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GST IN INDIA - A BRIEF INTRODUCTION

Topic Referencer

- Concept of Tax, Direct Tax and Indirect Tax
- Genesis of GST in India and Concept of GST
- Need for GST in India
- Dual GST Model
- Goods and Services Tax Portal
- Constitutional Provisions
- Goods and Services Tax Council

CONCEPT OF TAX, DIRECT TAX AND INDIRECT TAX

1. Explain briefly the concept of tax.

Ans: Concept of tax : A tax is a financial charge or other levy imposed upon a taxpayer (an individual or legal entity) by a state or the functional equivalent of a state. The failure to pay tax is punishable by law.

According to Black's Law Dictionary, a tax is a "pecuniary burden laid upon individuals or property owners to support the Government, a payment exacted by legislative authority". It "is not a voluntary payment or donation, but an enforced contribution, exacted by legislative authority".

In simple words, tax is nothing but money that people have to pay to the Government, which is used to provide public services.

2. Differentiate between Direct Tax and Indirect Tax.

Ans: The two categories under which taxes are classified are as follows -

- (i) **Direct Taxes :** Direct Taxes are taxes which are levied on persons for the income earned or activities conducted, the incidence of which is to be borne by the person himself on whom it is levied.
- (ii) **Indirect Taxes :** Indirect Taxes are the taxes which are levied on a product or a service, the incidence of which is borne by the consumers who ultimately consume the product or the service, while the immediate liability to pay the tax may fall upon another person such as a manufacturer or seller of goods.

Difference between Direct Taxes and Indirect Taxes :

	Direct Taxes	Indirect Taxes
(i)	They are levied on persons.	They are levied on goods and services.
(ii)	Amount of tax is determined directly on the basis of taxable income/wealth of assessee.	The amount of tax is determined indirectly.
(iii)	Tax incidence is borne by the same person who pays it.	Tax incidence passes on to the ultimate consumers.
(iv)	Higher collection costs as tax collection is difficult.	Less collection costs as tax collection is easier.
(v)	They are progressive in nature i.e. tax rates are high for people having higher ability to pay.	They are regressive in nature i.e. All the consumers equally bear the burden, irrespective of their ability to pay.
(vi)	Examples: Income tax, Interest Tax, Expenditure Tax etc.	Examples: Goods and Services Tax, Customs Duty etc.

3. Explain the features of Indirect taxes.

Ans: The features of indirect taxes are as under -

- (1) **Major source of revenue :** Indirect taxation is policy often used to generate tax revenue. Indirect taxes are a major source of tax revenues for Governments worldwide. In India, indirect taxes contribute more than half of the total tax revenues of Central and State Governments.

- (2) **Levied on goods and services** : It is levied on goods at the time of supply or import/export thereof. Hence, it is also known as commodity taxation. It is also levied on supply of services.
- (3) **Shifting of incidence of tax** : In indirect taxes, the tax burden shifts on to the person who ultimately consumes such goods or services. There is a clear shifting of tax burden in respect of indirect taxes.
For example, GST paid by the supplier of the goods is recovered from the buyer by including the tax in the cost of the commodity.
- (4) **Consumer do not feel direct pinch of such taxes** : Indirect taxes are generally inbuilt in the price of the goods or services, most of the time the tax payer pays the same without actually knowing that he is paying tax to the Government. Thus, consumer who ultimately bears such tax does not perceive a direct pinch while paying indirect taxes.
- (5) **Leads to inflation** : Tax imposed on goods and services causes increase in prices of commodity and services. In other words, indirect taxation directly affects the prices of goods and services and leads to inflationary trend.
- (6) **Widens the tax base** : Unlike direct taxes, the indirect taxes have a wide tax base. Majority of the goods or services are subject to indirect taxes with low thresholds.
- (7) **Helps in promoting 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.
- (8) **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.

GENESIS OF GST IN INDIA AND CONCEPT OF GST

4. What is GST? What are the developments taken place under it? OR

Write a note on Genesis of GST in India.

Ans: The relevant aspects are discussed as under –

- (1) **Goods and Services Tax** : GST is levied on 'supply' of goods or services or both, in India including the Union Territory of Jammu and Kashmir with own legislature. GST 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 set-off. In a nutshell, only value addition is taxed and burden of tax is to be borne by the final consumer.
- (2) **Genesis of GST In India** :
 - **Setting up of Empowered Committee in 2000** : In 2000, the Vajpayee Government started discussion on GST by setting up an empowered committee. The committee was headed by Asim Dasgupta, (Finance Minister, Government of West Bengal). It was given the task of designing the GST model and overseeing the IT back-end preparedness for its rollout.
 - **Kelkar task force in 2004** : The GST was recommended by the Kelkar Task Force on implementation of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003. The Task Force strongly recommended fully integrated 'GST' on national basis.
 - **GST proposed in 2007-08** : A proposal to introduce a National level Goods and Services Tax (GST) by April 1, 2010 was first mooted in the Budget Speech by the then Union Finance Minister, Shri P. Chidambaram, while presenting the Central Budget of 2007-08. Since the proposal involved reform/ restructuring of not only indirect taxes levied by the Centre but also the States, the responsibility of preparing a Design and Road Map for the implementation of GST was assigned to the Empowered Committee of State Finance Ministers (EC).
 - **Constitution Amendment Act** : In 2014 the talks of ushering in GST, however, gained momentum when the NDA Government tabled the Constitution (122nd Amendment) Bill, 2014 on GST in the Parliament on 19th December, 2014. The Lok Sabha passed the Bill on 6th May, 2015 and Rajya Sabha on 3rd August, 2016. Subsequent to ratification of the Bill by more than 50% of the States, Constitution (122nd Amendment) Bill, 2014 received the assent of the President on 8th September, 2016 and became **Constitution (101st Amendment) Act, 2016**, which paved the way for introduction of GST in India.
 - **GST Legislations** : The Central GST legislations - Central Goods and Services Tax Bill, 2017, Integrated Goods and Services Tax Bill, 2017, Union Territory Goods and Services Tax Bill, 2017 and Goods and Services Tax (Compensation to States) Bill, 2017 were introduced in Lok Sabha on 27th March, 2017 and were passed

on 29th March, 2017 and with the receipt of the President's assent on 12th April, 2017, the Bills were enacted. The enactment of the Central Acts was followed by the enactment of the State GST laws by various State Legislatures. Telangana, Rajasthan, Chhattisgarh, Punjab, Goa and Bihar were among the first ones to pass their respective State GST laws.

- **Roll out of GST :** Government rolled out GST w.e.f. 1st July, 2017. GST in the Union Territory of Jammu and Kashmir with own legislature came into force with effect from 8th July, 2017.
- The introduction of Goods and Services Tax (GST) is a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, it will mitigate cascading or double taxation in a major way and pave the way for a common national market.
- **France** was the first country to implement GST in the year 1954. Within 62 years of its advent, about 160 countries across the world have adopted GST because this tax has the capacity to raise revenue in the most transparent and neutral manner.

5. Explain briefly the concept of GST.

Ans: Concept of GST : The basic concept of GST is discussed as under –

- (1) **Value Added Tax :** It is a single tax on the supply of goods and services, right from the manufacturer to the consumer with credit of taxes paid at previous stages available as set-off. In a nutshell, only value addition is taxed.
- (2) **Continuous flow of Tax Credits :** GST provides comprehensive and continuous chain of tax credits from the manufacturer's point/service provider's point upto the retailer's level/consumer's level thereby taxing only the value addition at each stage of supply chain.
- (3) **Tax incidence is to be ultimately borne by Final Consumer :** GST paid on the procurement of goods and services can be set off against that payable on the supply of goods or services. Thus, only the final consumer bears the GST charged by the last supplier in the supply chain, with set-off benefits at all the previous stages.
- (4) **Mitigation of Cascading/ Double Taxation :** GST is levied only on value addition. Thus, it prevents cascading effect of tax *i.e.* tax on tax. GST does not differentiate between goods and services and thus, the two are taxed at a single rate.

NEED FOR GST IN INDIA

6. What was the need of introduction of GST in India. OR

Enumerate the deficiencies of the existing indirect taxes which led to the need for ushering into GST regime.

Ans: Need for GST in India :

(1) Deficiencies in the existing value added taxation :

- (a) **Excise duty and VAT :** In the earlier indirect tax regime, a manufacturer of excisable goods charged excise duty on manufacture and value added tax (VAT) on intra-State sale of goods. However, the VAT dealer on his subsequent intra-State sale of goods charged VAT (as per VAT rate as was applicable in the respective State) on value comprising of (basic value + excise duty charged by manufacturer + profit by dealer).
- (b) **Service Tax :** Further, service tax was payable on provision of all services other than those covered in the Negative list of services as provided under Section 66D of the Finance Act, 1994 or otherwise exempted *vide* the Mega Exemption Notification No. 25/2012-ST dated 20-06-2012.
- (c) **Shortcomings in earlier Indirect Tax System :** There were various shortcomings in earlier indirect system of taxation in India. Under the earlier indirect tax structure, the various indirect taxes which were levied were not mutually exclusive. Some of the shortcomings under earlier indirect taxation system were:
 - **Non-availability of credit of excise duty and service tax for VAT :** VAT dealers were not able to take credit of excise duty charged by manufacturers. Duties paid under excise law is subsumed into cost beyond the manufacturing level. Like excise duty, VAT dealers were not able to take credit of service tax charged by the service providers on various input services.
 - **No credit of CST :** In the absence of credit, CST which was levied on Inter-State sales collected by the origin state added to the cost of product.
 - **No credit of VAT to Service Providers :** The service providers were not allowed to claim any credit for VAT paid on their inputs.
 - **No credit of Swachh Bharat Cess (SBC) to Manufacturers and Service Providers :** SBC @ 0.5% on value of all taxable services was applicable from 15-11-2015. However, no CENVAT credit was allowed of SBC to the manufacturers as well as service providers.

- **No CENVAT credit of Krishi Kalyan Cess (KKC) to Manufacturers :** Pursuing an objective to finance and promote initiatives to improve agriculture and farmer welfare, 'KKC' @ 0.5% was levied on the value of all taxable service w.e.f. 01-06-2016. Whilst the CENVAT credit of KKC was allowed to service providers, it was eventually denied to manufacturers, who had a liability of central excise, but did not provided any taxable output services.
 - **Encroachment on each other's territory by the Centre and the State ending up in Double Taxation :** Owing to federal structure of India, where there are two taxing authorities - the Central government and the State Government, the country witnessed overlapping of powers of the State government(s) and the Central Government. Even though past indirect tax system treated goods and services differently, in certain cases where goods, services and other types of supplies were being packaged as composite bundles and offered for sale to consumers under a variety of supply-chain arrangements, there was double taxation. Adopting conservative approach to avoid unnecessary litigation, the trade and industry charged both VAT and service tax on such disputed items.
- (2) **GST - A cure for ills of existing indirect tax regime :**
- (a) A comprehensive tax structure covering both goods and services viz. **Goods and Services 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.
 - (b) 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".

DUAL GST MODEL

7. Discuss the dual GST model introduced in India.

Ans: Dual GST Model introduced in India :

- (1) **Dual GST Model:** India has adopted a Dual GST model in view of the federal structure of the country. Centre and States simultaneously levy GST on taxable supply of goods or services or both which, takes place within a State or Union Territory. Thus, tax is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services. GST is levied by the Centre on intra-State supply of goods and/or services called the **Central GST (CGST)** and that levied by the States/ Union territory is called the **State GST (SGST)/UTGST**.

Similarly, **Integrated GST (IGST)** is levied and administered by Centre on every inter-state supply of goods and services. IGST is approximately a sum total of CGST and SGST/UTGST and is levied by Centre on all inter-State supplies.

GST extends to whole of India including the Union Territory of Jammu & Kashmir with own legislature.

- (2) **Need of dual GST model :** India is a federal country where both the Centre 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, therefore, has been introduced keeping with the Constitutional requirement of fiscal federalism.
- (3) **Administration :** Centre levies and administer CGST & IGST while respective States/UTs levies and administer SGST/UTGST.
- (4) **Legislative Framework :** There is single legislation - CGST Act, 2017 - for levying CGST. Similarly, Union Territories without State legislatures [Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu and Chandigarh] is governed by UTGST Act, 2017 for levying UTGST. States and Union territories with their own legislatures [Delhi, Jammu & Kashmir and Puducherry] have enacted their own GST legislation for levying SGST.

Though there are multiple SGST legislations, the basic features of law, such as chargeability, definition of taxable event and taxable person, classification and valuation of goods and services, procedure for collection and levy of tax and the like are uniform in all the SGST legislations, as far as feasible. This is necessary to preserve the essence of dual GST.

- (5) **Manner of levy of Dual GST :** The Central GST and the State GST are levied simultaneously on every transaction of supply of goods and services except -

- the exempted goods and services,
 - the goods which are outside the purview of GST; and
 - the transactions which are below the prescribed threshold limits.
- Further, both are levied on the same price or value unlike State VAT which was levied on the value of the goods inclusive of CENVAT.

(6) Classification of Goods and Services :

- (a) Goods : The goods are classified on the basis of HSN (Harmonised System of Nomenclature) under the GST.
- (b) Services : A new Scheme of Classification of Services has been devised wherein the services of various descriptions have been classified under various sections, headings and groups. Each group consists of various Service Codes (Tariff). Chapters referred are the Chapters of the First Schedule to the Customs Tariff Act, 1975.

(7) Registration : Every supplier of goods and/or services is required to obtain registration in the State/UT from where he makes the taxable supply if his aggregate turnover exceeds the threshold limit during a FY.

States with threshold limit of ₹ 10 lakh for both goods and services	States with threshold limit of ₹ 20 lakh for both goods and services	States with threshold limit of ₹ 20 lakh for services and ₹ 40 lakh for goods (i.e. persons engaged exclusively in supply of goods)
Manipur	Arunachal Pradesh	Jammu and Kashmir
Mizoram	Meghalaya	Assam
Nagaland	Sikkim	Himachal Pradesh
Tripura	Uttarakhand	All other States
	Puducherry	
	Telangana	

(8) Tax is paid by Taxable Person : In GST regime, tax (i.e. CGST and SGST/UTGST for intra-State supplies and IGST for inter-State supplies) is paid by every taxable person and in this regard provisions have been prescribed in the law.

Composition Scheme and Exemption : For providing relief to small businesses, a simpler method of paying taxes and accounting thereof is also prescribed, known as Composition Scheme. Along with providing relief to small-scale business, the law also contains provisions for granting exemption from payment of tax on specified goods and/or services. Further, for small service providers also, a scheme prescribing concessional rate of tax has been formulated.

(9) Compensation Cess : A GST Compensation Cess at specified rate has been imposed under the Goods and Services Tax (Compensation to States) Cess Act, 2017 on the specified luxury items or demerit goods, like pan masala, tobacco, aerated waters, motor cars etc., computed on value of taxable supply. Compensation cess is leviable on intra-State supplies and inter-State supplies with a view to provide for compensation to the States for the loss of revenue arising on account of implementation of the GST. **However, its levy and collection has been extended till 31st March, 2026.**


(10) GST - A tax on Goods and Services : GST is levied on supply of all goods and services, except alcoholic liquor for human consumption and petroleum crude, diesel, petrol, ATF and natural gas. The same is discussed as under :

- (a) **Alcoholic liquor for human consumption not leviable to GST :** Alcoholic liquor for human consumption is outside the realm of GST. The manufacture/production of alcoholic liquor continues to be subjected to State excise duty and inter-State/intra-State sale of the same is subject to CST/VAT respectively.
- (b) **Petroleum crude, diesel, petrol, ATF and natural gas not liable to GST till Notified :** As regards petroleum crude, diesel, petrol, ATF and natural gas are concerned, they are not presently leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council.
Till such date, central excise duty continues to be levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/VAT respectively.
- (c) **Tobacco :** Tobacco is within the purview of GST, i.e. GST is leviable on tobacco. However, Union Government has also retained the power to levy excise duties on tobacco and tobacco products manufactured in India. Resultantly, tobacco is subject to GST as well as central excise duty.
- (d) **Opium, Indian hemp and other narcotic drugs and narcotics :** Opium, Indian hemp and other narcotic drugs and narcotics are within the purview of GST, i.e. GST is leviable on them. 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.

(e) Real Estate Sector : Real estate sector has been kept out of ambit of GST, i.e. GST will not be levied on sale/purchase of immovable property. However on supply of construction services, GST is levied.

(11) Manner of utilisation of ITC : 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 vice versa.

Summary Chart of flow of ITC under GST :

Transaction within the states/ UT's (Intra-State Transactions)		Inter-State transactions
CGST	SGST/UTGST	IGST
<div style="border: 1px solid black; padding: 2px; display: inline-block;">CGST</div> <div style="display: inline-block; vertical-align: middle;"> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 2px;">CGST</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 2px;">IGST</div> </div>	<div style="border: 1px solid black; padding: 2px; display: inline-block;">SGST/UTGST</div> <div style="display: inline-block; vertical-align: middle;"> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 2px;">SGST/UTGST</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 2px;">IGST</div> </div>	<div style="border: 1px solid black; padding: 2px; display: inline-block;">IGST</div> <div style="display: inline-block; vertical-align: middle;"> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 2px;">IGST</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 2px;">CGST</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 2px;">SGST/UTGST</div> </div>
<p>Credit of CGST/SGST can be utilised only when credit of IGST has been completely utilised. ITC of SGST/UTGST should be utilized for payment of IGST, only after ITC of CGST has been utilized fully.</p>		
<div style="border: 1px solid black; padding: 2px; display: inline-block;">CGST</div>		<div style="border: 1px solid black; padding: 2px; display: inline-block;">SGST/UTGST</div>
<p>No Cross utilisation permissible.</p>		

(12) Seamless Flow of Credit : Since GST is a destination based consumption tax, revenue of SGST ordinarily accrues to the consuming States. The inter-State supplier in the exporting State is allowed to set off the available credit of IGST, CGST and SGST/UTGST against the IGST payable on inter-State supply made by him.

The buyer in the importing State is allowed to avail the credit of IGST paid on inter-State purchase made by him. Thus, unlike the earlier scenario where the credit chain used to break in case of inter-State sales on account of non-VATable CST, under GST regime there is a seamless credit flow in case of inter-State supplies too.

The revenue of inter-State sale does not accrue to the exporting State and the exporting State transfers to the Centre the credit of SGST/UTGST used in payment of IGST.

The Centre transfers to the importing State the credit of IGST used in payment of SGST/UTGST. Thus, the inter-State trade of goods and services (IGST) needed a robust settlement mechanism amongst the States and the Centre.

A Central Agency is needed which can act as a clearing house and verify the claims and inform the respective Governments to transfer the funds. This is possible only with the help of a strong IT Infrastructure.

Illustration 1 - Intra-State Supply: Mr. A a manufacturer in Rajasthan has supplied goods valued ₹ 1,00,000 to Mr. B a dealer in Rajasthan. Mr. B supplied the said goods to Mr. C in Rajasthan after making value addition of 20%. You are required to determine the tax payable by Mr. A and Mr. B in respect of the said transactions assuming the rate of GST is 18%. Also determine the amount of revenue earned by Central and State Government.

Solution: In case of local supply of goods, the supplier would charge dual GST i.e., CGST and SGST at specified rates on the supply. Thus, the tax to be levied by Mr. A on supply of goods to Mr. B will be as under:

(i) Supply of goods by Mr. A to Mr. B:

	(amount in ₹)
Value charged for supply of goods	1,00,000
Add: CGST @ 9%	9,000
Add: SGST @ 9%	9,000
Total price charged by Mr. A from Mr. B for local supply of goods	1,18,000

The CGST & SGST charged from Mr. B for supply of goods will be remitted by Mr. A to the appropriate account of the Central and State Government's respectively.

A is the first stage supplier of goods and hence, does not have credit of CGST, SGST or IGST.

(ii) Supply of goods by Mr. B to Mr. C - Value addition @ 20% : Mr. B will avail credit of CGST and SGST paid by him on the purchase of goods and will utilise such credit for being set off against the CGST and SGST payable on the supply of goods made by him to Mr. C :

	(amount in ₹)
Value charged for supply of goods (₹ 1,00,000 × 120%)	1,20,000
Add: CGST @ 9%	10,800
Add: SGST @ 9%	10,800
Total price charged by Mr. B from Mr. C for local supply of goods	1,41,600

Computation of CGST, SGST payable by Mr. B to Government : (amount in ₹)

CGST payable	10,800
Less: Credit of CGST	9,000
CGST payable to Central Government	1,800
SGST payable	10,800
Less: Credit of SGST	9,000
SGST payable to State Government	1,800

Statement of revenue earned by Central and State Government : (amount in ₹)

Transaction	Revenue to Central Government	Revenue to State Government
Supply of goods by Mr. A to Mr. B	9,000	9,000
Supply of goods by Mr. B to Mr. C	1,800	1,800
Total	10,800	10,800

Illustration 2 – Inter-State Supply : Mr. X a manufacturer in Rajasthan has supplied goods valued ₹ 1,00,000 to Mr. A a dealer in Rajasthan. Mr. A supplied the said goods to Mr. B in Madhya Pradesh after making value addition of 20%. Mr. B further supplied the goods to Mr. C of Madhya Pradesh after making value addition of 20%. You are required to determine the tax payable by Mr. X, Mr. A and Mr. B in respect of the said transaction assuming the rate of GST is 18%. Also determine revenue earned by Central and State Government.

Solution: In case of inter-State supply of goods, the supplier would charge IGST at specified rates on the supply:

(i) Supply of goods by Mr. X of Rajasthan to Mr. A of Rajasthan : (amount in ₹)

Value charged for supply of goods	1,00,000
Add: CGST @ 9%	9,000
Add: SGST @ 9%	9,000
Total price charged by Mr. X from Mr. A for intra-State supply of goods	1,18,000

Mr. X is the first stage supplier of goods and hence, does not have any credit of CGST, SGST or IGST.

(ii) Supply of goods by Mr. A of Rajasthan to Mr. B of Madhya Pradesh – Value addition @ 20% : (amt. in ₹)

Value charged for supply of goods (₹ 1,00,000 × 120%)	1,20,000
Add: IGST @ 18%	21,600
Total price charged by Mr. A from Mr. B for inter-State supply of goods	1,41,600

Computation of IGST payable to Government: (amount in ₹)

IGST payable	21,600
Less: Credit of CGST	9,000
Less: Credit of SGST	9,000
IGST payable to Central Government	3,600

The IGST charged on Mr. B of Madhya Pradesh for supply of goods will be remitted by Mr. A of Rajasthan to the appropriate account of the Central Government. Rajasthan Government will transfer SGST credit of ₹ 9,000 utilised in the payment of IGST to the Central Government.

(iii) Supply of goods by Mr. B of Madhya Pradesh to Mr. C of Madhya Pradesh – Value addition @ 20% : Mr. B will avail credit of IGST paid by him on the purchase of goods and will utilise such credit for being set off against the CGST and SGST payable on the local supply of goods made by him to Mr. C. (amount in ₹)

Value charged for supply of goods/ services (₹ 1,20,000 × 120%)	1,44,000
Add: CGST @ 9%	12,960
Add: SGST @ 9%	12,960
Total price charged by Mr. B from Mr. C for local supply of goods	1,69,920

Computation of CGST, SGST payable to Government: (amount in ₹)

CGST payable	12,960
Less: Credit of IGST to the extent of CGST payable	12,960
CGST payable to Central Government	NIL
SGST payable	12,960
Less: Credit of IGST (₹ 21,600 – ₹ 12,960)	8,640
SGST payable to State Government	4,320

Central Government will transfer IGST credit of ₹ 8,640 utilised in the payment of SGST to Madhya Pradesh (Importing State).

Statement of revenue earned by Central and State Governments (amount in ₹):

Transaction	Revenue to Central Government	Revenue to Government of Rajasthan	Revenue to Government of Madhya Pradesh
Supply of goods by Mr. X to Mr. A	9,000	9,000	
Supply of goods by Mr. A to Mr. B	3,600		
Transfer by Rajasthan State to Centre	9,000	-9,000	
Supply of goods by Mr. B to Mr. C	Nil	-	4,320
Transfer by Centre to Madhya Pradesh State	-8,640		8,640
Total	12,960	Nil	12,960

GOODS AND SERVICES TAX PORTAL

8. What is GSTN and its role in the GST regime?

Ans: GSTN stands for Goods and Services Tax Network (GSTN). A Special Purpose Vehicle [a company incorporated under the provisions of Section 8 of the Companies Act, 2013] called the GSTN has been set up to cater to the needs of GST. The GSTN provides a shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders for implementation of GST.

Resultantly, Common GST Electronic Portal - www.gst.gov.in - a website managed by GSTN has been set up by the Government to establish a uniform interface for the tax payer and a common and shared IT infrastructure between the Centre and States.

The GST portal is accessible over Internet (by taxpayers and their CAs/Tax Advocates etc.) and Intranet by Tax Officials etc. The portal is one single common portal for all GST related services.

A common GST system provides linkage to all State/ UT Commercial Tax Departments, Central Tax authorities, Taxpayers, Banks and other stakeholders. The eco-system consists of all stakeholders starting from taxpayer to tax professional to tax officials to GST portal to Banks to accounting authorities.

Primarily, GSTN provides three front end services to the taxpayers namely registration, payment and return through GST Common Portal.

Functions of GSTN : The functions of the GSTN include—

- (i) facilitating registration;
- (ii) forwarding the returns to Central and State authorities;
- (iii) computation and settlement of IGST;
- (iv) matching of tax payment details with banking network;
- (v) providing various MIS reports to the Central and the State Governments based on the tax payer return information;
- (vi) providing analysis of tax payers' profile; and
- (vii) running the matching engine for matching, reversal and reclaim of input tax credit.

However, it is important to note that the Common GST Electronic Portal for furnishing electronic way bill is www.ewaybillgst.gov.in [managed by the National Informatics Centre, Ministry of Electronics & Information Technology, Government of India]. E-way bill is an electronic document generated on the GST portal evidencing movement of goods.

Further, Invoice Registration Portal (IRP) is the website for uploading/reporting of e-invoices by the notified persons. It is managed by the National Informatics Centre, Ministry of Electronics & Information Technology, Government of India.

9. Write a note on GSP's and ASP's.

Ans: GSP stands for GST Suvidha Provider. A GSP is considered as an enabler for the taxpayer to comply with the provisions of the GST law through its web platform. GSPs develop applications to be used by taxpayers for interacting with the GSTN.

They facilitate the tax payers in uploading invoices as well as filing of returns and act as a single stop shop for GST related services.

They customize products that address the needs of different segment of users. GSPs may take the help of Application Service Providers (ASPs) who act as a link between taxpayers and GSPs.

10. Which of the existing taxes are subsumed under GST? OR

List any six state levies, which are subsumed in GST. (3 Marks, May 2018-NS)

List any four Central levies, which are subsumed in GST. (2 Marks, Nov. 2018-NS)

Ans: Taxes subsumed in GST : The following duties/taxes are discontinued and subsumed into GST –

Central Taxes	State Taxes
<ul style="list-style-type: none"> ➤ Central Excise duty ➤ Duties of Excise (Medicinal and Toilet Preparations) ➤ Additional Duties of Excise (Goods of Special Importance) ➤ Additional Duties of Excise (Textiles and Textile Products) ➤ Additional Duties of Customs (commonly known as CVD) ➤ Special Additional Duty of Customs (SAD) ➤ Service Tax ➤ Central Sales Tax ➤ Central Surcharges and Cesses so far as they relate to supply of goods and services. 	<ul style="list-style-type: none"> ➤ State VAT ➤ Luxury Tax ➤ Entry Tax (all forms) ➤ Entertainment and Amusement Tax (except when levied by the local bodies) ➤ Taxes on advertisements ➤ Purchase Tax ➤ Taxes on lotteries, betting and gambling ➤ State Surcharges and Cesses so far as they relate to supply of goods and services.

The GST Council shall make recommendations to the Union and States on the taxes, cesses and surcharges levied by the Centre, the States and the local bodies which may be subsumed in the GST.

11. What are the benefits which the Country will accrue from GST?

Ans: GST is a win-win situation for the entire country. It brings benefits to all the stakeholders of industry, Government and the consumer. It will lower the cost of goods and services, give a boost to the economy and make the products and services globally competitive.

The significant benefits of GST are discussed hereunder :

(A) Benefits to economy :

- (1) **Creation of common 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.
- (2) **Boost to 'Make in India' initiative:** GST gives 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 create India as a – Manufacturing hub.
- (3) **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) reduces the cost of locally manufactured goods and services and increases the competitiveness of Indian goods and services in the international market and thus, gives boost to investments and Indian exports. With a boost in exports and manufacturing activity, more employment is generated and GDP is increased.

(B) Simplified tax structure :

- (1) **Ease of doing business:** Simpler tax regime with fewer exemptions along with reduction in multiplicity of taxes under GST has led to simplification and uniformity. The uniformity in laws, procedures and tax rates across the country makes doing business easier.
- (2) **Certainty in tax administration:** Common system of classification of goods and services ensures certainty in tax administration across India.

(C) Easy tax compliance :

- (1) **Automated procedures with greater use of IT :** There are simplified and automated procedures for various processes such as registration, returns, refunds, tax payments. All interaction is through the common GSTN portal, therefore, less public interface between the taxpayer and the tax administration.

(2) **Reduction in compliance costs** : The compliance cost is lesser under GST as multiple record-keeping for a variety of taxes is not needed, therefore, there is lesser investment of resources and manpower in maintaining records. The uniformity in laws, procedures and tax rates across the country goes a long way in reducing the compliance cost.

(D) Advantages for trade and industry :

- (1) **Benefits to agriculture and Industry** : GST has given more relief to industry, trade and agriculture through a more comprehensive and wider coverage of input tax set-off and service tax set-off, subsuming of several Central and State taxes in the GST and phasing out of CST. The transparent and complete chain of set-offs which results in widening of tax base and better tax compliance also leads to lowering of tax burden on an average dealer in industry, trade and agriculture.
- (2) **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 helps in mitigating the ill effects of cascading, improving competitiveness and improving liquidity of the businesses.
- (3) **Benefits to small traders and entrepreneurs** : GST has increased the threshold for GST registration for small businesses. Further, single registration is needed in one State. Small businesses have also been provided the additional benefit of composition scheme. With the creation of a seamless national market across the country, small enterprises have an opportunity to expand their national footprint with minimal investment.

CONSTITUTIONAL PROVISIONS

12. Give a brief note on Constitutional provisions as regards taxation in India ?

Ans: Constitutional Provisions : Power to levy and collect taxes emerges from the Constitution of India. Article 245 of the Constitution confers the power on the Parliament and on the legislature of the State for enacting the laws. In case any tax law, be it an act, rule, notification or order is not in conformity with the Constitution, it is called ultra vires the Constitution and is illegal and void.

The significant provisions relating to constitution are as under :

- (1) **Taxes not to be imposed save by authority of law [Article 265]** : This Article of the Constitution of India prohibits arbitrary collection of tax. It states that "no tax shall be levied or collected except by authority of law". The term "authority of law" means that tax proposed to be levied must be within the legislative competence of the Legislature imposing the tax.
- (2) **Extent of laws made by Parliament and by the Legislatures of States [Article 245]** : Part XI of the Constitution deals with relationship between the Union and States. The power for enacting the laws is conferred on the Parliament and on the Legislature of a State by Article 245 of the Constitution. The said Article provides as under -
 - (i) Subject to the provisions of this Constitution, Parliament may make laws for the whole or any part of the territory of India, and the Legislature of a State may make laws for the whole or any part of the State.
 - (ii) No law made by the Parliament shall be deemed to be invalid on the ground that it would have extra-territorial operation.
- (3) **Subject matter of laws made by Parliament and by the Legislatures of States [Article 246]** : It gives the respective authority to Union and State Governments for levying tax. Whereas Parliament may make laws for the whole of India or any part of the territory of India, the State Legislature may make laws for whole or part of the State.
- (4) **Seventh Schedule to Article 246** : It contains three lists which enumerate the matters under which the Union and the State Governments have the authority to make laws. The three lists are as follows -
 - (i) **List I (Union List)** : The Central Government has exclusive powers to make laws in respect of matters listed here.
 - (ii) **List II (State List)** : The State Government has the powers to make laws in respect of matters listed here.
 - (iii) **List III (Concurrent List)** : The authority to make laws in respect of matters listed in the said list is given to both the Central and State Governments.

Entries 82 to 92C of List I enumerate the subjects where the Central Government has power to levy taxes. Entries 45 to 63 of List II enumerate the subjects where the State Governments have the power to levy taxes. Parliament has a further power to make any law for any part of India not comprised in a State even if such matter is included in the State List.

13. Why was the Constitution of India amended recently in the context of GST?

Ans: Constitutional Amendment : The Constitutional provisions hitherto had delineated separate powers for the Centre and the States to impose various taxes. Whereas the Centre levied excise duty on all goods produced or manufactured in India, the States levied Value Added Tax once the goods entered the stream of trade upon completion of manufacture.

With respect to goods imported from outside the country into India, Centre levied basic customs duty and additional duties of customs together with applicable cesses, if any.

In case of inter-State sales, the Centre has the power to levy a tax (the Central Sales Tax) but, the tax is collected and retained entirely by the States. As for services, it is the Centre alone that was 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) Act, 2016** for this purpose. **Article 246A** of the Constitution empowers the Centre and the States to levy and collect the GST.

14. Explain the significant amendments which were made by Constitution (101st Amendment) Act, 2016.

Ans: The Constitution (101st Amendment) Act, 2016 ('Amendment Act') received presidential assent on 8th September 2016. This Act paves the way for introduction of Goods and Services Tax (GST) by making special provisions with respect to goods and services tax. The Amendment Act contains a total of 20 sections. Out of the same, one section, *i.e.*, Section 12 pertaining to GST Council came into effect from 12th September, 2016.

The remaining 19 sections came into effect from 16th September, 2016. The Constitution was amended to introduce the GST for conferring concurrent taxing powers on the Centre as well as the States (includes Union Territory with Legislature) to make laws for levying goods and services tax on every transaction of supply of goods or services or both.

The significant amendments made by the Constitution (101st Amendment) Act, 2016 are as follows :

- Parliament and State Legislatures have been given concurrent powers to make laws governing taxes on goods and services.
- Integrated goods and services tax is to be levied on Inter-State transactions of goods and services. The same is collected by the Central Government and apportioned between the Union and the States in the manner provided by Parliament by Law as per the recommendation of the GST Council.
- Principles for determining the place of supply and when a supply takes place in the course of inter-State trade or commerce shall be formulated by the Parliament, by law.
- GST will be levied on all supply of goods and services **except alcoholic liquor for human consumption.**
- GST shall not be levied on the following products, till a date to be notified on the recommendations of the GST Council :
 - (a) Petroleum Crude
 - (b) High Speed Diesel
 - (c) Motor Spirit (commonly known as Petrol)
 - (d) Natural Gas
 - (e) Aviation Turbine Fuel
- The Union Government shall retain the power to levy duties of excise on the aforesaid products besides tobacco and tobacco products manufactured or produced in India.
- 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.

ANALYSIS OF THE CONSTITUTION 101st AMENDMENT ACT, 2016 :

Sec.	Particulars	Analysis
1	Short title and commencement	<p>(1) This Act may be called the Constitution (One Hundred and First Amendment) Act, 2016.</p> <p>(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the commencement of that provision.</p>
2	<p>Article 246A: Special provision with respect to goods and services tax.</p> <p>(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.</p> <p>(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.</p> <p>Explanation : The provisions of this article, shall, in respect of goods and services tax referred to in Article 279A(5), take effect from the date recommended by the Goods and Services Tax Council.</p>	<p>➤ Concurrent Power : This article grants power to Centre and State Governments to make laws with respect to GST imposed by Centre or such State.</p> <p>➤ Inter state transactions - Exclusive power with Centre: Centre has the exclusive power to make laws with respect to GST in case of inter-State supply of goods and/or services.</p> <p>➤ Petroleum products - Outside purview of GST till Notified Date : However, in respect to the following goods, the aforesaid provisions shall apply from the date recommended by the GST Council :</p> <p>(a) Petroleum Crude (b) High Speed Diesel (c) Motor Spirit (commonly known as Petrol) (d) Natural Gas (e) Aviation Turbine Fuel</p> <p>➤ Overriding Effect : The provisions of Article 246A are notwithstanding anything contained in Articles 246 and 254. Article 254 deals with the supremacy of the laws made by Parliament.</p>
3	Article 248: Residuary powers of legislation.	<p>Article 248 grants the residuary powers to Parliament to make laws with respect to any matter not enumerated in the Concurrent List or State List. Such power shall include the power of making any law imposing a tax not mentioned in either of those Lists.</p> <p>Now the amendment prefixes the words "Subject to article 246A" to the existing article thereby making it clear that the Parliament alone does not have the power to frame laws in respect to GST.</p>
4	Article 249: Power of Parliament to legislate with respect to a matter in the State List in the national interest.	<p>Article 249 grants the Parliament the power to make laws with respect to a matter in the State list in national interest in a case where the Council of States has declared by resolution supported by not less than two-thirds of the members present and voting on any matter enumerated in the State List.</p> <p>Articles 249 have been amended to grant power to Parliament to make laws with respect to the Goods and Services Tax provided under Article 246A.</p>
5	Article 250: Power of Parliament to legislate with respect to any matter in the State List if a Proclamation of Emergency is in operation.	<p>Article 250 provides for Parliament's absolute power to make laws for the whole or any part of the territory of India with respect to a matter enumerated in the State List during proclamation of emergency. The amendment has inserted the</p>

		words goods and services tax in the existing article so that Parliament can also make laws with respect to GST during the emergency.
6	Article 268: Duties levied by the Union but collected and appropriated by the State.	<p>Article 268 pertains to the duties levied by the Centre but collected and appropriated by the States. It stipulates that such stamp duties and such duties of excise on medicinal and toilet preparations as are mentioned in the Union List shall be levied by the Government of India but shall be collected in the case where such duties are leviable within any Union territory, by the Government of India, and in other cases, by the States within which such duties are respectively leviable.</p> <p>The Constitution Amendment Act omits "and such duties of excise on medicinal and toilet preparations" from Article 268.</p> <p>Duties of excise on medicinal and toilet preparations have been subsumed into the goods and services tax to be levied by the Centre and States</p>
7	Omission of Article 268A: Service tax levied by Union and collected by the Union and the States.	Article 268A dealing with service tax levy has been omitted as a result of which this shall subsume into GST.
8	Article 269: Taxes levied and collected by the Union but assigned to the States.	Article 269 earlier provided power to the Central Government to levy taxes on sale or purchase of goods and taxes on consignment of goods with respect to Inter-State trade or commerce. Now, the amendment restricts the applicability of the article only on those taxes which are not mentioned in new article 269A.
9	Article 269A: Levy and collection of goods and services tax in course of inter-State trade or commerce.	<ul style="list-style-type: none"> ➤ Levy of Interstate GST : Article 269A stipulates that GST 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 GST Council. ➤ Imports subject to Integrated Tax : Further, import of goods or services or both into India will also be deemed to be supply of goods and/or services in the course of Inter- State trade or Commerce. This will give power to Central Government to levy IGST on the import transactions which were earlier subject to Countervailing duties under the Customs Tariff Act, 1975. ➤ Cross utilization of IGST and SGST - not to form part of 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. This is to facilitate transfer of funds between the Centre and the States. ➤ Supply whether Inter state supply - Principles to be formulated by Parliament : Parliament is empowered to formulate the principles regarding place of supply and when supply of goods, or of services, or both occurs in inter-State trade or commerce.
10	Article 270: Taxes levied and distributed between the Union and the States.	Article 270 is amended to provide for distribution of the goods and services tax between the Centre and the States, by order of the President after considering recommendations of the Finance Commission.

		This applies for those tax amounts apportioned or payable to the Central Government for taxes levied by it under articles 246A(1) and (2) and Clause (1) of 269A.
11	Article 271: Surcharge on certain duties and taxes for purposes of the Union.	Article 271 empowers Parliament to increase any of the duties, or taxes referred to in articles 269 or 270. It further provides that such surcharge is not shareable and remains with the Centre. Now this article is amended to exclude GST from its purview.
12	Article 279A: GST Council	Discussed in Question below.
13	Article 286: Restrictions as to imposition of tax on the sale or purchase of goods.	<p>Article 286 which restrains the States from framing laws for imposition of any tax on the sale or purchase of goods where such sale or purchase takes place outside the State or in course of the import of the goods into, or export of the goods out of, the territory of India.</p> <p>This article has been amended to incorporate the changes arising out of GST by substituting the words "sale or purchase" with "supply" and words "goods" with "goods or services or both". Consequently, States have no right to impose GST on inter-State supply of goods or services or both. It will be levied by Union Government under Article 269A as mentioned earlier.</p> <p>Further, clause (3) of Article 286 which stipulates that any law of a State shall, in so far as it imposes, or authorises the imposition, of a tax on the sale or purchase of goods declared by Parliament by law to be of special importance in inter-State trade or commerce, be subjected to such restrictions and conditions in regard to the system of levy, rates and other incidents of the tax, as Parliament may, by law, specify, has been omitted.</p>
14	Article 366: Definitions. Article 366 sets out definitions. Following new clauses have been inserted – (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; (26A) "Services" means anything other than goods; (26B) "State" with reference to Articles 246A, 268, 269, 269A and Article 279A includes a Union territory with Legislature;	<p>New Definitions have been introduced.</p> <p>From the definition of Goods and services Tax as per Article 366(12A), it is clear the alcoholic liquor for human consumption would always remain outside the scope of GST.</p> <p>Besides this Article 366(29A) defining deemed sale has not been omitted.</p> <p>Definition of "goods": The term goods has already been defined under Article 366(12) in an inclusive manner to provide that "goods includes all materials, commodities, and articles".</p>
15	Article 368: Power of Parliament to amend the Constitution and procedure therefor.	Article 368 has been amended to include Article 279A also within its purview. Consequently, at least 2/3 rd of the majority in each House of the Parliament and ratification by at least half of the States is specifically required to make any amendment in Article 279A relating to GST Council.
<p>It must be noted that even after the introduction of GST :</p> <p>(i) Central excise duty continues to be levied on manufacture/production of tobacco, petroleum crude, diesel, petrol, ATF and natural gas.</p> <p>(ii) State excise duty is leviable on manufacture/production of alcoholic liquor, opium, Indian hemp and narcotics, and</p> <p>(iii) VAT is leviable on intra-State sale of petroleum crude, diesel, petrol, ATF, natural gas and alcoholic liquor.</p>		

Petroleum crude, diesel, petrol, ATF, natural gas are presently not taxable under GST and alcoholic liquor is outside the ambit of GST.

GOODS AND SERVICES TAX COUNCIL

15. What is Goods and Services Tax Council. What would be the role of GST Council?

Ans: Goods and Services Tax Council [Article 279A] :

1.	Constitution of GST Council	Article 279A of the Constitution empowers the President of India 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 12-09-2016. The President constituted the GST Council on 15-09-2016.
2.	Members of the GST Council	The GST 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 State Finance Minister's shall choose one amongst themselves as Vice-Chairperson of the Council for such period as they may decide.
4.	Role of GST Council	The GST Council shall make recommendations to the Union and the States on— (a) the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax; (b) the goods and services that may be subjected to, or exempted from the goods and services tax; (c) model Goods and Services Tax Laws, principles of levy, apportionment of GST 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 GST, as the Council may decide.
5.	Effective date of levy of GST on petroleum products	The GST Council shall recommend the date on which the goods and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.
6.	Guiding principles for GST Council	While discharging the functions conferred by this article, the Goods and Services Tax Council shall be guided by the need— (a) for a harmonised structure of goods and services tax, and (b) for the development of a harmonised national market for goods and services.
7.	Quorum	One-half of the total number of Members of the Goods and Services Tax Council shall constitute the quorum at its meetings.
8.	Procedure	The Goods and Services Tax Council shall determine the procedure in the performance of its functions.
9.	Decisions to be taken by GST Council	Every decision of the Goods and Services Tax Council shall be taken at a meeting, by a majority of not less than 3/4 th of the weighted votes of the members present and voting, in accordance with the following principles, namely:—

		(a) the vote of the Central Government shall have a weightage of 1/3 rd of the total votes cast, and (b) the votes of all the State Governments taken together shall have a weightage of 2/3 rd of the total votes cast, in that meeting.
10.	Vacancy etc. not to invalidate proceedings	No act or proceedings of the Goods and Services Tax Council shall be invalid merely by reason of – (a) any vacancy in, or any defect in, the constitution of the Council; or (b) any defect in the appointment of a person as a Member of the Council; or (c) any procedural irregularity of the Council not affecting the merits of the case.
11.	Settlement of disputes	The Goods and Services Tax Council shall establish a mechanism to adjudicate any dispute – (i) between the Government of India and one or more States; or (ii) between the Government of India and any State or States on one side and one or more other States on the other side; or (iii) between two or more States, arising out of the recommendations of the Council or implementation thereof.

16. Explain the body of GST Law.

Ans: The GST law comprises of the following –

1.	Acts	<ul style="list-style-type: none"> ➤ Central Goods and Services Tax Act, 2017. ➤ Integrated Goods and Services Tax Act, 2017. ➤ Union Territory Goods and Services Tax Act, 2017. ➤ Goods and Services Tax (Compensation to States) Act, 2017. ➤ State Goods and Services Tax Acts, 2017 [for 28 states and 3 Union Territories deemed to be States]. 	
2.	Rules	<ul style="list-style-type: none"> ➤ Central Goods and Services Tax Rules, 2017. ➤ Integrated Goods and Services Tax Rules, 2017. ➤ Union Territory Goods and Services Tax Rules, 2017. ➤ State Goods and Services Tax Rules, 2017 [for 28 states and 3 Union Territories deemed to be States]. ➤ Goods and Services Tax (Compensation to States) Rules, 2017. ➤ GST Settlement of Funds Rules, 2017. 	
3.	Notifications	CGST	<ul style="list-style-type: none"> ❖ Central Tax Notifications [CT] [Non-tariff] ❖ Central Tax (Rate) Notifications [CT (Rate)] [Tariff]
		IGST	<ul style="list-style-type: none"> ❖ Integrated Tax Notifications [IT] [Non-tariff] ❖ Integrated Tax (Rate) Notifications [IT (Rate)] [Tariff]
		UTGST	<ul style="list-style-type: none"> ❖ Union Territory Tax Notifications [UTT] [Non-tariff] ❖ Union Territory Tax (Rate) Notifications [UTT (Rate)] [Tariff]
		GST Cess	<ul style="list-style-type: none"> ❖ Compensation Cess Notifications [GST Compensation Cess] [Non-tariff] ❖ Compensation Cess (Rate) Notifications [GST Compensation Cess (Rate)] [Tariff]
4.	Circulars	<ul style="list-style-type: none"> ➤ CGST ➤ IGST ➤ UTGST ➤ SGST ➤ GST Compensation Cess 	



Decisions to be taken by GST Council

Decisions to be taken by GST Council shall be taken in a meeting by a majority of the members of the Council, and a majority of the members of the Council shall be present and voting in a meeting with the following composition:

SUPPLY UNDER GST

Topic Referencer

- Definitions
- Scope of Supply
- Supply with Consideration in Course/ Furtherance of Business
- Import of services with Consideration whether or not in Course/ Furtherance of Business
- Supply without Consideration
- Activities or Transactions treated as Supply of Goods or Supply of Services
- Activities Neither Supply of Goods Nor Supply of Services
- Taxability of Composite Supply and Mixed Supply

DEFINITIONS

1. With reference to CGST Act, 2017 define the following :

- | | | | |
|---------------------------------|-----------------------|--------------------|------------------------------|
| ◆ Goods | ◆ Person | ◆ Taxable supply | ◆ Taxable territory |
| ◆ Non-taxable territory | ◆ India | ◆ Manufacture | ◆ Supplier |
| ◆ Recipient (5 Marks, May 2018) | ◆ Money | ◆ Actionable claim | ◆ Specified actionable claim |
| ◆ Online gaming | ◆ Online money gaming | ◆ Services | |

Ans: The relevant definitions are discussed as under –

Term	Definition
Goods	<p>Means every kind of movable property –</p> <ul style="list-style-type: none"> ➤ other than – <ul style="list-style-type: none"> – money, and – securities ➤ but includes – <ul style="list-style-type: none"> – actionable claim, – growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply. [Section 2(52)]
Person	<p>Includes –</p> <ul style="list-style-type: none"> (a) an individual; (b) a Hindu undivided family; (c) a company; (d) a firm; (e) a Limited Liability Partnership; (f) an association of persons or a body of individuals, whether incorporated or not, in India or outside India; (g) any corporation established by or under any Central, State or Provincial Act or a Government company as defined in Section 2(45) of the Companies Act, 2013; (h) any body corporate incorporated by or under the laws of a country outside India; (i) a co-operative society registered under any law relating to cooperative societies; (j) a local authority;

	<p>(k) Central or State Government</p> <p>(l) society as defined under the Societies Registration Act, 1860;</p> <p>(m) trust; and</p> <p>(n) every artificial juridical person, not falling within any of the above. [Section 2(84)]</p>
Taxable supply	Means a supply of goods or services or both which is leviable to tax under this Act. [Section 2(108)]
Taxable territory	Means the territory to which the provisions of this Act apply. [Section 2(109)] CGST Act, 2017 extends to the whole of India including the State of Jammu and Kashmir.
Non-taxable territory	Means the territory which is outside the taxable territory. [Section 2(79)]
India	<p>Means –</p> <ul style="list-style-type: none"> ➤ the territory of India as referred to in Article 1 of the Constitution, ➤ its territorial waters, ➤ seabed and sub-soil underlying such waters, ➤ continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976, and ➤ the air space above its territory and territorial waters. [Section 2(56)]
Manufacture	Means processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character and use and the term “manufacturer” shall be construed accordingly. [Section 2(72)]
Supplier	<p>In relation to any goods or services or both, shall mean –</p> <ul style="list-style-type: none"> ➤ the person supplying the said goods or services or both and shall include ➤ an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied. <p>However, a person who organises or arranges, directly or indirectly, supply of specified actionable claims, including a person who owns, operates or manages digital or electronic platform for such supply, shall be deemed to be a supplier of such actionable claims, whether such actionable claims are supplied by him or through him and whether consideration in money or money's worth, including virtual digital assets, for supply of such actionable claims is paid or conveyed to him or through him or placed at his disposal in any manner, and all the provisions of this Act shall apply to such supplier of specified actionable claims, as if he is the supplier liable to pay the tax in relation to the supply of such actionable claims. [Section 2(105)] [Inserted vide the CGST (Amendment) Act, 2023 w.e.f. 01.10.2023]</p>
Recipient	<p>Of supply of goods or services or both, means –</p> <ul style="list-style-type: none"> (a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration; (b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and (c) where no consideration is payable for the supply of a service, the person to whom the service is rendered, <p>and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied. [Section 2(93)]</p>
Money	Means the Indian legal tender or any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveller cheque, money order, postal or electronic remittance or any other instrument recognised by the Reserve Bank of India when used as a consideration to settle an obligation or exchange with Indian legal tender of another denomination but shall not include any currency that is held for its numismatic value. [Section 2(75)]