

KARPAGAM ACADEMY OF HIGHER EDUCATION

FIRST INTERNAL EXAMINATION

II MCOM

INDIRECT TAX LAWS

ANSWER KEY CIA

PART - A

1. A

2. A

3. B

4. C

5. B

6. A

7. B

8. C

9. A

10. C

11. B

12. A

13. B

14. A

15. D

16. D

17. B

18. A

19. C

20. D

## PART – B

21. Indirect Tax is a tax collected by an individual by 'indirect means' in a pecuniary term on his sale and purchase by the authority of law under Indian constitution. Indirect tax is one of the branches of tax laws and another is direct tax. Indirect tax is also known as consumption tax because they are based on the ability to pay principle which means a tax which is not levied directly on the incomes of earner or consumer.

22. Service tax, VAT, Central Excise Duty, Customs Duty, Central Sales Tax, Expenditure Tax, Stamp Duties and Securities Transaction Tax.

23. Pros: The poor can contribute, Convenient, Broad based, Easy Collection, Non Evadable, Elastic, Equitable, Check harmful consumption.

Cons: Regressive, Uncertain, Raising Prices Unduly, Uneconomical, No Civic Consciousness, Harmful to Industries.

## PART – C

24. A) The Scientific Division of Tax Powers, Larger share of Indirect Taxes, Multiplicity of Tax Structure, Insufficient Tax Revenue, Greater Importance to State Government in Federal Fiscal System, Incidence of Taxation, Progressiveness in Tax Structure, Narrow Base, Complexity of Indian Tax Laws, Integration between Centre and State Revenue.

(OR)

24. B) Advantages: The poor can contribute, Convenient, Broad based, Easy Collection, Non Evadable, Elastic, Equitable, Check harmful consumption.

Disadvantages: Regressive, Uncertain, Raising Prices Unduly, Uneconomical, No Civic Consciousness, Harmful to Industries.

25. A) Meaning – Nature – Incidence and Impact – Types – Evasion – Inflation – Imposition and Collection – Burden – Event.

(OR)

25. B) Military defence, Enforcement of law and order, Redistribution of wealth, Economic infrastructure — roads, ports etc, Social welfare, Social Infrastructure like Education, Health etc, Social Security Measures like Pensions for the Elderly, Unemployment Benefits.

26. A) an excise or excise tax is any duty on manufactured goods which is levied at the moment of manufacture, rather than at sale. Section 3. Duties specified in First Schedule and the Second Schedule to the Central Excise Tariff Act, 1985 to be levied. Section 3A. Power of Central Government to charge excise duty on the basis of capacity of production in respect of notified goods. Section 4. Valuation of excisable goods for purposes of charging of duty of excise.

(OR)

- 26. B) Basic Excise Duty National Calamity Contingent Duty, Special Excise Duty, Excise Duties and Cess Leviable under Miscellaneous Act, Additional Duties of Excise (Textiles and Textile Articles), Education Cess, Additional Duties of Excise

KARPAGAM ACADEMY OF HIGHER EDUCATION

SECOND INTERNAL EXAMINATION

II MCOM

INDIRECT TAX LAWS

ANSWER KEY CIA

PART - A

1. B

2. A

3. A

4. A

5. B

6. C

7. C

8. D

9. B

10. B

11. B

12. B

13. C

14. B

15. B

16. B

17. A

18. A

19. B

20. B

## PART B

21. Supplies for consideration, Supplies without consideration, Deemed Supply

22. GST registration must be obtained within 30 days of exceeding the Rs.25 lakh turnover limit. In the case of individuals or entities with existing service tax or VAT registration, the procedure for migrating the VAT or Service Tax registration as a GST registration announced.

23. SGST – STATE Goods and Service Tax CGST – Central Goods and Service Tax

## Part C

24. A) Benefits: GST provides comprehensive and wider coverage of input credit setoff, you can use service tax credit for the payment of tax on sale of goods etc., CST will be removed and need not pay. At present there is no input tax credit available for CST, Many indirect taxes in state and central level included by GST, You need to pay a single GST instead of all, Uniformity of tax rates across the states, Ensure better compliance due to aggregate tax rate reduces, By reducing the tax burden the competitiveness of Indian products in international market is expected to increase and there by development of the nation, Prices of goods are expected to reduce in the long run as the benefits of less tax burden would be passed on to the consumer. Features - Destination based Consumption, Dual GST , Integrated GST .

(OR)

24. B) Stage 1 – Stage 2 –Stage 3 GST Rates Structure.

25. A) the taxable event under GST is the Supply of Goods and/Services. All taxes such as Central Excise, Service Tax and VAT/CST will be subsumed under GST, and the concept of manufacture of goods, sale of goods, and provision of services would no longer be relevant.

The definition of supply as laid under section 7, of the Central GST Act, 2017- inclusive definition. The term ‘supply’ includes all forms of supply of goods or services for a consideration.

(OR)

25. B) Composition Rules, Valuation Rules, Transition Rules, ITC Rules, Revised Invoice Rules, Revised Payment Rules, ·Revised Refund Rules.

26. A) GST Rates – Slabs – Stages – Goods Imposed

(OR)

26. B) GSTN – Structure – Salient Features – GST Framework.

Register No.: \_\_\_\_\_  
16CCP303

**KARPAGAM UNIVERSITY**  
(Under Section 3 of UGC Act 1956)  
**COIMBATORE – 641 021**  
(For the Candidates admitted from 2015)  
**FIRST INTERNAL EXAMINATION**

**II M.com CA**  
**INDIRECT TAX LAWS**

Time : 2 Hours  
Date :

Max. Marks:50

**PART – A (20X 1 = 20)**  
Answer the following questions

1. ----- Looks after the functions of Government of India with regard to taxation matters  
a) Department of Revenue    b) Department of Sales    c) Central Excise Dept    d) None of the above
2. Tax imposed on consumption is called as:  
a) Indirect Tax    b) Direct Tax    c) Income Tax    d) None of the above
3. Tax imposed directly on income and property is known as:  
a) Indirect Tax    b) Direct Tax    c) Income Tax    d) None of the above
4. The department of revenue functions under the direction and control of:  
a) Secretary (Central Excise)    b) Secretary (Sales)    c) Secretary (Revenue)    d) Chairman (Central Excise)
5. Value Added Tax is:  
a) Direct Tax    b) Indirect Tax    c) Progressive Tax    d) None of these
6. ----- is a tax on value added by any economic action to commodities and to the services tendered.  
a) VAT    b) Sales tax    c) Income tax    d) Service tax

7. Sales tax, central sales tax is levied by \_\_\_\_\_  
a) State government    b) central government    c) Local authorities    d) revenue department
8. Tax is derived from Latin word \_\_\_\_\_  
a) Taxone    b) Individual state    c) Taxore    d) Taxmine
9. \_\_\_\_\_ will get tax revenue from sales tax, excise on liquor.  
a) State government    b) central government    c) local authorities    d) revenue department
10. Indirect taxes are included in the \_\_\_\_\_ of the commodities  
a) Purchase price    b) Product price    c) Selling price    d) Spending amount
11. The basic purpose of taxation is \_\_\_\_\_  
a) Increasing revenue    b) raising revenue    c) enormous revenue    d) imposes revenue
12. Indirect taxes \_\_\_\_\_ the prices of products  
a) Increase    b) decrease    c) both a and b    d) none of these
13. Direct taxes are based on the principle of \_\_\_\_\_ to pay.  
a. Willingness    b. Ability    c. wealth    d. Income
14. The levy of \_\_\_\_\_ is an indirect tax.  
a. Central excise duty    b. Income tax    c. Wealth tax    d. Gift tax
15. \_\_\_\_\_ are excluded specifically from the purview of both union and state list.  
a. Petrol    b. Cigarettes    c. Oils    d. Newspapers
16. Lesser demand means \_\_\_\_\_ of industrialization  
a. lower price    b. lower supply    c. lower rate    d. lower growth
17. Removal of regional imbalances, the government can use \_\_\_\_\_  
a. tax policy    b. tax measures    c. tax exemptions    d. tax concessions
18. Concurrent list contain entries of \_\_\_\_\_ and state governments  
a) Union    b) central    c) exclusive    d) constitution
19. Political factors are influencing \_\_\_\_\_ of government.  
a) tax returns    b) tax evasion    c) tax policy    d) tax system
20. Indirect taxes are \_\_\_\_\_ in nature  
a) progressive    b) deploy    c) poor    d) regressive

**Part-C (3\*2=6)**  
**Answer the following questions**

- 21) what are the meaning of indirect taxes?
- 22) Write down the types of indirect taxex?
- 23) What is pros and cons of indirect taxes?

**Part-C (3\*8=24)**  
**Answer the following questions**

- 24.a) What are the salient features of indirect taxes?

OR

- b) What are the advantages and disadvantages of indirect tax?

- 25.a)Difference between Direct tax and Indirect tax?

OR

- b) What is the contribution to government revenue?

- 26.a) What do you mean by Excise Duty ? Explain the collection of excise duty.

OR

- b) Explain the kinds of excise duty

Register No.: \_\_\_\_\_  
[16CCP303]

**KARPAGAM UNIVERSITY**  
(Under Section 3 of UGC Act 1956)  
**COIMBATORE – 641 021**

(For the Candidates admitted from 2015)

**SECOND INTERNAL EXAMINATION SEPTEMBER 2017**

**INDIRECT TAX LAWS**  
**II M.COM (CA)**

**Time: 2 ½ Hours**  
**Date: 12-09-2017**

**Max. Marks:50**

**PART – A (20X 1 = 20)**  
**Answer the following questions**

1. Under which of the following method, payments to various factors of production are accounted for:  
a) Product method b) Income method c) Expenses method d) Consumption method
2. In which of the following method, subtraction procedure is followed  
a) Product method b) Income method c) Expenses method d) Consumption method
3. under which method, a firm is permitted to deduct VAT paid by it on its purchase from other units  
a) Tax Credit Method b) Product method  
c) Cost subtraction method d) consumption method
4. VAT is calculated by deducting tax credit from tax collected:  
a) During the payment period b) During any period  
c) During assessment period d) During the financial year
5. Service tax is levied in India by following the  
a) Comprehensive approach b) Selective approach  
c) Both a and b d) none
6. The power to make rules for service tax is given to central government by which of the sec.  
a) Sec 66 and 67 b) Sec 94 c) Sec 94 and 96 d) Sec 93 and 94

7. Service tax is payable on the value of taxable service  
a) 12% b) 12.24% c) 12.36% d) 10.30%
8. Education cess was levied by  
a) The Finance Act, 1994 b) The Finance Act, 1995  
c) The Finance Act, 2006 d) The finance No.(2) Act, 2004
9. Where service is received from outside India such service shall be  
a) Taxable in the hands of service provide b) Taxable in the hands of service recipient  
c) Both a and b d) Exempt from service tax
10. Service tax is not payable if the aggregate value of taxable service does not exceed  
a) Rs.8,00,000 b) Rs.10,00,000 c) Rs. 4,00,000 d) Rs. 6,00,000
11. The provisions relating to valuation of taxable services are contained in which of the sec of finance act, 1994  
a) Sec 65 b) Sec 67 c) Sec 65 A d) Sec 66
12. Service tax was introduced in India on the recommendation of  
a) Kelkar committee b) Dr.Raja J Chaliah committee  
c) Dr.Man Mohan Singh committee d) Dr. Yashwant committee
13. Sec 67 of the finance act deals with  
a) Registration b) Exemption from service tax c) Valuation of service d) None
14. Under which section assessee is required to submit ST-3 returns  
a) Sec 66 b) Sec 70 c) Sec 73 d) Sec 61
15. Maximum late fee for delay in submission of ST-3 returns  
a) Rs.5000 b) Rs.2000 c) Rs.3000 d) Rs.6000
16. As per Rule 5 of service tax rule, 1994 service provider should preserve records for a period of  
a) 10 years b) 5 years c) 7 years d) 2 years
17. Adjustment of excess of service tax can be allowed on the basis of  
a) Pro-rate b) Total amount at one time c) only 80% d) only 50%
18. In which of the following cases, service receiver is liable to get registered mand pay service tax  
a) Imports b) exports c) Advertising agency's services d) Broadcasting services

19. Which is full form of CESTAT?

- a) Central Excise and Service Tax Appellate Tribunal
- b) Customs Excise and Service Tax Appellate Tribunal
- c) Central Service tax Appellate Tribunal
- d) none

20. e-payment of service tax is mandatory

- a) If assessed paid service tax more than Rs. 10 lakh by cash only in the preceding financial year
- b) If assess paid service tax more than Rs.10 lakh including amount paid by Cenvat A/C
- c) Every assess is required to pay service tax through e-payment
- d) If assess paid service tax more than Rs.5 lakh including amount oaid by Cenvat A/C

**Part-B (3\*2=6)**

**Answer the following questions**

21. Give the types of supply?

22. Why registration in GST is needed?

23. What is SGST and CGST?

**Part-C (3\*8=24)**

**Answer the following questions**

21. a) What are the features and benefits of GST ??

OR

b) Explain GST Working Mechanism and composition scheme.

22. a) Write a short note on Meaning and scope of supply?

OR

b) Explain the rules and the registration under GST?

23. a) what are the GST rates and taxes on GST?

OR

b) Explain Goods And Services Tax Network (GSTN).

Reg. No.....

[14CMP305]

**KARPAGAM UNIVERSITY**

Karpagam Academy of Higher Education  
(Established Under Section 3 of UGC Act 1956)

COIMBATORE – 641 021

(For the candidates admitted from 2014 onwards)

**M.Com, DEGREE EXAMINATION, NOVEMBER 2015**

Third Semester

**COMMERCE**

**INDIRECT TAXATION**

Time: 3 hours

Maximum : 60 marks

**PART – A (20 x 1 = 20 Marks) (30 Minutes)**  
**(Question Nos. 1 to 20 Online Examinations)**

**PART B (5 x 8 = 40 Marks) (2 ½ Hours)**  
**Answer ALL the Questions**

21. a. Describe the characteristic features of a tax.  
Or  
b. Explain various canons of taxation.
22. a. Differentiate between excise duty and customs duty.  
Or  
b. Describe various bases of excise duty.
23. a. Explain various types of customs import duties.  
Or  
b. State and explain the provisions of the Customs Act 1962, which relate to grant of exemption from duty.
24. a. Explain the penal provisions relating to service tax.  
Or  
b. Describe the assessment procedure for service tax.
25. a. Discuss the objectives of VAT.  
Or  
b. Describe the difficulties in administering VAT in India.

Reg. No.....

[11CMP302/11CCP302]

**KARPAGAM UNIVERSITY**

(Under Section 3 of UGC Act 1956)

COIMBATORE – 641 021

(For the candidates admitted from 2011 onwards)

**M.Com. DEGREE EXAMINATION, APRIL 2013**

Third Semester

**COMMERCE/ COMMERCE (COMPUTER APPLICATIONS)**

**INDIRECT TAXATION**

Time: 3 hours

Maximum : 100 marks

**PART – A (15 x 2 = 30 Marks)**

**Answer ALL the Questions**

1. What do you mean by incidental process of manufacture?
2. What is specific duty?
3. What is assessable value?
4. Define the term 'export'
5. What is tariff value?
6. What is the rate of exchange for customs valuation?
7. What are similar services?
8. What is best judgement assessment?
9. What is reverse charge?
10. What do you mean by GST?
11. Who is an assessee?
12. What is indirect tax?
13. What is sale of CST purpose?
14. Explain the taxability of 'newspaper' as per CST Act.
15. What is transfer of property?

**PART B (5 X 14= 70 Marks)**

**Answer ALL the Questions**

16. a. Explain various methods of computation of central excise duty.  
Or  
b. What are the basic requirements of Transactions value of Central Excise?
17. a. Describe various methods of computation of customs duty.  
Or  
b. What are the inclusions of customs value of imported goods?

18. a. What are the conditions to be satisfied for exclusion from 'value' for service tax?

Or

- b. Explain the elements exempted from Service Tax.

19. a. Describe the advantages and disadvantages of Indirect Taxes.

Or

- b. Explain the features of Indirect Tax.

20. a. Explain the elements of sales price according to CST Act.

Or

- b. What are the essential features of inter-state sales?

Reg. No. ....

[11CMP302/11CCP302]

**KARPAGAM UNIVERSITY**

(Under Section 3 of UGC Act 1956)

COIMBATORE – 641 021

(For the candidates admitted from 2011 onwards)

**M.Com. DEGREE EXAMINATION, NOVEMBER 2012**

Third Semester

**COMMERCE/ COMMERCE (COMPUTER APPLICATIONS)**

**INDIRECT TAXATION**

Time: 3 hours

Maximum : 100 marks

**PART – A (15 x 2 = 30 Marks)**

Answer ALL the Questions

1. What are the conditions to levy Central Excise Duty?
2. Whether "electricity" is goods for central excise purpose?
3. What is taxability on scrap if final product is exempt from excise duty?
4. Define the term 'import'.
5. What are the debatable goods?
6. Explain 'residual method'.
7. What are 'such service'?
8. What is taxability on 'free services'?
9. Who is an 'assessee' as per Service Tax Rules?
10. Give any two examples of indirect tax.
11. State any two features of GST.
12. Why do we need indirect tax system?
13. Define 'goods' for CST purpose.
14. What are the transactions not treated as sale for the purpose of CST?
15. What are specific goods as per CST Act?

**PART B ( 5 X 14= 70 Marks)**

Answer ALL the Questions

16. a. The selling price of a product, inclusive of basic excise duty @ 16% and education less is Rs. 1500 per piece. Compute duty payable per piece.  
Or
- b. What are the similarities and distribution between input service distributor and registered dealer?

17. a. Explain the similarities between customs and Central Excise.

Or

- b. What do you mean by anti-dumping duty? Also explain the provisions relating to it.

18. a. Explain the procedures of service tax management.

Or

- b. Describe the persons liable to pay service tax.

19. a. What are the advantages and disadvantages of indirect taxes?

Or

- b. Explain the features of indirect tax.

20. a. What are the basic provisions of CST Act?

Or

- b. What are deemed sales under CST Act?

**KARPAGAM UNIVERSITY**

(Under Section 3 of UGC Act 1956)

COIMBATORE – 641 021

(For the candidates admitted from 2012 onwards)

**M.Com. DEGREE EXAMINATION, NOVEMBER 2013**

Third Semester

**COMMERCE (COMPUTER APPLICATIONS)****INDIRECT TAXATION**

Time: 3 hours

Maximum : 100 marks

**PART – A (15 x 2 = 30 Marks)**

Answer ALL the Questions

1. What is indirect tax? Give example
2. What do you mean by impact and incidence of taxation?
3. What is meant by corporation tax?
4. Define Goods.
5. Define Dealer.
6. What is assessable value?
7. Write a note on anti – dumping duty.
8. Define imported goods
9. When levied by excise duty?
10. What is education cess?
11. Define taxable service.
12. Define service tax.
13. What is meant by 'sale' under CST Act?
14. Write any two differences between state sale tax and central sales tax.
15. List the declared goods under CST Act.

**PART B (5 X 14 = 70 Marks)**

Answer ALL the Questions

16. (a) "Tax is the main source of revenue to the government" – Discuss  
Or  
(b) Discuss the merits and demerits of direct taxation
17. (a) Explain the various kinds of excise duty  
Or  
(b) What is excise duty? How it is differ from sales tax?

18. (a) Narrate the components of customs laws

Or

- (b) Explain the purpose of prohibition on imports or export of goods.

19. (a) Explain the scope and coverage under Service Tax

Or

- (b) Enumerate the registration procedures under Service tax in India.

20. (a) Explain the procedure for computation of turnover under CST

Or

- (b) Discuss the salient features of State VAT Acts



**KARPAGAM ACADEMY OF HIGHER EDUCATION**  
 (Deemed University Established Under Section 3 of UGC Act 1956)  
 Coimbatore - 641021.  
 (For the candidates admitted from 2016 onwards)  
**DEPARTMENT OF COMMERCE**

LECTURE PLAN

UNIT - I

S.NO.	LECTURER DURATION (HR)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	INTRODUCTION TO INDIRECT TAX	T <sub>1</sub> 11.1
2.	1	MEANING AND FEATURES OF INDIRECT TAX	T <sub>1</sub> 11.1
3.	1	TYPES OF INDIRECT TAX	T <sub>1</sub> 11.1
4.	1	OBJECTIVES OF INDIRECT TAX	T <sub>1</sub> 11.1
5.	1	PRINCIPLES OF INDIRECT TAX	T <sub>1</sub> 11.1
6.	1	CANNONS OF TAXATION	T <sub>1</sub> 11.2

7.	1	TAX SYSTEM IN INDIA	T <sub>1</sub> 11.2
8.	1	PROS OF INDIRECT TAX	T <sub>1</sub> 11.2
9.	1	CONS OF INDIRECT TAX	T <sub>1</sub> 11.2
10.	1	CONTRIBUTION TO GOVERNMENT REVENUE	W <sub>1</sub>
11.	1	DEVELOPMENT OF INDIRECT TAXATION	W <sub>1</sub>
12.	1	PROVISIONS OF INDIRECT TAXATION	W <sub>1</sub>
13.	1	STATUTORY COMPLIANCE OF INDIRECT TAXATION	W <sub>1</sub>
14.	1	RECENT SCENARIO OF INDIRECT TAXATION	W <sub>1</sub>
15.		RECAPTUALATION AND DISCUSSION OF IMPORTANT QUESTIONS	W <sub>1</sub>
TOTAL NO. OF HOURS PLANNED FOR UNIT – I			15 HOURS

## **SUPPORT MATERIAL**

TEXTBOOKS: T<sub>1</sub>: THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

REFERENCE BOOKS: J<sub>1</sub>: THE CONSTITUTION (101 AMENDMENT) ACT, 2016.

WEBSITE: W<sub>1</sub>: [WWW.REPROINDIALTD.COM](http://WWW.REPROINDIALTD.COM)

## UNIT - II

S.NO.	LECTURER DURATION (HR)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	BASIC CONCEPT OF CUSTOM LAWS	T <sub>1</sub> 11.2
2.	1	DIFFERENT TYPES OF CUSTOMS DUTY	T <sub>1</sub> 11.3
3.	1	ABATEMENT OF DUTY IN DAMAGED OR DETERIORATED GOODS	T <sub>2</sub>
4.	1	VALUATION – MEANING	T <sub>2</sub>
5.	1	VALUATION – CONCEPT	T <sub>2</sub>
6.	1	EXEMPTION IN VALUATION	W <sub>1</sub>
7.	1	CUSTOM DUTY DEFINITION	W <sub>1</sub>
8.	1	CUSTOMS PROCEDURE	W <sub>2</sub>

9.	1	CUSTOM DUTY DRAWBACK	W <sub>2</sub>
10.	1	DUTY FOR ZONES	W <sub>2</sub>
11.	1	CUSTOM DUTY – DETERIORATED GOODS OR DAMAGED GOODS	W <sub>2</sub>
12	1	OFFENCE – CUSTOMS DUTY	W <sub>2</sub>
13	1	PENALTY – CUSTOMS DUTY	W <sub>2</sub>
14.	1	TRENDS IN INDIAN FOREIGN TRADE	W <sub>2</sub>
15.	1	RECAPTULATION AND DISCUSSION OF IMPORTANT QUESTIONS	
TOTAL NO. OF HOURS PLANNED FOR UNIT – II			15 HOURS

**SUPPORT MATERIAL**

TEXTBOOKS: T<sub>1</sub>: THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

T<sub>2</sub>: V.S. DATEY, “INDIRECT TAXATION”

WEBSITE: W<sub>1</sub>: [WWW.REPROINDIALTD.COM](http://WWW.REPROINDIALTD.COM)

W<sub>2</sub>: [WWW.CBEC.GOV.IN](http://WWW.CBEC.GOV.IN)

## UNIT - III

S.NO.	LECTURER DURATION (HR)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	GST --- MEANING	J <sub>1</sub>
2.	1	BASIC COMPONENTS OF GST	J <sub>1</sub>
3.	1	GST--- HISTORY	J <sub>1</sub>
4.	1	FEATURES OF GST	J <sub>1</sub>
5.	1	BENEFITS OF GST	J <sub>1</sub>
6.	1	GST WORKING MECHANISM	J <sub>2</sub>
7.	1	GST RATES	J <sub>1</sub>
8.	1	TAXES ON GST	J <sub>1</sub>

9.	1	GOODS AND SERVICE TAX NETWORK (GSTN)	J <sub>1</sub>
10.	1	CONSTITUTIONAL FRAMEWORK OF GST	J <sub>1</sub>
11.	1	MODEL GST LAW	J <sub>2</sub>
12.	1	CHARGEABILITY FOR GST	J <sub>2</sub>
13.	1	COMPOSTION SCHEME	J <sub>1</sub>
14.	1	LITERATURE REVIEW ON GST	J <sub>1</sub>
15	1	RECAPTULATION AND DISCUSSION OF IMPORTANT QUESTIONS	
TOTAL NO. OF HOURS PLANNED FOR UNIT – III			15 HOURS

**SUPPORT MATERIAL**

JOURNALS: J<sub>1</sub>: THE CONSTITUTION (101 AMENDMENT ACT), 2016, SEP 8, 2016  
J<sub>2</sub>: GST : LUXURY PRODUCTS, BUSINESS STANDARD, MAY 18, 2017

## UNIT - IV

S.NO.	LECTURER DURATION (HR)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	MEANING--SUPPLY	W <sub>1</sub>
2.	1	SCOPE OF SUPPLY	W <sub>1</sub>
3.	1	TYPES OF SUPPLY	W <sub>1</sub>
4.	1	TIME OF SUPPLY	W <sub>3</sub>
5.	1	PROVISION RELATING TO TIME OF SUPPLY	W <sub>2</sub>
6.	1	PLACE OF SUPPLY	W <sub>1</sub>
7.	1	PROVISION RELATING TO PLACE OF SUPPLY	W <sub>3</sub>
8.	1	VALUATION MECHANISM	W <sub>3</sub>

9.	1	INPUT TAX CREDIT MECHANISM	W <sub>1</sub>
10.	1	ILLUSTRATION ON INPUT TAX CREDIT	W <sub>1</sub>
11	1	PAYMENT MECHANISM	W <sub>3</sub>
12.	1	REGULATION UNDER GST	W <sub>3</sub>
13.	1	RULES OF GST REGISTRATION	W <sub>3</sub>
14.	1	GST TAX REFORMS	W <sub>3</sub>
15.	1	RECAPTULATION AND DISCUSSION OF IMPORTANT QUESTIONS	
TOTAL NO. OF HOURS PLANNED FOR UNIT – IV			15 HOURS

**SUPPORT MATERIAL**

WEBSITE: W<sub>1</sub>: <https://www.relakhs.com>gstgoodsandservices>  
W<sub>2</sub>: <https://en.m.wikipedia.org>>  
W<sub>3</sub>: [https://cleartax.in>gst\\_invoice\\_details](https://cleartax.in>gst_invoice_details)

## UNIT - V

S.NO.	LECTURER DURATION (HR)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	RETURN FILING	J <sub>1</sub>
2.	1	RULES RETURN FILING	J <sub>1</sub>
3.	1	GST TAX INVOICES	J <sub>1</sub>
4.	1	REFUND PROVISION IN GST	J <sub>2</sub>
5.	1	E- COMMERCE OPERATORS	J <sub>2</sub>
6.	1	TDS	J <sub>2</sub>
7.	1	TCS	J <sub>2</sub>
8.	1	LIABLE TO TDS	J <sub>2</sub>

9.	1	LIABLE TO TCS	J <sub>2</sub>
10.	1	SMALL SCALE EXEMPTIONS	J <sub>2</sub>
11.	1	ELECTRONIC CASH LEDGER	J <sub>2</sub>
12.	1	ELECTRONIC CREDIT LEDGER	J <sub>2</sub>
13.	1	ELECTRONIC TAX LIABILITY REGISTER	J <sub>2</sub>
14.	1	RETURNS FILED IN E COMMERCE OPERATORS	J <sub>2</sub>
15	1	RECAPTULATION AND DISCUSSION OF IMPORTANT QUESTIONS	
TOTAL NO. OF HOURS PLANNED FOR UNIT – V			15 HOURS

**SUPPORT MATERIAL**

JOURNALS: J<sub>1</sub>: “STATES ON BOARD, GST LAUNCH”, NEWINDIANEXPRESS.COM  
 J<sub>2</sub>: MEHRA, PRIYA “GST AN OLD NEW TAX”, THE HINDU

S.No.	Questions	Option-A	Option-B	Option-C	Opion-D		Answer
1		state gove	central go	local autho	revenue department		state government
2	sales tax,c	state gove	individual	administra	centralgovernment		central government
3	tax is deri	taxone	individual	taxore	taxmine		taxore
4	tax state to	central go	individual	general pu	consumers		general public service
5	tax impose	compulso	individual	direct obli	indirect obligation		personal obligation
6	The basic	Increasing	raising rev	enormous	imposes revenue		raising revenue
7	Abnormal	economic	inflation	deflation	increasing demand		economic stability
8	Removal of	tax policy	tax measu	tax exemp	tax concessions		tax measures
9	Payment of	compulso	convenien	collection	adequate servicve		convenience
10	lesser dem	lower pric	lower grov	lower sup	lower rate		lower growth
11	Indirect ta	Increase th	decrease t	inflation	deflation		Increase the price
12	Indirect ta	Purchase p	Product pr	selling pri	spending amount		selling price
13	Direct tax	willingnes	ability	wealth	oncome		ability
14	direct tax	confidence	conscious	capability	responsibility		consciousness
15	consumers	large amou	smallamou	medium a	enlarge amounts		small amounts
16	Indirect ta	progressiv	rice	poor	regressive		regressive
17	Tax evasio	tax ability	tax paying	tax forms	tax arise		tax ability
18	tax rates c	Taxability	deflation	Inflation	tax evasion		Inflation
19	Impact of	excise dut	sales tax	customs d	Vat		excise duty
20	collection	75%	81%	71%	86%		71%
21	Political fa	tax returns	tax evasio	tax policy	tax system		tax policy
22	Concurren	Union	central	exclusive	constitution		union
23	state gove	List I	List II	List IV	List V		List II
24	Heavy dut	Sales	Consumpt	Production	Purchase		Production
25	Employment	tax conces	tax exemp	tax evasio	tax system		tax concessions
26	The _____	lower the	higher the	medium o	escaping cost		lower the cost
27	Simplicity	tax compl	tax evasio	tax effort	tax exemption		tax compliance
28	Tax evasio	tax system	tax effort	tax forms	taxcost		tax forms
29	Tax is alv	products	services	goods	cost		goods
30	_____ at	luxurious	gifts	consumab	commodities		gifts
31	principleo	Indirect ta	direct tax	sales tax	customs duty		direct tax
32	Indirect ta	private co	publiccons	common c	property consumption		private consumption

33	Tax liability	Proportional	progressive	regressive	degressive taxation		proportional taxation
34		single tax	multiple tax	relative tax	commodity tax		single tax
35	Increase in	Increase in	Increase in	Increase in	Increase in value of goods		Increase in cost
36	Taxation of	Instrument	Instrument	Instrument	Instrument of resource		Instrument of resource
37	Economic	generation	generation	generation	generation of interest		generation of savings
38	Indirect tax	production	consumption	marketing	servicing		consumption
39	central govt	customs duty	safeguard	excise duty	additional duty		economic
40	Tax must be	possible	economic	convenient	certain		convenient
41	Maximum	relative tax	absolute tax	determining	none of these		absolute taxable capacity
42	Tax evasion	less	higher than	medium	very less		less
43	Imposition	imbalance	burden	balance	imbalance		balance
44	The consumer	economy	social welfare	services	priority sector		social welfare
45	Major content	tax reform	tax policy	tax consultation	tax excising		tax reform
46	Tax liability	degressive	progressive	regressive	none of these		regressive taxation
47	The principle	maximum	minimum	medium	none of these		minimum
48	The surplus	consumption	production	sales	none of these		consumption
49	The central	direct tax	indirect tax	service tax	principle of equity		indirect tax
50	paying tax	capital	goods	interest	penalty		interest
51		priority	revenue	payment	benefit		revenue
52	The cost of	high	low	medium	normal		high
53	The amount	higher	low	normal	very low		higher
54	Indirect tax	85%	80%	75%	65%		75%
55		customs duty	excise duty	VAT	service tax		2
56	Major content	1981	1985	1991	1999		1991
57		Indirect tax	service tax	customs duty	direct tax		direct tax
58	The process	1995	1985	1992	1999		1985
59		tax employment	tax evasion	tax rules	tax appointment		tax evasion
60	Traders are	less	very high	high	very less		less

S.No.	Questions	Option-A	Option-B	Option-C	Option-D		Answer
1	Customs d	customs a	customs a	customs a	customs act 1955		customs act 1962
2	Safeguard	export	interstate	import	local sales		import
3	First sched	export tari	control tar	local tariff	import tariff		import tariff
4	second sch	Export tar	interchang	local tariff	multi tariff		export tariff
5	Basic cust	actual valu	basis valu	standard v	preference value		basis value
6	Governme	sec 10	sec 25	sec 35	sec 45		sec25
7		Exported	local state	Imported	local valuable		imported
8		special ad	protective	anti dump	additional duty		protective
9	Exporter s	hogh	very high	less	very less		less
10		o sec 9A	sec8b	sec 18	sec 19		Sec 8B
11		is anti dump	valoreum	safeguard	protective duty		Anti-dumping duty
12		me: customs a	customs st	customs g	customs duty		Customs station
13		exort	import	interlocal	local		import
14		mea warehouse	bonafideb	baggage	none of these		baggage
15		o sec 9	sec 10	sec11	sec8		sec 11
16		gd imported	exported	notified	identified		notified
17	The notifi	8	7	6	2		7
18		c sec 3	sec 4	sec 5	sec 7		sec4
19	Large mar	very high	high	less	very less		very high
20	Foreign _	coming ve	lodging ve	going vess	updating		going vessel
21		g export	import	inter state	local		import
22		me: legal impo	statutory i	Illegal imp	local import		Illegal import
23		r section	sub section	specified s	intimated section		subsection
24		g state	central	local	none of these		central
25	After the e	exempted	marketabl	specified g	intimated goods		specified goods
26	Transport	receipts	payments	invoice	vouchers		vouchers
27	Assessable	computed	transction	deducted v	residual value		transaction value
28	Section 25	state	central	tax author	public authorities		central
29	Customs a	home	industry	business	natural		home
30		i sellers	buyers	owners	wholesalers		owners
31		is n Abandonn	restoraatio	time point	destroyed		restoration
32		of commissio	executed	Deputy co	official government		deputy commissioner

33		sec 30	sec 49	sec 38	sec 59		sec59
34		consumab	capital go	customs g	producing goods		capital goods
35	A	shipping b	clearance	export bill	payment bill		shipping bill
36	Rebate of	Producing	manufactu	packing	purchasing		manufacturing
37	All Indust	85%	88%	80%	90%		80%
38		relative go	prohibited	customs g	notified goods		prohibited goods
39	Conservat	Excise du	foreign ex	customs g	export goods		foreign exchnage
40	Central go	sensitive	notified go	regulative	restricting goods		sensitive goods
41	Notified g	.IIA	.IIB	.IIC	.IVC		.IIB
42	Goods sha	cash	transport v	.Bills	.document paper		transport voucher
43	The staten	.duplicate	original	.accounts	voucher		.duplicate
44	Valuation	.Section 1	section12	section14	.section25		section14
45	The valuat	.Five meth	six method	seven met	eight methods of valuation		six methods of valuation
46	Assessable	.Landing d	Insurance	cost of tra	travelling charges		cost of transport of the importation
47	The GAT	1.1.81	1.2.81	1.3.81	12.81		1.1.81
48	India start	18.8.1985	18.8.1988	18.8.1990	18.8.1991		18.8.1988
49	The centra	10	0.13	12	11		11
50	Entry 83 t	sixth	seventh	fourth	fifth		seventh
51	Central G	26	0.22	0.23	0.25		0.25
52	Section 25	state gove	central go	.Municipal	Local authority		central government
53	The exem	.general ,	ordinary ,	special ,	compund , speical		.general , specific
54	Penalty fo	.Three	.four	.five	Ten		special , compliment
55	For effecti	duplicate	triplicate	quadruplic	orginal		duplicate
56	Shipping t	7 days	.14 days	.21 days	30 days		triplicate
57	Tea canno	.central go	state gove	.Tea board	Coffee Board		.Tea board
58	A new tar	.HSBN	HSN	HHN	HMN		HSN
59	The britis	delhi	Mumbai	.chennai	.calcutta		.calcutta
60	customs ta	97 chapter	.98 chapte	.99 chapte	.100 chapters		97 chapters

S.No.	Questions	Option-A	Option-B	Option-C	Option-D		Answer
1	The GST	Central G	State GST	Integrated	Single GST		State GST
2	The GST	Central G	State GST	Integrated	Single GST		Integrated GST
3	Expansion	Simplified	State Goods	Standard	Single Goods and Service Tax		State Goods and Service Tax
4	Expansion	Central G	Common	Contract	Computed Goods and Service		Central Goods and Service Tax
5	Expansion	Intra Goods	Inter Goods	Integrated	Internal Goods and Service Tax		Integrated Goods and Service Tax
6		Dual	Demo	Distinguish	Development		Dual
7	Dual GST	CGST & S	IGST & S	IGST & C	VAT & GST		CGST & SGST
8		Goods and	Value added	Excise Duty	Service tax		Goods and service tax
9	The	Tax payer	Entities	Revenue of	State Government		Tax payers
10	When does	On raising	At the time	On receipt	Earliest of a ,b or c		Earliest of a ,b or c
11	What is the	Date of issue	Date of receipt	Date of	Earlier of (a) & (b)		Earliest of a ,b or c
12	What is the	Date of receipt	Date of issue	Date of	Earlier of a/b/c		Earlier of a/b/c
13	What is the	Date of issue	(b) Date of	(c) Earlier of	(a) & (b) whichever is later		Date of issue of voucher
14	What is the	Date of issue	Date of receipt	Earlier of	(a) & (b) whichever is later		Date of redemption of voucher
15	What is the	Date of entry	Date of payment	Earlier of	Date of filing of return		Earlier of a and b
16	The period	25	30	35	40		#####
17	A Bill of	Supply of	Supply of	Supply of	Supply of Exempted trading	On	Supply of Exempted Goods and Services
18	If the value	Has to be	Need not	None of the above			Has to be issued
19	A supply	Cannot be	Can be made	Can be made	None of the Above		Cannot be made without moving the same
20	If, Goods	Under seal	Invoice has	Invoice has	Invoice has to be issued when the		Invoice has to be issued when the recipient accepts the goods or six months from the date of supply whichever is earlier
21	The period	30 days	1 month	Immediate	15 days		30 days
22	For supply	Original +	Original +	Original +	Original + 4 copies		Original + 1 copy
23	For supply	Original +	Original +	Original +	Original + 4 copies		Original + 2 copies
24	Invoice re	The invoice	(b) Generated	(c) Both a	(d) Service tax		(b) Generated from the portal of GSTN
25	Invoice re	(a) 45 day	(b) 1 month	(c) 30 day	(d) 60 days		(c) 30 days
26	Who is res	(a) Person	(b) Person	(c) Both the	(d) None		(c) Both the above
27	What are	(a) Inward	(b) Outward	(c) Both the	(d) None of the above		(a) Inward Supply of Goods/Services
28	Which of	(a) CGST	(b) SGST	(c) IGST	(d) Customs duty and IGST under		(d) Customs duty and IGST under Section 3 of Customs Tariff Act, 1975
29	Who among	(a) Person	(b) Person	(c) Person	(d) none of the above		(d) none of the above
30	What is the	(a) Rs. 20	(b) Rs. 10	(c) Not exceeding	(d) None of the above		(c) Not exceeding Rs.50 lacs
31	What are	(a) CGST	(b) SGST	(c) CGST	(d) IGST		(c) CGST and SGST
32	What is the	(a) 12%	(b) 28%	(c) 20%	(d) 18%		(c) 20%
33	Who will	(a) Central	(b) State	(c) GST Council	(d) Central Government as per		(d) Central Government as per the recommendations of the GST Council
34	What are	(a) Notification	(b) Inward	(c) Both of	(d) None of the above		(c) Both of the above
35	Which of	(a) CGST	(b) SGST	(c) IGST	(d) Exempt		(c) IGST
36	Which of	(a) CGST	(b) Union	(c) Both of	(d) IGST		(c) Both of the above
37	Is there an	(a) 14%	(b) 28%	(c) 20%	(d) 30%		(c) 20%
38	Which of	(a) Person	(b) Person	(c) Person	(d) None of the above		(d) None of the above
39	What is the	(a) Rs.20	(b) Rs.10	(c) Rs.50	(d) None of the above		(c) Rs.50 lacs
40	What is the	(a) 2.5%	(b) 1%	(c) 0%	(d) No composition for manufa		(b) 1%
41	What is the	(a) 1%	(b) 0.5%	(c) 2.5%	(d) 3.5%		(c) 2.5%
42	What is the	(a) 1%	(b) 2.5%	(c) 0.5%	(d) 2%		(c) 0.5%
43	Can a reg	(a) Yes	(b) No	(c) Yes, subject	(d) Yes, subject to prior approval		(b) No
44	Can Com	(a) Yes	(b) No	(c) Yes, subject	(d) Yes, subject to prior approval		(b) No
45	Can a reg	(a) Yes	(b) No	(c) Input tax	(d) Input tax credit on inward supplies		(b) No
46	Can a reg	(a) Yes	(b) No	(c) Yes, if	(d) Yes, only on such goods as		(b) No
47	Which of	(a) Value	(b) Value	(c) Non-tax	(d) Value of inward supplies on		(d) Value of inward supplies on which tax is paid on reverse charge basis
48	What will	(a) He can	(b) He will	(c) He will	(d) He will cease to remain under		(c) He will cease to remain under the composition scheme with immediate effect
49	When does	(a) On raising	(b) At the	(c) On receipt	(d) Earliest of a ,b or c		(d) Earliest of a ,b or c

[illegible]

S.No.	Questions	Option-A	Option-B	Option-C	Option-D		Answer
1	What is ti	(a) Date o	(b) Date o	(c) Date o	(d) Earlier of (a) & (b)		(d) Earlier of (a) & (b)
2	What is ti	(a) Date o	(b) Date o	(c) Date i	(d) Earlier of a/b/c		(d) Earlier of a/b/c
3	What is th	(a) Date o	(b) Date o	(c) Earlier	(d) (a) & (b) whichever is later		(b) Date of redemption of voucher
4	What is th	(a) Date o	(b) Date o	(c) Earlier	(d) (a) & (b) whichever is later		(b) Date of redemption of voucher
5	What is d	(a) Date o	(b) Date o	(c) Earlier	(d) Date of filing of return		(c) Earlier of a and b
6	What is th	(a) Date o	(b) Date o	(c) Date o	(d) Earlier of (a) & (b)		(d) Earlier of (a) & (b)
7	What is th	(a) At the	(b) Date o	(c) Date o	(d) Date of entry in books of ac		(a) At the option of the supplier – Invoice date or Date of receipt of consideration
8	How is th	(a) Date o	(b) Date o	(c) Earlier	(d) (a) & (b) whichever is later		(c) Earlier of (a) & (b)
9	What is th	(a) Date o	(b) Date i	(c) Date o	(d) Earlier of (a) & (b)		(d) Earlier of (a) & (b)
10	What is th	(a) Date o	(b) Date o	(c) Earlier	(d) Date of entry in the books of		(c) Earlier of (a) & (b)
11	What is th	(a) Date o	(b) Date o	(c) Earlier	(d) (a) & (b) whichever is later		(a) Date of issue of voucher
12	What is th	(a) Date o	(b) Date o	(c) Earlier	(d) (a) & (b) whichever is later		(b) Date of redemption of voucher
13	The value	(a) Transa	(b) MRP	(c) Marke	(d) None of above		(a) Transaction value
14	The value	(a) Any n	(b) Interes	(c) Subsid	(d) All of the above		(d) All of the above
15	When can	(a) When	(b) When	(c) It can	(d) When the goods are sold at		(b) When the buyer and seller are related or price is not the sole consideration
16	What ded	(a) Discou	(b) Packin	(c) Amoun	(d) Freight charges incurred by		(a) Discounts offered to customers, subject to conditions
17	Whether d	(a) Yes	(b) No	(c) Certain	(d) None of the above		(b) No
18	Is it mand	(a) Yes	(b) No	(c) Option	(d) None of the above		(a) Yes
19	Whether c	(a) Yes	(b) No	(c) After u	(d) After capitalizing in books		(a) Yes
20	Whether i	(a) Yes	(b) No	(c) Only u	(d) Accounting is not relevant		(a) Yes
21	The term	(a) It shou	(b) It is pl	(c) It is us	(d) It is used in the course of bu		(c) It is used in the course of business
22	Under sec	(a) All the	(b) Any ty	(c) Condit	(d) None of the above		(a) All the conditions
23	Whether c	(a) Receipt	(b) Receipt	(c) Both	(d) Either receipt of documents		(c) Both
24	In case su	(a) Yes it	(b) No as	(c) Yes if	(d) None of the above		(b) No as one of the conditions of 16(2) is not fulfilled
25	Input tax	(a) In thir	(b) In two	(c) In one	(d) In six installments		(c) In one installment
26	The tax pa	(a) Bill of	(b) Ackno	(c) Supply	(d) none of the above		(a) Bill of entry, Invoice raised on RCM supplies, etc.
27	The time l	(a) Three	(b) Six M	(c) One h	(d) Till the date of filing of An		(c) One hundred and eighty days
28	Can the t	(a) Yes	(b) No	(c) Centra	(d) State Government to decide		(b) No
29	Can the c	(a) Yes	(b) No	(c) Centra	(d) State Government to decide		(b) No
30	Can Com	(a) Yes	(b) No	(c) Centra	(d) State Government to decide		(b) No
31	Which of	(a) Taxabl	(b) Exemp	(c) Both t	(d) Non-taxable supplies		(c) Both the above
32	What hap	(a) He can	(b) He wil	(c) He wil	(d) None of the above		(c) He will not be eligible for composition on turnover after crossing Rs. 50 lacs
33	Every sup	(a) ` 10 la	(b) Exceed	(c) ` 50 la	(d) No limit for registration		(b) Exceeds ` 20 lacs
34	Who amon	(a) Casual	(b) Person	(c) Person	(d) Non-resident taxable person		(b) Person making sale of taxable goods
35	Should a p	(a) Yes	(b) No	(c) Can't s	(d) Government to decide		(b) No
36	Inspection	A) Dy Co	B) Asst C	C) Joint C	D) Commissioner		C) Joint Commissioner
37	Inspection	A) Taxabl	B) Transp	C) Owner	D) All of the above		D) All of the above
38	The perso	A) ` 50,00	B) ` 1,00,	C) ` 10,00	D) ` 100 lakhs		A) ` 50,000
39	Input tax	A) CGST	B) SGST	C) IGST	D) CGST or SGST at the optio		B) SGST
40	To avail c	A) Taxabl	B) Exemp	C) Either	D) Both taxable and exempt su		A) Taxable supplies under GST
41	For credit	A) Three	B) Six mo	C) Nine m	D) Twelve months before the a		D) Twelve months before the appointed day
42	What will	A) Carry	B) Credit	C) Credit	D) Electronic credit ledger will		C) Credit lapses
43	Declaratio	A) Manuf	B) Job W	C) Service	(d) Both (a) and (b)		d) Both (a) and (b)
44	A taxable	A) One m	B) Six mo	C) One ye	D) Two years		C) One year
45	Input tax	A) Goods	B) Tradin	C) Capital	D) Fixed capital		A) Goods used for personal use
46	The five c	A) He is i	B) He has	C) The tax	D) He must have inter-state sup		D) He must have inter-state supply
47	Input tax	A) SGST	B) SGST	C) IGST a	D) IGST, SGST and CGST		B) SGST and IGST

48	ITC in rel	A) SGST	B) SGST	C) IGST a	D) IGST, SGST and CGST	C) IGST and CGST
49	ITC in rel	A) SGST	B) SGST	C) IGST a	D) IGST, SGST and CGST	D) IGST, SGST and CGST
50	Cross utilit	A) SGST	B) SGST	C) IGST a	D) None of the above	A) SGST and CGST
51	Tax paid	A) IGST	B) VAT	C) Excise	D) Customs	A) IGST
52	ITC includ	A) VAT	B) Revers	C) Excise	D) Customers	B) Reverse charge
53	ITC is all	A) 12	B) 36	C) 3	D) 1	D) 1
54	ITC on pr	A) 15	B) 30	C) 90	D) 60	B) 30
55	Treatment	A) No lia	B) Liable	C) ITC fo	D) None of the above	B) Liable to pay an amount equipment to the input tax credit in respect inputs held in state in any form
56	ITC in GS	A) GSTR	B) GSTR	C) GSTR	D) GSTR IV	B) GSTR II
57	.....	A) CGST	B) SGST	C) IGST	D) VAT	C) IGST
58	IGST mea	A) Inter-s	B) Integra	C) Import	D) International GST	B) Integrated GST
59	IGST Act	A) State L	B) Parlian	C) Union	D) Legislative Council	B) Parliament
60	Under ....	A) Article	B) Article	C) Article	D) Article 279 A	B) Article 269 A
61	IGST is le	A) Allotte	B) Allotte	C) Allotte	D) Apportioned between center	D) Apportioned between center and states
62	..... is	A) SGST	B) CGST	C) IGST	D) VAT	C) IGST
63	Import/Ex	A) Intra-s	B) Inter-s	C) Non-ta	D) Exempted supply	B) Inter-state supply
64	Inter-state	A) Any-su	B) Any su	C) Any su	D) None of these	B) Any supply where the location of supplier and the place of supply are in different states
65	.....	A) CGST	B) SGST	C) Custor	D) IGST	D) IGST
66	.....	A) IGST	B) CGST	C) VAT	D) SGST	A) IGST
67	Manner of	A) (i) IGS	B) (i) CG	C) (i) IGS	D) (i) IGST (ii) CGST (iii) SG	D) (i) IGST (ii) CGST (iii) SGST (iv) Cash
68	In IGST .	A) Export	B) Import	C) Centre	D) state	A) Exporting state
69	Place of s	A) locatio	B) locatio	C) locatio	D) location of the principle pla	A) location of the goods at the time at which the movement of goods terminates for delivery to the recipient
70	Place of s	A) Locati	B) Locati	C) Locati	D) Location of the recipient	B) Location of the goods at the time of delivery to the recipient
71	Place of s	A) Place c	B) Place c	C) Place c	D) Place of the such assembly	D) Place of the such assembly or installation
72	Place of s	A) Locati	B) Locati	C) Locati	D) None of these	C) Location at which such goods are taken on board
73	The defau	A) Locati	B) Locati	C) Locati	D) Location where agreement	A) Location of such person
74	The defau	A) Locati	B) Locati	C) Locati	D) Location of the recipient	D) Location of the recipient
75	The defau	A) Locati	B) Locati	C) Locati	D) Location where agreement	B) Location of the supplier of services
76	Place of s	A) Locati	B) Locati	C) Locati	D) None of these	C) Location at the lodging accommodation is located
77	Place of s	A) Locati	B) Locati	C) Locati	D) None of these	C) Location where such pre-payment is recieved as such vouchers are sold





**KARPAGAM ACADEMY OF HIGHER EDUCATION**  
 (Deemed University Established Under Section 3 of UGC Act 1956)  
 Coimbatore - 641021.  
 (For the candidates admitted from 2016 onwards)  
**DEPARTMENT OF COMMERCE**

	<b>Semester III</b>			
	<b>L</b>	<b>T</b>	<b>P</b>	<b>C</b>
<b>16CCP303</b>	<b>4</b>			<b>4</b>
	<b>INDIRECT TAX LAWS</b>			

**Program Outcome:**

- Understand the various tax laws.
- Understand the concept of GST.
- Registrations under GST.
- Customs duty free zone.

**Program Learning Course:** A student who successfully completes this course should, at a minimum, be able to:

- To gain knowledge on various provisions of goods and service tax.
- To know the applications of provisions in different situations.
- To understand the statutory compliance under indirect taxation.

**Unit I**

**Introduction to Indirect Tax:** Meaning – Features-Types- Objectives – Principles- Cannon of Taxation – Tax system in India- Pros and Cons of Indirect tax- Contribution to government Revenues- Development of Indirect Taxation.

**Unit II**

**Customs Law:** Basic Concepts of Customs Law- Different types of customs duty- Abatement of duty in damaged or deteriorated goods- valuation –customs procedure- exemptions- customs duty drawback- Duties free zones- Offense and penalties.

**Unit III**

**Introduction to Goods and Services Tax (GST):** Meaning of GST – Basic Concepts Features of GST - Benefits of GST –GST working mechanism– GST rate and Taxes on GST – Goods and Service tax Network (GSTN) – Constitutional Framework of GST – Model GST Law – Chargeability for GST – Composition Scheme.

**UNIT IV**

**Supply:** Meaning and Scope- Types of Supply – Time of Supply – Provision relating to time of Supply – Place of supply – Provision relating to place of supply – Valuation mechanism – Input tax credit mechanism – Payment mechanism – Registration under GST-Rules.

**UNIT V**

**Registration under GST:** Return Filing- Rules- Refund Provision in GST – E –commerce-operators- TDS/TCS- Small scale exemption.

**TEXT BOOK**

1. V.S Datey, “Indirect Taxes ” Taxmann Publication (P) Ltd., New Delhi (2010)
2. Simplified approach to GST – A Ready Reference – April 2017.

**REFERENCE BOOK**

3. V. Balachandran (2006) Indirect taxation, Sultan Chand & sons, New Delhi
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5. Sethurajan (2005) Indirect taxation including Wealth tax, Speed Publication
6. Singhanian (2014) , Indirect taxation, Taxmann Publication(p) ltd., New Delhi (2010)
7. Dingare Pagare, (2014), Business Taxation , Sultan Chand & sons, New Delhi

**WEBSITES:**

W<sub>1</sub>: [WWW.REPROINDIALTD.COM](http://WWW.REPROINDIALTD.COM)

W<sub>2</sub>: [WWW.CBEC.GOV.IN](http://WWW.CBEC.GOV.IN)

W<sub>3</sub>: [HTTPS://WWW.RELAKHS.COM>GSTGOODSANDSERVICES](https://WWW.RELAKHS.COM>GSTGOODSANDSERVICES)

W<sub>4</sub>: [HTTPS://EN.M.WIKIPEDIA.ORG>](https://EN.M.WIKIPEDIA.ORG>)

W<sub>5</sub>: [HTTPS://CLEARTAX.IN>GST INVOICE DETAILS](https://CLEARTAX.IN>GST INVOICE DETAILS)



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<b>SUBJECT:</b>	<b>INDIRECT TAX LAWS</b>		
<b>SEMESTER:</b>	<b>III</b>		
<b>SUBJECT CODE:</b>	<b>16CCP303</b>	<b>CLASS:</b>	<b>II M.COM CA</b>

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**UNIT I**

**Introduction to Indirect Tax:** Meaning – Features-Types- Objectives – Principles- Cannon of Taxation – Tax system in India- Pros and Cons of Indirect tax- Contribution to government Revenues- Development of Indirect Taxation.

**TEXTBOOKS:**

T<sub>1</sub>: THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

**REFERENCE BOOKS:**

J<sub>1</sub>: THE CONSTITUTION (101 AMENDMENT) ACT, 2016.

**WEBSITE:**

W<sub>1</sub>: [WWW.REPROINDIALTD.COM](http://WWW.REPROINDIALTD.COM)

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**INTRODUCTION**

Indirect Tax is a tax collected by an individual by ‘indirect means’ in a pecuniary term on his sale and purchase by the authority of law under Indian constitution. Indirect tax is one of the branches of tax laws and another is direct tax. Indirect tax is also known as consumption tax because they are based on the ability to pay principle which means a tax which is not levied directly on the incomes of earner or consumer. Collection of indirect was custom earlier then afterwards it becomes a law under which state obliges us to pay the tax. For this collection of tax (whether direct or indirect tax) is collected either by government which is authority of law under constitution of India. All these collected tax is utilized for the development of country as a whole by its distribution based on need of that central, state or local authority’s laws to carry on all his activities. Indirect tax is also known as consumption tax because they are based on the ability to pay principle which means a tax which is not levied directly on the incomes of earner or consumer. Collection of indirect was custom earlier then afterwards it becomes a law under which state obliges us to pay the tax.

**Indirect Tax and Direct Tax**

In case of direct tax, tax is to be collected in pecuniary term by an individual directly out of income they have earned. But in case of indirect tax, tax is paid indirectly by the consumer out of rest of amount of income earned. In case of direct tax, assessee is bound to pay the tax whether his willingness is there or not but in case of indirect tax, consumer pays the tax voluntarily. Assessee can only be a person who earns his income under income tax act whereas, in case of indirect tax, a 5 year old child can also be the consumer who pays the tax indirectly. In case of direct tax, assessee pays the tax @ x% at income earned and he may not pay the tax if he is exempted from paying tax in that financial year under tax slabs whereas in case of indirect tax no exemption is provided by the authority of law and consumer has to pay the tax separately from the amount of actual cost of the product which makes the product more costlier.

Paid tax can be claimed back or adjusted in income tax where as normally it is not always possible in all indirect tax cases. In direct tax, assessee assesses his tax to be paid at the end of financial year whereas in case of indirect tax, consumer pays the tax at the time of purchase or sell or rendering of services. As assessee directly pays the tax, there is no question of shifting of burden of tax in future but in case of indirect tax, if the goods are transferred from one consumer to the another, the burden of tax is shifted to the subsequent consumer. Indirect tax is a wider concept with regard to direct tax. Indirect tax affects only an individual which does not affect the price or demand of goods directly whereas in case of indirect tax it affects the whole country as well as global market and if the price of goods is increased, the demand of that good may fall down which will indirectly hinder the healthy development of country. Tax evasion is more in direct tax whereas it is comparatively very low in indirect taxation.

**Extent of Taxation under Constitution of India:**

Under Article 246, the authority can levy tax on various subject matter enumerated under Schedule VII of the constitution Central Government under three list that is union list, state list and concurrent list. Union has right to levy tax on Income Tax (Except on Agricultural Income), Excise (Except on Alcohol and Tobacco) and customs. State Government shall levy tax revenue from sales tax, excise from alcoholic and liquor drinks, and tax on agricultural income. The local self government levy tax from entry tax and house property tax.

When union list is inconsistent with the state list, union list will prevail. Under Article 249, parliament can make laws on state list either when 2/3<sup>rd</sup> member of Rajya Sabha gives its consent or in case of emergency. Even doctrine of eclipse is also applicable in taxation case, which states that all those British law which were prevailing before independence are not illegal. Only those provisions which are inconsistent with our constitution will be struck down for the time being and other will be applicable in same manner. Under Article 255, when there is a controversy between international law and municipal law, international law will prevail in India.

Constitutional Amendment empowers the Panchayat to levy tax. A State may by law be able to authorise a Panchayat to levy, collect and appropriate taxes, duties, tolls etc. Similarly, municipalities are also empowered to levy the taxes.

## FEATURES OF INDIRECT TAX

### 1. The Scientific Division of Tax Powers:

India being a federation, there is the existence of a multi-level finance system.

**The constitution of India forms the basis of division of powers into:**

- (a) Union,
- (b) State, and
- (c) Concurrent.

Based on this the constitution has also made a provision for division of tax powers between the centre and the states.

The area and sphere of taxation of centre and state is clearly demarcated as per constitutional provision. Taxes which are in the purview of central government accounted for 50 percent of its revenue. Some taxes are again levied by the Central government and the proceeds of such taxes are divided between the centre and the state governments.

### 2. Multiplicity of Tax Structure

India is having a broad based and extensive tax structure. Its main feature is the existence of multiplicity of taxes. There are both union government taxes and state government taxes. The tax structure includes both direct and indirect taxes. In the case of states government indirect taxes play a dominant role, in the composition of tax revenue. Among the direct taxes imposed in India, the most important is income tax. Other prominent taxes are wealth tax capital gains tax, gift tax etc.

The indirect taxes in India consist of excise duties, customs duties, etc. The important taxes levied by the union government are income tax, corporation tax, central excise duties, wealth tax, gift tax, custom duties etc. The state governments main taxes are land revenue, sale tax, state excise duties entertainment tax, stamp and registration duties etc. The gross tax revenue of the Central Government grew by 17.6 percent and 19.9 percent in 2003-04 and 2004 – 05, respectively.

### 3. Larger share of Indirect Taxes

In India in the total tax revenue there is the domination of indirect taxes over direct taxes. Indirect taxes shared 63% in 1950 – 51 where it increased to 77% in 2001-02. It shows that because of the undeveloped character of the economy and glaring inequality in income, the scope of direct taxes is limited.

### 4. Insufficient Tax Revenue

In spite of rising trend in tax revenue, the total revenue remained small when compared to developed countries. The tax GDP ratio generally remained in the range of 8 percent to 9

percent in India (E. Survey 2005-06) where as it is very high in countries like Sweden, France, West Germany, UK, USA, etc. where the share ranges between 30 to 40 percent.

### **5. Greater Importance to State Government in Federal Fiscal System:**

In Indian fiscal federalism much importance is assigned to state governments. The field within which tax revenue, are raised and spend regularly is very wide in India when compared to many federal governments. This reflects the importance of state government in our federal system. This is because of the growing responsibilities of the state government in the discharge of developmental activities.

### **6. Incidence of Taxation**

In India the incidence of taxation is much higher in urban areas than in rural areas this is because of the predominance of agriculture in rural area and low income of rural households. The urban population depends more on service and business sector and enjoys comparatively higher income and taxpaying capacity.

### **7. Progressiveness in Tax Structure:**

Indian tax structure is framed in such a way that all indices of ability to pay is taxed. The direct tax is framed in such a way that as tax base increases, tax rate also rises sharply. Excise duties are levied and collected discriminately, depending on the type of commodity and the class of consumers.

### **8. Narrow Base**

Fiscal experts opine that the tax base is very narrow in India in the case of both direct and indirect taxes. A planning commission estimate shows that only one percent of working population comes under the preview of direct tax. In 2000 – 01, total income tax on the corporate income was only 2.6 percent GDP. Out of a population of more than 100 crores, around 10 million are coming under the Income tax belt. The indirect tax to GDP ratio is only 5.4 percent in 2003- 04. The service sector, though contributing the largest share in GDP was not subject to tax till 1993-94.

### **9. Complexity of Indian Tax Laws:**

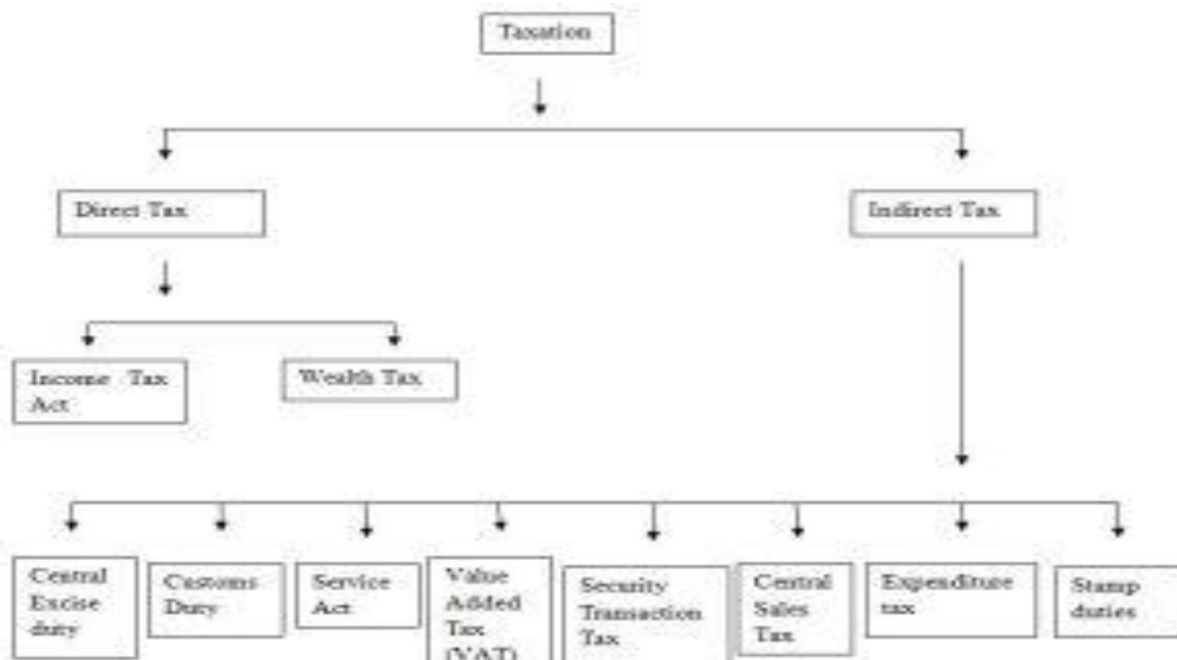
With the intension of broad based tax system, a plethora of changes have been introduced in the tax structure. However both direct and Indirect tax laws are highly complex, with a lot of loopholes which enable the people to avoid as well as to evade taxes. In this context Prof. Kaldore observes “there are definitional defects in India’s tax system, which gives elaborate power to tax authorities to interpret tax laws according to their whims and fancies. This has generated wide spread corruption in tax departments”.

### **10. Integration between Centre and State Revenue:**

After independence concrete efforts were made to organize the tax structure scientifically in tune with the requirements of a federal set of government. At present there is well-organized machinery for the collection distribution and expenditure of the revenue. Now the tax system is well structured to generate sufficient revenue to meet the requirements of development objectives. However we can point out a number of short comings in Indian tax structure. It is usually argued that Indian tax system is unscientific because it doesn’t provide any stimulation for production investment and saving activities of the government.

## TYPES OF INDIRECT TAX

We all knew that Tax law is divided into two parts that is direct and indirect tax. This direct and indirect tax are further classified as Direct tax includes Income Tax Act and Wealth Act, where as Indirect tax is classified as Central Excise duty, Customs duty, Service tax, Central sales tax, Value added tax, and miscellaneous. Almost each and every branch of law is classified into different sub-heads, likewise taxation is classified as follows in form of this chart:-



It is an indirect tax levied and collected on the excisable goods manufactured or produced in India (**excluding alcohol and tobacco**) which has its marketability and which is known to the market or which already exists in the market. Central excise duty is also being levied to ores and minerals which are extracted from the earth. Manufacturer of marketable goods is liable to pay the excise duty to the government on the day when the goods are taken out the door of manufacturing unit. He is bound to pay to pay duty on all goods manufactured or produced in India unless and until it is exempted by the law. Exemption is given to develop the country is that; manufacturer is not bound to pay the excise duty on the goods exported out of India provided that specified quantum of quality and quantity is too maintained. This was done to increase the exportation in India. The duty of Central Excise is levied if the following conditions are satisfied:

- (1) The duty is on goods.
- (2) The goods must be excisable.

(3) The goods must be manufactured or produced.

(4) Such manufacture or production must be in India.

Unless and until these above conditions are not satisfied, excise duty cannot be levied upon excisable goods. Manufacture is liable to pay the duty and for this he need not necessarily be an Owner of raw material. Law related to central excise Act:

1. Central Excise Act, 1944(CEA): The basic Act which provides the constitutional power for charging of duty, valuation etc.
2. Central Excise Tariff Act, 1985 (CETA): This classifies the goods under 96 chapters with specific codes assigned.
3. Central Excise Rules, 2002: It deals with the procedural aspects of excise duty. The rules given under rules are implemented or come into force after issue of notification.
4. Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000: This rule deals with the provisions of valuation of excisable goods.
5. Central vat Credit Rules, 2004: This rule deals with provisions relating to Cenvat Credit and its utilization.

The Central Excise Tariff Act 1985 defines the term “excisable goods” which means the goods which are specified in the First Schedule and the Second Schedule. It is mandatory to pay Excise duty on the goods manufactured, unless and until exempted by law[\[10\]](#). Other exemptions are also notified by the Government from the payment of duty by the manufacturers. The following persons shall be liable to pay excise duty:

1. A person, who produces or manufactures any excisable goods,
2. A person, who stores excisable goods in a warehouse,
3. In case of molasses, the person who procures such molasses,
4. In case goods are produced or manufactured on job work,
  - i. The person on whose account goods are produced or manufactured by the job work, or
  - ii. The job worker, where such person authorizes the job worker to pay the duty leviable on such goods.

- **Service Tax**

The interesting thing about Service Tax in India is that the Government depends heavily on the **voluntary compliance** of the service providers for collecting Service Tax in India. When it was introduced initially there were three services which were liable but over the years various other services have been added and today more than a hundred services are liable under service tax. One of the main reasons for the services to be taxed is the fact that the manufacturing sector can be taxed only to a certain extent and if we want to maintain the healthy completion and growth, all the activities are to be taxed which is also important for justice and equity. The service providers in India except those in the state of Jammu and Kashmir are required to pay a Service Tax under the provisions given in Chapter V and VA of the Finance Act of 1994 for the

time being. Service Tax Act enacted on 1994. Under this Act, service tax is levied on gross or aggregate amount of service on receiver by the service provider. Under rule 6, tax is to be paid on the value received and central government can also grant exemptions along with making rules under this rule with the span of time for the time being.

The service tax act is not applicable to the state of Jammu and Kashmir. This act has defined service provider as well as service receiver. This tax can only be levied if the service transaction takes place between these two defined service provider and service receiver and not in another case. The concept of service receiver has been widened to cover all kinds of service receivers in last couple of years as many service providers have been emerged in this global market and now it is a matter of academic interest. The service provider is bound to pay the tax on the service provided by him to the service receiver, when he collects value of service from service receiver.

- **Value Added Tax**

VAT is kind of indirect tax. It is paid at each state of sale on the value added to a product. Value Added Tax Act is enacted to levy VAT. For an instance, A extracted iron ore, so A will pay tax on quantum of iron ore sold to B. This iron ore becomes raw material for B and if B manufactures steel sheets, then a new product is invented with new purpose and if B sells this sheet to C and C manufactures steel good then again a new product with new use is invented. In this case B and C both have to pay VAT at different rates as their final product is different. Thus, it can be said that VAT is imposed if a new good is invented which has different purpose, different name and different characteristics. If any of these essential elements is not fulfilled then, VAT cannot be imposed. Thus, it is multi point levy of VAT on supply chain upon each entity. VAT rates vary from state to state on petrol, tobacco, alcohol etc. VAT rates are administered by state governments and it is similar to sales tax. VAT is levied or charged as soon as some value is added to the raw material. The value addition in the hands of each of the entities is subject to tax. VAT can be computed by using any of the three methods:

1. Subtraction method: Difference between the value of output and the cost of input is taken out and tax is applied on that difference.
2. The Addition method: All the payments that are payable to the factors of production are added and thus value added is computed.
3. Tax credit method: This entails set-off of the tax paid on input.

VAT helps in avoiding problem of double taxation of goods and services. There is no incidence of cascading effect in VAT as it is imposed on value added at every stage. Thus, final consumer pays tax only on the value added which tends to make this tax system simple with absolute transparency.

- **Central sales Tax**

Central sales tax is levied upon a dealer on sale of all goods during their transaction in inter-state trade or commerce or in outside state trade transaction. This transaction can be inter-state sale even if the seller and buyer are from same state but goods are transferred from one state to

another under contract of sale during their transition by transfer of documents. The state from where the goods are moved out, tax will be levied on that state based on that state sales rate. Sales tax cannot be levied upon the sale or purchase of good outside that state and import and export of any goods outside the India. If sale is made to reseller and tax exempted institutions are two conditions where this Central Sales Tax is exempted.

Sales Tax are of two kinds- **Central Sales Tax** which is to be levied on inter-state sale and **purchase of goods** by the parliament and another is Sales Tax which is to be levied on commerce trade sales at various rates under Sales Tax Act by the State government who can also impose additional tax charge as purchase tax, turnover tax etc. Thus, Sales Tax helps in generating major revenue for different State governments. In India, most of states have supplemented their Sales Tax with VAT.

There are some instances wherein the goods are moved out of the selling state and yet they are not considered interstate sales:-

1. Intra-state sales
2. Stock transfer from head office to branch & vice versa
3. Import and Export sales or purchases
4. Sale through commission agent / on account sales
5. Delivery of Goods for executing works contract

- **Customs duty**

In India, Custom duty is one of the most important branch of Indirect Tax. Customs Act and Foreign Trade Order are two main acts under Custom duty. This Act was enacted to prevented illegal imports and exports of the goods. It is also subjected to secure Indian Currency exchange rate by minimizing imports in India and to secure indigenous industries. The rate at which this custom duty is to be levied upon imported or exported goods from India are specified under Custom Tariff Act.

Under the custom laws, the various types of duties are leviable.

1. Basic Duty
2. Additional Duty (Countervailing Duty) (CVD)
3. Additional Duty to compensate duty on inputs used by Indian manufacturers
4. Anti-dumping Duty
5. Protective Duty
6. Duty on Bounty Fed Articles
7. Export Duty
8. Cess on Export
9. National Calamity Contingent Duty
10. Education Cess
11. Secondary and Higher Education Cess
12. Road Cess
13. Surcharge on Motor Spirit

Central Government has power to issue any notification regarding import and export in port and airports in India by deciding the routed of goods to be imported or exported inside or outside India respectively. Central Board of Excise Customs (CBEC) has issued “Indian Customs Tariff Guide” where Custom duty goods have been classified and various tariff rulings are included. It also includes imported and manufactured goods of warehousing. If a person brings any baggage from abroad, he has to pay tax on that baggage.

- **Expenditure Tax**

Expenditure tax is levied to hotels having room charges of more than Rs 1,200 per day per person under Expenditure Tax Act, 1987 and not below that. It is collected at the rate of 10 percent towards food, room, beverages and other services from customers and the collected amount is deposited by owner to the central government.

- **Stamp Duties**

Stamp duties are paid on rates basis. This “rates” are mainly prescribed by central government legislation under The Indian Stamp Act 1899, and some documents rates are revised by state government legislation. This duty is levied on documents (promissory notes, insurance policies, bill of exchange etc.), contracts affecting both transfer of shares and transfer of immovable property. Purchaser normally pays stamp duties contracts affecting transfer of shares and transfer of immovable property.

- **Securities Transaction Tax (STT)**

STT is the stock exchange transaction based tax. It is applied in case of purchase and sell of equity (equity shares, equity oriented funds and equity oriented mutual funds) and derivatives. Person has to pay the STT only in one condition, whereby he becomes investor. He only has to pay the STT @10 % flat on gain by selling his shares before 12 months which is short term capital gain. If he sells his shares after 12 month, then it is long term capital and he is not required to pay the tax. However, these gains are treated as business or trading tax and it can be claimed back or can be adjusted in tax to be paid.

## **OBJECTIVES OF INDIRECT TAX**

1. ***Tax Planning:***

Identify, recommend and successfully implement indirect tax projects that assist in achieving the objectives of the indirect tax department part of the business objectives.

2. ***Tax Accounting***

Proactively anticipate on changes in the business and outside the business and successfully communicate these changes to the concerning departments. Furthermore look after a correct implementation of these changes.

**3. Tax Compliance:**

Look after a correct, complete and timely Indirect Tax reporting of all entities. This includes that additional reporting relating to these Indirect Tax returns is taken into account.

**4. Tax Governance:**

All corporate departments are well informed and/or have the availability of a VAT work instruction so it is clear when to consult the indirect tax department.

**5. Support Other Departments:**

Activities of departments that are being affected by VAT risks have been successfully identified and these departments have been well instructed to reduce these risks.

**6. Audit Defence**

Roles and responsibilities have been determined who deals with the tax authorities during an audit (announcement) and tax authorities questions and procedures “how to act” (e.g. appoint one contact person, never provide documents without first making copies) have been documented and rolled out.

**PRINCIPLES OF INDIRECT TAX****1. Productivity or Fiscal Adequacy:**

An important principle of a good tax system for a developing country is that it should yield adequate amount of resources for the Government so that it should be able to perform its increasing welfare and developmental activities. If the tax system fails to yield enough resources, the Government will resort to deficit financing.

**2. Elasticity of Taxation:**

Another principle of taxation suitable for the developing countries is the principle of elasticity of taxation. According to the concept of elasticity of the taxation system, as national income increases as a result of economic growth, the Government revenue from taxes should also increase.

In developing countries, the share of tax revenue as a proportion of national income is low as compared to the developed countries. This share of tax revenue will rise as national income increases, if the tax system is sufficiently elastic. Progressive taxation of income and wealth provides this elasticity to the tax system. Impositions of higher indirect (axes on luxury goods) having a high income elasticity of demand also makes the tax system elastic.

**3. Diversity:**

A good tax system should follow the principle of diversity. This implies that there should not be a single or a few taxes from which Government seeks to raise large revenue. This is

because if a Government tries to get large revenue from a single tax or few taxes, it will have to raise the rates of taxation too high which will not only adversely affect the incentives to work, save and invest but also encourage evasion of taxes.

#### **4. Taxation as in Instrument of Economic Growth:**

In a developing economy such as ours, taxation should serve as an instrument of economic growth. Economic growth is primarily a function of rate of capital formation. If in the development strategy public sector has been assigned an eminent place, then capital formation in the public sector must occur at a relatively higher rate.

This calls for mobilization of resources by the Government so as to finance capital formation in public sector. Therefore, a good tax system for a developing country will be such as will enable the Government to mobilise adequate resources for capital formation or economic growth.

#### **5. Taxation as an Instrument for Improving Income Distribution:**

A good tax system for a developing economy should also serve as an instrument for reducing economic inequalities. The purpose of a good tax system for a developing economy is not merely to raise revenue for the Government but also to ensure that burden of taxes falls more on the rich. This requires that the rates of progressive direct taxes on income, wealth, expenditure, capital gains etc., must be sufficiently high. This objective of reducing income inequalities will be better served if a good part of the tax revenue is used for poverty alleviation programmes.

#### **6. Taxation for Ensuring Economic Stability:**

A tax system must also ensure economic stability. Economic fluctuations have been a big problem in the developed countries and for reducing these fluctuations taxation can play a useful role. For this purpose, tax system must have built-in-flexibility. To have built-in-flexibility, the taxation system must be progressive in relation in the changes in national income.

### **CANNON OF TAXATION**

Canons of taxation refer to the administrative aspects of a tax. They relate to the rate, amount, and method of levy and collection of a tax. In other words, the characteristics or qualities which a good tax should possess are described as canons of taxation. It must be noted that canons refer to the qualities of an isolated tax and not to the tax system as a whole. A good tax system should have a proper combination of all kinds of taxes having different canons.

#### **1. Canon of Equality**

Every fiscal economist, along with Adam Smith, stresses that taxation must ensure justice. The canon of equality or equity implies that the burden of taxation must be distributed equally or equitably in relation to the ability of the tax payers. Equity or social justice demands that the rich people should bear a heavier burden of tax and the poor a lesser burden. Hence, a tax system should contain progressive tax rates based on the tax-payer's ability to pay and sacrifice.

**2. Canon of Certainty:**

Taxation must have an element of certainty. According to Adam Smith, “the tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the manner of payment, the amount to be paid ought to be clear and plain to the contributor and to every other person.”

**The certainty aspects of taxation are:**

1. Certainty of effective incidence i.e., who shall bear the tax burden.
2. Certainty of liability as to how much shall be the tax amount payable in a particular period. This the tax payers as well as the exchequer should unambiguously know.
3. Certainty of revenue i.e., the government should be certain about the estimated collection of revenue from a given tax levied.

**3. Canon of Economy:**

This principle suggests that the cost of collecting a tax should not be exorbitant but be the minimum. Extravagant tax collection machinery is not justified. According to Adam Smith, “Every tax has to be contrived as both to take and keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state.”

Owing to the complex and ever-changing nature of taxation laws in India, government has to maintain elaborate tax collection machinery with a large staff of highly trained personnel involving high administrative costs and inordinate delay in assessment and collection of tax.

**4. Canon of Convenience:**

According to this canon, tax should be collected in a convenient manner from the tax payers. Adam Smith stresses: “Every tax ought to be levied at the time or in the manner in which it is most likely to be convenient for the contributor to pay it.” For example, it is convenient to pay a tax when it is deducted at source from the salaried classes at the time of paying salaries.

**5. Canon of Elasticity:**

Taxation should be elastic in nature in the sense that more revenue is automatically fetched when income of the people rises. This means that taxation must have built-in flexibility.

**6. Canon of Productivity:**

This implies that a tax must yield sufficient revenue and not adversely affect production in the economy.

**7. Canon of Simplicity:**

This norm suggests that tax rates and tax systems ought to be simple and comprehensible and not to be complex and beyond the understanding of the layman. This is what is rarely found in the Indian tax structure.

**8. Canon of Diversity:**

Canon of diversity implies that there should be a multiple tax system of diverse nature rather than having a single tax system. In the former case, the tax payer will not be burdened with a high incidence of tax in the aggregate.

**9. Canon of Expediency:**

This suggests that a tax should be determined on the ground of its economic, social and political expediency. For instance, a tax on agricultural income lacks social, political or administrative expediency in India and that is why the government of India had to discontinue it.

**TAX SYSTEM IN INDIA**

Tax is a payment compulsorily collected from individuals or firms by government. A direct tax is levied on the income or profits of an individual or a company. The word 'direct' is used to denote the fact that the burden of tax falls on the individual or the company paying the tax and can not be passed on to anybody else. For example, income tax, corporate tax, wealth tax etc. An 'indirect' tax is levied on manufacturing and sale of goods or services. It is called 'indirect' because the real burden of such a tax is not borne by the individual or firm paying it but is passed on to the consumer. Excise duty, customs duty, sales tax etc.

*There Are Two Categories of Taxes in India, These Are –*

**DIRECT TAXES**

- These taxes are levied directly on the persons.
- These contribute major chunk of the total taxes collected in India.

Some of the direct taxes are-

**1. Income Tax-**

This is a type of tax levied on the individuals whose income falls under the taxable category (2.5 lakhs per annum). The Indian Income Tax Department is governed by CBDT and is part of the Department of Revenue under the Ministry of Finance, Govt. of India. Income tax is a key source of funds that the government uses to fund its activities and serve the public.

**2. Corporate Income Tax –**

This is the tax levied on the profits a corporate house earned in a year. In India, the Corporate Income tax rate is a tax collected from companies. Its amount is based on the net income companies obtain while exercising their business activity, normally during one business year.

**3. Securities Transaction Tax-**

Introduced in 2004, STT is levied on the sale and purchase of equities. more clearly, The income an individual generates through the securities market be it through reselling of shares or

through debentures is taxed by the government of India and the same tax is called as Securities Transaction Tax.

#### 4. Banking Cash Transaction Tax -

A bank transaction tax is a tax levied on debit (and/or credit) entries on bank accounts. It can be automatically collected by a central counterparty in the clearing or settlement process.

#### INDIRECT TAXES-

You go to a super market to buy goods or to a restaurant to have a mouthful there at the time of billing you often see yourself robbed by some more amount than what you enjoyed of, these extra amounts are indirect taxes, which are collected by the intermediaries and when govt tax the income of the intermediaries this extra amount goes in to government's kitty, hence as the name suggests these are levied indirectly on common people.

Some examples of Indirect Taxes are-



#### 1. Value Added Tax-

When we pay an extra amount of price for the goods and services we consume or buy, that extra amount of money is called as VAT. This taxes is about to be replaced by Goods and Services Tax.

**Current rate-**

**On agricultural goods-4%**

**On luxury items- 20%**

#### 2. Customs Duty –

Customs Duty is a type of indirect tax levied on goods imported into India as well as on goods exported from India. In India, the basic law for levy and collection of customs duty is Customs Act, 1962. It provides for levy and collection of duty on imports and exports.

#### 3. Excise Duty –

An excise or excise tax is an inland tax on the sale, or production for sale, of specific goods or a tax on a good produced for sale, or sold, within a country or licenses for specific activities. Excises are distinguished from customs duties, which are taxes on import.

**4. Service Tax-**

Service Tax is a tax imposed by Government of India on services provided in India. The service provider collects the tax and pays the same to the government. It is charged on all services except the services in the negative list of services.

**Current rate- 12**

*Funds provided by taxation are used by governments to carry out the functions such as:*

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- military defence
- enforcement of law and order
- redistribution of wealth
- economic infrastructure — roads, ports etc
- social welfare
- social infrastructure like education, health etc
- social security measures like pensions for the elderly, unemployment benefits

***Taxation System in India***

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India has a well developed tax structure. Being a federal country, the authority to levy taxes is divided between the central government and the state governments. The central government levies direct taxes such as personal income tax and corporate tax, and indirect taxes like customs duties, excise duties and central sales tax (CST). CST is assigned to the States in which it is collected. (Art.269). The states have the constitutional power to levy sales tax apart from various other local taxes like entry tax, octroi, etc.

***Service Tax***

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Service tax was first imposed in 1994. Today the rate is 12% and a 3% education cess is additionally imposed. More than 100 services are being taxed.

The service sector has emerged as an important area of economic activity. Reasons for taxing services

- Its share in the country's Gross Domestic Product (GDP) has increased from about 28% in 1951, to 55% (2011).
- Taxing services is important to raise resources and increasing the tax-GDP ratio
- service providers should share the tax burden with others-industry

***Service Tax and Indian Constitution***

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- The 88th amendment to the Constitution (2004) amended Article 270 (made it divisible) and inserted in the Union List (List I) entry No. 92C — 'taxes on services'.
- The amendment to the Constitution places services tax formally under the Union List, This will pave the way for the Centre to levy and collect the tax.
- The amendment becomes redundant with the introduction of GST in 2011 where the services will be jointly taxed by Centre and States.

***GST***

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- Goods and Services Tax is a multi-point sales tax with set off for tax paid on purchases of inputs. There is no cascading (tax on tax) effect as there is deduction or credit mechanism for taxes paid for the inputs. The tax is levied on the value added and on consumption only. Total burden of the tax is exclusively borne by the domestic consumer. Exports are not subject to GST.
- The goods and service tax (GST) is proposed to be a comprehensive indirect tax levy on manufacture and sale of goods as well as services at a national level. Integration of goods and services taxation would give India a world class tax system and improve tax collections. It would end the long standing distortions of differential treatments of manufacturing and service-sector. The introduction of goods and services tax will lead to the abolition of taxes such as octroi, Central sales tax, State level sales tax, entry tax, etc and eliminate the cascading effects tax on tax.

***Constitutional Amendment for GST***

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Constitution (One Hundred and Fifteenth Amendment), Bill, 2011 (OST Bill) was introduced in the Parliament in the budget session in March 2011, deals with GST. The Bill seeks to introduce Goods and Services Tax (GST) and the GST Council. As per the existing structure of indirect taxation, the Parliament has the power to make laws on the manufacture of goods and the provision of services (Union List) while the State Legislatures have the power to make laws on the sale and purchase of goods within their respective states (State List). The Parliament has retained the exclusivity to make laws pertaining to sale of goods in the course of inter-state trade or commerce.

**PROS AND CONS OF INDIRECT TAX****Advantages of Indirect Taxes:**

Indirect taxes have advantages of their own.

**(i) The Poor Can Contribute:**

They are the only means of reaching the poor. It is a sound principle that every individual should pay something, however little, to the State. The poor are always exempted from paying direct taxes. They can be reached only through indirect taxation.

**(ii) Convenient:**

They are convenient to both the tax-payer and the State. The tax-payers do not feel the burden much partly because an indirect tax is paid in small amounts and partly because it is paid only when making purchases. But the convenience is even greater due to the fact that the tax is “price-coated”.

It is wrapped in price. It is like a sugar-coated quinine pill. Thus, a tobacco tax is not felt when it is included in the price of every cigarette bought. It is convenient to the State as well which can collect the tax at the ports or at the factory.

**(iii) Broad-based:**

Indirect taxes can be spread over a wide range. Very heavy direct taxation at just one point may produce harmful effects on social and economic life. As indirect taxes can be spread widely, they are more beneficial and suitable.

**(iv) Easy Collection:**

Collection takes place automatically when goods are bought and sold. A dealer collects the tax when he charges a price. He is an honorary tax collector.

**(v) Non-evadable:**

They cannot be evaded, as they are a part of the price. They can be evaded only when the taxed article is not consumed, and 'his may not always be possible'

**(v) Elastic:**

They are very elastic in yield, imposed on necessities of life which have an inelastic demand. Indirect taxes on necessities yield a large revenue, because people must buy these things.

**(vi) Equitable:**

When imposed on luxury or goods consumed by the rich, they are equitable. In such cases, only the .Veil-to-do will pay the tax.

**(vii) Check Harmful Consumption: .**

By being imposed on harmful products, they can check consumption of harmful commodities. That is why tobacco, wine and other intoxicants are taxed.

**Disadvantages of Indirect Taxes:**

Indirect taxes have some disadvantages too, which are as follows:

**(i) Regressive:**

Indirect taxes are not equitable. For instance, salt tax in India fell more heavily on the poor than on the rich, as it had to be paid at the same rate by all. Whether a rich man buys a commodity or a poor man, the price in the market is the same for all. The tax is wrapped in the price. Hence, rich and poor pay the same amount, which is obviously unfair. They are thus; regressive.

**(ii) Uncertain:**

Unless indirect taxes are imposed on necessities, we cannot be sure of the revenue yield. In the case of goods, with an elastic demand, the tax might not bring in much revenue. The tax will raise the price and contract the demand. When the thing is not purchased, the question of the tax payment does not arise.

**(iii) Raising Prices Unduly:**

They cause the price of an article to rise by more than the tax. A fraction of the money unit cannot be calculated, so every middleman tends to charge more than the tax. This process is cumulative.

**(iv) Uneconomical:**

The cost of collection is quite heavy. Every source of production has to be guarded. Large administrative staff is required to administer such taxes. This turns out to be a costly affair.

**(v) No Civic Consciousness:**

These taxes do not develop civic consciousness, because many times the tax-payer does not even know that he is paying tax. The tax is concealed in the price.

**(vi) Harmful to Industries:**

They discourage industries if raw materials are taxed. This will raise the cost of production and impair their competitive capacity.

## DEVELOPMENT OF INDIRECT TAXATION

### 1. Indirect taxes continue to grow while direct taxes stagnate:

Whether the need is to finance targeted stimulation programs for a local economy, or whether it is to generally make up for the gaps left behind by a shrinking economy, indirect taxes have proven to be the first choice for generating revenue for governments in many countries. Also, as VAT/GST systems are spreading, VAT/GST rates are rising and excise taxes are increasing on an almost global scale.

### 2. Indirect taxes are adapting to new economic realities:

Indirect taxes are strongly intertwined with the economy given the fact that an object taxed is an economic transaction, such as the sale of a good or the provision of a service. If the nature of these transactions or the way that such transactions are handled change, this immediately has a strong impact on indirect taxation.

E-commerce and virtual currencies are on the radar of an increasing number of governments, and they are adapting their tax systems to capture these transactions.

### 3. The global trade landscape is changing fast:

While governments are counting on exports for growth, they are at the same time restricting imports. On the positive side, it should be mentioned that countries are negotiating measures to facilitate trade. In constant search for revenue, jurisdictions have started to increasingly focus on the customs tax base.

### 4. Tax authorities are focusing on enforcement of indirect taxes:

Tax audits are changing. Tax and customs inspectors are increasingly using modern technology tools to access real-time comparative figures and data when auditing businesses. They are sharing more information, and tax administrations around the world are implementing electronic auditing of businesses' financial records and systems.

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. Possible Questions

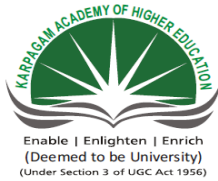
**PART-A**

**Multiple Choice Questions**

1. A -----is a compulsory charge imposed by the government without any expectation of direct return in benefit.  
a) **Tax**                      b) Fee                      c) Fine                      d)Duty
2. Which of the following is a direct tax?  
a) **Income tax**              b) Customs duty              c) Excise duty              d)Service tax
3. Which of the following is an indirect tax?  
a) Income tax b) Wealth tax              c) **Excise duty**              d) Estate duty
4. Where impact and incidence falls on same person, then it is called -----  
a) Indirect tax              b) shifting                      c) **direct tax**                      d)not a tax
5. Where impact is on one person and incidence is on some other person , it is called-----  
a) **Indirect tax**              b) shifting                      c) direct tax                      d)not a tax
6. When the goods are produced in India, producer has to pay ----- to the government  
a) Sales tax    b) Customs duty                      c) Service tax                      d) Excise duty
7. Import duty and export duty are collectively called as-----  
a) Sales Tax    b) Service Tax                      c) Excise duty                      d) **Customs duty**
8. Perquisite Tax otherwise called as -----  
a) Allowance Tax    b) Securities Tax              c) **Fringe Benefit Tax**              d) Central Sales Tax
9. ----- are annual taxes payable on the income of a corporate operating in India.  
a) Income Tax                      b) **Corporation Tax**              c) Wealth Tax                      d) Gift Tax
10. Tax on tax is called -----  
a) Fee                      b) Fine                      c) Penalty                      d) **Surcharge**
11. Education cess is levied at ----- % on total tax payable.  
a) **2**                      b) 3                      c) 4                      d) 5
12. In India direct tax like income tax is ----- in nature.  
a) **Progressive**              b) Regressive              c) Digressive                      d) Proportional
13. The person one who pays the tax in the first instance bears the ----- of tax  
a) Incidence    b) **Impact**                      c) Shifting                      d) Forwarding
14. The person who actually bears the burden of the tax called ----- of tax  
a) **Incidence**    b) Impact                      c) Shifting                      d) Forwarding
15. In indirect taxes transfer of tax burden from one person to another person is called ----- of tax  
a) Incidence    b) Impact                      c) **Shifting**                      d) Forwarding
16. The power of the states and the Centre are defined by the constitution and the legislative powers are divided into -----lists.  
a) 1                      b) 2                      c) **3**                      d) 4

PART B  
ANSWER ALL QUESTIONS

17. Explain the objectives and principles of Indirect Taxation in India.
18. What is Cannons of Taxation?
19. Explain in detail about the tax system in India.
20. What are the Pros and Cons of Indirect Tax?
21. Explain the Development of Indirect Taxation.
22. How The Government contributed in Revenue by Indirect Taxation?



**KARPAGAM ACADEMY OF HIGHER EDUCATION**  
(Deemed University Established Under Section 3 of UGC Act 1956)  
Coimbatore - 641021.  
(For the candidates admitted from 2016 onwards)  
**DEPARTMENT OF COMMERCE**

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<b>SUBJECT:</b>	<b>INDIRECT TAX LAWS</b>		
<b>SEMESTER:</b>	<b>III</b>		
<b>SUBJECT CODE:</b>	<b>16CCP303</b>	<b>CLASS:</b>	<b>II M.COM CA</b>

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### Unit II

**Customs Law:** Basic Concepts of Customs Law- Different types of customs duty- Abatement of duty in damaged or deteriorated goods- valuation –customs procedure- exemptions- customs duty drawback- Duties free zones- Offense and penalties.

**TEXTBOOKS:**

T<sub>1</sub>: THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

T<sub>2</sub>: V.S. DATEY, "INDIRECT TAXATION"

**WEBSITE:**

W<sub>1</sub>: [WWW.REPROINDIALTD.COM](http://WWW.REPROINDIALTD.COM)

W<sub>2</sub>: [WWW.CBEC.GOV.IN](http://WWW.CBEC.GOV.IN)

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**Custom** in law is the established pattern of behavior that can be objectively verified within a particular social setting. A claim can be carried out in defense of "what has always been done and accepted by law." Related is the idea of **prescription**; a right enjoyed through long custom rather than positive law.<sup>[1]</sup>

**Customary law** (also, **consuetudinary** or **unofficial law**) exists where:

1. a certain legal practice is observed and
2. the relevant actors consider it to be law

Most customary laws deal with *standards of community* that have been long-established in a given locale. However the term can also apply to areas of international law where certain standards have been nearly universal in their acceptance as correct bases of action - in example, laws against piracy or slavery (see hostis humani generis). In many, though not all instances, customary laws will have supportive court rulings and case law that has evolved over time to give additional weight to their rule as law and also to demonstrate the trajectory of evolution (if any) in the interpretation of such law by relevant courts.

## **Types of Customs Duty**

- **Basic Customs Duty**

Basic custom duty is the duty imposed on the value of the goods at a specific rate. The duty is fixed at a specified rate of ad-valorem basis. This duty has been imposed from 1962 and was amended from time to time and today is regulated by the Customs Tariff Act of 1975. The Central Government has the right to exempt any goods from the tax.

- **Countervailing Duty (CVD)**

This duty is imposed by the Central Government when a country is paying the subsidy to the exporters who are exporting goods to India. This amount of duty is equivalent to the subsidy paid by them. This duty is applicable under Sec 9 of the Customs Tariff Act.

- **Additional Customs Duty or Special CVD**

In order to equalize imports with locals taxes like service tax, VAT and other domestic taxes which are imposed from time to time, a special countervailing duty is imposed on imported goods. Hence, is imposed to bring imports on an equal track with the goods produced or manufactured in India. This is to promote fair trade & competition practices in our country.

- **Safeguard Duty**

In order to make sure that no harm is caused to the domestic industries of India, a safeguard duty is imposed to safeguard the interest of our local domestic industries. It is calculated on the basis of loss suffered by our local industries.

- **Anti Dumping Duty**

Often, large manufacturer from abroad may export goods at very low prices compared to prices in the domestic market. Such dumping may be with intention to cripple domestic industry or to dispose of their excess stock. This is called 'dumping'. In order to avoid such dumping, Central Government can impose, under section 9A of Customs Tariff Act, anti-dumping duty up to margin of dumping on such articles, if the goods are being sold at less than its normal value. Levy of such anti dumping duty is permissible as per WTO agreement. Anti dumping action can be taken only when there is an Indian industry producing 'like articles'.

- **National Calamity Contingent Duty**

This duty is imposed by Sec 129 of the Finance Act. The duty is levied on goods like tobacco, pan masala or any items that are harmful for health. The rate of the tax varies from 10% to 45% and different rates are applied for different reasons.

- **Education Cess on Customs Duty**

At the prescribed rate is levied as a percentage of aggregate duties of customs. If goods are fully exempted from duty or are chargeable to nil duty or are cleared without payment of duty under prescribed procedure such as clearance under bond, no cess would be levied.

- **Protective Duties**

Tariff Commission has been established under Tariff Commission Act, 1951. If the Tariff Commission recommends and Central Government is satisfied that immediate action is necessary to protect interests of Indian industry, protective customs duty at the rate recommended may be imposed under section 6 of Customs Tariff Act. The protective duty will be valid till the date prescribed in the notification.

## VALUATION OF SUPPLY UNDER GST

Goods and service tax or GST will be one tax to subsume all taxes. It will bring in “One nation one tax” regime. Being a completely new form of indirect taxation there are many questions in the minds of the organizations. One of the most important question is what is valuation of supply under GST? What will be included in the value of taxable supply on which GST is calculated?

### Current regime

Currently taxes are calculated on the value of goods/services-

Tax	Value of goods/services
Excise	Transaction value of goods or MRP
VAT	Sale Value
Service tax	Taxable value of service rendered

### Valuation of supply under GST

GST will be charged on the ‘transaction value’. Transaction value is the price actually paid (or payable) for the supply of goods/services between un-related parties (i.e., price is the sole consideration)

The value of supply under GST shall include:

1. Any taxes, duties, cess, fees and charges levied under any act, except GST. GST Compensation Cess will be excluded if charged separately by the supplier.
2. Any amount that the supplier is liable to pay which has been incurred by the recipient and is not included in the price.
3. The value will include all **incidental expenses** in relation to sale such as packing, commission etc.
4. Subsidies linked to supply, except Government subsidies will be included.
5. Interest/late fee/penalty for delayed payment of consideration will be included.

**Example**

Let us consider an example of ABC, a manufacturer, selling tools and hardwares like drills, polishers, spades etc. It sells a power drill to XYZ a wholesaler. The MRP is Rs. 5,500 but ABC sells it for Rs. 3,000.

**Currently**, the invoice will look like-

Power Drill	3,000
Add: Excise @ 12.5%	375
Subtotal	3,375
Add: VAT @14.5% (on subtotal)	490
Total	3,865

**Value of supply under GST**

The value of goods &/or services supplied is the transaction value, i.e. the price paid/payable, which is Rs 3,000 in the example. Assuming CGST=9% and SGST= 9%

Power Drill	3,000
Add: CGST @9%	270
Add: SGST @9%	270
Total	3,540

**CUSTOMS PROCEDURES**

All goods intended to be placed under a customs procedure shall be covered by a declaration for that customs procedure. Domestic goods declared for an export, outward-processing, transit or customs warehousing procedure shall be subject to customs supervision from the time of acceptance of the declaration until such time as they leave the customs territory, or are destroyed, or the declaration is invalidated. The Minister of Finance may determine certain customs authority for clearance of certain types of goods or administration of certain procedures.

Rule book on determining the customs authorities for clearance of specific kinds of goods or carrying out of the specific procedures.

The declaration shall be made:

- 1) In writing;
- 2) Electronically, if technically feasible and subject to authorisation by the Director of the Customs Administration; or
- 3) Orally or by means of any other act whereby the holder of the goods expresses his wish to place the goods under a customs procedure, where such a possibility is provided for under the regulation in force.

Customs declarations in writing are to be made on a form corresponding to the official specimen prescribed for that purpose, i. e. on SAD form. A customs declaration is lodged by a declarant. It is a request to the customs authorities to allow the goods to be placed under the requested customs procedure. A customs declarant is any person making a customs declaration whether on his own behalf or on behalf of another person. A person on whose behalf the customs declaration was made or the person to whom the rights and obligations in respect of a customs procedure have been transferred is called a holder of the customs procedure

**Customs procedure shall mean:**

- release of goods for free circulation,
- transit,
- customs warehousing,
- inward processing,
- processing under customs control,
- temporary importation,
- outward processing, and
- Exportation.

## **DUTY DRAWBACK**

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Duty drawback is a versatile trade program established in the United States in order to allow US Importers, Manufacturers, and Exporters an opportunity to be more competitive on the global market. While the importers may or may not be the same party as the manufacturer or even the exporter, there may be an opportunity for any party along the supply chain to benefit from duty drawback.

Duty drawback can help a claimant recover the following duties, taxes and fees paid on the imported merchandise:

- Duties paid on an entry, or withdrawal from warehouse, for consumption.
- Voluntary tenders of duties
- Marking duties
- Internal revenue tax

- Harbor maintenance tax (except manufacturing drawback)
- Merchandise processing fees (except manufacturing drawback)

Similar to imports, duty drawback requires claimants to submit their drawback claims under bond, either a continuous or single transaction bond. A drawback claim requires the particulars of the import including CBP Form 7501 and commercial import invoice, the export including the export bills of lading, commercial export invoice, and information regarding the manufacturing (in the case of manufacturing drawback claims). As a new drawback claimant, several applications are needed in order to establish a drawback program including a Waiver of Prior Notice of Intent to Export, Retroactive Waiver, Accelerated Payment Procedure (optional, but often recommended), and specific/general substitution applications as needed. A drawback broker can provide the necessary regulatory compliance and guidance to complete these applications, process drawback claims based on import and export data, and file the drawback claims with CBP on a claimant's behalf.

## **TYPES OF DRAWBACK**

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- **Direct Identification Manufacturing:** If articles manufactured in the United States with the use of imported merchandise are subsequently exported or destroyed then drawback not exceeding 99 percent of the duties paid on the imported merchandise may be recoverable. Title 19 (Section 1313(a))<sup>[2]</sup>
- **Substitution Manufacturing:** If both imported merchandise and any other merchandise of the same kind and quality are used to manufacture articles, some of which are exported or destroyed before use, then drawback not exceeding 99 percent of the duty which was paid on the imported merchandise may be payable on the exported or destroyed articles. It is immaterial whether the actual imported merchandise or the domestic merchandise of the same kind and quality was used in the exported or destroyed articles. This provision makes it possible for firms to obtain drawback without the expense of maintaining separate inventories for dutiable and other merchandise. Title 19 (Section 1313(b))
- **Rejected Merchandise:** If merchandise is exported or destroyed because it does not conform with samples or specifications, or has been shipped without the consent of the consignee, or has been determined to be defective as of the time of importation, then 99 percent of the duties which were paid on the merchandise may be recovered as drawback. Title 19 (Section 1313(c))<sup>[2]</sup>
- **Unused Merchandise:** If imported merchandise is unused and exported or destroyed under Customs supervision, 99 percent of the duties, taxes or fees paid on the merchandise by reason of importation may be recovered as drawback. Title 19 (Section 1313(j)(1))<sup>[2]</sup>
- **Substitution Unused Merchandise:** If merchandise that is commercially interchangeable with imported merchandise upon which was paid any duty, tax, or fee imposed under Federal law because of its importation, is exported or destroyed under Customs supervision and at the time of exportation or destruction has not been used, 99 percent of the duties, taxes or fees paid on the merchandise may be recovered as drawback. Title 19 Section 13

## OFFENCES UNDER GST

There are 21 offences under GST. For easy understanding, we have grouped them as-

### Fake/wrong invoices

1. **A taxable person supplies any goods/services without any invoice or issues a false invoice.**
2. He issues any invoice or bill without supply of goods/services in violation of the provisions of GST
3. **He issues invoices using the identification number of another bonfide taxable person**  
**Fraud**
4. **He submits false information while registering under GST**
5. **He submits fake financial records/documents or files fake returns to evade tax**
6. Does not provide information/gives false information during proceedings
7. He collects any GST but does not submit it to the government within 3 months
8. Even if he collects any GST in contravention of provisions, he still has to deposit it to the government within 3 months. Failure to do so will be an offence under GST.
9. **He obtains refund of any CGST/SGST by fraud.**
10. He takes and/or utilizes input tax credit without actual receipt of goods and/or services
11. **He deliberately suppresses his sales to evade tax** **Supply/transport of goods**
12. He transports goods without proper documents
13. Supplies/transport goods which he knows will be confiscated
14. Destroys/tampers goods which have been seized**Others**
15. **He has not registered under GST although he is required to by law**
16. He does not deduct TDS or deducts less amount where applicable.
17. He does not collect TCS or collects less amount where applicable.
18. Being an Input Service Distributor, he takes or distributes input tax credit in violation of the rules

19. He obstructs the proper officer during his duty (for example, he hinders the officer during the audit by tax authorities)
20. He does not maintain all the books that he required to maintain by law
21. He destroys any evidence

## Possible Questions

## PART-A

## Multiple Choice Questions

1. The name of the Central Excise Act is:.....  
a) Central Excise Act, 1985    b) Central Excise Tariff Act, 1985  
c) **Central Excise Act, 1944**    d) Central Excise and Salt Act, 1944
2. Central Excise Act come into force with effect from .....  
a) **28/02/1944**    b) 28/02/1985    c) 28/02/1945    d) 28/02/1946
3. PLA in Excise duty refers to.....  
a) Permanent Lodging Agency    b) **Personal Ledger Account**  
c) Payment to Local Authority    d) Permanent Ledger Account
4. In Central Excise Act Adjudicating Authority means.....  
a) Customs Officer    b) Judicial Officer    c) **Central Excise Officer**  
d) Administrative Officer
5. ----- of central excises and salt act deals with grant of exemption from levy of excise duty .  
a) **Sec 5A**    b) Sec 10B    c) Sec 12D    d) Sec 11A
6. There are \_\_\_\_\_ chapters under the central excise classifications  
a) 97 Chapters    b) 80 Chapters    c) 100 Chapters    d) **96 Chapters**
7. ----- of central excises and salt act deals with grant of exemption from levy of excise duty  
a) Sec 5A    b) Sec 10B    c) **Sec 12D**    d) Sec 11A
8. Name of fund created under Section 12-C of Central Excise Act is:.....  
a) Consolidated Fund of India    b) Contingent Fund of India  
c) **Consumer Welfare Board**    d) Product Development Fund
9. Money in the Consumer Welfare Fund is used for.....  
a) Welfare of the Central Excise Officer    b) **Welfare of the Consumer**  
c) Welfare of the Poor and Sick People    d) Welfare for Agents
10. The central excise tariff act classifies all the goods under ----- Chapters and is divided into ----- sections.  
a) **18, 100**    b) 20,98    c) 10, 74    d) 20, 96
11. Charging Section of the Central Excise Act 1944 is.....  
a) **Section 3(1)**    b) Section 2(1)    c) Section 4(1)    d) Section 5
12. All the goods mentioned in Schedule I to CETA suffer a duty called.....  
a) **CENVAT**    b) SAD    c) BCD    d) MODVAT
13. Cenvat stands for.....  
a) Central Tax for Valuation    b) **Central Value Added Tax**  
c) Central Value Added Tax    d) Central Excise Value Added Tax

14. Central Excise duty is not leviable on the goods manufactured or produced by.....
- a) 100% EOU's      b) **SEZ**      c) STP and BTP      d) Government Companies
15. Sometimes goods are cleared to DTA by 100% EOUs. In such case Central Excise duty is payable as per
- a) **Customs Tariff**      b) Central Excise Tariff      c) 100% EOU's      d) SEZ
16. A license granted under the Excise Act is valid for a maximum period.....
- a) 5 Years      b) 10 Years      c) 3 Years      d) No Time Limit

PART B  
ANSWER ALL THE QUESTIONS

17. Explain the basic concept of Customs Laws.
18. What are the different types of Customs Duties?
19. Explain the Abatement of Duty in Damaged or Deteriorated Goods.
20. Write a note on Valuation of Goods?
21. What are the Customs Procedure and Explain it?
22. What is Duty Free Zone?
23. Explain Offences and Penalties in Customs Duty.
24. Explain with example that the goods to be damaged and how to claim that damaged goods?



**KARPAGAM ACADEMY OF HIGHER EDUCATION**  
(Deemed University Established Under Section 3 of UGC Act 1956)  
Coimbatore - 641021.  
(For the candidates admitted from 2016 onwards)  
**DEPARTMENT OF COMMERCE**

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<b>SUBJECT:</b>	<b>INDIRECT TAX LAWS</b>		
<b>SEMESTER:</b>	<b>III</b>		
<b>SUBJECT CODE:</b>	<b>16CCP303</b>	<b>CLASS:</b>	<b>II M.COM CA</b>

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### Unit III

**Introduction to Goods and Services Tax (GST):** Meaning of GST – Basic Concepts Features of GST - Benefits of GST –GST working mechanism– GST rate and Taxes on GST – Goods and Service tax Network (GSTN) – Constitutional Framework of GST – Model GST Law – Chargeability for GST – Composition Scheme.

JOURNALS: J<sub>1</sub>: THE CONSTITUTION (101 AMENDMENT ACT), 2016, SEP 8, 2016  
J<sub>2</sub>: GST : LUXURY PRODUCTS, BUSINESS STANDARD, MAY 18, 2017

### INTRODUCTION

Introduction of the Value Added Tax (VAT) at the Central and the State level has been considered to be a major step – an important step forward – in the globe of indirect tax reforms in India. If the VAT is a major improvement over the pre-existing Central excise duty at the national level and the sales tax system at the State level, then the Goods and Services Tax (GST) will indeed be an additional important perfection – the next logical step – towards a widespread indirect tax reforms in the country. Initially, it was conceptualized that there would be a national level goods and services tax, however, with the release of First Discussion Paper by the Empowered Committee of the State Finance Ministers on 10.11.2009, it has been made clear that there would be a “Dual GST” in India, taxation power – both by the Centre and the State to levy the taxes on the Goods and Services. Almost 150 countries have introduced GST in some form. While countries such as Singapore and New Zealand tax virtually everything at a single rate, Indonesia has five positive rates, a zero rate and over 30 categories of exemptions.

In China, GST applies only to goods and the provision of repairs, replacement and processing services. GST rates of some countries are given below. Country Australia France Canada Germany Japan Singapore Sweden New Zealand Rate of GST 10% 19.6% 5% 19% 5% 7% 25% 15% World over in almost 150 countries there is GST or VAT, which means tax on goods and services. Under the GST scheme, no distinction is made between goods and services for levying of tax. In other words, goods and services attract the same rate of tax. GST is a multi-tier tax where ultimate burden of tax fall on the consumer of goods/ services. It is called as value added tax because at every stage, tax is being paid on the value addition. Under the GST scheme,

a person who was liable to pay tax on his output, whether for provision of service or sale of goods, is entitled to get input tax credit (ITC) on the tax paid on its inputs.

## Meaning of GST

**Goods and Services Tax (GST)** is an [indirect tax](#) which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the [central](#) and [state](#) governments. It was introduced as [The Constitution \(One Hundred and First Amendment\) Act 2017](#),<sup>[1]</sup> following the passage of Constitution 122nd Amendment Bill. The GST is governed by a GST Council and its Chairman is the [Finance Minister of India](#). Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold.<sup>[2]</sup> In addition a [cess](#) of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products.<sup>[3]</sup> GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's 2 trillion dollar economy.<sup>[4]</sup> The rate of GST in India is between double to four times that levied in other countries like Singapore.<sup>[5]</sup>

## Concepts of GST

The Goods and Services Tax was launched at midnight on 30 June 2017 by the Prime Minister of India, [Narendra Modi](#). The launch was marked by a historic midnight (30 June – 1 July) session of both the houses of parliament convened at the Central Hall of the Parliament. Though the session was attended by high-profile guests from the business and the entertainment industry including Ratan Tata, it was boycotted by the opposition due to the predicted problems that it was bound to lead to for the middle and lower class Indians.<sup>[13][14]</sup> It is one of the few midnight sessions that have been held by the parliament - the others being the [declaration of India's independence](#) on 15 August 1947, and the [silver](#) and [golden jubilees](#) of that occasion.<sup>[14]</sup>

Members of the [Congress](#) boycotted the GST launch altogether. They were joined by members of the [Trinamool Congress](#), [Communist Parties of India](#) and the [DMK](#). These parties reported that they found virtually no difference between the GST and the existing taxation system, claiming that the government was trying to merely rebrand the current taxation system. They also argued that the GST would increase existing rates on common daily goods while reducing rates on luxury items, and affect many Indians adversely, especially the middle, lower middle and poorer classes.<sup>[15]</sup>

## Rates

The GST is imposed at different rates on different items. The rate of GST is 18% for soaps and 28% on washing detergents. GST on movie tickets is based on slabs, with 18% GST for tickets that cost less than Rs. 100 and 28% GST on tickets costing more than Rs.100.<sup>[21]</sup> The rate on under-construction property booking is 12%.<sup>[22]</sup> Some industries and products were exempted by the government and remain untaxed under GST, such as dairy products, products of milling industries, fresh vegetables & fruits, meat products, and other groceries and necessities.

The introduction of the GST increased the costs of most consumer goods and services in India including food, hotel charges, insurance and cinema tickets. Upon its introduction in the

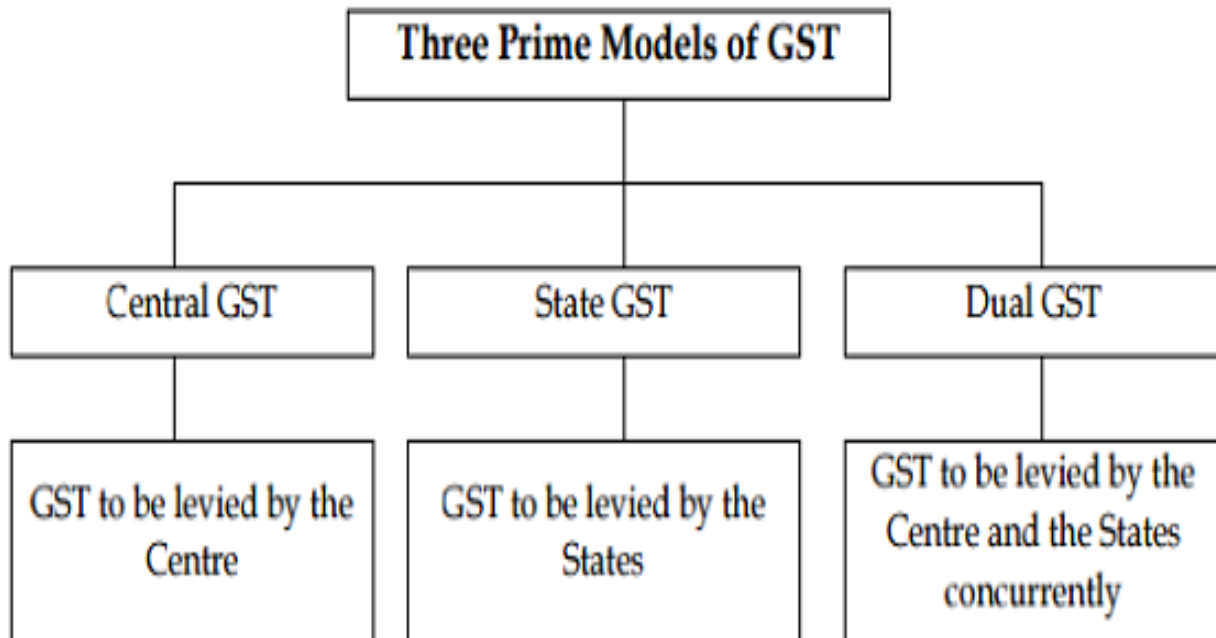
country, GST led to a number of protests by the business community, primarily due to an increase in overall taxes and hence the prices of goods. Checkposts across the country were abolished ensuring free and fast movement of goods.

The Central Government had proposed to insulate the revenues of the States from the impact of GST, with the expectation that in due course, GST will be levied on petroleum and petroleum products. The central government had assured states of compensation for any revenue loss incurred by them from the date of GST for a period of five years. However, no concrete laws have yet been made to support such action.

### MODELS OF GST

There are three prime models of GST:

- GST at Central (Union) Government Level only
- GST at State Government Level only
- GST at both, Union and State Government Levels



***BENEFITS OF GST***

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- 1. GST provide comprehensive and wider coverage of input credit setoff, you can use service tax credit for the payment of tax on sale of goods etc.*
  - 2. CST will be removed and need not pay. At present there is no input tax credit available for CST.*
  - 3. Many indirect taxes in state and central level included by GST, You need to pay a single GST instead of all.*
  - 4. Uniformity of tax rates across the states*
  - 5. Ensure better compliance due to aggregate tax rate reduces.*
  - 6. By reducing the tax burden the competitiveness of Indian products in international market is expected to increase and there by development of the nation.*
  - 7. Prices of goods are expected to reduce in the long run as the benefits of less tax burden would be passed on to the consumer.*
- 

***FEATURES***

*The salient features of GST are asunder:*

*(i) GST would be applicable on “supply” of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.*

*(ii) GST would be based on the principle of destination based consumption taxation as against the present principle of origin based taxation.*

*(iii) It would be a dual GST with the Centre and the States simultaneously levying it on a common base. The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by the States [including Union territories with legislature] would be called State GST (SGST). Union territories without legislature would levy Union territory GST (UTGST).*

*(iv) An Integrated GST (IGST) would be levied on inter-State supply (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted. Page 6 of 15*

*(v) Import of goods would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.*

*(vi) Import of services would be treated as inter-State supplies and would be subject to IGST.*

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*(vii) CGST, SGST /UTGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States under the aegis of the GSTC.*

*(viii) GST would replace the following taxes currently levied and collected by the Centre:*

- a) Central Excise Duty;*
- b) Duties of Excise (Medicinal and Toilet Preparations);*
- c) Additional Duties of Excise (Goods of Special Importance);*
- d) Additional Duties of Excise (Textiles and Textile Products);*
- e) Additional Duties of Customs (commonly known as CVD);*
- f) Special Additional Duty of Customs (SAD);*
- g) Service Tax;*
- h) Cesses and surcharges insofar as they relate to supply of goods or services.*

*(ix) State taxes that would be subsumed within the GST are:*

- a) State VAT;*
  - b) Central Sales Tax;*
  - c) Purchase Tax;*
  - d) Luxury Tax;*
  - e) Entry Tax (All forms);*
  - f) Entertainment Tax (except those levied by the local bodies);*
  - g) Taxes on advertisements;*
  - h) Taxes on lotteries, betting and gambling;*
  - i) State cesses and surcharges insofar as they relate to supply of goods or services.*
- 

## **WORKING MECHANISM OF GST**

As GST is a multi-stage tax, it involves collection by registered vendors throughout the production and distribution chain before the goods or services reach end-consumers. Under the GST framework, each registered vendor charges GST on his sales, and reclaims credits for the tax paid on his purchases. The total amount of GST paid to the tax authority by all the vendors in the production and distribution chain is equal to the amount of tax finally borne by the consumer.

Below is a hypothetical case showing how GST is charged through a production and distribution chain, using the example of the manufacture and sale of a suit, assuming a 5% GST rate is levied and each vendor is registered under the GST system.



### Stage 1

Imagine a manufacturer of, say, shirts. He buys raw material or inputs — cloth, thread, buttons, tailoring equipment — worth Rs 100, a sum that includes a tax of Rs 10. With these raw materials, he manufactures a shirt.

In the process of creating the shirt, the manufacturer adds value to the materials he started out with. Let us take this value added by him to be Rs 30. The gross value of his good would, then, be Rs 100 + 30, or Rs 130.

At a tax rate of 10%, the tax on output (this shirt) will then be Rs 13. But under GST, he can set off this tax (Rs 13) against the tax he has already paid on raw material/inputs (Rs 10). Therefore, the effective GST incidence on the manufacturer is only Rs 3 (13 – 10).

### Stage 2

The next stage is that of the good passing from the manufacturer to the wholesaler. The wholesaler purchases it for Rs 130, and adds on value (which is basically his ‘margin’) of, say, Rs 20. The gross value of the good he sells would then be Rs 130 + 20 — or a total of Rs 150. A 10% tax on this amount will be Rs 15. But again, under GST, he can set off the tax on his output (Rs 15) against the tax on his purchased good from the manufacturer (Rs 13). Thus, the effective GST incidence on the wholesaler is only Rs 2 (15 – 13).

### Stage 3

In the final stage, a retailer buys the shirt from the wholesaler. To his purchase price of Rs 150, he adds value, or margin, of, say, Rs 10. The gross value of what he sells, therefore, goes up to Rs 150 + 10, or Rs 160. The tax on this, at 10%, will be Rs 16. But by setting off this tax (Rs 16) against the tax on his purchase from the wholesaler (Rs 15), the retailer brings down the effective GST incidence on himself to Re 1 (16 – 15).

Thus, the total GST on the entire value chain from the raw material/input suppliers (who can claim no tax credit since they haven’t purchased anything themselves) through the manufacturer, wholesaler and retailer is, Rs 10 + 3 + 2 + 1, or Rs 16.

## GST RATE AND TAXES ON GST

As soon as the GST rates were announced a huge wave of curiosity hit across industry and trade bodies. Everyone is evaluating their position as a result of this change. So in this

article, we bring you our analysis of these GST rates. We already know that the GST slabs are pegged at 5%, 12%, 18% & 28%. According to the latest news from the GST council, the tax structure for common-use goods are as under:

### GST Rates Structure

<b>Tax Rates</b>	<b>Products</b>	
0%	Milk	Kajal
	Eggs	Educations Services
	Curd	Health Services
	Lassi	Children's Drawing & Colouring Books
	Unpacked Foodgrains	Unbranded Atta
	Unpacked Paneer	Unbranded Maida
	Gur	Besan
	Unbranded Natural Honey	Prasad
	Fresh Vegetables	Palmyra Jaggery
	Salt	Phool Bhari Jhadoo
5%	Sugar	Packed Paneer
	Tea	Coal
	Edible Oils	Raisin
	Domestic LPG	Roasted Coffee Beans
	PDS Kerosene	Skimmed Milk Powder
	Cashew Nuts	Footwear (< Rs.500)
	Milk Food for Babies	Apparels (< Rs.1000)
	Fabric	Coir Mats, Matting & Floor Covering
	Spices	Agarbatti

<b>Tax Rates</b>	<b>Products</b>	
	Coal	Mishti/Mithai (Indian Sweets)
	Life-saving drugs	Coffee (except instant)
12%	Butter	Computers
	Ghee	Processed food
	Almonds	Mobiles
	Fruit Juice	Preparations of Vegetables, Fruits, Nuts or other parts of Plants including Pickle Murabba, Chutney, Jam, Jelly
	Packed Coconut Water	Umbrella
18%	Hair Oil	Capital goods
	Toothpaste	Industrial Intermediaries
	Soap	Ice-cream
	Pasta	Toiletries
	Corn Flakes	Computers
	Soups	Printers
28%	Small cars (+1% or 3% cess)	High-end motorcycles (+15% cess)
	Consumer durables such as AC and fridge	Beedis are NOT included here
		Luxury & sin items like BMWs, cigarettes and aerated drinks (+15% cess)

## WHAT IS GSTN (GOODS AND SERVICE TAX NETWORK)?

**The Goods and Service Tax Network (GSTN) is a non-profit, non-government organization which manages the entire IT system of the GST portal. [Read more here!](#)**

The Goods and Service Tax Network (or GSTN) is a non-profit, non-government organization. It will manage the entire IT system of the GST portal, which is the mother database for everything [GST](#). This portal will be used by the government to track every financial transaction, and will provide taxpayers with all services – from registration to filing taxes and maintaining all tax details.

### *Structure of GSTN*

Private players own 51% share in the GSTN, and the rest is owned by the government. The authorized capital of the GSTN is ₹10 crore (US\$1.6 million), of which 49% of the shares are divided equally between the Central and State governments, and the remaining is with private banks. The GSTN has also been approved for a non-recurring grant of Rs. 315 crores. The contract for developing this vast technological backend was awarded to Infosys in September 2015. The GSTN is chaired by Mr. Navin Kumar, an Indian Administrative Service servant (1975 batch), who has served in many senior positions with the Govt. of Bihar, and the Central Govt.

Shareholder	Shareholding
Central Government	24.5%
State Governments & EC	24.5%
HDFC	10%
HDFC Bank	10%
ICICI Bank	10%
NSE Strategic Investment Co	10%
LIC Housing Finance Ltd	11%
<b>Total</b>	<b>100%</b>

### *Salient Features of the GSTN*

The GSTN is a complex IT initiative. It will establish a uniform interface for the taxpayer and also create a common and shared IT infrastructure between the Centre and States.

### 1. Trusted National Information Utility

The GSTN is a trusted National Information Utility (NIU) providing reliable, efficient and robust IT backbone for the smooth functioning of GST in India.

### 2. Handles Complex Transactions

GST is a destination based tax. The adjustment of IGST (for inter-state trade) at the government level (Centre & various states) will be extremely complex, considering the sheer volume of transactions all over India. A rapid settlement mechanism amongst the States and the Centre will be possible only when there is a strong IT infrastructure and service backbone which captures, processes and exchanges information.

*Please read our article to know more about [how the Centre and the States will settle IGST](#).*

### 3. All Information Will Be Secure

The government will have strategic control over the GSTN, as it is necessary to keep the information of all taxpayers confidential and secure. The Central Government will have control over the composition of the Board, mechanisms of Special Resolution and Shareholders Agreement, and agreements between the GSTN and other state governments. Also, the shareholding pattern is such that the Government shareholding at 49% is far more than that of any single private institution.

### 4. Expenses Will Be Shared

The user charges will be paid entirely by the Central Government and the State Governments in equal proportion (i.e. 50:50) on behalf of all users. The state share will be then apportioned to individual states, in proportion to the number of taxpayers in the state.

Volume of Expenses	Type of expenses
Maximum expenses	IT system designed by Infosys
2nd part	Fraud Analytics Tools, security audit and other security functions(will be outsourced based on tender)
3rd part	Operating expenses such as salary, rent, office expenses, internal IT facilities

*Functions of GSTN*

GSTN is the backbone of the Common Portal which is the interface between the taxpayers and the government. The entire process of GST is online starting from registration to the filing of returns.

It has to support about 3 billion invoices per month and the subsequent return filing for 65 to 70 lakh taxpayers.

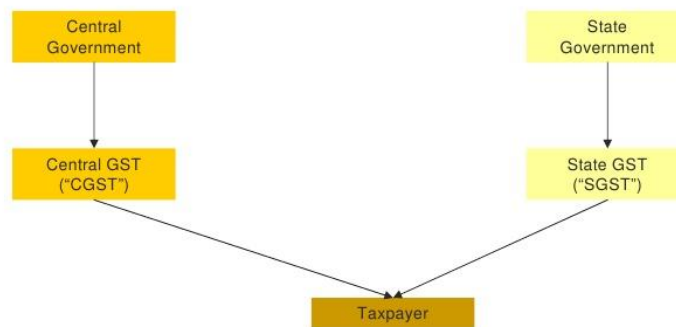
The GSTN will handle:

- Invoices
- Various returns
- Registrations
- Payments & Refunds



# [ GST – The Framework ]

India shall have a dual GST structure with well defined functions and responsibilities of Centre and State.



In respect of inter state transactions, Integrated GST ("IGST") would be levied by the Central government. IGST would be a summation of CGST and SGST.

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This note deals with the provisions of charging section 7 and section 4 of the CGST/SGST Act 2016 and IGST Act, 2016 respectively in Part A and Part B.

## **PART A-Levy and Collection of CGST/SGST**

Section 7 of Chapter III of the CGST/SGST Act, 2016 provides:

### **Section 7(1)**

- There shall be **levied a tax**
- called the **Central/State Goods and Services Tax (CGST/SGST)**
- on all **intra-State**
- **supplies of**
- **goods and/or services**
- at the **rate specified** in the Schedule to this Act and
- collected in such manner as may be prescribed.

### **Section 7(2)**

- The CGST/SGST shall be
- **paid by every taxable person**
- in accordance with the provisions of this Act.

**Section 7(3)**

Notwithstanding anything contained in sub-section (2), the Central or a State Government may, on the recommendation of the Council, **by notification**, specify **categories of supply of goods and/or services the tax on which is payable on reverse charge basis** and the tax thereon shall be paid by the person receiving such goods and/or services and all the provisions of this Act shall apply to such person as if he is the person liable for paying the tax in relation to such goods and/or services.

Section 4 of Chapter III of the IGST Act, 2016 provides:

**Section 4(1)**

- There shall be **levied a tax called the Integrated Goods and Services Tax**
- **on all supplies of goods and/or services**
- made in the course of **inter-State trade or commerce**
- **at the rate specified** in the Schedule to this Act and
- **collected in such manner** as may be prescribed.

**Section 4(2)**

- The **Integrated Goods and Services Tax**
- shall be **paid** by every **taxable person**
- in accordance with the provisions of this Act

**Section 4(3)**

Notwithstanding anything contained in sub-section (2), the Central Government may, on recommendation of the Council, by notification, **specify categories of supply of goods and/or services the tax on which is payable on reverse charge basis** and the tax thereon shall be paid by the person receiving such goods and/or services and all the provisions of this Act shall apply to such person as if he is the person liable for paying the tax in relation to such goods and/or services.

**Section 4(4)**

Notwithstanding anything contained in sub-section (1) but subject to such conditions as may be notified in this behalf, no tax under this Act shall be payable by any taxable person in respect of such supplies of goods and/or services as are specified in Schedule to the Act.

## GST COMPOSITION SCHEME

### *Introduction*

Every tax administration aims towards timely recovery of taxes, filing of returns, simplified generation and maintenance of records, invoices and others documents. Such elements are often a challenge for small businesses. To overcome this shortcoming a composition scheme was introduced under the respective State VAT Laws with conditions applied on eligibility for the scheme accordingly. [GST](#) Composition Scheme also contains an option for a registered taxable person having turnover less than the limit to pay tax at a lower rate respect to certain specified conditions.

### *Know About GST Composition Scheme*

GST Composition Scheme is an option available to a registered taxpayer who needs to inform the tax authorities of his intention to be registered under the scheme. In case the registered taxpayer fails to comply with the same he would be treated a normal tax payer and administered accordingly. Such option needs to be for all businesses of the tax payers ie both for goods as well as services.

### *Turnover and Rate of Tax Under GST Composition Scheme*

A registered taxpayer, whose aggregate turnover does not exceed Rs seventy five lakh in the preceding financial year pay tax at a rate more than 1% for manufacturer, 2.5% for restaurant sector and 0.5% for other suppliers of turnover.

Serial No	Category of registered persons	Rate of Tax CGST	Rate of Tax SGST	Total Rate of Tax
1	Manufacturers (other than manufacturers of notified goods)	1%	1%	2%
2	Suppliers (food or any other article for human consumption or any drink (other than alcoholic liquor for human consumption)	2.5%	2.5%	5%
3	Other supplies	0.5%	0.5%	1%

### *Taxable Persons Excluded from the Composition Scheme*

Following taxable persons are not granted permission to opt for the scheme who:

- Supplies goods not leviable under the Act
- Supplies services
- Makes a supply of goods other than intra state i.e. interstate or import/ export
- Makes a supply of goods through Electronic Commerce Operator i.e. Ecommerce and liable to collect taxes
- Manufactures such goods as may be notified

Further, it is also if in case a taxable person has different business segments having same PAN as held by the taxable person, he must register all such businesses under the scheme.

If an individual has different business segments such as:

1. Textile
2. Electronics and accessories
3. Groceries

Then he must register all the above segments collectively under the composite scheme or simply opt not for the scheme.

### ***No Tax, No Credit***

- **No Credit of Input Tax** There has been no provision of input credit on B2B transactions. Thus, if any taxable person is carrying out business on B2B model, such person will not be allowed the credit of input tax paid from the output liability. Also, the buyer of such goods will not get any credit of tax paid, resulting in price distortion and cascading. This will further result into a loss of business as buyers might avoid purchases from a taxpayer under composition scheme. Scheme holder cannot claim input tax credit even if he makes taxable purchases from a regular taxable dealer. Ideally, the taxable amount would be added to the composite tax payer's cost.
- **No Collection of Tax** Though the rate of composition tax is kept very nominal at 0.5% or 1% or 2.5%, a taxpayer under composition scheme is not allowed to recover such tax from his buyer, as he is not allowed to raise a tax invoice. Consequently, the burden of such tax is kept on the taxpayer himself and this must be paid out of his own pocket. Thus, the fundamental principle of limited compliance and tax burden on small taxpayer is defeated here.

### **Merits of the Scheme**

Below are some of the prominent reasons why you should choose to get registered as a supplier under the composition scheme:

- **Limited Compliance:** Lesser compliance w.r.t. furnishing of returns, maintenance of books of records, issuance of invoices more focus on business
- **Limited Tax Liability:** on comparison with regular taxpayers, person taxed under Composite Scheme will be liable to pay tax at a rate not more than 2.5% instead of a standard rate of 18%
- **High Liquidity:** Unlike normal tax payers, tax payers under Composite Scheme will be liable to pay taxes at a lower rate resulting in lesser chunk on his working capital

### **Demerits of the Scheme**

The demerits of registering under Composite Scheme by a taxable person are as follows:

- **Limited Territory for Business:** A taxpayer registered under the composition scheme is barred from carrying out inter-state transactions and cannot affect import-export of goods and services.
- **No Credit of Input Tax:** Under the scheme, the credit of input tax paid on the purchases of inputs from a normal tax payer will not be allowed. The buyer of goods supplier by scheme holder will also not enjoy input tax credit resulting in price distortion, cascading, loss of business to scheme holders.
- **No Collection of Tax:** Though the rate of tax for a scheme holder is lower the burden of such tax is kept on the taxpayer himself, leading to higher cost of sales.
- **Penal Provision:** As per the Model GST Law, if the taxpayer who has previously been given registration under composition scheme is found to be not eligible to the composition scheme or if the permission granted earlier was incorrectly granted, then such taxpayer will be liable to pay the differential tax along with a penalty
- Not applicable to the supplier supplying goods through E-commerce

### Possible Questions

#### PART-A

#### Multiple Choice Questions

1. The GST to be levied by the center on intra- state supply of goods and / or services would be called \_\_\_\_\_  
a) CGST      b) **SGST**      c) IGST      d) UGST
2. The GST to be levied by the center on inter- state supply of goods and / or services would be called \_\_\_\_\_  
a) CGST      b) SGST      c) **IGST**      d) UGST
3. \_\_\_\_\_ GST model where both center and the state levy and collect their share of concurrently and simultaneously from CGST and SGST.  
a) **Dual**      b) Development      c) Demo      d) Distinguish
4. Dual GST model where both centre and the state levy and collect their share of concurrently and simultaneously from \_\_\_\_\_ and \_\_\_\_\_.  
a) CGST & IGST      b) SGST & IGST      c) **SGST & CGST**      d) IGST & UGST
5. \_\_\_\_\_ is the tax on goods and services with comprehensive and continues set-off benefit to the retailers level  
a) **Goods and Service Tax**      b) VAT      c) Customs Tax      d) Excise Duty
6. The \_\_\_\_\_ would need to submit periodical returns, in common format as suggested by Central authority.  
a) **Tax Payers**      b) Entities      c) Revenue Officer      d) State Government
7. The permissible number of business verticals in a State in GST will be:  
a) 25      b) 30      c) **35**      d) 40
8. The period within which the invoice should be issued from the date of supply of service, is  
a) **30 Days**      b) 1 Month      c) Immediate      d) 15 Days
9. For supply of services, invoice should be prepared in,

- a) Original + 1 Copy  
c) Original + 3 Copies
- b) Original + 2 Copies  
d) Original + 4 Copies
10. For supply of Goods, invoice should be prepared in:  
a) Original + 1 Copy  
c) Original + 3 Copies
- b) **Original + 2 Copies**  
d) Original + 4 Copies
11. Invoice reference number is  
a) The invoice number as printed on the invoice b) **Generated from the portal of GSTN**
- c) Both a and b  
d) Service Tax
12. Invoice reference number is valid for  
a) 45 Days                  b) **30 Days**                  c) 1 Month                  d) 15 Days
13. What is the threshold limit of turnover in the previous year for opting to pay tax under the composition scheme?  
a) Rs. 20 Lakhs b) Rs. 10 Lakhs c) **Not exceeding Rs. 50 Lakhs** d) None
14. What are the taxes levied on an intra-State Supply?  
a) CGST & IGST      b) SGST & IGST      c) **SGST & CGST**      d) IGST & UGST
15. What is the maximum rate prescribed under CGST?  
a) 5%                  b) 18%                  c) **28%**                  d) 12%
16. Which of the following taxes will be levied on Imports?  
a) CGST      b) SGST      c) **IGST**      d) UGST

## PART – B

**Answer ALL the questions**

17. Write a note on meaning of GST?
18. Explain the basic concept of GST and its Features.
19. Write down the benefits of GST?
20. Explain the working mechanism of GST.
21. What is GSTN? Explain in detail.
22. What are the steps in constitutional framework of GST?
23. Explain model GST Law.
24. What are the chargeability for GST and its composition scheme?



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Coimbatore - 641021.  
(For the candidates admitted from 2016 onwards)  
**DEPARTMENT OF COMMERCE**

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<b>SUBJECT:</b>	<b>INDIRECT TAX LAWS</b>		
<b>SEMESTER:</b>	<b>III</b>		
<b>SUBJECT CODE:</b>	<b>16CCP303</b>	<b>CLASS:</b>	<b>II M.COM CA</b>

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#### Unit IV

**Supply:** Meaning and Scope- Types of Supply – Time of Supply – Provision relating to time of Supply – Place of supply – Provision relating to place of supply – Valuation mechanism – Input tax credit mechanism – Payment mechanism TEXTBOOKS:

WEBSITE:

W<sub>1</sub>: <https://www.relakhs.com>gstgoodsandservices>

W<sub>2</sub>: <https://en.m.wikipedia.org>>

W<sub>3</sub>: [https://cleartax.in>gst\\_invoice\\_details](https://cleartax.in>gst_invoice_details)

#### Meaning and Scope of Supply under GST

Founder BT Associates (Indirect Tax - Consulting firm) & GSTidea.com (Knowledge Sharing Portal on GST) Goods and Service Tax means a tax on supply of goods and services or both. The word used is supply and not sales hence consideration is not the essential requirement for supply. Even the inter-state stock transfers, branch transfers will also get covered under GST net. Under the current indirect tax structure, the taxable event differs for each type of tax. The taxable events under the current indirect tax structure are as follows below:

The taxable event under GST is the **Supply of Goods and/Services**. All taxes such as Central Excise, Service Tax and VAT/CST will be subsumed under GST, and the concept of manufacture of goods, sale of goods, and provision of services would no longer be relevant.

The definition of supply as laid under section 7, of the Central GST Act, 2017 is an inclusive definition. Thus, any form of supply of goods or services would get covered. The term 'supply' includes all forms of supply of goods or services for a consideration, in the course of or for furtherance of business or even without a consideration. Supply can be categorized as follows:

**Part I: Supplies for consideration**

- As per section 7(1) (a) of the Central GST Act, 2017 supplies include all forms as laid under for goods and / or services made for a consideration in the course of or for furtherance of business:
- Under GST the specific inclusion has been made for importation of services, for a consideration whether or not in the course or furtherance of business.

**Part II: Supplies without consideration**

Section 7 (1) (c) read with Schedule I of the Central GST Act, 2017 specifies services which are made or agreed to made without a consideration. Thus, the following transaction will be subject to GST, even if there is no consideration.

- Permanent transfer/ disposal of business assets where input tax credit has been availed.

In case of event of sale or transfer of business assets where input tax credit has been availed the transaction shall be treated as supply even when these are cleared or transferred without consideration, and the business is liable to pay GST.

**Part III: Deemed Supply**

As per Schedule II of Central GST Act, 2017 read with Section 7(1)(d) provides clarity on determining the type of supply as supply of goods or supply of services. This aims at eliminating the ambiguity that exists in the current indirect tax system, regarding, Service Tax Vs VAT on works contract, AC Restaurant Service, etc.

It is, therefore, important for businesses to know whether supply amounts to supply of goods or supply of services, and treat them accordingly. The list of the prescribed deemed supply are as under:

**Transactions Deemed as Supply of Goods:**

- Any transfer of the title in goods is a supply of goods
- Any transfer of title of goods under an agreement which stipulates that property in goods will pass at a future date upon payment of full consideration as agreed like hire purchase
- Permanent transfer or disposal of business assets with or without consideration
- Supply of goods by any unincorporated association or body of persons to a member thereof.

**Transactions Deemed as Supply of Services:**

- Transfer of right or undivided share in goods without transfer of title
- Any lease, tenancy, easement, license to occupy land
- Any lease or letting out of the building for business or commerce either wholly or partially
- Any treatment or process applied on another person's goods like job work
- Any business assets put for private use whether or not for consideration
- Renting of immovable property
- Construction of a complex, building, civil structure or part thereof
- Temporary transfer or permitting the use or enjoyment of any intellectual property right
- Development, design, programming, customization, adaptation, up-gradation, enhancement, implementation of information technology software
- Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act
- Works contracts

**Part IV: Specific Exclusions**

There are certain categories of services which are specifically excluded from the levy of GST. As in the present service tax law concept of negative list prevails similar concept has been introduced in the GST.

As per schedule III read with section 7(2) (a) of the Central GST Act, 2017 the following matters shall be treated as neither supply of goods nor supply of services:

- Services by an employee to the employer in the course of or in relation to his employment.
- Services by any court or tribunal
- The functions performed by any Members of Parliament, State legislature, Panchayats, Municipalities and other local authorities
- The duties performed by any person as a Chairperson/Member/Director in a body established by the Central Government, State Government or local authority and who is not deemed as an employee before the commencement of this clause
- Services of funeral, burial, crematorium or mortuary including transportation of deceased
- Sale of land, sale of building after the issuance of completion certificate and
- Actionable claims other than lottery, betting and gambling

## Part V: Mixed and Composite Supply

As per Section 8 of the Central GST Act, 2017 certain specific provisions have been made to determine rate of GST in case of composite supply and mixed supply.

“Composite supply” means a supply made by a taxable person to a recipient comprising two or more supplies of goods or services, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is principal supply. For e.g. In case where goods are packed and transported with insurance, the supply of goods, packing materials, transportation and insurance is a composite supply and supply of goods is the principal supply.

## TYPES OF SUPPLY

### 1. Based on location

#### ➤ Intra-State supply

Intra-State is a type of supply of goods or services where the **location of the supplier** and the **place of supply** of goods are in the same State or same Union Territory.

#### Exceptions –

- Supply of goods to or by a **Special Economic Zone** developer or a SEZ unit; or
- Goods **imported** into the territory of India; or
- Supplies made to a **tourist** (section 15)

#### Territorial waters

- Where the **location of the supplier** is in the territorial waters; or
- Where the **place of supply** is in the territorial waters;

The place of supply will be in the **nearest Coastal State or Union Territory**.

#### ➤ Inter-State supply

It is a supply of goods or services, where the **location of the supplier** and **place of supply** are in-

- **Two different States;**
- **Two different Union territories; or**
- **A State and a Union territory**

It also **includes import** of goods or services into the territory of India.

Further, the following shall be treated as an inter-state supply of goods or services:

- When the supplier is located in India and the place of supply is **outside India**;
- To or by a **Special Economic Zone (SEZ)** developer or a SEZ unit; or
- In the taxable territory, not being an intra-state supply and not covered elsewhere.

## 2. Based on combination

### ➤ Composite Supply

It means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.

### ➤ Mixed Supply

It means two or more individual supplies of goods or services, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

### ➤ Continuous Supply

Continuous supply is of two types viz., **continuous supply of goods** and **continuous supply of services**.

## 3. Based on Recipient

### ➤ Inward Supply

It means receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration.

### ➤ Outward Supply

It means a supply of goods or services or both, whether by sale, transfer, barter, exchange, license, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business.

## 4. Based on Tax treatment

### ➤ Exempt Supply

**Exempt Supply** of any goods or services is one which attracts **nil rate** of tax or which may be wholly exempt from tax. It includes non-taxable supply. In the case of exempt supply in respect of any goods and/or services, the taxable person shall not be required to pay tax.

➤ **Zero-Rated Supply**

It means **export** or supply of goods or services to a **Special Economic Zone** developer or a Special Economic Zone unit.

**Non-Taxable Supply**

**Non-taxable supply** is the sale of any good or service which attracts **nil rate** of tax and is similar to exempt supply.

**Taxable Supply**

Supplies on which tax shall be paid under GST.

In case you are confused about GST as a business owner, feel free to consult the GST experts at LegalRaasta. You can get comprehensive assistance on [GST Registration](#) and [GST Return Filing](#). You can also use our [GST software](#) for doing end-to-end GST compliance.

## TIME OF SUPPLY OF GOODS UNDER GST EXPLAINED

Under GST the point of taxation, i.e., the liability to pay CGST / SGST, will arise at the time of supply as determined for goods and services. There are separate provisions for time of supply for goods and time of supply for services. To read about time of supply of services please click [here](#).

**How to determine time of supply**

The time of supply of goods shall be the earlier of the following dates –

(a) The date of issuing of invoice (or the last day by which invoice should have been issued)

OR

(b) The date of receipt of payment-whichever is **earlier**

If the supplier receives an amount up to Rs. 1000 in excess of the invoice amount, the time of supply for the extra amount shall be the date of issue of invoice (at the option of the supplier).

For (a) and (b)- The supply shall be assumed to have been made to the extent it is covered by the invoice or the payment (as the case may be).

For (b)- the date of receipt of payment shall be **earlier** of-

1. The date on which he entered the payment in his books

OR

2. The date on which the payment is credited to his bank account

Example:

- (a) Date of invoice 15th May 2018
  - (b) Date of receipt of payment 10th July 2018
  - (c) Date when supplier recorded receipt in books 11th July 2018
- Time of supply will be 15th May 2018

### **Time of supply under reverse charge**

Reverse charge means the liability to pay tax is by the recipient of goods/services instead of the supplier. In case of reverse charge, the time of supply shall be the **earliest** of the following dates—

- (a) the date of receipt of goods OR
- (b) the date of payment OR
- (c) the date immediately after **THIRTY** days from the date of issue of invoice by the supplier (60 days for services)

If it is not possible to determine the time of supply under (a), (b) or (c), the time of supply shall be the **date of entry** in the books of account of the **recipient**.

For clause (b)- the date of payment shall be **earlier** of-

- (a) The date on which the recipient entered the payment in his books
- OR
- (b) The date on which the payment is debited from his bank account

Example:

- (a) Date of receipt of goods 15th May 2018
- (b) Date of payment 15th July 2018
- (c) Date of invoice 1st June 2018
- (d) Date of entry in books of receiver 18th May 2018

Time of supply of goods 15th May 2018

If for some reason time of supply could not be determined supply under (a), (b) or (c) then it would be 18th May 2018 i.e., date of entry

### **Time of supply for vouchers**

In case of supply of vouchers the time of supply is-

- (a) The date of issue of voucher, if the supply can be identified at that point OR
- (b) The date of redemption of voucher, in all other cases;

### **When time of supply cannot be determined**

If it is not possible to determine the time of supply by the above provisions, then it will be-

- (a) The date on which a periodical return has to be filed
- or
- (b) The date on which the CGST/SGST is paid, in any other case.

## PLACE OF SUPPLY OF GOODS IN GST

Under GST, the 'Supply' is a fundamental concept and all the provisions of GST revolves around it. Under Supply, there are three key elements namely time of supply, place of supply and value of supply.

These three elements together determine the chargeability of taxes on supply. In this article we will be covering the concept of 'Place Of Supply'

'Place of Supply' under GST is an important factor as it defines whether the transaction will be counted as intra-state(i.e within the same state) or inter-state(i.e. between two states) and accordingly the chargeability of tax, i.e levy of SGST, CGST & IGST will be determined.

While determining the levy of taxes based on Place of Supply, two things are considered namely:

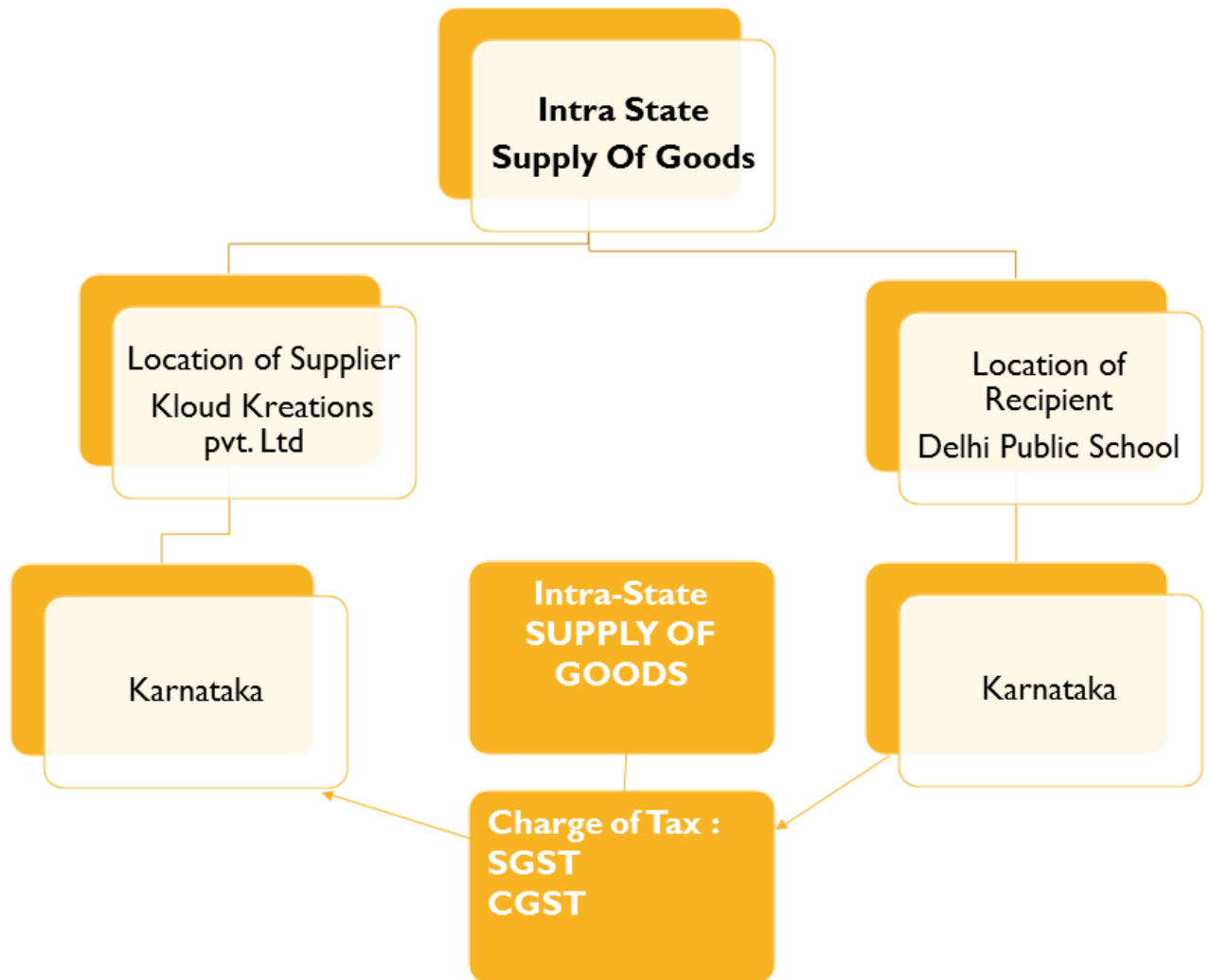
**Location of Supplier:** It is the registered place of business of the supplier

**Place Of Supply:** It is the registered place of business of the recipient

Let's understand this with the help of two examples!

### Determining Place of Supply for Intra-State Supply of Goods

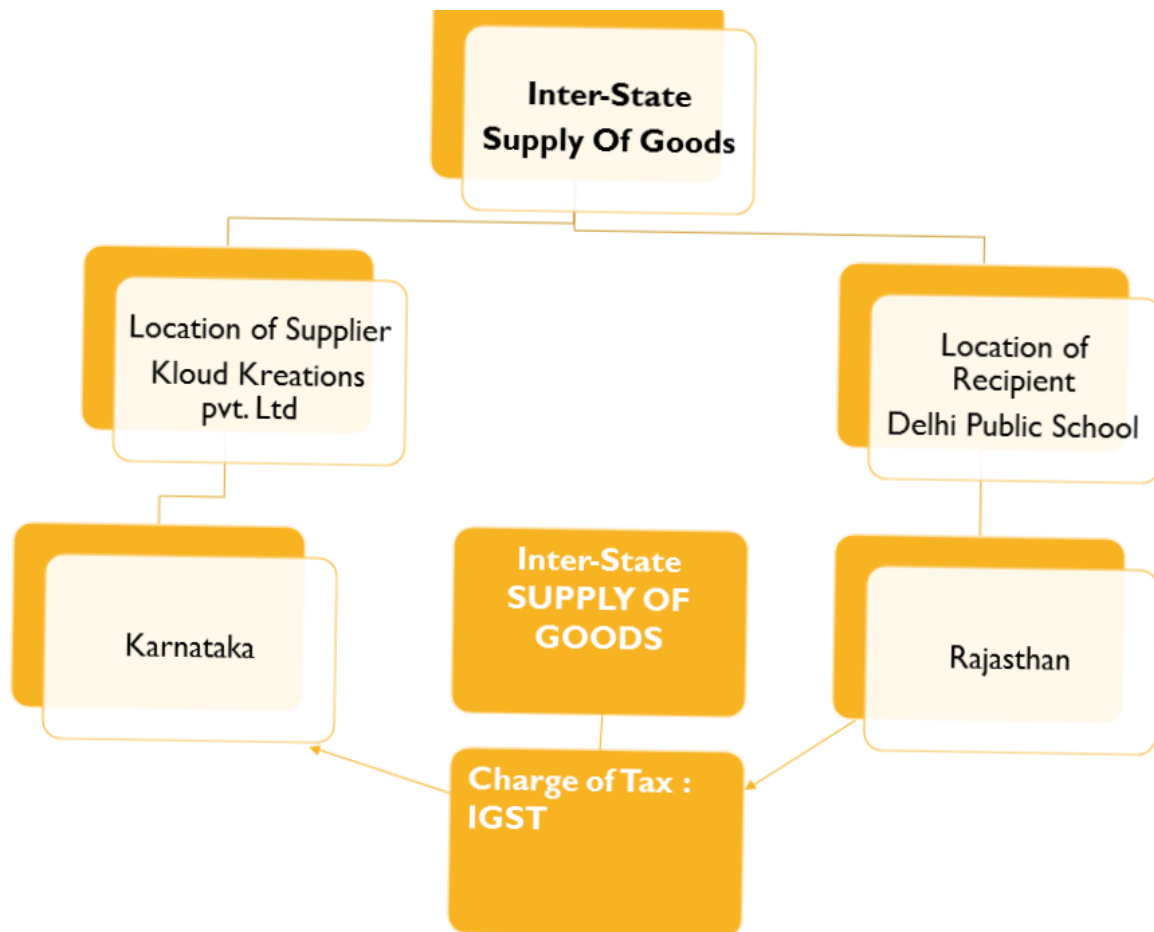
Let us assume there is a supplier of craft products, Kloud Kreations Pvt. Ltd having the registered office in Bangalore, Karnataka. It supplies goods to schools in Manipal, Karnataka. Here since the supplier as well as the recipient are located in same state i.e Karnataka, it will be counted as 'Intra-State Supply Of Goods' and hence SGST & CGST will be levied.



When there is intra state supply of goods, SGST & CGST are levied.

#### Determining Place of Supply for Inter-State Supply of Goods

Let us assume the supplier of craft products, Kloud Kreations Pvt. Ltd is having the registered office in Bangalore, Karnataka and the recipient i.e Delhi Public School is located in Jaipur, Rajasthan. Here since the supplier and the recipient are located in different states i.e Karnataka and Rajasthan, it will be counted as 'Inter-State Supply Of Goods' and hence IGST will be levied.



In case of inter-state supply of goods IGST is levied

### PROVISION RELATING TO PLACE OF SUPPLY

**There are specific provisions for determination of place of supply of goods such as:**

- The place of supply of goods: where the supply involves movement of goods
- The place of supply of goods: where the supply involves no movement of goods
- The place of supply of goods: in case of export & import of goods.

Also, there are specific provisions for determining the place of supply of services. We will cover all the above specific cases in detail in the next series of articles and will try to understand the same using help of illustrations.

### GST VALUATION MECHANISM

#### 1. Short title, commencement and application.

(1) These rules may be called the GST Valuation (Determination of Value of Supply of Goods and Services) Rules, 2016.

(2) These Rules shall come into force on the day the Act comes into force.

(3) They shall apply to the supply of goods and/or services under the IGST/CGST/SGST Act.

## **2. Definitions—**

(1) In these rules, unless the context otherwise requires:

(a) "Act" means the IGST Act or the CGST Act or, as the case may be, the SGST Act;

(b) "goods of like kind and quality" means goods which are identical or similar in physical characteristics, quality and reputation as the goods being valued, and perform the same functions or are commercially interchangeable with the goods being valued and supplied by the same person or by a different person;

## **3. Methods of determination of value—**

(1) Subject to rule 7, the value of goods and/or services shall be the transaction value.

(2) The "transaction value" shall be the value determined in monetary terms.

(3) Where the supply consists of both taxable and non-taxable supply, the taxable supply shall be deemed to be for such part of the monetary consideration as is Attributable thereto.

## **4. Determination of value of supply by comparison—**

(1) Where the value of a supply cannot be determined under rule 3, the value shall be determined on the basis of the transaction value of goods and/or services of like kind and quality supplied at or about the same time to other customers, adjusted in accordance with the provisions of sub-rule (2).

(2) In determining the value of goods and/or services under sub-rule (1), the proper officer shall make such adjustments as appear to him reasonable, taking into consideration the relevant factors, including-

**5. Computed value method—** If the value cannot be determined under rule 4, it shall be based on a computed value which shall include the following:-

(a) the cost of production, manufacture or processing of the goods or, the cost of provision of the services;

(b) charges, if any, for the design or brand;

**6. Residual method**— Where the value of the goods and/or services cannot be determined under the provisions of rule 5, the value shall be determined using reasonable means consistent with the principles and general provisions of these rules.

**7. Rejection of declared value**—

(a) When the proper officer has reason to doubt the truth or accuracy of the value declared in relation to any goods and/or services, he may ask the supplier to furnish further information, including documents or other evidence and if, after receiving such further information, or in the absence of any response from such supplier, the proper officer still has reasonable doubt about the truth or accuracy of the value so declared, it shall be deemed that the transaction value of such goods and/or services cannot be Determined under the provisions of sub-rule (1) of rule 3.

(b) The reasons to doubt the truth or accuracy of the value of the supply declared by the supplier shall include, but not be limited to the following:

**8. Valuation in certain cases**

**(1) Pure Agent**

- (i) the service provider acts as a pure agent of the recipient of service when he makes payment to third party for the goods and/or services procured;
- (ii) the recipient of service receives and uses the goods and/or services so procured by the service provider in his capacity as pure agent of the recipient of service;
- (iii) the recipient of service is liable to make payment to the third party;
- (iv) the recipient of service authorises the service provider to make payment on his behalf;

**(2) Money Changer**

The value of taxable service provided for the services in so far as it pertains to purchase or sale of foreign currency, including money changing, shall be determined by the service provider in the following manner:-

**INPUT TAX CREDIT MECHANISM UNDER GST REGIME**

Input Tax Credit (ITC) is the backbone of the GST regime. GST is nothing but a value added tax on goods & services combined. It is these provisions of Input Tax Credit that make GST a value added tax i.e., collection of tax at all points after allowing credit for the inputs. The

procedures and restrictions laid down in these provisions are important to make sure that there is seamless flow of credit in the whole scheme of transition without any misuse. Thus, the clarity of rules of availment and utilization will have significant impact on making GST a taxpayer-friendly tax. One of the biggest advantages expected from the implementation of GST Act is that it would remove cascading effect by facilitating seamless flow of credit. This would be given effect by providing for the availment of ITC to the purchasing dealer in respect of the GST paid by the supplying dealer and thus by removing the restrictions placed in the present Cenvat credit rules on availment of credit which lead to break in the credit chain and consequent cascading effect which further leads to increase in cost of goods and services.

**Conditions for availing of ITC:**

- Taxpaying documents such as tax invoice, debit note etc.,
- Goods / service should have been received/deemed to be received by the taxable person
- Tax charged on the invoice and should have been paid to the credit of government.
- Return should have been furnished by the tax payer
- Credit for goods against an invoice received in lots / installments can be availed only on last lot in instalment.
- The timelines for entitlement of credit against a particular invoice shall lapse on the expiry of one year from date of issue of invoice

**Ways / Manner for availing/payment of ITC by a registered person:**

- Tax credit entitlement on stock held and contained in semi-finished and finished goods o On the day immediately preceding the date of registration in case person obtaining voluntarily registration o On the day immediately preceding the date from which the person becomes liable to pay tax, in case person applied for registration within 30 days from the date of liability to pay tax or in case person ceases to pay composition tax and becomes liable to pay tax. under normal provision

**Ineligible credit:**

The following are the ineligible input credits:

- Motor vehicles used except when supplied in the usual course of business or for providing taxable service of transportation of passengers, goods and training/driving skills
- Goods or services used mainly for the purpose of personal use or consumption of employees

- Principal acquiring goods or services in works contract for construction of immovable property except plant & machinery.
- Principal acquiring goods or services wherein the property is not transferred and are used in construction of immovable property except plant and machinery
- Goods or services on which composition tax has been paid
- Goods or services used for private or personal consumption
- ITC is not eligible on invoice after filing of return for the month of September or filing of annual return for the said year whichever is earlier

## PAYMENT MECHANISM

Every registered person is required to compute his tax liability on a monthly basis by setting off the Input Tax Credit(ITC) against the Outward Tax Liability. If there is any balance tax liability the same is required to be paid to the government.

There are 3 ledgers prescribed by the government that is required to be maintained by every tax payer –

### 1. Electronic Tax Liability Ledger

The electronic tax liability ledger shows the total tax liability of a registered person at any point of time. This detail can be accessed on the GST portal of a registered tax payer

Amount of tax payable	A
Interest, late fee	B
Amount of tax payable along with interest on account of mismatch of credit based on provisions of Section 29 or Section 29A or section 43C	C
Any other amount payable by the taxpayer or directed by the board on account of any proceeding's carried out	D
Tax Deduction at Source	E
Tax Collection at Source	F
tax payable under reverse charge	G
Amount payable by the department against any interest, refund, penalty, late fee or any other amount determined under the proceedings under this Act	H
<b>Balance in Electronic Tax Liability Ledger</b>	<b>=A+B+C+D-E-F-G-H</b>

### 2. Electronic Cash Ledger

An Electronic Cash Ledger will also be maintained on the GST portal. It will display the total amount deposited by the tax payer towards discharge of his tax liability or interest or late fee or penalty any other amounts. Also, it is now mandatory for businesses making payment for more than Rs 10,000 to do it electronically.

### 3. Electronic credit ledger

All the taxes paid on the inputs would be recorded in the electronic credit ledger. The input tax credit in each of the cases mentioned below, shall also be transferred to the electronic credit ledger:

- ITC available to the branch for the amount of credit transferred by ISD
- ITC allowed on input held in stock and the semi-finished or finished goods would be credited to electronic credit ledger if the taxpayer applies for registration within 30 days of becoming liable to pay tax.
- ITC available on the input held in stock and semi-finished or finished goods by a taxpayer in the composition scheme converting to a normal taxpayer shall be transferred to electronic credit ledger.
- ITC available due to the taxes paid under the reverse charge mechanism shall also be transferred to the electronic credit ledger.
- ITC available on goods/services used for the business and other purposes shall only be allowed to the extent applicable for business purposes.

## **GST REGISTRATION**

What is GST Registration?

Every business carrying out a taxable supply of goods or services under GST regime and whose turnover exceeds the threshold limit of Rs. 20 lakh/ 10 Lakh as applicable will be required to register as a normal taxable person. This process of registration is referred to as GST registration.

Why is GST Registration Important?

GST registration is critical because it will enable you to avail various benefits that are available under the GST regime. One such benefit is to avail seamless input tax credit. Multiple taxes are being clubbed under GST and thus the cascading of taxes that is prevailing currently will no longer be the case. Also, timely registration will help you avoid any kind of interface with tax authorities. All the payments under GST have to be made by either using the input tax credit available in the electronic credit ledger or through the electronic cash ledger.

The documents that are required to register for GST are:

- Photographs
- Constitution of taxpayer
- Proofs of place of business
- Bank account details
- Authorization form

GST registration is applicable for you if your business is registered for under Central Excise, Service Tax, Sales Tax or VAT.

**Possible Questions****PART-A****Multiple Choice Questions**

1. What is time of supply of goods under CGST Act, 2017?  
a) Date of Issue of Invoice    b) Date of receipt of consideration by the supplier  
c) Date of Dispatch of goods    d) **either a or b**
2. What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?  
a) Date of issue of voucher    b) **Date of Redemption of voucher**  
c) either a or b    d) a and b whichever is later
3. What is date of receipt of payment?  
a) Date of the entry of books    b) (b) Date of payment credited into bank account  
c) **either a or b**    d) Date of filling of returns
4. Whether definition of Inputs includes capital goods  
a) Yes    b) **No**    c) Certain goods of the material    d) None
5. Is it mandatory to capitalize the capital goods in books of Accounts?  
a) **Yes**    b) No    c) Certain goods of the material    d) None
6. Whether credit on capital goods can be taken immediately on receipt of the goods?  
a) **Yes**    b) No    c) Certain goods of the material    d) None
7. Whether it is necessary to capitalize the capital goods in the books of account  
a) **Yes**    b) No    c) Certain goods of the material    d) None
8. Under section 16(2) of CGST Act how many conditions are to be fulfilled for the entitlement of credit?  
a) **All the conditions**    b) Any two conditions    c) Conditions not specified    d) None
9. Whether credit on inputs should be availed based on receipt of documents or receipt of goods  
a) Receipt of goods    b) Receipt of documents    c) **Both**    d) None
10. Input tax credit on capital goods and Inputs can be availed in one instalment or in multiple instalments?  
a) In 36 Instalments    b) In 6 Instalments    c) **In 1 Instalment**    d) In 3 Instalments
11. The time limit to pay the value of supply with taxes to avail the input tax credit?  
a) 3 months    b) 6 months    c) **180 Days**    d) 9 Months
12. Can the taxable person under Composition Scheme claim input tax credit?  
a) **No**    b) Yes    c) Central Government to decide    d) State Government to decide
13. Can the customer who buys from a taxable person covered by the composition scheme claim composition tax as input credit?  
a) **No**    b) Yes    c) Central Government to decide    d) State Government to decide
14. Can Composition tax be collected from Customers?  
a) **No**    b) Yes    c) Central Government to decide    d) State Government to decide
15. Every supplier shall be liable to be registered under Revised Model GST Law in the State from where he makes a taxable supply of goods and/or services if his aggregate turnover in a financial year.....:

- a) Rs.10 Lakhs      b) **Rs. Exceeding 20 Lakhs**      c) Rs.50 Lakhs      d) Rs.1 Crore
16. Should a person dealing exclusively in the supply of exempted / not taxable goods/services be required to obtain registration?
- a) **No**    b) Yes    c) Central Government to decide      d) State Government to decide

PART B

ANSWER ALL THE QUESTIONS

17. Explain the meaning and scope of Supply in GST.
18. What are the types of supply?
19. Explain the provisions related to time of supply.
20. Explain the provisions related to place of supply
21. Explain in detail about valuation mechanism.
22. What is indirect tax? Explain in detail.
23. What are the payment mechanisms in GST?
24. What are the rules about the registration under GST rules?



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### UNIT V

**Registration under GST:** Return Filing- Rules- Refund Provision in GST – E –commerce-operators- TDS/TCS- Small scale exemption.

**JOURNALS:**

J<sub>1</sub>: “STATES ON BOARD, GST LAUNCH”, NEWINDIANEXPRESS.COM

J<sub>2</sub>: MEHRA, PRIYA “GST AN OLD NEW TAX”, THE HINDU

### GST RETURN FILING

Filing GST return under the GST regime is crucial as non-compliance and delay will result in penalties and affect your compliance rating and timely refunds.

What is GST Return?

A return is a document containing details of income which a taxpayer is required to file with the tax administrative authorities. This is used by tax authorities to calculate tax liability.

Under GST, a registered dealer has to file GST returns that includes:

- Purchases
- Sales
- Output GST (On sales)
- Input tax credit (GST paid on purchases)

To file GST returns, GST compliant sales and purchase invoices are required. You can generate GST compliant invoices for free on ClearTax BillBook.

Who has to file GST Returns?

In the GST regime, any regular business has to file three monthly returns and one annual return. This amounts to 37 returns in a year. The beauty of the system is that one has to manually enter details of one monthly return – GSTR-1. The other two returns – GSTR 2 & 3 will get auto-populated by deriving information from GSTR-1 filed by you and your vendors. There are separate returns required to be filed by special cases such as composition dealers.

**What are the types of GST Returns?**

Here is a list of all the returns to be filed under the GST Law.

1. Any regular business:

<b>Return Form</b>	<b>Particulars</b>	<b>Interval</b>	<b>Due Date</b>
<u>GSTR-1</u>	Details of outward supplies of taxable goods and/or services effected	Monthly	10th of the next month
<u>GSTR-2</u>	Details of inward supplies of taxable goods and/or services effected claiming input tax credit.	Monthly	15th of the next month
<u>GSTR-3</u>	Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax.	Monthly	20th of the next month
<u>GSTR-9</u>	Annual Return	Annually	31st December of next financial year
<u>GSTR-3B</u>	Provisional return for the months of July and August	Monthly	20th of the next month

**GSTR 3B is a simple return that businesses need to file in the first two months of GST (July and August, 2017).** The government has postponed the filing of GSTR 1, 2 & 3 for July and August, 2017 in order to give businesses some time to adjust to GST.

<b>Forms</b>	<b>For July 2017</b>	<b>For August 2017</b>
<u>GSTR-3B</u>	20th August	20th September
<u>GSTR-1</u>	1 <sup>st</sup> -5th September	16 <sup>th</sup> -20th September
<u>GSTR-2</u>	6 <sup>th</sup> -10th September	21 <sup>st</sup> – 25th September

<u>GSTR-3</u>	11 <sup>th</sup> – 15 <sup>th</sup> September	26 <sup>th</sup> – 30 <sup>th</sup> September
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There is no buyer-seller reconciliation for July & August. There is no late fee or penalty levied for the months of July and August in the case of delayed return filing.

2. A dealer opting for **composition scheme** :

A composition dealer will enjoy the benefits of lesser returns & compliance along with payment of taxes at nominal rates. A composition dealer will file only 2 returns:

<b>Return Form</b>	<b>Particulars</b>	<b>Interval</b>	<b>Due Date</b>
<u>GSTR-4</u>	Return for compounding taxable person	Quarterly	18th of the month succeeding quarter
GSTR-9A	Annual Return	Monthly	31st December of next financial year

3. Returns to be filed by specific registered dealers:

<b>Return Form</b>	<b>Particulars</b>	<b>Interval</b>	<b>Due Date</b>
<u>GSTR-5</u>	Return for Non-Resident foreign taxable person	Monthly	20th of the next month
<u>GSTR-6</u>	Return for Input Service Distributor	Monthly	13th of the next month
<u>GSTR-7</u>	Return for authorities deducting tax at source.	Monthly	10th of the next month
<u>GSTR-8</u>	Details of supplies effected through e-commerce operator and the amount of tax collected	Monthly	10th of the next month

<u>GSTR-10</u>	Final Return	Once. When registration is cancelled or surrendered	Within three months of the date of cancellation or date of cancellation order, whichever is later.
<u>GSTR-11</u>	Details of inward supplies to be furnished by a person having UIN and claiming refund	Monthly	28th of the month following the month for which statement is filed

### E-COMMERCE OPERATORS

As per section 43B(d) of the MGL defines an Electronic Commerce to mean the supply or receipt of goods and/ or services, or transmitting of funds or data, over an electronic network, primarily the internet, by using any of the applications that rely on the internet, like but not limited to e-mail, instant messaging, shopping carts, web services, universal description Discovery and integration (UDDI), File Transfer Protocol (FTP) and Electronic Data Interchange (EDI) whether or not the payment is conducted online and whether or not the ultimate delivery of the goods and/or services is done by the operator.

Section 43B(e) of the Indian GST Law defines an Electronic Commerce Operator (Operator) as every person who, directly or indirectly, owns, operates or manages an electronic platform which is engaged in facilitating the supply of any goods and/or services. Also a person providing any information or any other services incidental to or in connection with such supply of goods and services through electronic platform would be considered as an Operator.

The GST Law also explains that a person supplying goods/services on his own account, however, would not be considered as an Operator. For instance, Amazon and Flipkart are e-commerce Operators because they are facilitating actual suppliers to supply goods through their platform (popularly called Market place model or Fulfilment Model). However, Titan supplying watches and jewels through its own website would not be considered as an e-commerce operator for the purposes of this provision. Similarly, Amazon and Flipkart will not be treated as e-commerce operators in relation to those supplies which they make on their own account (popularly called inventory Model).

Here, the meaning and definition of e-commerce is explained as per GST Law of India. Please comment your views about definition and meaning of e-commerce operator under GST Law in India.

## GST AND ITS IMPACT ON SMALL SCALE INDUSTRIES

Small scale industries play a significant role in the overall growth of an economy. This industry is mainly specialized in the production of consumer commodities. SSIs generate huge employment due to the utilization of labour power for the production of goods. In a developing country like India where unemployment is a major problem; these industries pave the way for employment of skilled and non-skilled persons. The implementation of GST is certainly going to affect this sector and the employees associated with it.

Any tax-regime should ensure such an environment in which the proper growth of small scale industries may be assured. The First Discussion Paper (FDP) produced by the Empowered committee of state finance ministers and report of the thirteenth finance commission's Task Force have provided some important suggestions with respect to this sector.

**Imposition of CGST and SGST as per above said reports on turnover of goods and services are as under:**

Turnover of goods	Turnover of services	Applicable taxes(according to FDP)
Below 10 lakhs	Below 10 lakhs	Both SGST and CGST are not applicable
Between 10 lakhs and 150 lakhs	Between 10 lakhs and 'Y' figure	Only SGST
Above 150 lakhs	Above 'Y' figure	Both SGST and CGST

But the Task Force is of the view that the small dealers (including service providers) and manufacturers should be exempted from the purview of both CGST and SGST if their annual aggregate turnover (excluding both CGST and SGST) of all goods and services does not exceed Rs.10 lakhs. However, those below the threshold limit may be allowed to register voluntarily to facilitate sales to other registered manufacturers / dealers, so that the cascading effect or tax may be avoided, if desired.

At present the small scale industries are entitled to exemptions from payment of CENVAT in respect of their turnover upto 1.5 crore. However, there is no such threshold exemption in respect of state level VAT. As per the recommendations of Department of Revenue (DOR), the threshold for goods and services should be common between the Centre and the State, on one hand and between goods and services, on the other. Also the DOR has suggested that the annual turnover threshold could be Rs. 10 lakhs or even more than that. This threshold exemption should not apply to dealers and service providers who undertake inter-state supplies. This would not be in the favour of small dealers, as it will restrict their growth or force them to get registered. Hence a provision of threshold limit should be there to allow the small dealers to indulge in inter-state sale.

## PART-A

1. Place of supply where the goods are supplied on board a conveyance such as vessel, an aircraft, a train or motor vehicle?
  - a) Location of Supplier
  - b) Location of Recipient
  - c) **Location at which such goods are taken on board**
  - d) None of the above
2. Place of supply of services in relation to lodging accommodation shall be .....?
  - a) Location of Supplier
  - b) Location of Recipient
  - c) **Location at the lodging accommodation is located**
  - d) None of the above
3. Place of supply of services in relation to mobile connection for pre-paid customers other than through internet shall be .....?
  - a) Location of Supplier
  - b) Location of Recipient
  - c) **Location where such pre-payment is received as such vouchers are sold**
  - d) None
4. CGST and SGST will be levied on;
  - a) **Intra State Supply**
  - b) Inter State Supply
  - c) Import
  - d) Export
5. Which one of the following shall not be treated as supply;
  - a) Rental
  - b) Lease
  - c) Action
  - d) **Licence**
6. If a turnover during a financial year exceeds the prescribed limit, then accounts get audited by
  - a) Chartered Accountant
  - b) Cost Accountant
  - c) either a or b
  - d) None
7. Can all the records be maintained in an electronic form?
  - a) Yes
  - b) No
  - c) Some Records
  - d) **Yes, if authenticated by digital signature**
8. What is the time limit for issue of an order for recovery in case of fraud, misstatement or suppression?
  - a) 30 Months
  - b) 18 Months
  - c) **5 Years**
  - d) 3 Years
9. What is the time limit for issue of order for recovery in cases other than fraud, misstatement or suppression?
  - a) 30 Months
  - b) 18 Months
  - c) 5 Years
  - d) **3 Years**
10. Is it obligatory on the part of the Department to take on record the assessor's representation?
  - a) **Yes**
  - b) No
  - c) At the discretion of the proper officer
  - d) If requested by Notice
11. Which of these registers/ledgers are maintained online -
  - a) Tax Liability
  - b) Credit Ledger
  - c) Cash Ledger
  - d) **All of the above**
12. Physical payment made through challan will be credited to which of the following registers/ledgers?
  - a) **Electronic Cash Ledger**
  - b) Electronic Credit Ledger
  - c) Electronic Tax Liability Register
  - d) All of the above
13. What gets debited to the electronic credit ledger?
  - a) Matched input tax credit
  - b) Provisionally input tax credit
  - c) Unmatched input tax credit
  - d) **All of the above**

14. Balance in electronic credit ledger can be utilized against which liability-  
a) **Output Tax Payable**      b) Interest      c) Penalty      d) All of the above
15. My head office is in Bangalore and 4 branches are in different States (including Delhi), all registered under GST and one ISD registered unit in Delhi. How many electronic cash ledgers can I have?  
a) 1                      b) 4                      c) **5**                      d) 6
16. What is the validity of challan in Form GST PMT-4?  
a) 1 Day              b) 5 Days              c) 15 Days              d) Perpetual Validity

PART B

ANSWER ALL THE QUESTIONS

17. Explain Return filing procedures in GST.
18. What are the rules to be followed in return filing procedures in GST?
19. Write a note on refund provision in GST?
20. Explain in detail about small scale exemptions.
21. What is E- Commerce Operators and explain its Types?
22. Differentiate TDS and TCS.
23. With suitable example, how to claim the Input tax credit in GST?
24. What are the current trends in E- Commerce Operators with suitable example?