

Chapter 1

Basic Concept of GST

Basic Concept and Constitutional Authority

1	Principle of GST
2	Constitutional Authority (Article 246 A)
3	Taxes Subsumed in GST
4	GST Council
5	Benefits of GST
6	Credit System in Dual model of GST

Framework of GST

Name	Governing Act	Levied by	Event of Levy
CGST	Central Goods and Services Tax Act, 2017	Central Government	On Intra State supply of Goods and Services
SGST	State Goods and Services Tax Act, 2017	State Government	On Intra State supply of Goods and Services
UTGST	Union Territory Goods and Services Tax Act, 2017	Union Territories	On Intra State supply of Goods and Services
IGST	Integrated Goods and Services Tax Act, 2017	Central Government	On Inter State supply of Goods and Services
GST CESS	GST Compensation Cess Act, 2017	Central Government	On Intra/Inter State supply of notified Goods and Services

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.

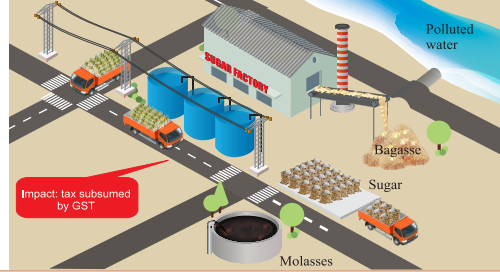
**YOU ONLY FAIL
WHEN...
YOU STOP TRYING**



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.



The pictorial image given here is of a manufacturing of sugar wherein the :
 Value of goods = 1,00,000
 Excise duty @10% = 10,000
 1,10,000
 VAT @10% = 11,000
 Total price = 1,21,000
 Thus, the above levy of taxes exist in manufacture sector who also engaged in sale of goods

SALE OF GOODS WITHIN STATE

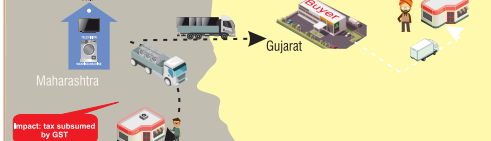
On sale of goods earlier VAT was levied and this was a part of state revenue



The pictorial image given here is of an authorized dealer engaged in supply of cars wherein the:
 value of car = 1,00,000
 VAT Tax to be levied on sale @ 10% = 10,000
 Total price = 1,10,000

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

SERVICE TAX

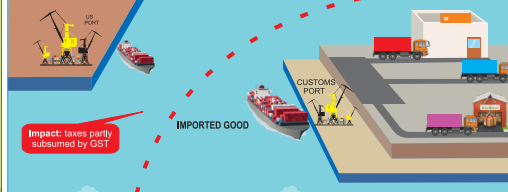
On provision/ rendering of services earlier service tax was levied and this was a part of Central revenue. Also the rate of service tax prescribed was same on all kind of services



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

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



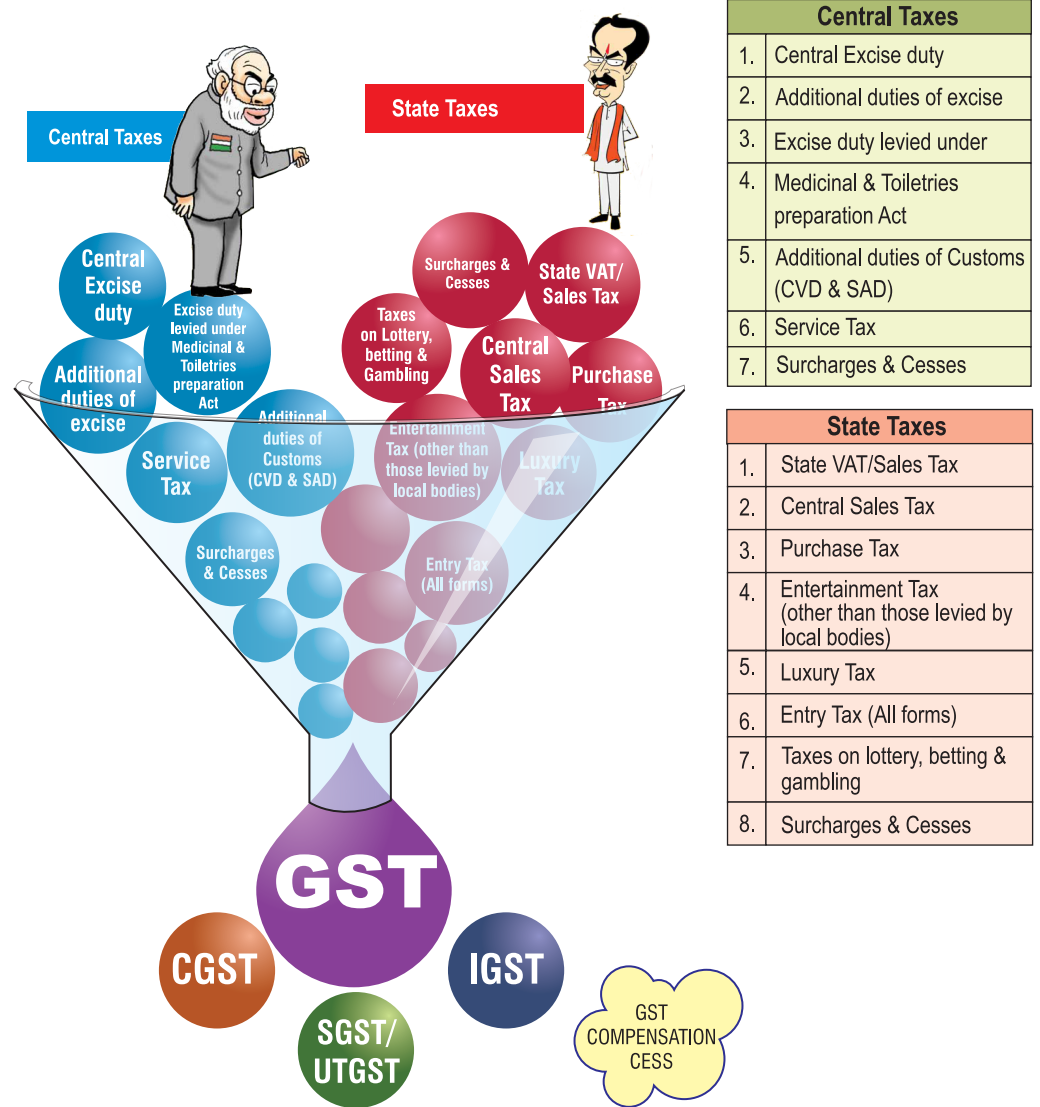
The pictorial image given here is of imports on which customs duty is applicable. Thus after GST in case of import of goods into India IGST also to be levied along with customs duty i.e. BCD - Basic Custom

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



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
4.	Additional duties of Customs (CVD & SAD)
5.	Service Tax
6.	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

Constitutional Amendments

Article 366 (12A)	GST means "Any tax on supply of Goods or Services or both except taxes on Supply of the Alcoholic Liquor for human Consumption"
Article 246A	Concurrent powers to both, Parliament and State Legislatures is given to make laws with respect to GST
Article 269A	Provides exclusive power to the Parliament to legislate with respect to inter-State trade or commerce i.e. integrated tax (IGST) (including import)

Benefits of GST

- 1) Creation of Unified National market
- 2) Mitigating Cascading Effect
- 3) Elimination of multiple taxes and double taxation
- 4) Make in India Initiative
- 5) Increase in Revenue

Taxes to be Subsumed in GST

Central Taxes	State Taxes
<ul style="list-style-type: none"> ● Central Excise duty ● Additional duties of excise ● Excise duty levied under Medicinal & Toiletries preparation Act ● Additional duties of Customs (CVD & SAD) ● Service Tax ● Surcharges & Cesses 	<ul style="list-style-type: none"> ● State VAT/Sales Tax ● Central Sales Tax ● Purchase Tax ● Entertainment Tax (other than those levied by local bodies) ● Luxury Tax ● Entry Tax (All forms) ● Taxes on lottery, betting & gambling ● Surcharges & Cesses

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

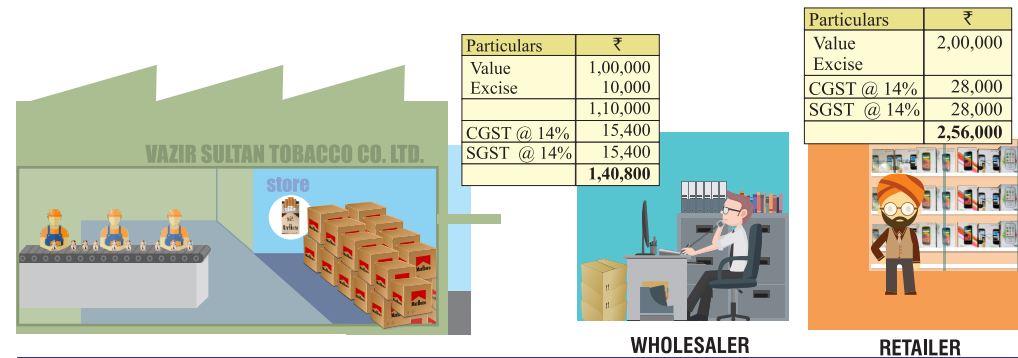
Taxes on Opium, Indian Hemp and other Narcotic Drugs and Narcotics:

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**.

Note:- GST Provision shall take effect from the date recommended by GST council on following goods -
1) petroleum crude, 2) high speed diesel 3) Motor spirit 4) Natural Gas 5) Aviation turbine Fuel

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



RECOMMENDATION OF GST COUNCIL

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 for Exemption
- (e) the rates of GST & other Special Rates
- (f) **Special Provision w.r.t. the special category state**
- (g) any other matter relating to the goods and services tax, as the Council may decide.

SPECIAL CATEGORY OF STATE

- 1) Arunachal Pradesh
- 2) Assam
- 3) Jammu and Kashmir
- 4) Manipur
- 5) Meghalaya
- 6) Mizoram
- 7) Nagaland
- 8) Sikkim
- 9) Tripura
- 10) Himachal Pradesh
- 11) Uttarakhand

Note:- Jammu and Kashmir is now UT with state legislature, but still covered under special category States.

MANNER OF UTILIZATION OF ITC IN GST

INWARD SUPPLY

1. IGST

First

IGST

Any

CGST

Any

SGST

2. CGST

First

CGST

Second

IGST

3. SGST

First

SGST

Second

IGST

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

Law of GST

Intra-State Supply

	CGST	SGST	UTGST	IGST
● Constitution of India	Article 246-A(1): ● Concurrent powers of parliament and state legislature			Article 246-A(2): ● Exclusive powers of Parliament
● Act	<u>CGST Act, 2017</u>	<u>SGST Act, 2017</u> 28 states- 28 states Acts 3 UTs deemed to be state as they also having legislative body - Delhi and puduchery & Jammu -Kashmir	<u>UTGSL Act, 2017</u> 5UT + OT (Other territory of India) - Single Act covering all	<u>IGST Act, 2017</u>
Total sections	<u>Sec 1 to 174</u>	-----	<u>Sec 1 to 26</u>	<u>Sec 1 to 25</u>
Extent of Applicability	Sec 1 : Whole of india (Including J & K)		Sec 1 : 5 UT + Other Territory of India	Sec 1: Whole of India (Including J & K)
Date of commencement	Sec 1 : 1st July , 2017 (In J & K - 8th July, 2017)	Sec 1 : 1st July, 2017	Sec 1 : 1st July, 2017	Sec 1 : 1st July, 2017 [In J & K - 8th July, 2017]
Definition	Sec 2 : Sec 2(1) to 2(121)		Sec 2 : Sec 2 (1) to 2(10)	Sec 2 : Sec 2 (1) to 2(25)
Rules	<u>CGST Rule, 2017</u> Single set of rule	<u>SGST Rules, 2017</u>	<u>UTGST Rules, 2017</u> 5 set of rules-each for each UT	<u>IGST Rules, 2017</u> Single set of rule
Total No. of Rules	<u>Rule 1 to 162</u>		<u>Rule 1 to 2</u> (in all 5 set of rules)	<u>Rule 1 to 2</u>

***Note :** UTs without state legislature = Andaman & Nicobar islands, Lakshadweep, Daman & Diu, Dadra & Nagar Haveli, Ladakh, Chandigarh

All Important Clarifications are given at the end of Module

Chapter 2

Levy and Collection of GST & Concept of Supply

INDEX

Section	Content	Section	Content
CGST Act, 2017			
Sec 1	Title, Extent	Sec 7	Concept of Supply
Sec 2	Important Definitions	Sec 8	Composite and Mixed Supply
		Sec 9	Levy & Collection of CGST
		Section	Content
IGST Act, 2017			
	2(56) India	Sec 5	Levy & Collection of IGST
	2(103) State		
	2(114) Union Territory		

(e)	Additional Commissioners of Central Tax or Additional Directors of Central Tax,
(f)	Joint Commissioners of Central Tax or Joint Directors of Central Tax,
(g)	Deputy Commissioners of Central Tax or Deputy Directors of Central Tax,
(h)	Assistant Commissioners of Central Tax or Assistant Directors of Central Tax,
(i)	any other class of officers as it may deem fit
Proviso	Provided that the officers appointed under the Central Excise Act, 1944 shall be deemed to be the officers appointed under the of this Act.

Sec 4 : Power of CBIC to notify other officers for execution

Sec 5 : Power of CBIC to decide scope & duties of officers

Sec 6 : Authorisation to the officers of SGST/UTGST

SEC 2(103) "STATE"

Means - A Union territory with Legislature.

SEC 2(114) "UNION TERRITORY"

Means

the territory of -

- (a) the Andaman and Nicobar Islands
- (b) Lakshadweep
- (c) **Daman and Diu and Dadra and Nagar haveli**
- (d) **Ladakh**
- (f) Chandigarh
- (g) and Other territory

Delhi & Puducherry & J& K -
SGST Act is applicable

Amended by F.A. 2020

Explanation - For the purposes of this Act, each of the territories specified in clauses (a) to (f) shall be considered to be a separate Union territory

Sec 3 : Hierarchy of officers - The Government shall, by notification, appoint the following classes of officers for the purposes of this Act, namely:

(a)	Principal Chief Commissioners of Central Tax or Principal Directors General of Central Tax
(b)	Chief Commissioners of Central Tax or Directors General of Central Tax,
(c)	Principal Commissioners of Central Tax or Principal Additional Directors General of Central Tax,
(d)	Commissioners of Central Tax or Additional Directors General of Central Tax,

Section 7 - Meaning and scope of supply

1	Supply includes -
(a)	All forms of supply of goods and/ or services or both such as ⤵ sale transfer, barter, exchange, licence, rental, lease or disposal ⤵ made or agreed to be made ⤵ for a consideration by a person ⤵ in the course or furtherance of business.
(b)	Importation of services , Whether or not in the course or furtherance of business and
(c)	The activities specified in Schedule I, made or agreed to be made without a consideration.
1A	Where certain activities or transaction constitute a supply in accordance with the provisions of subsection (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II.

CHARGING SECTION

Sec 9 - CGST Act, 2017 ■ Sec 5 - IGST Act, 2017

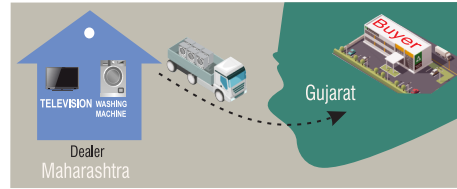
Sticky Notes

Levy

9(1) - Intra-State Supply of Goods and Services



5(1) - Inter-State Supply of Goods and Services



Inter State Supply - Sec 7 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

Intra-State Supply - Sec 8 of IGST Act, 2017

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

Goods not Subject to Levy of GST - alcoholic liquor for human consumption

Levy on Petroleum Products from Notified date :- Supply of petroleum crude, high speed diesel, petrol, natural gas and ATF shall be levied from the notified date.

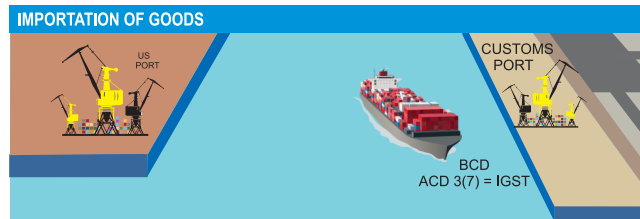
Note : Still levy of GST on such products is not notified

Analysis: The type of levy existing or to be continued after GST

	(Supply) GST	(Production) ED	(Sale)	
			VAT	CST
1. Alcoholic Liquor for Human Consumption	X	✓	✓	✓
2. Petroleum crude, High speed Diesel, Motor spirit (Petrol), Natural gas, Aviation Turbine fuel	X	✓	✓	✓
3. Tobacco & Tobacco products	✓	✓	X	X
4. Opium, Indian Hemp and other Narcotic Drugs	✓	✓	X	X
5. All other Products	✓	X	X	X

Levy of GST on Imported Goods :- As per proviso to Sec 5(1) of IGST Act

Levy & Collection	Value	Collection
shall be levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 (i.e. ACD 3(7)&ACD 3(9))	on the value as determined under the Custom Act, 1962 (i.e. as per Sec 14)	at the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962. (i.e. as per Sec 15 of Custom Act, 1962)



Rate

CGST Rate	0%	0.125%	1.5%	2.5%	6%	9%	14%
SGST Rate	0%	0.125%	1.5%	2.5%	6%	9%	14%
Total	0%	0.25%	3%	5%	12%	18%	28%

Collection

in such manner as may be prescribed
(Detail discussion in subsequent chapter)

Person Liable to Pay Tax

Forward Charge Sec 9(1)/ 5(1)	Taxable Person making Intra State- Supply Taxable person means - a person who is registered or liable to be registered under section 22 or section 24
Reverse Charge Sec 9(3)/9(4) Sec 5(3)/5(4)	Recipient of Supply (Detail discussion in subsequent chapter)
E-Commerce Sec 9(5) Sec 5(5)	E-Commerce Operator (Detail discussion in subsequent chapter)