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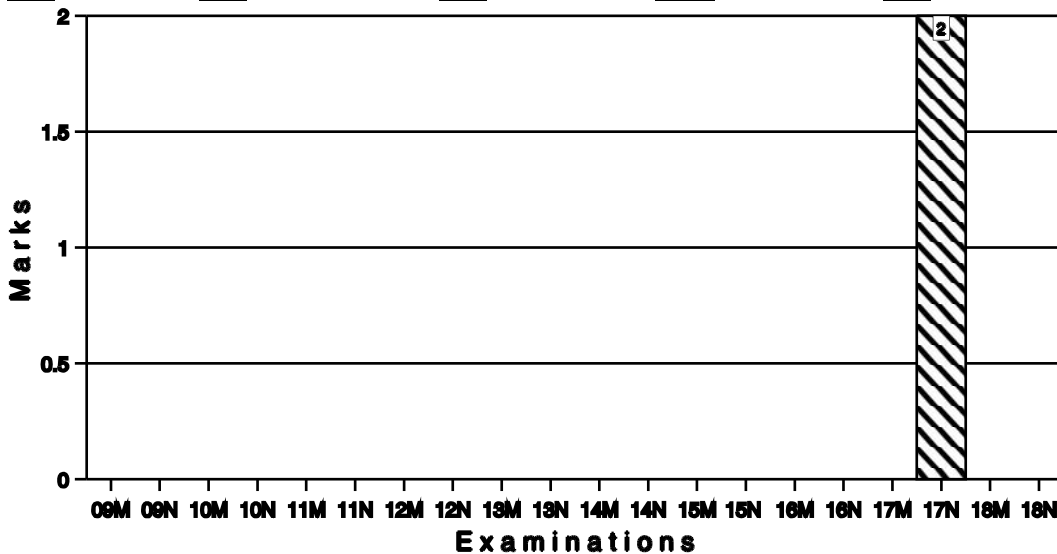
On the basis of Maximum marks from a chapter ☆  
 On the basis of Questions included every year from a chapter Nil  
 On the basis of Compulsory questions from a chapter Nil

<b>CHAPTER</b>	<b>GST in India - An Introduction</b>
<b>1</b>	
<b>THIS CHAPTER COMPRISES OF</b>	
☞ Genesis of GST in India    ☞ Concept of GST    ☞ Need for GST in India ☞ Framework of GST as introduced in India    ☞ Benefits of GST ☞ Constitutional provisions	

**Marks of Short Notes, Distinguish Between, Descriptive & Practical Questions**

**Legend**

 Objective   
  Short Notes   
  Distinguish   
  Descriptive   
  Practical



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**► DESCRIPTIVE QUESTION**

**2017 - Nov [1] {C}** (c) (i) Explain the concept of 'Dual GST'. (2 marks)

**Answer:**

Under dual GST model, GST is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services. Centre has the power to levy GST on inter-state supplies of goods and/or services.

— Space to write important points for revision —

**Topic not yet asked but equally important for examination**

**Q1.** Write short notes on basic concepts of GST.

**Answer:**

(I) **Concepts of GST:**

- (a) GST is value added tax levied on manufacture, sale and consumption of goods and services.
- (b) GST is a comprehensive tax, which is levied on supplies of the goods and services.

(II) **Salient features of GST**

- (i) The GST is applicable on the supply of goods or services or both as against the past concept of tax on the manufacture and sale of goods or provision of services. It is destination based consumption tax.
- (ii) There is a dual GST with the Centre and States simultaneously levying it on a common tax base. The GST is levied on intra-State supplies of goods and/ or services by the Centre is known as Central GST(CGST) and that levied by the States is known as the State GST(SGST)

- (iii) The GST is levied on Inter-State Supply of Goods and Services and on import of goods and services (in the place of CVD and SAD) is known as Integrated Goods and Services Tax (IGST), which is equal to CGST plus SGST. It is levied and collected by Centre under IGST Act, 2017. Accounts would be settled periodically between the Centre and the State to ensure that the SGST portion of IGST is transferred to the destination state where the goods or services are eventually consumed.
- (iv) The GST is applicable to all goods other than alcoholic liquor for human consumption and five petroleum products, viz. petroleum crude, motor spirit (petro), high speed diesel, natural gas and aviation turbine fuel. It applies to all services barring a few to be specified.
- (v) Tobacco and tobacco products is also subject to GST. In addition, the Centre would have the power to levy Central Excise duty on these product.

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**Q2.** What were the deficiencies of the past regime of indirect tax?

**Answer:**

Following were the weaknesses of past regime of indirect taxes:

- (a) Multiplicity of taxes;
- (b) Tax cascading;
- (c) Complexities in administration;
- (d) Multiple points of taxation;
- (e) Lack of uniformity in provisions and rates;
- (f) Complexity in determining nature of transaction- Goods Vs. Service;
- (g) Inability of states to levy service tax.

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**Q3.** What are the benefits of GST?

**Answer:**

The benefits of GST can be summarized under following headings:

(I) **For Business and Industry**

(a) **Easy compliance**

A robust and comprehensive IT system has been the foundation of the GST. Therefore, all tax payer services such as registrations, returns, payments, etc. are available to the taxpayers online. It has made the whole system of GST payment and return filing easy and transparent.

(b) **Uniformity of tax rates and structures**

GST ensures that indirect tax rates and structures are common across the country. It Increases certainty and ease of doing business. In other words, there are same rules and rates of tax across the country.

(c) **Removal of cascading effect:**

A system of seamless tax-credits throughout the value-chain, and across boundaries of States, has ensured that there is minimal cascading of taxes. This has reduced hidden costs of doing business.

(d) **Improved competitiveness**

Reduction in transaction costs of doing business, has improved competitiveness for the trade and industry.

(e) **Gain to manufacturers and exporters**

The GST has decreased the cost of locally manufactured goods because of the following reasons:

- Most of the central and state taxes vanishes;
- Central Sales Tax would not be charged;
- Complete and comprehensive set-off of the input goods and services.

Because of the reduced cost of Indian industry, it has been more competitive in global market. It will give boost to Indian Exports.

**(II) For Central and State Governments:****(a) Simple and easy to administer**

GST replaces multiple indirect taxes at the Central and State levels. Backed with a robust end-to-end IT system, GST is simpler and easier to administer than all other indirect taxes of the Centre and State.

**(b) Better control on revenue leakage**

GST results in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.

**(c) Higher revenue efficiency**

GST decreases the cost of tax collection. It has led to higher revenue efficiency.

**(III) For the consumer:****(a) Single and transparent tax proportionate to the value of goods and services:**

From the manufacturing of a product to the sale, there are many people involved. These are manufacturer, distributor, wholesaler and retailer. Every one of them charges for its role thus the cost of the product increases. How should each of them pay the tax. Should the tax levied on the total cost of product at every stage or should it be only on the increased cost? Definitely, It should be on the amount which was increased because of that intermediary. The present system does not consider this. It results in many hidden taxes. But the GST would be charged only on the value addition not on whole sale price. It would make products cheaper.

**(b) Relief in overall tax burden:**

Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities has come down, which has benefited the consumers.

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**Q4.** Which taxes at the Centre and State level has gone away (subsumed) because of the GST?

**Answer:**

- (I) **Vanishing of Central Taxes:** At the Central level, the following Central taxes has gone away:
1. Central Excise Duty,
  2. Additional Excise Duty,
  3. Service Tax,
  4. Additional Customs Duty commonly known as Countervailing Duty, and
  5. Special Additional Duty of Customs.
- (II) **Vanishing of State Taxes:** At the State level, the following taxes has been gone away:
1. State Value Added Tax/Sales Tax,
  2. Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States),
  3. Octroi and Entry tax,
  4. Purchase Tax,
  5. Luxury tax, and
  6. Taxes on lottery, betting and gambling.

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**Q5.** Which taxes are not subsumed under GST?

**Answer:**

Following taxes are not subsumed under GST:

- (a) Basic Custom Duty;
- (b) Tax on petroleum Products;
- (c) Electricity and power;
- (d) Real Estate(land and supply of building after completion)- Stamp Duty;
- (e) Alcohol for human consumption.

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**Q6.** Write short notes on Goods and Services Tax Council. What are the powers and functions of GST Council?

**Answer:**

(1) **Formation:**

According to the Article 279A, the President shall by order within 60 days from the date of commencement of the Constitution (101<sup>st</sup>) amendment Act, 2016, constitute a Council, to be called as Goods and Service Tax Council.

(2) **Composition:**

The GST Council shall consist of the following members :

- (a) The Union Finance Minister who will be the CHAIRMAN of the council;
- (b) The Union Minister of State in charge of Revenue or Finance who will be the MEMBER of council;
- (c) ONE MEMBER from each state who is Minister in charge of Finance or Taxation or any other Minister, and anyone of them will be VICE CHAIRMAN of the GST Council who will be mutually elected by them.

Notes
1. The Secretary of Revenue Department will work as EX-Officio Secretary to the GST Council.
2. The Chairperson of Central Board of Excise and Customs will be the permanent invitee in all the proceedings of the GST Council who will not have the voting rights.

(3) **Functions/ role of the GST Council:**

The GST council shall make recommendations to the Union and State on these following matters :-

- (a) On subsuming of various taxes, cess, and surcharge in GST.
- (b) Details of services and goods that will be subjected to GST or which will be exempted from GST.
- (c) On Threshold limit below which services and goods will be exempted from GST.
- (d) On GST rates including floor rate with bands of GST and any special rate for time being to arrange resources to face any natural calamity.

- (e) Making special provisions for the following states: Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttrakhand;
  - (f) Model good and services tax laws. Principles of levy, apportionment of goods and services tax levied on supplies in the course of inter-state trade or commerce under article 269A and the principles that govern the place of supply;
  - (g) Any other matter relating to the good and services tax, as the council may decided.
- (4) **Power to levy tax on Petroleum Products:**  
The good and services tax council shall recommend the date on which the good and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.
- (5) **Harmonised System:**  
While discharging the function conferred by this Article (i.e. article 269A), the GST Council shall be guided by the need for a harmonised structure of good and services tax and for the development of a harmonised national market for good and services
- (6) **Quorum and Decision-Making:**  
For a valid meeting of the members of GST Council, at least 50% of the total number of the member should be present at the meeting.
- (7) **Voting Rights:**  
Every Decision made during the meeting should be supported by at least 75% majority of the weighted votes of the members who are present and voting at the meeting, in accordance with the following principles, namely:
- (a) The vote of the Central Government shall have a weightage of 1/3rd of the total votes casted, and
  - (b) The votes of all the State Governments taken together shall have a weightage of 2/3rd of the total votes casted.



**(8) Vacancy etc. not to invalidate proceedings:**

Any act, decision or proceedings shall not be declared as invalid on the basis of any remaining deficiency at the time of establishment of GST Council i.e.

- (a) if there is any vacancy remained in the Council
- (b) if there is any defect in the constitution of Council
- (c) if there is any defect in the appointment of a person as a member of the Council
- (d) if there is any procedural non compliance.

**(9) Dispute Management:**

The GST Council shall establish a mechanism to adjudicate any dispute arising out of the recommendations of the Council or implementation thereof:

- (a) between the CG and one or more States; or
- (b) between the CG and any State or States on one side and one or more States on the other side; or
- (c) between two or more States.

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**Q7.** What has been the causes for recent amendment in constitution for introduction of GST?

**Answer:**

The Constitution provides demarcation of power to tax between the Centre and States. The Centre is empowered to tax services and goods upto the manufacture stage and states to tax sale of goods. The States do not have the power to levy a tax on supply of services while the Centre does not have power to levy tax on the sale of goods. The Constitution does not confer express power either to the Centre or State Government to levy a tax on the (supply of goods and services) also, the constitution also does not empower the states to impose tax on imports.

Therefore, it is the essential to have constitutional amendments for empowering the Centre to levy tax on sale of goods and States for levy of services tax and tax on imports and other consequential issues.

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**Q8.** What are the significant provisions of Constitution (101st Amendment) Act, 2016?

**Answer:**

- (I) **Concurrent powers:** Concurrent powers have been given to parliament and state legislatures to make laws governing taxes on goods and services.
- (II) **Levy and Collection of IGST:** Levy of integrated goods and services tax on inter-state transaction of goods and services to be levied and Collected by the central government and apportioned between the Union and the State in the manner provided by Parliament by law as per the recommendation of the GST Council.
- (III) **Power to formulate principles for determining the place of supply:** Principles for determining the place of supply Principles for determining the place of supply and when a supply takes place in the course of the inter-state trade of commerce shall be formulated by the parliament, by law.
- (IV) **Levy of GST:** GST shall be levied on all supply of goods and services excepted alcoholic liquor for human consumption.
- (V) **Levy of GST on certain goods:** On the following products GST shall not be levied, till a date to be notified on the recommendation of the GST Council:
  - (a) Petroleum crude
  - (b) High speed diesel
  - (c) Motor spirit (commonly known as petrol)
  - (d) Natural gas
  - (e) Aviation turbine fuelThe union government shall retain the power to levy duties of excise on the aforesaid products besides tobacco and tobacco products manufactured or product in India.
- (VI) **Formation of GST Council:** Article 279A of the constitution empowers the president to constitute a joint forum of the centre and states namely, goods and services tax council.

The provisions relating to GST Council came into force on 12<sup>th</sup> September, 2016 and president constituted the GST Council on 15<sup>th</sup> 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, exemption, threshold limiteds, dispute resolution etc.

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<b>Table Showing Marks of Compulsory Questions</b>										
Year	14 M	14 N	15 M	15 N	16 M	16 N	17 M	17 N	18 M	18 N
Descriptive								2		
Total								2		