DSC: 2E: 5.2 - GOODS & SERVICE TAX FUNDAMENTALS

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Unit-V: Time of Supply of Goods & Services: Value of Supply - Input Tax Credit – Distribution of Credit -Matching of Input Tax Credit - Availability of credit in special circumstances- Cross utilization of ITC between the Central GST and the State GST.

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UNIT – I
Introduction

1. Explain overview of GST ?

A. There is a well structured tax system in India. Taxes are the largest source of income for the Government. This money is used for various development activities of the nation. Taxes are determined by the central and state Governments along with local authorities. The Government cannot impose any tax unless it is passed a law. India follows federal structure of tax system that comprises of two categories: (i) Direct tax and (ii) Indirect tax. The diagramatic representation of tax system in India is as follows.

Tax System

- Direct Taxes
  - Income Tax
  - Wealth Tax
  - Gift Tax
- Indirect Taxes
  - Excise duty
  - Customs Duty
  - VAT
  - Central Sales Tax
  - Entry Tax
  - Service Tax
  - Entertainment Tax etc.

Direct taxes are levied on individuals and Corporate entities.

Indirect taxes are not directly paid by the assessee to the Government authorities. These taxes are levied on goods and services. The present indirect tax system on goods and services is facing number of difficulties such as cascading effect, lack of transparency, lack of uniformity in tax provisions & rates, complexity etc. To overcome all those deficiencies in the present system of indirect taxes, Goods and service Tax was introduced in July 1, 2017. GST is a well designed value added tax that covers both goods and services. It is levied on the value added on the goods and services. It has a wide coverage. It is a comprehensive indirect tax which shall be levied on supply of goods or services or both which includes manufacturing, sale and consumption of both goods and services throughout India.

1. It is a destination based tax.
2. It is a consumption based tax.
3. It provides input tax credit facility
4. It removes cascading effect of indirect taxes.

5. It replaces multiple Central and State level indirect taxes.

6. It Integrates the Indian market into a single common market.

7. It provides dual indirect tax structure.

8. It promotes transparency.

9. It ensures continuous flow of revenue to central and state Governments.

2) Why is there a need for indirect tax reforms in India ?

A) India follows federal structure in the tax system. Taxes are the largest source of income for the Government. Tax system comprises of two categories ; (i) direct tax and (ii) indirect tax. India's taxation powers are shared between the central Govt and State Governments. Both the central Government and State Governments are empowered to levy taxes as per Constitution. Indirect taxes are levied on goods and services. Indirect taxes include Excise duty, service tax, Customs duty, Central Sales tax, VAT, Entry tax, octroi, Luxury tax, Stamp duty, entertainment tax, taxes on Lottery, betting and gambling, road tax etc. There are number of multiple taxes which result cascading effect of tax.. The problems existing in the present indirect tax structure required need for tax reforms. The following are the various reasons for the need of tax reforms in indirect tax system.

1. Complex : The present indirect tax structure is very complex as both Centre and state Government levy taxes leading to double taxation.
2. No provision : State Governments are not empowered to levy taxes on services.
3. Low tax revenue : As the State Government cannot levy Service tax, it negatively effects the State tax revenue.
4. Cascading effect : Dual tax System leads to cascading effect i.e. taxed goods are again taxed.
5. Tax administration : Tax administration both at the Central and State level is complex.

6. low level of automation : Many of the administrative processes are still manual.

7. Return filing : Indirect tax return filing in India is a complex task.

8. Separate accounts : Assessees paying both central and state taxes have to maintain separate accounts for submitting tax returns.

9. Multiplicity of taxes : In India there are number of indirect taxes which makes the tax system more difficult.

10. Distinction between goods and services : Making distinction between goods and services has become difficult. It is difficult to identify whether it is a good or service and whether to levy tax on goods or service tax.

3. Explain Features or objectives or Advantages and Disadvantages of VAT ?

A. Value added tax (VAT) was introduced into the Indian taxation system from 1st April 2005. The existing general sales tax laws were replaced with the Value Added Tax. It is multipoint taxing system. It is a not which is levied not on the selling price of the product but on the net value addition at each stage. In case of VAT, the tax burden is passed to the ultimate consumer. So it can also be called as consumption tax.

Features or objectives of VAT : The following are the features of value Added Tax.

1. VAT is levied at each stage of production
2. It is levied on the increased value of goods and services.
3. It is transparent and easier.
4. It is imposed on goods and services or both.
5. It increases competitiveness of Indian industry.
6. It removes the multiple taxes.
7. It removes the cascading effect of the taxes.
8. It decreases cost of production and increases investment in the economy
9. It provides input tax credit facility
10. It facilitates self assessment by dealer.

Benefits of VAT : The following are the benefits of VAT.

1. Eliminates deficiencies of Sales Tax : VAT eliminates deficiencies of sales tax such as cascading effect of sales tax, double taxation etc.
2. Self assessment under VAT : VAT has replaced the existing system of inspection by a system of self assessment by the dealer.
3. fall in price : VAT ultimately reduces the prices of goods.
4. Simple calculations : Under VAT there are no complexities for calculation of tax. There is a simple tax structure.
5. Transparency : There is no hidden taxes under VAT. There is overall transparency in the taxation.
6. fairness in the taxation System : VAT ~~has~~ eliminates inefficiencies of the sales tax and incorporated fairness in the taxation System.
7. Higher revenue growth : VAT increases revenue of the Government. Lower tax avoidance, proper recording mechanism contribute for increased revenue.

8. Less chances of tax evasion : There are lesser chances of tax evasion:

9. Roadmap to central level VAT or GST: The main objective of VAT is to reach at a uniform Goods and Services Tax (GST).

10. Less declaration forms ; VAT requires lesser number declaration forms.

11. Effective auditing ; Dealer maintains proper records of purchases and sales. It contributes for effective auditing.

12. Minimum exemptions: The system of VAT is very effective as it provides minimum exemptions.

Disadvantages or Limitations of VAT: Though VAT has number of advantages but it is not free from limitations. The following are the disadvantages of VAT:

1. Heavy Compliance cost ; VAT requires maintaining proper records, documentary proofs and detailed accounting of all transactions which leads a lot of expenses.

2. Bogus invoices : Trades to evade tax, create bogus invoices to get the benefit of input tax credit,

3. Disadvantageous to lower income group: VAT is a consumption based tax. Lower income group spent a large amount on consumption which makes them poorer.

4. No input tax credit for inter state purchases. The benefit of input tax credit is available only for intra state sales or sales within the state only. Therefore inter state purchases does not provide input tax credit.

5. Missing trader fraud: High value goods such as mobile phones, micro chips are used for missing trader fraud or acquisition fraud or carousel fraud i.e. theft of VAT from Govt.

6. Leads to inflation: VAT depends upon factors ~~of product~~ such as demand and supply of the product, number of intermediaries, inventory holding period etc which may lead to inflation.

7. Complex: The calculation of value added at each stage is not an easy task.

4) what are the limitations in the present structure of Indirect Tax System?

A) present structure of Indirect taxation in India can be divided into central levies and state levies. Central levies mainly include excise duty, custom duty and service tax. state levies mainly comprise of VAT, central sales tax, entry tax, entertainment tax, luxury tax etc. The present Indirect tax structure suffers from following shortcomings.

1. Cascading effect : It is a system of multiple tax levies between central government and state Government i.e. tax on tax. This increases overall burden of tax in the hands of customers.

2. Lack of transparency : Currently there is no mechanism to cross verify the claim of central VAT credit made by the manufacturer. Even in states also they do not have the mechanism to cross verify the credits.

3. Lack of uniformity in tax provisions and rates : presently VAT structure across the states lack uniformity in respect of tax rates, exemptions and calculations.

4. Multiple points of taxation : Under the current system, there are multiple points of taxation. for example : excise duty is levied at the time of manufacture, entry tax at the time of entry into state, VAT at the time of sale of goods.

5. Complexity in determining the nature of transaction — Goods Vs Services : It has become very complex to make distinction between goods and services. Today goods and services are being packaged as composite bundles and offered for sale to customers.

6. Multiple Administrations : Business men are ~~required~~ required to visit different offices. This increases the compliance cost of business and icreates unnecessary complexity.

7. Inability of states to levy tax on services : only central Govt is empowered to levy taxes on services.

8. Fixation of Situs : It is very difficult to fix the situs of transaction when sale take place between two different states.

15) Explain the important concepts in GST?

A) The GST is a single value added tax levied on the manufacture, sale and consump-tion of goods and services at the national level. It is levied on both goods and services. Its main objective is to consolidate multiple indirect taxes in to a single tax. The following are the importants concepts in GST

1. Supply : It is an activity of transfer of property in goods and services carried on by person in the course of business. Supply includes all forms of goods and services such as sale, transfer, exchange, lease, disposal made for consideration. stock transfers, branch transfers will also come under GST. Free Sample of goods also come under supply in GST

2. Time of Supply : The time of supply of goods is an important feature under the GST. In the GST time of supply is determined through the following three events.

1. The time of issuing of invoice.
2. The time of receipt of payment.
3. The time ~~of~~ a taxable supply is made.

for example : There is a transaction relating to supply of goods worth Rs. 10,000.

1. The Date of invoice is 15.05.2018.
2. The Date of Receipt of payment is 10.07.2018
3. The Date of recording receipt in books of accounts by supplier is 15.07.2018

Now from the above 3 events. 15.05.2018 is to ~~be~~ be considerated as time of supply

3. Taxable supply : It is supply of goods and services or both which is leviable to tax under GST act. It is a tax which is collected on the value added at each stage of production and sale of goods & services. The following goods and services are falling outside the taxable supply.

1. Nil rated supply
2. Exempted supply
3. Supplies made to any other country
4. Supply of alchohal, petrol etc.

4. Input tax credit (ITC) : Input tax credit means reducing the taxes paid on inputs from taxes to be paid on output. when any supply of goods and services is supplied to a taxable person, the GST charged is known as input tax. The conditions to claim input tax credit under GST is a very critical activity for every business. It can be claimed by a person registered under GST subject to 4 conditions.

i) possession of invoice
ii) Receipt of goods and services
iii) Tax actually paid by supplier to Government and.
iv) furnishing of tax returns.

In simple ITC is reduction of tax paid on inputs (input tax) from the tax paid on output (output tax) and pay the balance of amount of tax to the Government

5. place of supply : GST is a destination based tax. The Goods and services will be taxed at the place where they are consume and not at the origin place. So the state

where they are consumed will have the right to collect GST. If the supply of goods & services is within the state, it is called intra state supply and both central Govt and destinated state Govt levy CGST and SGST. If the supply of goods and services is between two different states then it is called inter state supply where IGST is levied.

6) Define GST ? Explain objectives or features or need or Justification of GST?

A) GST means Goods and Service Tax. It was introduced on 1st July 2017 as one of the most crucial indirect tax reform in India. According to GST Act, 2017 GST is defined as " GST is a tax on goods and services with value addition at each stage of production and distribution". It is a comprehensive indirect tax which shall be levied on supply of goods or services or both throughout India. It subsumes different kinds of indirect taxes levied by Central and State Governments. It has a wide coverage. It is paid by the final customer while all the preceding parties such as wholesale dealer, retailer etc are allowed to take Credit benefit of tax paid on purchase of of goods and services. It is destination based tax, consumption based tax.

objectives or features or need or Justification of GST : The following are the objectives of GST.

1. To reform the indirect tax system.
2. To provide set offs or Input tax Credit
3. To provide a comprehensive tax which applies to both goods and services.
4. To provide a dual tax structure where both central and state Government have the power to levy tax.
5. To integrate the Indian market into a single common market to remove the interstate barriers.
6. To remove cascading effect of indirect taxes
7. To replace multiple central and state level indirect taxes.
8. To boost economic growth.
9. To reduce administration cost for the Govt
10. To ensure seamless flow of credit to central and state Governments.

11. To promote transparency.
12. To make Indian goods and services more competitive at the international market.
13. To enable the State Governments to levy taxes on services.
14) To increase tax base for the Government as it brings all the buyers and sellers in the tax chain.
15. To reduce compliance cost for the assessee.

7) Define GST with an example?

Introduction of GST : 6th Question

GST can be easily understand with the following example :

Stage/ Supplier	Input price (1)	Value added (2)	Total value added (1)+(2) = (3)	Combined GST @ 10% on (3) = (4)	Selling price (3)+(4) = (5)	Tax paid to Government (6)
A Stage I	-	100	100	10	110	10
B Stage II	110 (100+10 Input tax)	50	150 (100+50)	15	165	output tax 15 Less ITC 10 05
C Stage III	165 (150+15 Input tax)	40	190 (100+50+40)	19	209	output tax 19 Less ITC 15 04
D Stage IV	209 (190+19 Input tax)	30	220 (100+50+40+30)	22	242	output tax 22 Less ITC 19 03

Total tax paid to the Government = ₹ 22
(10 + 5 + 4 + 3)

Total tax paid by the consumer = ₹ 22.

from the above table, it can be observed that Government collects total tax of ₹ 22.

from Supplier A	=	₹ 10
B	=	₹ 05
C	=	₹ 04
D	=	₹ 03
Total GST		₹ 22
Total Selling price		₹ 242.

Every supplier is eligible to claim ITC he has already paid while purchasing from the seller and it is the consumer who ultimal pays GST of 10% on the selling price.

8) Explain Advantages & Disadvantages of GST to central and State Government

A) Introduction of GST : 6th Question

With the introduction of GST in India, there are significant changes in the indirect tax system. The following are the advantages of GST to central & State Govt :

Advantages :

1. multiple indirect taxes :
Multiple indirect taxes are subsumed in GST which include both Central taxes and State taxes.

2. Dual GST, federal structure:
2) Central GST and State GST are to be treated separately.

3. Input tax credit facility:
3. Input tax credit facility is provided both for CGST and SGST.

4. Common national market:
4. Helps in the establishment of a unified common national market to boost foreign investment.

5. Increases GDP growth rate:
5. Helps to boost exports, generation of more employment and increased GDP growth.

6. Increased investment:
6. Contributes for the development of states by improving overall investment climate.

7. ~~Redu~~ evasion:
7. Reduces tax evasion.

8. Lower administrative cost
8. Reduces administrative cost for the Government.

Disadvantages: Though GST provides number of benefits to central & state Govts. but it is not free from limitations. The following are the disadvantages of GST to central and State Governments:

1. Decrease in the Central Government Revenue:
1. GST divides taxation power between Central and state Government causing negative impact on revenue of the central Govt as the central Govt loss exclusive authority of levying central excise duty and service tax.

Interstate supply :

2. GST is a destinated tax. Tax is levied in the destinated state only. In case of Inter state supply of goods and services, the origin state is loosing tax revenue.

purchase tax :

3. prior to GST, food grain producing states levy purchase tax. But now GST as a destinated based tax had a negative impact on the revenue of food grain producing state.

uniform GST rates :

4. Uniform GST rates across all the states has negative impact on the revenue of north eastern and special category states.

9) Define GST. write in detail the advantages and disadvantages of GST (or) Explain the benefits of GST under various levels ?

A) Introduction of GST : 6th Question

Advantages of GST : GST is very beneficial to citizens, traders and Government. The following are the benefits of GST to various groups.

Citizens or Consumers :

1. It is a transparent tax.
2. It provides corruption free tax administration.
3. It helps in the reduction of prices of goods and services.

4. It increases employment opportunities
5. It is a simple tax system.
6. It enables uniform prices throughout the country.

Traders or Business :

1. It Increases investment in production of goods and services.
2. It eliminates cascading effect of tax.
3. It provides simple tax structure and easy procedures.
4. It is a simplified and cost saving tax system.
5. It reduces number of indirect taxes.
6. It avoids hidden taxes in the business.
7. It makes cost of doing business lower.
8. It enables the trader to start business easily.

Government or make in India

1. It helps in the establishment of unified common national market.
2. It promotes exports, reduces poverty and increases GDP growth rate.

3. It increases revenue to the poor states.
4. It reduces tax evasion
5. It reduces administrative cost for the Government.
6. It is levied only at the destination of Consumption.
7. It helps in the inflation control and there by contributes for the economic development.

Disadvantages of GST : GST is not free from limitations inspite of providing number of benefits to the trader, consumer and Govt. The following are the disadvantages of GST.

1. GST is information technology based. it increases cost of the business.
2. It increases operating cost of the trader.
3. It increases tax burden on small enterprise
4. It is a complex tax for business man as the control is both from State and Central Government.
5. It is Just like old wine in a new bottle terms such as CGST, SGST and IGST are nothing but new names for existing taxes.

6. It increased cost of services such as telecom, banking, airline etc.

7. GST is techinology based tax. The Trader has to file returns online. Many people are not able to process through online.

8. There are multile tax rates such as 5%, 12%, 18% and 28% under GST.

10) Explain the process of introduction of GST ?

A) The implementation of the Goods and services tax (GST) in India was a historic move as it marked a significant indirect tax reform in the country. The amalgamation of a large number of taxes into a single tax have bige advantages. from the consumer point of view, there is tax burden reduction due to the transparent nature of GST. Several countries have already adopted GST. There are nearly 160 countries in the world that have implemented VAT/GST. france was the first country to implement GST in 1954. In India GST was introduced on 1st July 2017 though the first step was made in the year 2000.

process of introduction of GST in India:

1. In India the idea of adopting GST was first suggested by the Atal Bihari Vajpayee Government in 2000.

2. A task force headed by Vijay Kelkar the advisor to the finance ministry recommend GST system in the year 2004.

3. The first announcement for introduction of GST was made in budget speech by the finance Minister P. Chidambaram in 2006

4. Task of designing GST was given to empowered committee of State finance ministers in 2009.

5. It was proposed to introduce nationwide GST in 2010. However, it could not be achieved mainly due to political differences

6. The Govt. led by the Congress party presented constitution (115th Amendment) bill for the introduction of GST. But the bill was sent to a standing committee for detailed examination.

7. In 2014, Shri Arun Jaitley, finance Minister, Govt of India introduced Constitution (101 Amendment) Bill in paraliament for introducing GST in India

8. The GST Bill was passed by Lok sabha in 2015

9. It was passed by Rajya sabha in 2016 with certain amendments.

10. In the year 2017 Lok sabha and Rajya sabha passed

    The central Goods and service Tax (CGST) Bill, 2017

    The Integrated Goods and service Tax (IGST), Bill, 2017

    The union Territory Goods and service tax (UTGST) Bill, 2017

    The State Goods and service Tax (SGST) Bill, 2017

    The Goods and Service Tax (Compensation to states) Bill, 2017.

11. The GST council finalised GST rates and rules. On 1st July 2017, the Government of India declared implementation of GST bill.

11) Write about constitutional Amendments of GST?

A) GST constitutional (101 Amendment) Act, 2016 consists of the provisions necessary for the implementation of GST. The main aim of these amendments in the constitution is to introduce GST. The amendments subsume a number of indirect taxes levied by central and state governments into GST to remove cascading effect of taxes and providing a common national market for goods & services.

The following amendments in the constitution confer powers to parliament and state legislatures to make laws to levy GST.

1. Amendment for concurrent powers: Article 246 A in constitution has been inserted in 2016 to give concurrent powers to parliament and state legislatures to make laws with respect to GST.

2. Amendment for Exclusive powers of Central Govt for IGST: Article 246(2) of constitution of India was amended in 20 to give exclusive powers to parliament

to make laws in the course of interstate trade, or commerce.

3. Amendment for Residuary powers of Central Govt : Article 248 of Constitution of India was amended in 2016 to provide residuary powers to parliament to make laws in respect of State GST.

4. Amendment for Emergency powers : Article 250 of Constitution of India was amended to provide emergency powers to parliament to make laws for whole or part of India in respect of GST.

5. Duties levied by union and collected and appropriated by states : Article 268 of constitution of India states that stamp duties shall be levied by union Govt but collected by states.

6. Apportionment of IGST between Union and states : Article 269A (1) of constitution of India was amended in 2016 to give powers to parliament to make laws on the recommendation of GST Council in respect of IGST collection and apportionment between union and State Governments

7. Taxes levied and collected by Union and distributed between Union and States : Article 270 of constitution of India provides that all taxes except specified taxes shall be levied and collected by centre and distributed between centre and states.

8. Surcharge on taxes for purpose of Union: Article 271 of constitution of India provides that Union can levy surcharge on taxes and duties specified in Articles 269 & 270 will be retained by union only. It is not distributed among States. No surcharge is levied on GST.

9. Insertion of Article 279A : Article 279A was inserted in constitution of India for the Constitution of GST council.

10. Restriction on imposition of tax : Article 286 restrics the state laws from imposing of any tax on the sale or purchase of goods outside the state.

11. Amendment of Article 366 : According to this Article Goods & Service Tax means "Any tax on supply of goods or services or both except on supply of alcoholic liquor for human consumption.

12) write a short note of GST Council.

A) Article 279A was inserted in constitution of India in 2016 to make a provision for constitution of GST council. The GST Council makes recommendations to Union and States relating to GST. Union finance minister Sri. Arun Jaitley is the chairman of council. Union minister of State. Revenue and minister in charge of finance or taxation of each State government are members of the GST council.

powers of GST council : The GST Council
1) ~~The taxes~~ shall make recommendations to the Union and States on the following issues:

1) The taxes levied by the Union, the states and the local bodies which may be subsumed in GST.

2) The goods and services that may be subjected to or exempted from GST.

3) GST laws, principles, apportionment of IGST between Union and States.

4) The limit of turnover below which goods and services may be exempted from GST.

5) Change of GST rates during any natural calamity or disaster.

6) Special provision with respect to the States of Arunachal pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal pradesh and uttarakhand.

7) Any other matter relating to GST as the Council may decide.

13) what is GSTN ?

A) A Technology Advisory group for unique projects was setup in 2010 under the chairmanship of Mr. Nandan Nilekani to study the information technology network for GST. The group submitted its report in 2011. On the recommendation of the group, the Government set up Goods and Service tax network (GSTN) as special purpose vehicle in 2012. Later in the year 2013, GSTN has been incorporated as a company (not profit company) under Section 25 of companies Act, 2013.

The main function of GSTN is to make proper use of information technology network for GST and avoid misuse of input tax credit.

Functions of GSTN : The following are the functions of GSTN

1. It facilitates GST registration.
2. It forwards returns to central and State Government authorities.
3. It computes and settles IGST.
4. It provides tax payers profile.
5. It provides MIS (Management Information System) Reports to central and state Govts. on the basis of tax payer return information
6. It helps in matching tax payment details with banking network.

14) Explain GST Suvidha providers (GSP).

A) GSP stands for GST suvidha provider. It is a service provider who helps the taxpayer to comply with the provisions of the GST law through its web platform. GSTN will receive the returns filed by companies through GST suvidha provider.

Indian Government has appointed 34 GSTPs who will be allowed to develop simple applications to be used by taxpayers for interacting with GSTN.

Ex : Ramco Systems Ltd, Reliance Corporate IT park Ltd, TCS Ltd, etc.

UNIT - II

GST

1) Explain the principles of GST?

A) With the introduction of Goods and Service tax in India, several taxes were subsumed to form a uniform tax. The various central, state and local levies were first examined to identify their possibility of being subsumed into GST. The following are the principles that should be considered while designing the framework of GST.

principles of GST:

1. Taxes subsumed should be in the nature of indirect taxes to be levied on goods and services.
2. Taxes should be levied on the entire supply chain.
3. Taxes levied should result free flow of tax credit in intra and inter state levels.
4. There must be revenue fairness for both central and state Government.
5. Taxes should be levied on the principle of destination based tax.
6. Taxes should be levied on uniform basis without any discrimination.

7. Tax structure should contain minimum exemptions.
8. There should be provision for input tax credit.
9. Tax is paid by suppliers but it actually funded by consumers.
10. GST is a tax on the consumption of prod from business sources and not on personal activities.

2) Explain Australian Model of GST?

A) ~~Australia~~ The international experience shows that the success of the GST depends mostly on the model and its effective implementation. Countries like Australia, Canada and New Zealand shows that there is better fiscal finance and price stability with the implementations of GST

Australian Model of GST : Australia impleme GST on 1st July 2000 under the aegis of the Howard Government. Under Australian model of GST, value added tax (VAT or GST) is levied on the supply of goods and services in Australia.

Features : The following are the features of Austrilian Model of GST.
1. GST is levied on supply of goods or services in Australia.

2. GST is levied on imports of goods or services into Australia.

3. GST is not levied on exports of goods or services from Australia.

4. Rate of GST is 10%.

5. GST is administered by the tax office on behalf of the Australian Government.

6. Revenue generated from GST is appropriated to the States by the Australian Government.

7. Every person the turnover of whom exceeds A $ 75,000 is liable for registration under GST.

8. In case of default, 1/11 th of the income and some form of penalty is paid to the Government.

9. The provision of credit back (ITC) is allowed.

10. The trader has to maintain records for at least a period of 5 years.

Effect of GST on Australian Economy:

Australia experienced a positive outcome from the implementation of GST. They are as follows:

i) Increase in GDP growth rate.
ii) Achievement of fiscal balance.
iii) Favourable current account balance.
iv) Increase in tax GDP ratio.
v) more tax revenue from GST.

3) Explain canadian model of GST ?

A) GST was introduced in Canada in the year 1991 by prime minister Brain Mulroney. GST replaced Manufacturer's sales tax (MST) in canada. Canadian model of GST is Dual GST. Inspite of strong opposition for the introduction of GST, Canadian Government implemented GST to yield fruitful results.

Features of canadian model : The following are the features of canadian model of GST

1. The GST is Dual GST.
2. GST is levied on supply of goods and services purchased in canada except items that are exempted and zero rated.
3. There are two rates GST (Goods and Service tax) and HST (Harmonised Sales Tax)
4. The GST rate is 5%, HST rate is 15%
5. Input tax credit facility is available for traders except on exempt goods & service
6. Imports into canada are subject to GST
7. A person whose business activities exceeds C $ 30,000 is liable to pay GST.

Effect of GST on Canadian economy:

GST has positive effect on the macroeconomic performance of Canada. The following are the positive effects of GST.

i) overall growth of the economy

ii) Increased Government finance

iii) Growth in tax revenue

iv) Achievement of price stability.

4) write about Singapore Model of GST.

A) GST was introduced in Singapore on 1st April 1994. At that time the rate of GST was 3%. Later it increased to 4% in 2003 and 5% in 2004. In the year 2007 the rate of GST increased to 7% and till today Singapore Government is levying GST at 7%.

Features: The following are the features of Singapore model of GST.

1. GST is levied on supply of goods and services in Singapore.

2. GST is levied on goods and services imported into Singapore.

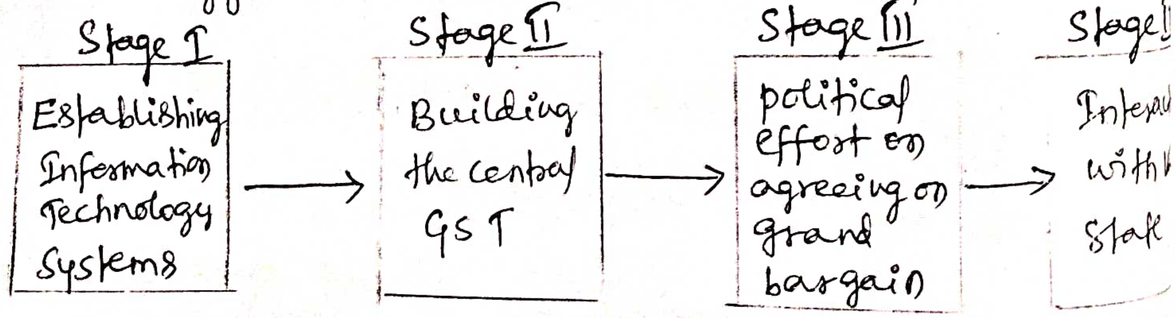
3. GST is not levied on exports of goods, international services and zero rated goods and services.

4. Input tax credit facility is available to traders.

5. Sale and lease of residential properties and financial services are exempted from GST. No input tax credit is available on exempted goods and services.

5) What are the basic features of Kelkar Shah model of GST?

A) The concept of GST was mooted by Dr. Vijay Kelkar former finance Secretary in 2004. Kelkar - Shah model of GST is a unified GST model which is based on a grand bargain to merge the central excise, service tax and State VAT into GST. The model suggested implementation of GST in 4 stages



Features of Kelkar Shah model of GST:

The following are the features of Kelkar shah model of GST.

1. This model recommended to merge central exise, Service tax and State VAT into GST.
2. There should be two different rates of tax to be levied by the centre and state.
3. This model is similar to the HST model in canada.
4. The model recommended 3 advalorem rates : At centre - 6%, 12% and 20%
   At state - 4%, 8% and 14%
5. GST is to be levied both by the centre and states.
6. The model recommended that the centre shall collect tax revenue from the big industries and the states shall collect from smaller industries.
7. However the model did not consider the provisions of the constitution for the introduction of GST.
8. GST both CGST and SGST are levied on imports.

6) Explain the features of Bagchi-poddar model of GST?

A) This model like Kelkar shah model also proposes to combine Central excise, service tax and state VAT into GST. It is similar to Quebec model of GST. In Quebec model state of Quebec collects tax. This model recommended for the constitutional amendment for the introduction of GST. The model however opposed ~~to abolish~~ the present division of taxing powers between the centre and the states.

Features : The following are the features of Bagchi poddar model of GST.

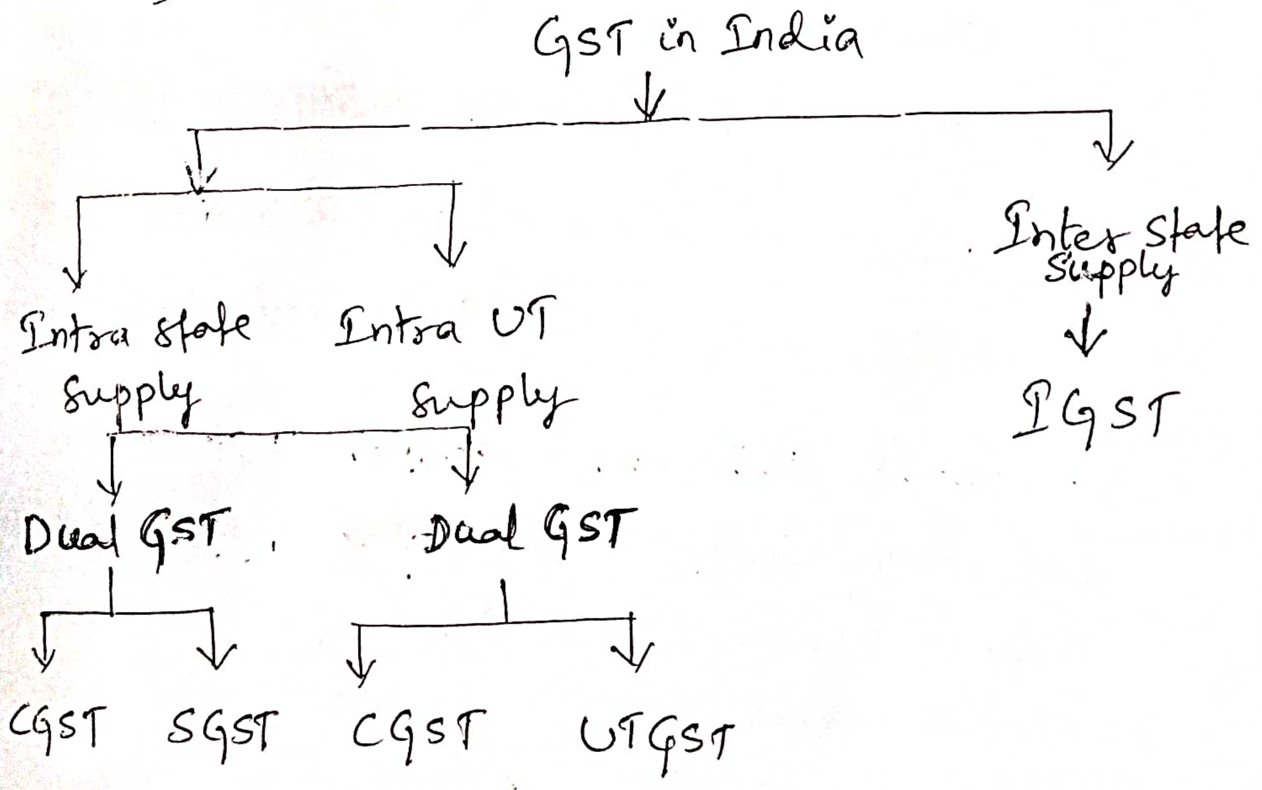
1. The model recommended for the combination of central excise, service tax and state VAT into GST.
2. Tax should be levied by both Centre and state separately.
3. There should be single RNR (Revenue Neutral Rate) of 6%.
4. If the Govt wants to have two rate system then the two rates are standard Rate and Lower rate.

5. The model recommended for constitutional Amendment for introduction of GST.

6. The model also considers national harmonisation agreement.

7. Describe the comprehensive structure of GST? model in India (or) Discuss the scope of the GST model in India?

A. GST is a comprehensive indirect tax levied on supply of goods or services or both in India. It is levied on manufacture, sale, consumption of goods and services throughout India. GST in India subsumes number of indirect taxes like central excise duty, service tax, state VAT, purchase tax, luxury tax, entry tax etc. The comprehensive structure of GST in India is shown in the following diagram.



Comprehensive structure of GST in India is described as follows. (or) Scope of GST.

1. consumption based tax:
GST is a consumption based tax payable in the state in which goods and services are are finally consumed. It is a destination based tax where the destination state shall earn the tax revenue on GST.

2. Concurrent Dual GST : GST in India is is concurrent dual GST. Under this mod both central and state Governments will levy GST.

3. GST taxation structure ; GST taxation structure consists of the following taxes which are to be levied on the supply of goods and services.

CGST - central Goods & Service Tax

SGST - State Goods & Service Tax

IGST - Integrated Goods & Service Tax

UTGST - Union Territories Goods & Service

4. Taxes subsumed under GST : The the following central and state indirect tax are subsumed in GST.

Central taxes subsumed are central excise duty, Service tax, customs duty etc.

State taxes subsumed are State VAT, entertainment tax, luxury tax, purchase tax, tax on Lottery, betting, gambling; entry tax, octroi etc.

5. IGST for interstate transactions : In case of inter state supply of goods and services, IGST is imposed by central Government.

6. Input Tax Credit (ITC) : Input Tax credit means taxes paid while purchasing of goods (input tax) is allowed as credit out of the taxes paid on supply of goods (output tax)

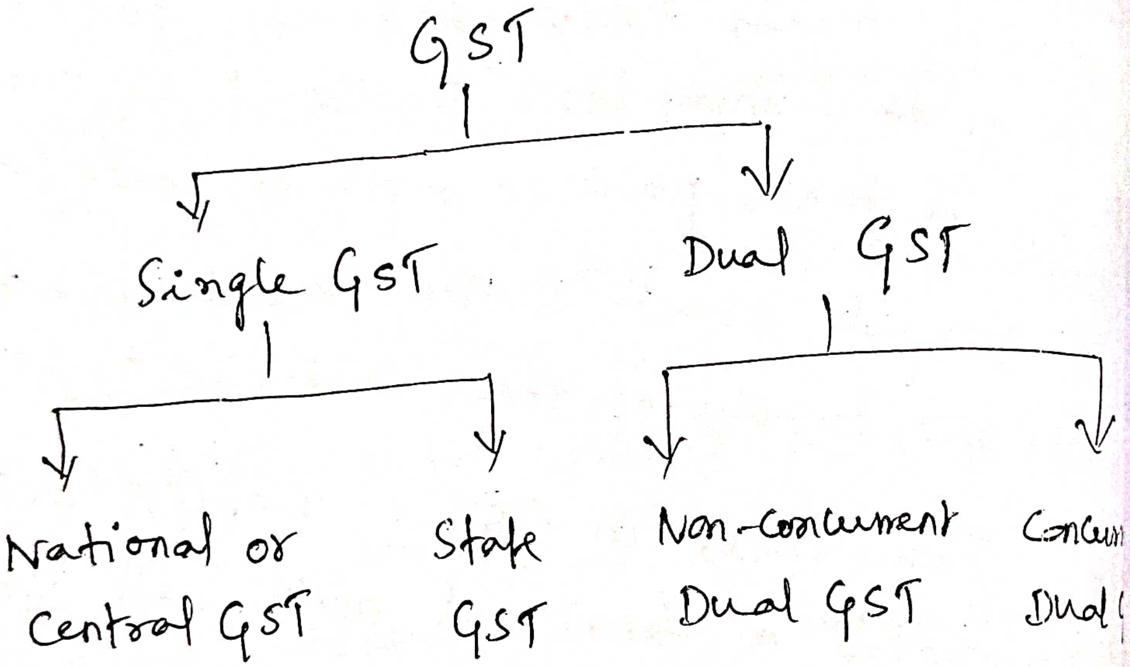
7. Taxable event : The taxable event in GST is the supply of goods or services or both.

8. Tax rates in GST : The GST council has proposed a four slab multi rate GST structure. The proposed 4 rates are 0%, 5%, 12%, 18% and 28%.

9. Turnover of trader : Manufacturer / Service provider / Trader whose annual turnover exceeds Rs. 20 lakhs need to register for GST. This limit is however Rs. 10 lakhs to north eastern States, Uttarakhand and Himachal pradesh.

8. What are the different kinds of models under GST ?

A. Goods and Service tax which is globally known as VAT is an old concept which was first implemented in France. Different countries across the globe had implemented GST by adopting different models. They are explained as follows.



1) Single GST : Under Single GST, the ta Governments would combine their levies i the form of Single GST. Single GST is classified into national or central GST and State GST

a) Central GST (CGST) : Under CGST both central and state Governments comb their taxes into a single unified taxation system at the Central level with appropriate revenue sharing arrangements among them. Example: Australia, China

b) State GST (SGST): Under this model, States alone levy GST. Central Government completely withdraws power to levy the tax on goods and services. This model enhances the revenue generating power of states. Example: United States of America.

2) Dual GST: Under Dual GST both Central and State Governments levy taxes on goods and services. There are two types of Dual GST i) non-concurrent dual GST and ii) concurrent dual GST.

i) Non-Concurrent Dual GST: Under this model Central Govt levies GST on Services and State Government levies GST on goods.

ii) Concurrent Dual GST: Under this model both Central and State Governments levy GST on goods and services. Central GST (CGST) is administered by Central Government and State GST (SGST) is administered by State Government. Example: Canada, Brazil, India etc..

Q) What is Dual GST ? Explain features, benefits and limitations of dual GST ?

A) A Dual GST model has been adopted in India in view of the federal structure of our country. Under this model, both Centre and State Governments will simultaneously levy GST on the supply of goods or services or both. Dual GST model consists of two models (i) non-concurrent dual GST and (ii) concurrent Dual GST.

Features of Dual GST : The following are the features of dual GST.

1) **Simple** Tax System : Dual GST is simple and easy to understand. It is simple to calculate tax by the trader.

2) No cascading Effect : It reduces cascading effect of tax.

3) Uniform method : procedure for collection of central and state GST is uniform.

4) Input Tax credit : Input Tax Credit facility is available to trad

5) Transparency : Dual GST provides transparency in the taxation syst

6) Federalism : India is a federal country. Dual GST is suitable for the country like India which follows federal structure in the tax system.

7) Increases revenue to State Government: Dual GST enables State Governments to enhance their income through tax revenue.

8) Reduces Administrative cost : Dual GST reduces overheads cost of the Government

9) Decrease in price of the product : Dual GST decreases the price of the product as GST subsumes number of indirect taxes

Advantages of Dual GST : The following are the advantages or benefits of dual GST.

1) Reduction in Multiple taxes : Dual GST reduces multiple indirect taxes at both Central and State level.

2) Decrease in tax rate : It reduces tax rate on goods and services due to subsume of number of taxes into GST.

3) Removal of Cascading Effect : It removes cascading effect of taxes.

4) Simplified tax system : It reduces transaction cost through simplified tax system.

5) Increases revenue : Dual GST increas
revenue both to central and State Gov
6) Transparency : It provides transpa
in the tax calculation.
7) Uniform tax rates : It facilitates
uniform tax rates across the country.
8) federalism : It provides federalism
most suitable to the country like India
which is a federal State.
9) Input Tax credit : It enables the tra
to claim input tax credit.
10) contributes economic development : It
helps in the economic development of the
country.
11) Good Balance : It creates a good bala
between need for harmonisation and fis
autonomy of Centre and States.
12) Better for business : ~~Dual~~ Dual GST is ver
beneficial for business houses. It increa
stability of the business.
13) No unnecessary competition among states
In dual GST there is no unnecessary
competition among states.

Disadvantages of Dual GST : Though Dual GST is providing number of benefits, but it is not free from limitations :

1. It is not an ideal model : Dual GST is a transitional model as tax is levied at two levels. So it is not an ideal model.

2. Multiple tax rates : under GST there are different tax rates which are imposed on goods and services like 5%, 12%, 18% and 28%.

3. Information Technology based tax : It is Information technology based tax which increases the cost of the business.

4. Complex : Under Dual GST, the trader is controlled both by central Government and state Government.

5. Increased cost of services : prior to GST central Government levied tax on services. But with the introduction of GST, cost of of services like telecom, banking, airline etc increased.

6. Less revenue to central Government : GST reduced tax revenue to central Government due to subsumation of various Central taxes into GST.

10) Explain the features, Advantages and Dis-vantages of CGST ?

A) CGST is the Central Goods and Service which is levied by the central Government on the supply of goods or services or both. It replaces central taxes like central excise duty, sales tax, customs duty etc. The rate of CGST is usually equal to the SGST rate.

Features of CGST : The following are the features of CGST.

1. Tax : CGST is levied on goods or services or both.

2. Control : It is levied, controlled and administered by Central Government.

3. Separate statute : Tax is levied by the centre through a separate statute.

4. No tax on exempted goods : GST is not levied on exempted goods and services.

5. Value chain : It is levied across the value chain covering each stage of production and distribution.

6. Revenue share : Under CGST tax revenue is shared between Centre and State Government.

7. GST rates : GST rates for CGST would be prescribed after taking into consideration revenue and acceptability.

Advantages of CGST : Advantages of CGST are explained below.

1. Comprehensive tax : CGST is a Comprehensive tax levied on goods, services or both.

2. Administration : CGST is levied, controlled and administered by union Government.

3. No cascading effect : CGST replaces 36 taxing statutes.

4. Reduces compliance cost : It reduces the cost of business and Government due to the reduction in number of multiple taxes.

5. Increases resources : It increases the tax revenue of the Government.

6. Common market : It leads to have common market in India.

7. Free movement of goods and services : It enables free movement of goods and services across the country.

8. Uniform tax rate : It provides uniform tax

Disadvantages of CGST : The following are the disadvantages of CGST.

1. Drastic modifications : Introduction of CGST requires drastic modifications in the constitution of India.

2. upset the concept of fiscal federalism: It may upset the concept of fiscal federalism which is the cornerstone of India polity.

3. complex tax : It requirees huge chang in the present tax system.

4. No revenue sharing : under CGST only Central Government levies tax. There is no revenue sharing agreement between Centre and state.

5. state dependency : States have to depend up on union for funds as CGST decrease revenue to state Government.

11) write about SGST ?

A) SGST is a part of Goods and Service Tax. It means State Goods and Service Tax. It is levied on intra state supplies of both goods and services by the state Government. It will be governed by the

SGST Act. under SGST, State alone levy GST and the centre withdraws from the field of GST. USA is an example for SGST. It replaces taxes like state sales tax, entertainment tax, state VAT, professional tax, luxury tax, purchase tax, tax on lottery, betting and gambling

Features of SGST: The following are the features of SGST.

1. Levying of Tax; under SGST state Government levies tax on goods and services.
2. Single tax: only State Govt imposes tax. No levying of tax by central Government. So SGST is a single tax.
3. No cascading effect: There is no payment of tax on tax. It eliminates cascading effect of taxes.
4. Decreases administrative cost of the Government: Since there is only one tax under SGST, it decreases administrative cost of the Government.
5. No uniform GST rates: There is no uniform GST rates under SGST. Each state is free to determine its tax rate.
6. No central Government tax: Central Government does not impose any tax on goods and services.

7. Economic development : SGST contributes for the economic growth and development of the country.

8. Increases State Government revenue : SGST increases state Government revenue as the state only levies tax.

9. Simple and easy : SGST is simple to understand and easy to calculate.

Advantages : Advantages of SGST are described as follows.

1. Simple Tax system : SGST is a simple tax system. It is governed only by respective state Governments.

2. Suitability : It is suitable to the countries having large number of provinces or states.

3. No tax by union Govt : Union Government does not impose any tax on goods and services.

4. Revenue : It enables state Government to increase its revenue.

5. Input tax credit facility : SGST allows input tax credit facility to the trader.

6. Reduces cascading effect : It reduces payment of tax on tax thus eliminating cascading effect of taxes.

7. Lower administrative cost : It reduces administrative cost of the State Government as there is only single tax.

8. Single tax : Under SGST only State Govt levies tax on goods and services. There is only one tax or single tax i.e. SGST.

9. Reduces cost of business : It reduces cost of production and other costs of business.

10. Economic growth : SGST ensures economic growth of the Country.

Disadvantages : The following are the disadvantages of SGST.

1. Reduces centre revenue : Under SGST only State Government levies tax. It decreases central Government revenue.

2. Amendments in the Constitution : It requires amendments in the constitution for its implementation.

3. Creates income difference : It creates income difference among States. Higher income States will get more income and lower income states will remain poorer and poorer.

4. No uniformity in tax rates : Each State is independent to determine its own GST rates.

5. Drastic changes : It requires drastic changes in the financial system and allocation of resources.

6. Unhealthy competition : It leads unhealthy competition among different States.

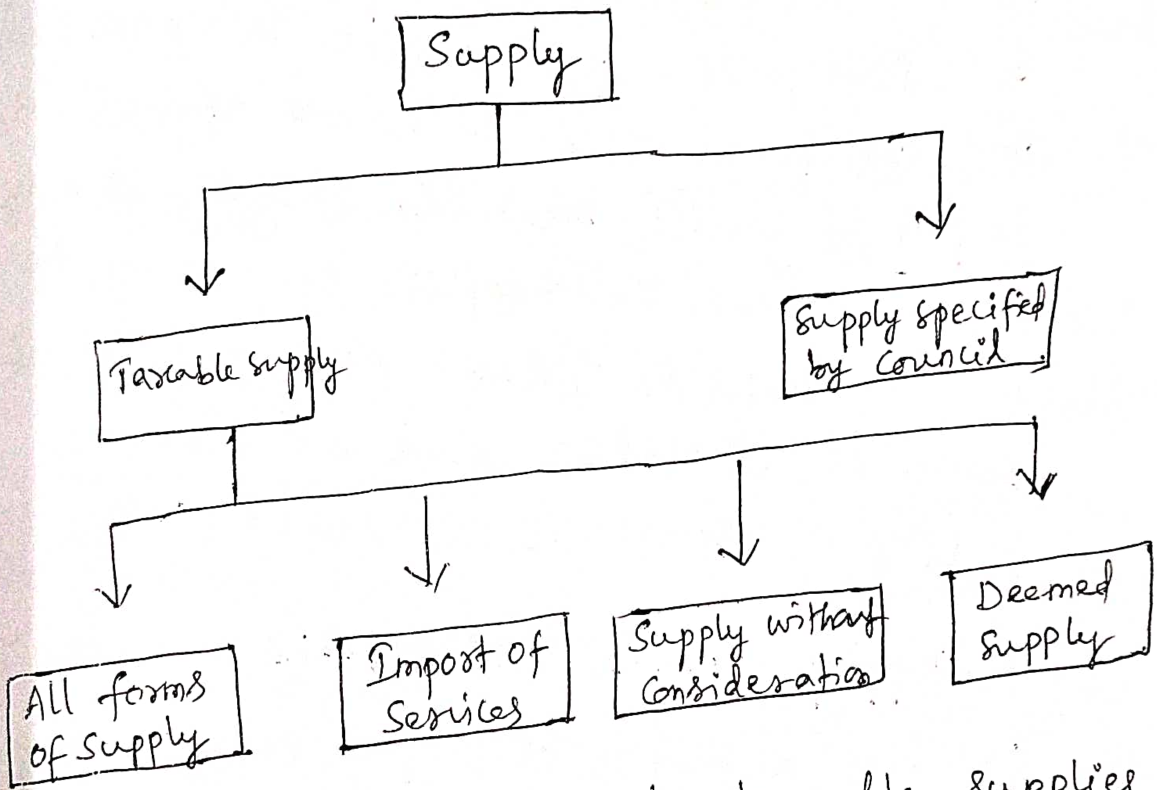
7. Increases compliance cost : As the business house has to comply with tax laws of various States within the

8. Ignores federalism : SGST system ignores the concept of federalism.

12) Explain transactions covered under GST (or) write in detail about taxable supply ?

A) GST is any tax on supply of goods

or services or both except taxes on the supply of the alcoholic liquor for human consumption. Transactions covered under GST includes the taxable supplies. U/s 7 (1) of CGST Act and supplies specified by council to be treated as supply U/s 7 (3) of CGST ACT. The diagramatic representation of various transactions covered under GST is shown below.



I Taxable supplies : only taxable supplies are levied with tax under GST. Taxable supply includes the following.

A) All forms of supply ; Supply includes all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease, disposal made or agreed to be made by a person in the course of business. person includes an individual, a Hindu undivided family, a company, a firm, a limited liability partnership, a co-operative society, a local authority, central Government or State Government society, trust etc.

B) Importation of Service : Importation of Service is applicable only for services and not for goods. Services shall be provided with consideration in the course of business. Import of Service means the supply of any service where the supplier of service is located outside India, the receipient of service is in India and the place of supply of service is in India.

(C) Supply without consideration : Section 7(1) specifies activities as supply even if they are made without consideration. They are are

i) permanent transfer or disposal of business assets where ITC has been availed.

ii) supply of goods or services or both between related parties provided the value not exceding Rs. 50,000.

iii) supply of goods by a principal to his agent.

D) Deemed to be supply of goods or services:
Schedule II of the Act specifies certain activities which are deemed to be supply of goods or services. The following are the transactions covered under deemed supply:
i) transfer, ii) land and buildings, iii) treatment or process, iv) transfer of business assets v) supply of services, vi) composite supply and vii) supply of goods.

II Supply specified by council to be treated as supply of goods or services:
Section 7 (3) of CGST Act empowers the central Government on recommendations of council to specify the transactions that are to be treated as goods or services.

13) write about Non-taxable supplies?

A) Non-taxable supplies include activities specified in Schedule III and activities undertaken by Government. There are certain activities or transactions undertaken by Government or local authority or public authority which are neither supply of goods nor supply of services. They are as follows:

i) Services by employee to employer

ii) Service by court or tribunal

iii) Service by member of parliament and others

iv) Services of funeral, burial etc

v) Sale of land / building

vi) Betting or gambling and

vii) Sale of lottery.

UNIT - III

Taxes and Duties

1) Explain the principles of Tax Subsumation ?
or Explain the principles of GST ?

A) Answer in the II unit - 1. question

2) Briefly explain the taxes subsumed under GST ? (or) Explain the central and State taxes subsumed under GST ?

A) India is a Union of States. The tax structure of Government is federal in nature. The taxation policy of a state aims to collect tax revenue to fund public services, industrial growth, promoting exports, regulating imports, generating employment and economic progress of the country. In India central Government gets revenue from income tax, excise and customs duty, state Government gets revenue from sales tax, excise on liquor, tax on agricultural income and Local Government will get tax revenue from octroi, house property etc. All these taxes result in the cascading effect of taxes. The main objective of dual GST which is implemented in India is to remove the multiplicity of tax levies and thereby removing the effect of cascading taxes. GST which is commonly described as indirect, comprehensive, broad based consumption tax will subsume many indirect taxes levied by central or state Governments and allow free flow of tax credit to both central and State Governments.

Taxes Subsumed under GST: GST will subsume various central and state taxes levied under the old tax system. There are 23 taxes and 17 cesses which have been subsumed in GST.

Central Taxes to be subsumed in GST:

The following central taxes are subsumed under GST.

i) Central Excise duty under Central Excise Act 1944 (CENVAT)

ii) Additional Excise duty

iii) Excise duty levied under Medicinal and Toilet preparations Act, 1955.

iv) Service Tax

v) Additional Customs Duty commonly known as Countervailing Duty (CVD)

vi) Special Additional Duty of Customs

vii) Central Surcharge

viii) Central Cesses

State Taxes to be subsumed in GST: following state taxes are subsumed under GST.

i) Sales tax / VAT

ii) Entertainment tax (other than tax levied by local bodies)

iii) Central Sales tax (levied by centre and collected by state)

iv) Octroi duty

v) Entry tax

vi) purchase tax

vii) Luxury tax

viii) Lottery tax

ix) Betting and gambling tax

x) State surcharges

xi) Taxes on advertisement

xii) State cesses.

3) Explain the various taxes and duties outside the purview of the GST?

A) GST is one of the biggest indirect tax reform in India since independence. Though most of the major indirect taxes are subsumed under GST, there are still certain products on which indirect taxes will not be covered. These taxes are outside the purview of the GST and they are as follows :

Taxes and duties outside the purview of the GST :

1. Excise duty on tobacco, liquor and petroleum products
2. State VAT on alcoholic liquor,
3. State Sales tax on petroleum products
4. Entertainment tax levied by municipality panchayat, Regional council and District council.
5. Electricity duty
6. Mandi fee
7. property tax
8. State stamp duty
9. vehicle tax
10. Entry tax and toll tax
11. Road tax
12. Customs duty

13. Central Stamp duty

14. Taxes on income

15. wealth or gift tax

16. Terminal taxes on goods and passengers

17. Taxes on Railway fares and freights and

18 clean environment cess etc.

4) what is the treatment of following under GST?
(a) Supply of alcoholic liquor
(b) Tax on petroleum products
(c) Tax on tobacco products
(d) Taxation of services (or)
Explain tax treatment of specific goods outside GST?

A) There are certain products which are not covered under GST such as alcoholic liquor, petroleum products, tobacco products etc. Sales Tax / VAT could be continued to be levied on the above products. Business owners making sale or purchase of these products must understand the specific tax requirements that will still be imposed beyond GST assessements.

Treatment of Specific Goods : Tax treatment of specific goods such as alcoholic liquor, petroleum products, tobacco products is explained in the following lines.

(a) Supply of alcoholic liquor for human consumption : Goods and Service tax means any tax on supply of goods or services or both except taxes on supply of alcoholic liquor for human consumption. According to constitution Amendment 122, supply of alcoholic liquor for human consumption has been excluded from GST. Hence, it is outside the perview of GST.

i) Alcohol products for human consumption would continue to be exclusively taxed by the state Governments

ii) VAT is levied on alcohol purchases.

iii) State Excise duty presently levied on the manufacture of alcohol will be continued to be levied by the States.

iv) Revenue from state excise taxes imposed on alcohol brings 25 percent of total revenue. for this reason it is kept outside the perview of GST.

(b) Tax on petroleum products : The full range of petroleum products such as petroleum crude, High speed diesel, Motor Spirit, natural Gas and Aviation Turbine fuel are kept outside GST. VAT or Sales tax on petroleum products contributes 33 percent of State revenue. The decision to exclude petroleum products outside the purview of GST is to provide fiscal security to states and ensure that there is a minimum guaranteed income under the proposed GST regime.

1. Central Government levies excise duty on the manufacture of petroleum product.
2. State Government levies sale tax/VAT on the sale of petroleum products.
3. VAT or sales tax on petroleum products brings 33 percent of revenue to state Government.
4. On Inter state sale of petroleum products, central Sales Tax would continue.
5. To protect the revenue interest of both state and central Govt petroleum products are kept outside GST.

(C) Tax on tobacco products: Indian Government is getting a lot of revenue

From the sale of tobacco products such as cigarettes, bidi, chewing tobacco, zarda etc. 11 % of tobacco is consumed in the form of legal cigarettes and the balance of 89 % is consumed in other forms. Over 120 million Indian smoke and 10 % of the world's tobacco smokers live in India.

1. Excise duty is charged on the manufacture of tobacco products at different rates like

   Cigaratte – 64 %
   Bidi – 22 %
   Chewing products – 88 %

2. The Government inorder to reduce tobacco consumption raises the price of tobacco products through increase in excise duty.

3. Tobacco products is one of the items that attract the maximum amount of GST which ranges from 11 % to 290 %.

4. Under GST, there will be an additional cess charged on the tobacco products.

5. Cigarettes will be charged at the rate of 28 % and additional cess upto 21 %

6. Chewing tobacco products will be charged at the rate of 28%. and an additional cess up to 142%.

(d) Taxation of Services : GST shall be levied on supply of services on both Intra state and Inter state.

i) In case of Intra state supply of services both CGST is levied and collected by the Central Government and SGST is levied and collected by respective State Government where services are consumed.

ii) In case of Intra UT supply of services also both CGST is levied and collected by the Central Government and UTGST is levied and collected by the respective UT Government where services are consumed.

iii) Inter state / UT supply of services means supply of services from one state to another state or UT, where IGST shall be levied by the central Govt and collected by the destination state Govt.

iv) Government has finalised four tax rates that will apply to services namely 5%, 12%, 18% and 28%..

v) Education and heathcare services are exempted under GST

vi) Transportation services to be taxed at 5%

vii) 5 star and AC restaurants to attract higher taxes at 28%.

viii) Telecom and financial services are to be taxed at 18%.

UNIT – IV

Inter State Goods and Service Tax

1) Discuss IGST ? Explain its objectives?

A. IGST is a part of Goods and Service tax. It means Integrated Goods and Service Tax. It is one of the three categories under GST i.e. CGST, SGST and IGST. It is based on concept of one tax one nation. IGST falls under Integrated Goods and Service Tax Act. It is charged when goods and services are moved from one state to another. It may be in any of the following form

from one state to another state (or)

from one UT to another UT (or)

from one state to another UT (or)

from one UT to another state

Objectives of IGST : The following are the objectives of IGST Act, 2017.

i) to levy tax on all inter inter state supply of goods or services or both except supply of alcoholic liquor for human consumption.

ii) to provide for apportionment of tax.

iii) to levy tax on goods imported into India.

iv) to levy tax on import of services.

v) to empower the central Government to grant exemptions.

vi) to enable to determine the nature of supply whether it is an inter State or an intra State supply.

vii) to provide provisions for determining the place of supply.

ix) to enable a supplier for payment of tax through online.

x) to provide refund of tax paid on supply of goods to tourist leaving India.

xi) to provide application of certain provisions of CGST Act, 2017 relating to definitions, time and value of supply, input tax credit, registration, payment of tax, assessment, refund, audit, inspection etc.

2) write a note on the features of IGST ?

A. IGST means Integrated Goods and Service Tax. It is a part of GST. It is one of the 3 types of taxes i.e. CGST, SGST and IGST. It is charged on the goods and services supplied from one state to another state.

features of IGST : The following are features of IGST.

1) IGST is a comprehensive tax which combines both CGST and SGST

$$IGST = CGST + SGST$$

2) The seller of the destination state would charge IGST on all Inter state transactions.

3) The seller shall use input CGST and input SGST for the payment of IGST.

4) The seller should pay net IGST to the Government.

IGST paid on output sale		xxx
(-) Input CGST	xxx	
Input SGST	xxx	xxx
		xxx
Net tax liability or Net IGST		

5) Every registered Inter state seller/buyer of goods has to furnish his periodical returns in the prescribed format mentioning the details of input SGST, used for the payment of output IGST.

6) The central Govt would pay Destination State the input IGST for the payment of SGST.

7) The buyer in the importing state can claim the Input tax credit of the IGST

8) The IGST administration will be with the CGST authority or central Govt authority.

3) What are the advantages of IGST model under GST regime?

A) According to model IGST law, IGST means the tax levied under the IGST Act on the supply of goods and services in the course of inter-state trade or commerce. IGST act shall apply to whole of India.

[The following are the advantages of IGST:]

Advantages of IGST:

1. Simple accounting: IGST is a simple

accounting with no additional compliance burden on the taxpayer. This model has a simple transition from existing tax regime.

2. Easy administration.: It helps in easy tax administration as it is governed by central Government only.

3. Low cost : It reduces the administrative cost of the Government and also business.

4. No tax arbitrage : IGST is more or less equal to the sum total of the CGST and SGST or UTGST levied on intra-State Supplies

5. Destination principle : IGST is based on destination principle. IGST shall be collected by the State where the goods or services or both are consumed or destined.

6. Requirements : This model is similar to SGST and CGST in respect of requirements.

7. Self-monitoring model : It is governed by central Government only which results in self monitoring model.

8. Input Tax Credit : It provides Input Tax credit to trader.

9. Economic growth : This system ultimately leads to the economic growth and development.

10. Comprehensive tax : IGST is a comprehensive tax which covers supply of both goods and services.

11. computerized process : Under IGST, level of computerisation process is limited to Inter - state dealers, centre and state.

12. E - registration and correspondance : All Inter state dealers will be e-registered and correspondence with them will be by e-mail.

13. No refund claim : Under this model, no refund claim in exporting state as ITC is used while payment of tax. Hence exporting state or origin state cannot get ITC.

4) Explain the rules for determining the nature of supply under GST? (or) Discuss in detail the provisions of inter state supply, Intra state supply under GST (or) Define Territorial waters? (or) Explain how the transactions are taxed under GST?

A) In order to levy tax under GST, nature of supply is to be identified. Nature of supply shows whether the supply is to be considered as Intra state or Inter state. only then the respective tax i.e. IGST or CGST or SGST shall be levied on the transaction.

Nature of supply/transactions

- Inter State supply
- Intra State supply
- Supplies in Territorial waters

I. Inter State transactions / supply : under sec 7 of the IGST Act Inter State supply includes the following and on these IGST is levied.

i) Inter State supply of goods : Inter State supply of goods means any supply where the location of the supplier and the place supply are in two different states are two different union territories. IGST Sec 7 (1) deals the above.

ii) Import of goods : Import of goods means goods imported from outside India. It is supply of goods between two different countries. IGST sec 7 (2) deals with Import of goods.

iii) Inter State supply of services : It means supply of services where the location of the supplier and the place of supply are in different states or two different union territories. IGST Sec 7 (3) deals with Inter State supply of services.

iv) Import of services : IGST Act, SEC 7 (4) provides that when supply of services is imported into India, it shall be treated as supply of services.

v) Inter State supply of Goods or services or both : It consists of two types of supply

a) Export of goods or services shall be treated to be inter state supply.

b) Supply to and by SEZ developer or SEZ unit. Supply of goods or services to or by SEZ unit shall be taxed as inter state transaction by levying IGST.

II Intra State Transaction / Supply :

under Sec 8 of the IGST Act, 2017, the following transactions are treated as Intra state supply of goods and services.

i) Intra state supply of goods : As per Sec 8 (1) of the IGST Act, 2017 supply of goods, where the location of the supplier and the place of supply of goods are in the same state or union Territory shall be treated as Intra state supply of goods.

ii) Intra State supply of Services : Sec 8(2) of the IGST Act provides where the location of supplier of service and place of service is in the same state or Union Territory, it shall be treated as Intra state supply of service transaction.

III Supplies in Territorial waters : Sec 9 of the IGST Act of 2017 specifies that territorial water extend upto 12 nautical miles from the base line on the coast of India and includes any bay, gulf, harbour or tidal river. Example for Territorial waters: include Andaman and Nicobar Islands, Lakshadweep and Gulf of Kutch.

5) write in detail the rules for determining place of supply under GST ? (or) what is place of supply ?

A) GST is destination based tax. GST is payable where goods or services are consumed. In order to determine, the destination of consumption of goods or service, place of supply has to be determined. If the supplier of goods or services and place of ~~study~~ supply of goods or services are located in same state, then CGST and SGST is payable. If the supplier and place of supply are located in different states, then IGST is payable. place of supply of goods includes the following transactions.

I place of supply of goods : The place of supply of goods determines the following transactions.

i) when supply of goods is within in India: place of supply is where movement of goods terminates. on the basis of place, where the movement of goods terminates, the type of GST is levied.

ii) Goods delivered on the direction of the third person : under this transaction, tax is levied on the basis of location of third person and the place of supply. Third person may include agent, consignee etc.

iii) where supply does not involve movement of goods : Sometimes, the supplier and receiver may be at one place and supply of goods may be delivered to some other place. Then it is known as supply does not involve movement of goods. According the type of GST is levied.

iv) where the goods are assembled or installed at site : when the goods are assembled or are installed at site, the place of supply of such goods goods shall be treated as place of installation or assembly.

v) where the goods are supplied on board of conveyance : Goods are supplied in a train or aircraft or vessel to the passengers. The goods are loaded in the train from a particular station, whereas the actual consumption of the goods may take place at subsequent stations, on the basis of the place where the goods are loaded, the type of GST is levied.

vi) place of supply for Import and Export of goods : when there is import and export of goods into India or outside India place of supply is to be considered for levying of tax under GST.

II place of supply of services : It covers the following transactions.

i) when supply of services is within India, place of supply means when the location of supplier of service and the location of the recipient of the service both are in India.

ii) place of supply for Import and Export of services. It means tax is levied on the basis of location of the supplier of services or the location of the recceipient of services is outside India i.e. the place of supply.

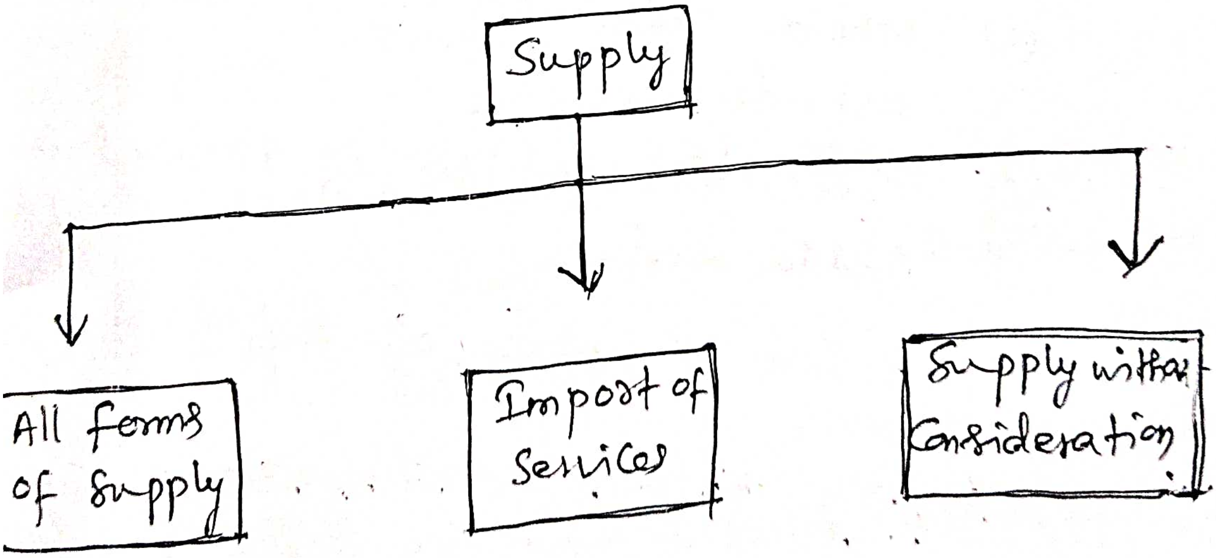
UNIT - V

Time of Supply of Goods and Services

1. what is supply ? Explain the scope of supply under GST law.

A) The term supply is wide and covers all forms of supply of goods or services or both that includes sales, transfer, barter, exchange, license, rental, lease etc. It also includes import of services. It also covers certain transaction made without consideration.

Scope of supply : Scope of supply is shown in the following diagram.



1. All forms of supply : Supply includes all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease, disposal made or agreed to be made for a

consideration, by a person in the course of business. Supply must satisfy the following conditions inorder to be covered under GST

i) Supply of goods must be for consideration

ii) Supply shall be made by a person.

iii) Supply must be done in the course business.

2) Importation of Service : Supply also includes importation of service for consideration. Services must be in the course of business. Import of Service means the supply of any service

(i) where the supplier is located outside India :

ii) where the recepient is located in India and

iii) where the place of supply is in India.

3) Supply without consideration : There are certain activities included in Schedule I which are considered as supply without consideration.

i) permanent transfer or disposal of business assets where Input Tax credit has been availed.

ii) Supply of goods or services or both between related persons or between distinct persons.
Example : Gift not exceeding Rs. 50,000 in value.

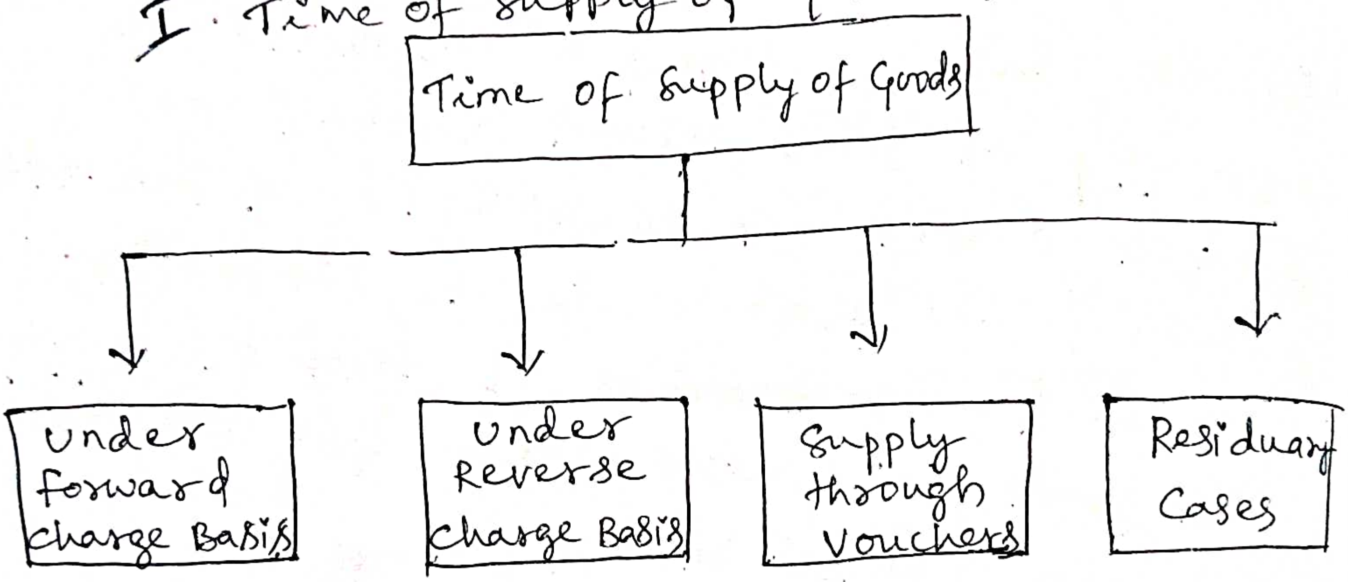
iii) Supply of goods by a principal to his agent where agent undertakes to supply goods on behalf of the principal.

2) How time of supply is determined for supply of goods through vouchers (or) write a brief note on incidence of tax under GST ? (or) Discuss the provisions (or) rules for determination of time of supply of goods (or) services under GST (or) under Reverse charge basis.

A) Incidence of tax : Incidence of tax means liability to pay tax. It determines the time when the burden of tax falls on the assessee. The incidence of tax under GST is neither on manufacture nor on provider of service, but it is on the supply of goods or services. Therefore it is essential to determine the time of supply.

Time of Supply : The liability to pay GST i.e. to pay CGST or SGST or IGST or UTGST depends upon the time of supply. Time of supply determines the date of tax payable under GST. The following diagram shows various provisions determining time of supply of goods which are mentioned in Sec 12 of CGST Act.

I. Time of supply of goods :



The various provisions or rules determining time of supply of goods are explained below.

1. Time of supply of goods covered under forward charge : Here forward charge means where the onus to pay tax is on the supplier. Under this case As per Sec 12(2) of CGST Act, 2017, time of supply of goods shall be earliest of three dates or three events.

(i) Date of Issue of invoice (or)

(ii) Date of goods delivered by the supplier (or)

(iii) Date payment received by the supplier.

2. Time of supply of goods covered under Reverse charge : Reverse charge means where the onus to pay tax lies on the receipient. CGST Act 2017, Sec 12 (3) deals with reverse charge. According to this, under reverse charge basis time of supply of goods shall be the earliest of the following three dates.

(i) The date of receipt of goods (or)

(ii) The date of payment as entered in the books of accounts of the receiver or the date on which the payment is debited in the bank Account (or)

(iii) The date immediately following 30 days from the date of issue of invoice.

3. Supply of goods through vouchers : CGST Act 2017, Sec 12 (4) deals with the provisions relating to the supply of goods through vouchers. Vouchers are of two types.

(i) Vouchers issued to the receipient to procure the particular goods. In this case, the time of supply will be the date of issue of voucher.

(ii) Vouchers issued to the receipient to procure the products at various establishments. In such a case, the time of supply will be the date of redemption of voucher