KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University)

(Deemed to be University Established Under Section 3 of UGC Act 1956)

Coimbatore – 641 021.

SYLLABUS

SUBJECT NAME: INDIRECT TAXATION **SUB.CODE:15CMU603A**
CLASS: III B.COM **SEMESTER: VI**

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COURSE OBJECTIVE

1. To inculcate students by providing specialized and updated knowledge of indirect taxes.
2. To enhance the students to enable them to take up various professional opportunities offered by Indirect tax.
3. To learn the requirements for registering for, collecting, and remitting GST.
4. To understand how GST applies to Legal fees and disbursements.

LEARNING OUTCOME

This course imparts the knowledge on levy and collection of indirect taxes. It gives thorough knowledge about Customs Duty and Goods and services tax.

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, (2016) "Indirect Taxes " Taxmann Publication (P) Ltd., New Delhi
2. Simplified approach to GST – A Ready Reference – April 2017.

REFERENCE BOOK

1. V. Balachandran (2015) Indirect taxation, Sultan Chand & sons, New Delhi
2. P. Radhakrishnan (2016) Indirect taxation, Kalyan Publisher , New Delhi
3. Sethurajan (2005) Indirect taxation including Wealth tax, Speed Publication
4. Singhania (2014) , Indirect taxation,Taxmann Publication(p) ltd., New Delhi
5. DingarePagare, (2014), Business Taxation , Sultan Chand & sons, New Delhi

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LECTURE PLAN
DEPARTMENT OF COMMERCE

STAFF NAME: DEEPU NAIR
SUBJECT NAME: INDIRECT TAXATION SUB.CODE:15CMU603A
SEMESTER: VI CLASS: III B.Com

Unit I

S. no	Lecture Duration (Hr)	Topic to be covered	Support Materials
1.	1	Introduction to indirect tax : meaning	T1 : 2-3
2.	1	Features of indirect tax	T1: 1-2
3.	1	Types of objective	T1: 4-5
4.	1	Types of indirect tax	R3: A/3- 4
5.	1	Principles and cannon of taxation	T1: 5-7
6.	1	Tax system in India	W1
7.	1	Pros of indirect tax	T1: 8-9
8.	1	Cons of indirect tax	T1: 8-9
9.	1	Contribution to government revenues	R3 : A/10
10.	1	Development of Indirect tax	R3:A/11
11	1	Canons of Taxation	T1: 4-5
12	1	Difference between Direct and Indirect Taxes	T1: 9 – 10
13	1	Major Reforms in Indirect Taxes	T1: 15 – 16
14	1	Recent trends in Indirect Taxes	T1: 16-17
15	1	Recapitulation and important question discussion	

Unit II

S. no	Lecture Duration (Hr)	Topic to be covered	Support Materials
1.	1	Basic concept of customs law	R7 : C1-C3
2.	1	Different types of customs Duty	R1 : 88-90
3.	1	Abatement of duty in damaged or deteriorated goods	R7: 97-98
4.	1	Valuation	R4 : 101-103
5.	1	Customs Procedure	R4: 116- 117
6.	1	Exemptions	R3: C/63- C/66
7.	1	Customs duty drawback	R4: 121-124
8.	1	Duties free zones	W1
9.	1	Offense and penalties	R3: C/186-C/190
10.	1	Central Board of Customs	T1: 19

11.	1	Valuation of goods for the purpose of customs duty	T1: 20
12.	1	Recent trends in customs duty	T1: 21
13.	1	Difference between Excise and Customs duty	T1: 23
14.	1	Difference between safeguard and customs duty	T1:23
15.	1	Recapitulation and important question discussion	

Unit III

S. no	Lecture Duration (Hr)	Topic to be covered	Support Materials
1.	1	Introduction to Goods and Services Tax (GST) Meaning of GST and Basic Concepts	T2: 1-8
2.	1	Features of GST	T2: 15-17
3.	1	Benefits of GST	T2: 11-17
4.	1	GST working mechanism	T2: 10
5.	1	GST rate and Taxes on GST	T2: 18-20
6.	1	Goods and Service tax Network (GSTN)	T2: 21-24
7.	1	Constitutional Framework of GST	T2: 25-27
8.	1	Model GST Law	T2:35-51
9.	1	Chargeability for GST	T2:53
10.	1	Provisions of chargeability	T2: 53-54
11.	1	Conditions of levy	T2: 55-56
12.	1	Composition Scheme	T2: 57
13.	1	Aggregate Turnover	T2: 58
14.	1	Composition levy	T2:59
15.	1	Recapitulation and important question discussion	

Unit IV

S. no	Lecture Duration (Hr)	Topic to be covered	Support Materials
1.	1	Meaning and Scope supply	T2: 61-62
2.	1	Types of Supply and time of Supply	T2: 62-65
3.	1	Provision relating to time of Supply	T2: 69-71
4.	1	Place of supply	T2: 75
5.	1	Provision relating to place of supply	T2: 75-91
6.	1	Valuation mechanism	T2: 95-97
7.	1	Input tax credit mechanism	T2: 107- 112
8.	1	Payment mechanism	T2: 113
9.	1	Condition for collection	T2:114
10.	1	Payment procedures under proposed GST	T2: 114-115
11.	1	Registration under GST rules	T2: 119
12.	1	Major features of registration	T2: 120
13.	1	Provisional Registration	T2: 121
14.	1	Schedule of the Enrolment Plan	T2: 121
15.	1	Recapitulation and important question discussion	

Unit V

S. no	Lecture Duration (Hr)	Topic to be covered	Support Materials
1.	1	Registration under GST and Return Filing	T2: 145-146
2.	1	Rules	T2: 147-149
3.	1	Refund Provision in GST	T2: 157-161
4.	1	E –commerce	T2: 163
5.	1	TDS/TCS	T2: 169-171
6.	1	Small scale exemption	T2: 173-174
7.	1	State wise turnover	T2: 175
8.	1	Voluntary registration facility	T2: 176-177
9.	1	GST Rules	T2: 179 – 183
10.	1	Revised GST return rules	T2: 192-204
11.	1	Revised GST payment rules	T2: 204-208
12.	1	Recapitulation and important question discussion	1
13.	1	Discussion of Previous year ESE question	1
14.	1	Discussion of Previous year ESE question	1
15.	1	Discussion of Previous year ESE question	1

TEXT BOOK

T1. V.S Datey, "Indirect Taxes "Taxmann Publication (P) Ltd., New Delhi (2010)
T2 Simplified approach to GST – A Ready Reference – April 2017.

REFERENCE BOOK

R1 V. Balachandran (2006) Indirect taxation, Sultan Chand & sons, New Delhi
R2 P. Radhakrishnan (2006) Indirect taxation, KalyanPublisher , New Delhi
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R4 Singhania (2014) , Indirect taxation, Taxmann Publication(p) ltd., New Delhi (2010)
R5 DingarePagare, (2014), Business Taxation , Sultan Chand & sons, New Delhi

WEBSITE

W1 : http://www.wipo.int/edocs/lexdocs/laws/en/in/in055en.pdf

INTRODUCTION TO INDIRECT TAXATION

INTRODUCTION

Indirect Tax is a tax collected by an individual by _indirect means‘ in a financial 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, assesses is bound to pay the tax whether his willingness is there or nor 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, assesses 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 if 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, assesses assess 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 assess directly pays the 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 2/3rd 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 governement 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 Consists 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. If 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 Sate 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:

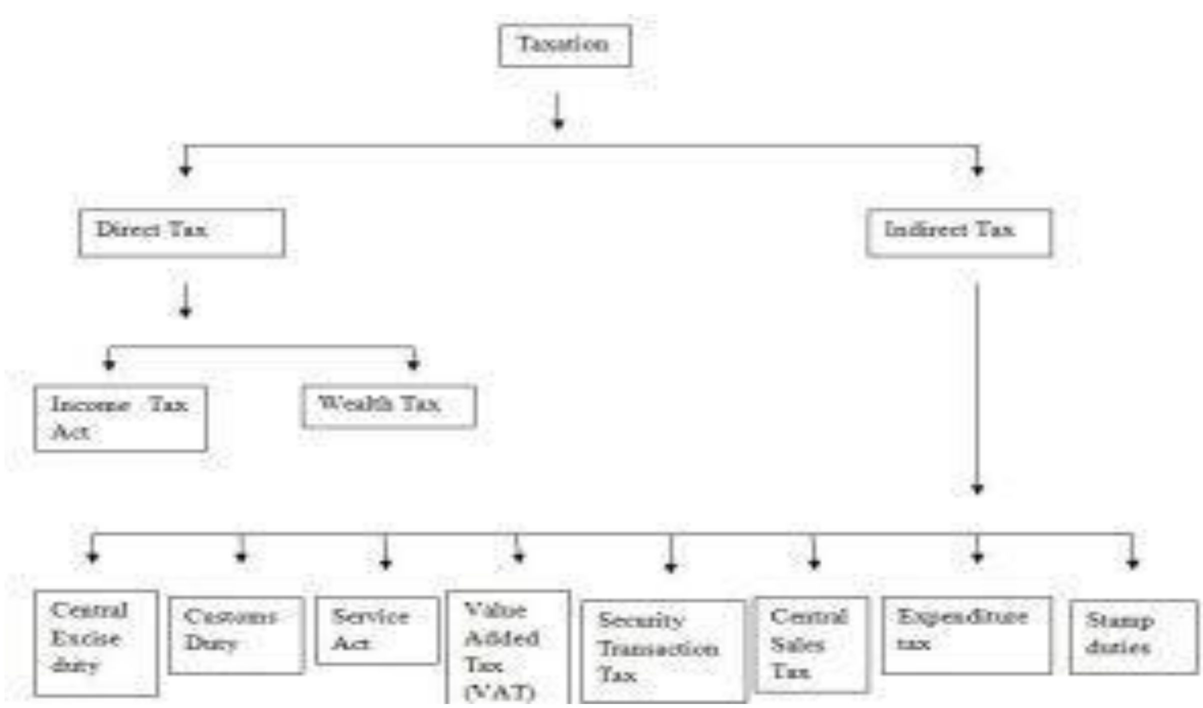
With the intension of broad based tax system, a plethora of changes have been introduced in the tax structure. However both direct and Indirect tax laws are highly complex, with a lot of loopholes which enable the people to avoid as well as to evade taxes. In this context Prof. Kaldore observes ―there 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 Sate 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 long 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 has 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 it 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 said that VAT is imposed if a new goods 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.VATrates 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 is payable to the factors of production are added and thud 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 tend 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 sate 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 contributes 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 a individual generate through the securities market be it through reseling 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:

- 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

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

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

- 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

- 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

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-prayer and the State. I he 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) 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‘

(iv) Elastic:

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

(v) 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.

(vi) 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 necessaries, 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 b; more than the tax. A fraction of the money unit cannot be calculated, so ever middleman tends to charge more than the tax. This process is cumulative.

(iv) Uneconomical:

The cost of collection is quite heavy. Every source o 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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PART – B POSSIBLE QUESTIONS

Unit I

1. Features of Indirect Tax- Discuss
2. Types of Indirect tax –Explain
3. What are the Objectives of Indirect Tax?
4. Briefly Explain the Principles of Taxation .
5. Discuss in detail the tax system in India.
6. What are the Advantages and Disadvantages of Indirect tax?
7. Contribution to government Revenues- discuss.
8. Briefly explain Development of Indirect Taxation.

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed To beUniversity)
(Established under section 3 of UGC Act 1956)
COIMBATORE – 641021
(For the candidates admitted from 2015 onwards)
III B.COM - SIXTH SEMESTER
INDIRECT TAXATION – ONLINE TEST
PART – A POSSIBLE QUESTIONS
Multiple Choice Question (each questions carries 1 marks)
Unit I

S.No.	Questions	Option-A	Option-B	Option-C	Option-D	Answer
1	_____________will get tax revenue from sales tax, excise on liquor.	state government	central government	local authorities	revenue department	state government
2	sales tax, central sales tax is levied by___________	state government	individual state	administration of government	Central government	central government
3	tax is derived from Latin word __________	taxone	individual state	taxore	taxmine	taxore
4	tax state to cover his share of the cost to ___________	central government	individual state	general public service	consumers	general public service
5	tax imposes a_____________on the taxpayers	compulsory obligation	individual state	direct obligation	indirect obligation	personal obligation
6	The basic purpose of taxation is __________	Increasing revenue	raising revenue	enormous revenue	imposes revenue	raising revenue
7	Abnormal demand will be reduced ,_________can be achieved	economic stability	inflation	deflation	increasing demand	economic stability
8	Removal of regional imbalances, the government can use __________	tax policy	tax measures	tax exemptions	tax concessions	tax measures
9	Payment of ytax through banks will be another measure of _________	compulsory	convenience	collection	adequate service	convenience
10	lesser demand means___________of industrialization	lower price	lower growth	lower supply	lower rate	lower growth
11	Indirect taxes________the prices of products	Increase the price	decrease the price	inflation	deflation	Increase the price
12	Indirect taxes are included in the___________of the	Purchase price	Product price	selling price	spending amount	selling price

	commodities					
13	Direct taxes are based on the principle of______to pay	willingness	ability	wealth	oncome	ability
14	direct taxes create________among tax payers	confidence	consciousness	capability	responsibility	consciousness
15	consumers paid__________while purchasing commodities	large amounts	Small amounts	medium amounts	enlarge amounts	small amounts
16	Indirect taxes are_______in nature	progressive nature	rice	poor	regressive	regressive
17	Tax evasion as_______part of the price of goods	tax ability	tax paying	tax forms	tax arise	tax ability
18	tax rates creates_________ leading to increase in cost	Taxability	deflation	Inflation	tax evasion	Inflation
19	Impact of__________falls on the manufacturer.	excise duty	sales tax	customs duty	Vat	excise duty
20	collection of Indirect tax constitute over________of the tax revenue.	75%	81%	71%	86%	71%
21	Political factors are influencing________of government.	tax returns	tax evasion	tax policy	tax system	tax policy
22	Concurrent list contain entries of______and state governments	Union	central	exclusive	constitution	union
23	state government has exclusive powers enumerated in_______in seventh schedule	List I	List II	List IV	List V	List II
24	Heavy duties on non-essential goods discourage the ________of such goods.	Sales	Consumption	Production	Purchase	Production
25	Employment opportunities can be created by __________	tax concessions	tax exemptions	tax evasions	tax system	tax concessions
26	The________of collection of tax, more productive in administration	lower the cost	higher the cost	medium of cost	escaping cost	lower the cost
27	Simplicity of tax laws will enable__________to the taxpayers	tax compliance	tax evasion	tax effort	tax exemption	tax compliance
28	Tax evasion as ___________	tax system	tax effort	tax forms	Tax cost	tax forms
29	Tax is a levy on other than _________	products	services	goods	cost	goods
30	_______are levied on higher rate of taxes	luxurious articles	gifts	consumable goods	commodities	gifts
31	Principle of economy is achieved in case of	Indirect tax	direct tax	sales tax	customs duty	direct tax

	________					
32	Indirect taxes are those which strike the citizen income in ________	private consumption	Public consumption	common consumption	property consumption	private consumption
33	Tax liability increase in the same proportion is called ________	Proportional taxation	progressive taxation	regressive taxation	digressive taxation	proportional taxation
34	________in a system in which taxes are levied only on one subject.	single tax	multiple tax	relative tax	commodity tax	single tax
35	Increase in rates of Indirect tax leads to __________	Increase in cost	Increase in price	Increase in goods	Increase in value of goods	Increase in cost
36	Taxation acts as an __________	Instrument of public	Instrument of value	Instrument of price	Instrument of resource	Instrument of resource
37	Economic transformation of developing countries generate ________	generation of value	generation of savings	generation of capital	generation of interest	generation of savings
38	Indirect taxes are imposed___________on goods	production	consumption	marketing	servicing	consumption
39	central government is empowered to impose ________	customs duty	safeguard duty	excise duty	Additional duty	economic
40	Tax must be collected in a__________manner from the tax players	possible	economic	convenient	certain	convenient
41	Maximum tax paying capacity of the economy as a whole is __________	relative taxable capacity	absolute taxable capacity	determining capacity	None of these	absolute taxable capacity
42	Tax evasion is comparatively________in the case of orgaised sector	less	higher the cost	medium	very less	less
43	Imposition of indirect taxes creates_________in the use of production	imbalance	burden	balance	Im burden	balance
44	The consumption of harmful goods____________ increases social welfare	economy	social welfare	services	priority sector	social welfare
45	Major components of the economic process initiated in _________	tax reform	tax policy	tax consultation	tax excising	tax reform
46	Tax liability asa proportion of income falls with increase in tax payers	digressive taxation	progressive taxation	regressive taxation	None of these	regressive taxation
47	The principle implies that the cost of tax collection must be _________	maximum	minimum	medium	none of these	minimum
48	The surplus of production over the minimum of	consumption	production	sales	none of these	consumption

	________required to be produce					
49	The central excise is compared to the ________	direct tax	indirect tax	Service tax	principle of equity	indirect tax
50	paying tax first and take ________	capital	goods	interest	penalty	interest
51	_________is the sacrifice in the payment of tax	priority	relevance	payment	benefit	relevance
52	The cost of collection of tax is_______of the government	high	low	medium	normal	high
53	The amount of paying tax is__________price of commodity	higher	low	normal	Very low	higher
54	Indirect tax have been contributing not less than ______in 1980	85%	80%	75%	65%	75%
55	__________is the largest source of single revenue source	customs duty	excise duty	VAT	service tax	2
56	Major components of the economic process initiated ______in tax reform	1981	1985	1991	1999	1991
57	________in India comprises a system of customs and duties	Indirect tax	service tax	customs duty	direct tax	direct tax
58	The process of indirect tax system in the country began in _______	1995	1985	1992	1999	1985
59	________is very less in Indirect taxation	tax empowerment	tax evasion	tax rules	tax appointment	tax evasion
60	Traders are charge_______ price in actual rate tax	less	very high	high	very less	less

CUSTOMS DUTY

The Custom duty derived its value from the word ―custom under which whenever a merchant entered a Kingdom with his merchandise, he had to give some gift to the king. Subsequently, this custom formalized into the levy of custom duty or tax on goods imported into and exported from the country was organized through various laws during the British period. After Independence the Sea Customs Act 1878, the Land Customs Act, 1924 and other allied enactments were repealed by a consolidating and amending legislation entitled the Customs Act, 1962. Similarly the Indian Customs Act, 1934 was repealed by the Customs Tariff Act, 1975(CTA).

Custom Duty is an indirect tax, imposed under the Customs Act formulated in 1962. The power to enact the law is provided under the Constitution of India under the Article 265, which states that ―no tax shall be levied or collected except by authority of law‖. Entry No. 83 of List I to Schedule VII of the Constitution empowers the Union Government to legislate and collect duties on import and exports.

The Customs Act, 1962 is the basic statute which governs entry or exit of different categories of vessels, aircrafts, goods, passengers etc., into or outside the country. The Act extends to the whole of the India. Customs Act, 1962 just like any other tax law is primarily for the levy and collection of duties but at the same time it has the other and equally important purposes such as:
(i) regulation of imports and exports;

(ii) protection of domestic industry;

(iii) prevention of smuggling;

(iv) conservation and augmentation of foreign exchange and so on. Section 12 of the Custom Act provides that duties of customs shall be levied at such rates as may be specified under the Customs Tariff Act, 1975 or other applicable Acts on goods imported into or exported from India.

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. 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.

IMPORTANT DEFINITIONS

Section 2 of the Customs Act, 1962 contains the definitions of various terms used at several places in the Act. Here, some of the important definitions are reproduced as follows;

(1) “adjudicating authority” means any authority competent to pass any order or decision under this Act, but does not include the Board, Commissioner (Appeals) or Appellate Tribunal;

(2) “Appellate Tribunal” means the Customs, Excise and Service Tax Appellate Tribunal constituted under section 129;

(3) “assessment” includes provisional assessment, self-assessment, re-assessment and any order of assessment in which the duty assessed is nil;

(4) “baggage” includes unaccompanied baggage but does not include motor vehicles [Section 2(3)];

(5) “bill of entry” means a bill of entry referred to in section 46[Section 2(4)];

(6) “bill of export” means a bill of export referred to in section 50[Section 2(5)];

(7) “Board” means the Central Board of Excise and Customs constituted under the Central Boards of Revenue Act, 1963 (54 of 1963) [Section 2(6)];

(8) "coastal goods" means goods, other than imported goods, transported in a vessel from one port in India to another[Section 2(7)];

(9) "dutiable goods" means any goods which are chargeable to duty and on which duty has not been paid [Section 2(14)];

(10) "entry" in relation to goods means an entry made in a bill of entry, shipping bill or bill of export and includes the entry made under the regulations made under section 84; [Section 2(16)];
(11) "export", with its grammatical variations and cognate expressions, means taking out of India to a place outside India [Section 2(18)];

(12) "export goods" means any goods which are to be taken out of India to a place outside India [Section 2(19)];

(13) "foreign-going vessel or aircraft" means any vessel or aircraft for the time being engaged in the carriage of goods or passengers between any port or airport in India and any port or airport outside India, whether touching any intermediate port or airport in India or not, and includes - (i) any naval vessel of a foreign Government taking part in any naval exercises; (ii) any vessel engaged in fishing or any other operations outside the territorial waters of India; (iii) any vessel or aircraft proceeding to a place outside India for any purpose whatsoever [Section 2(21)];

(15) "goods" includes - (a) vessels, aircrafts and vehicles; (b) stores; (c) baggage; (d) currency and negotiable instruments; and (e) any other kind of movable property [Section 2(22)].

(16) "import", with its grammatical variations and cognate expressions, means bringing into India from a place outside India [Section 2(23)];

(17) "import manifest" or "import report" means the manifest or report required to be delivered under section 30 [Section 2(24)];

(18) "imported goods" means any goods brought into India from a place outside India but does not include goods which have been cleared for home consumption [Section 2(25)]; (

(20) "India" includes the territorial waters of India [Section 2(27)];

(21) "Indian customs waters" means the waters extending into the sea up to the limit of contiguous zone of India under section 5 of the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976 (80 of 1976) and includes any bay, gulf, harbour, creek or tidal river [Section 2(28)]; The concept of territorial waters and Indian customs waters are highly relevant for customs law. Territorial waters extend upto twelve nautical miles from the baseline on the coast of India. Indian customs waters extend upto contiguous zone of India which twenty four nautical miles from the nearest point of base line. Thus Indian customs waters extend upto twelve nautical miles beyond territorial waters. The significance of Indian customs waters is that the Customs Officer has powers to arrest a person; to stop and search any vessel; to confiscate a vessel concealing goods; to search any person on board any vessel and; to confiscate goods in the these waters.

(22) "person-in-charge" means - (a) in relation to a vessel, the master of the vessel; (b) in relation to an aircraft, the commander or pilot-in-charge of the aircraft; (c) in relation to a railway train, the conductor, guard or other person having the chief direction of the train; (d) in relation to any other conveyance, the driver or other person-in-charge of the conveyance [Section 2(31)].

(23) "prohibited goods" means any goods the import or export of which is subject to any prohibition under this Act or any other law for the time being in force but does not include any such goods in respect of which the conditions subject to which the goods are permitted to be imported or exported have been complied with [Section 2(33)];

(24) "proper officer", in relation to any functions to be performed under this Act, means the officer of customs who is assigned those functions by the Board or the Commissioner of Customs [Section 2(34)];

(25) "shipping bill" means a shipping bill referred to in section 50 [Section 2(37)];

(26) "stores" means goods for use in a vessel or aircraft and includes fuel and spare parts and other articles of equipment, whether or not for immediate fitting; [Section 2(38)];

(27) "smuggling", in relation to any goods, means any act or omission which will render such goods liable to confiscation under section 111 or section 113; [Section 2(39)];

(28) “tariff value”, in relation to any goods, means the tariff value fixed in respect thereof under sub-section (2) of section 14 [Section 2(40)];

(29) “value”, in relation to any goods, means the value thereof determined in accordance with the provisions of sub-section (1) or sub-section (2) of Section 14 [Section 2(41)];

(30) “vehicle” means conveyance of any kind used on land and includes a railway vehicle [Section 2(42)]

(31) “warehouse” means a public warehouse licensed under section 57 or a private warehouse licensed under section 58 or a special warehouse licensed under section 58A;,, [Section 2(43)]. (32) “warehoused goods” means goods deposited in a warehouse [Section 2(44)]; The definition of warehouse has so as to add a new class of warehouses for enabling storage of specific goods under physical control of the department, as control over the other types of warehouses would be only record based.

OTHER DEFINITIONS AS AMENDED VIDE FINANCE ACT, 2017

“beneficial owner” means any person on whose behalf the goods are being imported or exported or who exercises effective control over the goods being imported or exported [Section 2(3A)]

"customs area" means the area of a customs station and includes any area in which imported goods or export goods are ordinarily kept before clearance by Customs Authorities; Customs area includes warehouse Section 2(11) .

Note: Since customs area covers warehouse, no IGST is payable for goods removed from customs station to warehouse. "customs station" means any customs port, customs airport, international courier terminal, foreign post office or land customs station Section (13); “foreign post office” means any post office appointed under clause (e) of sub-section (1) of section 7 to be a foreign post office; [Section 2(20A] section (28A) —international courier terminal|| means any place appointed under clause (f) of sub-section (1) of section 7 to be an international courier terminal;]

Establishments Under Customs

(a) ports and airports which alone shall be customs ports or customs airports for the unloading of imported goods and the loading of export goods or any class of such goods;

(aa) the places which alone shall be inland 5[container depots or air freight stations] for the unloading of imported goods and the loading of export goods or any class of such goods;

(b) the places which alone shall be land customs stations for the clearance of goods imported or to be exported by land or inland water or class of such goods;

(c) the routes by which alone goods or any class of goods specified in the notification may pass by land or inland water into or out of India, or to or from any land customs station from or to any land frontier;

(d) the ports which alone shall be coastal ports for the carrying on of trade in coastal goods or any class of such goods with all or any specified ports in India.

(e) the post offices which alone shall be foreign post offices for the clearance of imported goods or export goods or any class of such goods;

(f) the places which alone shall be international courier terminals for the clearance of imported goods or export goods or any class of such goods. Every notification issued under this section and in force immediately before the commencement of the Finance Act, 2003 shall, on such commencement, be deemed to have been issued under the provisions of this section as amended by section 105 of the Finance Act, 2003 and shall continue to have the same force .

LEVY OF CUSTOM DUTY

There are four stages in any tax structure, viz., levy, assessment, collection and postponement. The basis of levy of tax is specified in Section 12, charging section of the Customs Act. It identifies the person or properties in respect of which tax or duty is to be levied or charged. Under assessment, the liability for payment of duty is quantified and the last stage is the collection of duty which is may be postponed for administrative convenience.

As per Section 12, customs duty is imposed on goods imported into or exported out of India as per the rates specified under the Customs Tariff Act, 1975 or any other law. On analysis of Section 12, we derive the following points:

(i) Customs duty is imposed on goods when such goods are imported into or exported out of India;

(ii) The levy is subject to other provisions of this Act or any other law;

(iii) The rates of Basic Custom Duty are as specified under the Tariff Act, 1975 or any other law;

(iv) Even goods belonging to Government are subject to levy, though they may be exempted by notification(s) under Section 25. Custom Tariff Act, 1975 has two schedules. Schedule I prescribes tariff rates for imported goods, known as ―Import Tariff‖ and Schedule II contains tariff for export goods known as ―Export Tariff‖.

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

Tax	**Value of goods/services**
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

LIMBS OF CUSTOMS LAW

Customs Act, 1962 and Customs Tariff Act, 1975 are the two limbs of Customs Law in India which must be read with rules and regulations. The rule making power is delegated to the Central Government while the regulation making power delegated to the Central Board of Excise and Customs (CBEC). There are a number of rules and regulation prescribed from time to time to carry the objective of the Act. Some of the rules and regulations are enumerated here as follows:

- Baggage Rules , 2016
- Customs , Central Excise Duties and Service Tax Drawback Rules,1995
- Re-Export of Imported Goods (Drawback of Customs Duties) Rules, 1995
- Customs Valuation (Determination of Price of Imported Goods) Rules, 2007
- Customs Valuation (Determination of Value of Export Goods) Rules, 2007

- Customs (Advance Rulings) Rules, 2002
- Customs (Appeals) Rules, 1982
- Customs(Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods)
- Rules, 1996 Specified Goods (Prevention of Illegal Export) Rules, 1969
- Customs (Compounding of Offences) Rules, 2005
- Customs (Settlement of Cases) Rules, 2007
- Notified Goods (Prevention of Illegal Import) Rules, 1969
- Bill of Entry (Electronic Declaration) Regulations, 2011
- Customs (Provisional Duty Assessment) Regulations, 2011
- Customs House Agents Licensing Regulations, 2004
- Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007

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 autorities 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

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

- 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))[2]

- 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))[2]

- 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))[2]

- 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

Tax evasion

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/transports 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

INDIRECT TAXATION

PART – B POSSIBLE QUESTIONS

Unit II

1. Discuss the Basic Concepts of Customs Law
2. Explain the different types of customs duty
3. What is Abatement of duty in damaged or deteriorated goods?
4. Briefly Explain valuation of Customs law.
5. Discuss in detail about customs procedure.
6. Exemptions in customs duty?
7. Customs duty drawback – discuss in detail.
8. Briefly explain Offense and penalties of customs law.
9. Explain Duties free zones
10. Discuss in detail about offenses in Custom duty.

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed to be University
(Established under section 3 of UGC Act 1956)
COIMBATORE – 641021
(For the candidates admitted from 2015 onwards)
III B.COM - SIXTH SEMESTER
INDIRECT TAXATION – ONLINE TEST
PART – A POSSIBLE QUESTIONS
Multiple Choice Question (each questions carries 1 marks)
Unit II

S. No.	Questions	Option-A	Option-B	Option-C	Option-D	Answer
1	Customs duty is imposed an________	customs act 1965	customs act 1962	customs act 1949	customs act 1955	customs act 1962
2	Safeguard domestic trade is imposed on________goods	export	interstate	import	local sales	import
3	First schedule of customs act 1975 ________	export tariff	control tariff	local tariff	import tariff	import tariff
4	second schedule of customs act 1975 is________	Export tariff	interchange tariff	local tariff	multi tariff	export tariff
5	Basic customs duty is based on_______of goods	actual value	basis value	standard value	preference value	basis value
6	Government is empowered________of customs act is prescribe notification	sec 10	sec 25	sec 35	sec 45	sec25
7	________Goods could not suffer excise duty	Exported	local stated	Imported	local valuable	imported
8	________additional duties levied on imported goods	special additional duty	protective	anti dumping duty	additional duty	protective
9	Exporter sells the product to an exporting country at__________price	hogh	very high	less	very less	less
10	_______of customs act to safeguard the interest of domestic industry	sec 9A	sec8b	sec 18	sec 19	Sec 8B

11	_______is levied on dumped articles	anti dumping duty	valoreum duty	safeguard duty	protective duty	Anti-dumping duty
12	______means customs port and customs airport	customs area	customs station	customs goods	customs duty	Customs station
13	_________goods kept in ware nouse called warehouse goods	export	import	Inter local	local	import
14	_____means all goods ,personal effects brought in commercial quantities	warehouse	Bonafide baggage	baggage	none of these	baggage
15	_______of the customs act empowers the central government from import and export	sec 9	sec 10	sec11	sec8	sec 11
16	_______goods are Illegal import of highly notified by central government	imported	exported	notified	identified	notified
17	The notified goods required within______days from the date	8	7	6	2	7
18	________of the customs act may the powers to board	sec 3	sec 4	sec 5	sec 7	sec4
19	Large manufacturer from abroad export goods at______ prices	very high	high	less	very less	very high
20	Foreign________or aircraft means any vessel or aircraft at the time of carriage	coming vessel	lodging vessel	going vessel	updating	going vessel
21	________goods means any goods brought into India from outside India	export	import	inter state	local	import
22	______means the import of goods in contravention of provisions	legal import	statutory import	Illegal import	local import	Illegal import
23	________means a place intimated in subsection	section	sub section	specified section	intimated section	subsection
24	________government is satisfied expenditure public interest measures	state	central	local	none of these	central
25	After the expiry of seven days from specified date______to the subsection	exempted goods	marketable goods	specified goods	intimated goods	specified goods
26	Transport of specified goods to be covered to be covered by	receipts	payments	invoice	vouchers	vouchers
27	Assessable value is determined by_____of identical goods	computed	transaction	deducted	residual	transactio

			value	value	value	n value
28	Section 25 of the customs act__________to issue special orders	state	central	tax authorizes	public authorities	central
29	Customs act provides remission duty on goods lost on ________consumption	home	industry	business	natural	home
30	________is not liable to pay abandoned goods	sellers	buyers	owners	wholesalers	owners
31	______is not possible and goods are physically lost	Abandonment	restoration	time point	destroyed	restoration
32	_______of customs may permit an importer to enter general bond	commissioner	executed	Deputy commission er	official government	deputy commissio ner
33	_________have been compiled in respect of goods	sec 30	sec 49	sec 38	sec 59	sec59
34	_________intended to use 100% export oriented	consumable goods	capital goods	customs goods	producing goods	capital goods
35	A________has been presented in such goods of export	shipping bill	clearance bill	export bill	payment bill	shipping bill
36	Rebate of duty is chargeable on_______on goods	Producing	manufacturing	packing	purchasing	manufactu ring
37	All Industry rate is not cover_________of the drawback	85%	88%	80%	90%	80%
38	_________have been defined in subsection	relative goods	prohibited goods	customs goods	notified goods	prohibited goods
39	Conservation of_______safeguarding payments	Excise duty	foreign exchange	customs goods	export goods	foreign exchange
40	Central govt has issued notification to import of ________	sensitive goods	notified goods	regulative goods	restricting goods	sensitive goods
41	Notified goods means goods specified in the notification issued under section________	IIA	.IIB	IIIC	.IVC	.IIB
42	Goods shall be taken from one place to another only when they are accompanied bya _________	cash	transport voucher	.Bills	.document paper	transport voucher
43	The statement containing particulars of notified goods duly signed must be delivered in ___________	.duplicate	original	.accounts	voucher	.duplicate
44	Valuation of goods under customs Act dealt under	.Section 10	section12	section14	.section25	section14
45	The valuation rules,1988 based on GATT valuation code,	.Five methods of	six methods of	seven	eight	six

	provides	valuation	valuation	methods of valuation	methods of valuation	methods of valuation
46	Assessable value under the customs Act,1962 excludes______	.Landing charges	Insurance	cost of transport of the importation	travelling charges	cost of transport of the importation
47	The GATT valuation code came into effect from	1.1.81	1.2.81	1.3.81	12.81	1.1.81
48	India started implementing the GATT valuation code from	.18.8.1985	18.8.1988	18.8.1990	18.8.1991	18.8.1988
49	The central government has powers to prohibit importation and exportation of goods under section_______of customs Act	10	0.13	12	11	11
50	Entry 83 to list (union List)of________schedule to constitution reads duties of customs including export duties.	sixth	seventh	fourth	fifth	seventh
51	Central Government can grant partial/full exemption from duty under section____of the customs Act.	26	0.22	0.23	0.25	0.25
52	Section 25(1) of the customs Act authorises the _________ to issue notification granting exemptions from duty.	state government	central government	Municipality	Local authority	central government
53	The exemptions granted under the customs Act are broadly classified as_______& _______	.general , specific	ordinary ,Special	special , compliment	compound , special	.general , specific
54	Penalty for attempt to export goods improperly on persons concerned would not exceed________times the value of goods.	.Three	.four	.five	Ten	special , compliment
55	For effective shipment, the exporter or his agent should file a shipping bill in_______	duplicate	triplicate	quadruplicate	original	duplicate
56	Shipping bills should be filed in the customs House within _________days before the arrival of the loading vessel.	7 days	.14 days	.21 days	30 days	triplicate
57	Tea cannot be exported unless a licence is granted by	.central government	state government	.Tea board	Coffee Board	.Tea board

58	A new tariff based on the______has been introduced for indigenously manufactured goods under the central excise Tariff Act, 1985	.HSBN	HSN	HHN	HMN	HSN
59	The British established the first board of revenue with its headquarters in_________	delhi	Mumbai	Chennai	Calcutta	Calcutta
60	customs tariff contains	97 chapters	.98 chapters	.99 chapters	.100 chapters	97 chapters

Introduction to Goods and Services Tax

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 togoods 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,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.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.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.The rate of GST in India is between double to four times that levied in other countries like Singapore.

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. It is one of the few midnight sessions that have been held by the parliament - the others being the declaration of India' independence on 15 August 1947, and the silver and golden jubilees of that occasion.

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.The rate on under-construction property booking is 12%. 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.

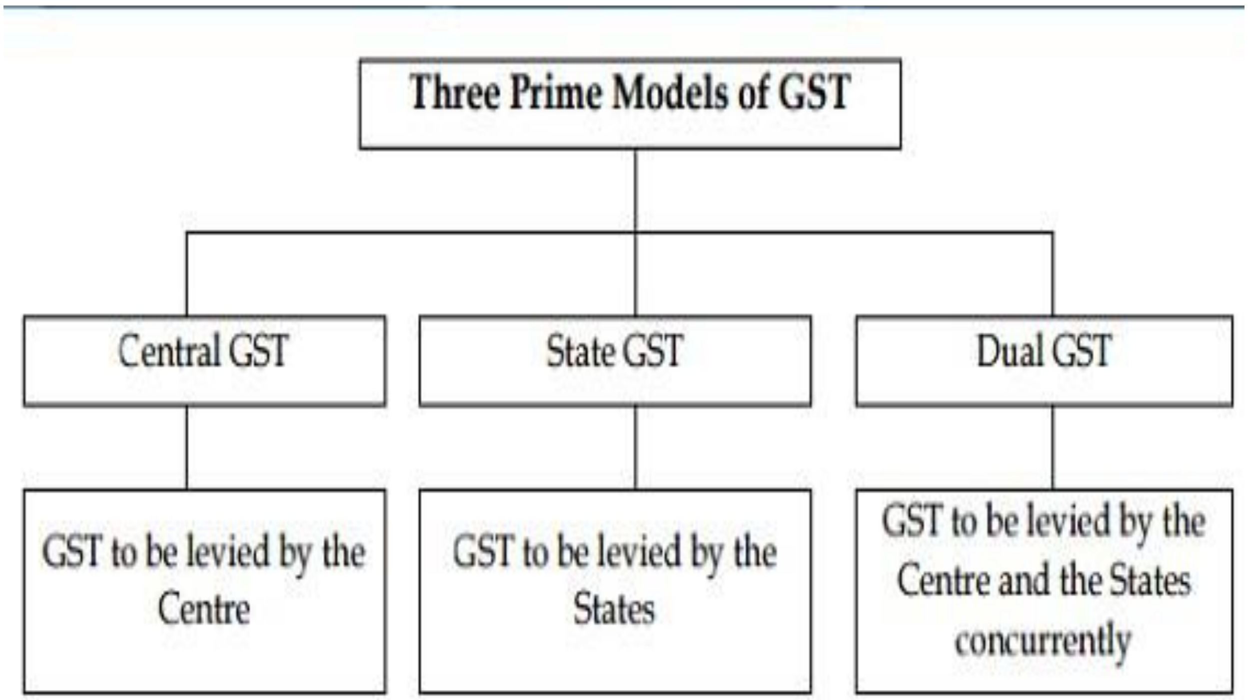
The introduction of the GST increased the costs of most consumer goods and services in India including food, hotel charges, insurance and cinema tickets. Upon its introduction in the country, GST led to a number of protests by the business community, primarily due to an increase in overall taxes and hence the prices of goods. Check posts 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

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:

- 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.

(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.

(ii) 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

Tax Rates	**Products**	
0%	Milk	Kajal
	Eggs	Educations Services
	Curd	Health Services
	Lassi	Children's Drawing & Colouring Books

Tax Rates	**Products**	
	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

Tax Rates	**Products**	
	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

Tax Rates	Products	
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$1.6million), 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%
Total	**100%**

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

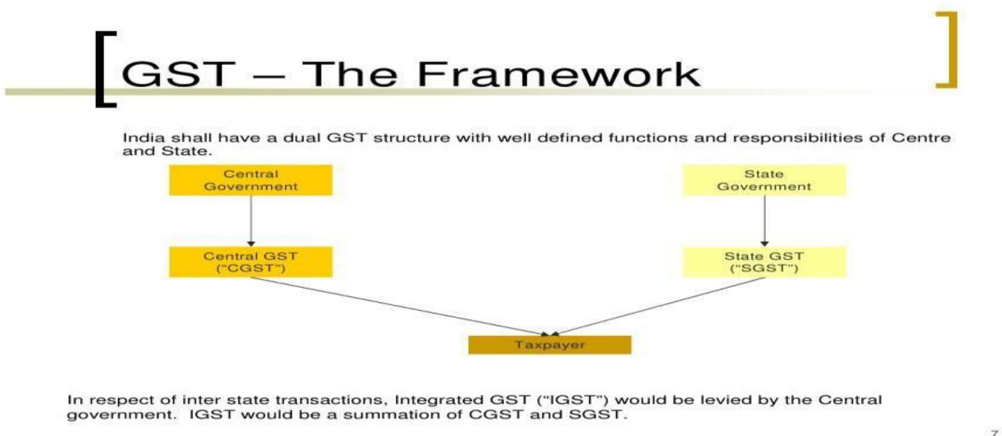
Functions of GSTN

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



This note deals with the provisions of charging section 7 and section 4 of the CGST/SGST Act 2016Â 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**
- inaccordance with the provisions of this Act

Section 4(3)

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

Section 4(4)

Notwithstanding anything contained in sub-section (1) but subject to suchconditions 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 Scheduleto 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. GSTComposition 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.

<u>Merits of the Scheme</u>

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

INDIRECT TAXATION

PART – B POSSIBLE QUESTIONS

Unit III

1. Discuss the Basic Concepts of GST.
2. Explain the features of GST
3. What are the benefits of GST ?
4. Briefly explain the working mechanism of GST.
5. Discuss in detail GSTN.
6. What are GST rate and Taxes on GST?
7. Constitutional Framework of GST – discuss in detail.
8. Briefly explain Offense the Model GST Law.
9. Explain Chargeability for GST.
10. Elaborate the Composition Scheme.

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(Established under section 3 of UGC Act 1956)
COIMBATORE – 641021
(For the candidates admitted from 2015 onwards)
B.COM - SIXTH SEMESTER
INDIRECT TAXATION – ONLINE TEST
PART – A POSSIBLE QUESTIONS
Multiple Choice Question (each questions carries 1 marks)
Unit III

S. No.	Questions	Option-A	Option-B	Option-C	Option-D	Answer
1	The GST to be levied by the center on intra- state supply of goods and / or services would be called _________________	Central GST	State GST	Integrated GST	Single GST	State GST
2	The GST to be levied by the center on inter- state supply of goods and / or services would be called _________________	Central GST	State GST	Integrated GST	Single GST	Integrated GST
3	Expansion of SGST __________	Simplified Goods and Service Tax	State Goods and Service Tax	Standard Goods and Service Tax	Single Goods and Service Tax	State Goods and Service Tax
4	Expansion of CGST __________	Central Goods and Service Tax	Common Goods and Service Tax	Contract Goods and Service Tax	Computed Goods and Service Tax	Central Goods and Service Tax
5	Expansion of IGST __________	Intra Goods and Service Tax	Inter Goods and Service Tax	Integrated Goods and Service Tax	Internal Goods and Service Tax	Integrated Goods and Service Tax
6	___________GST model where both center and the state levy and collect their share of concurrently and simultaneously from CGST and SGST.	Dual	Demo	Distinguished	Development	Dual
7	Dual GST model where both center and the state levy and collect their share of concurrently and simultaneously from _____________ and________________.	CGST & SGST	IGST & SGCT	IGST & CGST	VAT & GST	CGST & SGST
8	_________is the tax on goods and services with comprehensive and continues set-off benefit to the retailers level	Goods and service tax	Value added tax	Excise Duty	Service tax	Goods and service tax

9	The________________would need to submit periodical returns, in common format as suggested by Central authority.	Tax payers	Entities	Revenue officer	State Government	Tax payers
10	When does the liability to pay GST arise in case of supply of goods?	On raising of invoice	At the time of supply of goods	On receipt of payment	Earliest of a ,b or c	Earliest of a ,b or c
11	What is time of supply of goods under CGST Act, 2017?	Date of issue of invoice	Date of receipt of consideratio n by the supplier	Date of dispatch of goods	Earlier of (a) & (b)	Earliest of a ,b or c
12	What is time of supply of goods liable to tax under reverse charge mechanism?	Date of receipt of goods	Date on which the payment is made	Date immediately following 30 days from the date of issue of invoice by the supplier	Earlier of a/b/c	Earlier of a/b/c
13	What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?	Date of issue of voucher	(b) Date of redemption of voucher	(c) Earlier of (a) & (b)	a) & (b) whichever is later	Date of issue of voucher
14	What is the time of supply of vouchers when the supply with respect to the voucher is not identifiable?	Date of issue of voucher	Date of redemption of voucher	Earlier of (a) & (b)	(a) & (b) whichever is later	Date of redemption of voucher
15	What is date of receipt of payment?	Date of entry in the books	Date of payment credited into bank account	Earlier of a and b	Date of filing of return	Earlier of a and b
16	The permissible number of business verticals in a State in GST will be:	25	30	35	40	5
17	A Bill of Supply has to be issued for which of the following -	Supply of Exempted Services	Supply of Exempted Goods and	Supply of Exempted Goods Only	Supply of Exempted trading Only	Supply of Exempted Goods and

		Only	Services			Services
18	If the value of an exempted supply is `100, a Bill of Supply,	Has to be issued	Need not be issued unless recipient asks for	Need not be issued even if recipient asks for	None of the above	Has to be issued
19	A supply of Goods,	Cannot be made without moving the same	Can be made without moving the same	Can be made only if the same person is buying and selling the goods in different capacities by way of legal fiction	None of the Above	Cannot be made without moving the same
20	If, Goods are supplied on sale or return basis,	Under seamless credit concept of GST, Invoice has to be issued by the supplier while sending the goods; Another Invoice has to be issued by the recipient	Invoice has to be issued by the supplier while sending the goods but the recipient can take credit only when the goods are accepted by him.	Invoice has to be issued when the recipient accepts the goods or six months from the date of supply whichever is earlier	Invoice has to be issued when the recipient accepts the goods or six months from the date of supply whichever is later	Invoice has to be issued when the recipient accepts the goods or six months from the date of supply whichever is earlier

		while rejecting the goods.				
21	The period within which the invoice should be issued from the date of supply of service, is	30 days	1 month	Immediately on provision of service	15 days	30 days
22	For supply of services, invoice should be prepared in,	Original + 1 copy	Original + 2 copies	Original + 3 copies	Original + 4 copies	Original + 1 copy
23	For supply of Goods, invoice should be prepared in:	Original + 1 copy	Original + 2 copies	Original + 3 copies	Original + 4 copies	Original + 2 copies
24	Invoice reference number is	The invoice number as printed on the invoice	(b) Generated from the portal of GSTN	(c) Both a and b	(d) Service tax	(b) Generated from the portal of GSTN
25	Invoice reference number is valid for	(a) 45 days	(b) 1 month	(c) 30 days	(d) 60 days	(c) 30 days
26	Who is responsible to pay the GST?	(a) Person supplying	(b) Person receiving	(c) Both the above	(d) None	(c) Both the above
27	What are the supplies to which the reverse charge mechanism could be applied?	(a) Inward Supply of Goods/Servi ces	(b) Outward Supply of Goods/Servi ces	(c) Both the above	(d) None of the above	(a) Inward Supply of Goods/Servic es
28	Which of the following taxes leviable on Imports?	(a) CGST	(b) SGST	(c) IGST	(d) Customs duty and IGST under Section 3 of Customs Tariff Act, 1975	(d) Customs duty and IGST under Section 3 of Customs Tariff Act, 1975
29	Who among the following can opt for composition?	(a) Person engaged in the supply of services	(b) Person making any supply of goods which	(c) Person making any inter-State outward	(d) none of the above	(d) none of the above

			are not leviable to tax under this Act;	supplies of goods;		
30	What is the threshold limit of turnover in the previous year for opting to pay tax under the composition scheme?	(a) Rs. 20 lacs	(b) Rs. 10 lacs	(c) Not exceeding Rs.50 lacs	(d) None of the above	(c) Not exceeding Rs.50 lacs
31	What are the taxes levied on an intra-State Supply?	(a) CGST	(b) SGST *	(c) CGST and SGST	(d) IGST	(c) CGST and SGST
32	What is the maximum rate prescribed under CGST?	(a) 12%	(b) 28%	(c) 20%	(d) 18%	(c) 20%
33	Who will notify the rate of tax to be levied under CGST?	(a) Central Government suo moto	(b) State Government suo moto	(c) GST Council suo moto	(d) Central Government as per the recommendations of the GST Council	(d) Central Government as per the recommendations of the GST Council
34	What are the supplies on which reverse charge mechanism would apply?	(a) Notified categories of goods or services or both	(b) Inward supply of goods or services or both from an unregistered dealer	(c) Both of the above	(d) None of the above	(c) Both of the above
35	Which of the following taxes will be levied on Imports?	(a) CGST	(b) SGST	(c) IGST	(d) Exempt	(c) IGST
36	Which of the following taxes would be levied on an intra-State supply of goods or services or both	(a) CGST	(b) Union territory tax	(c) Both of the above	(d) IGST	(c) Both of the above
37	Is there any maximum rate prescribed under UTGST?	(a) 14%	(b) 28%	(c) 20%	(d) 30%	(c) 20%
38	Which of the following persons can opt for composition scheme?	(a) Person making any supply of goods which are not	(b) Person making any inter-State outward supplies of	(c) Person effecting supply of goods through an e-commerce	(d) None of the above	(d) None of the above

		leviable to tax under this Act;	goods;	operator liable to collect tax at source		
39	What is the threshold limit of turnover in the preceding financial year for opting to pay tax under composition scheme?	(a) Rs.20 lacs	(b) Rs.10 lacs	(c) Rs.50 lacs	(d) None of the above	(c) Rs.50 lacs
40	What is the rate applicable under CGST to a registered person being a manufacturer opting to pay taxes under composition scheme?	(a) 2.5%	(b) 1%	(c) 0%	(d) No composition for manufacturer	(b) 1%
41	What is the rate applicable under CGST to a registered person being a hotelier opting to pay taxes under composition scheme?	(a) 1%	(b) 0.5%	(c) 2.5%	(d) 3.5%	(c) 2.5%
42	What is the rate applicable under CGST to a registered person opting to taxes under composition scheme, not being a manufacturer or a hotelier?	(a) 1%	(b) 2.5%	(c) 0.5%	(d) 2%	(c) 0.5%
43	Can a registered person opt for composition scheme only for one out of his 3 business verticals having same Permanent Account Number?	(a) Yes	(b) No	(c) Yes, subject to prior approval of the Central Government	(d) Yes, subject to prior approval of the concerned State Government	(b) No
44	Can Composition scheme be availed if the registered person effects interstate supplies?	(a) Yes	(b) No	(c) Yes, subject to prior approval of the Central Government	(d) Yes, subject to prior approval of the concerned State Government	(b) No
45	Can a registered person under Composition Scheme claim input tax credit?	(a) Yes	(b) No	(c) Input tax credit on inward supply of goods only can be claimed	(d) Input tax credit on inward supply of services only can be claimed	(b) No
46	Can a registered person opting for composition scheme collect tax on his outward supplies?	(a) Yes	(b) No	(c) Yes, if the amount of tax is prominently indicated in the invoice issued	(d) Yes, only on such goods as may be notified by the Central Government	(b) No

				by him		
47	Which of the following will be excluded from the computation of 'aggregate turnover'?	(a) Value of Taxable supplies	(b) Value of Exempt Supplies	(c) Non-taxable supplies	(d) Value of inward supplies on which tax is paid on reverse charge basis	(d) Value of inward supplies on which tax is paid on reverse charge basis
48	What will happen if the turnover of a registered person opting to pay taxes under composition scheme during the year 2017-18 crosses Rs.50 lakhs?	(a) He can continue under composition scheme till the end of the financial year	(b) He will be liable to pay tax at normal rates of GST on the entire turnover for the financial year 2017-18	(c) He will cease to remain under the composition scheme with immediate effect	(d) He will cease to remain under the composition scheme from the quarter following the quarter in which the aggregate turnover exceeds Rs.50 lacs	(c) He will cease to remain under the composition scheme with immediate effect
49	When does the liability to pay GST arise in case of supply of goods?	(a) On raising of invoice	(b) At the time of supply of goods	(c) On receipt of payment	(d) Earliest of a ,b or c	(d) Earliest of a ,b or c
50	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) Earlier of (a) & (b)	(d) Earlier of (a) & (b)
51	What is time of supply of goods liable to tax under reverse charge mechanism?	(a) Date of receipt of goods	(b) Date on which the payment is made	(c) Date immediately following 30 days from the date of issue of invoice by the	(d) Earlier of a/b/c	(d) Earlier of a/b/c

				supplier		
52	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) Earlier of (a) & (b)	(d) (a) & (b) whichever is later	(b) Date of redemption of voucher
53	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) Earlier of (a) & (b)	(d) (a) & (b) whichever is later	(b) Date of redemption of voucher
54	What is date of receipt of payment?	(a) Date of entry in the books	(b) Date of payment credited into bank account	(c) Earlier of a and b	(d) Date of filing of return	(c) Earlier of a and b
55	What is the time of supply of service if the invoice is issued within 30 days from the date of provision of service?	(a) Date of issue of invoice	(b) Date on which the supplier receives payment	(c) Date of provision of service	(d) Earlier of (a) & (b)	(d) Earlier of (a) & (b)
56	What is the time of supply of service for the supply of taxable services up to Rs.1000 in excess of the amount indicated in the taxable invoice?	(a) At the option of the supplier – Invoice date or Date of receipt of consideratio n	(b) Date of issue of invoice	(c) Date of receipt of consideration.	(d) Date of entry in books of account	(a) At the option of the supplier – Invoice date or Date of receipt of consideration
57	How is the date of receipt of consideration by the supplier determined?	(a) Date on which the receipt of payment is entered in the books of account	(b) Date on which the receipt of payment is credited in the bank account	(c) Earlier of (a) & (b)	(d) (a) & (b) whichever is later	(c) Earlier of (a) & (b)
58	What is the time of supply of service in case of reverse charge	(a) Date on	(b) Date	(c) Date of	(d) Earlier of (a)	(d) Earlier of

	mechanism?	which payment is made to the supplier	immediately following 60 days from the date of issue of invoice	invoice	& (b)	(a) & (b)
59	What is the time of supply of service in case an associated enterprise receives services from the service provider located outside India?	(a) Date of entry in the books of account of associated enterprise(recipient)	(b) Date of payment	(c) Earlier of (a) & (b)	(d) Date of entry in the books of the supplier of service	(c) Earlier of (a) & (b)
60	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) Earlier of (a) & (b)	(d) (a) & (b) whichever is later	(a) Date of issue of voucher

Supply (GST)

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:

<u>Part I: Supplies for consideration</u>

- 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

Supply 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 , ie., 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 changeability 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:

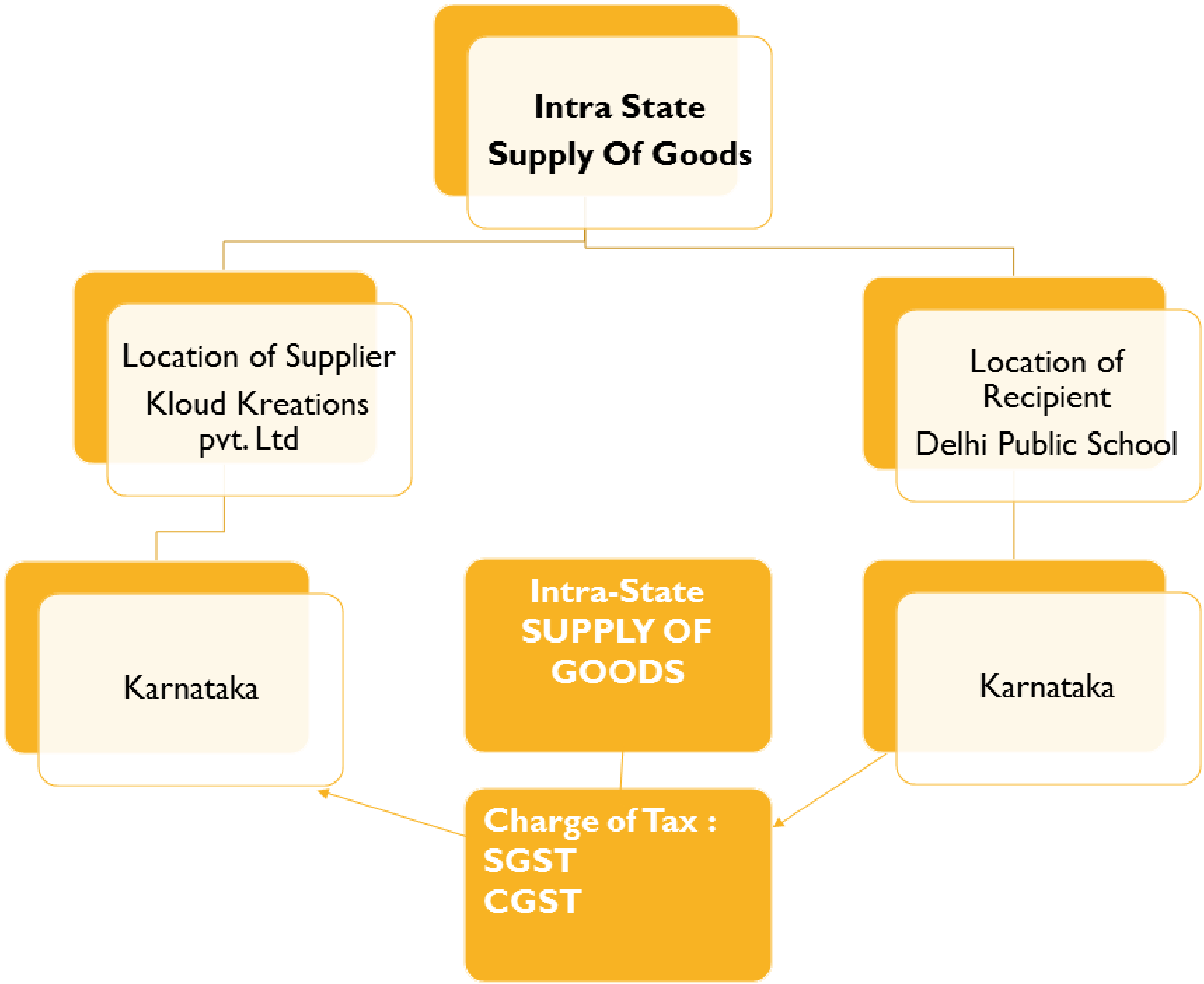
Location of Supplier: It is the registered place of business of the supplier

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.

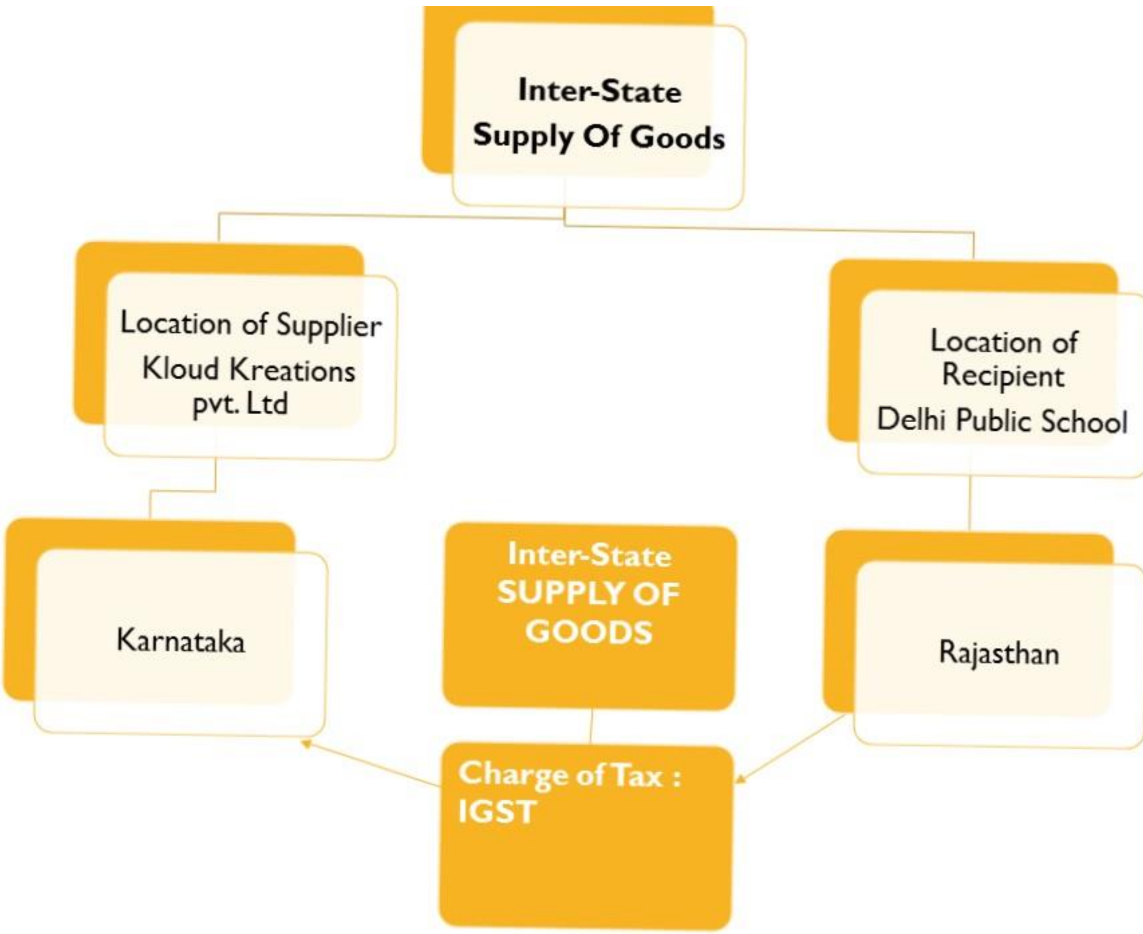


When there is intra state supply of goods, SGST & CGST are levied.

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
Balance in Electronic Tax Liability Ledger	**=A+B+C+D-E-F-G-H**

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 is of registration is referred 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.

INDIRECT TAXATION

PART – B POSSIBLE QUESTIONS

Unit IV

1. Discuss the Meaning and scope of supply.
2. Explain the types of supply.
3. Briefly explain the time of supply.
4. What are the Provision relating to time of Supply?
5. Discuss in detail about Place of supply.
6. What are the Provision relating to place of supply?
7. Valuation mechanism – discuss in detail.
8. Briefly explain Input tax credit mechanism.
9. Explain Registration under GST.
10. What are the different types payment mechanism .

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B.COM - SIXTH SEMESTER INDIRECT TAXATION – ONLINE TEST PART – A
POSSIBLE QUESTIONS
Multiple Choice Question (each questions carries 1 marks)
Unit IV

S.No.	Questions	Option-A	Option-B	Option-C	Option-D	Answer
1	What is the time of supply of vouchers when the supply with respect to the voucher is not identifiable?	(a) Date of issue of voucher	(b) Date of redemption of voucher	(c) Earlier of (a) & (b)	(d) (a) & (b) whichever is later	(b) Date of redemption of voucher
2	The value of supply of goods and services shall be the	(a) Transaction value	(b) MRP	(c) Market Value	(d) None of above	(a) Transaction value
3	The value of supply should include	(a) Any non-GST taxes, duties, cesses, fees charged by supplier separately	(b) Interest, late fee or penalty for delayed payment of any consideration for any supply	(c) Subsidies directly linked to the price except subsidies provided by the Central and State Government	(d) All of the above	(d) All of the above
4	When can the transaction value be rejected for computation of value of supply	(a) When the buyer and seller are related and price is not the sole consideration	(b) When the buyer and seller are related or price is not the sole consideration	(c) It can never be rejected	(d) When the goods are sold at very low margins	(b) When the buyer and seller are related or price is not the sole consideration
5	What deductions are allowed from the transaction value	(a) Discounts offered to customers, subject to conditions	(b) Packing Charges, subject to conditions	(c) Amount paid by customer on behalf of the supplier, subject to conditions	(d) Freight charges incurred by the supplier for CIF terms of supply,	(a) Discounts offered to customers, subject to conditions

					subject to conditions	
6	Whether definition of Inputs includes capital goods	(a) Yes	(b) No	(c) Certain capital goods only	(d) None of the above	(b) No
7	Is it mandatory to capitalize the capital goods in books of Accounts?	(a) Yes	(b) No	(c) Optional	(d) None of the above	(a) Yes
8	Whether credit on capital goods can be taken immediately on receipt of the goods?	(a) Yes	(b) No	(c) After usage of such capital goods	(d) After capitalizing in books of Accounts	(a) Yes
9	Whether it is necessary to capitalize the capital goods in the books of account	(a) Yes	(b) No	(c) Only use of goods is recognized	(d) Accounting is not relevant	(a) Yes
10	The term "used in the course or furtherance of business" means?	(a) It should be directly co related to output supply	(b) It is planned to use in the course of business	(c) It is used in the course of business	(d) It is used in the course of business for making outward supply	(c) It is used in the course of business
11	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 of the above	(a) All the conditions
12	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) Either receipt of documents or Receipt of goods	(c) Both
13	In case supplier has deposited the taxes but the receiver has not received the documents, is receiver entitled to avail credit?	(a) Yes it will be auto populated in recipient monthly returns	(b) No as one of the conditions of 16(2) is not fulfilled	(c) Yes if the receiver can prove later that documents are received	(d) None of the above	(b) No as one of the conditions of 16(2) is not fulfilled

				subsequently		
14	Input tax credit on capital goods and Inputs can be availed in one installment or in multiple installments?	(a) In thirty six installments	(b) In twelve installments	(c) In one installment	(d) In six installments	(c) In one installment
15	The tax paying documents in section 16(2) is	(a) Bill of entry, Invoice raised on RCM supplies, etc.	(b) Acknowledged copy of tax paid to department	(c) Supply invoice by the recipient	(d) none of the above	(a) Bill of entry, Invoice raised on RCM supplies, etc.
16	The time limit to pay the value of supply with taxes to avail the input tax credit?	(a) Three months	(b) Six Months	(c) One hundred and eighty days	(d) Till the date of filing of Annual Return	(c) One hundred and eighty days
17	Can the taxable person under Composition Scheme claim input tax credit?	(a) Yes	(b) No	(c) Central Government to decide	(d) State Government to decide	(b) No
18	Can the customer who buys from a taxable person covered by the composition scheme claim composition tax as input credit?	(a) Yes	(b) No	(c) Central Government to decide	(d) State Government to decide	(b) No
19	Can Composition tax be collected from Customers?	(a) Yes	(b) No	(c) Central Government to decide	(d) State Government to decide	(b) No
20	Which of the following are considered for calculating the aggregate turnover?	(a) Taxable supplies	(b) Exempt Supplies	(c) Both the above	(d) Non-taxable supplies	(c) Both the above
21	What happens when the turnover during the year 2017-18 crosses Rs 50 lakhs after registration was granted as a composition dealer?	(a) He can continue under composition for that year	(b) He will have to pay tax for whole of the turnover in that year	(c) He will not be eligible for composition on turnover after crossing Rs. 50 lacs	(d) None of the above	(c) He will not be eligible for composition on turnover after crossing Rs. 50 lacs
22	Every supplier shall be liable to be registered under Revised Model GST	(a) ` 10 lacs	(b) Exceeds ` 20 lacs	(c) ` 50 lacs	(d) No limit for	(b) Exceeds ` 20 lacs

	Law in the State from where he makes a taxable supply of goods and/or services if his aggregate turnover in a financial year…………………:				registration	
23	Who among the following persons are not required to be compulsorily registered,irrespective of the threshold limits provided under Revised Model GST Law?	(a) Casual Dealer	(b) Person making sale of taxable goods	(c) Persons who are required to pay tax under reverse charge	(d) Non-resident taxable persons,	(b) Person making sale of taxable goods
24	Should a person dealing exclusively in the supply of exempted / not taxable goods/services be required to obtain registration?	(a) Yes	(b) No	(c) Can't say	(d) Government to decide	(b) No
25	Inspections, Search and seizure operations under GST are to be authorised by a CGST/SGST Officer not below the rank of ______________________	A) Dy Commissioner	B) Asst Commissioner	C) Joint Commissioner	D) Commissioner	C) Joint Commissioner
26	Inspections can be conducted at the business places of, _______________	A) Taxable persons	B) Transporter of goods	C) Owner or Operator of Godowns/Ware house	D) All of the above	D) All of the above
27	The person in charge of the conveyance carrying any consignment of goods exceeding the value of _________________, shall carry prescribed documents (EWaybill)	A) ` 50,000	B) ` 1,00,000	C) ` 10,000	D) ` 100 lakhs	A) ` 50,000
28	Input tax credit as per the VAT law will be carried forward as:	A) CGST	B) SGST	C) IGST	D) CGST or SGST at the option of the supplier	B) SGST
29	To avail credit of tax on inputs held in stock by a dealer who was exempted	A) Taxable supplies under	B) Exempt supplies	C) Either taxable or exempt	D) Both taxable and	A) Taxable supplies under

	from payment of tax as per earlier law, the said inputs should be used or intended to be used for making,	GST		supplies	exempt supplies	GST
30	For credit to be allowable, invoices should not be issued earlier than;	A) Three months before the appointed day	B) Six months before the appointed day	C) Nine months before the appointed day	D) Twelve months before the appointed day	D) Twelve months before the appointed day
31	What will happen to the rest of credit carried forward in respect of a regular dealer switching over to composition stream under GST, after adjusting to the inputs held in stock?;	A) Carry forward the rest of the credit	B) Credit kept in abeyance till the taxable opts for normal scheme once again	C) Credit lapses	D) Electronic credit ledger will freeze with the credit available	C) Credit lapses
32	Declaration of inputs held in stock by job worker on behalf of manufacturer is to be filed by?	A) Manufacturer	B) Job Worker	C) Servicer	d) Both (a) and (b)	d) Both (a) and (b)
33	A taxable person shall not be entitled to take input tax credit in respect of any goods services to him after the expiry of .... from the date of tax invoice related to such supply?	A) One month	B) Six months	C) One year	D) Two years	C) One year
34	Input tax credit is not available on ....?	A) Goods used for personal use	B) Trading goods	C) Capital goods	D) Fixed capital	A) Goods used for personal use
35	The five conditions for claiming ITC doesn't include the following:	A) He is in possession of tax invoice	B) He has received the goods/services	C) The tax charged has been actually paid to the Government	D) He must have inter-state supply	D) He must have inter-state supply
36	Input tax credit in relation to SGST means:	A) SGST and CGST	B) SGST and IGST	C) IGST and CGST	D) IGST, SGST and CGST	B) SGST and IGST
37	ITC in relation to CGST means.........................	A) SGST and CGST	B) SGST and IGST	C) IGST and CGST	D) IGST, SGST and CGST	C) IGST and CGST
38	ITC in relation to IGST means	A) SGST and	B) SGST and	C) IGST and	D) IGST,	D) IGST, SGST

	....	CGST	IGST	CGST	SGST and CGST	and CGST
39	Cross utilization of ITC is ot allowed between:	A) SGST and CGST	B) SGST and IGST	C) IGST and CGST	D) None of the above	A) SGST and CGST
40	Tax paid on goods and services under .... Act is allowable both under SGST act and CGST Act?	A) IGST	B) VAT	C) Excise	D) Customs	A) IGST
41	ITC includes tax payable under .... also	A) VAT	B) Reverse charge	C) Excise	D) Customers	B) Reverse charge
42	ITC is allowed on tax paid on capital goods in .... instalments in GST	A) 12	B) 36	C) 3	D) 1	D) 1
43	ITC on pre-registration stock is allowed of registration is take with in .... days from the date on which he is liable for registration	A) 15	B) 30	C) 90	D) 60	B) 30
44	Treatment of ITC in respect of a taxable person paying tax under section 7 opts to pay tax under composition scheme?	A) No liability	B) Liable to pay an amount equipment to the input tax credit in respect inputs held in state in any form	C) ITC for input in stock allowed	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
45	ITC in GST is computed by generating	A) GSTR I	B) GSTR II	C) GSTR III	D) GSTR IV	B) GSTR II
46	.... tax is levied on inter-state supply of goods and services?	A) CGST	B) SGST	C) IGST	D) VAT	C) IGST
47	IGST means ....?	A) Inter-state GST	B) Integrated GST	C) Import GST	D) International GST	B) Integrated GST
48	IGST Act is passed by ....?	A) State Legislative	B) Parliament	C) Union Territory	D) Legislative Council	B) Parliament
49	Under .... Article of the Constitution, GST on supplies in the	A) Article 246 A	B) Article 269 A	C) Article 254	D) Article 279 A	B) Article 269 A

	cause of Inter-state trade or commerce shall be levied and collected by the Government of India ?					
50	IGST is levied and collected is ....?	A) Allotted to centre only	B) Allotted to states only	C) Allotted to UT's only	D) Apportioned between center and states	D) Apportioned between center and states
51	.... is levied on imports of goods and services?	A) SGST	B) CGST	C) IGST	D) VAT	C) IGST
52	Import/Export is treated as .... in GST?	A) Intra-state supply	B) Inter-state supply	C) Non-taxable supply	D) Exempted supply	B) Inter-state supply
53	Inter-state supplies means:	A) Any-supply where the location of the supplier and the place of supply are in the same state	B) Any supply where the location of supplier and the place of supply are in different states	C) Any supply where location of the supplier and place of supply are outside the country	D) None of these	B) Any supply where the location of supplier and the place of supply are in different states
54	.... Act implements 'destination principle of taxation' in GST scenario?	A) CGST	B) SGST	C) Customs	D) IGST	D) IGST
55	.... Act provides un-intercepted ITC chain on inter-state transactions?	A) IGST	B) CGST	C) VAT	D) SGST	A) IGST
56	Manner of utilizing ITC for payment of IGST ....?	A) (i) IGST (ii) SGST (iii) CGST (iv) Cash	B) (i) CGST (ii) IGST (iii) SGST (iv) Cash	C) (i) IGST (ii) Cash (iii) CGST (iv) SGST	D) (i) IGST (ii) CGST (iii) SGST (iv) Cash	D) (i) IGST (ii) CGST (iii) SGST (iv) Cash
57	In IGST .... state shall pay the amount equal to the ITC SGST used by the supplier in the exporting state to centre?	A) Exporting state	B) Importing state	C) Centre	D) state	A) Exporting state
58	Place of supply of goods when supply involves movement of goods?	A) location of the goods at the time	B) location of the goods at the time	C) location of the principle	D) location of the principle	A) location of the goods at the time

		at which the movement of goods terminates for delivery to the recipient	at which movement of goods commences for delivery to the recipient	place of business of the supplier	place of business of the recipient	at which the movement of goods terminates for delivery to the recipient
59	Place of supply of goods where the supply doesn't involve movement of goods ....?	A) Location of the goods at the time of purchase order	B) Location of the goods at the time of delivery to the recipient	C) Location of the supplier	D) Location of the recipient	B) Location of the goods at the time of delivery to the recipient
60	Place of supply where the goods are assembled or installed?	A) Place of supplier	B) Place of recipient	C) Place of transporter	D) Place of the such assembly or installation	D) Place of the such assembly or installation

REGISTRATION UNDER GST

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:

Return Form	**Particulars**	**Interval**	**Due Date**
GSTR-1	Details of outward supplies of taxable goods and/or services effected	Monthly	10th of the next month
GSTR-2	Details of inward supplies of taxable goods and/or services effected claiming input tax credit.	Monthly	15th of the next month
GSTR-3	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
GSTR-9	Annual Return	Annually	31st December of next financial year
GSTR-3B	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.

Forms	**For July 2017**	**For August 2017**
GSTR-3B	20th August	20th September
GSTR-1	1st-5th September	16th-20th September
GSTR-2	6th-10th September	21st– 25th September
GSTR-3	11th– 15th September	26th– 30th September

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:

Return Form	**Particulars**	**Interval**	**Due Date**
GSTR-4	Return for compounding taxable person	Quarterly	18th of the month succeeding quarter
GSTR-	Annual Return	Monthly	31st December

9A			of next financial year

3. Returns to be filed by specific registered dealers:

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

GSTR-11	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.

INDIRECT TAXATION

PART – B POSSIBLE QUESTIONS

Unit V

1. Discuss the Return Filing.
2. Explain Rules for return filing..
3. Briefly explain Refund Provision in GST.
4. Discuss in detail about E –commerce.
5. TDS/TCS – discuss in detail.
6. Briefly explain Small scale exemption.

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COIMBATORE – 641021
(For the candidates admitted from 2015 onwards)
B.COM - SIXTH SEMESTER
INDIRECT TAXATION – ONLINE TEST
PART – A POSSIBLE QUESTIONS
Multiple Choice Question (each questions carries 1 marks)
Unit IV

S.No.	Questions	Option-A	Option-B	Option-C	Option-D	Answer
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 these	C) Location at which such goods are taken on board
2	The default rule of place of supply of services made to a registered person shall be ....?	A) Location of such person	B) Location of service provider	C) Location where service is provided	D) Location where agreement for rendering of service is executed	A) Location of such person
3	The default rule of place of supply of services made to any person other than a registered person if address on record exist shall be ....?	A) Location of service provider	B) Location where service is rendered	C) Location where agreement for rendering of service is executed	D) Location of the recipient	D) Location of the recipient
4	The default rule of place of supply of services made to any person other than a registered person if address on record doesn't exist shall be ....?	A) Location of the recipient of services	B) Location of the supplier of services	C) Location where service is rendered	D) Location where agreement for rendering of services is executed	B) Location of the supplier of services
5	Place of supply of services in relation to lodging accommodation shall be ....?	A) Location of the supplier	B) Location of the	C) Location at the lodging	D) None of these	C) Location at the

			recipient	accommodation is located		lodging accommodat ion is located
6	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 recieved as such vouchers are sold	D) None of these	C) Location where such pre-payment is recieved as such vouchers are sold
7	CGST and SGST will be levied on;	A) Intra-state supply	B) Inter-state supply	C) Import	D) Export	A) Intra-state supply
8	Which one of the following shall not be treated as supply;	A) Rental	B) Lease	C) Actionable claim	D) License	D) License
9	The maximum rate that can be levied as CGST or SGST will be at;	A) 18 %	B) 20%	C) 18 %	D) 40%	B) 20%
10	On which one of the following items, GST will be levied;	A) Aviation fuel	B) Liquefied petroleum Gas	C) Natural Gas	D) High Speed Diesel oil	
11	Works contract is ;	A) Supply of goods	B) Supply of services	C) Supply of both	D) Neither supply of goods nor supply of services	
12	In ‘composite supply’ the following shall be treated as the supply;	A) Supply with highest rate of tax	B) Supply which attracts reverse charge	C) Supply which is the principal supply	D) Supply of item which can be separately sold	
13	Composition levy is applicable to the taxable persons whose aggregate turnover	A) Did not exceed 50 lakh in the current year	B) Did not exceed 50 lakh in the preceding year	C) Did not exceed 60 lakh in the current year	D) Did not exceed 60 lakh in the preceding year	

14	In ‘Mixed supply’ the following shall be treated as the supply;	A) Supply with highest rate of tax	B) Supply which attracts reverse charge	C) Supply which is the principal supply	D) Supply of item which can be separately sold	
15	Which one of the statements regarding the Composition levy is incorrect;	A) Inter-state inward is supply permitted	B) Not eligible to collect tax	C) Certain manufactures and service providers are not permitted	D) Supply of goods which are not leviable to tax under GST is permitted	
16	The maximum rate of tax prescribed for manufactures in Composition levy is; (CGST +SGST)	A) 1 %	B) 5%	C) 0.5%	D) 2.5 %	
17	When will the inputs and/or capital goods sent to job-work become a supply?	(a) When the inputs and/or capital goods sent to job-worker are not received within 1 year or 3 years respectively	(b) When the inputs and/or capital goods sent to job-worker are not supplied, with or without payment of tax, from the job-workers place within 1 year or 3 years	(c) Both under (a) or (b)	(d) None of the above	(c) Both under (a) or (b)
18	From when will the period of one or three years be calculated under Section 143?	(a) The day when such inputs and/or capital goods sent to job-worker	(b) The day when the job-worker receives the said goods, in case the	(c) Option (a) and (b)	(d) None of the above	(c) Option (a) and (b)

			job-worker receives the goods directly			
19	GST is applicable on___	(a) Inputs and/or capital goods sent to job-worker (Satisfying conditions u/s 143)	(b) The job-worker charges and additional material added by the job-worker on the inputs sent by the principal	(c) Both of the above	(d) None of the above	(b) The job-worker charges and additional material added by the job-worker on the inputs sent by the principal
20	When should a job-worker take registration?	(a) Always	(b) Only if his aggregate turnover exceeds the threshold limits specified under Section 22 of the Act.	(c) Never	(d) None of the above	(b) Only if his aggregate turnover exceeds the threshold limits specified under Section 22 of the Act.
21	Can a principal supply inputs and/or capital goods from the job-worker's premises?	(a) Yes, only when the job-worker is registered	(b) Yes, even if the job-worker is unregistered by declaring the job-worker's premises as	(c) Yes, irrespective of whether the job-worker is registered or not, principal is engaged in the supply of goods	(d) All of the above	(d) All of the above

			his additional place of business	which are notified by the Commissioner on this behalf		
22	The books and other records U/S 35 are to be maintained at	(a) Place where the books and accounts are maintained	(b) Place of address of the Proprietor/ Partner/Director/Principal Officer	(c) Principal place of business mentioned in the Certificate of Registration	(d) Any of the above	(c) Principal place of business mentioned in the Certificate of Registration
23	In case, more than one place of business situated within a state specified in the Registration Certificate, the books and Accounts shall be maintained at	(a) Each place of business pertaining to such place alone	(b) Place where the books of accounts are maintained for all places situated within a state	(c) At principal place of business covered mentioned in the Registration Certificate for all places of business in each state	d) Any of the above	(a) Each place of business pertaining to such place alone
24	Accounts are required to be maintained in	(a) Manual form	(b) Electronic form	(c) Manual and electronic form	(d) Manual or electronic form	(d) Manual or electronic form
25	Who of the below, even if not registered, is required to maintain records	(a) Owner of warehouse	(b) Owner of godown	(c) Owner of any other place used for storage of goods	(d) All the above	(d) All the above
26	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) All of the above	(c) Either (a) or (b)
27	What accounts and records are required to be maintained by every registered taxable person at his principal place of business	(a) account of production or manufacture of goods and stock	(b) inward or outward supply of goods and/or	(c) input tax credit availed and output tax payable and paid	(d) All of the above	(d) All of the above

		of goods	services			
28	can all the records be maintained in an electronic form?	(a) Yes	(b) No	(c) Some records	(d) Yes, if authenticated by digital signature	(d) Yes, if authenticate d by digital signature
29	The time period prescribed for maintenance of accounts and records if the taxable person is a party to an appeal or revision shall be-	(a) Two year after final disposal of such appeal or revision or proceeding, or until the expiry of thirty-six months from the last date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later	(b) Two year after final disposal of such appeal or revision or proceeding, or until theexpiry of sixty months from the last date of filing of Annual Return for the yearpertainin g to such accounts and records, whichever is later	(c) One year after final disposal of such appeal or revision or proceeding, or until theexpiry of seventy two months from the last date of filing of Annual Return for theyear pertaining to such accounts and records, whichever is later	(d) One year after final disposal of such appeal or revision or proceeding, or until theexpiry of forty months from the last date of filing of Annual Return for the yearpertaining to such accounts and records, whichever is later	(c) One year after final disposal of such appeal or revision or proceeding, or until theexpiry of seventy two months from the last date of filing of Annual Return for theyear pertaining to such accounts and records, whichever is later
30	Taxable person has to maintain his records for a period of	(a) expiry of seventy two months from the last date of filing of Annual Return for the	(b) expiry of forty months from the last date of filing of Annual Return for	(c) expiry of thirty months from the last date of filing of Annual Return for the year	(d) expiry of ninety months from the last date of filing of Annual Return for the year	(a) expiry of seventy two months from the last date of filing of Annual

		year	the year			Return for the year
31	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	(c) 5 years
32	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	(d) 3 years
33	Is it obligatory on the part of the Department to take on record the assessee's representation?	(a) Yes	(b) No	(c) At the discretion of the proper officer	(d) If requested by Noticee	(a) Yes
34	What is the maximum amount of demand for which the officer can issue an order under section 66 in cases other than fraud, misstatement or suppression?	(a) Amount of tax + interest + penalty of 10% of tax	(b) Amount of tax + interest + penalty of 10% of tax or ` 10,000/- whichever is higher	(c) ` 10,000/-	(d) Amount of tax + interest + 25% penalty	(b) Amount of tax + interest + penalty of 10% of tax or ` 10,000/- whichever is higher
35	What is the maximum amount of demand for which the officer can issue an order under section 67in case fraud, misstatement or suppression?	(a) Amount of tax + interest + penalty of 15% of tax	(b) Amount of tax + interest + penalty of 25% of tax	(c) Amount of tax + interest + penalty of 50% of tax	(d) Amount of tax + interest + penalty of 100% of tax	(d) Amount of tax + interest + penalty of 100% of tax
36	Which of these registers/ledgers are maintained online -	(a) Tax liability register	(b) Credit ledger	(c) Cash ledger	(d) All of them	(d) All of them
37	Physical payment made through challan will be credited to which of the following registers/ledgers?	(a) Electronic Tax liability register	(b) Electronic Credit ledger	(c) Electronic Cash ledger	(d) All of them	(c) Electronic Cash ledger
38	What is deemed to be the date of deposit in the electronic cash ledger?	(a) Date on which the amount gets debited in the	(b) Date on which payment is initiated and	(c) Date of credit to the account of the appropriate Government	(d) Earliest of the above three dates	(c) Date of credit to the account of the

		accounts of the taxable person	approved by the taxable person			appropriate Government
39	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 them	(d) All of them
40	Balance in electronic credit ledger can be utilized against which liability-	(a) Output tax payable	(b) Interest	(c) Penalty	(d) All of them	(a) Output tax payable
41	Balance in electronic credit ledger under IGST can be used against which liability-	(a) IGST Liability only	(b) IGST and CGST liability	(c) IGST, CGST and SGST liability	(d) None of them	(c) IGST, CGST and SGST liability
42	Balance in electronic credit ledger under CGST can be used against which liability-	(a) CGST Liability only	(b) CGST and IGST liability	(c) CGST, IGST and SGST liability	(d) None of them	(b) CGST and IGST liability
43	Balance in electronic credit ledger under SGST can be used against which liability -	(a) SGST Liability only	(b) SGST and IGST liability	(c) SGST, IGST and CGST liability	(d) None of them	(b) SGST and IGST liability
44	What should I do if I pay the wrong tax i.e. IGST instead of CGST/SGST or vice versa?	(a) Remit tax again and claim refund	(b) It will be auto-adjusted	(c) It will be adjusted on application/reques t	(d) None of the above	(a) Remit tax again and claim refund
45	What should I do if I pay tax under wrong GSTIN?	(a) Pay again under right GSTIN and claim refund	(b) Auto-adjustment	(c) Adjustment on application/reques t	(d) Raise ISD invoice and transfer	(a) Pay again under right GSTIN and claim refund
46	I made an online payment of tax. Due to technical snag CIN was not generated but my bank account is debited. What should I do?	(a) Wait for 24 hours for re-credit	(b) Approach bank	(c) File application with Department (GST PMT-6)	(d) File return without challan	(c) File application with Department (GST PMT-

						6)
47	What is the due date for payment of tax?	(a) Last day of the month to which payment relates	(b) Within 10 days of the subsequent month	(c) Within 20 days of the subsequent month	(d) Within 15 days of the subsequent month	(c) Within 20 days of the subsequent month
48	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	(c) 5
49	What is the validity of challan in Form GST PMT-4?	(a) 1 day	(b) 5 days	(c) 15 days	(d) Perpetual validity	(c) 15 days
50	I failed to pay tax and/or file returns on time. I should pay interest on -	(a) Gross tax payable	(b) Gross tax payable and input credit claimed	(c) Net tax payable	(d) No interest payable, if reasonable cause is shown	(a) Gross tax payable
51	From which date interest is liable in case of excess input tax credit claimed?	(a) From the last date of the month in which credit is claimed	(b) From the due date for filing GSTR-2 of the month in which credit is claimed	(c) From the due date for filing GSTR-3 of the month in which credit is claimed	(d) From the date of utilization of credit.	(c) From the due date for filing GSTR-3 of the month in which credit is claimed
52	The value of supply of goods and services shall be the	(a) Transaction value	(b) MRP	(c) Market Value	(d) None of above	(a) Transaction value
53	The value of supply should include	(a) Any non-GST taxes, duties, cesses, fees charged by supplier separately	(b) Interest, late fee or penalty for delayed payment of any consideration	(c) Subsidies directly linked to the price except subsidies provided by the Central and State Government	(d) All of the above	(d) All of the above

			for any supply			
54	When can the transaction value be rejected for computation of value of supply	(a) When the buyer and seller are related and price is not the sole consideration	(b) When the buyer and seller are related or price is not the sole consideration	(c) It can never be rejected	(d) When the goods are sold at very low margins	(b) When the buyer and seller are related or price is not the sole consideratio n
55	What deductions are allowed from the transaction value	(a) Discounts offered to customers, subject to conditions	(b) Packing Charges, subject to conditions	(c) Amount paid by customer on behalf of the supplier, subject to conditions	(d) Freight charges incurred by the supplier for CIF terms of supply, subject to	(a) Discounts offered to customers, subject to conditions
56	Any amount of tax collected shall be deposited to the credit of the Central or State Government:	(a) Only when the supplies are taxable	(b) Regardless of whether the supplies in respect of which such amount was collected are taxable or not	(c) Only when the supplies are not taxable	(d) None of the above	(b) Regardless of whether the supplies in respect of which such amount was collected are taxable or not
57	Is there any time limit for issue of notice under section 69 in cases where tax is collected but not paid?	(a) No time limit	(b) 1 year	(c) 3 years	(d) 5 years	(a) No time limit
58	Within how many years from the date of issue of notice should the proper officer issue an order?	(a) 1 year	(b) 2 years	(c) 3 years	(d) 4 years	(a) 1 year
59	Whether the person who has borne the incidence of amount can apply for refund of surplus left after	(a) Yes	(b) No	(c) At the discretion of the	(d) None of the above	(a) Yes

	adjustment towards tax collected but not paid under section 69?			proper officer		
60	What happens if a taxable person has paid CGST/SGST (in SGST Act) on a transaction considered by him to be an intra-State supply but which is subsequently held to be an inter-State supply?	(a) Pay tax and seek refund	(b) Adjust against future liability	(c) Take re-credit	(d) File a suit for recovery	(a) Pay tax and seek refund

Register No.: ……………..

[15CMU603A]

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed to be University)
(Established Under Section 3 of UGC Act 1956)
COIMBATORE – 641 021
(For the candidates admitted from 2015 onwards)
III B. Com
I INTERNAL EXAMINATION
INDIRECT TAXATION

Time: 2Hours **Maximum: 50 Marks**
Date:

PART A **(20x1 = 20)**
(Choose the correct Answer)

1. _____________ will get tax revenue from sales tax, excise on liquor.
   a) **state government** b)central government c)local authorities d)revenue department
2. sales tax, central sales tax is levied by ___________
   a) state government b) individual state c) administration of government
   d) **central government**
3. tax is derived from latin word __________
   a) taxone b) individual state c) **taxore** d) taxmine
4. tax state to cover his share of the cost to ___________
   a) central government b) individual state c) **general public service** d)consumers
5. tax imposes a ____________ on the taxpayers.
   a) **compulsory obligation** b) individual state c)direct obligation d)indirect obligation
6. The basicpurpose of taxation is __________
   a) Increasing revenue b) **raising revenue** c) enormous revenue d) imposes revenue
7. Abnormal demand will be reduced ,_________ can be achieved.
   a) **economic stability** b) inflation c) deflation d) increasing demand
8. Removal of regional imbalances, the government can use __________
   a) tax policy b) **tax measures** c) tax exemptions d) tax concessions
9. Payment of tax through banks will be another measure of _________
   a) compulsory b) **convenience** c) collection d) adequate service
10. lesser demand means __________ of industrialization
    a) lower price b) **lower growth** c) lower supply d) lower rate
11. Customs duty is imposed an________.
    a) customs act 1965 b) **customs act 1962** c) customs act 1949 d) customs act 1955
12. Safeguard domestic trade is imposed on ________ goods.
    a) export b) inter-state c) **import** d) local sales
13. First schedule of customs act 1975 ________.
    a) export tariff b) control tariff c) local tariff d) **import tariff**
14. Second schedule of customs act 1975 is________
    a) **Export tariff** b) interchange tariff c) local tariff d) multi tariff
15. Basic customs duty is based on _______ of goods.
    a) actual value b) **basis value** c) standard value d) preference value
16. Government is empowered ________ of customs act is prescribe notification.
    a) sec 10 b) **sec 25** c) sec 35 d) sec 45

17. ________Goods could not suffer excise duty.
    a) Exported   b) local stated   c) **Imported**   d) local valuable
18. ________ additional duties levied on imported goods
    a) special additional duty   b) **protective**   c) antidumping duty   d) additional duty
19. Exporter sells the product to an exporting country at_________
    a) price high   b) very high   c) **less**   d) very less
20. ______ of customs act to safeguard the interest of domestic industry.
    a) sec 9A   b) **sec8b**   c) sec 18   d) sec 19

PART B (3*10 = 30)

All the questions carry equal marks (Either or choice)

21 a). Comment all features of Indirect Taxation.

(Or)

b). Discuss objectives of Indirect Taxation

22 a). Explain the basic concept of customs duty.

(Or)

b). Elucidate different types of customs duty.

23 a). Distinguish between Direct taxes and Indirect taxes.

(Or)

b). Discuss all drawbacks of customs duty.

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I INTERNAL EXAMINATION
INDIRECT TAXATION
Answer Key

PART A

1. a) state government
2. d) central government
3. c) taxore
4. c) general public service
5. a) **compulsory obligation**
6. b) raising revenue
7. a) **economic stability**
8. b) **tax measures**
9. b) convenience
10. b) lower growth
11. b) customs act 1962
12. c) import
13. d) import tariff
14. a) Export tariff
15. b) basis value
16. b) **sec 25**
17. c) **Imported**
18. b) protective
19. c) less
20. b) sec8b

Part B

21 a). Features of Indirect Tax

- The burden of Tax can be shifted from one person to another.
- It is imposed/levied on the Goods & Services.
- It leads to increase in prices of the goods & services.
- The major assesses are the Corporates, Entities, and Services providers.

b). Objectives of Indirect Tax
1. Economic Development
2. Full Employment
3. Price Stability
4. Control of Cyclical Fluctuations
5. Reduction of BOP Difficulties

6. Non-Revenue Objective

22 a) Concept of Custom Duty.

Customs Duty is a type of indirect tax levied on goods imported into India as well as on goods exported from India. Taxable event is import into or export from India. Import of goods means bringing into India of goods from a place outside India. India includes the territorial waters of India which extend upto 12 nautical miles into the sea to the coast of India. Export of goods means taking goods out of India to a place outside India.

In India, the basic law for levy and collection of customs duty is **Customs Act, 1962.** It provides levy and collection of duty on imports and exports, import/export procedures, prohibitions on importation and exportation of goods, penalties, offences, etc.

b) Types of Customs Duty

- Basic Customs Duty
- Additional (Countervailing) Duty of Customs
- Export Duties
- Auxiliary Duty of Customs
- Cesses
- Education cess on customs duty
- Protective Duties
- Countervailing Duty on Subsidized goods
- Anti Dumping Duty on dumped articles
- Safeguard Duty
- National Calamity Contingent Duty

23 a) Difference between Direct and Indirect Taxes

BASIS FOR COMPARISON	DIRECT TAX	INDIRECT TAX
Meaning	Direct tax is referred to as the tax, levied on person's income and wealth and is paid directly to the government.	Indirect Tax is referred to as the tax, levied on a person who consumes the goods and services and is paid indirectly to the government.
Nature	Progressive	Regressive
Incidence and	Falls on the same person.	Falls on different person.

BASIS FOR COMPARISON	DIRECT TAX	INDIRECT TAX
Impact		
Types	Wealth Tax, Income Tax, Property Tax, Corporate Tax, Import and Export Duties.	Central Sales tax, VAT (Value Added Tax), Service Tax, STT (Security Transaction Tax), Excise Duty, Custom Duty.
Evasion	Tax evasion is possible.	Tax evasion is hardly possible because it is included in the price of the goods and services.
Inflation	Direct tax helps in reducing the inflation.	Indirect taxes promotes the inflation.
Imposition and collection	Imposed on and collected from assessees, i.e. Individual, HUF (Hindu Undivided Family), Company, Firm etc.	Imposed on and collected from consumers of goods and services but paid and deposited by the assessee.
Burden	Cannot be shifted.	Can be shifted
Event	Taxable income or wealth of the assessee	Purchase/sale/manufacture of goods and provision of services

b) Drawback is a mechanism that **Customs** and Border Protection (CBP) has to enable importers to get a refund of **duty** paid on imported goods when they are exported or destroyed. Be aware the process of filing for **drawback** can be involved and the time it takes to receive refunds can be lengthy.