



CHAPTER - 1

INTRODUCTION OF GST

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1	ICAI Material	Q. 01.01, 01.03, 01.06, 01.07 to 01.13, 01.16	11
2	Examination	Q. 01.17, 01.22, 01.26	3
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4	Other	Q. 01.02, 01.04, 01.05, 01.14, 01.15, 01.18 to 01.21, 01.23, 01.24, 01.25	12
	Total No. of Illustrations		26

Indirect tax structure in India before 1st July 2017

SNC 01.01.00

Discuss how GST resolved the double taxation dichotomy under previous indirect tax laws. (ICAI material)

Answer:- Input Tax Credit (ITC) of CGST and SGST/UTGST is available throughout the supply chain,

- **A comprehensive tax structure:-** To cover both goods and services viz. Goods and Service Tax (GST) addresses these problems. Simultaneous introduction of GST at both Centre and State levels has integrated taxes on goods and services for the purpose of set-off relief and ensures that both the cascading effects of CENVAT and service tax are removed and a continuous chain of set-off from the original producer's point/ service provider's point upto the retailer's level/ consumer's level is established.
- **One Single tax:-** In the GST regime, the major indirect taxes have been subsumed in the ambit of GST. The erstwhile concepts of manufacture or sale of goods or rendering of services are no longer applicable since the tax is now levied on "Supply of Goods and/or services".

Taxes subsumed in GST

SNC 01.02.00

Which are the commodities kept outside the purview of GST?

- Answer:** i) Supply of alcoholic liquor for human consumption
 ii) Petroleum products: - petroleum crude, motor spirit (petrol), high speed diesel
 iii) Natural gas
 iv) Aviation turbine fuel

SNC 01.03.00

List the taxes to be subsumed in GST? (MTP- ICAI)

Answer :

Central levies to be subsumed	State levies to subsumed
Central Excise Duty & Additional Excise Duties	VAT/ Sales tax
Service Tax	Central Sales Tax
Excise Duty under Medicinal & Toilet Preparation Act	Entertainment Tax (except those levied by local bodies)
Additional Customs Duties (ACD) under CTA, 1975	Tax on lottery, betting and gambling
Surcharges and Cesses in so far as they relate to supply of goods & services	Entry Tax (All Forms) & Purchase Tax
	Luxury Tax
	Taxes on advertisements
	State surcharges and cesses in so far as they relate to supply of goods & services

Concepts and principal of GST

SNC 01.04.00

Explain concept & principle of GST?

Answer : GST is a - destination based indirect tax, levied on value added to goods/ services/ both at each stage of supply chain.

Concepts & Principles: -

- GST is a Broad -Based Value added tax
- GST is a Destination based tax
- GST is technically paid by supplier 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- No cascading of taxes.
- GST is a tax on the consumption of products from business sources, and not on personal or hobby activities
- Under GST, continuous chain of tax credits - as input tax credit is provided throughout the value chain for creditable acquisition.

SNC 01.05.00

What would be the rate structure under GST?

Answer :- The rate structure consists for goods & services will be 0.25%, 3%, 5%, 12%, 18% and 28 % besides goods which are taxed at nil rate (fully exempt). GST Tariff may be referred to, to know tax rate for respective goods and services.

SNC 01.06.00

GST is a destination-based tax on consumption of goods or services or both.

Discuss the validity of the statement. [ICAI Material]

Answer:- The given statement is valid. GST is a destination-based tax on consumption of goods or services or both. GST is known as destination-based tax since the tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

For example, if A in Delhi produces the goods and sells the goods to B in Haryana. In this case, the tax would accrue to the State of Haryana and not to the State of Delhi. On the other hand, under pre-GST regime, origin-based taxation was prevailing in such cases.

Under origin-based taxation, the tax used to accrue to the State from where the transaction originated. In the given case, under origin-based taxation, the central sales tax would have been levied by Centre and collected by the State of Delhi and not by the State of Haryana.

SNC 01.07.00

Under Goods and Services Tax (GST), only value addition is taxed and burden of tax is to be borne by the final consumer. Examine the statement. [ICAI Material]

Answer:- The statement is correct. Goods and Services Tax is a destination-based tax on consumption of goods and services. It is levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. Resultantly, only value addition is taxed and burden of tax is to be

borne by the final consumer.

Dual GST Model in India

SNC 01.08.00

Explain the concept of 'Dual GST' (Nov 17-CA final) [ICAI Material]

Answer : Under dual GST model, GST is imposed concurrently i.e. Central & States, simultaneously impose on goods and services.

- Central has power to levy IGST (Integrated Goods & Services tax) on inter state supplies of goods and / or services.
- Central & States/UTs with state legislature, have power to levy CGST (Central Goods & Services tax) & SGST (State Goods & Services tax) respectively, on Intra State supplies of goods/ services.
- UTs without legislature, have power to levy UTGST (Union Territory Goods & Service tax) on Intra state supplies of Goods/ services.

Constitutional Amendments for GST and Article 246

SNC 01.09.00

Write a short note on various Lists provided under Seventh Schedule to the Constitution of India. (ICAI Material)

Answer: It contains three lists which enumerate the matters under which the Union and the State Governments have the authority to make laws.

List -I	List -II	List -III
Union List	State List	Concurrent List
It contains the matters in respect of which the Parliament (Central Government) has the exclusive right to make laws.	It contains the matters in respect of which the State Government has the exclusive right to make laws	It contains the matters in respect of which both the Central & State Governments have power to make laws.

SNC 01.10.00

Why was the need to amend the Constitution of India before introducing the GST ? [ICAI Material]

Answer:- Earlier, the fiscal powers between the Centre and the States were clearly demarcated in the Constitution with almost no overlap between the respective domains.

The Centre had the powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States had the powers to levy tax on the sale of goods. In the case of inter- State sales, the Centre had the power to levy the Central Sales Tax but the tax was collected and retained entirely by the States. As for services, it was the Centre alone that was empowered to levy service tax.

Introduction of the GST necessitated the amendments in the Constitution so as to simultaneously empower the Centre and the States to levy and collect this tax. The Constitution of India was amended by the Constitution (101st Amendment) Act, 2016 for this purpose. Article 246A of the Constitution introduced thereby empowered the Centre and the States to simultaneously levy and collect the GST.

SNC 01.11.00

Discuss Article 246A which grants the power to make laws with respect to Goods and Services Tax. [ICAI Material]

Answer:- Article 246A stipulates that Parliament, and, 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.

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.

However, in respect to petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel, the aforesaid provisions shall

apply from the date to be notified by the Government on the recommendations by the GST Council.

SNC 01.12.00

Discuss Article 269A pertaining to levy and collection of GST on inter-State supply. [ICAI Material]

Answer:- Article 269A of the Constitution stipulates that 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.

Here, 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.

The amount so apportioned to a State shall not form part of the Consolidated Fund of India. Where an amount collected as IGST has been used for payment of SGST or vice versa, such amount shall not form part of the Consolidated Fund of India/State respectively. This is to facilitate transfer of funds between the Centre and the States.

Parliament is empowered to formulate the principles for determining the place of supply, and when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

SNC 01.13.00

"State Government has exclusive power to notify a transaction to be supply of goods or services." Discuss the correctness of the statement. (ICAI material)

Answer: The said statement is not correct.

State Government can notify a transaction to be supply of goods or services but only on the recommendations of the GST Council.

Further, Central Government or State Government, both on the recommendations of

the GST Council, can notify an activity to be the supply of goods and not supply of services or supply of services and not supply of goods or neither a supply of goods nor a supply of services.

Levy of taxes on various product along with GST

SNC 01.14.00

What are the taxes that will continue post GST?

Answer: The taxes that will continue after GST are

- Basic Customs Duty
- Export Duty
- Stamp Duties & Property Tax
- Electricity Duties
- Taxes on professions, trades, callings and employments
- Excise duty on alcohol for human consumption, Petroleum Products

SNC 01.15.00

ITC Ltd is a company manufactures Cigarette and supply it to the distributor Mr. Z for ₹2,00,000 on which charged excise duty as well as GST. Mr Z further supplied to the retailer Mr. R for ₹ 2,20,000 and charged GST. Explain whether treatment by ITC Ltd. & distributor Mr. Z is correct or not

Answer:- In case of Tobacco and Tobacco product manufacture would be subject to GST in addition, the central would have the power to levy central excise duty on these product.

Therefore treatment by ITC Ltd on supply of the tobacco & tobacco product is correct. Recipient of supply (i.e. Mr. Z) can take ITC only of GST.

In case of further supply by Mr. Z to the retailer Mr. R would be subject to GST only, therefore treatment by Mr.Z is correct.

Article 279A- GST councils and recommendation of GST councils

SNC 01.16.00

Write a short note on Goods and Services Tax Council. (RTP - ICAI)

Answer :- Article 279A of the Constitution empowers the President to constitute a joint forum of the Centre and States namely, Goods & Services Tax Council (GST Council).

- The provisions relating to GST Council came into force on 12th September, 2016. President constituted the GST Council on 15th September, 2016.
- **The Union Finance Minister is the Chairman of this Council** and Ministers in charge of Finance/Taxation or any other Minister nominated by each of the States & UTs with Legislatures are its members.
Besides, the Union Minister of State in charge of Revenue or Finance is also its member.
- The function of the **Council is to make recommendations to the Union and the States** on important issues like tax rates, exemptions, threshold limits, dispute resolution etc. The GST Council has decided the threshold exemption, composition threshold, GST rates, GST legislations including rules and notifications.

SNC 01.17.00

Enumerate any five matters on which the GST Council may make recommendations under Article 279A of the Constitution of India. [CA final Nov 19 Exam New]

Answer:- The matters on which the GST Council may make recommendations under Article 279A of the Constitution of India are as under:-

- the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in GST;
- the goods and services that may be subjected to, or exempted from GST;
- model GST Laws, principles of levy, apportionment of GST levied on supplies in the course of inter-State trade or commerce and the principles governing the

place of supply;

(iv) the threshold limit of turnover below which goods and services may be exempted from GST;

(v) the rates including floor rates with bands of GST;

(vi) any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster;

(vii) special provision with respect to Special Category States

(viii) the date on which the GST be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.

(ix) any other matter relating to the GST, as the Council may decide.

Note: Any five points may be mentioned.

Special category state

SNC 01.18.00

Which states have been categorized as special category states under GST?

Answer :- Special provision in GST have been made with respect to states of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand.

Goods and Service Tax network(GSTN)

SNC 01.19.00

What is GSTN?

Answer: GSTN stands for Goods and Service Tax Network (GSTN). A Special Purpose Vehicle called the GSTN has been set up to cater to the needs of GST. The GSTN shall provide a shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders for implementation of GST

SNC 01.20.00

What are the functions performed by the GSTN?

Answer:- The functions of GSTN are as follows:

- ❖ Facilitating registration
- ❖ Forwarding the returns to Central & State authorities
- ❖ Computation & settlement of IGST
- ❖ Matching of tax payment details with banking network
- ❖ Providing various MIS reports to the Central & the State Governments based on the taxpayer return information
- ❖ Providing analysis of taxpayers profile
- ❖ Running the matching engine for matching, reversal & reclaim of input tax credit

Benefits of GST

SNC 01.21.00

List some of the benefits that GST to accrues to the economy.

Answer:- GST accrues following benefits to the economy:

- (a) Creation of unified national market:** GST has made India a common market with common tax rates and procedures. Further, it has removed the economic barriers resulting in an integrated economy at the national level.
- (b) Boost to 'Make in India' initiative:** GST has given 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. This will make India a manufacturing hub.
- (c) Enhanced investment and employment:** The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input tax on goods and services and phasing out of Central Sales Tax (CST) has reduced the cost of locally manufactured goods and services. Resultantly, the competitiveness of Indian goods and services in the international market has increased which has given boost to investments and Indian exports. With a boost in exports and manufacturing activity, more employment is likely to be generated and GDP is likely to be increased.

Credit system in dual model of GST

SNC 01.22.00

Bring out the salient features of cross utilization of Input Tax Credit (ITC) under the GST law? (Nov 17- CA final)

Answer:- Input Tax Credit (ITC) of CGST and SGST/UTGST is available throughout the supply chain,

➤ but cross utilization of credit of CGST and SGST/UTGST is not possible, i.e. CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST.

➤ However, cross utilization is allowed between CGST/SGST/UTGST and IGST, i.e. credit of IGST can be utilized for the payment of CGST/SGST/UTGST and viceversa.

SNC 01.23.00

Mr. Nimit, a supplier of goods, pays GST under regular scheme. He is not eligible for any threshold exemption. He has made the following outward taxable supplies in the month of August, 2017 :-

	₹
Intra state supplies of goods	6,00,000
Inter state supplies of goods	2,00,000

He has also furnished following information in respect of purchases made by him from registered dealers during August, 2017 :-

	₹
Intra state purchase of goods	4,00,000
Inter state purchase of goods	50,000

Balance of ITC available at the beginning of the August 2017 :-

	₹
CGST	15,000
SGST	35,000
IGST	20,000

Note:

(i) Rate of CGST, SGST and IGST to be 9%, 9% and 18% respectively, on both inward and outward supplies.

(ii) Both inward and outward supplies given above are exclusive of taxes, wherever applicable.

(iii) All the conditions necessary for availing the ITC have been fulfilled. Compute the net GST payable by Mr. Nimit for the month of August, 2017.

Answer: Computation of total ITC

Particulars	IGST@ 18%	CGST@ 9%	SGST@ 9%
Opening ITC	20,000	15,000	35,000
Add: ITC on Intra-State purchases of taxable goods valuing ₹ 5,00,000		36,000	36,000
Add: ITC on Inter-State purchases of goods valuing ₹ 50,000	9,000		
Total ITC	29,000	51,000	71,000

Computation of net GST payable by Mr. Nimit for the month of August, 2017

S. No.	Particulars	Value of Supply	IGST @ 18%	CGST @ 9%	SGST @ 9%
	Intra-State supply of goods	6,00,000		54,000	54,000
	Inter-State supply of goods	2,00,000	36,000	-	-
	Total GST Payable		36,000	54,000	54,000
	Less : ITC (Note - 1)		(29,000)	-	-
	IGST - 29,000				
	CGST - 51,000			(51,000)	x
	SGST - 71, 000		(7,000)	x	(54,000)
	Net GST payable		Nil	3,000	Nil

ITC of SGST to be carry forward in next month ₹ 10,000

Note:- ITC of SGST has been used to pay SGST & IGST, As per order prescribed.

Body of GST law

SNC 01.24.00

Mention the various components under GST act?

Answer: ➤ Central Goods & Service Tax Act 2017

- State Goods & Service Tax Act 2017
- Integrated Goods & Service Tax Act 2017
- Union Territory Goods & Service Tax Act 2017

SNC 01.25.00

Mention the various components under GST act?

Answer: ➤ Central Goods & Service Tax Act 2017

- State Goods & Service Tax Act 2017
- Integrated Goods & Service Tax Act 2017
- Union Territory Goods & Service Tax Act 2017

Manner of utilization of IGST

SNC 01.26.00

A makes intra-State supply of goods valued at ₹ 50,000 to B within State of Karnataka. B makes inter-State supply to X Ltd. (located in Telangana) after adding 10% as its margin. Thereafter, X Ltd. sells it to Y in Telangana (Intra-State sale) after adding 10% as his margin.

Assume that the rate of GST chargeable is 18% (CGST 9% plus SGST 9%) and IGST chargeable is 18%. Calculate tax payable at each stage of the transactions detailed above. Wherever input tax credit is available and can be utilized, calculate the net tax payable in cash. At each stage of the transaction, indicate which Government will receive the tax paid and to what extent. (CA Final Suggested Nov 18 Old)

Answer:- I. Intra-State supply of goods by A to B

Particular	₹
Value charged for supply of goods	50,000
Add: CGST @ 9%	4,500
Add: SGST @ 9%	4,500
Total price charged by A from B	59,000

A is the first stage supplier of goods and hence, does not have credit of CGST, SGST or IGST. Thus, the entire CGST (₹ 4,500) & SGST (₹ 4,500) charged will be paid in cash by A to the Central Government and Karnataka Government respectively.

II. Inter-State supply of goods by B to X Ltd. - Margin @10%

Particular	₹
Value charged for supply of goods (₹ 50,000 x 110%)	55,000
Add: IGST @ 18%	9,900
Total price charged by B from X Ltd.	64,9000

Computation of IGST payable by B to Central Government in cash

Particular	₹
IGST payable	9,900
Less: Credit of CGST	4,500
Less: Credit of SGST	4,500
IGST payable to Central Government in cash	900

Credit of CGST and SGST can be used to pay IGST [Section 49(5) of the CGST Act, 2017]. Karnataka Government will transfer SGST credit of ₹ 4,500 utilised in the payment of IGST to the Central Government.

III. Intra -State supply of goods by X Ltd. to Y

Particular	₹
Value charged for supply of goods (₹ 55,000 x 110%)	60,500
Add: CGST @ 9%	5,445
Add: SGST @ 9%	5,445
Total price charged by X Ltd. from Y	71,390

Computation of CGST and SGST payable X Ltd in cash

Particular	₹
CGST payable	5,445
Less: Credit of IGST	5,445
CGST payable to Central Government in cash	
SGST payable	5,445
Less: Credit of IGST [₹ 9,900 - ₹ 5,445]	4,455
SGST payable to Telangana Government in cash	990

Credit of IGST can be used first in IGST, then in CGST and SGST in any order [Section 49(5) of the CGST Act, 2017]. Central Government will transfer IGST of ₹ 4,455 utilised in the payment of SGST to Telangana Government

