

# Letter of Thanks

My Dear Students,

With all my great feelings, I dedicate this book to you. Thanks for all your feedbacks for appreciating my teaching over last 16 years, and for continuously supporting me to do my best in Indirect Taxation. Your valuable suggestions made me to design this book 100% “student-friendly” & “study-friendly”. Here, I am going to share some of my memories, how did I arrive to design this book in an interactive format? and how your feedbacks helped me in doing things better & better in Indirect Taxation? I think, this is the best way to acknowledge you.

In my course of teaching, I remember many of you came to me and discussed your enormous fear about IDT subject and how you feel about this subject -“very theoretical, very boring, very difficult to remember”etc.. I agree, this is very lengthy & theoretical subject, but it is not as boring as you think. In my opinion, this is one of the most interesting subjects in CA studies if one starts visualizing the concepts and connecting them with real life examples.

However, you made me to think how can I make my classes more interactive & interesting? Your incredible feedbacks and advance multimedia technology helped me to set the highest standard in interactive teaching. I am overwhelmed with all your responses that you liked this new way of teaching using multimedia effects, animations, and graphics. Many of you said that these special effects are super helpful to visualize and recalling the concepts. This advance teaching made the concepts very interactive, interesting, and easy to understand. This was very nice feedback from you.

**GST** represents a major tax reform in the field of Indirect Taxation touting it as a games changer, GST will put India on path of a system that will be transparent, simple and keeps tabs on corruption as stated by honorable PM Modi.

Keeping in mind the new law I have prepared the notes in a manner that avoids legal jargons so that the concepts are easy to understand and are explained in a crisp format. The book contains a lot of pictorial presentations along with examples in order to provide clarity for each concept. I have added all my imaginations in this book in the form of cartoons, flow charts and picto-graphical presentations to explain the concepts in most simplest form. The left page of the book provides pictorial illustrations of the concept and right page of the book provides its theory. The multicolour design in this book makes the book attractive and interesting to read. The “Student Notes” section in this book provides useful space to take quick notes for second read. Overall book is very comprehensive and detailed in its content, but yet fun to read without losing your interest.

As a teacher, I am trying my best to provide the notes in a clutter-free format so that this subject becomes easy to interpret and comprehend. I find my success in you. My objective is to create your interest in this subject and I am sure that once you become interested **SUCCESS** is yours!!!

I am excited to provide this book to you as one of my best efforts to create your interest in GST

I strongly believe in “Learn with Fun” and so do you. Wish you all the best for your study. If you have any question or doubt regarding any concepts, feel free to contact me on my whats app 098 508 508 00 and I will try my best to respond to you ASAP. Thanks.

With Best Regards

CA Vishal Bhattad

(Your Teacher, Mentor, and Friend)







# CHAPTER 1

## Basic Concepts of Indirect Taxes and Constitutional Levy of GST

### TABLE OF CONTENT

#### 1. Basic Concept of Indirect Taxes

- ☞ the concept of tax and the objective for its levy
- ☞ the concept of direct and indirect tax and the differences between the two
- ☞ the Constitutional provisions pertaining to levy of taxes
- ☞ what are the principal indirect taxes
- ☞ as to how the indirect taxes are administered in the country.

#### 2. Basic Concept of GST

- ☞ Meaning of GST
- ☞ Constitutional authority for GST
- ☞ Input Tax Credit under GST
- ☞ Benefits of GST
- ☞ FAQ and MCQ



**Sir... What is a tax?**

1. The term "Tax" is derived from latin word "Taxo"
2. It is mandatory financial burden impose on individual or legal entity.
3. It is nothing but the money that people have to pay to the Government, which is used to provide public services.



**Sir... What is need of Taxes?**

*In any Welfare State, it is the prime responsibility of the Government to fulfill the increasing developmental needs of the country and its people by way of public expenditure.*

*Money raised by taxation to carry out many functions such as :*

- Infrastructure
- Education
- Health
- Military
- Defense and other socio-economic objectives of the Government

**Sir... what type of taxes are levied in India?**

*Taxes are broadly classified into direct and indirect taxes.*

#### Direct Taxes



#### Indirect Taxes



Sr. No.	Direct Taxes	Indirect Taxes
1.	It is levied on income earned activities conducted.	It is levied on product or services
2.	It is paid, directly by person concerned	It is paid by one person but he recover the same from another person i.e. person who actually bear the tax ultimate consumer.
3.	It is paid after the income reaches in the hands of tax payer	It is paid before goods/service reaches the tax payer
4.	Tax collection is difficult.	Tax collection is relatively easier
5.	e.g. Income tax, wealth tax etc.	e.g. GST, excise duty, custom duty, sale tax, service tax etc.

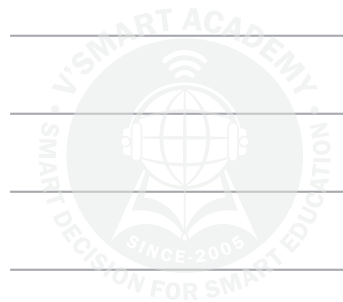




## Features of Indirect Taxes



- (i) **An important source of revenue:** Indirect taxes are a major source of tax revenues for Governments worldwide and continue to grow as more countries move to consumption oriented tax regimes. In India, indirect taxes contribute more than 50% of the total tax revenues of Central and State Governments.
- (ii) **Tax on commodities and services:** It is levied on commodities at the time of supply, manufacture or purchase or sale or import/export thereof. Hence, it is also known as commodity taxation. It is also levied on provision of services.
- (iii) **Shifting of burden:** There is a clear shifting of tax burden in respect of indirect taxes. For example, GST which is paid by the seller of the goods is recovered from the buyer by including the tax in the cost of the commodity.
- (iv) **No perception of direct pinch:** Since, value of indirect taxes is generally inbuilt in the price of the commodity, most of the time the tax payer pays the same without actually knowing that he is paying tax to the Government. Thus, tax payer does not perceive a direct pinch while paying indirect taxes.
- (v) **Inflationary:** Tax imposed on commodities and services causes an all-round price spiral. In other words, indirect taxation directly affects the prices of commodities and services and leads to inflationary trend.
- (vi) **Wider tax base:** Unlike direct taxes, the indirect taxes have a wide tax base. Majority of the products or services are subject to indirect taxes with low thresholds.
- (vii) **Promotes social welfare:** High taxes are imposed on the consumption of harmful products (also known as „sin goods) such as alcoholic products, tobacco products etc. This not only checks their consumption but also enables the State to collect substantial revenue.
- (viii) **Regressive in nature:** Generally, the indirect taxes are regressive in nature. The rich and the poor have to pay the same rate of indirect taxes on certain commodities of mass consumption. This may further increase the income disparities between the rich and the poor.



# CONSTITUTION OF INDIA



Indian Constitution is largest written constitution of the world. It is supreme law of country from which all other law emanates. It is the foundation, on which the entire legislative and judicial system is structured. All the enactments should have its source in the Constitution of India.

India has a three-tier federal structure, comprising the Union Government, the State Governments and the Local Government. The power to levy taxes and duties is distributed among the three tiers of Governments, in accordance with the provisions of the Indian Constitution.

Two important dates in Indian History:

**15th August 1947 Independence Day** The date on which India achieved independence

**26th January 1950 Republic Day** The date on which the Constitution of India came into force as the governing document of India.

# Constitutional Provision & Basics of Law



Friends,

I personally feel, before starting discussion on various law under Indirect Taxes, we must have knowledge of constitutional authority of such laws. Constitution of India contains the authority to make various legislations for the levy and collection of any tax in India which are given below:

Article 265

Taxes not to be imposed save by authority of law

Article 245

Extent of laws made by Parliament and by the Legislatures of States

Article 246

Subject-matter of laws made by Parliament and by the Legislatures of States

So friends, let's have detailed discussion on each article.

## Article 265: Taxes not to be imposed save by authority of law

"No tax shall be levied or collected except under authority of Law"

Tax is of two types Direct Taxes and Indirect Taxes.



Sir What?

If you read article 265 carefully, then it said for levy of any tax 'Authority of law' is needed...

Sir, who can make the laws in India?

Good question...Authority to make laws in India is given under Article 245 as below



## Article 245: Extent of laws made by Parliament and by the Legislatures of States

It empowers the parliament to make Law for whole or any part of the territory of India, and the legislature of a state may make the Laws for the whole or any part of the state.

India is federal, not a unitary state. Laws are enacted by the union parliament as well as state legislature. The allocation of subject between the union & state is spelt out by Article 246 of the constitution through the schedule VII.

The allocation of subject between the union & state is spelt out by Article 246 of the constitution of India.

## Article 246: Subject-matter of laws made by Parliament and by the Legislatures of States

Schedule VII divides the legislative powers into following three categories.

### Schedule VII



#### List I [referred as Union list]:

This list enumerates the matters in respect of which the parliament has an exclusive right to make Laws

#### List II [referred as State List]:

This list enumerates the matter in respect of which the legislature of any state has an exclusive right to make Laws.

#### List III [referred as the Concurrent List]:

This list enumerates the matters in respect of which both the parliament & legislature of any state have power to make Laws.



# TAX HIERARCHY



CONSTITUTION  
OF INDIA



PARLIAMENT OF INDIA

ACT



CENTRAL GOVERNMENT

RULES



REGULATION

CENTRAL GOVERNMENT  
NOTIFICATION



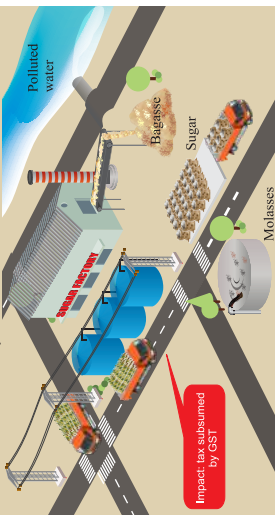
CIRCULARS/  
INSTRUCTIONS



## INDIRECT TAX STRUCTURE IN INDIA BEFORE 1st of JULY 2017

### MANUFACTURING AND SALE OF GOODS

In case of manufacturing activity earlier excise duty was levied & this was a part of Central revenue.



#### SALE OF GOODS WITHIN STATE

On sale of goods earlier VAT was levied and this was a part of state revenue

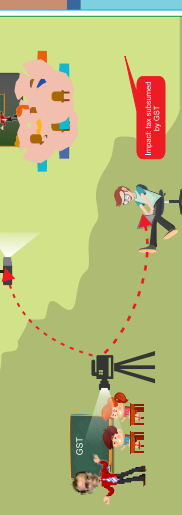


The pictorial image given here is of a authorized dealer engaged in supply of cars wherein the:

$$\begin{aligned} \text{value of car} &= 1,00,000 \\ \text{VAT Tax to be levied on sale @ 10\%} &= 10,000 \\ \text{Total price} &= 1,10,000 \end{aligned}$$

#### SERVICE TAX

On provision/ rendering of services earlier service tax was levied and this was a part of Central revenue. Also the rate of service tax prescribed was same on all kind of services



The pictorial image given here is of coaching services provided by a professional on this levy of tax was 'Service Tax' charged on provision of services. This tax was levied by CG on services

Below is list of images that depicts various type of levy of taxes collected by State Government/Local Body

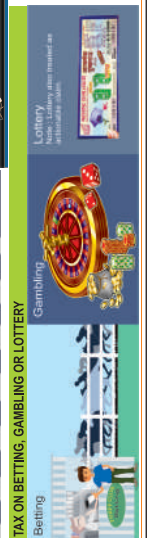
#### Octroi or Entry Tax



#### LUXURY TAX



#### STAMP DUTY



#### TAX ON BETTING, GAMBLING OR LOTTERY

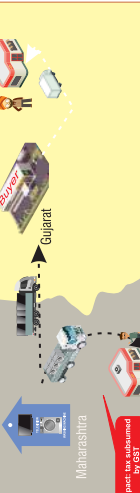
The pictorial image given here is of a manufacturing of sugar wherein the :

$$\begin{aligned} \text{Value of goods} &= 1,00,000 \\ \text{Excise duty @10\%} &= \frac{10,000}{1,10,000} \\ \text{VAT @10\%} &= \frac{11,000}{1,21,000} \\ \text{Total price} &= 1,21,000 \end{aligned}$$

Thus, the above levy of taxes exist in manufacture sector who also engaged in sale of goods

#### SALE OF GOODS TO ANOTHER STATE

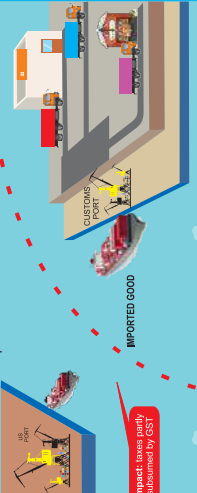
On sale of goods to another state earlier CST was levied and this was a part of state revenue controlled by Central Government



The pictorial image given here is of an inter state supply of goods and on such earlier activity central sales tax was levied and also prescribed form was required to be submitted before such sale

#### CUSTOM DUTY - IMPORTATION OR EXPORTATION OF GOODS

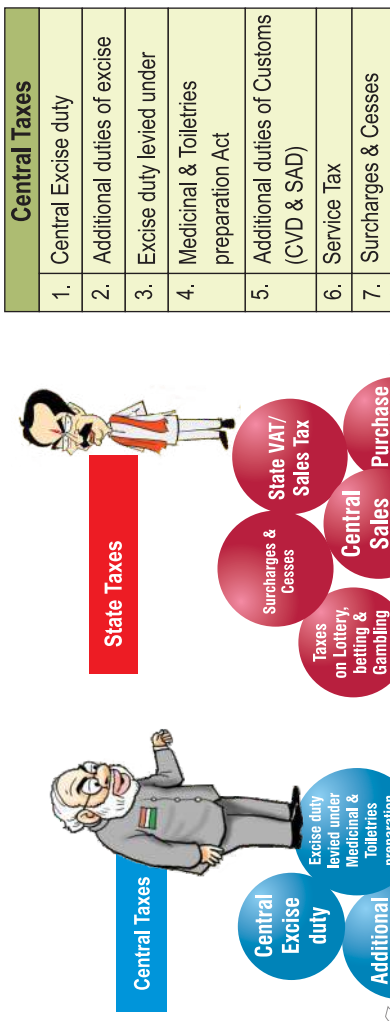
In case of import of goods in to India CVD,BCD & other duties were levied under Customs Act. This was a part of Central revenue



The pictorial image given here is of imports on which customs duty is applicable. Thus after GST in case of import of goods into India IGST also to be levied along with customs duty i.e. BCD - Basic Custom Duty.

## Taxes to be subsumed in GST

In the GST Regime, the major indirect taxes have been subsumed in the ambit of GST. The present concept of manufacture or sale of goods or rendering of services are no longer applicable since the tax is now levied on "Supply of Goods and/or services"



Central Taxes	
1.	Central Excise duty
2.	Additional duties of excise
3.	Excise duty levied under Medicinal & Toiletries preparation Act
5.	Additional duties of Customs (CVD & SAD)
6.	Service Tax
7.	Surcharges & Cesses

State Taxes	
1.	State VAT/Sales Tax
2.	Central Sales Tax
3.	Purchase Tax
4.	Entertainment Tax (other than those levied by local bodies)
5.	Luxury Tax
6.	Entry Tax (All forms)
7.	Taxes on lottery, betting & gambling
8.	Surcharges & Cesses



## Taxes not subsumed under GST

1. Property Tax & Stamp Duty
2. Electricity Duty
3. Excise Duty on Alcohol
4. Basic Custom Duty
5. Excise Duty on Petrol Diesel



## CONCEPT & PRINCIPAL OF GST

- ➔ GST is a **Broad-based Value added tax**
- ➔ GST is a **Destination based tax**
- ➔ GST is technically **paid by suppliers** but it is actually **borne by consumers**.
- ➔ GST is **collected at multiple stage** of production and distribution of goods and services in which taxes paid on inputs are allowed as set off against taxes payable on output.
- ➔ GST is a **tax on the consumption of products from business sources**, and not on personal or hobby activities.
- ➔ Under GST, **input tax credit** is provided throughout the value chain for creditable acquisition.

## GST INTERNATIONAL SCENARIO

GST was first levied by France in 1954. Today, Malaysia is the most recent country to join the bandwagon. At present, more than 160 countries have implemented GST. In countries where GST has been adopted, manufacturers, wholesalers, retailers and service providers charge GST at the specified rate on price of the goods and services from consumers and claim input credits for GST paid by them on procurement of goods and services (raw material).

## MODELS OF GST

**Australian Model**: wherein, tax is collected by the Center and distributed to the States

**Canadian Model**: wherein there are three variants of taxes

**Kelkar-Shah Model**: based on Canada Model wherein taxes are collected by the Center however, two different rates of tax are to be levied by the center and the States.

## Dual GST Model Introduced in India

India is a **federal country** where both the Center and the States have been assigned the powers to levy and collect taxes through appropriate legislation.

Both the levels of Government have distinct responsibilities to perform according to the division of powers prescribed in the Constitution for which they need to raise resources.

A dual GST will, therefore, be in keeping with the Constitutional requirement of fiscal federalism.

**GST in India will be dual model based – i.e.**

**In case of intra-State supplies of taxable goods and/or services:-**

**Central Goods and Service Tax (CGST)**- levied and collected by Central Government

**State Goods and Service Tax (SGST)**- levied and collected by State Governments/Union Territories with State Legislatures; and

**Union Territory Goods and Service Tax (UTGST)** - levied and collected by Union Territories without State Legislatures.

## Legislative Framework:

(a) There is single legislation - **CGST Act, 2017**- for levying CGST

(b) Similarly, Union Territories without State legislatures -

➔ Andaman and Nicobar Islands  
**Dadra and Nagar haveli**

➔ Lakshadweep  
**Ladakh**

➔ **Daman and Diu and**  
➔ Chandigarh will be

Newly Inserted by  
N/N 10/2020 CT dt 21/03/2020

Newly Inserted by  
N/N 51/2019 CT dt 31/10/2019

governed by **UTGST Act, 2017** for levying UTGST

**Delhi, Puducherry, and Jammu-Kashmir have their own legislatures and they passed their own SGST Act**

(c) There are **28** legislations in each State - **SGST Act 2017** - for levying SGST





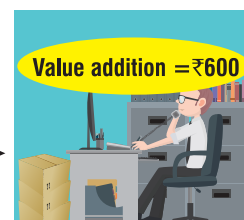
MANUFACTURER



DISTRIBUTOR



DISTRIBUTOR



WHOLESALE

**Example 1 :** Mr. Suresh of Rajasthan supplied goods/services for ₹ 20,000 to Mr. Ramesh of Rajasthan. SGST and CGST rate on supply of goods and services is 9% each. Find the following :

- (a) Total price charged by Mr. Suresh
- (b) Who is liable to pay GST?

### IGST.. UNIQUE FEATURES IN INDIAN GST

No other country has the concept of IGST which facilitates seamless flow of input tax credit for all supplies flowing in and around the territory of India.

**Inter-State supplies** of taxable goods and/or services will be subject to Integrated Goods and Services Tax (IGST).

IGST will approximately be a sum total of CGST and SGST/UTGST and will be levied by Centre on all inter-State supplies.





Sir... why does introduction of GST require a Constitutional Amendment?

*Currently, the fiscal powers between the Centre and States are clearly demarcated in list I, list II & list III of article 246 the constitution with almost no overlap between the respective domains.*

*The Centre has powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium narcotics etc.)*

*while the States have powers to levy tax on the sale of goods.*

*In the case of inter-state sales, the centre has power to levy tax (the central sales tax) but, the tax is collected and retained entirely by the states.*

*As for services, it is Centre alone that is empowered to levy Service Tax.*

*Introduction of the GST required amendments in the Constitution so as to simultaneously empower the Centre and the States to levy and collect this tax. The constitution of India has been amended by the constitution (101st amendment) Act, 2016 for this purpose. Article 246A of the constitution empowers the Centre and the states to levy and collect the GST.*



### ARTICLE 246A : SPECIAL PROVISION WITH RESPECT TO GOODS & SERVICES TAX

- (1) Notwithstanding anything contained in articles 246 and 254, **Parliament, and, subject to clause (2), the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by such State.**
- (2) Parliament has **exclusive power** to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place **in the course of inter-State trade or commerce.**

#### Explanation

The provisions of this article, shall, in respect of goods and services tax referred to in clause (5), of article 279A, take effect from the date recommended by the Goods and Services Tax Council.

**Author Comment:** Article 279(A)(5) covers following 5 goods-

- ➡ Petroleum crude,
- ➡ High Speed diesel, motor spirit (commonly known as petrol)
- ➡ Natural gas and aviation turbine fuel.

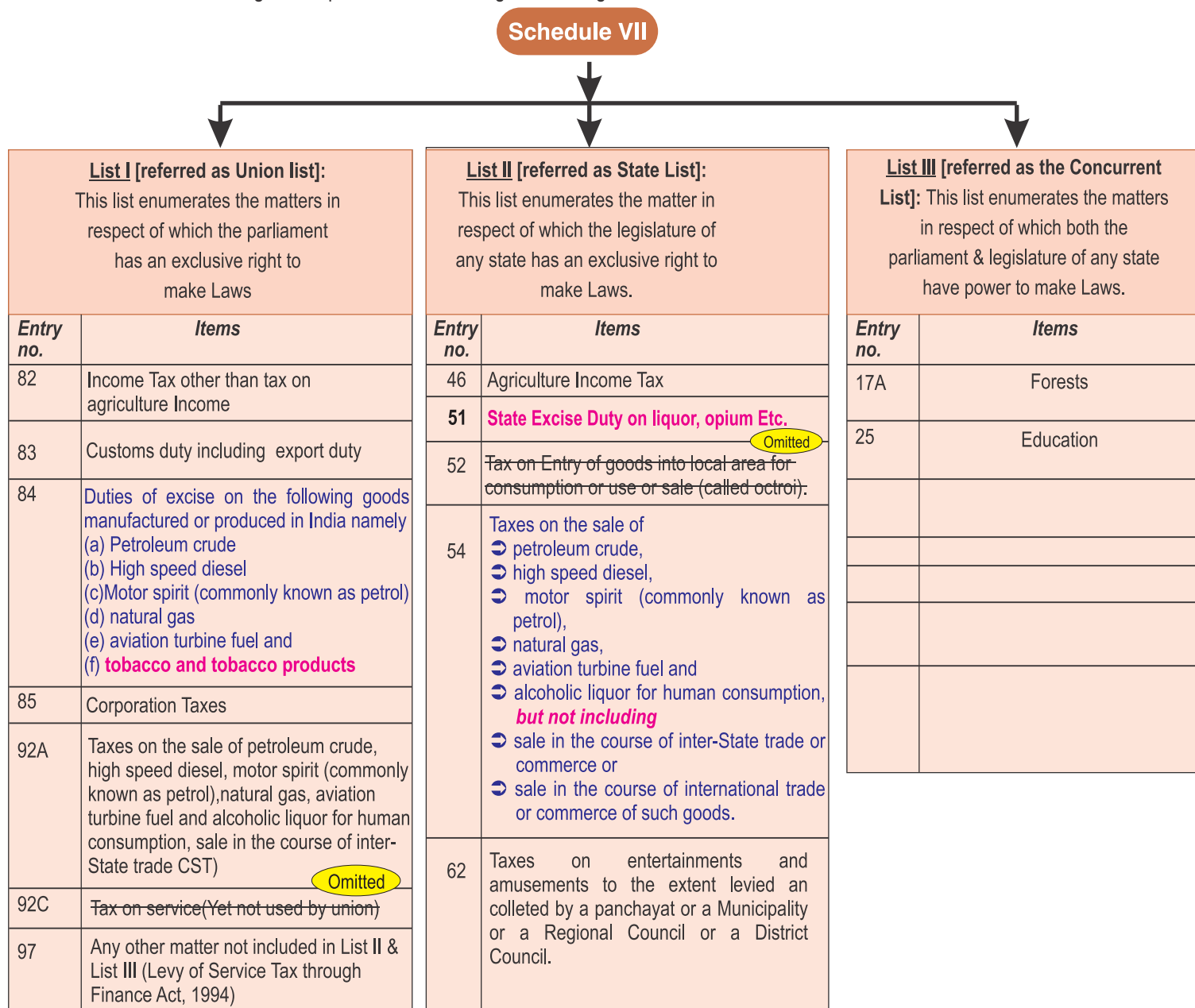
***GST on these will be applicable from such date as will be recommended by GST council in future.***



## CORRESPONDING AMENDMENT IN ARTICLE 246

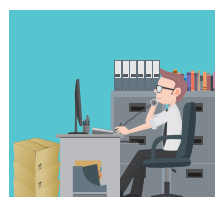
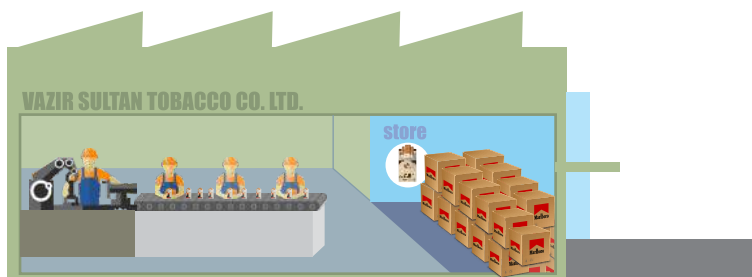
*Article 246: Subject-matter of laws made by Parliament and by the Legislatures of States*

Schedule VII divides the legislative powers into following three categories.

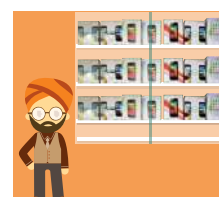


## TAX ON TOBACCO AND TOBACCO PRODUCTS

In the case of tobacco and tobacco products, the Centre alone would have the power to levy excise duty in addition to the GST



WHOLESALER



RETAILER

## Taxes on Opium, Indian Hemp and other Narcotic Drugs and Narcotics:

These are within the purview of GST. However, State Governments have also retained the power to levy excise duties on such products manufactured in India. Resultantly, Opium, Indian hemp and other narcotic drugs and narcotics are **subject to GST as well as State excise duties**.

## TAXES ON ENTERTAINMENTS AND AMUSEMENTS

Panchayat or a Municipality or Regional Council or a District Council shall not be subsumed under GST.

The local bodies of states shall continue to levy such taxes.

## ARTICLE 269A : LEVY AND COLLECTION OF GOODS AND SERVICES TAX IN COURSE OF INTER-STATE TRADE OR COMMERCE.

### (1) **Goods and services tax**

☞ on supplies in the course of inter-State trade or commerce

☞ shall be levied and collected by the Government of India and

☞ such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council.

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

(2) The amount apportioned to a State under clause (1) shall not form part of the Consolidated Fund of India.

## ARTICLE 366 : DEFINITIONS OF GST, SERVICE & STATE

(1) **GST** : As per new article 366(12A), “goods and services tax” means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption.

(2) **Services** : As per new article 366(26A) “Services” means anything other than goods.

(3) **State** : As per new article 366(26B) “State” with reference to articles 246A, 268, 269, 269A and article 279A includes a Union territory with legislature.

**Thus State & UT having their Legislature = 28 States + Delhi + Puducherry + Jammu & Kashmir**

## ARTICLE 279A : GOODS AND SERVICES TAX COUNCIL

(1) **Due date** : The President shall, within sixty days from the date of commencement of the Constitution (One Hundred and First Amendment) Act, 2016, by order, constitute a Council to be called the Goods and Services Tax Council.

(2) **Members** : 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) **Vice-Chairperson** : 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.







## RECOMMENDATION OF GST COUNCIL

- (4) The Goods and Services Tax Council shall make recommendations to the Union and the States on—
- (a) Taxes to be subsumed in GST
  - (b) Exemption in GST
  - (c) model Goods and Services Tax Laws, principles of levy, apportionment of Goods and Services Tax levied on supplies in the course of inter-State trade or commerce under article 269A 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.

**Author Note:-** Now after the amendment Jammu & Kashmir is UT with State legislature, but still it is cover under special category state as per constitutional provision

## SPECIAL CATEGORY OF STATE

## COMMON PORTAL

**“Common portal”** means the common goods and services tax electronic portal referred to in section 146 set up by the Goods and services Tax Network (GSTN)

## Goods and Services Network (GSTN)

Resultantly, Goods and Services Network (GSTN) - a Special Purpose Vehicle – has been set to provide a shared IT infrastructure and services to Central and State Governments, taxpayers and other stakeholders for implementation of GST. The functions of the GSTN, inter alia, include:

- 1) facilitating registration
- 2) forwarding the returns to Central and State authorities
- 3) computation and settlement of IGST
- 4) matching of tax payment details with banking network
- 5) providing various MIS reports to the Central and the State Governments based on the taxpayer return information
- 6) providing analysis of taxpayers' profile
- 7) running the matching engine for matching, reversal and reclaim of input tax credit
- 8) for furnishing electronic E-way Bill
- 9) for generation of E-Invoices





## GENESIS OF GST IN INDIA

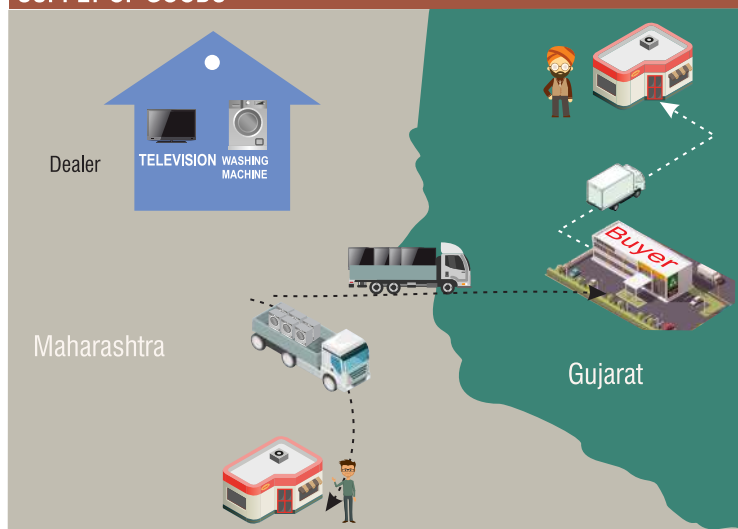
16-07-2004	<b>Dr. Kelkar Task Force recommended the need of a National GST</b>
28-02-2006	<b>Union FM moots the idea of GST from April, 2010</b>
19-12-2014	<b>Constitutional (122nd Amendment) Bill, 2014 introduced in Lok Sabha</b> The talks of ushering in GST gained momentum in the year 2014 when the NDA Government tabled the (122nd Amendment) Bill, 2014 on GST in the Parliament on 19th December, 2014.
08-09-2016	It is introduced as Constitution <b>(101st Amendment) Act, 2016</b> . The GST is governed by GST Council and its Chairman is Union Finance Minister of India - Arun Jaitley.
12-04-2017	<b>Central GST Legislations- CGST Bill 2017, IGST Bill 2017, UTGST Bill 2017, GST (Compensation to states) Bill 2017 received assent of President and Bills enacted</b>
01-07-2017	<b>Implementation of GST across India</b> GST is all set to roll out by 1st July 2017

## INTER STATE & INTRA STATE SUPPLY

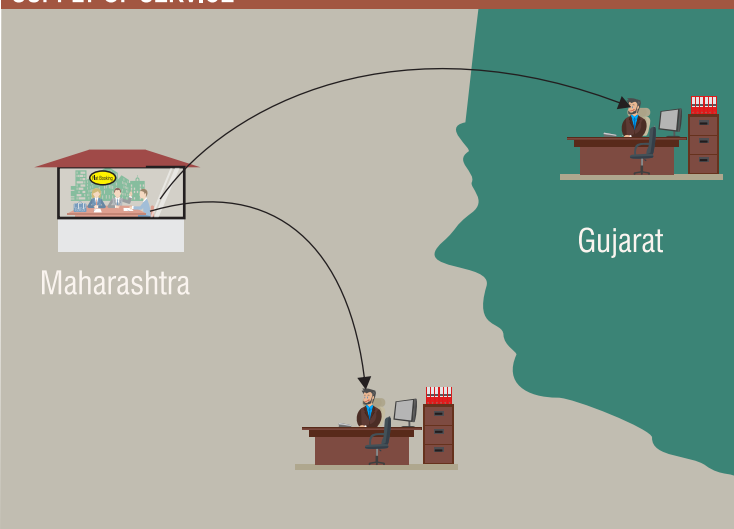
<b>Intra State Supply</b>	<b>1. Central Goods and Services Act, 2017</b> <b>2. State Goods and Services Act, 2017</b> [28 states and 3 union territories (with state legislature) will be having their respective SGST Acts] <b>3. Union Territory Goods and services Tax Act, 2017</b> [All 5 Union territories (without state legislature) will be governed by single UTGST Act] <i>Author's Note: CGST &amp; SGST/UTGST would be levied jointly by Central &amp; State. The CGST &amp; SGST/UTGST Rate is 50:50% of GST Rate notified on the recommendation of GST Concept</i>	It is levying CGST  It is levying SGST OR It is levying UTGST
<b>Inter State Supply</b>	<b>Integrated Goods and Services Tax Act, 2017</b> <i>Author's Note: An IGST would be levied and collected by the Centre on inter-state supply of Goods and services. IGST will be a sum total of CGST and SGST/UTGST</i>	It is levying IGST

Inter State Supply	Intra-State Supply
Sec 7 of IGST Act, 2017	Sec 8 of IGST Act, 2017
Supply of goods/services shall be treated as inter-state supply Where the location of the supplier and the place of supply are in- (a) two different States (b) two different Union territories; or (c) a State and a Union territory	Supply of goods/services shall be treated as intra-state supply Where the location of the supplier and the place of supply are in (a) same State (b) same Union territory

### SUPPLY OF GOODS



### SUPPLY OF SERVICE



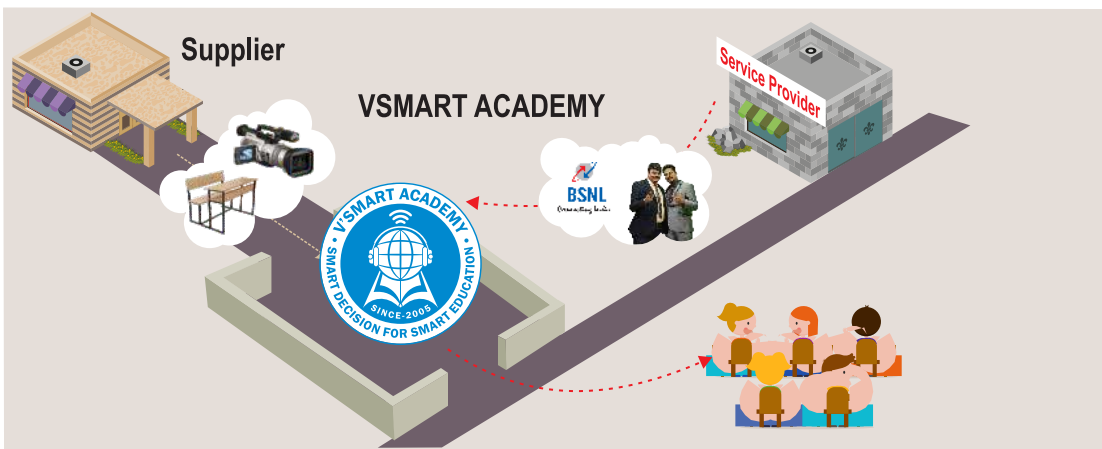
# GST SEAMLESS FLOW OF CREDIT

## Credit system after introduction of GST

### MANUFACTURER



### COMBINATION OF EXCISE & SERVICE TAX CREDIT FOR SERVICE PROVIDER



### TRADER



# BENEFITS OF GST

Students  
Notes



## Creation of unified national market

GST aims to make India a common market with common tax rates and procedures and remove the economic barriers thus paving the way for an integrated economy at the national level.

## Mitigation of ill effects of cascading

By subsuming most of the Central and State taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading, improve competitiveness and improve liquidity of the businesses.

## Elimination of multiple taxes and double taxation:

GST will subsume majority of existing indirect tax levies both at Central and State level into one tax i.e., GST which will be leviable uniformly on goods and services. This will make doing business easier and will also tackle the highly disputed issues relating to double taxation of a transaction as both goods and services.

## Boost to 'Make in India' initiative

GST will give a major boost to the 'Make in India' initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market.

## Buoyancy to the Government Revenue

GST is expected to bring buoyancy to the Government Revenue by widening the tax base and improving the taxpayer compliance

## Benefits of GST from different prospects

### For overall business sector

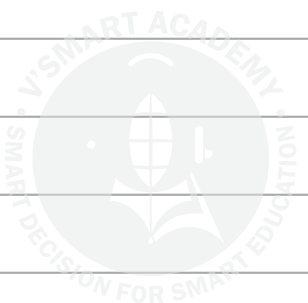
- ➔ **Ease in compliance process**:- As it is technology driven. There will be simplified & automated procedure for various processes, such as registration, returns, tax payment etc.
- ➔ **Speedy decisions**:- As reduced human interface between the tax payer and tax administration through a common portal GSTN
- ➔ **More transparency & accountability** :- Online electronic verification, matching of input tax credit across India will lead to encourage culture of compliance
- ➔ **Harmonized laws, procedures & rates of tax**:- This will make compliance easier & simple also lead to greater certainty to taxation system.
- ➔ **Reduced compliance cost**:- removal of multiple taxation of same transaction will alleviate the need for multiple record keeping for variety of taxes, thus lesser manpower in maintaining records.

### Gain to manufacturers & exporters

- ➔ As majority of central & state taxes are subsumed in GST with full set off of input goods & services, and complete phase out of central sales tax would reduce the cost of locally manufactured goods.
- ➔ This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports.

### For the Consumer

- ➔ Single & transparent tax proportionate to the value of goods & services under GST, There would be only one tax from manufacturers to the consumer & thus lead to transparency of taxes paid to final consumer.
- ➔ Relief in overall tax burden as result of better control mechanism & prevention of leakages this will reduce tax on most of commodities & ultimately lead to reduced prices which will benefit the consumer.





# CREDIT SYSTEM IN DUAL MODEL OF GST

## Manner of Utilization of ITC

### INWARD SUPPLY

### OUTWARD SUPPLY

1. CGST → CGST

2. SGST → SGST

No Cross  
Credit of  
CGST & SGST

2) It should be noted that CGST cannot be used against SGST/UGST or vice-versa



**Example 2 :** Mr. Mahesh of Patna (Bihar) supplied goods/services for ₹ 24,000 to Mr. Amitabh of Darbhanga (Bihar). Mr. Mahesh purchased goods/services for ₹ 23,600 (inclusive of CGST 9% and SGST 9% ) from Mr. Mutthuswami of Patana's. Find the following:

- Total price charged by Mr. Mahesh for supply of goods/services and
- who is liable to pay GST
- Net liability of GST

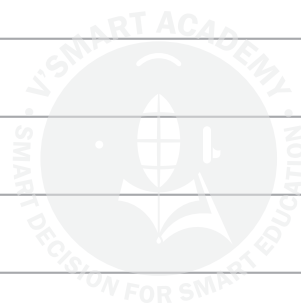


## Students Notes

i) Calculate the total price charged by Mr. A from Mr. B. Also state the amount of credit availed by Mr. B.

II) Assuming there is a value addition @ 20% on the supply of goods/services by Mr. B to Mr. C. Calculate the price charged by Mr. B.

III) On the basis of the working for the above two questions compute the CGST and SGST payable by Mr. B to the Government.





## MANNER OF UTILIZATION OF IGST

IGST is unique feature in Indian GST Model. It is levied for seamless flow of credit between states. Accounts would be settled periodically between the Centre and State to ensure that SGST portion of IGST is transferred to the destination State where the goods or services are eventually consumed.

It is open tax for credit utilization against the payment CGST or SGST. Also credit of CGST or SGST can be utilized for payment of IGST

### Manner of Utilization of ITC

INWARD SUPPLY	OUTWARD SUPPLY		
1. IGST	First IGST	Any CGST	Any SGST
2. CGST	Any CGST	Any IGST	<b>Note:-</b> Detailed discussion in Chapter Payment of tax
3. SGST	Any SGST	Any IGST	

2) It should be noted that CGST cannot be used against SGST/UGST or vice-versa

**Example 4 :** Mr. Santa of Jalandhar supplied goods/services for ₹ 20,000 to Mr. Gajani of Hyderabad, SGST and CGST rate on supply of goods and services is 9% each. IGST rate is 18%. Find the following:

- Total price charged by Mr. Santa
- who is liable to pay GST?





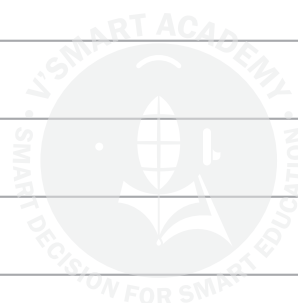


**Example 5 :** Mr. Chandulal of Gujarat supplied goods/services for ₹ 35,000 to Mr. Kamlesh of Ahmedabad. Mr. Chandulal purchased goods/services for ₹ 23,600 (inclusive of IGST 18%) from Mr. Shah of Maharashtra. SGST and CGST rate on supply of goods and services is 9% each. Find the following :

- Total price charged by Mr. Chandulal for supply of goods/services and
- Who is liable to pay GST?
- Net liability of GST.

**Example 6 :** The below case pertains to inter-state supply of goods/services. Rate applicable for IGST @ 18%, CGST & SGST @ 9% respectively.

- Supply of goods/services by Mr. X of Maharashtra to Mr. A of the same state the value of which is Rs. 10,000. Calculate the total price charged by Mr. X. Also state the amount of credit availed by Mr. A.
- Assuming there is value addition @ 20% calculate the total price charged for supply of goods/services by Mr. A of Maharashtra to Mr. B of Karnataka.
- On the basis of working of the above two questions compute IGST payable to the Government by Mr. A.
- Assuming a further value addition @ 20% on supply of goods/services by Mr. B of Karnataka to Mr. C of the same state, calculate the total price charged by Mr. B.
- As per the working above compute IGST payable to the Government by Mr. B.
- Calculate the revenue earned by Central and State Governments respectively.





**The manner of utilization of balance in electronic credit ledger**

**Example 7:-** M/s Alfa Ltd. of Maharashtra purchases goods at intra-state as well as inter-state level and supplies such goods to various dealers at intra-state as well as inter-state level. The details of balance in its electronic credit ledger and electronic liability register are as follows:

**Electronic Credit Ledger**

Particulars	Amount
IGST	50000
CGST	25000
SGST	25000

**Electronic Liability Register**

Particulars	Amount
IGST	20000
CGST	25000
SGST	25000

Calculate the amount of duty payable by M/s Alfa Ltd.

**Example 8:-** Mr. Sumit of Kolkata purchased goods at intra-state as well as inter-state level by paying SGST - ₹ 6,000, CGST - ₹6,000 and IGST - ₹ 12,000. Subsequently Mr. Sumit sold these goods to Mr. Ranawat of Haryana (Trader) for ₹ 2,00,000 (IGST applicable @18%). Thereafter Mr. Ranawat of Haryana sold these goods to Mr. Raghvendra of Haryana (Consumer) for ₹ 3,00,000 (CGST & SGST @ 9% each). Find the Net GST liability of Mr. Sumit and Mr. Ranawat.





## BODY OF GST LAW

The body of law of GST comprises of the following-

### 1. Acts:

- Central Goods and Services Tax (CGST) Act, 2017
- Integrated Goods and Services Tax (IGST) Act, 2017
- Union Territory Goods and Services Tax (UTGST) Act, 2017
- State Goods and Services Tax (SGST) Acts, 2017 [28 States+3UTs deemed to be States]
- GST(Compensation to States) Act, 2017

### 2. Rules

- Central Goods and Services Tax (CGST) Rules, 2017
- Integrated Goods and Services Tax (IGST) Rules, 2017
- Union Territory Goods and Services Tax (UTGST) Rules, 2017 for 5 UTs
- State Goods and Services Tax (SGST) Rules, 2017 [31]

### 3. Notifications

(a) CGST	Central Tax Notifications [CT] [Not-tariff]	Central Tax (Rate) Notifications [CT (Rate)] [Tariff]
(b) IGST	Integrated Tax Notifications [IT] [Non-tariff]	Integrated Tax (Rate) Notifications [IT (Rate)] [Tariff]
(c) UTGST	Union Territory Tax Notifications [UTT] [Non-tariff]	Union Territory Tax (Rate) Notifications [UTT (Rate)] [Tariff]
(d) Compensation Cess	Compensation Cess Notifications [GST Comp Cess] [Non-tariff]	Compensation Cess (Rate) Notifications [GST Comp Cess (Rate)] [Tariff]

### 4. Circulars

- CGST
- IGST
- UTGST
- SGST
- GST Cess

## COMMON PROVISIONS OF CGST, SGST & IGST ACT

## GST Compensation Cess Act, 2017

**Compensation to State :** As per section 18 of 101st Amendment Act, Parliament may, be law, on recommendation of GSTC, provide for compensation to States for loss of revenue arising on account of implementation of GST for such period which may extend to 5 years. The Parliament has framed Goods & Services Tax (Compensation to State) Act, 2017 for the purpose.





## Important Points to be Remember :-

Particulars	Treatment																
Alcohol	Alcoholic liquor for human consumption is outside GST. State Excise Duty & VAT/CST is payable																
Electricity	Outside GST																
Petroleum product	Crude, Petrol, diesel, natural gas and aviation turbine fuel on GST shall not be levied till date to be notified on the recommendation of the GST Concil																
Tobacco and Tobacco products	Liable to GST as well as Central Excise Duty																
Opium, Indian Hemp and other Narcotic Drugs and Narcotics:	Liable to GST as well as State excise duties.																
Entertainment Tax by local Body	Outside GST, (It is taxable in addition to GST)																
Entertainment Tax by State Body	Subsumed in GST																
Property Tax & Stamp Duty	Outside GST. These taxes are separately payable																
SGST Act, 2017	On 28 States + 3 UT having own state legislature (Delhi + Pudduchery + Jammu & Kashmir)																
UTGST Act, 2017	5 UT ( Andaman and Nicobar Islands, Lakshadweep,Daman and Diu and Dadra and Nagar haveli, Ladakh, Chandigarh )																
Constitutional Amendment	101 <sup>st</sup> Amendment is made for introduction of GST																
Article 246A	Concurrent power to both parliament and State Legislatures is given to make laws with respect to GST																
Article 269A	Levy and collection of goods and services tax in course of inter-state trade or commerce by government of India & apportionment the tax to the union and state																
Article 279A	<b>Members :-</b> a) the Union Finance Minister..... Chairperson; b) the Union Minister of State of Revenue or Finance ..... Member; c) the Minister of Finance or Taxation or any other Minister nominated by each State Government..... Members.																
Special Category State	Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand;																
Cross Utilization	CGST cannot be used against SGST/UGST or vice-versa																
Manner of Utilization	<table><tr><th>INWARD SUPPLY</th><th colspan="3">OUTWARD SUPPLY</th></tr><tr><td>1. IGST</td><td><div>First</div>IGST</td><td><div>Any</div>CGST</td><td><div>Any</div>SGST</td></tr><tr><td>2. CGST</td><td><div>Any</div>CGST</td><td><div>Any</div>IGST</td><td></td></tr><tr><td>3. SGST</td><td><div>Any</div>SGST</td><td><div>Any</div>IGST</td><td></td></tr></table>	INWARD SUPPLY	OUTWARD SUPPLY			1. IGST	<div>First</div> IGST	<div>Any</div> CGST	<div>Any</div> SGST	2. CGST	<div>Any</div> CGST	<div>Any</div> IGST		3. SGST	<div>Any</div> SGST	<div>Any</div> IGST	
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