available	0.50	
A			***Total Raw Material Cost (i+iii)***	**50.50**
iv	Packing and Cons Price		10.00	
v	Add: IGST @ 20%	Credit Available	2.00	
vi	Add: Additional Tax @ 1%	No Credit Available	0.10	
B			***Total Packing Cost (iv+vi)***	10.10
C			***Cost of Raw Material and Packing (A+B)***	**60.60**
D			***Total Credit Available (ii+v)***	**12.00**
vii	Labour and Overhead Cost			18.00
E			***Cost of Goods Supplied (C+vii)***	**78.60**
viii	Add: Profit Margin @ 10%			7.86
F			***Sale Price (E+viii)***	**86.46**
ix	Add: CGST @ 10%			8.65
x	Add: SGST @ 10%			8.65
G			***Total Sales Price (F+ix+x)***	**103.75**

Comparative Cost & Revenue Analysis								
Present Scenario (X)				GST Scenario (Y)			Net Effect	
S. N.	**Particulars**	**Credit Allowed**	**Amount**	**Particulars**	**Credit Allo-wed**	**Amount**	**Differencial Cost (X-Y)/ Revenue (Y-X)**	**Amount**
1	*Cost to Industry [E]*		*80.81*	*Cost to Industry [E]*		*78.60*	***Saving in Cost to Industry***	*2.21*
2	*Cost to J&K Local Dealer[H]*	*11.89*	*88.11*	*Cost to J&K Local Dealer[F]*	*17.29*	*86.46*	***Saving in Cost to Local J&K Dealer***	*1.65*
3	*Revenue to the Central Govt(xiii-J)*		*7.50*	*Revenue to the Central Govt [ix]*		*8.65*	***Revenue to the Central Govt***	*1.15*
4	*Revenue to the State Govt. of J & K(ix+x-xiv)*		*(10.44)*	*Revenue to the J&K State Govt.(x)*		*8.65*	***Revenue to J&K State Govt.***	*19.09*

Net Effect

Industry is getting Refund of 3.62 that increases its profit margin. Such additional benefit can be transferred to Dealer as reduced cost.

CASE STUDY III

3. Local Purchase from an Industry by a Manufacturer and Sale to Local Dealer

In the below example, in present scenario, a manufacturer located in J&K purchases Raw Material & Packing Material from other Manufacturing Industry located in J&K. Since, the said purchases are being made from Manufacturing Industry which is availing the benefit of *SRO-91* the cost of the purchases would be calculated as per SRO-91. Herein though the credit of Central Excise paid on purchase of Raw Material & Packing Material may be availed, the credit of VAT paid on the same would not be available as the purchaser himself is a Manufacturer (Benefit would have been allowed if the purchase was a Trader/ Dealer). Entry Tax & Toll Tax not applicable on local purchases. The Manufacturer of J&K would charge excise duty @ 12.5% on Finished Goods. The manufacturer would also receive a refund of Net payable excise duty (excise payable after utilizing the CENVAT Credit) from Central Govt. vide *Notification No. 19/2008-Central Excise, Dated: March 27, 2008.* At the time of sale to the local dealer (from J&K), the manufacturer located in J&K would avail the remission benefit as per *SRO-91* as explained earlier. Reverse calculation for computing VAT amount will be made as in the example below.

Under the GST Scenario, the Manufacturer located in J&K would purchase Raw Material and Packing Material from other Manufacturer located within J&K after paying CGST @ 10% & SGST @ 10% credit of which would be available to him. At the time of making the local supply to the dealer, he will charge CGST @ 10% & SGST @ 10%. Credit of CGST & SGST paid on purchases would be utilized for the payment of CGST & SGST collected on supplies respectively.

After the comparison, the aforesaid analysis would be made.

Local Purchase from an Industry by a Manufacturer and Sale to Local Dealer J&K Mfr. ---------> J&K Mfr.-----------> J&K Dealer				
Present Scenario				
S. No.	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i	Raw Material (Cost-50 inclusive of VAT)		50.00	
ii	Add: Excise Duty @ 12.5% (50*12.5/100)	Credit Available	6.25	
iii	Add: VAT @ 13.5 % included in cost above)	No Credit Available	-	
iv	Add: Entry Tax @ 13.5%	NA	-	
v	Add: Toll Tax @ 1%	NA	-	
A			***Total Raw Material Cost (i)***	**50.00**
vi	Packing and Cons Price (Cost-10 inclusive of VAT)		10.00	
vii	Add: Excise Duty @ 12.5% (10*12.5/100)	Credit Available	1.25	
viii	Add: VAT @ 13.5 % included in cost above)	No Credit Available	-	
ix	Add: Entry Tax @ 13.5%	NA	-	
x	Add: Toll Tax @ 1%	NA	-	
B			***Total Packing Cost (vi)***	**10.00**
			Total Credit Available	**7.50**
C			***Cost of Raw Material and Packing (A+B)***	**60.00**
xi	Labour and Overhead Cost			18.00
D			***Cost of Goods Sold(C+xi)***	**78.00**
xii	Add: Profit Margin @ 10%			7.80
E			***Sale Price (D+xii)***	**85.80**
xiii	Add: Excise Duty @ 12.5%			10.73
F			***Sale Price for Remission Purpose (E+xiii)***	**96.53**
xiv	Less: VAT @ 13.5% (100/113.50*13.50)			11.48
G			***Sale Price (F-+xiv)***	***85.04***
xv	***Add: VAT @ 13.5%***			***11.48***
H			***Total Sales Price (G+xv)***	***96.53***
I	*Refund to Industry from CG (xiii-ii-vii)*			***3.23***

Local Purchase from an Industry by a Manufacturer and Sale to Local Dealer J&K Mfr. ---------> J&K Mfr.-----------> J&K Dealer				
		GST Scenario		
S. No.	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i	Raw Material		50.00	
ii	Add: CGST @ 10%	Credit Available	5.00	
iii	Add: SGST @ 10%	Credit Available	5.00	
A			***Total Raw Material Cost (i)***	50.00
iv	Packing and Cons Price		10.00	
v	Add: CGST @ 10%	Credit Available	1.00	
vi	Add: SGST @ 10%	Credit Available	1.00	
B			***Total Packing Cost (iv)***	10.00
			Total Credit Available	12.00
C			***Cost of Raw Material and Packing (A+B)***	60.00
vii	Labour and Overhead Cost			18.00
D			***Cost of Goods Sold(C+vii)***	78.00
viii	Add: Profit Margin @ 10%			7.80
E			***Sale Price(D+viii)***	85.80
ix	Add: CGST @ 10%			8.58
x	Add: SGST @ 10%			8.58
F			***Total Sales Price (E+ix+x)***	**102.96**

Comparative Cost & Revenue Analysis								
Present Scenario(X)				GST Scenario (Y)			Net Effect	
S. N	Particulars	Credit Allowed	Amount	Particulars	Credit Allowed	Amount	Differencial Cost (X-Y)/ Revenue (Y-X)	Amount
1	*Cost to Industry [D]*		*78.00*	*Cost to Industry [D]*		*78.00*	**Saving in Cost to Industry**	**-**
2	*Cost to Local J&K Dealer [G]*	11.48	*85.04*	*Cost to Local J&K Dealer [E]*		*85.80*	**Saving in Cost to Local J&K Dealer**	**(0.76)**
3	*Revenue to the Central Govt (xiii-I)*		*7.50*	*Revenue to the Central Govt [ix]*		*8.58*	**Revenue to the Central Govt**	**1.08**
4	*Revenue to the State Govt.*		*(11.48)*	*Revenue to the State Govt. [x]*		*8.58*	**Revenue to J&K State Govt.**	**20.06**

CASE STUDY IV

4. Local Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer

In the below example, in present scenario, a manufacturer located in J&K purchases Raw Material & Packing Material from other Manufacturing Industry located in J&K. Since, the said purchases are being made from Manufacturing Industry which is availing the benefit of *SRO-91* the cost of the purchases would be calculated as per SRO-91. Herein though the credit of Central Excise paid on purchase of Raw Material & Packing Material may be availed, the credit of VAT paid on the same would not be available as the purchaser himself is a Manufacturer (Benefit would have been allowed if the purchase was a Trader/ Dealer). Entry Tax & Toll Tax not applicable on local purchases. The Manufacturer of J&K would charge excise duty @ 12.5% on Finished Goods. The manufacturer would also receive a refund of Net payable excise duty (excise payable after utilizing the CENVAT Credit) from Central Govt. vide *Notification No. 19/2008-Central Excise, Dated: March 27, 2008*. Manufacturer is exempt to charge Central Sales Tax on the inter-state sale to the dealer made by him.

Under the GST Scenario, the Manufacturer located in J&K would purchase Raw Material and Packing Material from other Manufacturer located within J&K after paying CGST @ 10% & SGST @ 10% credit of which would be available to him. At the time of making the inter-state supply to the dealer, he will charge IGST @ 20% and Additional Tax @ 1%. Credit of CGST & SGST paid on purchases would be utilized for the payment of IGST collected on supplier.

After the comparison, the aforesaid analysis would be made.

Local Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer J&K Mfr. ---------> J&K Mfr.-----------> Punjab Dealer				
		Present Scenario		
S.No	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i	Raw Material (Cost-50 inclusive of VAT)		50.00	
ii	Add: Excise Duty @ 12.5% (50*12.5/100)	Credit Available	6.25	
iii	Add: VAT @ 13.5% (included in cost above)	No Credit Available	-	
iv	Add: Entry Tax @ 13.5%	NA	-	
v	Add: Toll Tax @ 1%	NA	-	
A			***Total Raw Material Cost (i+iii)***	**50.00**
vi	Packing and Cons Price (Cost-10 inclusive of VAT)		10.00	
vii	Add: Excise Duty @ 12.5% (10*12.5/100)	Credit Available	1.25	
viii	Add: VAT @ 13.5% (included in cost above)	No Credit Available	-	
ix	Add: Entry Tax @ 13.5%	NA	-	
x	Add: Toll Tax @ 1%	NA	-	
B			***Total Packing Cost (vi+viii)***	**10.00**
C			***Cost of Raw Material and Packing (A+B)***	**60.00**
D			***Total CENVAT Credit Available (ii+vii)***	**7.50**
xi	Labour and Overhead Cost			18.00
E			***Cost Of Goods Sold (C+xi)***	**78.00**
xii	Add: Profit Margin @ 10%			7.80
F			***Sale Price(E+xii)***	**85.80**
xiii	Add: Excise Duty @ 12.5%			10.73
G			***Sale Price (No Remission as Interstate Sale)(F+xiii)***	**96.53**
xiv	Add: CST @ 0%			-
H			***Total Sales Price (G+xiv)***	***96.53***
I	*Refund to Industry from CG (xiii-D)*			***3.23***

Local Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer J&K Mfr. ---------> J&K Mfr.-----------> Punjab Dealer				
GST Scenario				
S. No.	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i.	Raw Material		50.00	
ii	Add: CGST @ 10%	Credit Available	5.00	
iii	Add: SGST @ 10%	Credit Available	5.00	
A.			***Total Raw Material Cost (i)***	50.00
iv	Packing and Cons Price		10.00	
v	Add: CGST @ 10%	Credit Available	1.00	
vi	Add: SGST @ 10%	Credit Available	1.00	
B			***Total Packing Cost (iv)***	10.00
	-	-	***Total Credit Available***	12.00
C			***Cost of Raw Material and Packing (A+B)***	**60.00**
vii	Labour and Overhead Cost			18.00
D			***Cost Of Goods Sold (C+vii)***	**78.00**
viii	Add: Profit Margin @ 10%			7.80
E			***Sale Price (D+viii)***	**85.80**
ix	Add: IGST @ 20%			17.16
x	Add: Additional Tax @ 1%			0.86
G			***Total Sales Price (E+ix+x)***	**103.82**

Comparative Cost & Revenue Analysis								
Present Scenario (X)				***GST Scenario (Y)***			***Net Effect***	
S. No.	***Particulars***	***Credit Allowed***	***Amount***	***Particulars***	***Credit Allowed***	***Amount***	***Differencial Cost (X-Y)/ Revenue (Y-X)***	***Amount***
1	*Cost to Industry [E]*		*78.00*	*Cost to Industry [D]*		*78.00*	***Saving in Cost to Industry***	**-**
2	*Cost to Importing (Punjab) Dealer (CST will form Part of Cost) [H]*		*96.53*	*Cost to Importing (Punjab) Dealer (Credit allwed to IGST)[E]*		*85.80*	***Saving in Cost to Importing Punjab Dealer***	**10.73**
3	*Revenue to the Central Govt (xiii-I)*		*7.50*	*Revenue to the Central Govt [ix/2]*		*8.58*	***Revenue to the Central Govt***	**1.08** ↑
4	*Revenue to the State Govt. (xiv)*		*-*	*Revenue to the State Govt.[x]*		*0.86*	***Revenue to J&K State Govt.***	**0.86** ↑

CASE STUDY V

5. Interstate Purchase from an Industry by a Trader and Sale to Inter-state Dealer

In the below example, in present scenario, a Trader/ Dealer located in J&K purchases Finished Goods & Packing Material from other Manufacturer located outside J&K. Herein though he will make the payment of Central Excise, Central Sales Tax, Entry Tax & Toll Tax on purchase of Finished Goods & Packing Material, the credit of all the taxes paid on purchases would not be available as it is an inter-state purchase by a trader/ dealer and thus would form part of the cost. The Trader/ Dealer of J&K would charge Central Sales Tax @ 2% & Toll Tax @ 1% on the inter-state sale to the dealer made by him.

Under the GST Scenario, the Trader/ Dealer located in J&K would purchase Finished Goods and Packing Material from a Manufacturer located outside J&K after paying IGST @ 20% credit of which would be available to him. At the time of making the inter-state supply to the dealer, he will charge IGST @ 20% and Additional Tax @ 1%. Credit of IGST paid on purchases would be utilized for the payment of IGST collected on supplies.

After the comparison, the aforesaid analysis would be made.

Local Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer J&K Mfr. ---------> J&K Mfr.-----------> Punjab Dealer				
Present Scenario				
S. No	***Particulars***	***Credit or Not***	***Amount***	***Amount***
I	Raw Material (Cost-50 inclusive of VAT)		50.00	
Ii	Add: Excise Duty @ 12.5% (50*12.5/100)	Credit Available	6.25	
Iii	Add: VAT @ 13.5% (included in cost above)	No Credit Available	-	
Iv	Add: Entry Tax @ 13.5%	NA	-	
V	Add: Toll Tax @ 1%	NA	-	
A			***Total Raw Material Cost (i+iii)***	**50.00**
Vi	Packing and Cons Price (Cost-10 inclusive of VAT)		10.00	
vii	Add: Excise Duty @ 12.5% (10*12.5/100)	Credit Available	1.25	
viii	Add: VAT @ 13.5% (included in cost above)	No Credit Available	-	
Ix	Add: Entry Tax @ 13.5%	NA	-	
X	Add: Toll Tax @ 1%	NA	-	
B			***Total Packing Cost (vi+viii)***	**10.00**
C			***Cost of Raw Material and Packing (A+B)***	**60.00**
D			***Total CENVAT Credit Available (ii+vii)***	**7.50**
Xi	Labour and Overhead Cost			18.00
E			***Cost Of Goods Sold (C+xi)***	**78.00**
Xii	Add: Profit Margin @ 10%			7.80
F			***Sale Price(E+xii)***	**85.80**
xiii	Add: Excise Duty @ 12.5%			10.73
G			***Sale Price (No Remission as Interstate Sale)(F+xiii)***	**96.53**
xiv	Add: CST @ 0%			-
H			***Total Sales Price (G+xiv)***	***96.53***
I	*Refund to Industry from CG (xiii-D)*			**3.23**

Local Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer J&K Mfr. ---------> J&K Mfr.-----------> Punjab Dealer				
		GST Scenario		
S. No.	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i.	Raw Material		50.00	
ii	Add: CGST @ 10%	Credit Available	5.00	
iii	Add: SGST @ 10%	Credit Available	5.00	
A.			***Total Raw Material Cost (i)***	50.00
iv	Packing and Cons Price		10.00	
v	Add: CGST @ 10%	Credit Available	1.00	
vi	Add: SGST @ 10%	Credit Available	1.00	
B			***Total Packing Cost (iv)***	10.00
			Total Credit Available	12.00
C			***Cost of Raw Material and Packing (A+B)***	**60.00**
vii	Labour and Overhead Cost			18.00
D			***Cost Of Goods Sold (C+vii)***	**78.00**
viii	Add: Profit Margin @ 10%			7.80
E			***Sale Price (D+viii)***	**85.80**
ix	Add: IGST @ 20%			17.16
x	Add: Additional Tax @ 1%			0.86
G			***Total Sales Price (E+ix+x)***	**103.82**

Comparative Cost & Revenue Analysis								
Present Scenario (X)				***GST Scenario (Y)***			***Net Effect***	
S.N.	***Particulars***	***Credit Allowed***	***Amount***	***Particulars***	***Credit Allowed***	***Amount***	***Differencial Cost (X-Y)/ Revenue (Y-X)***	***Amount***
1	*Cost to J&K Trader [D]*		91.16	*Cost to Trader [C]*		*78.75*	***Saving in Cost to Trader***	***12.41***
2	*Cost to Importing (Punjab) Dealer (No Credit for Toll Tax)[F]*	*Nil*	103.29	*Cost to Importing (Punjab) Dealer [D+viii]*	*17.33*	*87.49*	***Saving in Cost to Importing Punjab Dealer***	***15.80***
3	*Revenue to the Central Govt (Excise Duty on Purchase) [ii+vii]*		9.38	*Revenue to the Central Govt[ix/2]*		*8.66*	***Revenue to the Central Govt***	***(0.71)***
4	*Revenue to J&K State Govt.[iv+v+ ix+x+xiii+xiv]*		5.11	*Revenue to the State Govt.[x]*		*0.87*	***Revenue to J&K State Govt.***	***(4.24)***

CASE STUDY VI

6. Interstate Purchase from an Industry by a Trader and Sale to Local Dealer

In the below example, in present scenario, a Trader/ Dealer located in J&K purchases Finished Goods & Packing Material from other Manufacturer located outside J&K. Herein though he will make the payment of Central Excise, Central Sales Tax, Entry Tax & Toll Tax on purchase of Finished Goods & Packing Material, the credit of all the taxes paid on purchases would not be available as it is an inter-state purchase by a trader/ dealer and thus would form part of the cost. The Trader/ Dealer of J&K would charge VAT @ 13.5% on the local sale to the dealer made by him.

Under the GST Scenario, the Trader/ Dealer located in J&K would purchase Finished Goods and Packing Material from a Manufacturer located outside J&K after paying IGST @ 20% credit of which would be available to him. At the time of making the local supply to the dealer, he will charge CGST @ 10% & SGST @10%. Credit of IGST paid on purchases would be utilized for the payment of CGST & SGST collected on supplies.

After the comparison, the aforesaid analysis would be made.

Interstate Purchase from an Industry by a Trader and Sale to Local Dealer Delhi Mfr. ---------> J&K Dealer-----------> J&K Dealer				
Present Scenario				
S. No.	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i	Finished Goods (Including Labour)		65.00	
ii	Add: Excise Duty @ 12.5%	No Credit Available	8.13	
iii	Add: CST @ 2%	No Credit Available	1.46	
iv	Add: Entry Tax @ 13.5%	Exempt	-	
v	Add: Toll Tax @ 1%	No Credit Available	0.65	
A			***Total Finished Goods Cost (i+ii+iii+iv+v)***	75.24
vi	Packing and Cons Price		10.00	
vii	Add: Excise Duty @ 12.5%	No Credit Available	1.25	
viii	Add: CST @ 2%	No Credit Available	0.23	
ix	Add: Entry Tax @ 13.5%	No Credit Available	1.35	
x	Add: Toll Tax @ 1%	No Credit Available	0.10	
B			***Total Packing Cost (vi+vii+viii+ix+x)***	12.93
C			***Total Finished and Packing Cost (A+B)***	88.16
xi	Labour and Overhead Cost			3.00
D			***Cost Of Goods Sold (C+xi)***	**91.16**
xii	Add: Profit Margin @ 10%			9.12
E			***Sale Price without VAT (D+xii)***	**100.28**
xiii	Add: VAT @ 13.5%			13.54
F			***Total Sales Price (E+xiii)***	***113.82***

Interstate Purchase from an Industry by a Trader and Sale to Local Dealer Delhi Mfr. ---------> J&K Dealer-----------> J&K Dealer				
		GST Scenario		
S. No.	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i	Finished Goods (Including Labour)		65.00	
ii	Add: IGST @ 20%	Credit Available	13.00	
iii	Add: Additional Tax @ 1%	No Credit Available	0.65	
A			***Total Finished Goods Cost (i+iii))***	**65.65**
iv	Packing Cost		10.00	
v	Add: IGST @ 20%	Credit Available	2.00	
vi	Add: Additional Tax @ 1%	No Credit Available	0.10	
B			***Total Packing Cost (iv+vi)***	**10.10**
vii	Labour and Overhead Cost			3.00
C			***Cost Of Goods Sold(A+B+vii)***	**78.75**
viii	Add: Profit Margin @ 10%			7.88
D			***Sale Price without VAT (C+viii)***	**86.63**
ix	Add: CGST @ 10%			8.66
x	Add: SGST @ 10%			8.66
E			***Total Sales Price (D+ix+x)***	***103.95***
			Total Credit Available	***15.00***

Comparative Cost & Revenue Analysis								
Present Scenario (X)				GST Scenario (Y)			Net Effect	
S. No.	Particulars	Credit Allowed	Amount	Particulars	Credit Allowed	Amount	Differencial Cost (X-Y)/ Revenue (Y-X)	Amount
1	Cost to Trader[D]		91.16	Cost to Trader [C]		78.75	**Saving in Cost to Trader**	**12.41**
2	Cost to Local J&K Dealer [E]	13.54	100.28	Cost to Local J&K Dealer [D]	17.33	86.63	**Saving in Cost to Local J&K Dealer**	**13.65**
3	Revenue to the Central Govt[ii+vii]		9.38	Revenue to the Central Govt [ix]		8.66	**Revenue to the Central Govt**	**(0.71)**
4	Revenue to the State Govt.[iv+v+ix+x+xiii]		15.64	Revenue to the State Govt.[x]		8.66	**Revenue to the State Govt.**	**(6.98)**

CASE STUDY VII

7. Local Purchase from an Industry by a Trader and Sale to Local Dealer

In the below example, in present scenario, a Trader/ Dealer located in J&K purchases Finished Goods & Packing Material from other Manufacturing Industry located in J&K. Since, the said purchases are being made from Manufacturing Industry which is availing the benefit of *SRO-91* the cost of the purchases would be calculated as per SRO-91. Herein though the credit of Central Excise paid on purchase of Finished Goods & Packing Material would not be available, the credit of VAT paid on the same would be available as the purchaser himself is a Trader/ Dealer (Benefit would not have been allowed if the purchase was a Manufacturer). Entry Tax & Toll Tax not applicable on local purchases. The Trader/ Dealer of J&K would charge VAT @ 13.5% on Finished Goods. The Credit of VAT paid of purchases would be utilized for discharging the VAT liability on sales made.

Under the GST Scenario, the Trader/ Dealer located in J&K would purchase Finished Goods and Packing Material from other Manufacturer located within J&K after paying CGST @ 10% & SGST @ 10% credit of which would be available to him. At the time of making the local supply to the dealer, he will charge CGST @ 10% & SGST @ 10%. Credit of CGST & SGST paid on purchases would be utilized for the payment of CGST & SGST collected on supplies respectively.

After the comparison, the aforesaid analysis would be made.

Local Purchase from an Industry by a Trader and Sale to Local Dealer J&K Mfr. ---------> J&K Dealer-----------> J&K Dealer				
Present Scenario				
S. No.	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i	Finished Goods (Cost-65 inclusive of VAT)		56.30	
ii	Add: Excise Duty @ 12.5% (65*12.5/100)	No Credit Available	8.13	
iii	Add: VAT @ 13.5% (73.13/113.5*13.5)	Credit Available	8.70	
iv	Add: Entry Tax @ 13.5%	NA	-	
v	Add: Toll Tax @ 1%	NA	-	
A			***Total Raw Material Cost (i)***	64.43
vi	Packing and Consumables Price (Cost-10 inclusive of VAT)		8.66	
vii	Add: Excise Duty @ 12.5% (10*12.5/100)	No Credit Available	1.25	
viii	Add: VAT @ 13.5% (11.25/113.5*13.5)	Credit Available	1.34	
ix	Add: Entry Tax @ 13.5%	NA	-	
x	Add: Toll Tax @ 1%	NA	-	
B			***Total Packing Cost (vi)***	8.66
C			***Cost of Raw Material and Packing (A+B)***	**73.09**
xi	Labour and Overhead Cost			3.00
D			***Cost Of Goods Sold (C+xi)***	**76.09**
xii	Add: Profit Margin @ 10%			7.61
E			***Sale Price (D+xii)***	**83.70**
xiii	Add: VAT @ 13.5%			11.30
F			***Total Sales Price (E+xiii)***	***94.99***
G			***Total VAT Credit Available***	***10.04***

Local Purchase from an Industry by a Trader and Sale to Local Dealer J&K Mfr. ---------> J&K Dealer-----------> J&K Dealer				
GST Scenario				
S. No.	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i	Finished Goods		65.00	
ii	Add: CGST @ 10%	Credit Available	6.50	
iii	Add: SGST @ 10%	Credit Available	6.50	
A			***Total Raw Material Cost (i)***	**65.00**
iv	Packing and Consumables Price		10.00	
v	Add: CGST @ 10%	Credit Available	1.00	
vi	Add: SGST @ 10%	Credit Available	1.00	
B			***Total Packing Cost (iv)***	10.00
	-	-		
C			***Cost of Raw Material and Packing (A+B)***	**75.00**
vii	Labour and Overhead Cost			3.00
D			***Cost Of Goods Sold (C+vii)***	**78.00**
viii	Add: Profit Margin @ 10%			7.80
E			***Sale Price(D+viii)***	**85.80**
ix	Add: CGST @ 10%			8.58
x	Add: SGST @ 10%			8.58
F			***Total Sales Price(E+ix+x)***	***102.96***

Comparative Cost & Revenue Analysis								
Present Scenario (X)				***GST Scenario (Y)***			***Net Effect***	
S. No.	***Particulars***	***Credit Allowed***	***Amount***	***Particulars***	***Credit Allowed***	***Amount***	***Differencial Cost (X-Y)/ Revenue (Y-X)***	***Amount***
1	*Cost to Trader[D]*		*76.09*	*Cost to Trader [D]*		*78.00*	***Saving in Cost to Trader***	**(1.91)**
2	*Cost to Local J&K Dealer [E]*	*11.30*	*83.70*	*Cost to Local J&K Dealer [E]*		*85.80*	***Saving in Cost to Local J&K Dealer***	**(2.10)**
3	*Revenue to the Central Govt [ii+vii]*		*9.38*	*Revenue to the Central Govt [ix]*		*8.58*	***Revenue to the Central Govt***	**(0.80)**
4	*Revenue to the State Govt. [xiii-G]*		*1.26*	*Revenue to the State Govt. [x]*		*8.58*	***Revenue to the State Govt.***	**7.32**

CASE STUDY VIII

Local Purchase from an Industry by a Trader and Sale to Interstate Dealer

In the below example, in present scenario, a Trader/ Dealer located in J&K purchases Finished Goods & Packing Material from other Manufacturing Industry located in J&K. Since, the said purchases are being made from Manufacturing Industry which is availing the benefit of *SRO-91* the cost of the purchases would be calculated as per SRO-91. Herein though the credit of Central Excise paid on purchase of Finished Goods & Packing Material would not be available, the credit of VAT paid on the same would be available as the purchaser himself is a Trader/ Dealer (Benefit would not have been allowed if the purchase was a Manufacturer). Entry Tax & Toll Tax not applicable on local purchases. The Trader/ Dealer of J&K would charge Central Sales Tax @ 2% & Toll Tax @ 1% on the inter-state sale to the dealer made by him.

Under the GST Scenario, the Trader/ Dealer located in J&K would purchase Finished Goods and Packing Material from a Manufacturer located within J&K after paying CGST @ 10% & SGST @ 10% credit of which would be available to him. At the time of making the inter-state supply to the dealer, he will charge IGST @ 20% and Additional Tax @ 1%. Credit of IGST paid on purchases would be utilized for the payment of IGST collected on supplies.

After the comparison, the aforesaid analysis would be made.

Local Purchase from an Industry by a Trader and Sale to Interstate Dealer J&K Mfr. ---------> J&K Dealer----------> Punjab Dealer				
Present Scenario				
S. No	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i	Finished Goods (Cost-65 inclusive of VAT)		56.30	
ii	Add: Excise Duty @ 12.5% (65*12.5/100)	No Credit Available	8.13	
iii	Add: VAT @ 13.5% (73.13/113.5*13.5)	Credit Available	8.70	
iv	Add: Entry Tax @ 13.5%	NA	-	
v	Add: Toll Tax @ 1%	NA	-	
A			***Total Raw Material Cost (i)***	**64.43**
vi	Packing and Cons Price (Cost-10 inclusive of VAT)		8.66	
vii	Add: Excise Duty @ 12.5% (10*12.5/100)	No Credit Available	1.25	
viii	Add: VAT @ 13.5% (11.25/113.5*13.5)	Credit Available	1.34	
ix	Add: Entry Tax @ 13.5%	NA	-	
x	Add: Toll Tax @ 1%	NA	-	
B			***Total Packing Cost (vi)***	**8.66**
C			***Cost of Raw Material and Packing (A+B)***	**73.09**
xi	Labour and Overhead Cost			3.00
D			***Cost Of Goods Sold (C+xi)***	**76.09**
xii	Add: Profit Margin @ 10%			7.61
E			***Sale Price (D+xii)***	**83.70**
xiii	Add: CST @ 2%			1.67
xiv	Add: Toll Tax @ 1%			0.84
F			***Total Sales Price (E+xiii+xiv)***	***86.21***

Local Purchase from an Industry by a Trader and Sale to Interstate Dealer J&K Mfr. ---------> J&K Dealer----------> Punjab Dealer				
GST Scenario				
S. No.	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i	Finished Goods		65.00	
ii	Add: CGST @ 10%	Credit Available	6.50	
iii	Add: SGST @ 10%	Credit Available	6.50	
A			***Total Raw Material Cost (i)***	**65.00**
iv	Packing and Cons Price		10.00	
v	Add: CGST @ 10%	Credit Available	1.00	
vi	Add: SGST @ 10%	Credit Available	1.00	
B			***Total Packing Cost (iv)***	**10.00**
	-	-		
C			***Cost of Raw Material and Packing (A+B)***	**75.00**
vii	Labour and Overhead Cost			3.00
D			***Cost Of Goods Sold (C+vii)***	**78.00**
viii	Add: Profit Margin @ 10%			7.80
E			***Sale Price (D+viii)***	**85.80**
ix	Add: IGST @ 20%			17.16
x	Add: Additional Tax @ 1%			0.86
F			***Total Sales Price (E+ix+x)***	**103.82**

Comparative Cost & Revenue Analysis								
Present Scenario (X)				GST Scenario (Y)			Net Effect	
S. No.	**Particulars**	**Credit Allowed**	**Amount**	**Particulars**	**Credit Allowed**	**Amount**	**Differencial Cost (X-Y)/ Revenue (Y-X)**	**Amount**
1	*Cost to Trader [D]*		*76.09*	*Cost to Industry [D]*		*78.00*	***Saving in Cost to Trader***	**(1.91)**
2	*Cost to Importing (Punjab) Dealer (No Credit for CST) [F]*		*86.21*	*Cost to Importing (Punjab) Dealer [E]*		*85.80*	***Saving in Cost to Importing (Punjab) Dealer***	**0.41**
3	*Revenue to the Central Govt[ii+vii]*		*9.38*	*Revenue to the Central Govt [ix/2]*		*8.58*	***Revenue to the Central Govt***	**(0.80)**
4	*Revenue to the State Govt.[xiii-iii-viii]*		*(8.36)*	*Revenue to the State Govt.[x]*		*0.86*	***Revenue to the State Govt.***	**9.22**

REVENUE ANALYSIS OF J&K AND GST IMPACT

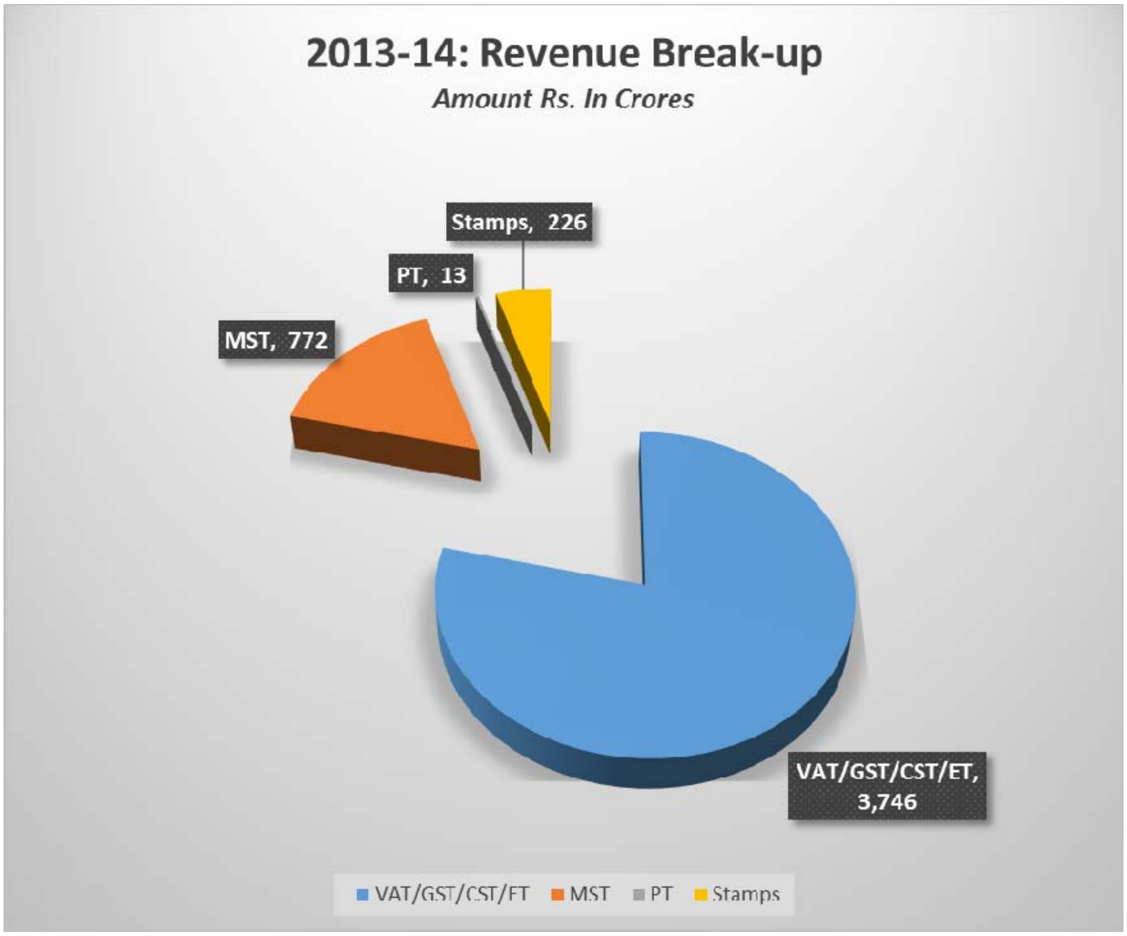
Having gained an understanding of how the introduction of GST would impact the Manufacturers and Traders of Jammu & Kashmir, we also now have the basic idea as to how the state revenues would be impacted in GST scenario. However, it is important to note that the Revenue from taxing of services has not been accounted for here. Also, 14th Finance Commission Report states that as service tax is not levied in the State of Jammu & Kashmir, proceeds cannot be assigned to this State i.e. as J&K does not have revenues from Service Tax, it cannot have a sharing in Union Tax Revenues of Service Tax. The report further states that if the service tax starts to be levied in Jammu & Kashmir during the award period of this Commission, the share of the State will be 1.854%. As per the 14th Finance Commission Report, the % share of tax devolution for increasing the flow of unconditional transfers to the States has been fixed at 42% i.e. states are allocated 42% of Union Tax Revenues.

Below are the details of the Tax revenues of Jammu & Kashmir for the last 5 years from:

VAT	Value Added Tax
GST	General Sales Tax
CST	Central Sales Tax
ET	Entry Tax
MST	Motor Spirit Tax
PT	Passenger Tax
Stamps	Duty on Instruments

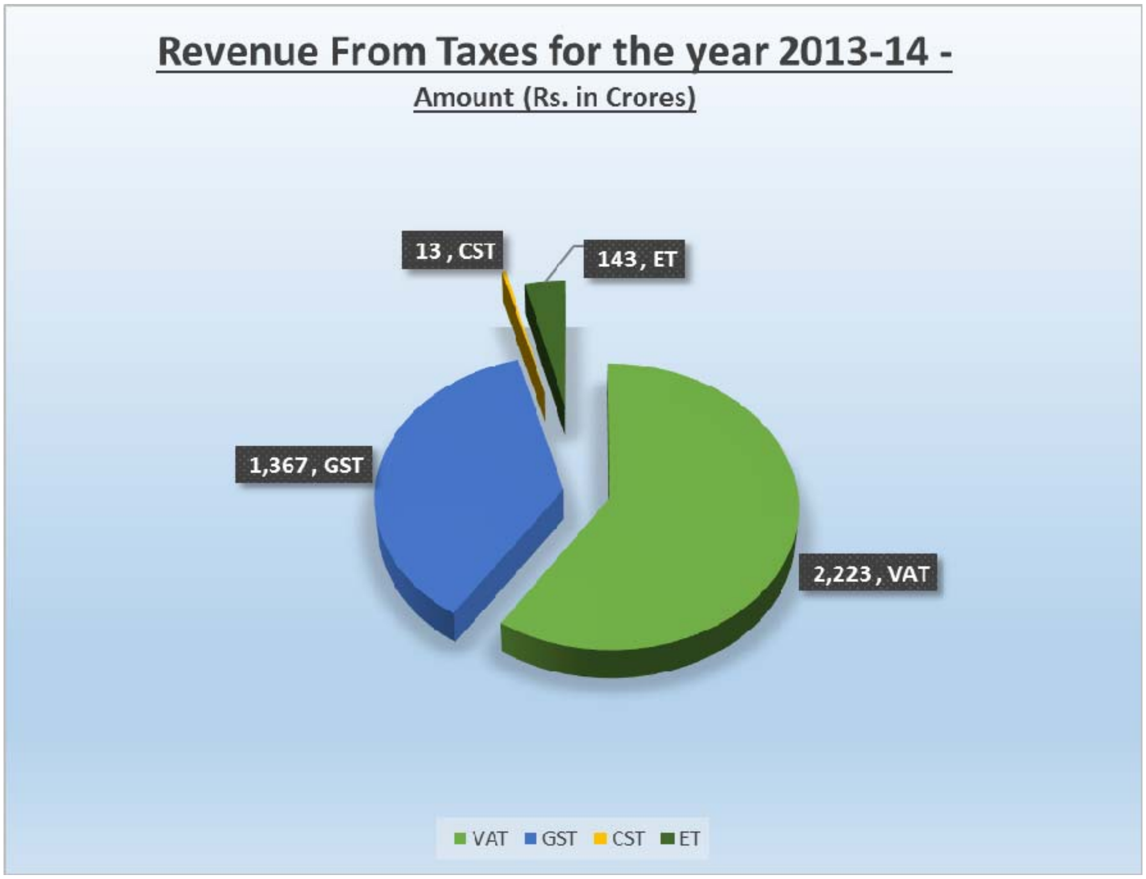
Revenue realized from past 5 years Amount (Rs. In Crores)						
Year	**VAT/GST/CST/ET**	**MST**	**PT**	**Stamps**	**Total**	**%**
2009-10	1,792	369	7	63	**2,231**	**22.34%**
2010-11	2,125	474	7	70	**2,675**	**19.89%**
2011-12	2,799	587	10	151	**3,547**	**32.59%**
2012-13	3,453	672	13	210	**4,349**	**22.61%**
2013-14	3,746	772	13	226	**4,757***	**9.40%**

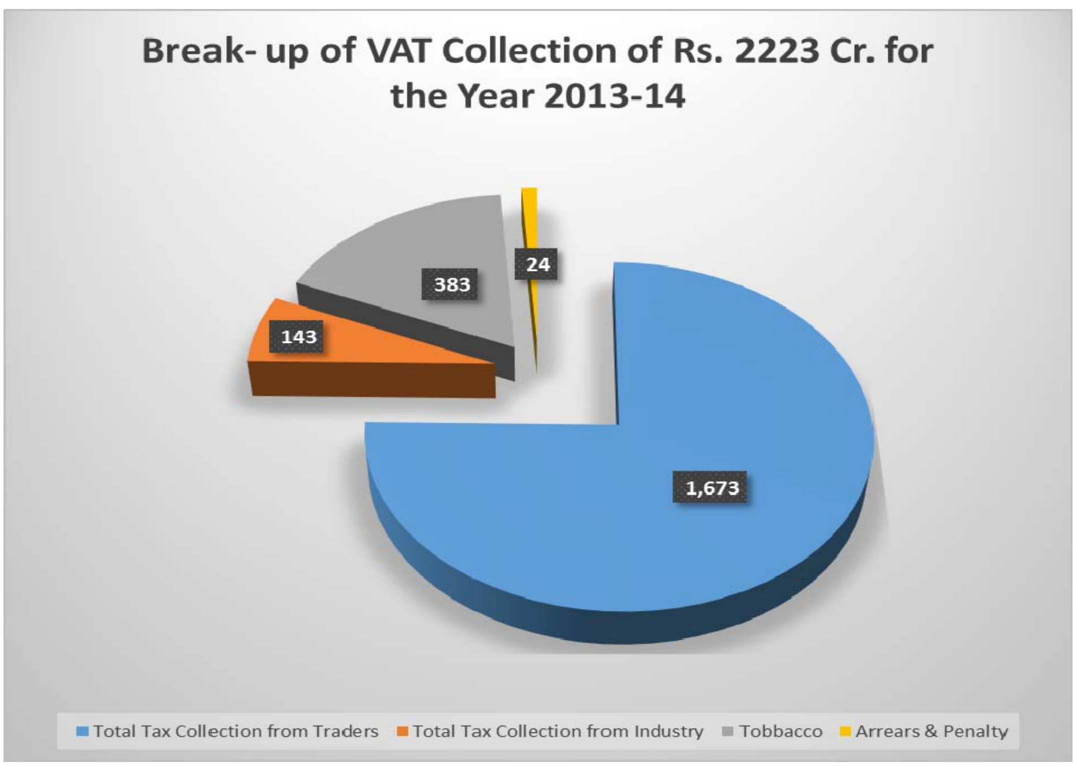
*Actuals against the budgeted value of Rs. 4799 Crores.



Break-up of VAT/GST/CST/ET *Amount (Rs. In Crores)*					
Year	**VAT**	**GST**	**CST**	**ET**	**Total**
2009-10	1,079	621	10	82	**1,792**
2010-11	1,317	732	10	65	**2,125**
2011-12	1,822	877	10	90	**2,799**
2012-13	1,978	1,355	17	103	**3,453**
2013-14	2,223	1,367*	13	143	**3,746**

* General Sales Tax (GST) on Services is Rs. 1046 Crores & on Liquor, Natural Gas, ATF, Resin etc. is Rs. 321 Crores. GST on Services would be subsuming under proposed Goods & Services Tax regime.


Revenue From Taxes for the year 2013-14 -
Amount (Rs. in Crores)
13 , CST
143, ET
1,367, GST
2,223 , VAT
VAT
GST
CST
ET


Break- up of VAT Collection of Rs. 2223 Cr. for the Year 2013-14
383
24
143
1,673
Total Tax Collection from Traders
Total Tax Collection from Industry
Tobbacco
Arrears & Penalty

Details of Present Taxes subsuming in GST Regime			
S. No.	Particulars	Amount (Rs. In crores)	Amount (Rs. In crores)
A	*Sales Tax- Taxes Subsuming in GST Regime:*		
	VAT Collection from Traders	1,672.99	
	VAT Collection from Industry	156.34	
	General & Sales Tax Collection from Services	1,046.79	
	Entry Tax	142.50	3,018.62
B	*Sales Tax- Taxes Non-Subsuming in GST Regime:*		
	MST	772.00	
	PT	13.00	
	Stamps	226.00	
	GST on Liquor, Natural Gs, ATF, Resin	321.00	
	Tobbacco	383.00	
	Arrears & Penalty	24.00	1,739
C	Toll Tax - part of Excise	551.98	
	Entertainment Tax	0.52	552.50

4,757.62 *Same as J&K Sales tax revenues for the year 2013-14. Refer Pg. 51*

3,571.12 *Taxes subsuming under GST regime. Refer Pg. 4*

Now that we have had the elementary understanding of GST scenario in J&K, we may now have a comparative Analysis of Actual Tax Revenues *viz a viz* Tax Collections Under GST. Tax Revenue for the year 2013-14 has been taken as the base.

	TRADERS & INDUSTRY Amount (Rs. In Crores)								
	PRESENT SCENARIO						**GST SCENARIO**		
Sl. No.	**Particulars**	**Tax Rate**	**Amount (Rs in Crores)**		**Taxable Turnover**	**Tax Collection**	**GST Rates**	**Input Tax Credit Available**	**GST Collection**
	TRADERS								
1.	**Traders Local Sale & Purchase**		**Sale**	**Purchase**					
	At 1%	1%	825.86	406.75	419.11	4.19	1%	4.07	8.26
	At Lower Rate	5%	20,108.83	17995.18	2,113.65	105.68	5%	899.76	1,005.44
	At Standard Rate	13.50%	23,387.61	11941.18	11,446.43	1,545.27	10%	1,194.12	2,338.76
	Total		***44,322.30***	***30,343.11***	***13,979.19***	***1,655.14***		***2,097.94***	***3,352.46***
							Net GST Collection		1,254.52
2.	**Inter-State Purchases - Value Rs. 12000 inclusive of CST @ 2%**			*11,764.71*		-	10%	1,176.47	
	Inter-State Sales								
	Inter-state Sales (without C Form)	13.50%	13.22			1.78	10%		1.32
	Inter-state Sales (with C Form)	2%	803.25			16.07	10%		-40.16
	Exempt CST Sales (Assume)	0%	309.85			-	10%		-15.49
	Additional Tax @ 1%						1%		11.26
3.	**Inter-state Stock Transfers into J&K**			*13,891.56*			10%	1,389.16	
	Total		***45,448.62***	***55,999.38***	***13,979.19***	***1,672.99***			***1,211.45***
				Total Tax Collection from Traders		***1,672.99***			***1211.45***

Input Credit received on Inter-state purchases would be adjusted against Local Sale. Hence ITC received on Inter-state purchases to J&K Govt. is not considered for

IGST on 50% Interstate Sales has been paid through SGST & transferrable to Buying State

	INDUSTRY								
									Amount (Rs. In Crores)
	PRESENT SCENARIO						**GST SCENARIO**		
	Particulars	**Tax Rate**	**Amount (Rs in Crores)**			**Tax Collection**	**GST Rates**	**Input Tax Credit Available**	**GST Collection**
4	**Industry Local Sale & Purchase**		**Sale**	**Purchase**					
	At 1%	1%	238.57	5.79		2.39	1%		2.39
	At Lower Rate	5%	5,036.91	1996.04		251.85	5%		251.85
	At Standard Rate	13.50%	3,356.35	411.96		453.11	10%		335.64
	Total		***8,631.83***	***2,413.79****		***707.34***			***589.87***
	Inter-state Transactions					-			
	Inter-state Sales (C-Form)	0%	18,372.31	-		-	10%		-
	Additional 1% Tax					-	1%		183.72
	Inter-State Purchases - Value Rs. 8837.4 inclusive of CST @ 2%	0%	-	8,664.07		-	10%	866.41	-
	Export Sale	0%	501.00			-	0%		-
	Inter-State Stock Transfer outside J&K	0%	7,696.99			-	10%		-
	Additional 1% Tax under GST Scenario					-	1%		76.97
	Remission					-551.00			-
	Total		***35,202.13***	***11,077.86***		***156.34***			***850.56***
					Total Tax Collection from Industry	***156.34***			***850.56***
					Total Tax Collection from Trade & Industry	***1,829.33***			***2,062.01***

Input Credit received on Inter-state purchases would be adjusted against Local Sale. Hence ITC received on Inter-state purchases to J&K Govt. is not considered for calculation.

* ITC has not been considered in Present & GST regime due to remission impact.

Before Understanding the impact of GST on the Service Sector, we need to understand the following J&K related data regarding:

1. Extracts From Indian Constitution

(a) Article 270:

Taxes levied and collected by the Union and distributed between the Union and the States

(1) Taxes on income other than agricultural income shall be levied and collected by the Government of India and distributed between the Union and the States in the manner provided in clause (2)

(2) Such percentage, as may be prescribed 3, of the net proceeds in any financial year of any such tax, except in so far as those proceeds represent proceeds attributable to Union territories or to taxes payable in respect of Union emoluments, shall not form part of the Consolidated Fund of India, but shall be assigned to the States within which that tax is leviable in that year, and shall be distributed among those States in such manner and from such time as may be prescribed

(3) For the purposes of clause (2), in each financial year such percentage as may be prescribed of so much of the net proceeds of taxes on income as does not represent the net proceeds of taxes payable in respect of Union emoluments shall be deemed to represent proceeds attributable to Union territories

(4) In this article

- (a) taxes on income does not include a corporation tax;
- (b) prescribed means
  - (i) until a Finance Commission has been constituted, prescribed by the President by order, and
  - (ii) after a Finance Commission has been constituted, prescribed by the President by order after considering the recommendations of the Finance Commission;
- (c) Union emoluments includes all emoluments and pensions payable out of the Consolidated Fund of India in respect of which income tax is chargeable

2. Extract from 122nd Constitution Amendment Bill, 2014

(b) Article 279A:

(1) The President shall, within sixty days from the date of commencement of the Constitution (One Hundred and Twenty-second Amendment) Act, 2014, by order, constitute a Council to be called the Goods and Services Tax Council.

(2) The Goods and Services Tax Council shall consist of the following members, namely:—

(a) the Union Finance Minister....................... Chairperson;

(b) the Union Minister of State in charge of Revenue or Finance................ Member;

(c) the Minister in charge of Finance or Taxation or any other Minister nominated by each State Government................... Members.

(3) The Members of the Goods and Services Tax Council referred to in sub-clause (c) of clause (2) shall, as soon as may be, choose one amongst themselves to be the Vice-Chairperson of the Council for such period as they may decide.

(4) The Goods and Services Tax Council shall make recommendations to the Union and the States on—

(a) the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax;

(b) the goods and services that may be subjected to, or exempted from the goods and services tax;

(c) model Goods and Services Tax Laws, principles of levy, apportionment of Integrated Goods and Services Tax and the principles that govern the place of supply;

(d) the threshold limit of turnover below which goods and services may be exempted from goods and services tax;

(e) the rates including floor rates with bands of goods and services tax;

(f) any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster;

(g) special provision with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand; and

(h) any other matter relating to the goods and services tax, as the Council may decide.

(5) The Goods and Services Tax Council shall recommend the date on which the goods and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.

(6) While discharging the functions conferred by this article, the Goods and Services Tax Council shall be guided by the need for a harmonised structure of goods and services tax and for the development of a harmonised national market for goods and services.

(7) One half of the total number of Members of the Goods and Services Tax Council shall constitute the quorum at its meetings.

(8) The Goods and Services Tax Council shall determine the procedure in the performance of its functions.

(9) Every decision of the Goods and Services Tax Council shall be taken at a meeting, by a majority of not less than three-fourths of the weighted votes of the members present and voting, in accordance with the following principles, namely:—

(a) the vote of the Central Government shall have a weightage of one-third of the total votes cast, and

(b) the votes of all the State Governments taken together shall have a weightage of two-thirds of the total votes cast, in that meeting.

(10) No act or proceedings of the Goods and Services Tax Council shall be invalid merely by reason of—

(a) any vacancy in, or any defect in, the constitution of the Council; or

(b) any defect in the appointment of a person as a member of the Council; or

(c) any procedural irregularity of the Council not affecting the merits of the case.

(11) The Goods and Services Tax Council may decide about the modalities to resolve disputes arising out of its recommendation.".

3. Relevant Extracts from 14th Finance Commission Report

THE CONSTITUTION OF INDIA

Article 280 - Finance Commission

Finance Commission.-
(1) The President shall, within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.

(2) Parliament may by law determine the qualifications which shall be requisite for appointment as members of the Commission and the manner in which they shall be selected.

(3) It shall be the duty of the Commission to make recommendations to the President as to-
(a) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds.....

Chapter 1

Introduction

1.1 The Fourteenth Finance Commission (FC-XIV) was constituted by the President under Article 280 of the Constitution on 2 January 2013 to make recommendations for the period 2015-20. Dr. Y. V. Reddy was appointed the Chairman of the Commission. Ms. Sushama Nath, Dr. M. Govinda Rao and Dr. Sudipto Mundle were appointed full time Members. Prof. Abhijit Sen was appointed as a part-time Member. Shri Ajay Narayan Jha was appointed as Secretary to the Commission (Annex 1.1).

Terms of Reference

1.2 The Terms of Reference (ToR) of the Commission mandated the following:

"4. The Commission shall make recommendations as to the following matters:

(i) the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under Chapter I, Part XII of the Constitution and the allocation between the States of the respective shares of such proceeds;

(ii) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under article 275 of the Constitution for purposes other than those specified in the provisos to clause (1) of that article; and

(iii) the measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayat and Municipalities in the State on the basis of the recommendations made by the Finance Commission of the State.

5. The Commission shall review the state of the finances, deficit and debt levels of the Union and the States, keeping in view, in particular, the fiscal consolidation roadmap recommended by the Thirteenth Finance Commission, and suggest measures for maintaining a stable and sustainable fiscal environment consistent with equitable growth including suggestions to amend the Fiscal Responsibility and Budget Management Acts currently in force and while doing so, the Commission may consider the effect of the receipts and expenditure in the form of grants for creation of capital assets on the deficits; and the Commission shall also consider and recommend incentives and disincentives for States for observing the obligations laid down in the Fiscal Responsibility and Budget Management Acts.

Chapter 8

Sharing of Union Tax Revenues

8.1 Article 280 (3) (a) of the Constitution and para 4 (i) of the terms of reference (ToR) mandated us to make recommendations regarding "the distribution between the Union and the States of the net proceeds of taxes, which are to be, or may be, divided between them" as well as the allocation between the States of the respective shares of such proceeds. We have considered six factors in determining the approach to sharing of Union taxes: (i) the Constitutional provisions and intent; (ii) the approaches of the previous Finance Commissions; (iii) the need for continuity, to the extent possible; (iv) the requirement for rebalancing in the sharing of resources needed in the context of overall fiscal relations; (v) the anticipated macroeconomic environment during the award period; and (vi) the views of the Union and State Governments in the macroeconomic context of our award period. **The challenge we faced was to weigh the arguments by the Union and States advanced before us and attempt appropriate rebalancing to meet the evolving circumstances.**

8.13 **However, a compositional shift in transfers from grants to tax devolution is desirable for two reasons. First, it does not impose an additional fiscal burden on the Union Government. Second, an increase in tax devolution would enhance the share of unconditional transfers to the States. We have factored in four important considerations: (i) States not being entitled to the growing share of cess and surcharges in the revenues of the Union Government; (ii) the importance of increasing the share of tax devolution in total transfers; (iii) an aggregate view of the revenue expenditure needs of States without Plan and non-Plan distinction; and (iv) the space available with the Union Government. Considering all factors, in our view, increasing the share of tax devolution to 42 per cent of the divisible pool would serve the twin objectives of increasing the flow of unconditional transfers to the States and yet leave appropriate fiscal space for the Union to carry out specific-purpose transfers to the States.**

Table 8.2 Inter-se Share of States

(per cent)

States	Share of States
Andhra Pradesh	4.305
Arunachal Pradesh	1.370
Assam	3.311
Bihar	9.665
Chhattisgarh	3.080
Goa	0.378
Gujarat	3.084
Haryana	1.084
Himachal Pradesh	0.713
Jammu & Kashmir	1.854
Jharkhand	3.139
Karnataka	4.713
Kerala	2.500
Madhya Pradesh	7.548
Maharashtra	5.521
Manipur	0.617
Meghalaya	0.642
Mizoram	0.460
Nagaland	0.498
Odisha	4.642
Punjab	1.577
Rajasthan	5.495
Sikkim	0.367
Tamil Nadu	4.023
Telangana	2.437
Tripura	0.642
Uttar Pradesh	17.959
Uttarakhand	1.052
West Bengal	7.324
All States	100.000

Fourteenth Finance Commission

8.31 **As service tax is not levied in the State of Jammu & Kashmir, proceeds cannot be assigned to this State. We have worked out the share of each of the remaining twenty-eight States in the net proceeds of service taxes and presented this in Table 8.3.** If the service tax starts to be levied in Jammu & Kashmir during the award period of this Commission, the share of each State will be in accordance with Table 8.2. If in any year during our award period, any tax of the Union is not levied in a State, the share of that State in the tax should be considered as zero and the entire proceeds of that Union tax should be distributed among the remaining States by proportionately adjusting their shares.

vii. Table 8.1 shows the criteria and weights assigned for inter-se determination of the shares of taxes to the States. State-specific share of taxes is presented in Table 8.2. (Para 8.30)

viii. As service tax is not levied in the State of Jammu & Kashmir, proceeds cannot be assigned to this State. We have worked out the share of each of the remaining twenty-eight States in the net proceeds of service taxes and presented this in Table 8.3. (para 8.31)

Table 8.3: Share of States Other than Jammu & Kashmir in Service Tax

(Per cent)

States	Share of States
Andhra Pradesh	4.398
Arunachal Pradesh	1.431
Assam	3.371
Bihar	9.787
Chhattisgarh	3.166
Goa	0.379
Gujarat	3.172
Haryana	1.091
Himachal Pradesh	0.722
Jharkhand	3.198
Karnataka	4.822
Kerala	2.526
Madhya Pradesh	7.727
Maharashtra	5.674
Manipur	0.623
Meghalaya	0.650
Mizoram	0.464
Nagaland	0.503
Odisha	4.744
Punjab	1.589
Rajasthan	5.647
Sikkim	0.369
Tamil Nadu	4.104
Telangana	2.499
Tripura	0.648
Uttar Pradesh	18.205
Uttarakhand	1.068
West Bengal	7.423
All States	100.000

Impact On Collections If J&K Implements Service Tax Under Present Scenario

PRESENT SCENARIO *Amount (Rs. In Crores)*			**If J&K Adopts Service Tax in Present Scenario** *Amount (Rs. In Crores)*		
Particulars	***Tax Rate***	***Present Tax Collection from General Sales Tax***	***Particulars***	***Rate***	***Service Tax Collection***
Total Value of Services as per Gross State Domestic Product (GSDP) Estimates (Revised) by Economic Activity at Constant (2004-05) Prices on which General Sales Tax is applicable	10.5 %	1,047	Estimated Service Tax Collection as per Union Budget 2015-16	14%	2,09,774
			Present Service Tax Collection being allocated by Centre to States as per 14th Finance Commission Report	42%	
			As per Present Scenario in case J&K adopts Service Tax, it will receive 1.854% of Total Service Tax Revenue allocable by Centre as per 14th Finance Commission Report, i.e. 2,09,774 * 42%* 1.854%	1.85%	1,633

Thus, it can be implied that if Jammu & Kashmir Government implements Service Tax in Present Scenario, it will earn around Rs. 587 Crores only on account of introducing Service tax which would boost the Government Revenues positively.

4. J&K Gross State Domestic Product Data

In Order to determine the total value of Service for J&K we need to take into account the Gross State Domestic Product (GSDP) Estimates which are as follows:

Table 1: Gross State Domestic Product (GSDP) Estimates (Revised) by Economic Activity at Constant (2004-05) Prices

S.No	Sector	2011-12 (Q)	2012-13 (Q)	2013-14 (A)
1	Agriculture including Livestock	743878	745110	756742
2	Forestry and Logging	130261	130059	131083
3	Fishing	18071	18160	18347
(A)	**Agriculture & Allied (1+2+3)**	**892209**	**893330**	**906171**
4	Mining and Quarrying	10446	44768	313638
(a)	**Sub-total Primary (A+4)**	**902655**	**938098**	**1219809**
5	Manufacturing	290872	305100	956471
5.1	Manufacturing (Registered)	134062	138905	313638
5.2	Manufacturing (Un-registered)	163740	166195	142740
6	Construction	476989	489583	170898
7	Electricity, Gas, Water Supply	185792	188497	508922
(b)	**Sub-total Secondary (5-7)**	**1251455**	**1288280**	**2092669**
(B)	**Industry (b+4)**	**1261901**	**1333048**	**2406307**
8	Transport, Storage & Communication	326981	349799	233485
9	Trade, Hotels & Restaurants	290376	299924	379532
10	Banking & Insurance	232571	256991	286321
11	Real Estates, Ownership of Dwelling, Legal & Business Services	228437	238825	249603
12	Public Administration	684436	747025	823423
13	Other Services	519803	554075	594528
(C)	**Sub-total Tertiary (Services Sector)(8-13)**	***2282604***	***2446639***	***2566892***
	Total GSDP (a + b + c)	**4436714**	**4673017**	**5879370**
	Population in Lakhs	118.06	119.52	120.96
	Per Capita GSDP (Rs.)	**37580**	**39098**	**48606**
	Growth Rate	**6.19**	**5.51**	**5.88**

Source: http://www.jkenvis.nic.in/administrative_gdp.html

Comparative Study for Service Sector for J&K

SERVICE TAX IMPACT UNDER PRESENT & GST SCENARIO *Amount (Rs. In Crores)*								
PRESENT SCENARIO				**GST SCENARIO**				
Particulars	*Tax Rate*	*Total Value of Services*	*Present Tax Collection from General Sales Tax Act*	*Particulars*	*Rate / %*	*Present Service Tax Collection of Central Govt.*	*Value of Taxable Services*	*GST Collection @ 10%*
Total Value of Services as per Gross State Domestic Product (GSDP) Estimates (Revised) by Economic Activity at Constant (2004-05) Prices on which General Sales Tax is applicable	10.50%	9,969.43 *	1,046.79	Total Value of Services as per Gross State Domestic Product (GSDP) Estimates (Revised) by Economic Activity at Constant (2004-05) Prices	10%		25,668.92	2,566.89
				Estimated Service Tax Collection as per Union Budget 2015-16	14%	2,09,774.00		
				Estimated GST Collection on Services of Central Govt. in GST Regime	10%	1,49,839.00		
				Present Service Tax Collection being retained by Centre as 14th Finance Commission Report	58%	1,21,669.00		
				Balance Allocable to States Considering Present Collection be retained by Centre in		28,170.00		

SERVICE TAX IMPACT UNDER PRESENT & GST SCENARIO *Amount (Rs. In Crores)*								
PRESENT SCENARIO				**GST SCENARIO**				
Particulars	***Tax Rate***	***Total Value of Services***	***Present Tax Collection from General Sales Tax Act***	***Particulars***	***Rate / %***	***Present Service Tax Collection of Central Govt.***	***Value of Taxable Services***	***GST Collection @ 10%***
				absolute terms under GST Scenario (As per Article 270 of The Const. of India as amended)				
				As per Present Scenario in case J&K adopts Service Tax, it will receive 1.854% of Total Service Tax Revenue allocable by Centre as per 14th Finance Commission Report	1.854 %			522.27
Total Revenue on Services under Present Regime			***1,046.79***	***Total Revenue on Services under GST Regime***				***3,089.16***

* Based on Reverse Calculation i.e. 1046.79/10.5%

Scenarios Where J&K will not adopt GST but the same is applicable on rest of the Country

There may also arise a scenario where GST is made applicable to whole of the Country except J&K. In such a situation though the Local Transactions would remain unaffected, the transactions involving inter-state exchange of goods & services would require a study. We may understand the same with the help of following case studies:

CASE STUDY IX

9. Interstate Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer

Interstate Purchase from an Industry by a Manufacturer and Sale to Interstate Dealer Delhi Mfr. ---------> J&K Mfr.-----------> Punjab Dealer				
Scenario when Jammu is not adopting GST				
S. No.	***Particulars***	***Credit or Not***	***Amount***	***Amount***
i	Raw Material		50.00	
ii	Add: IGST @ 20%	No Credit	10.00	
iii	Add: Additional Tax @1%	No Credit	0.50	
iv	Add: Entry Tax @ 13.5%	Exempt	-	
v	Add: Toll Tax @ 1%	Exempt	-	
A			*Total Raw Material Cost (i+ii+iii+iv+v)*	**60.50**
vi	Packing and Cons Price		10.00	
vii	Add: IGST @ 20%	No Credit	2.00	
viii	Add: Additional Tax @1%	No Credit	0.10	
ix	Add: Entry Tax @ 13.5%	No Credit	1.35	
x	Add: Toll Tax @ 1%	No Credit	0.10	
B			*Total Packing Cost (vi+vii+viii+ix+x)*	**13.55**
C			*Cost of Raw Material and Packing (A+B)*	**74.05**
xi	Labour and Overhead Cost			18.00
D			*Cost Of Goods Sold (C+xi)*	**92.05**
xii	Add: Profit Margin @ 10%			9.21
E			*Sale Price (D+xii)*	**101.26**
xiii	Add: Excise Duty @ 12.5%			12.66
F			*Sale Price (No Remission as Interstate Sale) (E+xiii)*	**113.91**
xiv	Add: CST @ 0%			-
G			*Total Sales Price (F+xiv)*	**113.91**

Comparative Cost & Revenue Analysis			
Particulars	***Present Scenario (X)***	***J&K not adopting GST (Y)***	***Net Effect***
	Refer Case Study I		***Differential Cost (X-Y)/ Revenue (Y-X) Amount***
	Amount	***Amount***	
Cost to Industry	*80.81*	*92.05*	*-11.24*
Cost to Importing (Punjab)Dealer	*100.85*	*113.91*	*-13.07*
Revenue to the Central Govt	*7.50*	*24.66*	*17.16*
Revenue to the State Govt. of J & K	*1.45*	*1.45*	*-*

***** No Credit is available for taxes paid in both the scenarios***

CASE STUDY X

10. Interstate Purchase from an Industry by a Manufacturer and Sale to Local Dealer

Interstate Purchase from an Industry by a Manufacturer and Sale to Local Dealer Delhi Mfr. ---------> J&K Mfr.-----------> J&K Dealer				
Scenario when Jammu is not adopting GST				
S. No.	***Particulars***	***Credit***	***Amount***	***Amount***
i	Raw Material		50.00	
ii	Add: IGST @ 20%	No Credit	10.00	
iii	Add: Additional Tax @1%	No Credit	0.50	
iv	Add: Entry Tax @ 13.5%	Exempt	-	
v	Add: Toll Tax @ 1%	Exempt	-	
A			***Total Raw Material Cost (i+ii+iii+iv+v)***	**60.50**
vi	Packing and Cons Price		10.00	
vii	Add: IGST @ 20%	No Credit	2.00	
viii	Add: Additional Tax @1%	No Credit	0.10	
ix	Add: Entry Tax @ 13.5%	No Credit	1.35	
x	Add: Toll Tax @ 1%	No Credit	0.10	
B			***Total Packing Cost (vi+vii+viii+ix+x)***	**13.55**
C			***Cost of Raw Material and Packing (A+B)***	**74.05**
xi	Labour and Overhead Cost			18.00
D			***Cost Of Goods Sold (C+xi)***	**92.05**
xii	Add: Profit Margin @ 10%			9.21
E			***Sale Price (D+xii)***	**101.26**
xiii	Add: Excise Duty @ 12.5%			12.66
F			***Sale Price for Remission Purpose (E+xiii)***	**113.91**
xiv	Less: VAT @ 13.5% (113.91/113.50*13.50)			13.55
G			***Sale Price(F-xiv)***	**100.36**
xv	VAT @ 13.5%			13.55
H			***Total Sales Price (G+xv)***	**113.91**

Comparative Cost & Revenue Analysis					
Particulars	***Present Scenario (X)***		***J&K not adopting GST (Y)***		***Net Effect***
	Refer Case Study II		***Credit Allowed***	***Amount***	***Differential Cost (X-Y)/ Revenue (Y-X) Amount***
	Credit Allowed	***Amount***			
Cost to J&K Industry		*80.81*		*92.05*	*-11.24*
Cost to J&K Local Dealer	*11.89*	*88.11*	*13.55*	*100.36*	*-12.26*
Revenue to the Central Govt		*7.50*		*24.66*	*17.16*
Revenue to the State Govt. of J & K		*-10.44*		*1.45*	*11.89*

CASE STUDY XI

11. Interstate Purchase from an Industry by a Trader and Sale to Interstate Dealer

Interstate Purchase from an Industry by a Trader and Sale to Interstate Dealer Delhi Mfr. ---------> J&K Dealer-----------> Punjab Dealer				
Scenario when Jammu is not adopting GST				
S. No.	*Particulars*	*Credit or Not*	*Amount*	*Amount*
i	Finished Goods (Including Labour)		65.00	
ii	Add: IGST @ 20%	No Credit	13.00	
iii	Add: Additional Tax @1%	No Credit	0.65	
iv	Add: Entry Tax @ 13.5%	No Credit	8.78	
v	Add: Toll Tax @ 1%	No Credit	0.65	
A			*Total Finished Goods Cost (i+ii+iii+iv+v)*	**88.08**
vi	**Packing Cost**		**10.00**	
vii	Add: IGST @ 20%	No Credit	2.00	
viii	Add: Additional Tax @1%	No Credit	0.10	
ix	Add: Entry Tax @ 13.5%	No Credit	1.35	
x	Add: Toll Tax @ 1%	No Credit	0.10	
B			*Total Packing Cost (vi+vii+viii+ix+x)*	**13.55**
xi	**Labour and Overhead Cost**			**3.00**
C			*Cost Of Goods Sold (A+B+xi)*	**104.63**
xii	Add: Profit Margin @ 10%			10.46
D			*Sale Price without VAT (C+xii)*	**115.09**
xiii	Add: CST @ 2%			2.30
xiv	Add: Toll Tax @ 1%			1.15
E			*Total Sales Price (D+xiii+xiv)*	**118.54**

Comparative Cost & Revenue Analysis			
Particulars	**Present Scenario (X)**	**J&K not adopting GST (Y)**	**Net Effect**
	Refer Case Study V		**Differential Cost (X-Y)/ Revenue (Y-X) Amount**
	Amount	**Amount**	
Cost to J&K Trader	91.16	104.63	-13.46
Cost to Importing (Punjab) Dealer	103.29	118.54	-15.25
Revenue to the Central Govt (Excise Duty on Purchase)	9.38	15.00	5.63
Revenue to J&K State Govt.	5.11	14.33	9.22

CASE STUDY XII

12 Interstate Purchase from an Industry by a Trader and Sale to Local Dealer

Interstate Purchase from an Industry by a Trader and Sale to Local Dealer Delhi Mfr. ---------> J&K Dealer-----------> J&K Dealer				
Scenario when Jammu is not adopting GST				
S. No.	*Particulars*	*Credit*	*Amount*	*Amount*
i	Finished Goods (Including Labour)		65.00	
ii	Add: IGST @ 20%	No Credit	13.00	
iii	Add: Additional Tax @ 1%	No Credit Available	0.65	
iv	Add: Entry Tax @ 13.5%	No Credit	8.78	
v	Add: Toll Tax @ 1%	No Credit	0.65	
A			*Total Finished Goods Cost (i+ii+iii+iv+v)*	**88.08**
vi	Packing Cost		10.00	
vii	Add: IGST @ 20%	No Credit	2.00	
viii	Add: Additional Tax @ 1%	No Credit Available	0.10	
ix	Add: Entry Tax @ 13.5%	No Credit	1.35	
x	Add: Toll Tax @ 1%	No Credit	0.10	
B			*Total Packing Cost (vi+vii+viii+ix+x)*	**13.55**
C			*Total Finished and Packing Cost (A+B)*	**101.63**
xi	Labour and Overhead Cost			3.00
D			*Cost Of Goods Sold (C+xi)*	**104.63**
xii	Add: Profit Margin @ 10%			10.46
E			*Sale Price without VAT (D+xii)*	**115.09**
xiii	Add: VAT @ 13.5%			15.54
F			*Total Sales Price (E+xiii)*	**130.62**

Comparative Cost & Revenue Analysis					
Particulars	***Present Scenario (X)***		***J&K not adopting GST (Y)***		***Net Effect***
	Refer Case Study VI		***Credit Allowed***	***Amount***	***Differential Cost (X-Y)/ Revenue (Y-X) Amount***
	Credit Allowed	***Amount***			
Cost to Trader		*91.16*		*104.63*	*-13.46*
Cost to Local J&K Dealer	*13.54*	*100.28*	*15.54*	*115.09*	*-14.81*
Revenue to the Central Govt		*9.38*		*15.00*	*5.63*
Revenue to the State Govt of J&K		*15.64*		*10.88*	*-4.76*

Inference

In the ambit of detailed study of the available data it may be deduced that implementation of GST in Jammu & Kashmir would not only benefit the State Economy but will also bear positive fruits for the Local Traders as well as Industries and may also provide a gain of Rs. 1580 crores in totality to the State Government. Overall Costs may reduce under GST and State may gain with GST on services thus creating a win-win scenario for all. In cases where the traders/ dealers face some loss, State Government may propose to provide them special status for a specific period and may compensate them from the additional earning under proposed GST Regime vs. Present Regime.