



ROLE OF CUSTOMS IN INDIRECT TAX COLLECTION

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Customs and Indirect Tax Collection

- Introduction of GST – A transformative Reform in Indirect taxes
- Customs Role in Indirect Tax Collection:
 - Legislative Basis
 - Harmonization of Procedures:
 - Imports and Input Tax Credit
 - Exports and Refund of GST
 - Leveraging Technology – Integration of Customs Single Window System and GSTN Portal
 - Cooperative Framework through MoUs and Audit
 - Trader Identification – Customs and GST are based on PAN number issued by Direct Tax authorities
 - Focus on Data Analytics

Introduction of GST

- Bring Clarity, Consistency and Certainty in tax laws
- Increase transparency and make tax administration more responsive
- Create litigation-free environment and ensure low cost of compliance
- Address distortions in duty structures and provide incentives to boost manufacturing
- Simplify and rationalize key business processes
- Create a conducive environment that promotes ease of doing business and Make in India initiative

Driven by wish list from Tax Payers

GST Tax Design : A Federal handshake

Central Taxes

- Central Excise duty
- Additional duties of excise
- Excise duty levied under Medicinal & Toilet Preparation Enactment
- **Additional duties of customs (CVD & SAD)**
- Service Tax
- Surcharges & Cesses

State Taxes

- State VAT / Sales Tax
- Central Sales Tax
- Purchase Tax
- Entertainment Tax (other than those levied by local bodies)
- Luxury Tax
- Entry Tax (All forms)
- Taxes on lottery, betting & gambling
- Surcharges & Cesses

GST + **13 Central Cesses**



Constitution amended to provide concurrent powers to both Centre & States to levy GST (Centre to tax sale of goods and States to tax provision of services)

Earlier Indirect Tax Structure in India v/s GST

Earlier Tax Regime

- Multiplicity of rates
- Cascading effect of tax on tax - tax credit could not be offset fully
- Varied business rules / compliance requirements of different governments
- Border check posts led to efficiency loss in logistics chain and rent-seeking

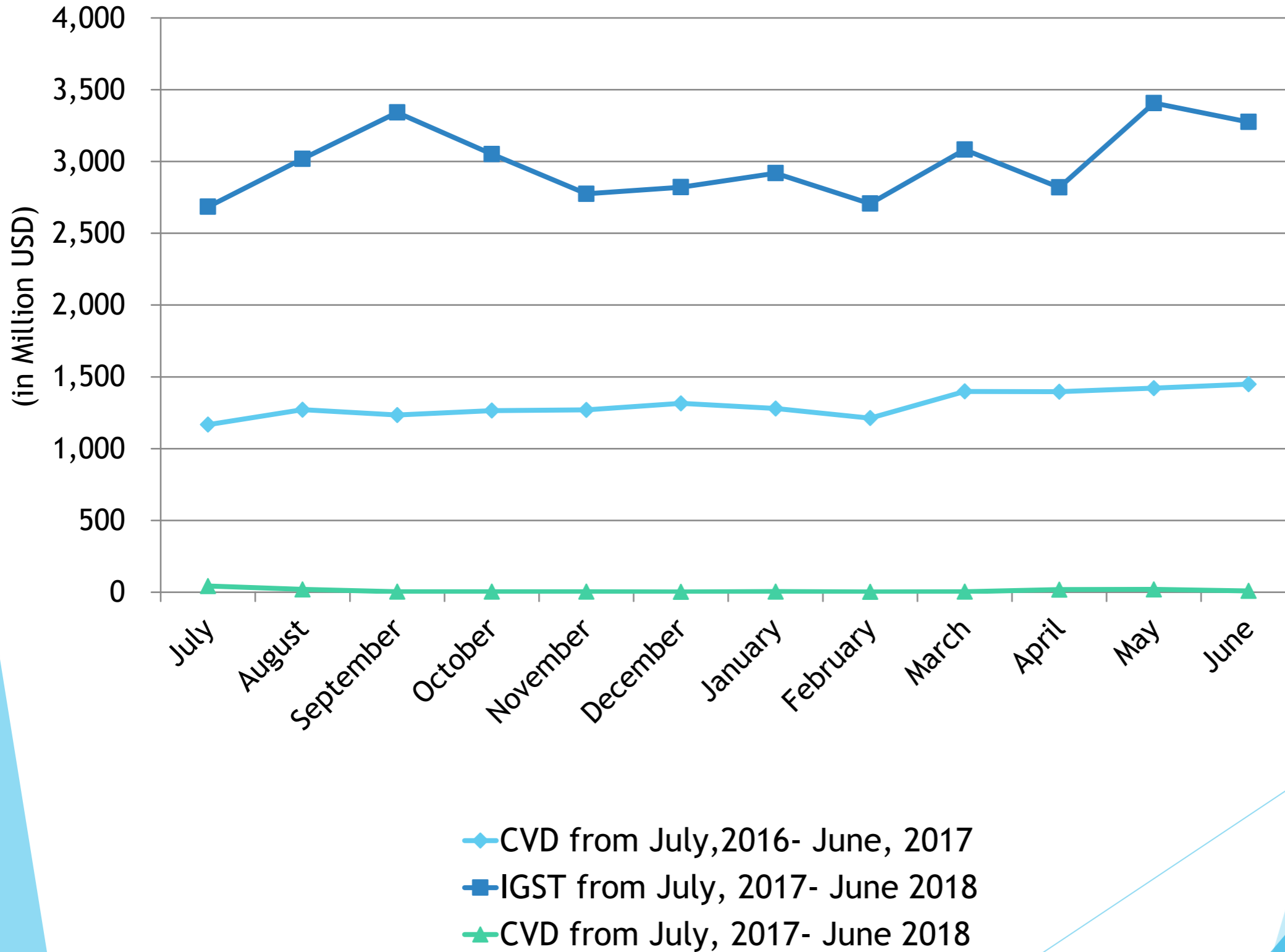
After GST

- Uniform rate in entire country
- Seamless credit flow, complete offsetting of input taxes
- Uniform compliance requirements for registration, payment of taxes and return-filing
- Border check posts completely eliminated. A uniform electronic E-way-bill system

Legislative provisions linking Customs & Indirect Taxes

- Levy of GST on import under Customs Tariff Act
- Levy of GST Compensation Cess on import under Customs Tariff Act
- Levy of Countervailing duty on petroleum products which are outside GST
- IGST Refund against exports which are zero rated.
Two types of Refunds for exporters:
 - Pay IGST first on export products and claim refund
 - Export without payment of IGST and claim refund of Input Tax Credit (ITC)

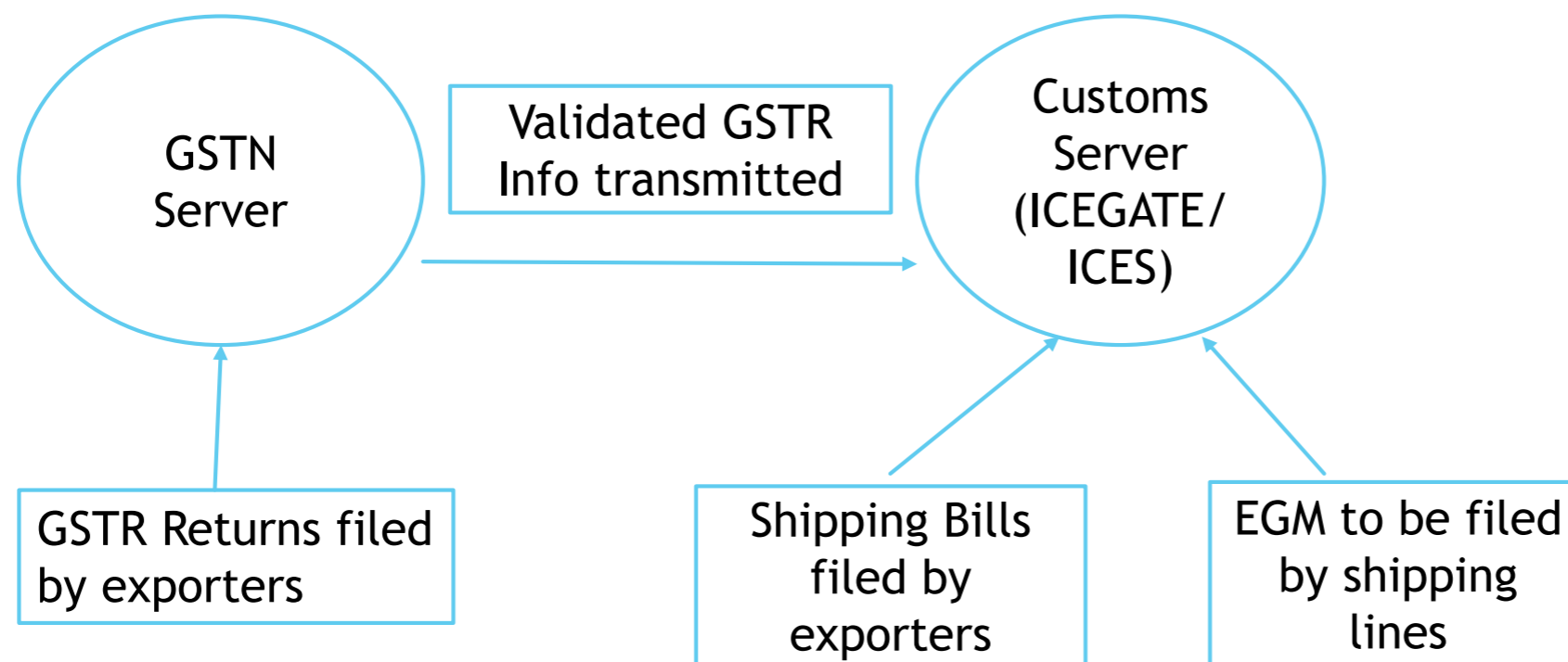
Collection of GST by Customs



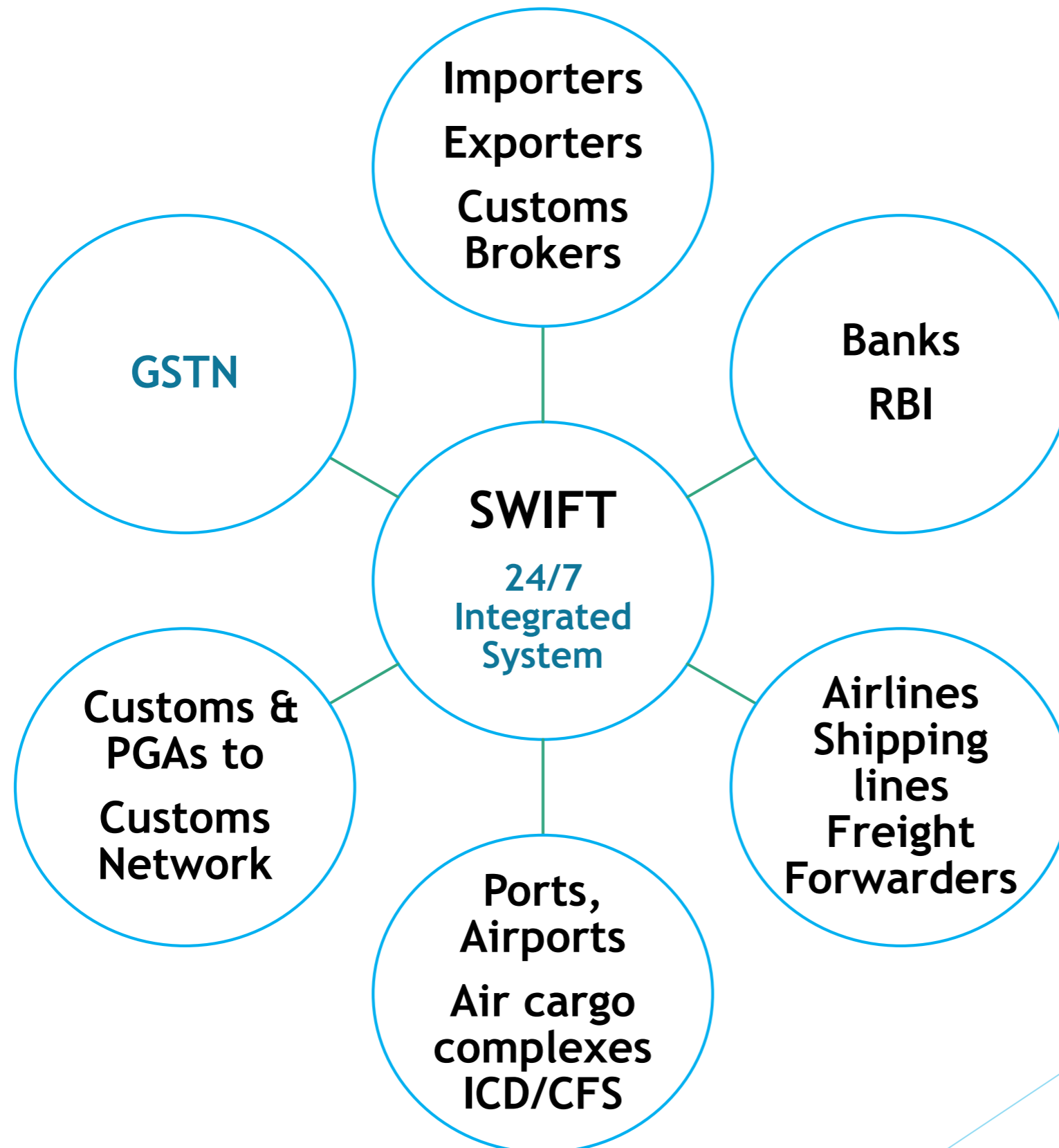
Automated IGST Refund through Customs

Pre-requisites for auto-sanction of IGST refunds by Customs:

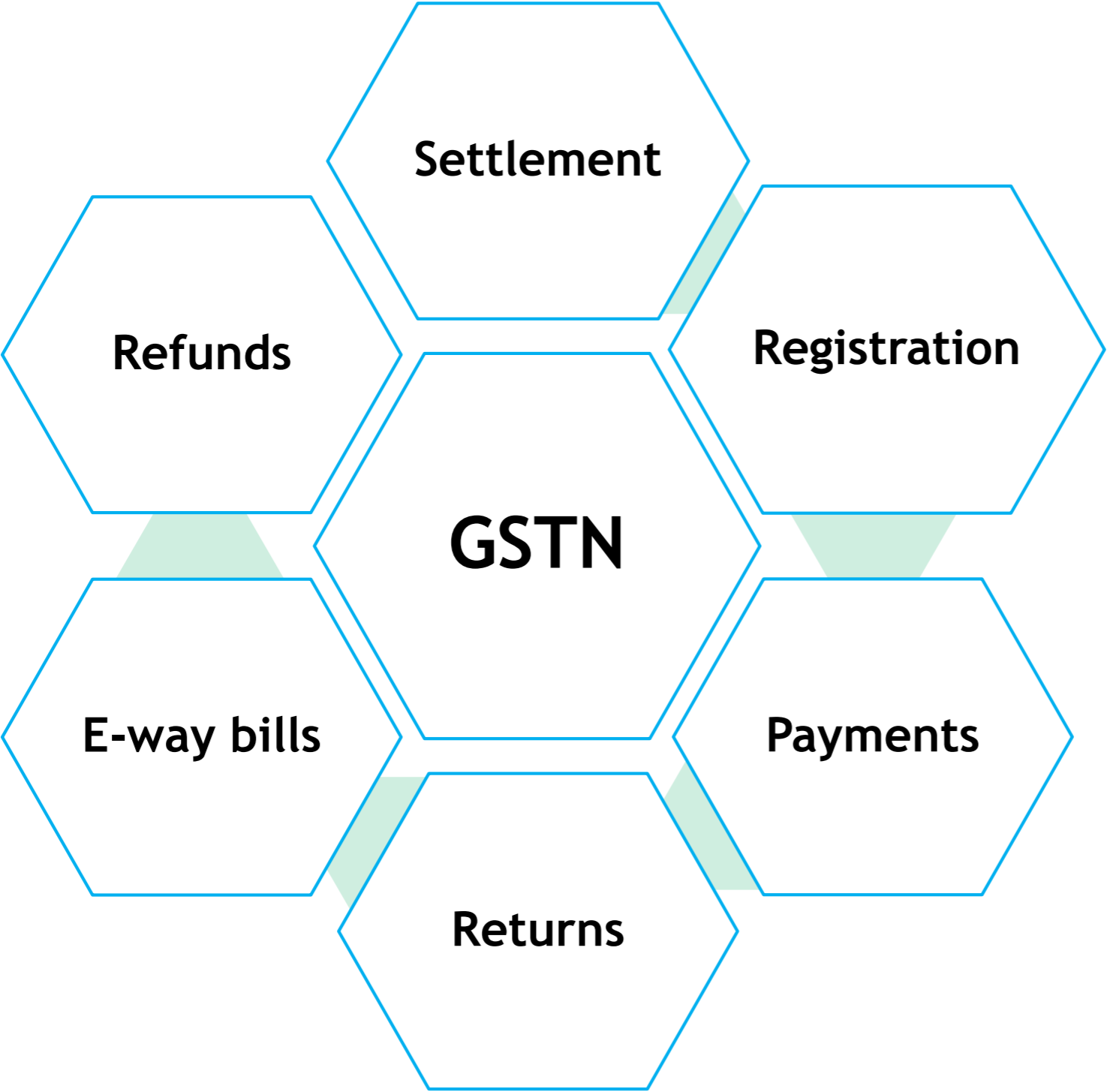
- Payment of IGST + Export of Goods
- Exporters file Export declarations and GST Returns on respective portals
- Shipping lines / Airlines file Export General Manifest (EGM)



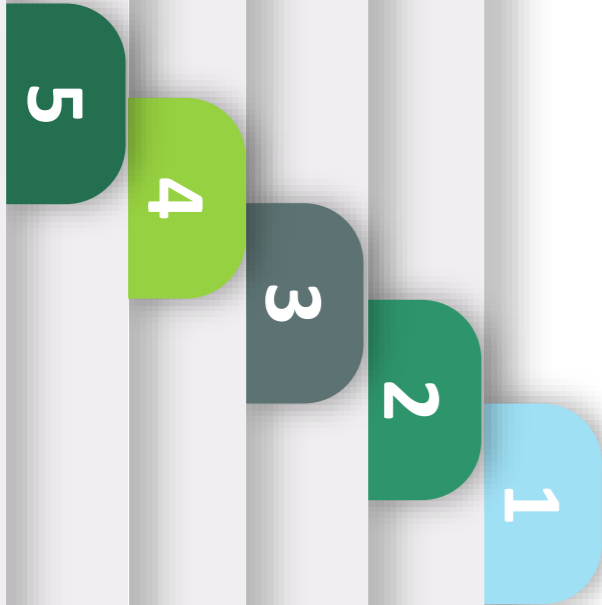
Customs Single Window System - SWIFT



Goods and Service Tax Network (GSTN)



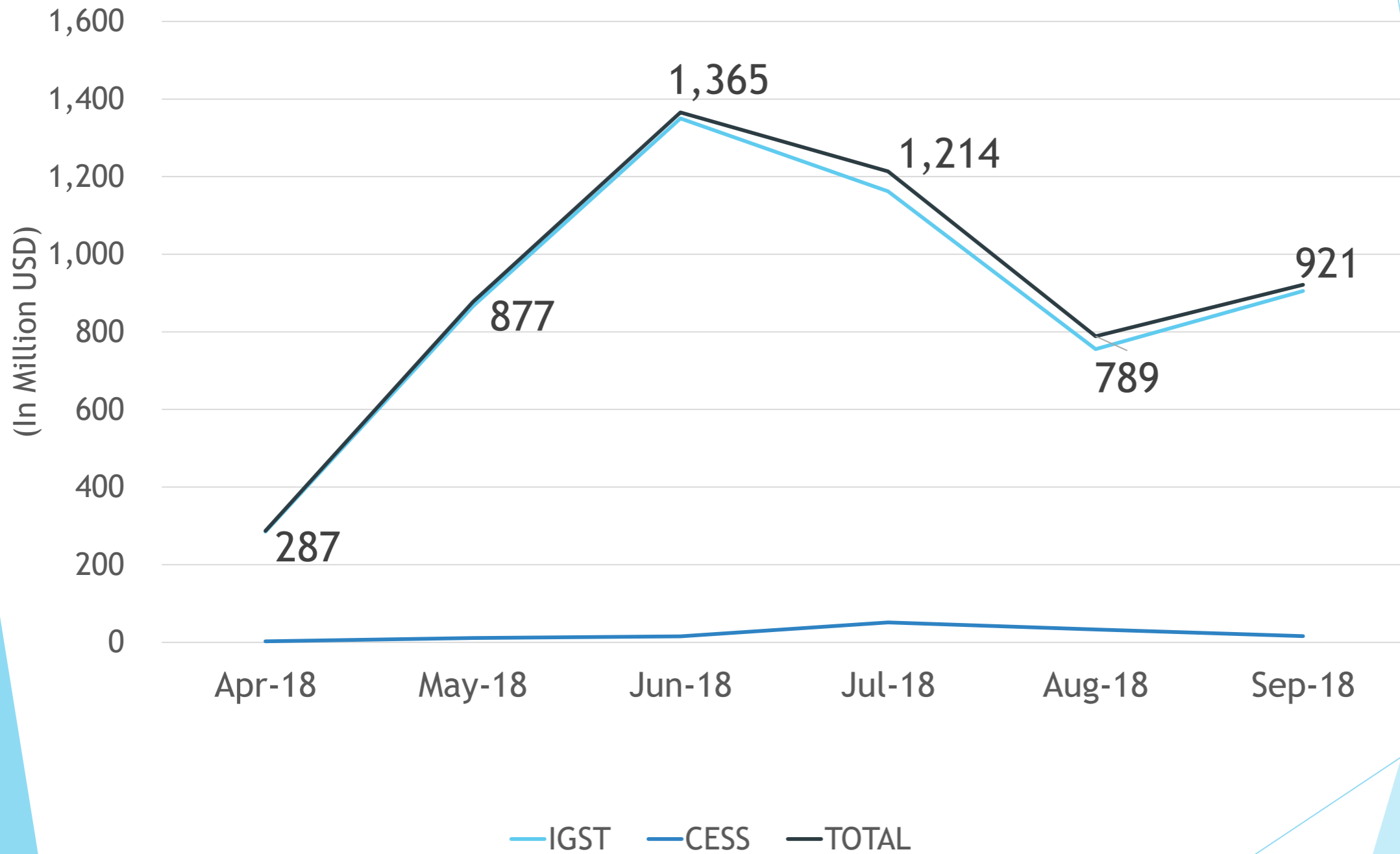
Common Portal - Technology Backbone of GST



Tax Payer (GSTN) State-wise Disposal of IGST Refund (% of Total IGST claim)

(July-17 to July-18)
(All figures in Rupees Crores)

IGST Refund in FY 2018–19



Cooperative Framework

- MoU between:
 - CBIC handling Indirect Tax (GST) and Customs
 - CBDT handling Direct Tax on Corporates and Individuals
 - Corporate Affairs Ministry handling Companies Act
- Audit findings shared between Customs and GST
- Risk Profiling of Refunds and flagging suspicious transactions
- Risk profiling of Commercial Imports not getting into Input Tax Credit chain

Taxpayer Identity is common amongst all statutes

Customs and GST Data Analytics



**Enhancing Indirect Tax
revenue**

Mobilisation & Compliance



Increasing taxpayer base

Across GST, Customs & C. Excise



**Supporting data-driven tax
policy formulation**

Leveraging Technology for serving Taxpayers



**Analytics on
GST, Customs &
CX data**



**State of Art Data
Visualization**



**Real time Data
Capture and
Exchange**



**Predictive &
Fraud Analytics**



Big Data



**Skill
Upgradation**



**Access on
Mobile Devices**



**Public Data
Portal**

“A tax collector should collect taxes from a taxpayer just like a bee collects honey from a flower without disturbing its petals.”

- Kautilya, Arthashastra (2nd Century BC)

Thank You!