

Features:

- Relevant for **May24/ Nov 24**
- As per Latest ICAI SM
- All amendments upto **31/10/2023 covered**

CA INTER INDIRECT TAXES



2.0

Handwritten Book

Book By
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GST in India - An Introduction

* What is Tax ?

- A Pecuniary burden laid upon individuals or property owners to support the Govt., a payment exacted by legislative authority.
- It is not a voluntary payment or donation, but an enforced contribution.

TAX

DIRECT TAX

- * The person paying the tax to the Government directly bears the incidence of the tax.
- * Progressive in nature - high rate of taxes for people having higher ability to pay.



Burden of tax borne
by the person
himself

INDIRECT TAX

- * The person paying the tax to the Government collects the same from the ultimate consumer. Thus, incidence of the tax is shifted to the other person.
- * Regressive in nature - All the consumers equally bear the burden, irrespective of their ability to pay.



Burden of tax shifted
to another person.

Major direct and indirect taxes

Indirect taxes

Goods and Services Tax

Customs Duty

Direct taxes

Income tax

* Genesis of GST in India

GST was launched on "1/7/2017"

- France was the first country to implement GST
- Presently > 160 countries have adopted GST
- **Genesis of GST In India:**

2000:- The then P.M mooted the concept of GST and set up a committee

2006-07:- Union Finance Minister P. Chidambaram announced in budget that GST be introduced from 1 April 2010

December 2014: The **Constitution (122nd Amendment) Bill** was Introduced in Lok Sabha

6th May 2015:- Lok Sabha Passed the Bill

3rd Aug 2016:- Rajya Sabha Passed the Bill

8th Sept 2016:- President Assent

The **Constitution (101st Amendment) Act** was enacted

Sept. 2016:- 1st GST council meeting

April 2017: - GST Council recommends C/S/I/U/cess bill

April 2017:- CGST/SGST/UTGST/ comp. Cess Act passed

May 2017: - GST Council recommends all the rules

30th June 2017:- All states except J & K passed their SGST Act

8th July 2017:- SGST Act passed by J&K; CGST and IGST ordinances promulgated to extend GST to J & K.

Presently. GST Applicable to **whole of India**

What is GST??



Goods and Services Tax



* Concept of GST:

1. Value added Tax
2. Continuous chain of tax credits
3. Burden borne by final consumer
4. No cascading of taxes

* Need for GST in India:

GST - cure for ills in erstwhile value added taxation.

Deficiencies included:

1. Cascading effect of Tax i.e. Tax on tax
Eg: VAT charged on Excise
2. Distinction between goods and services blurred. ∴ certain transactions subject to double taxation.
Eg: Software, Restaurant
3. CENVAT (central levy) and VAT (state levy) were essentially value added tax but set off against each other was not possible
4. Multiple taxes were to be paid as VAT, service tax, luxury tax, entertainment tax, etc. were not integrated.



* Under earlier tax regime, if goods were manufactured for ₹ 1000/- and excise duty was payable @ 12.5% and VAT was payable @ 14.30%, the billing was being done as under:

| | |
|--|------------|
| Assessable value of goods under excise law | ₹ 1000 |
| Excise duty @ 12.5% | ₹ 125 |
| Taxable value for VAT | ₹ 1,125 |
| VAT @ 14.30% | ₹ 160.88 |
| Total invoice value | ₹ 1,285.88 |

* Chain of credit under GST:

| Manufacturer (₹) | Distributor (₹) | Retailer (₹) | Consumer (₹) |
|---|--|---|---|
| Cost: 1,00,000 GST @ 18% = 18,000 | Cost: 1,00,000 Profit: 11,200 Sale Price: 1,11,200 GST @ 18% 20,016 | Cost: 1,11,200 Profit: 24,640 Sale Price: 1,35,840 GST @ 18% 24,451.20 | Cost: 1,60,291.2 (1,35,840+24,451.20) |
| Input Tax Credit = NIL | Input Tax Credit = 18,000 | Input Tax Credit = 20,016 | Input Tax Credit = NIL |
| Paid to Government GST = 18,000 | Paid to Government GST = 2,016 (Output tax – Input tax) | Paid to Government GST = 4,435.20 (Output tax – Input tax) | Tax Borne by the Consumer 18,000+2,016+4,435.20 = 24,451.20 |
| Value Addition = 1,00,000 GST @ 18% = 18,000 | Value Addition = 11,200 GST @ 18% = 2,016 | Value Addition = 24,640 GST @ 18% = 4,435.20 | Value Addition = NIL |

* GST is a destination based tax on consumption of G/S/B. Tax revenue would accrue to the place of consumption state/UT.

* Framework of GST in India : Dual GST

Due to country's federal structure, dual GST model is adopted. i.e. Centre + State/UT Concurrently impose taxes.

Benefits of GST

| Benefits to Economy | Simplified Tax Structure | Easy Tax Compliance | Advantages for Trade and Industry |
|--|--|--|---|
| <p>↓</p> <ol style="list-style-type: none">1. Creation of unified national Market2. Boost to "Make in India" initiative3. Boost to investments, exports and employment | <ol style="list-style-type: none">1. Ease of doing business2. Certainty in Tax Administration | <p>↓</p> <ol style="list-style-type: none">1. Automated procedure with greater use of IT.2. Reduction in compliance costs | <ol style="list-style-type: none">1. Benefits to industry2. Mitigation of ill effects of cascading |

* States and UTs for GST Purpose

28 States ⊕

3 UTs with legislature

- Delhi

- J&K

- Puducherry



CGST + SGST

5 UTs without

legislature (ALL CD)

A - Andaman & Nicobar

L - Lakshadweep

L - Ladakh

C - Chandigarh

D - Dadra & Nagar Haveli and Daman & Diu

Other - Other Territory (eg: EEZ)



CGST + UTGST

* 11 Special Category States in GST:

(No ASTHMA in Uttarakhand and J&K)

N - Nagaland

A - Assam

S - Sikkim

T - Tripura

H - Himachal Pradesh

M - Manipur, Mizoram, Meghalaya

A - Arunachal Pradesh

U - Uttarakhand

J - Jammu & Kashmir

* Classification under GST:

Harmonised System of
Nomenclature (HSN)
For Goods

Scheme of Classification
of Services
For Services

* Taxes Subsumed in GST:

Central Taxes

- Excise
- Service Tax
- CVD & Special CVD
- CST
- Surcharges and cesses
relating to supply of
Goods and Services

State Taxes

- Luxury Tax
- Tax on lottery, betting
and gambling
- Purchase Taxes
- VAT/Sales Tax
- Tax on advertisement
- Entertainment Tax (except
by local bodies)
- Surcharges and cesses
relating to supply of
Goods and Services

* Taxes not subsumed in GST:

Alcoholic liquor for human consumption



Outside GST (Power to tax remains with States)

State excise + VAT (intra) / CST (inter)

HM NAP

- High Speed Diesel
- Motor Spirit
- Natural Gas
- Aviation Turbine Fuel
- Petroleum Crude

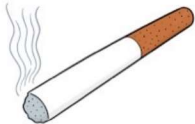
GST Council to decide the date from which GST will be applicable

Central excise + VAT (intra) / CST (inter)

• Entertainment Tax (By local bodies)

Power still remains with local bodies

• Tobacco



Central excise Duty + GST

• Opium, Indian Hemp, Other narcotics



State excise Duty + GST

• Real Estate Sector



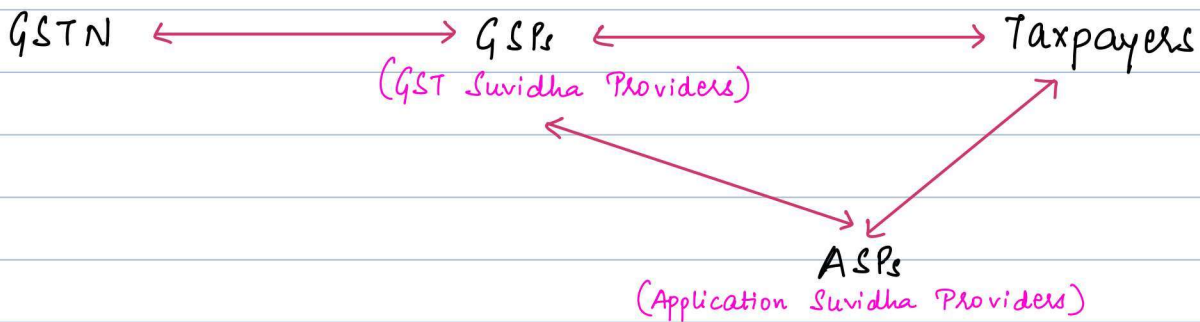
(Sale / Purchase of immovable property)

Out of GST (Stamp Duty, Property Tax)

* GST Common Portal:

- www.gst.gov.in [Common portal for all services] → Website managed by GSTN (Goods and Services Network) [Sec 8 company]
- www.ewaybillgst.gov.in [portal for e-way bill generation] → Managed by:
 - National Informatics Centre
 - Ministry of Electronics and Information Technology
 - Government of India
- www.einvoice1.gst.gov.in (Invoice generation portal for e-invoices) → Managed by GSTN

* GSPs / ASPs :



GSP is an additional channel being made available for facilitating the tax-payers for performing some of the functions* and use of their services is optional. GSPs may take help of ASPs who act as a link between taxpayers and GSPs.

* Functions include :

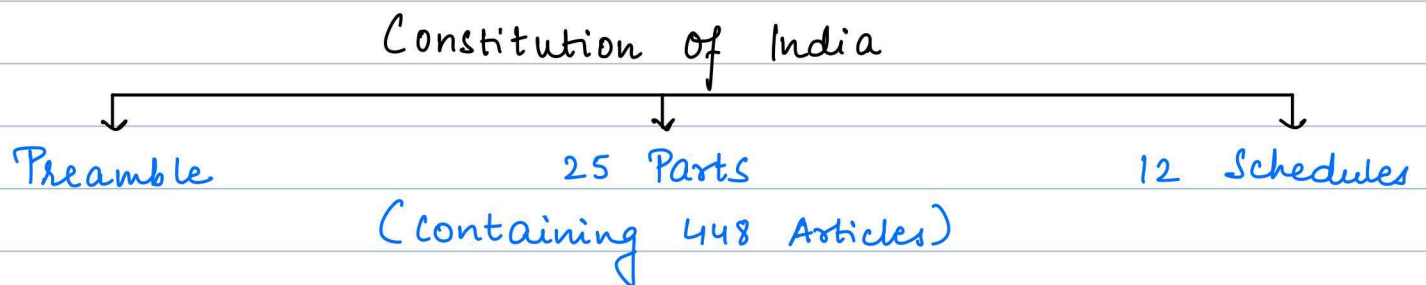
- Return filing
- Quick monitoring of GST Compliances
- Reconciliation of Purchase Register with auto populated data

* Compensation cess:

To provide for compensation to the states for the loss of revenue arising on account of GST implementation.

Imposed on specific luxury items or demerit goods
Eg: Tobacco, pan masala, motor cars, aerated waters, etc.
(Provided for a period of 5 years from date on which state brings SGST Act into force)

* Constitutional Provisions:



Article 265: Article 265 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.

Article 246: - Respective authority to Union and state Government for levying tax.

Seventh Schedule to Article 246:-

| ↓ Union List List I | ↓ State List List II | ↓ Concurrent list List III |
|--|--|---|
| <ul style="list-style-type: none">Income TaxCustom DutyExcise DutyCSTAny otherNot in II/III | <ul style="list-style-type: none">Taxes on agricultural incomeExcise on alcohol opium & narcoticsVATLuxury entertainment, betting, gambling | <ul style="list-style-type: none">Criminal LawStamp Duties |

Need for
Constitutional
Amendment?

To enable integration of various taxes in GST and to empower both Centre and State to levy and collect it.

* **Article 246A**: Simultaneous power with Parliament and State legislature to make laws with respect to GST.
Exception: Parliament has exclusive powers with respect to interstate supplies

* **Article 269A**: Levy and collection of GST on Inter-State Supply

* Tax collected on inter-state supplies by Central Govt. shall be apportioned between union and States as provided by Parliament by law on recommendation of GST Council

• Import: deemed interstate

• Amount apportioned to states: Not form part of Consolidated Fund of India

* Parliament empowered to formulate principles regarding place of supply and when to be considered interstate.

* **Article 279A**: GST Council

President Constitutes the Council (33 members)
Chairperson: Union Finance Minister

2 Members
(Union)

31 Members

(Minister in charge of finance or taxation or any other minister nominated by each state)

- ↓
1. Chairperson
 2. Union minister of State in charge of Revenue or finance

↓
Choose vice-president among themselves

• For Quorum: Half (i.e. 17) members

• Decision: Majority not less than $\frac{3}{4}$ th of members present and voting

weights $\left\{ \begin{array}{l} \rightarrow \frac{1}{3}^{\text{rd}} \text{ Centre} \\ \rightarrow \frac{2}{3}^{\text{rd}} \text{ State} \end{array} \right\} \therefore \text{No Decision unless CG Assents}$

* Council shall make recommendation to Union/States on:

- Taxes/Cesses/Surcharge to be subsumed in GST.
 - Goods/Service to be subject to/exempted from GST.
 - Model laws, principles of levy, Apportionment of IGST
 - Threshold limits
 - Rates of GST
 - Special provisions with respect to SCSs.
 - Special Rates to raise additional resources during calamities/disaster.
 - Any other matter as Council may decide
- Council shall also recommend the date from which GST to be levied on HMNAP.

* No act or proceedings of the Council shall be invalid merely by reason of -

- (a) Any vacancy/defect in constitution of Council OR
- (b) Any defect in appointment of person as member of Council OR
- (c) Any procedural irregularity not affecting merits of case.

* GST Council shall establish mechanism to adjudicate any dispute between -

- (a) GOI & one/more states
 - (b) GOI + State/States & one/more states
 - (c) Two or more states
- } arising out of recommendations of Council or implementation thereof.

* **CBIC [Central Board of Indirect Taxes and Customs]:**
Administrative Body responsible for administration of GST law. Also administer the work related to levy and collection of excise on petroleum products, Tobacco and also Custom Duty.

CA INTER INDIRECT TAXES

Handwritten Book **2.0**

Book By
CA Riddhi Baghmar



Clear CA with
Riddhi Baghmar

- Cleared all levels of CA in first attempt
- Passed all 3 levels of CFA in first attempt
- 82 marks in CA Final IDT
- B.Com with Gold Medal & All Gujarat Rank 3
- Merit and All Gujarat Rank 4 in Hsc

Highlights of Book

- Your weapon to crack CA Inter Indirect Tax
- Colorful Handwritten Book linking all concept seamlessly
- Simple and Concise so that full course can be revised on last day before exams.
- Examples, charts, tables, pictures included for better interaction.
- Amendments till 31/10/2023 covered along with relevant explanations.

