

# Induction Training – ACTOs (Direct Recruit) Topic: Overview of GST

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Venue: TSIRD

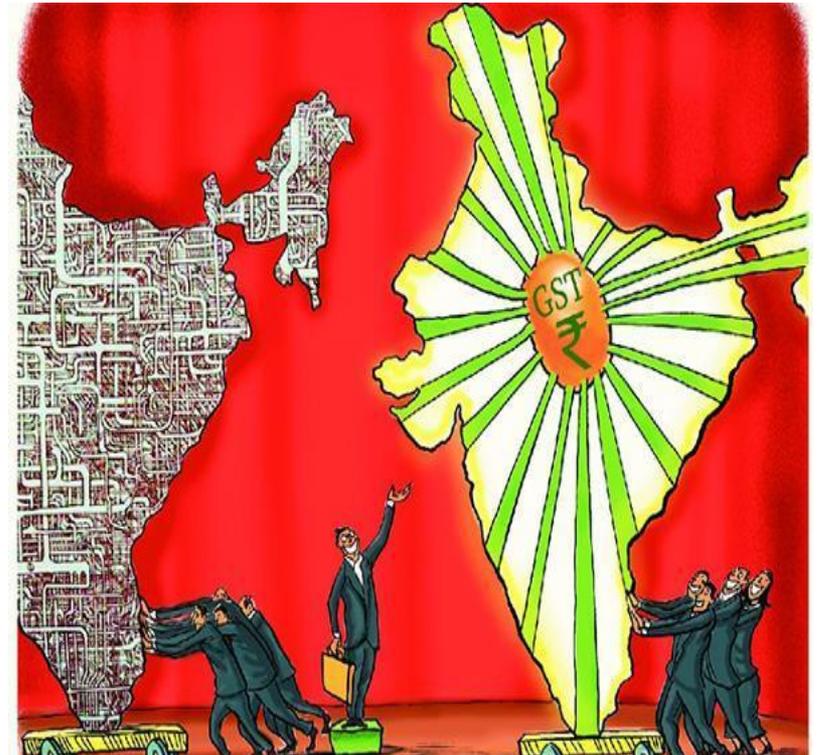
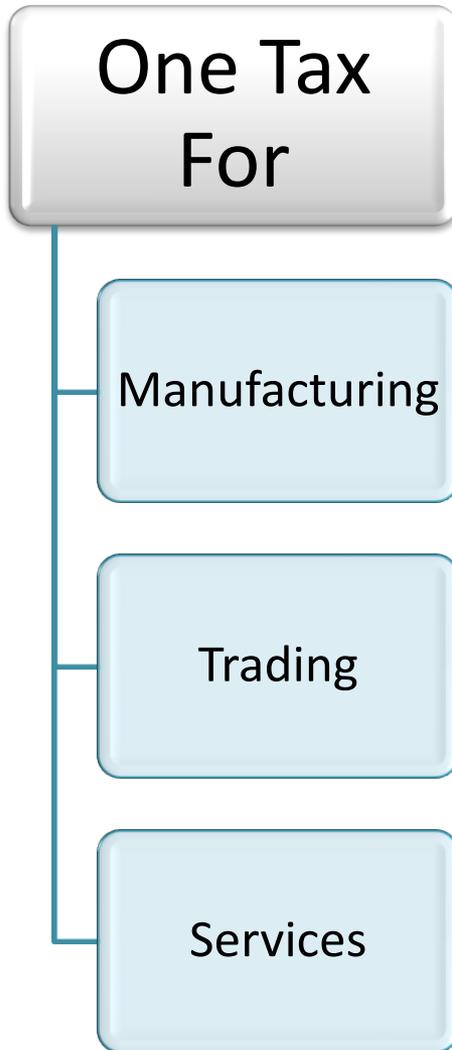
# GST Overview – Topics Covered

- GST & its advantages
- Features of the Constitution Amendment Act
- Salient features
- Tax Structure under GST
- GST - Canons of Taxation
- Outlines - GST Acts
- Questions

# What is GST?

- An Indirect Tax
- Biggest tax reform since independence
- Goods and Services Tax, levied on
  - Supply of goods or
  - Supply of services or
  - Both
- Single tax on supply of goods/services

# What is GST?



**ONE NATION: ONE TAX**

# What is GST?

- Levied at all stages of supply chain
  - With the benefit of set-off of tax paid
- Value Added Tax
  - System of Input Tax Credit
- Destination based consumption tax
  - Destination based tax
  - Consumption tax

# Advantages of GST

- Replaced complex tax structure
- Subsumed (9) state indirect taxes:
  - VAT,
  - CST,
  - Entertainment Tax,
  - Luxury Tax,
  - Entry Tax,

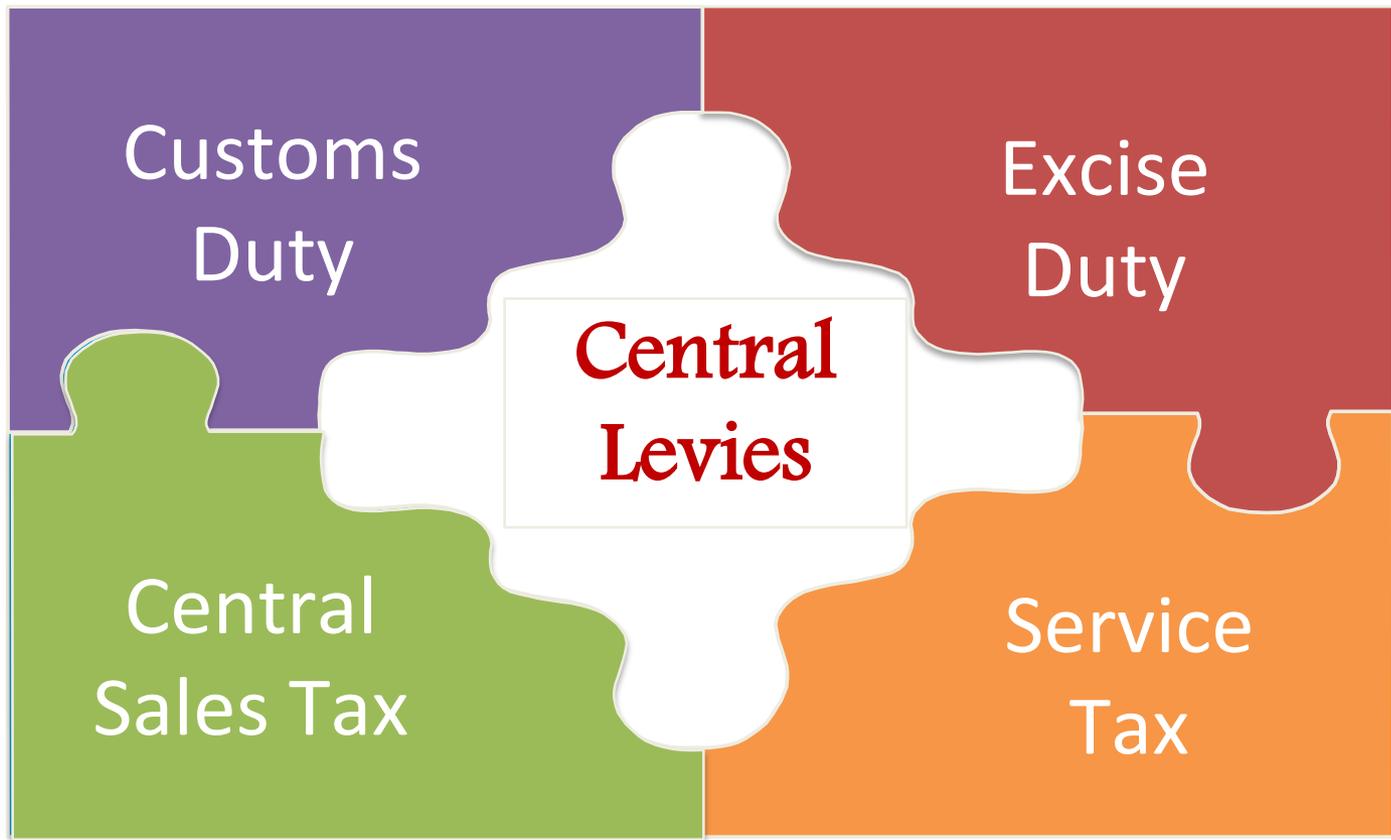
# Advantages of GST

- Subsumed (9) state indirect taxes:
  - Purchase Tax,
  - Tax on Advertisement,
  - HRBT,
  - State surcharges & cesses
- Subsumed (8) central indirect taxes:
  - Central Excise duty,
  - Duties of excise (Medicinal & Toilet preparations),

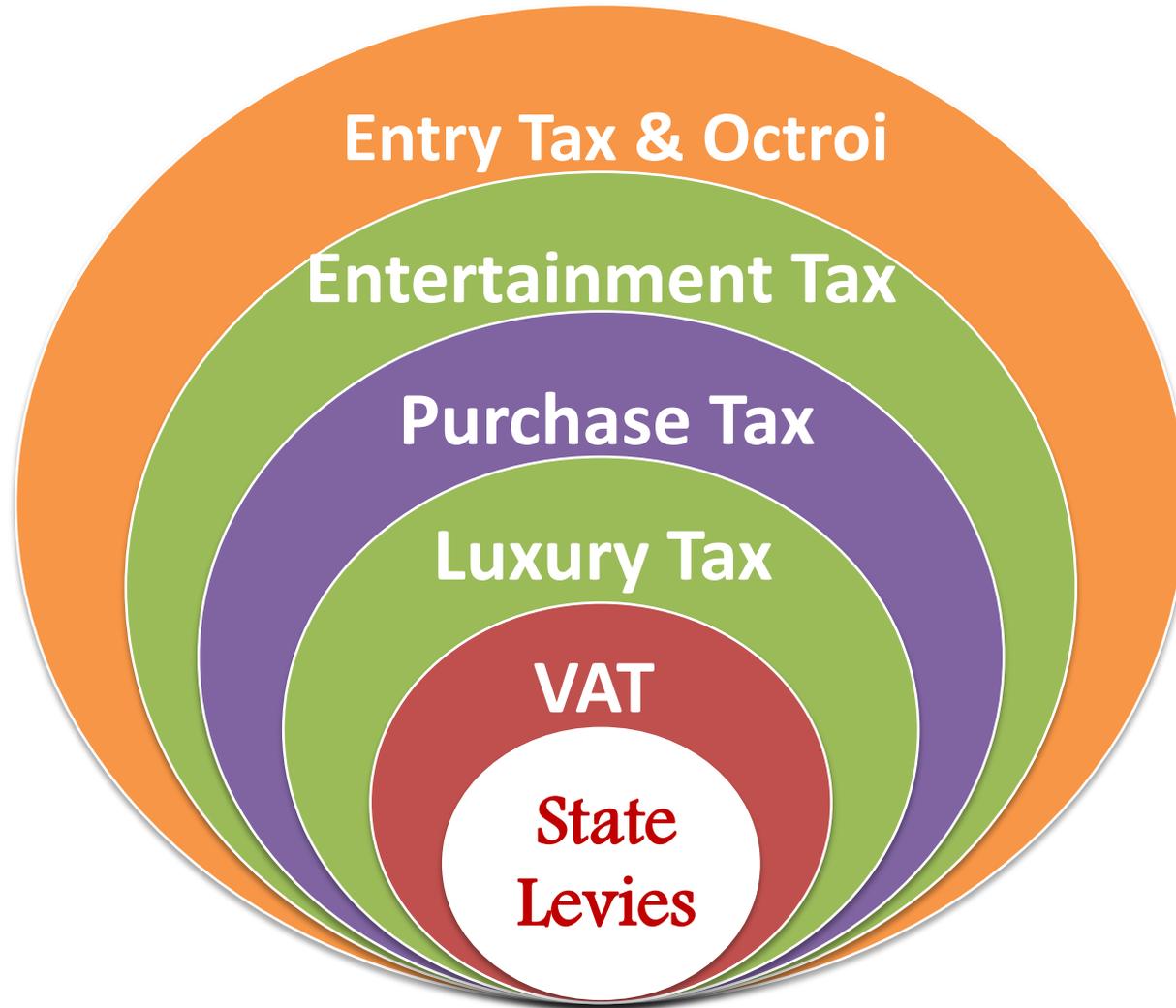
# Advantages of GST

- Subsumed (8) central indirect taxes:
  - Additional duties of Excise (Goods of spl. Imp.),
  - Additional duties of excise (Textiles & its products),
  - Counter veiling Duty (CVD),
  - Spl. Addl. Duty of Customs (SAD),
  - Service Tax &
  - Central surcharges

# PRE GST INDIRECT TAX STRUCTURE



# PRE GST INDIRECT TAX STRUCTURE



# Advantages of GST

- Removal of cascading effect
  - Removal of Tax on Tax
  - Seamless flow of Input tax credit
- Uniform rate of tax
- Development of unified national market
- Synchronization of procedures
  - Return filing, Payment of Taxes etc
- Removal of border check posts

# Limitations of Pre GST Tax Regime

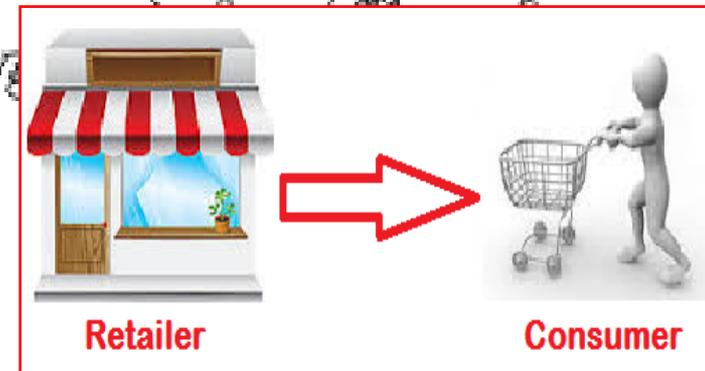
## Cascading Effect of Tax

MAHARASHTRA

MADHYA PRADESH

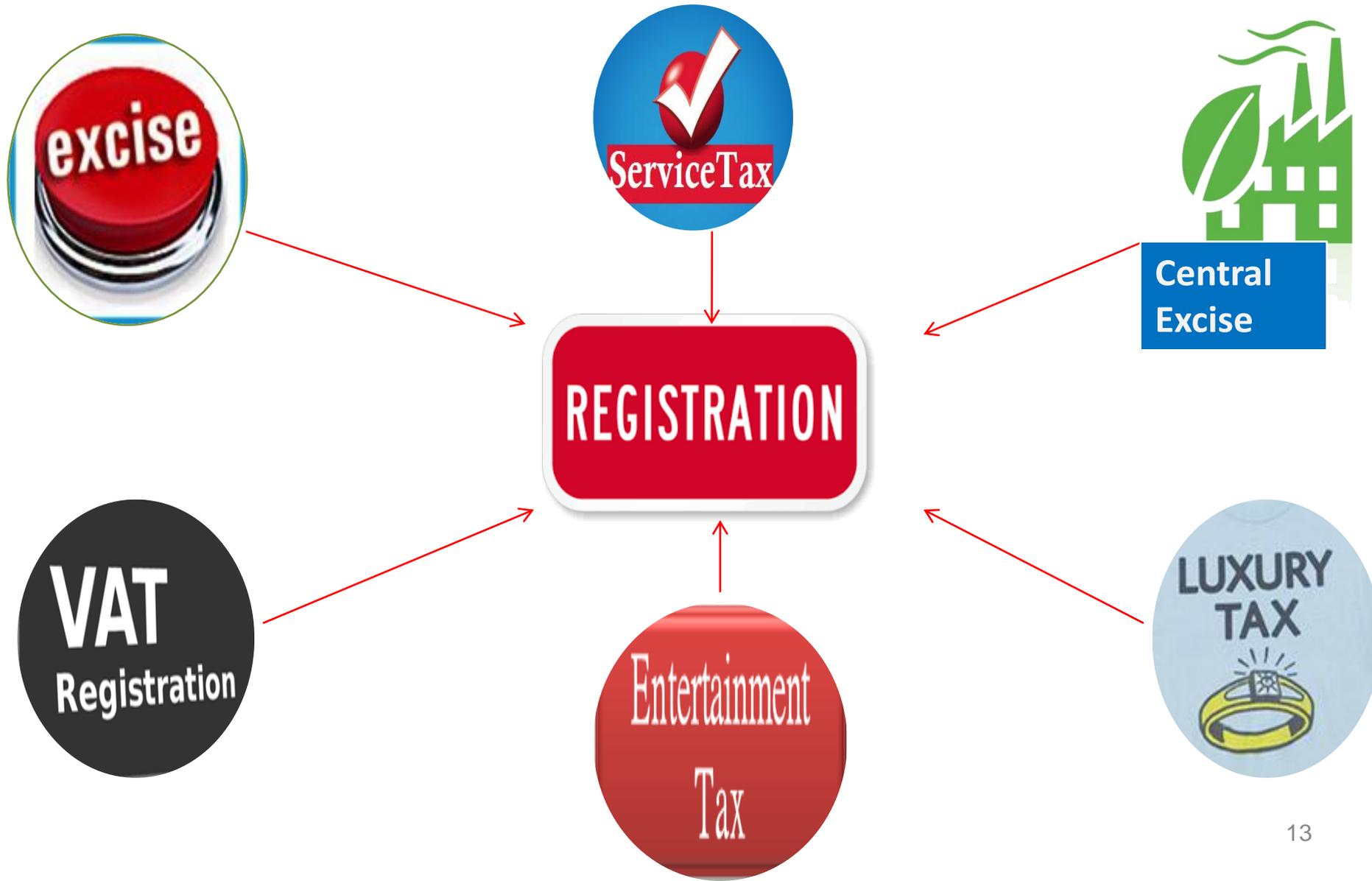


Credit of Excise not allowed

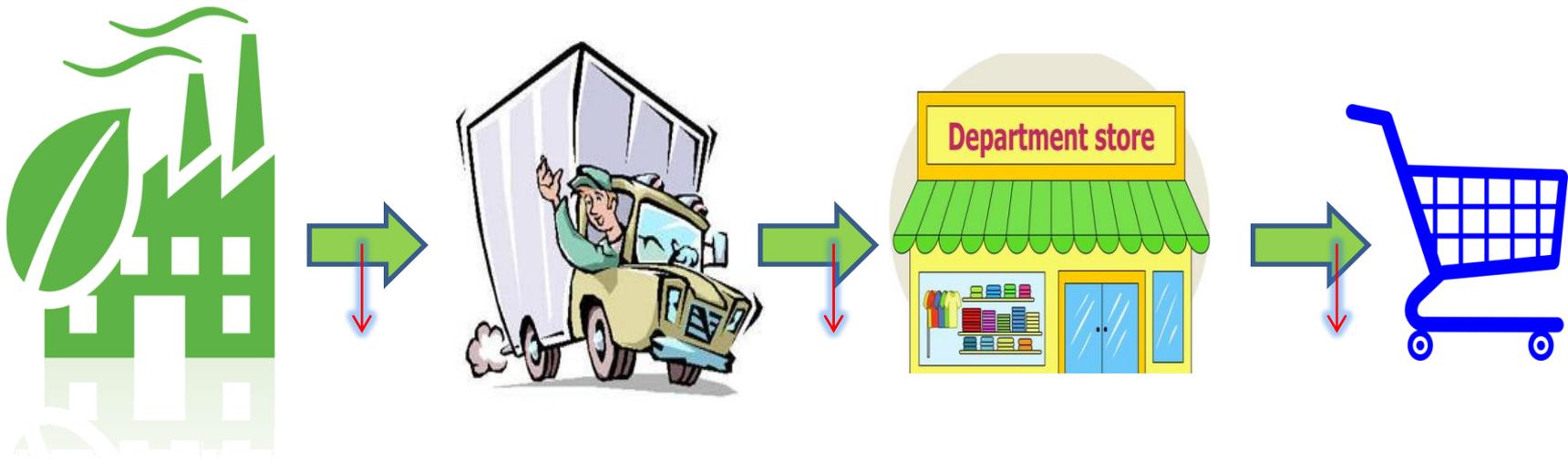


Credit of CST Not Available

# Multiple Registrations



# Different Points of Taxation

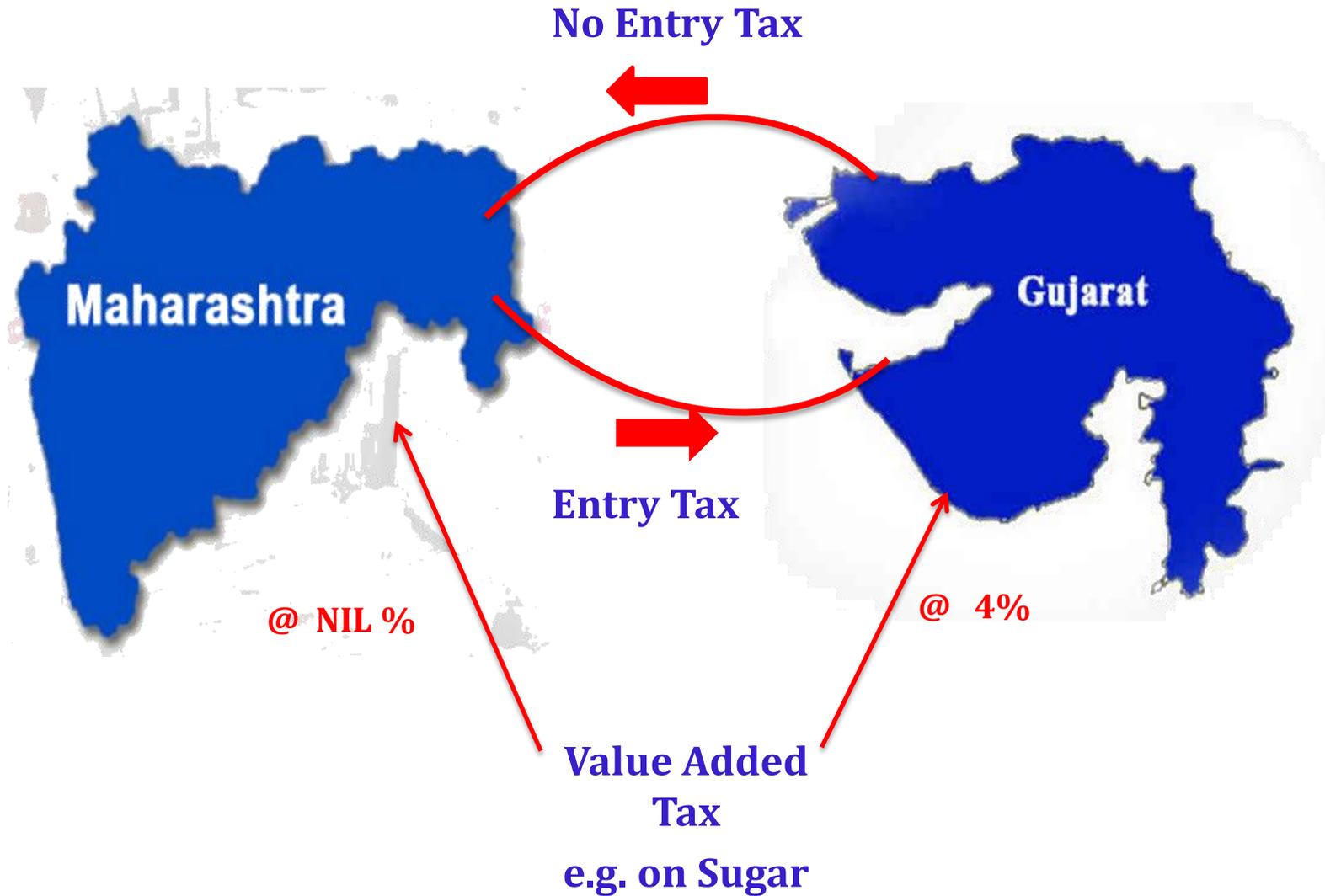


**Central Excise**  
**(On**  
**Manufacturing)**

**Service Tax**  
**(On provision of**  
**Service)**

**VAT**  
**(On sale of**  
**Goods)**

# Lack of Uniformity

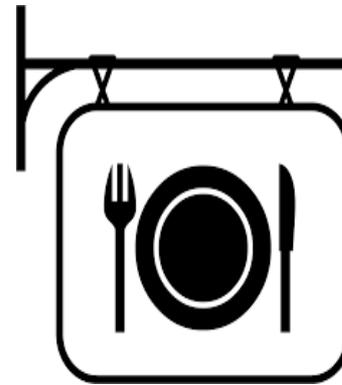


# Goods Vs. Services dilemma?

License  
Software in CD



Sale of Food In  
Restaurant



Services



Sale

Manufacturing

# Advantages of GST

- Technology driven
  - Transparency
  - Ease of doing business
  - Single IT interface
- Higher threshold limits
- Composition scheme for small businesses

# Features of the Constitution Amendment Act

- Concurrent Jurisdiction – Dual GST
- Creation of GST Council
- Liquor for human consumption is kept out of GST – Power to tax remains with the State.
- Five petroleum products kept out of GST temporarily - Petroleum crude, High Speed Diesel, Petrol, Natural Gas and ATF
- Five Petroleum products and Tobacco and its products - liable for excise duty (beside GST)

# Features of the Constitution Amendment Act

## GST Council

- Union Finance Minister is the Chairman
- Minister of Finance/Taxation of State Government is Member of the Council.
- Quorum is 50%.
- States –  $2/3^{\text{rd}}$  weightage and Centre  $1/3^{\text{rd}}$  weightage.
- Decision by 75% majority.
- Council to make recommendations related to GST including Laws, Rules and Rates.

# Features of the Constitution Amendment Act

- Compensation to States for a period of 5 years
- GST (Compensation to States) Act provide for
  - levy of Compensation cess
  - procedure to arrive shortfall
  - goods or services liable for cess
- Revenue out of cess to be utilized for compensation of revenue to states

# GST – Salient Features

- Centre levies CGST and states levy SGST on the same value on intra state supplies.
- Centre to levy and collect IGST on inter state supplies
- Customs duty not subsumed in GST
- IGST is liable on import supplies
- IGST is collected along with customs duty
- Real estate is also out of GST

# GST – Salient Features

- Destination based tax.
  - SGST accrues to the state where the goods and services are finally consumed
  - CGST accrues to the centre
- Input Tax Credit – Tax already paid at one stage is deducted at the next stage in the value chain
- Removal of interstate barriers by removal of CST

# TAX STRUCTURE UNDER GST

**CGST**

- **Stands for Central GST**
- **Levied by Central Government**
- **On supplies within the state**

**SGST**

- **Stands for State GST**
- **Levied by State Government**
- **On supplies within the state**

# TAX STRUCTURE UNDER GST

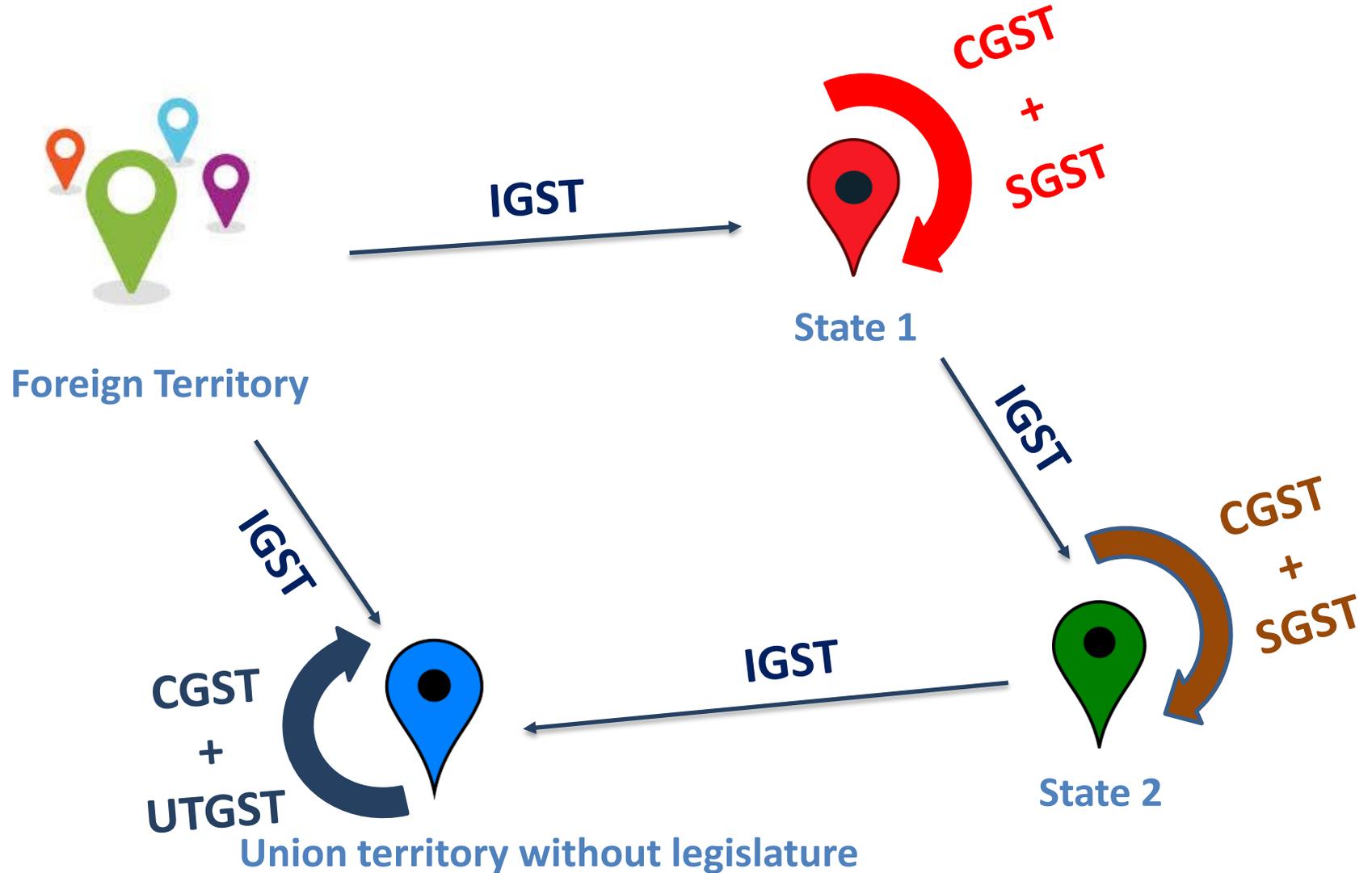
**UTGST**

- **Stands for Union Territory GST**
- **Levied by Union Government**
- **On supplies within the Union Territory**

**IGST**

- **Stands for Integrated GST**
- **Levied by Centre**
- **On interstate and import transactions**

# Understanding CGST, SGST, UTGST & IGST



# GST - Canons of Taxation

1. Character of the imposition - Taxable event attracting the Levy
2. Clear indication of the person on whom levy is imposed – Taxable person
3. Rate at which the tax is imposed – Rate of tax
4. Measure or value to which the rate is applied – Transaction Value

(Govind Saran Ganga Saran vs. Commissioner of Sales tax – 1985 AIR 1041 – SC)

# GST - Canons of Taxation

- Taxable event is “Supply” under GST
- Supply includes
  - All forms of supply of goods/services such as
    - Sale
    - Transfer
    - Barter
    - Exchange
    - License
    - Rental
    - Lease or
    - disposal
  - for a consideration by a person
  - in the course of furtherance of business

# GST - Canons of Taxation

- Taxable person (Sec 2(107))
  - person registered or liable to be registered
  - threshold limit for registration
  - mandatory registration
- Person (Sec 2(84))
  - an individual
  - a HUF
  - a Company
  - a Firm

# GST - Canons of Taxation

- Person (Sec 2(84))
  - a limited liability partnership
  - an AOP
  - any corporation
  - any body corporate under the laws of foreign countries
  - a cooperative society
  - a local authority
  - central government / state government
  - society as defined under societies registration act
  - trust; and
  - every artificial judicial person

# GST - Canons of Taxation

## Charging Section:

- Sec. 9 – Levy and collection
- Section 9(1) – There shall be levied a tax called (CGST/SGST/IGST) on all intra-state/inter-state
  - **Supplies of goods or services or both** (except on liquor for human consumption)
  - on the **value** determined under section 15
  - and at such **rates** (not exceeding 20%/40%)
  - shall be paid by **taxable person** in such manner

# Outlines - GST Acts

## CGST Act 2017

- Enacted by Parliament
- Empowers levy of central tax on intra state supplies
- 21 Chapters, 174 sections and 3 schedules
- Empowering executive to make rules and notifications etc
- Cross empowerment
- Allocation of RPs between centre and states for the purpose of administration

# Outlines - GST Acts

## SGST Act 2017

- Enacted by State Legislatures
- Mirror image of CGST Act with some state specific exceptions
- UT with legislature is state for GST
- Enabling levy of state tax on intra state supplies
- Cross empowerment
- All GST Acts to be administered by the respective authority

# Outlines - GST Acts

## CGST/SGST Act 2017 - Provides for

1. Levy of tax – not exceeding 20%
  - Regular Levy – Composite supply – Mixed supply
    - Forward charge and
    - Reverse charge
  - Composition Levy
    - Suppliers of goods
    - Restaurant service suppliers
    - Mixed suppliers (both goods & services)

# Outlines - GST Acts

## CGST/SGST Act 2017 - Provides for

### 2. Persons liable for tax

- Taxable person
- threshold limit for registration
- Mandatory registration

### 3. Time of supply

- When to account for tax

### 4. Rate of Tax

- Maximum rate is prescribed under the Act
- Delegated to executive – various slabs
- Exemptions

# Outlines - GST Acts

CGST/SGST Act 2017 - Provides for

## 5. Value of supply

- Value on which tax rate to be applied

## 6. Input Tax Credit

- Eligibility & Conditions
- Reversal of Credit
- Ineligible credit

## 7. Accounts & Records

- Tax invoice
- Credit/Debit note

# Outlines - GST Acts

CGST/SGST Act 2017 - Provides for

## 8. Payment of Tax

- Electronic cash ledger
- Modes of payment of tax

## 9. Returns

- Periodical return
- Annual return
- Final return
- Invoice matching
- Electronic Liability & Credit ledgers
- Set off of Liability

# Outlines - GST Acts

CGST/SGST Act 2017 - Provides for

## 10. Refunds

- ITC Refund
  - Zero rated – Exports, SEZ Supplies etc
  - Inverted tax structure
- Excess cash balance & others

## 11. Assessment

- Self assessment
- Non filer assessment etc

## 12. Audit

# Outlines - GST Acts

CGST/SGST Act 2017 - Provides for

## 13. Inspection, Search, Seizure & Arrest

- Inspection and search of premises
- Inspection of goods in movement
- Seizure of goods, documents etc.
- Arrest

## 14. Determination of tax

- Other than fraud
- Due to fraud

## 15. Recovery of demands/arrears

# Outlines - GST Acts

## CGST/SGST Act 2017 - Provides for

16. Offences and Penalties

17. Appeals and Revisions

18. Advance Ruling Mechanism

19. Anti- Profiteering Mechanism

20. Tax deduction at source

- TDS by notified recipients

- Tax collection at source - ecommerce

21. Transitional provisions

22. Miscellaneous provisions

# Outlines - GST Acts

CGST/SGST Act 2017 - Provides for

- Schedule I : Activities to be treated as **Supply** even without consideration
- Schedule II: Activities to be treated as supply of goods or supply of services
- Schedule III: Activities shall be treated neither as a supply of goods nor a supply of services

# Outlines - GST Acts

## IGST Act, 2017 - Provides for

- 9 Chapters and 25 Sections
  - Levy of IGST on inter state supplies – not exceeding 40%
  - Import of goods/services be inter state supply
  - Levy of IGST on import of goods under customs Tariff Act, 1975
  - Reverse charge on import of services
  - Determination of nature of supply – whether inter state or intra state

# Outlines - GST Acts

IGST Act, 2017 - Provides for

- Empowering executive to notify rate of tax and exemptions
- Provisions for determining the place of supply
- Apportionment of tax and settlement of funds between Central / State Governments

# Important Definitions

- **“goods”** means (Sec 2(52))
  - every kind of movable property other than money and securities
  - but includes actionable claim, growing crops, grass and things attached to the land
  - The “Actionable claims, other than lottery, betting and gambling” are treated neither supply of goods nor supply of services. (Schedule III)
- **“services”** means (Sec 2(102))
  - anything other than goods, money and securities
  - but includes activities relating to the use of money involving consideration

# Important Definitions

- **“aggregate turnover”** means (Sec 2(6))
  - the aggregate value of
    - all taxable/exempt supplies
    - exports of goods or services or both and
    - interstate supplies
  - to be computed on all India basis
  - but excludes levy under GST

# Important Definitions

- **“ Business”** includes (Sec 2(17))
  - (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 the 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;

# Important Definitions

- **“ Business”** includes (Sec 2(17))
  - (e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;
  - (f) admission, for a consideration, of persons to any premises;
  - (g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;

# Important Definitions

- **“ Business”** includes (Sec 2(17))
  - (h) services provided by a race club by way of totalisator or a license to book maker in such club; and
  - (i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities;

# Questions

1. Constitution amendment act which enabled to introduce GST in India  
(a) 100<sup>th</sup> (b) 101<sup>st</sup> (c) 122<sup>nd</sup> (d) None of these
2. Which of the following tax is not subsumed in GST?  
(a) VAT (b) Customs duty (c) Entry tax (d) Luxury tax
3. 'X', a registered person, imported goods from china. Is the transaction interstate supply or intrastate supply? (\_\_\_\_\_)
4. Maximum Rate of tax prescribed under CGST Act \_\_\_\_\_.

# Questions

5. Which of the following tax is subsumed in GST?  
(a) Service tax (b) Income tax (c) Corporate tax (d) Stamp duty
6. GST is liable on  
(a) Manufacturing (b) Trading (c) Services (d) All
7. Chairman of the GST Council  
(a) Union Finance minister (b) Prime Minister  
(c) President (d) Union Commerce Minister
8. Which is covered under GST?  
(a) Liquor for human consumption (b) Real estate (c) Petrol (d) Medicines

# Questions

9. Which is not the feature of GST?

- (a) Value Added Tax
- (b) Uniform rate of tax
- (c) Consumption tax
- (d) Origin based tax

10. IGST is levied by

- (a) Central Government
- (b) State Government
- (c) Union Territory
- (d) None of these

**THANK YOU**