

# 1

## INTRODUCTION TO GST

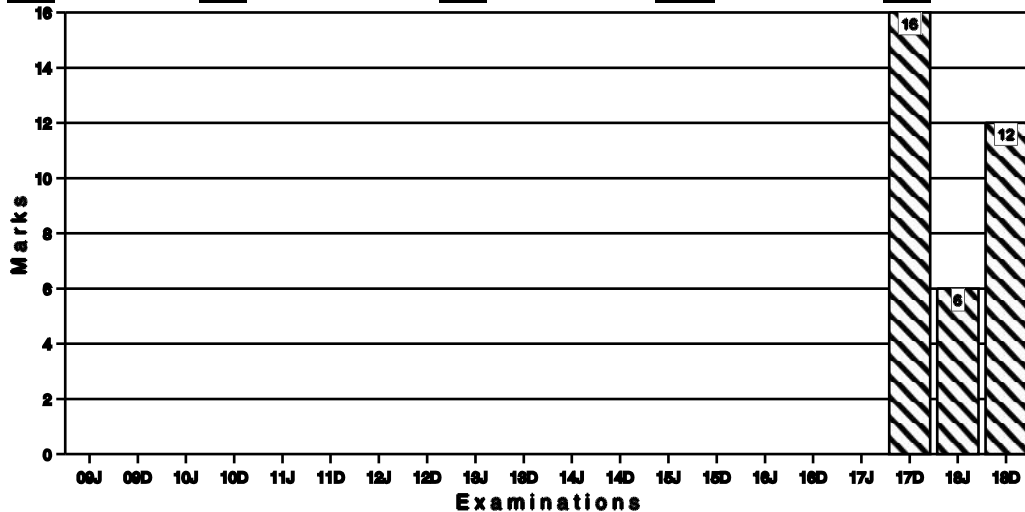
### THIS CHAPTER INCLUDES

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| <ul style="list-style-type: none"><li>• Fundamentals of GST</li><li>• Constitution [10 1<sup>st</sup> Amendment] Act, 2016</li><li>• What is GST</li><li>• Advantage of GST</li><li>• Need for GST in India</li><li>• One Nation - One Tax</li></ul> | <ul style="list-style-type: none"><li>• Dual GST Model</li><li>• Inter-state Vs. Intra-state Stock Transfers</li><li>• Goods and Service Tax Network [GSTN]</li><li>• GST Council</li><li>• Importation Definitions under CGST Law</li></ul> |
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Marks of Objective, Short Notes, Distinguish Between, Descriptive & Practical Questions

### Legend

 Objective  Short Notes  Distinguish  Descriptive  Practical



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## CHAPTER AT A GLANCE

- Article 265 provides that no tax shall be levied or collected except by authority under law.
- Article 246 of Schedule VII of constitution of India provide for division of power between Central government and state Government.

Union list (List 1)	State list (list II)	Concurrent list ( List III)	Residuary entry Entry 97 List 1
Central Government have exclusive power to make law on the matter mentioned in union list.	State Government have exclusive power to make law on the matter mentioned in State list.	Central Government & State Government both have power to make law on the matter mentioned in Concurrent list. Law made by Central Government shall Prevail over law made by State Government.	Central Government has power to make law on matter not mentioned in any other list. • Note: Law made under this Entry shall not be applicable to J & K unless consented by J&K.

1. Entry 82 - Income tax 2. Entry 83- Customs duty 3. Entry 84- Excise Duty.	<b>Entry</b>	<b>Tax</b>	Service tax was imposed by Finance Act, 1994 under this entry.
	33	Entertainment tax	
	34	Tax on lottery, betting & gambling	
	49	Property tax	
	51	State Excise	
	53	Electricity duty	
	54	State Vat	
	55	Tax on Advertisement	
	56	Road & passenger tax	
	59	Toll tax	
	62	Luxuries tax	
	63	Stamp duty	

• **KINDS OF TAX**

<b>Direct Tax</b>	<b>Indirect Tax</b>
<ul style="list-style-type: none"> <li>It is levied on person.</li> <li>It is borne by person who earns income. For example: Income Tax, professional tax.</li> </ul>	<ul style="list-style-type: none"> <li>It is levied on goods and services</li> <li>It is borne by person who purchases goods (in other word by ultimate consumer). <b>For example:</b> Customs duty, GST</li> </ul>

• **HISTORY OF GST IN INDIA ( GST which came in to effect from**

1<sup>st</sup> July, 2017 had its framework formed 17 years ago i.e. in 2000)

1	17 <sup>th</sup> July, 2000	P.M Atal Vajpayee set up the empowered committee to draft GST law under Chairmanship of then Finance Minister of West Bengal Asim Dasgupta. He chaired committee till 2011.	Committees consist of State Finance Minister's of 1. West Bengal, 2. Karnataka, 3. Madhya Pradesh, 4. Gujarat, 5. Delhi, 6. Meghalaya, 7. Maharashtra, 8. Punjab, 9. UP, <b>Note:</b> Subsequently F.M of Assam Tamilnadu, J&K, Jharkhand & Rajasthan were also notified as members of Empowered committee.
2	16.7.2004	A task force headed by Vijay L Kelkar the advisor to the Finance Ministry indicated that <b>GST must be implemented to improve Current tax Structure.</b>	
3	Feb, 2005	The Finance Minister P. Chidambaram said that the medium to long term goal of Government was to Implement a uniform GST structure across the Country.	
4	28.2. 2006	Finance Minister Proposes GST introduction from April 2010.	
5	Nov 2006	Mr. Parthasarty shome the advisor to P. Chidambaram mentioned that state will have to prepare and make reform for upcoming GST regime.	
6	Feb 2007	In union Budget deadline for implementation of GST from 1.4.2010 was retained.	

7	Feb 2008	In Union Budget 2008-09 the Finance Minister confirmed that considerable progress was being made in the preparation of roadmap of GST. Again it was confirmed deadline for implementation of GST from 1.4.2010.	
8	July 2009	Finance Minister Pranab Mukherjee announced the basic SKELETON of GST system. Again it was confirmed deadline for implementation of GST from 1.4.2010.	
9	Feb 2010	The Government introduced the mission mode project that laid the foundation for GST.	
10	March 2011	The Government put Constitution (One Hundred and Fifteenth Amendment Bill) 2011 for introduction of GST.	Due to Protest of Opposition Party Bill was sent to Standing committee for a detailed examination.
11	June 2012	The standing committee starts discussion on Bill.	Opposition raises concern over the 279B clause that offer additional power to the Centre over the GST dispute authority.
12	Nov 2012	Meeting of P. Chidambaram and Finance ministers of State was held. Set the deadline for resolution of issue as 31.12.2012	
13	Feb 2013	Finance Minister during Budget session announces that the Government will provide ₹ 9,000 crores as compensation to States for the loss that may occurred due to introduction of GST.	

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14	Aug 2013	The report prepared by Standing committee is submitted to the parliament. The panel approved the regulation with few amendments.
15	Oct 2013	The state of Gujarat opposed the bill because it have to bear loss of ₹ 14,000 crores p.a due to Destination based taxation Rule.
16	May 2014	The constitution amendment Bill Lapse.
17	19 <sup>th</sup> Dec 2014 New	Finance Minister Arun Jaitley submits the Constitution 122 <sup>nd</sup> Amendment Bill 2014 in parliament. The opposition demanded that the Bill to be sent for discussion to the Standing Committee.
18	Feb 2015	Finance Minister Mr. Arun Jaitley in Budget speech indicated that Government is looking to implement GST by 1.4.2016.
19	May 2015	The Lok sabha passes the Constitution Amendment Bill. (6 <sup>th</sup> May, 2015)
20	Aug 2015	The bill is not passed in Rajya Sabha . The F.M said that disruption has no specific cause.
21	March 2016	Finance Minister Arun Jaitley said that he agree with the Congress demand for GST rate not to be set above 18%. But he is not Inclined to fix the rate at 18%.
22	June 2016	The ministry of Finance releases the draft model law on GST to the public for suggestions and views. (14 <sup>th</sup> June, 2016)
23	Aug 2016	The bill was passed in the Rajya Sabha. (8 <sup>th</sup> Aug, 2016)

24	Sep 2016	<p>The Honorable President of India gives his consent for Constitution (122 Amendment) Bill 2014 on 8<sup>th</sup> Sep, 2016 and it become Constitution (101<sup>st</sup> Amendment) Act, 2016 which paved the way for introduction of GST in India.</p> <p>The amendment Act contains 20 Sections out of which Section 12 relates to Goods &amp; service tax council which came into effect from 12<sup>th</sup> September, 2016.</p>
25	12 <sup>th</sup> April, 2017	<p>Following the approval in the parliament and the President , Four bills related to GST become Act</p> <ol style="list-style-type: none"> <li>1. Central GST bill 2017</li> <li>2. Integrated GST Bill 2017</li> <li>3. Union Territory GST bill 2017</li> <li>4. GST (Compensation to States) Bill 2017</li> </ol>
26	The government declares that the GST bill will be applicable from 1 <sup>st</sup> July, 2017.	

- It is introduced as Constitution (101<sup>st</sup> Amendment) Act, 2016. The GST is governed by GST Council and its Chairman is Union Finance Minister of India - **Arun Jaitley**
- The One Hundred and Twenty Second Amendment Bill of the Constitution of India, officially known as The Constitution (One Hundred and First Amendment) Act, 2016, introduced a national Goods and Services Tax in India from 1<sup>st</sup> July 2017. The same was enacted on 8<sup>th</sup> September, 2016
  1. GST is levied on all supply of goods and services except alcoholic liquor for human consumption as per Section 9 (1) of CGST Act.
  2. On the following products, GST shall not be levied till a date to be notified on the recommendations of the GST Council as per Section 9 (2) of CGST Act
    - (i) Petroleum Crude
    - (ii) High Speed Diesel
    - (iii) Motor Spirit (commonly known as Petrol)
    - (iv) Natural Gas

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(v) Aviation Turbine Fuel

- **GST in India comprises of:**

Central Goods and Service Tax (CGST)	levied and collected by Central Government	<ul style="list-style-type: none"> <li>• there are 174 sections i.e. 1 to 174</li> <li>• 21 chapters</li> <li>• 3 schedules</li> </ul>
State Goods and Service Tax (SGST)	levied and collected by State Governments with State Legislatures	there are 174 sections i.e. 1 to 174
Union Territory Goods and Service Tax (UTGST)	<p>This Act provides a provision for levy and collection of tax on intra-State supply of goods or services or both by the Union territories</p> <ul style="list-style-type: none"> <li>• It is applicable in the following union territories.               <ol style="list-style-type: none"> <li>(a) Andaman and Nicobar Islands,</li> <li>(b) Lakshadweep,</li> <li>(c) Dadra and Nagar Haveli,</li> <li>(d) Daman and Diu,</li> <li>(e) Chandigarh and</li> <li>(f) other territory.</li> </ol> </li> <li>• However in case of union territories ie New Delhi and Puducherry SGST can be applied since both have their individual legislature and can be considered as 'states' as</li> </ul>	there are 26 sections i.e. 1 to 26



	per GST.	
Integrated Goods and Service Tax (IGST)	<p>The Union Government presented the Integrated Goods and Service Tax Bill, 2017 in Lok Sabha on 27<sup>th</sup> March, 2017 and</p> <ul style="list-style-type: none"> <li>• the same was passed by Lok Sabha on 29<sup>th</sup> March, 2017.</li> <li>• The Rajya Sabha passed the bill on 6<sup>th</sup> April, 2017 and</li> <li>• was assented by the President on 13<sup>th</sup> April, 2017.</li> <li>• Inter-State supplies of taxable goods and/or services is subject to Integrated Goods and Service Tax (IGST).</li> <li>• IGST will approximately be a sum total of CGST and SGST/UTGST and will be levied by Centre on all interstate supplies</li> </ul>	there are 25 sections i.e. 1 to 25

- Today GST is widely accepted indirect taxation system implemented in more than 160 countries in world.
- GST was first levied by FRANCE in 1954.
- Today MALAYSIA is the most recent country to join the GST in 2015.
- **Models of GST:**

Type of GST	Levied & shared	Countries in which it is followed
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National level GST	Tax is levied and collected by centre & shared with states.	Australia , China
State level GST	Tax is levied by state & retained by the State.	USA
Concurrent Dual GST	Tax is levied by Centre & state on Goods & services.	Brazil, Canada, INDIA.

- GST is a destination based tax applicable on all transactions involving supply of Goods and services for consideration.
- In India there are 29 states and 7 Union Territory. Out of 7 Union territories, two UT i.e. Delhi & Puducherry have their own legislature & five UT (i.e. Andaman & Nicobar, Lakshadweep, Dadra & Nagar Haveli , Daman & Diu, Chandigarh does not have their legislature.
- For the purpose of taxation under GST, Delhi & Puducherry are treated as state. So we can say that under GST there are 31 states.

<b>1. Consideration Sec. 2(31):</b>	<b>In relation to the supply of goods or services or both includes-</b> (a) Any payment made or to be made, <ul style="list-style-type: none"> <li>• <b>Whether in money or otherwise</b></li> <li>• In respect of, in response to or for the inducement of, the supply of goods or services or both,</li> <li>• whether by the recipient or any other person</li> <li>• <b>but does not</b> include any subsidy given by the Central government or a state government.</li> </ul>
	(b) the monetary value of any act or forbearance <ul style="list-style-type: none"> <li>• In respect of, in response to or for the inducement of, the supply of goods or services or both,</li> <li>• whether by the recipient or any other person</li> <li>• <b>but does not</b> include any subsidy given by the Central Government or a State Government</li> </ul>

	<p>Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the <b>supplier applies such deposit</b> as consideration for the said supply.</p> <p><b>Explanation:</b></p> <ol style="list-style-type: none"> <li>1. Consideration can be in monetary form i.e. by cash, cheque or credit card bank transfer etc. or in Non monetary form i.e. in kind such as Barter, exchange, doing agreeing to do an act etc or partly in monetary form and partly in non monetary form.</li> <li>2. <b>In respect of, in response</b> to means there must be direct link between the supply and the consideration.</li> <li>3. Inducement means to give something to a person so that other person will do something in return.</li> </ol>
<p>2. <b>Goods Sec. 2(52)</b></p>	<p><b>According to Section 2(52)</b> goods means every kind of movable property other than money and securities but includes actionable claims, 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.</p>
<p>3. <b>Services Sec. 2(102)</b></p>	<p><b>means anything other than goods, money and securities</b> but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination to another form, currency or denomination for which separate consideration is charges.</p>

### DESCRIPTIVE QUESTIONS

- 2017 - Dec [9] (a) Give a brief introduction to GST in India. (5 marks)  
 (b) What is the impact of GST on Centre-State relations and how are they

streamlined?

(4 marks)

(c) How is the concept of "Consideration" understood for levy of GST?

(4 marks)

(d) State the benefits of GST to the customers.

(3 marks)

**Answer:**

(a) GST stands for Goods & Services Tax. GST which is effective from 1.07.2017 is very significant step in the field of indirect tax reforms in India. GST has replaced various indirect taxes such as Service Tax, VAT, Excise etc. except Customs in India. The main reason behind this was to consolidate all indirect taxes into one thus making " ONE NATION, ONE TAX". GST in India is a comprehensive multistage tax it has eliminated cascading effect of taxation and reduce tax burden on goods and services.

The first announcement for introduction of GST was made in budget speech on 28.2.2006 by the then Union Finance Minister. It was proposed to introduce national wide GST w.e.f. 1.4.2010.

Various steps were taken towards introduction of GST. The task for designing GST was given to empowered committee of state finance ministers. The first discussion paper was released by Empowered on 10<sup>th</sup> November 2009. The discussion paper spells out the features of proposed GST.

The Central Government notified 1.7.2017 as date from which GST has been implemented.

(b) Before introduction of GST in India i.e. upto 30.6.2017 the structure of indirect taxes in India was based on three list in VII<sup>th</sup> Schedule to Constitution of India. The centre had the power to levy tax on the manufacture of Excisable goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the States had the powers to levy tax on sale of goods. However in case of interstate sale CST was levied by centre but tax was collected and retained by state Government. In case of services the Central Government was empowered to levy service tax.

In case of importation of goods into or exportation from India, tax as additional duties of customs, which was in addition to the Basic Customs Duty and additional duty of customs {commonly known as Counter Veiling Duty (CVD) and Special Additional Duty (SAD)} counter balances

excise duties, sales tax, State VAT and other taxes levied on the like domestic product the duties is levied and collected by Central Government.

Due to introduction of GST their was requirement for amendment in constitution, so that GST can be levied and collected simultaneously by central and state government. Hence Article 246A and 269A is inserted in constitution of India by Constitution (One hundred and first Amendment) Act 2016.

(c) **consideration Sec. 2(31):** in relation to the supply of goods or services or both includes:

<p><b>(a) Any payment made or to be made</b></p>	<ul style="list-style-type: none"> <li>• <b>Whether in money or otherwise</b></li> <li>• In respect of , in response to or for the inducement of, the supply of goods or services or both,</li> <li>• whether by the recipient or any other person</li> <li>• but does not include any subsidy given by the Central Government or a State Government.</li> </ul>
<p><b>(b) the monetary value of any act or forbearance</b></p>	<ul style="list-style-type: none"> <li>• In respect of , in response to or for the inducement of, the supply of goods or services or both,</li> <li>• whether by the recipient or any other person</li> <li>• but does not include any subsidy given by the Central Government or a State Government.</li> </ul>

Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply.

**Explanation:**

1. Consideration can be in monetary form i.e. by cash, cheque or credit card bank transfer etc. or in Non monetary form i.e. in kind such as Barter, exchange, doing agreeing to do an act etc. or partly in

monetary form and partly in non monetary form.

2. In respect of, in response to means there must be direct link between the supply and the consideration.
3. Inducement means to give something to a person so that other person will do something in return.

**(d) Benefits of GST to the customers**

- (i) Reduction in price of goods and services
- (ii) Uniform price throughout the country
- (iii) Trust in Simpler tax system: The previous indirect tax structure was very complicated to understand. GST increase the level of transparency and trustworthiness of consumer.
- (iv) Better accessibility of goods and services.
- (v) Due to introduction of Composition scheme small supplier will be exempted from tax or pays tax at lower rate which reduce cost for the consumer.
- (vi) Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption.

\_\_\_\_\_ Space to write important points for revision \_\_\_\_\_

**2018 - June [2]** (a) What is the difference in tax consequence between intra-State (from HO to branch in same State) and inter-State stock transfers (from HO to branch in different State) of the same supplier, which is a private limited company ? What kind of GST will be levied ? **(6 marks)**

**Answer:**

GST is levied on supply of goods or services or both by supplier having a GST number. However, in case of intra state i.e. supply of goods or services or both by HO to branch in same state, will not attract any GST if supplier has only one GST registration. But if a supplier has taken more than one registration in one state, then GST will be levied which comprise of CGST plus SGST.

In case of inter state stock transfer from HO to branch in different state of same supplier IGST will be levied because in case of inter state supplies separate registration is required.

In case of intra state supply CGST plus SGST will be levied and in case of inter state supply IGST will be levied.

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**2018 - Dec [4]** (a) (i) State the functions of the GSTN, i.e. the role assigned to GSTN. **(5 marks)**

**2018 - Dec [7]** (b) Enumerate and Explain the advantages of GST. How has introduction of GST benefitted the consumers and general public? **(7 marks)**

**TOPIC NOT YET ASKED BUT EQUALLY IMPORTANT FOR EXAMINATIONS**

## **DESCRIPTIVE QUESTIONS**

**Q1. WHAT IS GST?**

**Answer:**

GST stands for Goods and Services tax. It means tax on supply of goods or services or both except tax on supply of the alcoholic liquor for human consumption.

- GST in India is a Comprehensive Multi stage; Destination based tax which is levied on every value addition made by Assessee.

• Comprehensive: because 17 types of taxes are subsumed under GST.

• Multistage means:- GST is levied on each stages of supply i.e. from manufacture to final sale to consumer.

• Value Addition means: the monetary worth added at each stage of supply i.e. manufacture → wholesaler → Retailer → consumer

• Destination based means: GST is levied at point of consumption. For example if goods are manufactured in UP & sold to MP then revenue will go to M.P.

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**Q2. What are the reasons for amendment in Constitution of India for introducing GST?**

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**Answer:**

As we know that **Article 246** provide for distribution of power between Central & State and if there is any inconsistency between law made by Central & State then how to deal with it is provided in Article 254. Therefore in GST to levy and collect tax SIMULTANEOUSLY by Central & States there is requirement for amendment in Constitution.

Hence Article 246A & 269A is inserted in Constitution of India by Constitution (One Hundred and First Amendment) Act 2016.

- **Article 246:** It provides that Parliament has exclusive power to make laws on matters mentioned in LIST I in the Seventh Schedule ( i.e. Union List)  
**State List** i.e. List II provides that State Government has Exclusive power to make law on matters mentioned in State List.  
**Concurrent List** i.e. List III: It provides that parliament and the legislature of any state also have power to make laws in respect of matters mentioned in List III in the seventh Schedule.  
**Article 246** also provides that Parliament has power to make laws in respect to any matter for any part of the Territory of India not included in a state even though such matter is enumerated in the State List.

**Article 254:** provides that if any Provision of Law made by State is Repugnant to any provision of a law made by Parliament which parliament is competent to enact or to any provision of an existing law related to matter enumerated in Concurrent list **THEN** subject to provision of clause **(2)** the **LAW MADE BY PARLIAMENT SHALL PREVAIL** and law made by state to the extent of the REPUGNANCY be VOID.

**Clause (2)** it provides that if law made by legislature of State in respect of Matters enumerated in Concurrent list contains any provision REPUGNANT to the provision of Earlier law or Existing law made by Parliament with respect to that matter THEN LAW MADE BY STATE SHALL PREVAIL if that matter has been reserved for the Consideration of President and has received his assent.

**ARTICLE 246A:**



- **Article 246A has been given an overriding effect over Article 246 & 254.**
- It provides special provision with respect to Goods and services Tax.
- **Clause (1)** provides that notwithstanding anything contained in articles 246 & 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.
- **Clause (2)** Parliament has exclusive power to make laws with respect to goods and services tax where supply of Goods or services or both takes Place in course of INTER-STATE TRADE or COMMERCE.

**Article 269A inserted which provide for**

**Levy and collection of Goods and Services Tax in course of Inter – state trade and commerce:**

- (1) Goods and services tax on Supplies in the course of Inter state trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between Union and the State in the manner as may be provided by Parliament by law on Recommendation of Goods and Services tax Council.
- **Explanation:** for the purpose of this clause , supply of Goods or of Services or Both in the Course of IMPORT into the Territory of India shall be deemed to be supply of goods or of services or both in the Course of INTER STATE TRADE or Commerce.
- (2) The amount apportioned to a state under clause (1) shall not form part of the Consolidated fund of India.

— Space to write important points for revision —

**Q3.** What are the benefits/ advantages of implementation of GST?

**Answer:**

- (a) It has eliminated cascading effect of taxation.
- (b) It boosts foreign investment
- (c) Indian products would be more competitive in the international markets.
- (d) The ITC process is more accurate and transparent because of electronic matching.

- (e) Uniformity in rates of SGST and IGST reduce tax evasion.
- (f) Simplified methods of registration, refund, returns, payment.
- (g) The final price of goods will be lower.
- (h) All interaction are handled by the common GSTN website.

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**Q4.** Different models of GST.

**Answer:**

- **Australian Model** wherein, tax is collected by the Centre and distributed to the States
  - **Canadian Model** wherein there are three variants of taxes
  - **Kelkar-Shah Model** based on Canada Model wherein taxes are collected by the Centre however, two different rates of tax are to be levied by the Centre and the States and
  - **Bagchi-Poddar Model** which envisages a combination of Central Excise, Service Tax and VAT to make it a common base of GST to be levied both by the Centre and the States separately.
- Considering the Federal nature of Indian Constitution, dual model of GST is adopted in India.

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**Q5.** What is GST council and its role?

**Answer:**

**Article 279-A** of the Constitution empowers the President to constitute a joint forum of the Centre and States namely, Goods and Service Tax Council (GST Council). GST Council came into force on 12<sup>th</sup> September, 2016. President constituted the GST Council on 15<sup>th</sup> September, 2016.

- **GST Council consists of the following members**
  - (1) Chairperson - Union Finance Minister
  - (2) Members - Union Minister of State in charge of Revenue or Finance, Minister in charge of Finance or Taxation or any other Minister nominated by each State Government.
- **Role of GST council:**  
It makes recommendations to Union and the States on:

- (i) The taxes, cesses and surcharges levied by the union, the States and the local bodies which may be subsumed in GST.
  - (ii) The goods and services that may be exempted from the Goods and services Tax,
  - (iii) Limit of turnover upto which Goods and services tax may be exempted,
  - (iv) Principles of levy, apportionment of goods and services taxes levied on supplies in the course of interstate trade or commerce.
  - (v) The rates including floor rates with brands of goods & services tax,
  - (vi) Special provision with respect to the states of Arunachal Pradesh, Assam, J&K, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand
  - (vii) Any other matters relating to the Goods and services tax, as the Council may decide.
- **Quorum for GST council** should be one half of the total number of Members.
  - **Decision of GST council** should be taken at meeting by a majority of not less than 3/4<sup>th</sup> of votes of the members present and voting in accordance with the followings principles i.e.

1. The votes of the Central Government shall have 1/3 <sup>rd</sup> of the total votes cast and	2. The votes of all the state Government shall have 2/3 <sup>rd</sup> of the total votes cast, in that meeting.
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**Q6.** Write note on Salient Feature of GST.

**Answer:**

- It is levied on Supply of Goods or services or Both in India including Jammu & Kashmir.
- The GST law came into force from 1.7.2017. In J&K from 8.7.2017.
- GST is consumption based tax on supply of Goods or services i.e. GST is a value added tax.
- Supply of Goods or Service is Taxable event.
- Dual GST for supply of Goods or Services within state i.e. in case of supply of Goods or services within State or Union Territory (i.e. Intra state

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Supply) = CGST is payable to Central and SGST is payable to State government and UTGST is payable to Union Territory.

- IGST is levied in case of INTER STATE SUPPLY. (For example for supply of goods from UP to MP)
- Central Government levy and administer CGST & IGST while respective states / Union territory levy and administer SGST/UTGST.

— Space to write important points for revision —

**Q7.** Name the central and state taxes which are subsumed under GST.

**Answer:**

There was seventeen types of taxes is subsumed under GST, they are as under:

Central taxes	State Taxes
1. Central excise duty	1. State VAT.
2. Duties of Excise (Medicinal and Toilet Preparations)	2. CST
3. Additional Duties of Excise(Goods of Special Importance)	3. Luxury tax
4. Additional Duties of Excise (Textile and Textile Products	4. Entry tax
5. Additional duties of Customs i.e. CVD which is equal to Excise duty.	5. Entertainment tax
6. Special Additional Duty of Customs which is equal to VAT.	6. Tax on Advertisement
7. Service tax	7. Purchase tax
8. Cess and surcharge	8. Tax on Lotteries , Betting and gambling
	9. State Surcharge and cesses.

— Space to write important points for revision —

**Q8.** What is written in Entry 84 and Entry 54 of VII<sup>th</sup> Schedule of List I union List and List II of State List after amendment in Constitution?

**Answer:**

<b>Union List I7:</b> Entry 84 has been substituted as follows	<b>State List II:</b> Entry 54 has been substituted as follows
Duties of Excise on the following goods manufactured or produced in INDIA namely: (a) Petroleum crude (b) High speed diesel (c) Motor sprit ( i.e. Petrol) (d) Natural Gas (e) Aviation turbine fuel and (f) Tobacco and Tobacco product	Taxes on sale of (a) Petroleum crude (b) High speed diesel (c) Motor sprit ( i.e. Petrol) (d) Natural Gas (e) Aviation turbine fuel and alcoholic liquor for human consumption but not including sale in the course of Interstate trade or commerce or sale in course of International trade or commerce of such goods.

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**Q9.** What is SGST/CGST/IGST/?

**Answer:**

- The GST levied on the INTRA-STATE supply of Goods or services by the centre is Central GST (CGST) and that by State is State GST (SGST). Law relating to CGST is made by Central Government i.e. CGST Act 2017. There are 1 to 174 sections under CGST Act. Law relating to SGST is made by States i.e. SGST Act 2017. There are 1 to 174 sections under SGST Act.

**For example:** Mr. Himanshu , a dealer in Uttar Pradesh sold goods to Mr. Ravi in Uttar Pradesh for ₹ 20,000. The GST rate is 18% comprising of CGST rate of 9% and SGST rate of 9 %. In such case the dealer (Himanshu) Collect ₹ 3600 and ₹ 1800 will go to the Central Government and ₹1800 will go to the Uttar Pradesh.

- On INTER STATE supply of goods and services Integrated GST (IGST) is collected by centre. IGST is also applicable on Import.

**For example:** Mr. Himanshu , a dealer in Uttar Pradesh sold goods to Mr. Ravi in Madhya Pradesh for ₹ 20000. The GST rate is 18% comprising

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of CGST rate of 9% and SGST rate of 9 %. In such case the dealer (Himanshu) Collect ₹ 3,600 as IGST. This IGST will go to the Centre.

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**Q10.** What is UTGST?

**Answer:**

The full form of UTGST is Union Territory Goods and services tax. It is Part of GST in India. GST under supply of goods and services takes place in 5 Union territories (i.e. Andaman and Nicobar, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu, and Chandigarh are accounted under UTGST.

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**Q11.** What do you mean by CESS?

**Answer:**

**CESS: section 2(22):** “Cess” shall have same meaning as assigned it in Goods & services tax (compensation to States) Act.

According to Section 2(c) of The goods and services tax (Compensation to States) Act 2017 cess means the goods and services tax compensation cess levied under Section 8.

**Section 8 provides that:**

(1) There shall be levied cess on

Such intra-state supplies of goods or services or both as provided in Section 9 of the Central Goods and services tax Act	and	Such inter-state supplies of goods or services or both as provided for in section 5 of the IGST Act
and collected in such manner as may be prescribed on the recommendation of the Council, for the purpose		

(2) The Cess shall be levied on supplies of goods or services as specified in column (2) of schedule On the basis of value, quantity or on such basis at such rate not exceeding the rate set forth in corresponding entry in column (4) of the schedule i.e.

- (a) Pan masala,
- (b) Tobacco and Manufactured tobacco substitutes including tobacco products
- (c) Coal, briquettes, ovoids & similar solid fuel manufactured from coal, lignite whether or not agglomerated, excluding jet, peat including peat litter whether or not agglomerated
- (d) Aerated waters
- (e) Motor car and other Motor vehicles principally designed for transport of person.

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**Q12.** What are rates of Tax under GST Law?

**Answer:**

Rate	Applicability
0% i.e. Zero Rate	Food grain and Agricultural produce cultivated out of Land ex. Rice etc.
0.25%	Diamonds and precious stones.
5%	Essential items like Egg, Dairy products etc.
12%	Standard Rate for Goods on which duty in the pre GST regime is levied from 13% to 15%.
18%	Standard Rate for Goods on which duty in the pre GST regime is levied from 15% to 18%.
28%	Luxury goods and sin goods like Luxury car, tobacco product etc.

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**Q13.** What is Goods and Service tax Network? Explain the function of GSTN.

**Answer:**

**Goods and Services Tax Network (GSTN) is as Section 8 of the Companies Act, 2013,**(not for profit), non-Government, Private Limited Company. It is a special purpose vehicle set up by Government of India and all State Government for laying the IT infrastructure for GST to provide a

shared IT infrastructure and Services to Central and State Governments, tax payers and other stakeholders for implementation of GST. GSTN provides three front end services to the taxpayers (i) Registration (ii) Payment (iii) return through GST common portal.

**Functions of the GSTN:**

The function of GSTN includes:

- Facilitating registration
- Forwarding the returns to Central and State Authorities
- Computation and settlement of IGST
- Matching of tax payment details with banking network
- Providing MIS reports to the central and the state government based on the taxpayer return information,
- Providing analysis of tax payers profile and
- Running the matching engine for matching, reversal and reclaim of input tax credit.

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## PRACTICAL QUESTIONS

**Q1.** (Intra-state supply of Goods)

XYZ Ltd. having registered office in Prayagraj makes supply of goods to ABC Ltd having registered office in Kanpur for ₹ 20,00,000. ABC Ltd. sells the goods to its customer in Kanpur for ₹ 21,00,000. What would be the tax implication under GST? Assume Rate of Tax is 18%

**Answer:**

Particulars	XYZ Ltd.	ABC Ltd.
Value of supply of Goods	20,00,000	21,00,000
Total Tax Liability		
CGST @ 9%	1,80,000	1,89,000
SGST @ 9%	1,80,000	1,89,000



Less: Input Tax credit		
CGST	Nil	1,80,000
SGST	Nil	1,80,000
Tax Payable in cash		
CGST	1,80,000	9,000
SGST	1,80,000	9,000

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**Q2.** (Inter-state purchase of goods and intra state supply of Goods)  
 XYZ Ltd. having registered office in Prayagraj makes supply of goods to ABC Ltd. having registered office in Delhi for ₹ 20, 00,000. ABC Ltd. sells the goods to its customer in Delhi for ₹ 21, 00,000. What would be the tax implication under GST? Assume Rate of Tax is 18%.

**Answer:**

Particulars	XYZ Ltd.	ABC Ltd.
Value of supply of Goods	20,00,000	21,00,000
Total Tax Liability		
CGST @ 9%	Nil	1,89,000
SGST @ 9%	Nil	1,89,000
IGST @ 18%	3,60,000	Nil
Less Input Tax credit		
CGST	Nil	1,89,000
SGST	Nil	1,71,000
IGST		
Tax Payable in cash		
CGST	Nil	Nil
SGST	Nil	18,000

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IGST	3,60,000	Nil
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**Q3.** (Intra-state purchase of goods and inter state supply of Goods)  
XYZ Ltd having registered office in Prayagraj makes supply of goods to ABC Ltd having registered office in Kanpur for ₹ 20, 00,000. ABC Ltd sells the goods to its customer in Mumbai for ₹ 21, 00,000. What would be the tax implication under GST? Assume Rate of Tax is 18%

**Answer:**

Particulars	XYZ Ltd.	ABC Ltd.
Value of supply of Goods	20,00,000	21,00,000
Total Tax Liability		
CGST @ 9%	1,80,000	Nil
SGST @ 9%	1,80,000	Nil
IGST @ 18%	Nil	3,78,000
Less Input Tax credit		
CGST	Nil	1,80,000
SGST	Nil	1,80,000
IGST	Nil	
Tax Payable in cash		
CGST	1,80,000	Nil
SGST	1,80,000	Nil
IGST	Nil	18,000

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**Q4.** (Inter-state purchase of goods & inter state supply of Goods)  
XYZ Ltd. having registered office in Prayagraj makes supply of goods to ABC

ltd. having registered office in Delhi for ₹ 20,00,000. ABC Ltd. sells the goods to its customer in Mumbai for ₹ 21,00,000. What would be the tax implication under GST? Assume Rate of Tax is 18%

**Answer:**

Particulars	XYZ Ltd.	ABC Ltd.
Value of supply of Goods	20,00,000	21,00,000
Total Tax Liability		
CGST @ 9%	Nil	Nil
SGST @ 9%	Nil	Nil
IGST @ 18%	3,60,000	3,78,000
Less Input Tax credit		
CGST	Nil	Nil
SGST	Nil	Nil
IGST	Nil	3,60,000
Tax Payable in cash		
CGST	Nil	Nil
SGST	Nil	Nil
IGST	3,60,000	18,000

**Important Definitions:**

1. Aggregate Turnover: According to Section 2(6) of CGST Act 2017  
Aggregate Turnover means aggregate value of

<ul style="list-style-type: none"> <li>• All taxable supplies (excluding value of inward supplies on which tax is payable by a person on reverse charge basis.</li> <li>• Exempt service</li> <li>• Export of goods or services or both and</li> <li>• Inter- state supplies</li> </ul>	<p><b>But Excludes</b></p> <ul style="list-style-type: none"> <li>• Central tax</li> <li>• State tax</li> <li>• Union territory tax</li> <li>• Integrated Tax and</li> <li>• Cess.</li> </ul>
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In short we can say that Aggregate Turnover is sum of all supplies i.e. = **Taxable + Exempt+ Non taxable+ Export** either on his own account or on account of somebody else.

**2. BUSINESS [Section 2(17)]: Business includes**

- a. Any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity whether or not it is for a pecuniary benefit.
- b. Any activity or transaction in connection with or incidental or ancillary to sub clause(a)
- c. Any activity or transaction in nature of sub-clause (a) whether or not there is volume, frequency, continuity or regularity of such transaction.
- d. Supply or acquisition of goods including Capital Goods and services in connection with commencement or closure of business.
- e. Provision by a club, association, society or any such body (for subscription or any other consideration) of facilities or benefits to its members.
- f. Admission for consideration of persons to any premises.
- g. Services supplied by a person as holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation.
- h. Services provided by race club by way of totalisator or license to book maker in such club and.
- i. Any activity or transaction undertaken by the central government, state government or any local authority in which they are engaged as public authority.

**3. CAPITAL GOODS [Section 2(19)]:** means the value of which is capitalized in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course of or furtherance of business.

**4. EXEMPT SUPPLY [Section 2(47)]:** means supply of any goods or services or both which attracts

Nil rate of Tax or	Which may be wholly exempt from tax U/S 11 of CGST or u/s 6 of IGST and	Includes non taxable supply.
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**5. INDIA [Section 2(56)] India means**

- (a) The territory of India as referred in article 1 of the Constitution
- (b) Its territorial water, seabed and sub soil underlying such water, continental shelf, EEZ or any other maritime Zone as referred to in the territorial water, continental shelf, EEZ and other maritime Zone Act 1976 and
- (c) The air space above its territory & territorial waters.

**6. PERSON section 2(84): includes**

- (a) An individual
- (b) A Hindu Undivided family
- (c) A company
- (d) A firm
- (e) A LLP
- (f) An association of person or a body of Individual, whether incorporated or not in India or Outside India
- (g) Any Corporation established by/ under any central , state or provincial Act or Government Company as defined in Section 2(45) of Companies Act 2013
- (h) Any co-operative society registered under law relating to co-operative societies
- (i) A local authority
- (j) Central government or a state government
- (k) Society as defined under society Registration Act 1860
- (l) Trust
- (m) Every Artificial jurisdiction person not falling within any of the above

**7. REVERSE CHARGE Section 2(98):** Means the liability to pay tax by recipient of supply of goods or services or both instead of the supplier of such goods or services or both under Section 9(3)/9(4) or u/s 5(3)/5(4) of IGST Act.

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8. **QUARTER: Sec 2(92)** : Means a period comprising of Three consecutive calendar months ending on last day of MARCH, JUNE, SEPTEMBER and DECEMBER of calendar year.
9. **Family means:** Spouse and children of the person and parent, grandparents, brother and sisters of the person if they are WHOLLY or mainly dependent on said person.
10. **FUND means Consumer welfare fund establishment u/s 57.**

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