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GST

Questionnaire



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By
CA Vishal Shastri

Think GST... Think Vishal Sir...

- 500+ solved questions
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never
GIVE UP
BECAUSE
great things
take time

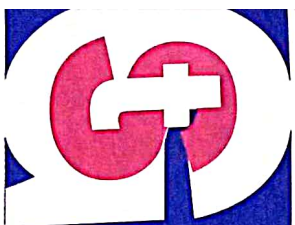
With Best Regards

Dr Vishal Bhattar

(Your Teacher, Mentor, and Friend)

INDEX

| Chapter | Description | Pg. No. |
|---------|--|---------|
| 1. | Basic Concept of GST | 1 |
| 2. | Levy and collection of GST | 11 |
| 3. | Reverse Charge & ECO | 29 |
| 4. | Important Definitions & Composition Levy | 41 |
| 5 | Time of Supply | 57 |
| 6 | Value of Supply | 71 |
| 7 | Exemption | 85 |
| 8. | Payment of Tax | 109 |
| 9 | Input Tax Credit | 121 |
| 10 | Registration | 147 |
| 11 | Tax Invoice | 171 |
| 12 | E-Way Bill | 189 |
| 13. | Returns | 197 |
| 14 | Computation of GST | 213 |



CHAPTER - 1

INTRODUCTION OF GST

INDEX

| S.No. | Description | Pg.No. | No. Illus. |
|------------------------|---|--------|------------|
| 1 | Introduction to Indirect taxes | 2 | 3 |
| 2 | Various Articles of The Constitution of India | 3 | 1 |
| 3 | Introduction to Goods & Services Tax | 3 | 5 |
| 4 | Various Taxes Subsumed/ Not subsumed under GST | 5 | 6 |
| 5 | Dual GST Model in India | 6 | 1 |
| 6 | Article 279A:- GST Council & its' Recommendations | 7 | 1 |
| 7 | Special Category States | 7 | 1 |
| 8 | Common GST Portal/ Goods & Service Tax Network (GSTN) | 7 | 2 |
| 9 | Credit system under Dual GST Model & Manner of Credit Utilization | 8 | 2 |
| Total No. of Questions | | | 22 |

| S.No. | Description | Chap No. | Que. No. | No. Illus. |
|----------------------------|---------------|----------|---|------------|
| 1 | ICAI Material | 01 | Q. 01.01/01.02/01.03/03.05/03.07/03.08/04.10/ 04.14/ 04.15/07.18/ 08.20 | 11 |
| 2 | Examination | 01 | Q. 04.11/ 04.16/09.21/ 09.22 | 4 |
| 3 | Rtp & MTP | 01 | Q. 02.04/03.06/ 04.13/ 06.17 | 4 |
| 4 | Other | 01 | Q. 03.09/04.12/08.19/ | 3 |
| Total No. of Illustrations | | | | 22 |



01. Introduction to Indirect Tax

CCP 01.01.01.00

Differentiate between Direct and Indirect taxes. [ICAI Study Material]

Answer :

| Particulars | Direct Taxes | Indirect Taxes |
|-------------------------|--|---|
| Levied on | It is levied on income earned by activities conducted. | It is levied on product or services |
| Incidence of tax | It is borne directly by person paying tax to Government. | It is shifted to other person as the person paying tax to Government collects the same from ultimate consumer. |
| Nature | It is progressive in nature i.e. high rate of taxes for people with higher ability to pay. | It is regressive in nature as all the consumers equally bear the burden, irrespective of their ability to pay. |
| When it is paid? | It is paid after the income reached in the hands of tax payer. | It is paid before goods/services reaches the tax payer. |
| Collection | Tax collection is difficult and it is on yearly basis. | Tax collection is relatively easier and collected at the time of sale / purchase of goods or rendering of services. |
| Examples | Eg. Income tax, wealth tax, etc. | Eg. Custom Duty, GST, Excise Duty, Service tax, Sales tax, etc. |

CCP 01.01.02.00

Explain the salient features of indirect taxes. [ICAI Study Material]

Answer :

| S.No. | Feature | Explanation |
|-------|--|---|
| 1 | An important & major source of revenue | Indirect tax is major source of revenue for all Govts. in the world. In India, it contributes more than 50% of the total tax revenues of Central & State Governments. |

| | | |
|---|-------------------------------|--|
| 2 | Tax on commodities & 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. |
| 3 | Shifting of burden | Indirect tax paid by supplier is recovered from buyers by including the tax in the cost of commodity/service & shifting tax burden in this way. |
| 4 | No perception of direct pinch | Since, Indirect tax is generally inbuilt in the price of commodity/service, most of the time tax payer pays the same without actually knowing that he is paying tax to Government. |
| 5 | Inflationary | Tax imposed causes an all-round price spiral. In short, indirect taxation directly affects the prices of commodities & services & leads to inflationary trend. |
| 6 | Wider tax base | Majority of products or services are subject to indirect taxes with low thresholds. |
| 7 | Promotes social welfare | High taxes are imposed on consumption of harmful products/sin goods such as alcoholic products, tobacco products, etc. This not only checks their consumption but also enables the State to collect substantial revenue. |
| 8 | Regressive in nature | The rich & poor have to pay the same rate of indirect taxes. This further increases the income disparities between the rich and the poor. |

CCP 01.01.03.00

Discuss the deficiencies in the existing indirect taxes which led to the need for ushering into GST regime. [ICAI Study Material]

Answer: Deficiencies in the erstwhile indirect tax regime:-

| Feature | Explanation |
|--|--|
| 1 Double taxation | Earlier some items were treated both as goods & Services that led to double taxation. |
| 2 No set-off | CENVAT & State level VAT were value added taxes but cross credit i.e. set-off of those was not possible as CENVAT was central levy & the other one was a State levy. |
| 3 Cascading of taxes | CENVAT did not include value addition chain in distributive trade after the stage of production & in state level VAT also, CENVAT load on goods was not removed leading to cascading of taxes. |
| 4 Several taxes not subsumed in VAT | For a single transaction, multiple taxes in multiple forms were required to be paid like Luxury Tax, Entertainment Tax, etc. which were not subsumed in VAT. |
| 5 Non-integration of VAT & Service Tax | VAT on goods was not integrated with service tax at the state level. So, the cascading effect of service tax was not removed. |
| 6 Cascading nature of CST | CST was non-voidable (i.e. no credit was allowed) and an origin-based tax which had cascading effect. |
| 7 High Compliance Cost | Large number of taxes created high compliance cost for the taxpayers in form of more returns, payments, etc. |

02. Various Articles of The Constitution of India

CCP 01.02.04.00

Write a short note on various Lists provided under Seventh Schedule to the Constitution of India. [ICAI Study Material] [CA Inter MTP-Oct 21]

Answer: Seventh Schedule to Article 246 of the Constitution contains three lists which enumerate the matters under which the Union & the State Governments have the authority to make laws as follows:-

| | |
|--------------------------------------|---|
| List-I (UNION LIST):- | It contains the matters in respect of which the Parliament (Central Government) has the exclusive right to make laws. |
| List-II (STATE LIST):- | It contains the matters in respect of which the State Government has the exclusive right to make laws. |
| List-III (CON-CURRENT LIST):- | It contains the matters in respect of which both the Central & State Governments have power to make laws. |

03. Introduction to Goods & Services Tax

CCP 01.03.05.00

Explain the concept & principle of GST? [ICAI Material]

Answer: The Concept & Principles of GST are as under:-

| | |
|--|--|
| 1 Value Added Tax | GST is a Broad-based value added tax levied on value added to goods &/or services at each stage of supply chain. |
| 2 Destination based tax on consumption | GST is the revenue of that state which has jurisdiction over the place of consumption of goods &/or services which is also termed as place of supply. |
| 3 Tax on business activity | GST is a tax on the consumption of products/services from business sources, and not on personal/hobby activities. |
| 4 Continuous Chain of tax Credits | It is available from producer's/service provider's point up to the retailer's/ consumer's level thus taxing only the value added at each stage of supply chain. |
| 5 Burden borne by final consumer | Only the final consumer bears the GST charged by the last supplier in supply chain as at all the previous stages- set off benefits are available to the suppliers. |
| 6 No cascading of taxes | As GST is charged only on value added at each stage, there is no cascading of taxes in this system & it avoids double taxation. |