

**KARPAGAM ACADEMY OF HIGHER EDUCATION***(Deemed to be University)**(Established Under Section 3 of UGC Act 1956)***Coimbatore – 641 021.****SYLLABUS****DEPARTMENT OF COMMERCE****SUBJECT NAME : INDIRECT TAX LAWS****SEMESTER : V****SUBJECT CODE : 17CMU501B****CLASS : III B.COM**

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SCOPE

This course imparts the knowledge on levy and collection of indirect taxes. It is usually borne by the final consumers. It gives through knowledge about levy and collection of central excise duty and customs duty, central sales tax and Computation of VAT in different forms.

OBJECTIVES

To provide basic knowledge and equip students with application of principles and provisions of Service Tax, VAT, Central Excise and Customs Laws.

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- Duty Free Zones- Offense and Penalties.

Unit III

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

UNIT IV

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

UNIT V

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

TEXT BOOK

1. V.S.Datey, “Indirect Taxes” Taxmann Publication (p) Ltd., New Delhi (2009).
2. Simplified approach to GST – A Ready Reference – April 2017.

REFERENCE BOOK

1. V. Balachandran (2006) Indirect taxation, Sultan Chand & sons, New Delhi
 2. P. Radhakrishnan (2006) Indirect taxation, Kalyan Publisher , New Delhi
 3. Sethurajan (2005) Indirect taxation including Wealth tax, Speed Publication
 4. Singhanian (2014), Indirect taxation, Taxmann Publication(p) ltd., New Delhi (2010)
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SYLLABUS

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.

INTRODUCTION TO INDIRECT TAXATION

INTRODUCTION

A Tax is “a charge levied by both central and state government without any expectation of direct return in benefit”. A tax is a compulsory payment or contribution by the people to the government for which there is no direct return to the tax payers. Tax imposed a personal obligation on the people to pay the tax on it.

A **tax** is a financial charge or other levy imposed upon a taxpayer (an individual or legal entity) by a state or the functional equivalent of a state to fund various public expenditures.[1] A failure to pay, or evasion of or resistance to taxation, is usually punishable by law. Taxes are also imposed by many administrative divisions. Taxes consist of direct or indirect taxes and may be paid in money or as its labour equivalent. Few countries impose no taxation at all, such as the United Arab Emirates.

According to **Hugh Dalton**, "a tax is a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the taxpayer in return, and not imposed as penalty for any legal offence."

A fee charged or "levied" by a government on a product, income, or activity. Since public goods and services do not allow a non-payer to be excluded, or allow exclusion by a consumer, there cannot be a market in the good or service, and so they need to be provided by the government or a quasi-government agency, which tend to finance themselves largely through taxes. Hence , “taxation should not be like killing the goose that lays golden eggs”.

MEANING

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 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 government indirect taxes play a dominant role, in the composition of tax revenue. Among the direct taxes imposed in

India, the most important is income tax. Other prominent taxes are wealth tax capital gains tax, gift tax etc.

The indirect taxes in India 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. It shows that because of the undeveloped character of the economy and glaring inequality in income, the scope of direct taxes is limited.

4. Insufficient Tax Revenue

In spite of rising trend in tax revenue, the total revenue remained small when compared to developed countries. The tax GDP ratio generally remained in the range of 8 percent to 9 percent in India (E. Survey 2005-06) where as it is very high in countries like Sweden, France, West Germany, UK, USA, etc. where the share ranges between 30 to 40 percent.

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

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

6. Incidence of Taxation

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

7. Progressiveness in Tax Structure:

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

8. Narrow Base

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

9. Complexity of Indian Tax Laws:

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

10. Integration between Centre and 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. Manufacturer 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.

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. VAT rates vary from state to state on petrol, tobacco, alcohol etc. VAT rates are administered by state governments and it is similar to sales tax. VAT is levied or charged as soon as some value is added to the raw material. The value addition in the hands of each of the entities

is subject to tax. VAT can be computed by using any of the three methods:

1. Subtraction method: Difference between the value of output and the cost of input is taken out and tax is applied on that difference.
2. The Addition method: All the payments that 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 (taxes 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 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-coatedll.

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

(iii) **Raising Prices Unduly:**

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

(iv) **Uneconomical:**

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

(v) **No Civic Consciousness:**

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

(vi) Harmful to Industries:

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

CONTRIBUTION OF INDIRECT TAX TO GOVERNMENT REVENUE

Economists say that governments must strive to collect more revenue from direct taxes and comparatively lesser from the regressive indirect taxes if they want to reduce inequality. But a close look at data since 2009-10 indicates that India has moved in the opposite direction. For, while collections from direct taxes such as corporate tax and personal income tax have risen in absolute terms, their contribution to India's total tax revenue has fallen. On the other hand, the share of indirect taxes such as excise duty, customs and service tax has risen.

Direct taxes accounted for a tad above 60% of the total tax collections in 2009-10. In 2016-17, their share is estimated to fall to less than 52% of the budgeted gross tax revenue of Rs 16.3 lakh crore. This is almost entirely because of a drop in the share of corporate taxes from about 39% to roughly 30%. Also, direct taxes have been growing at a slower pace than indirect taxes. The estimated growth in collections from corporation tax and income tax from 2012-13 to 2016-17 is 52%. This compares with the estimated 64% rise in revenue from excise duty, service tax and customs duty during the period.

Within indirect taxes, excise duty collections surged at the fastest pace—80%. This is partly because the Narendra Modi government has increased excise duty on petrol and diesel multiple times since taking over in May 2014 to shore up revenue at a time when international crude oil prices had been falling. Service tax collections jumped as the government increased the tax rate from 12.36% to 15% in stages.

Will finance minister Arun Jaitley take any measures to change the course? We'll find out on 1 February when he presents the budget for 2017-18.

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.

PART A

ONLINE EXAMINATION

PART B

1. What is mean by indirect taxation?
2. List out the of canons of taxation.
3. Write a short note on direct taxation.
4. Write about customs duty.
5. Describe excise duty.
6. Explain VAT.
7. Write a short note on elasticity of taxation.

PART C

1. Explain and describe canons of taxation
2. Differentiate in detail direct and indirect tax
3. List out and explain the features of indirect tax
4. Discuss about the pros and cons of indirect taxes
5. Types of Indirect tax –Explain
6. What are the Objectives of Indirect Tax?
7. Briefly Explain the Principles of Taxation .
8. Briefly explain Development of Indirect Taxation.
9. Contribution to government Revenues- discuss.

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DEPARTMENT OF COMMERCE

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INDIRECT TAX LAW (17CMU501B)

UNIT -1

QUESTION	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 tax 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 commodities	Purchase price	Product price	selling price	spending amount	selling price			
13. Direct taxes are based on the principle of _____ to pay	willingness	ability	wealth	On come	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 is _____ 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	excise duty	sales tax	customs duty	Vat	excise duty			

manufacturer.								
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	taxcost	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	depressive 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 organized Sector	Less	higher the cost	medium	very less	Less			
43. Imposition of indirect taxes creates _____ in the use of production	Imbalance	burden	balance	imbuden	Balance			
44. The levy of high rate reduce consumption of harmful goods and increase _____	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 as a proportion of income falls with increase in tax payers	degressive 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	no cost	Minimum			
48. The surplus of production over the minimum of _____ required to be Produce	consumption	production	Sales	distribution	consumption			
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	revalance	payment	benefit	Revalence			
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	Excise duty			
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 charged _____ price in actual rate tax	less	very high	High	very less	less			
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SYLLABUS

Customs Law : Basic concepts of custom law- Different types of custom law – Abatement of duty in damaged or deteriorated goods- Valuation – Customs procedure – Exemptions – Custom duty drawback – Duty free zones – Offences and penalties.

CUSTOMS LAW

INTRODUCTION

Custom Duty is imposed under the Indian Customs Act formulated in 1962 by the Constitution of India under the Article 265, which states that “no tax shall be levied or collected except by authority of law. So, the Indian Custom Act was introduced that allow the Central Government to collect the taxes under the name of Custom Duty. Custom Duties are usually levied with ad valorem rates and their base is determined by the domestic value 'the imported goods calculated at the official exchange rate. Similarly, export duties are imposed on export values expressed in domestic currency. Export duties are levied occasionally to clear up excess profitability in international price of goods in respect of which domestic prices may be low at given time. But the concept of import duty is wide and almost universal, except for a few goods like food grains, fertilizer, life saving drugs and equipment etc.

The Indian Customs Duties are major source of revenue for the Union Government and constitute around 30% of its tax revenues. Together with Central Excise duties, the contribution amount to nearly three-fourth of total tax revenue of the Union Government.

Custom duty not only raises money for the Central Government but also helps the government to prevent the illegal imports and illegal exports of goods from India. The Central government has emergency powers to increase import or export duties whenever necessary after a notification in the session of Parliament.

MEANING OF CUSTOMS DUTY

Customs duty is a duty or tax, which is levied by Central Govt. on import of goods into, and export of goods from, India. It is collected from the importer or exporter of goods, but its incidence is actually borne by the consumer of the goods and not by the importer or the exporter who pay it. These duties are usually levied with ad valorem rates and their base is determined by

the domestic value 'the imported goods calculated at the official exchange rate. Similarly, export duties are imposed on export values expressed in domestic currency's Scope and coverage of customs law.

There are two Acts, which form part of Customs Law in India, namely, the Customs Act 1962 and Customs Tariff Act, 1975:

1. THE CUSTOMS ACT, 1962

The Customs Act. 1962 is the basic Act for levy and collection of customs duty in India. It contain various provisions relating to imports and exports of goods and merchandize as well as baggage of persons arriving in India. The main purpose of Customs Act, 1962 is the prevention of illegal imports and exports of goods. The Act extends to the whole of the India. It was extended to Sikkim w.e.f. 1st October 1979.

2. THE CUSTOMS TARIFF ACT, 1975

The Customs Duty is levied on goods imported or exported from India at the rates specified under the Customs Tariff Act, 1975. The Act contains two schedules - Schedule 1 gives classification and rate of duties for imports, while schedule 2 gives classification and rates of duties for exports. In the present Act, the Tariff Schedule was replaced in 1986. The new Schedule is based on Harmonised System of Nomenclature (HSN). the Internationally accepted Harmonised Commodity Description and Coding System

FEATURES AND OBJECTIVES OF CUSTOM DUTIES

- Regulating the amount of import in India in order to protect the domestic market.
- Protecting Indian Industry from undue competition
- Prohibiting certain imports of goods for achieving the policy objectives of the government
- Regulating imports
- Coordinating legal provisions with other laws dealing with foreign exchange such as Foreign Trade Act, Foreign Exchange Regulation Act, Conservation of Foreign Exchange and
- Prevention of Smuggling Act, etc.

All import goods are classified into categories known as called “headings” and “subheadings” (Harmonised System Codes) for the purpose of levy of duty. For each sub-heading, a specific rate of duty has been prescribed in the Customs Tariff Act, 1975

TYPES OF CUSTOMS TARIFF

Regardless of whether a tariff is bound or applied on preferential versus non-discriminatory basis, the tariff can take several forms. The most common is an ad valorem tariff, which means that the customs duty is calculated as a percentage of the value of the product. Many countries' tariff schedules also include a variety of non ad valorem tariffs.

Specific tariffs are computed on the physical quantity of the good being imported, e.g., Australia's 2005 schedule includes a tariff of \$1.22/kg on certain types of cheeses and the United States charges \$0.68 per live goat. The physical quantity may be expressed in ways European Union charges duties on certain dairy products based on degree under 100 degrees (and fractions of a degree in proportion) but not less than 0.943854 cents/kg.” Mixed tariffs are expressed as either a specific or an ad valorem revenue. For example, Indian duties on certain rayon fabrics are either 15 percent ad valorem or Rs. 87 per square meter, whichever is higher component. For example, Pakistan charges Rs. 0.88 per liter of some tariff rate on imports entering above that initial amount.

Trade economists typically argue that these non ad valorem tariffs are less transparent and more distorting, i.e., that they drive a bigger wedge between domestic and international prices. In addition, their economic impact changes as world prices change.

The share of tariff lines with non ad valorem rates varies across countries. WITS Advanced Query can compute the share of non-ad valorem tariff lines when it profiles a country's tariff schedule.

TYPE OF CUSTOMS DUTIES

While Customs Duties include both import and export duties, but as export duties contributed only nominal revenue, due to emphasis on raising competitiveness of exports, import duties alone constituted major part of the revenue from Customs Duties. The import duties are imposed under The Customs Act, 1962 and Customs Tariff Act, 1975. The structure of Customs Duties includes the following:

BASIC CUSTOMS DUTY

All goods imported into India are chargeable to a duty under Customs Act, 1962 .The rates of this duty, popularly known as basic customs duty, are indicated in the First Schedule of the Customs Tariff Act, 1975as amended from time to time under Finance Acts. The duty may be fixed on ad –valorem basis or specific rate basis. The duty may be a percentage of the value of the goods or at a specific rate. The Central Government has the power to reduce or exempt any good from these duties

AUXILIARY DUTY OF CUSTOMS

This duty is levied under the Finance Act and is leviable all goods imported into the country at the rate of 50 per cent of their value. However this statutory rate has been reduced in the case of certain types of goods into different slab rates based on the basic duty chargeable on them.

Additional (Countervailing) Duty of Customs This countervailing duty is leviable as additional duty on goods imported into the country and the rate structure of this duty is equal to the excise duty on like articles produced in India. The base of this additional duty is c.i.f. value of imports plus the duty levied earlier. If the rate of this duty is on ad-valorem basis, the value for this purpose will be the total of the value of the imported article and the customs duty on it (both basic and auxiliary).

EXPORT DUTIES

Under Customs Act, 1962, goods exported from India are chargeable to export duty The items on which export duty is chargeable and the rate at which the duty is levied are given in the customs tariff act,1975 as amended from time to time under Finance Acts. However, the Government has emergency powers to change the duty rates and levy fresh export duty depending on the circumstances.

CESSSES

Cesses are leviable on some specified articles of exports like coffee, coir, lac, mica, tobacco (unmanufactured), marine products cashew kernels, black pepper, cardamom, iron ore, oil cakes and meals, animal feed and turmeric. These cesses are collected as parts of Customs Duties and are then passed on to the agencies in charge of the administration of the concerned commodities.

EDUCATION CESS ON CUSTOMS DUTY

An education cess has been imposed on imported goods w.e.f. 9-7-2004. The cess will be 2% of the aggregate duty of customs excluding safeguard duty, countervailing duty, Anti Dumping Duty.

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.

COUNTERVAILING DUTY ON SUBSIDISED GOODS

If a country pays any subsidy (directly or indirectly) to its exporters for exporting goods to India, Central Government can impose Countervailing duty up to the amount of such subsidy under section 9 of Customs Tariff Act.

ANTI DUMPING DUTY ON DUMPED ARTICLES

Often, large manufacturer from abroad may export goods at very low prices compared to prices in his 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 upto 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

(world trade organisation) agreement. Anti dumping action can be taken only when there is an Indian industry producing 'like articles'.

SAFEGUARD DUTY

Central Government is empowered to impose 'safeguard duty' on specified imported goods if Central Government is satisfied that the goods are being imported in large quantities and under such conditions that they are causing or threatening to cause serious injury to domestic industry. Such duty is permissible under WTO agreement. Safeguard duty is a step in providing a need-based protection to domestic industry for a limited period, with ultimate objective of restoring free and fair competition

NATIONAL CALAMITY CONTINGENT DUTY

A National Calamity Contingent Duty (NCCD) of customs has been imposed vide section 129 of Finance Act, 2001. This duty is imposed on pan masala, chewing tobacco and cigarettes. It varies from 10% to 45%. - - NCCD of customs of 1% was imposed on PFY, motor cars, multi utility vehicles and two wheelers and NCCD of Rs 50 per ton was imposed on domestic crude oil, vide section 134 of Finance Act, 2003.

DEFINITIONS

- (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;
- (1A) “Aircraft” has the same meaning as in the Aircraft Act, 1934 (22 of 1934);
- (1B) “Appellate Tribunal” means the Customs, Excise and Gold (Control) Appellate Tribunal constituted under section 129.1
- (2) “Assessment” includes provisional assessment, reassessment and any order of assessment in which the duty assessed is nil;
- (3) “Baggage” includes unaccompanied baggage but does not include motor vehicles;

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CLASS : III BCOM
COURSE CODE: 17CMU501B

COURSE NAME: INDIRECT TAX LAW
UNIT: II

BATCH : 2017-2020

- (4) “Bill of entry” means a bill of entry referred to in section 46;
- (5) “Bill of export” means a bill of export referred to in section 50;
- (6) “Board” means the [Central Board of Excise and Customs constituted under the Central Boards of Revenue Act, 1963 (54 of 1963)];
- (7) “Coastal goods” means goods, other than imported goods, transported in a vessel from one port in India to another;
- (7A) Commissioner (Appeals)” means a person appointed to be a Commissioner of Customs (Appeals) under sub-section (1) of section 4;
- (8) “Commissioner of Customs”, except for the purposes of Chapter XV, includes an Additional Commissioner of Customs;]
- (9) “Conveyance” includes a vessel, an aircraft and a vehicle;
- (10) “Customs airport” means any airport appointed under clause (a) of section 7 to be a Customs airport;
- (11) “Customs area” means the area of a customs station and includes any area in which imported goods or exported goods are ordinarily kept before clearance by Customs Authorities;
- (12) “Customs port” means any port appointed under clause (a) of section 7 to be a customs port; [and includes a place appointed under clause (aa) of that section to be an inland container depot];
- (13) “Customs station” means any customs port, customs airport or land Customs station;
- (14) “Dutiable goods” means any goods which are chargeable to duty and on which duty has not been paid;
- (15) “Duty” means a duty of customs leviable under this Act;
- (16) “Entry” in relation to goods means an entry made in a bill of entry, shipping bill or bill of export and includes in the case of goods imported or to be exported by post, the entry referred to

in section 82 or the entry made under the regulations made under section 84;

(17) “Examination”, in relation to any goods, includes measurement and weighment thereof

(18) “Export” with its grammatical variations and cognate expressions, means taking out of India to a place outside India;

(19) “Export goods” means any goods which are to be taken out of India to a place outside India;

(20) “Exporter”, in relation to any goods at any time between their entry for export and the time when they are exported, includes any owner or any person holding himself out to be the exporter;

(21) “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;

(22) “Goods” includes -

- (a) Vessels, aircrafts and vehicles;
- (b) Stores;
- (c) Baggage;
- (d) Currency and negotiable instruments; and
- (e) Any other kind of movable property;

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- (23) “Import”, with its grammatical variations and cognate expressions, means bringing into India from a place outside India;
- (24) “Import manifest” or “import report” means the manifest or report required to be delivered under section 30;
- (25) “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;
- (26) “Importer”, in relation to any goods at any time between their importation and the time when they are cleared for home consumption, includes any owner or any person holding himself out to be the importer;
- (27) “India” includes the territorial waters of India;
- (28) “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;
- (29) “Land customs station” means any place appointed under clause (b) of section 7 to be a land customs station;
- (30) “Market price”, in relation to any goods, means the wholesale price of the goods in the ordinary course of trade in India;
- (31) “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;

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- (d) In relation to any other conveyance, the driver or other person in charge of the conveyance;
- (32) “Prescribed” means prescribed by regulations made under this Act;
- (33) “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; (34) “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;]
- (35) “Regulations” means the regulations made by the Board under any provision of this Act;
- (36) “Rules” means the rules made by the Central Government under any provision of this Act;
- (37) “Shipping bill” means a shipping bill referred to in section 50;
- (38) “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;
- (39) “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;
- (40) “Tariff value”, in relation to any goods, means the tariff value fixed in respect thereof under sub-section (2) of section 14;
- (41) “Value”, in relation to any goods, means the value thereof determined in accordance with the provisions of sub-section (1) of section 14;
- (42) “Vehicle” means conveyance of any kind used on land and includes a railway vehicle;
- (43) “Warehouse” means a public warehouse appointed under section 57 or a private warehouse licensed under section 58;
- (44) “Warehoused goods” means goods deposited in a warehouse;

**PURPOSE AND REASON FOR PROHIBITION ON IMPORTATION
(OR) EXPORTATION OF GOODS**

IMPORT / EXPORT RESTRICTIONS / PROHIBITIONS UNDER CUSTOMS LAW

1. Under sub-section (d) of section 111 and sub-section (d) of Section 113, any goods which are imported or attempted to be imported and exported or attempted to be exported, contrary to any prohibition imposed by or under the Customs Act or any other law for the time being in force shall be liable to confiscation. Section 112 of the Customs Act provides for penalty for improper importation and Section

114 of the Customs Act provides for penalty for attempt to export goods improperly. In respect of prohibited goods the Adjudicating Officer may impose penalty upto five times the value of the goods. It is, therefore, absolutely necessary for the trade to know what are the prohibitions or restrictions in force before they contemplate to import or export any goods.

2. The terms "Prohibited Goods" have been defined in sub-section 33 of Section 2 of the Customs Act as meaning "any goods the import or export of which is subject to any prohibition under the Customs Act or any other law for the time being in force".

3. Under section 11 of the Customs Act, the Central Government has the power to issue Notification under which export or import of any goods can be declared as prohibited. The prohibition can either be absolute or conditional. The specified purposes for which a notification under section 11 can be issued are maintenance of the security of India, prevention and shortage of goods in the country, conservation of Foreign Exchange, safeguarding balance of payments etc. The Central Govt. has issued many notifications to prohibit import of sensitive goods such as coins, obscene books, printed waste paper containing pages of any holy books, armored guard, fictitious stamps, explosives, narcotic drugs, rock salt, saccharine, etc.

4. Under Export and Import Policy, laid down by the DGFT, in the Ministry of Commerce, certain goods are placed under restricted categories for import and export. Under section 3 and 5 of the Foreign Trade (Development and Regulation) Act, 1992, the Central Government can make provisions for prohibiting, restricting or otherwise regulating the import or export of the

goods. As for example, import of second hand goods and second hand capital goods is restricted. Some of the goods are absolutely prohibited for import and export whereas some goods can be imported or exported against a license. For example export of human skeleton is absolutely prohibited whereas export of cattle is allowed against an export licence. Another example is provided by Notification No.44(RE-2000) 1997 dated 24.11.2000 in terms of which all packaged products which are subject to provisions of the Standards of Weights and Measures (Packaged Commodities) Rules, 1997, when produced/packed/sold in domestic market, shall be subject to compliance of all the provisions of the said Rules, when imported into India. All packaged commodities imported into India shall carry the name and address of the importer, net quantity in terms of standard unit of weights measures, month and year of packing and maximum retail sale price including other taxes, local or otherwise. In case any of the conditions is not fulfilled, the import of packaged products shall be held as prohibited, rendering such goods liable to confiscation.

5. Another restriction under the aforesaid Notification issued by the Ministry of Commerce is that the import of a large number of products, presently numbering 133, are required to comply with the mandatory Indian Quality Standards (IQS) and for this purpose exporters of these products to India are required to register themselves with Bureau of Indian Standards (BIS). Non-fulfillment of the above requirement shall render such goods prohibited for import.

6. Import and export of some specified goods may be restricted/prohibited under other laws such as Environment Protection Act, Wild Life Act, Indian Trade and Merchandise Marks Act, Arms Act, etc. Prohibition under those acts will also apply to the penal provisions of the Customs Act, rendering such goods liable to confiscation under section 111(d) of the Customs Act (for import) and 113 (d) of the Customs Act (for export).

7. Any Importer or Exporter for being knowingly concerned in any fraudulent evasion or attempted evasion of any prohibition under the Customs Act or any other law for the time being in force in respect to any import or export of goods, shall be liable to punishment with imprisonment for a maximum term of three years (seven years in respect of notified goods) under section 135 of the Customs Act. Any person who is reasonably believed to be guilty of an

offence, punishable under section 135, may be arrested under the provisions of section 104 of the Customs Act.

8. Keeping in view the above penal provisions in the Customs Act to deal with any deliberate evasion of prohibition/restriction of import of export of specified goods, it is advisable for the Trade to be well conversant with the provisions of EXIM Policy, the Customs Act, as also other allied Acts. They must make sure that before any imports are effected or export planned, they are aware of any prohibition/restrictions and requirements subject to which alone goods can be imported/exported, so that they do not get penalised and goods do not get involved in confiscation etc. proceedings at the hands of Customs authorities.

POWER TO PROHIBIT IMPORTATION OR EXPORTATION OF GOODS-

(1) If the Central Government is satisfied that it is necessary so to do for any of the purposes specified in sub-section (2), it may, by notification in the Official Gazette, prohibit either absolutely or subject to such conditions (to be fulfilled before or after clearance) as may be specified in the notification, the import or export of goods of any specified description.

(2) The purposes referred to in sub-section (1) are the following

- (a) The maintenance of the security of India;
- (b) The maintenance of public order and standards of decency or morality;
- (c) The prevention of smuggling;
- (d) The prevention of shortage of goods of any description;
- (e) The conservation of foreign exchange and the safeguarding of balance of payments;
- (f) The prevention of injury to the economy of the country by the uncontrolled import or export of gold or silver;
- (g) The prevention of surplus of any agricultural product or the product of fisheries,-
- (h) The maintenance of standards for the classification, grading or marketing of goods in international trade;
- (i) The establishment of any industry;
- (j) The prevention of serious injury to domestic production of goods of any description;

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- (k) The protection of human, animal or plant life or health;
- (l) The protection of national treasures of artistic, historic or archaeological value;
- (m) The conservation of exhaustible natural resources;
- (n) The protection of patents, trademarks and copyrights;
- (o) The prevention of deceptive practices;
- (p) The carrying on of foreign trade in any goods by the State, or by a Corporation owned or controlled by the State to the exclusion, complete or partial, of citizens of India.
- (q) The fulfilment of obligations under the Charter of the United Nations for the maintenance of International peace and security;
- (r) The implementation of any treaty, agreement or convention with any country;
- (s) The compliance of imported goods with any laws which are applicable to similar goods produced or manufactured in India;
- (t) The prevention of dissemination of documents containing any matter which is likely to prejudicially affect friendly relations with any foreign State or is derogatory to national prestige;
- (u) The prevention of the contravention of any law for the time being in force; and
- (v) Any other purpose conducive to the interests of the public.

LEVY OF, AND EXEMPTION FROM, CUSTOMS DUTIES 30[27A] INTEREST ON DELAYED REFUNDS

If any duty ordered to be refunded under sub-section (2) of section 27 to an applicant is not refunded within three months from the date of receipt of application under sub-section (1) of that section, there shall be paid to that applicant interest at such rate, not below ten per cent and not exceeding thirty per cent per annum as is for the time being fixed by the Board, on such duty from the date immediately after the expiry of three months from the date of receipt of such application till the date of refund of such duty:

PROVIDED that where any duty, ordered to be refunded under sub-section (2) of section 27 in respect of an application under sub-section (1) of that section made before the date on which the Finance Bill, 1995 receives the assent of the President, is not refunded within three months from such date, there shall be paid to the applicant interest under this section from the date

immediately after three months from such date, till the date of refund of such duty.

Explanation: Where any order of refund is made by the Commissioner (Appeals), Appellate Tribunal or any court against an order of the 23[Assistant Commissioner of Customs or Deputy Commissioner of Customs] under sub- section (2) of section 27, the order passed by the Commissioner (Appeals), Appellate Tribunal or, as the case may be, by the court shall be deemed to be an order passed under that sub-section for the purposes of this section.

5[28]. NOTICE FOR PAYMENT OF DUTIES, INTEREST, ETC.

- (1) When any duty has not been levied or has been short-levied or erroneously refunded, or when any interest payable has not been paid, part paid or erroneously refunded, the proper officer may,- (a) in the case of any import made by any individual for his personal use or by government or by any educational, research or charitable institution or hospital, within one year; (b) in any other case, within six months, from the relevant date, serve notice on the person chargeable with the duty or interest which has not been levied or charged or which has been short-levied or part paid or to whom the refund has erroneously been made, requiring him to show cause why he should not pay the amount specified in the notice:

PROVIDED that where any duty has been levied or has been short-levied or the interest has not been charged or has been part paid or the duty or interest has been erroneously refunded by reason of collusion or any willful mis-statement or suppression of facts by the importer or the exporter or the agent or employee of the importer or exporter, the provisions of this sub-section shall have effect as if for the words "one year" and "six months", the words "five years" were substituted.

Explanation : Where the service of the notice is stayed by an order of a court, the period of such stay shall be excluded in computing the aforesaid period of one year or six months or five years, as the case may be.

- (2) The proper officer, after considering the representation, if any, made by the person on whom notice is served under sub-section (1) ,shall determine the amount of duty or interest due from such person (not being in excess of the amount specified in the notice) and thereupon such person shall pay the amount so determined.

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- (3) For the purposes of sub-section (1), the expression "relevant date" means,-
- (a) in a case where duty is not levied, or interest is not charged, the date on which the Proper officer makes an order for the clearance of the goods;
 - (b) in a case where duty is provisionally assessed under section 18, the date of adjustment of duty after the final assessment thereof;
 - (c) in a case where duty or interest has been erroneously refunded, the date of refund;
 - (d) in any other case, the date of payment of duty or interest.]

31[28A]. POWER NOT TO RECOVER DUTIES NOT LEVIED OR SHORT- LEVIED AS A RESULT OF GENERAL PRACTICE

32[(1) NOTWITHSTANDING ANYTHING CONTAINED IN THIS ACT, IF THE CENTRAL GOVERNMENT IS SATISFIED-

- (a) that a practice was, or is, generally prevalent regarding levy of duty (including non-levy thereof) on any goods imported into, or exported from India; and
- (b) that such goods were, or are, liable-
 - (i) to duty, in cases where according to the said practice the duty was not, or is not being, levied, or
 - (ii) to a higher amount of duty than what was, or is being , levied, according to the said practice, then the Central Government may, by notification in the Official Gazette, direct that the whole of the duty payable on such goods, or, as the case may be, the duty in excess of that payable on such goods, but for the said practice, shall not be required to be paid in respect of the goods on which the duty was not, or is not being, levied, or was, or is being, short-levied, in accordance with the said practice.]

33[(2) Where any notification under sub-section (1) in respect of any goods has been issued, the whole of the duty paid on such goods, or, as the case may be, the duty paid in excess of that payable on such goods, which would not have been paid if the said notification had been in force, shall be dealt with in accordance with the provisions of sub-section (2) of section 27:

PROVIDED that the person claiming the refund of such duty, or, as the case may be, excess duty,

makes an application in this behalf to the 23[Assistant Commissioner of Customs or Deputy Commissioner of Custom], in the form referred to in sub-section (1) of section 27, before the expiry of six months from the date of issue of the said notification.]

30[28AA. INTEREST ON DELAYED PAYMENT OF DUTY

34[Subject to the provisions contained in section 28AB, where a person,] chargeable with the duty determined under sub-section (2) of section 28, fails to pay such duty within three month from the date of such determination, he shall pay, in addition to the duty, interest at such rate not below ten per cent and not exceeding thirty per cent per annum, as is for the time being fixed by the Board, on such duty from the date immediately after the expiry of the said period of three months till the date of payment of such duty:

PROVIDED that where a person chargeable with duty determined under sub- section (2) of section 28 before the date on which the Finance Bill, 1995 received the assent of the President, fails to pay such duty within three months from such date, then, such person shall be liable to pay interest under this section from the date immediately after three months from such date, till the date of payment of such duty.

Explanation 1 : Where the duty determined to be payable is reduced by the Commissioner (Appeals), Appellate Tribunal or, as the case may be, the court, the date of such determination shall be the date on which an amount of duty is first determined to be payable.

Explanation 2 : Where the duty determined to be payable is increased or further increased by the Commissioner (Appeals), Appellate Tribunal or, as the case may be, the court, the date of such determination shall be,-

- (a) for the amount of duty first determined to be payable, the date on which the duty is so determined;
- (b) for the amount of increased duty, the date of order by which the increased amount of duty is first determined to be payable;
- (c) for the amount of further increase of duty, the date of order on which the duty is so

further increased.]

29[28AB. INTEREST ON DELAYED PAYMENT OF DUTY IN SPECIAL CASES

(1) Where any duty has not been levied or has been short levied or erroneously refunded by reason of collusion or any wilful mis-statement or suppression of facts, the person who is liable to pay the duty as determined under sub- section (2) of section 28, shall, in addition to the duty, be liable to pay interest at such rate not below ten per cent and not exceeding thirty per cent per annum, as is for the time being fixed by the Board, from the first day of the month succeeding the month in which the duty ought to have been paid under this Act, but for the provisions contained in sub-section (2) of section 28, till the date of payment of such duty.

(2) For the removal of doubts, it is hereby declared that the provisions of sub- section (1) shall not apply to cases where the duty became payable before the date on which the Finance (No. 2) Act, 1996 receives the assent of President.

Explanation 1 : Where the duty determined to be payable is reduced by the Commissioner (Appeals), the Appellate Tribunal or, as the case may be, the court, the interest shall be payable on such reduced amount of duty.

Explanation 2 : Where the duty determined to be payable is increased or further increased by the Commissioner (Appeals), the Appellate Tribunal or, as the case may be, the court, the interest shall be payable on such increased or further increased amount of duty.]

7[28B. DUTIES COLLECTED FROM THE BUYER TO BE DEPOSITED WITH THE CENTRAL GOVERNMENT

(1) Notwithstanding anything to the contrary contained in any order or direction of the Appellate Tribunal or any court or in any other provision of this Act or the regulations made thereunder, every person who has collected any amount from the buyer of any goods in any manner as representing duty of customs, shall forthwith pay the amount so collected to the credit of the Central Government.

(2) The amount paid to the credit of the Central Government under sub-section shall be adjusted against the duty payable by the person on finalization of assessment and where any

surplus is left after such adjustment, the amount of such surplus shall either be credited to the Fund or, as the case may be, refunded to the person who has borne the incidence of such amount, in accordance with the provisions of section 27 and the application under that section in such cases shall be made before the expiry of six months from the date of the public notice to be issued by the 23[Assistant Commissioner of Customs or Deputy Commissioner of Customs].

RESTRICTIONS ON CUSTODY AND REMOVAL OF IMPORTED GOODS-

Save as otherwise provided in any law for the time being in force, all imported goods, unloaded in a customs area shall remain in the custody of such person as may be approved by the [Commissioner of Customs] until they are cleared for home consumption or are warehoused or are transshipped in accordance with the provisions of Chapter VIII.

(2) The person having custody of any imported goods in a customs area, whether under the provisions of sub-section (1) or under any law for the time being in force,-

- (a) Shall keep a record of such goods and send a copy thereof to the proper officer;
- (b) Shall not permit such goods to be removed from the customs area or otherwise dealt with, except under and in accordance with the permission in writing of the proper officer.

(3) Notwithstanding anything contained in any law for the time being in force, if any imported goods are pilfered after unloading thereof in a customs area while in the custody of a person referred to in sub- section (1), that person shall be liable to pay duty on such goods at the rate prevailing on the date of delivery of an import manifest or, as the case may be, an import report to the proper officer under section 30 for the arrival of the conveyance in which the said goods were carried.]

DUTY DRAWBACK

Duty Drawback is the rebate of duty chargeable on imported material or excisable material

used in the manufacturing of goods in and is exported. The exporter may claim drawback or refund of excise and customs duties being paid by his suppliers. The final exporter can claim the drawback on material used for the manufacture of export products. In case of re-import of goods the drawback can be claimed.

The following are Drawbacks:

- Customs paid on imported inputs plus excise duty paid on indigenous imports.
- Duty paid on packing material.

Drawback is not allowed on inputs obtained without payment of customs or excise duty. In part payment of customs and excise duty, rebate or refund can be claimed only on the paid part.

In case of re-export of goods, it should be done within 2 years from the date of payment of duty when they were imported. 98% of the duty is allowable as drawback, only after inspection. If the goods imported are used before its re-export, the drawback will be allowed as at reduced percent.

DUTY FREE ZONE

1. What is India's Duty Free Tariff Preference (DFTP) scheme? Following the WTO Hong Kong Ministerial Conference held in December 2005, India announced the Duty Free Tariff Preference (DFTP) scheme in April 2008, which was implemented on 13 August 2008 with official notification by the Government of India. The objective of this scheme is to grant unilateral tariff preferences to products originating in LDCs and imported into India. The scheme is open to all LDCs (a total of 48, including 34 LDCs in Africa), designated as beneficiary countries (see Appendix II for a list of LDCs). In April 2014, the Government of India made an amendment to the scheme, which further increased the coverage of tariff lines for zero duty and preferential market access into India. The number of tariff lines on the exclusion list was cut down from 326 to 97. As a result, 229 products were moved from the original 2008 exclusion list. The new Margin of Preference (MOP) list has 114 tariff lines instead of the earlier 468 (see Appendix IV for both lists). More than 350 tariff lines on the MOP list are now 100%

duty free.

2. What is the current product coverage of the scheme? The DFTP scheme provides duty free and preferential treatment to about 98% of India's tariff lines, up from the initial 85% when the scheme commenced in 2008. To make the scheme more attractive to LDCs, and to African LDCs in particular, the Government amended the exclusion and Margin of Preference lists in 2014. As a consequence, the exclusion list was whittled down to 97 items and the MOP list was reduced to 114 tariff lines. The major items on the exclusion list are vegetable products (including edible vegetables), certain roots and tubers, coffee, tea, spices, cereals and malt. Altogether, the 36 vegetable products on the list amount to a share of more than 37% of the total. The next important category includes prepared foodstuffs such as beverages, vinegar, spirits and prepared animal fodder. This category comprises 32 products, or a 33% share of the exclusion list. Other items on the list include base metals, live animals, mineral products, products of the chemical or allied industries, wood and textiles. Among these, base metals have the highest percentage share at 12.4% (see Appendix IV for details). Whilst most products of export interest to LDCs are covered, the new scheme continues to exclude a number of products of key export interest to LDCs, especially those in Africa. These include milk and cream (with sugar), whole milk powder, some fruits and vegetables (e.g. apples and onions), processed cashew nuts, coffee, tea, some spices and oilseeds (e.g. linseed, sesame), wheat flour, beer, wine and spirits, tobacco and cigarettes, and copper and related products (e.g. bars, rods, cathodes, waste and scrap).

3. What are the preliminary requirements for LDCs to access DFTP benefits? In order to qualify as a beneficiary country, an LDC wishing to adhere to the scheme is required to give a letter of intent (see Appendix I for format) to the Government of India stating that it wishes to be covered under the DFTP and that it will comply with the scheme's provisions. So far, letters of intent have been received from 29 LDCs (see Appendix III for a complete list). These countries have also submitted details of agencies authorized to issue certificates of origin. INDIA'S DUTY-FREE TARIFF PREFERENCE FOR LDCs 2 TFPB-15-333.E

4. Which steps do LDC exporters need to take in order to benefit from the DFTP scheme? 4.1. Check the product eligibility under India's DFTP scheme LDC exporters first need to identify the tariff classification of the product according to India's custom tariff classification. The next

step is to ascertain that the product is not mentioned either in the exclusion list or in the positive list for it to qualify to get duty-free market access in India. 4.2. Check the correct DFTP rate if product falls under the positive list If the product falls under the positive list, the exporters need to check the correct applicable margin of preference on the applied most-favoured-nation (MFN) tariff rate. As per the amended DFTP scheme, there are 114 tariff lines at the eight/six digit level under the positive list. 4.3. Check the Rules of Origin criteria LDC exporters need to ensure that the product concerned complies with the rules of origin requirement of India's DFTP scheme (see question below for more details on the rules of origin criteria). 4.4. Ensure compliance with Product Standards The products exported into India must ensure compliance with domestic laws, acts, rules, orders, regulations, technical specifications, and environmental and safety norms as applicable to domestically produced goods. While the Bureau of Indian Standards (BIS) is the supreme standard setting and enforcing agency for manufactured products in India, India's Plants, Fruits and Seeds Order sets and regulates standards for both domestically produced and imported goods. In addition, imports of all edible/food products must comply with the quality and packaging requirements laid down in the Food Safety and Standards Act of India. 4.5.

Prepare documentary evidence The exporters must complete the certificate of origin form as prescribed in Attachment-A of India's DFTP scheme. In order to procure the certificate of origin, the exporters need to apply in writing to the relevant issuing authority requesting pre-exportation verification of the origin of the products. The exporters may declare all the details in Form-A to establish his/her claim for the certificate of origin.

5. Does the DFTP provide consultations and/or technical assistance? The provision of technical assistance to LDCs is one of the key features of the DFTP. India has recognized that technical assistance should be demand rather than donor driven as only the wearer knows where the shoe pinches. This provision will allow LDCs to seek assistance from India on issues that cause them difficulties or put them at a disadvantage, thus enabling them to reap the benefits of India's expertise in matters pertaining to technical assistance.

6. Does this scheme have product and country graduation like some similar schemes? Unlike various other similar schemes, India's DFTP does not contain any clauses on either product or country graduation. A particular beneficiary country can only be denied preference if it

graduates from the LDC group. INDIA'S DUTY-FREE TARIFF PREFERENCE FOR LDCs
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7. What are Rules of Origin (RoO)? Rules of origin are the criteria that determine the origin of a product for the purposes of international trade. Their importance derives from the fact that duties and restrictions often depend upon the source of imports. Rules of origin are used to determine whether imported products shall receive most-favoured-nation (MFN) treatment or preferential treatment in the importing country. Two categories of originating goods are generally included in a typical RoO chapter of a Free Trade Agreement (FTA): x Category 1: Wholly originating/obtained goods (WO) This applies to a good that does not contain any input from a country that is not a party to the FTA. x Category 2: Goods produced from non-originating inputs This applies to a good that may incorporate some material from a country that is not a party to the FTA which would be sufficiently processed as part of the production process of that good to meet origin requirements. In order to obtain the status of originating good and avail benefits under the FTA, such goods must meet the origin criteria.

8. What are the origin-related requirements that LDCs must fulfil in order to qualify for tariff preferences under the DFTP? To be eligible for tariff preferences under the DFTP-LDC scheme, a product must originate in the LDC as prescribed under the rules of origin. The products are classified under two categories, as described above. Determining the origin of goods in Category 1 is easy, as they would typically include items such as raw or mineral products, animals, plants and plant products grown or harvested there. (This issue has been further detailed in Question 9). It is, however, much more difficult to determine the origin of goods in Category 2. (This issue has been further detailed in Questions 9 and 10). Given the nature of goods produced by African LDCs, these rules may not hinder their exports to India as most of their products would qualify under the wholly produced category only. Even in the case of LDCs situated in other regions, the rules may not pose problems since those countries are unlikely to have substantial investments in manufacturing high-value or white goods which would require sourcing raw materials or inputs from other countries.

9. What products can be considered as wholly produced or obtained in the beneficiary country? Within the meaning of Rule 3(a), the following shall be considered as wholly produced or

obtained in the exporting beneficiary country: x Raw or mineral products extracted from its territory; x Plant and plant products, including agricultural, vegetable and forestry products grown or harvested there; x Live animals born and raised there; x Products obtained from animals; x Products obtained by hunting, trapping, fishing or aquaculture conducted there; x Fishery and other marine products taken from outside the country's territorial waters and Exclusive Economic Zone by vessels registered and flying the flag of the beneficiary country; INDIA'S DUTY-FREE TARIFF PREFERENCE FOR LDCs 4 TFPB-15-333.E x Products processed and/or made on board factory ships exclusively from products referred to in the clause above; x Scrap and waste derived from manufacturing or processing operations conducted there and fit only for disposal or for the recovery of raw materials; x Used articles that can no longer perform their original purpose or cannot be restored or repaired, and are fit only for disposal or for the recovery of parts or raw materials; x Products taken from the seabed, subsoil or ocean floor beyond its territory, provided that the beneficiary country has the rights to exploit that sea bed, subsoil or ocean floor in accordance with UNCLOS provisions.

10. Which products do not fall under the category of wholly produced or obtained and how can these products benefit from the scheme? This applies to a good that may incorporate some material from a country that is not a beneficiary to the DFTP scheme. It means that products sourced from a non-beneficiary country must be sufficiently processed as part of the production process of that good to meet origin requirements. To obtain the status of originating good and be eligible for the benefits under the DFTP, such goods must meet the origin criteria. The scheme prescribes that in order to qualify for preferential treatment, manufactured products should have gone through a change in tariff heading (CTH) at the six digit HS level between the imported raw materials and the finished products. In addition, the process should have generated a value added of 30% in the exporting country. This includes the cost of local profits for manufacturers and traders as well as the cost of local transportation.

OFFENCES AND PENALTIES

Types of Punishments

The Customs Act envisages two types of punishments:

(a) Civil Liability: Penalty for violation of statutory provisions involving a penalty of money and confiscation of goods, which can be imposed by the departmental authorities. Chapters XIV of the Customs Act (Sections 111 to 127) deals with confiscation of goods and conveyances and imposition of penalties.

(b) Criminal Liability: Criminal punishment is of imprisonment and fine; which can be granted only in a criminal court after prosecution. Both penalty and punishment can be imposed for same offence. Chapter XVI (Sections 132 to 140A) deals with other offences under the Act. Statutory Provisions dealing with Confiscation of Goods and Conveyances:- Civil and Criminal Penalties under the Customs Act, Prosecution and Compounding of Offences Page 3 of 26 The provisions dealing with confiscation of goods and conveyances and imposition of penalty are contained in sections from 111 to 127 of the Customs Act, 1962. The provisions of the Customs Act, 1962 not only provide for confiscation of goods imported/exported illegally or attempted to imported/exported illegally, but it also provides for confiscation of conveyances used for carriage of smuggle goods; cover goods used to concealed smuggled goods; confiscation of sale proceeds of smuggled goods; confiscation of packages etc. The provisions of the Customs Act, 1962 dealing with confiscation of goods/conveyances/packages/cover goods are explained in the following paragraphs.

A. Improper Imports: As per Section 111 of the Customs Act, 1962, the following goods brought in India from a place outside India are 'improperly imported goods' and are liable to confiscation:

(a) any goods imported by sea or air which are unloaded or attempted to be unloaded at any place other than a customs port or customs airport appointed under S. 7 (a) for the unloading of such goods;

(b) any goods imported by land or inland water through any route other than a route specified in a notification issued

c) for the import of such goods; (c) any dutiable or prohibited goods brought into any bay, gulf,

creek or tidal river for the purpose of being landed at a place other than a customs port;

(d) any goods which are imported or attempted to be imported or are brought within the Indian customs waters for the purpose of being imported, contrary to any prohibition imposed by or under this Act or any other law for the time being in force;

(e) any dutiable or prohibited goods found concealed in any manner in any conveyance;

(f) any dutiable or prohibited goods required to be mentioned under the regulations in an import manifest or import report which are not so mentioned;

(g) any dutiable or prohibited goods which are unloaded from a conveyance in contravention of the provisions of section 32, other than goods inadvertently unloaded but included in the record kept under sub-section (2) of section 45;

(h) any dutiable or prohibited goods unloaded or attempted to be unloaded in contravention of the provisions of section 33 or section 34; Civil and Criminal Penalties under the Customs Act, Prosecution and Compounding of Offences Page 4 of 26

(i) any dutiable or prohibited goods found concealed in any manner in any package either before or after the unloading thereof;

(j) any dutiable or prohibited goods removed or attempted to be removed from a customs area or a warehouse without the permission of the proper officer or contrary to the terms of such permission;

(k) any dutiable or prohibited goods imported by land in respect of which the order permitting clearance of the goods required to be produced under section 109 is not produced or which do not correspond in any material particular with the specification contained therein;

B. Improper Exports: As per Section 113 of the Customs Act, 1962, the following goods are 'goods attempted to be improperly exported' and are liable to confiscation: Civil and Criminal Penalties under the Customs Act, Prosecution and Compounding of Offences Page 5 of 26

(a) any goods attempted to be exported by sea or air from any place other than a customs port or a customs airport appointed for the loading of such goods;

(b) any goods attempted to be exported by land or inland water through any route other than a route specified in a notification issued under S. 7

- (c) for the export of such goods; (c) any goods brought near the land frontier or the coast of India or near any bay, gulf, creek or tidal river for the purpose of being exported from a place other than a land customs station or a customs port appointed for the loading of such goods;
- (d) any goods attempted to be exported or brought within the limits of any customs area for the purpose of being exported, contrary to any prohibition imposed by or under this Act or any other law for the time being in force;
- (e) any goods found concealed in a package which is brought within the limits of a customs area for the purpose of exportation;
- (f) any goods which are loaded or attempted to be loaded in contravention of the provisions of section 33 or section 34;
- (g) any goods loaded or attempted to be loaded on any conveyance, or water-borne, or attempted to be water-borne for being loaded on any vessel, the eventual destination of which is a place outside India, without the permission of the proper officer.

POSSIBLE QUESTIONS

PART – A (1 mark) (Online examination)

PART – B (8 Marks)

1. What is Customs Duty? Explain its features.
2. Explain the procedure for assessment and collection of Customs duty.
3. Explain the provisions regarding Levy and Collection of Customs Duty.
4. Explain the clearance procedure for imported goods.
5. Explain the different types of Customs Tariff.
6. Discuss the exemptions of Customs Duty.
7. What are the methods by which goods are valued under Customs Act?
8. Distinguish between
 - i) Sales Tax and Customs Duty
 - ii) Ad-valorem Duty and Specific Duty
9. Explain the different types of Customs Import Duty
10. Explicate the restrictions imposed on custody and removal of imported goods.

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DEPARTMENT OF COMMERCE

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INDIRECT TAX LAW (17CMU501B)

UNIT -II

QUESTION	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	preferential 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	high	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	valorem 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 house called warehouse goods	exort	import	interlocal	local	import					
14. _____means all goods ,personal effects brought in commercial quantities	warehouse	bonafide baggage	baggage	imports	baggage					
15. _____of the customsact empowers the central govt from import and export	sec 9	sec 10	sec11	sec8	sec 11					
16. _____goods are Illegal import of highly notified by central govt	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 subscion	section	sub section	specified section	intimated section	subsection				
24. _____government is satisfied expenditure public interest measures	state	central	local	union territory	central				
25. After the expiry of seven days from specified date _____to the subsection	exempte d goods	marketa ble goods	specified goods	intimated goods	specified goods				
26. Transport of specified goods to be covered to be covered by	receipts	payment s	invoice	vouchers	vouchers				
27. Assessable value is determined by _____of identical goods	compute d	transctio n value	deducted value	residual value	transaction value				
28. Section 25 of the customs act _____to issue special orders	state	central	tax authorities	public authoritie s	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	wholesal ers	owners				
31. _is not possible and goods are physically lost	Abandon ment	restoraa tion	time point	destroye d	restoration				
32. _of customs may permit an importer to enter general bond	commissi oner	executed	Deputy commissione r	official governm ent	deputy commissione r				
33. _have been compiled in respect of goods	sec 30	sec 49	sec 38	sec 59	sec59				
34. _____intended to use 100% export oriented	consuma ble goods	capital goods	customs goods	producin g goods	capital goods				
35. A _____has been presented in such goods of export	shipping bill	clearanc e bill	export bill	payment bill	shipping bill				
36. Rebate of duty is chargeable on _____on goods	Producing	manufac turing	packing	purchasin g	manufacturi ng				
37. All Industry rate is not cover _____of the drawback	85%	88%	80%	90%	80%				
38. _____have been defined in subsection	relative goods	prohibit ed goods	customs goods	notified goods	prohibited goods				
39. Conservation of _____safeguarding payments	Excise duty	foreign exchang e	customs goods	export goods	foreign exchnage				
40. Central govt has issued notification to	semsitive	notified	regulative	restrictin	sensitive				

import of _____	goods	goods	goods	g goods	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 by _____	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	section 12	section 14	.section 25	section 14					
45. The valuation rules, 1988 based on GATT valuation code, provides _____	.Five methods of valuation	six methods of valuation	seven methods of valuation	eight methods of valuation	six 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 governm ent	state governm ent	.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					

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UNIT-III

SYLLABUS

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

GOODS AND SERVICE TAX- I

Introduction to goods & Services Tax (GST)

GST is one indirect tax for the whole nation, which will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST is essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages. GST is a destination based tax on consumption of goods and services meaning thereby the tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

According to the World Bank (2015), over 160 countries have some form of value added tax (VAT), which is what the GST is. But the ambition of the Indian GST experiment is revealed by a comparison with the other large federal systems—European Union, Canada, Brazil, Indonesia, China and Australia--that have a VAT (the United States does not have a VAT).

As Table 1 highlights, most of them face serious challenges. They are either overly centralized, depriving the sub-federal levels of fiscal autonomy (Australia, Germany, and Austria); or where there is a dual structure, they are either administered independently creating too many differences in tax bases and rates that weaken compliance and make inter-state

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transactions difficult to tax (Brazil, Russia and Argentina); or administered with a modicum of coordination which minimizes these disadvantages (Canada and India today) but does not do away with them.

Table 1: Comparison of Federal VAT Systems

Nature. of VAT	Country Examples	Disadvantages
Independent VATs at Centre and States	Brazil, Russia, Argentina	Differences in base and rates weaken administration and compliance. Inter-state transactions difficult to manage.
VAT levied and administered at Centre	Australia, Germany, Austria, Switzerland, etc	State government relieved of responsibility of raising taxes which also takes away fiscal discretion of States.
Dual VAT	Canada and India today	A combination of the above two and hence limits both their disadvantages.
“Clean” dual VAT	India's GST	Common base and common or similar rates facilitate administration and compliance, including for inter-state transactions, while continuing to provide some fiscal autonomy to States.

Journey of GST

GST is being introduced in the country after a 13 year long journey since it was first discussed in the report of the Kelkar Task Force on indirect taxes. A brief chronology outlining the major milestones on the proposal for introduction of GST in India is as follows:

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- a. In 2003, the Kelkar Task Force on indirect tax had suggested a comprehensive Goods and Services Tax (GST) based on VAT principle.
- b. A proposal to introduce a National level Goods and Services Tax (GST) by April 1, 2010 was first mooted in the Budget Speech for the financial year 2006-07.
- c. Since the proposal involved reform/ restructuring of not only indirect taxes levied by the Centre but also the States, the responsibility of preparing a Design and Road Map for the implementation of GST was assigned to the Empowered Committee of State Finance Ministers (EC).
- d. Based on inputs from Govt of India and States, the EC released its First Discussion Paper on Goods and Services Tax in India in November, 2009.
- e. In order to take the GST related work further, a Joint Working Group consisting of officers from Central as well as State Government was constituted in September, 2009.
- f. In order to amend the Constitution to enable introduction of GST, the Constitution (115th Amendment) Bill was introduced in the Lok Sabha in March 2011. As per the prescribed procedure, the Bill was referred to the Standing Committee on Finance of the Parliament for examination and report.
- g. Meanwhile, in pursuance of the decision taken in a meeting between the Union Finance Minister and the Empowered Committee of State Finance Ministers on 8th November, 2012, a 'Committee on GST Design', consisting of the officials of the Government of India, State Governments and the Empowered Committee was constituted.
- h. This Committee did a detailed discussion on GST design including the Constitution (115th) Amendment Bill and submitted its report in January, 2013. Based on this Report, the EC recommended certain changes in the Constitution Amendment Bill in their meeting at Bhubaneswar in January 2013.

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- i. The Empowered Committee in the Bhubaneswar meeting also decided to constitute three committees of officers to discuss and report on various aspects of GST as follows:-
 - a. Committee on Place of Supply Rules and Revenue. Neutral Rates;
 - b. Committee on dual control, threshold and exemptions:
 - c. Committee on IGST and GST on imports.
- j. The Parliamentary Standing Committee submitted its Report in August, 2013 to the Lok Sabha. The recommendations of the Empowered Committee and the recommendations of the Parliamentary Standing Committee were examined in the Ministry in consultation with the Legislative Department. Most of the recommendations made by the Empowered Committee and the Parliamentary Standing Committee were accepted and the draft Amendment Bill was suitably revised.
- k. The final draft Constitutional Amendment Bill incorporating the above stated changes were sent to the Empowered Committee for consideration in September 2013.
- l. The EC once again made certain recommendations on the Bill after its meeting in Shillong in November 2013. Certain recommendations of the Empowered Committee were incorporated in the draft Constitution (115th Amendment) Bill. The revised draft was sent for consideration of the Empowered Committee in March, 2014.
- m. The 115th Constitutional (Amendment) Bill, 2011, for the introduction of GST introduced in the Lok Sabha in March 2011 lapsed with the dissolution of the 15th Lok Sabha.
- n. In June 2014, the draft Constitution Amendment Bill was sent to the Empowered Committee after approval of the new Government.
- o. Based on a broad consensus reached with the Empowered Committee on the contours of the Bill, the Cabinet on 17.12.2014 approved the proposal for introduction of a Bill in the Parliament for amending the Constitution of India to facilitate the introduction of Goods

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and Services Tax (GST) in the country. The Bill was introduced in the Lok Sabha on 19.12.2014, and was passed by the Lok Sabha on 06.05.2015. It was then referred to the Select Committee of Rajya Sabha, which submitted its report on 22.07.2015.

- p. The Constitutional amendment bill was then passed from Rajya Sabha on 8th Aug 2016 and notified from 15th Sep 2016.
- q. The Draft Model GST Law was introduced in June 2016 which was further revised in November 2016. This revised draft law became GST Bill when it was introduced in Lok Sabha with slight modifications and got passed from Lok Sabha on 29th March' 2017.
- r. Four bills got passed viz:- Central GST Bill' 2017, Integrated GST Bill' 2017, Union Territory GST Bill' 2017 and Compensation to states Bill' 2017.
- s. Five sets of Rules have been finalised by GST Council viz:-Registration, Payment, Return, Invoice and Refund.
- t. Four further sets of Rules have been introduced before GST Council which shall be .finalised soon. These are Valuation, Input Tax Credit, Composition and Transition.

Concept of Dual GST — An Indian GST Model

The Indian GST model would be a dual GST with the Centre and States simultaneously levying it on a common tax base. The GST to be levied by the Centre on intra-State supply of goods and / or services would be called the Central GST (CGST) and that to be levied by the States would be called the State GST (SGST). Similarly Integrated GST (IGST) will be levied and administered by Centre on every inter-state supply of goods and services.

Basically, there were three models available for adoption. First, the **Single (Central) GST model**, where the Centre levies and collects the GST for both Centre and the States, and then distributes the share of the individual States in accordance with its consumption pattern

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determined on the basis of prior survey. It may be recalled that GST is a destination based consumption tax. This is prevalent in Australia, New Zealand, Germany etc.

The second option is to adopt the **Single (State) GST model**, where the situation is reverse of that in the Single (Central) GST model. Here, the individual States collect GST for both Centre and their respective States, and then pass on the Centre's share to the Centre. Very few countries have adopted this model. A Form of States GST is being implemented at the Quebec province of Canada.

The third option is the Dual GST model where both Centre and the States levy and collect their share of GST concurrently and simultaneously in their separate streams of **Central GST (CGST)** and **States GST (SGST)**. The GST with respect to interstate movement of goods and services is the most critical part of this model. After considering twelve models for this purpose, it has been decided to adopt the **Integrated GST (IGST)** model. In the IGST models, the IGST comprising CGST and SGST will be levied and collected by the Centre. The Centre will retain the CGST share and despatch the SGST shares to the respective destination States. The entire mechanism will be computerised.

Because of the absence of complications involved in determining the GST share of the destination States with respect to interstate movement of Goods and Services, the Central GST model would have been the easiest option. But given the federal structure of our Constitution and fiscal autonomy for the States enshrined in it, India could not have opted for this model. On the other hand, the Indian constitution gives supremacy to Centre over the States in three important areas i.e. Defence, External Affairs and Finance. Therefore, the Centre cannot be made to outsource the collection of centre's portion of GST to the States. The best option for India was to adopt the Dual GST model.

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

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GST in India, taxation power – both by the Centre and the State to levy the taxes on the Goods and Services. Almost 150 countries have introduced GST in some form. While countries such as Singapore and New Zealand tax virtually everything at a single rate, Indonesia has five positive rates, a zero rate and over 30 categories of exemptions. In China, GST applies only to goods and the provision of repairs, replacement and processing services. GST rates of some countries are given below. Country Australia France Canada Germany Japan Singapore Sweden New Zealand Rate of GST 10% 19.6% 5% 19% 5% 7% 25% 15% World over in almost 150 countries there is GST or VAT, which means tax on goods and services. Under the GST scheme, no distinction is made between goods and services for levying of tax. In other words, goods and services attract the same rate of tax. GST is a multi-tier tax where ultimate burden of tax falls 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.

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 trillion dollar economy. The rate of GST in India is between double to four times that levied in other countries like Singapore.

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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

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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.

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FEATURES

The salient features of GST are asunder:

- (i) GST would be applicable on —supply of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.
- (ii) GST would be based on the principle of destination based consumption taxation as against the present principle of origin based taxation.
- (iii) It would be a dual GST with the Centre and the States simultaneously levying it on a common base. The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by the States [including Union territories with legislature] would be called State GST (SGST). Union territories without legislature would levy Union territory GST (UTGST).
- (iv) An Integrated GST (IGST) would be levied on inter-State supply (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted. Page 6 of 15
- (v) Import of goods would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties. Indirect Taxation (2017) 5/16
- (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.
- (ix) State taxes that would be subsumed within the GST are:

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- 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.

Indirect Taxation

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

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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.

Illustration I: Suppose hypothetically that the rate of CGST is 10% and That of SGST is 10%. When a wholesale dealer of steel in Uttar Pradesh supplies steel bars and rods to a construction company which is also located within the same State for, say Rs. 100, the dealer would charge CGST of Rs. 10 and SGST of Rs. 10 in addition to the basic price of the goods. He would be required to deposit the CGST component into a Central Government account while the SGST portion into the account of the concerned State Government Of course. he need not actually pay Rs. 20 (Rs.10 + Rs.10) in cash as he would be entitled to set-off this liability against the CGST or SGST paid on his purchases (say, inputs). But for paying CGST he would be allowed to use

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only the credit of CGST paid on his purchases while for SGST he can utilize the credit of SGST alone. In other words, CGST credit cannot, in general, be used for payment of SGST. Nor can SGST credit be used for payment of CGST.

Illustration II: Suppose, again hypothetically, that the rate of CGST is 10% and that of SGST is 10%. When an advertising company located in Mumbai supplies advertising services to a company manufacturing soap also located within the State of Maharashtra for, let us say Rs. 100, the ad company would charge CGST of Rs. 10 as well as SGST of Rs. 10 to the basic value of the service. He would be required to deposit the CGST component into a Central Government account while the SGST portion into the account of the concerned State Government. Of course, he need not again actually pay Rs. 20 (Rs.104 – Rs.10) in cash as it would be entitled to set-off this liability against the CGST or SGST paid on his purchase (say, of inputs such as stationery, office equipment, services of an artist etc). But for paying CGST he would be allowed to use only the credit of CGST paid on its purchase while for SGST he can utilise the credit of SGST alone. In other words, CGST credit cannot, in general, be used for Payment of SGST. Nor can SGST credit be used for payment of CGST.

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Benefits of GST

The benefits of GST can be summarized as under:

Category	Benefits
For Business and Industry	<ul style="list-style-type: none">• Easy compliance: A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.• Uniformity of tax rates and structures: GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.• Removal of cascading: A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.• Improved competitiveness: Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.• Gain to manufacturers and exporters: The subsuming of

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	<p>major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.</p>
For Central and State Governments	<ul style="list-style-type: none">• Simple and easy to administer: Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.• Better controls on leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.• Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.
For the Consumer	<ul style="list-style-type: none">• Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being

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	<p>levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.</p> <ul style="list-style-type: none">• Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.
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Salient features of the Indian GST model

- (i). The GST shall have three components: one levied by the Centre on Intrastate transactions (hereinafter referred to as COST) and States on 'Intrastate transactions (hereinafter referred to as SGST) and other to be levied by Centre on Interstate transactions (hereinafter referred to as IGST). Rates for GST would be in between 18 to 22%, reflecting revenue considerations and acceptability. This dual GST model would be implemented through multiple statutes (one for CGST, one for IGST and SGST statute for every State and Union' Territory with legislation). However, the basic features of law such as chargeability, definition of taxable event and taxable person, measure of levy including valuation provisions, basis of classification etc. would be uniform across these statutes as far as practicable.
- (ii). The CGST, SGST or IGST would be applicable to all transactions of goods and services made for a consideration or non-consideration as specified by law except the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits.
- (iii). The Central GST and State GST are to be paid to the accounts of the Centre and the States separately. It would have to be ensured that account-heads for all services and goods would have indication whether it relates to Central GST or State GST (with identification of the State to whom the tax is to be credited).
- (iv). Since the CGST and SGST are to be treated separately, Input Tax Credit for CGST could be utilized only against the payment of CGST and/or IGST. Input Tax Credit for SGST could be utilized only against the payment of SGST and/or IGST whereas Input Tax Credit for IGST could be utilized against the payment of IGST and/or CGST and/or SGST. A taxpayer or exporter would have to maintain separate details in books of account for utilization or refund of credit. Further, the rules for taking and utilization of credit for the Central GST and the State GST would be aligned.

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- (v). Cross utilization of ITC between the Central GST and the State GST would not be allowed.
- (vi). Ideally, the problem related to credit accumulation on account of refund of GST should be avoided by both the Centre and the States except in the cases such as exports, purchase of capital goods, input tax at higher rate than output tax etc. where, again refund/adjustment should be completed in a time bound manner.
- (vii). To the extent feasible, uniform procedure for collection of both Central GST and State GST would be prescribed in the respective legislation for Central GST and State GST.
- (viii). The administration of the CGST and IGST to the Centre and for State GST to the States would be given. This would imply that the Centre and the States would have concurrent jurisdiction for the entire value chain and for all taxpayers on the basis of thresholds for goods and services prescribed for the States and the Centre.
- (ix). The present threshold prescribed in different State VAT Acts below which VAT is not applicable varies from State to State. A uniform State GST threshold across States is desirable and, therefore, it is considered that a threshold of gross annual turnover of Rs.20 lakh both for goods and services for all the States (Excluding North-Eastern Region and Special Category States wherein the threshold of Rs. 10 lakh is prescribed as per the meeting of GST Council dated 23rd Sep 2016). Keeping in view the interest of small traders and small scale industries and to avoid dual control, assessed with a turnover of less than Rs 1.5 crore annually will be assessed by state tax authorities and those above that through the new cross-empowerment model. Under this model, tax administrators will use a formula to decide which assessed they will audit or register.
- (x). The States are also of the view that Composition/ Compounding Scheme for the purpose of GST should have an upper ceiling on gross annual turnover and a floor tax rate with respect to gross annual turnover. In particular, there would be a compounding cut-off at Rs. 50 lakh of gross annual turnover and a floor rate of 1% or above across the States.

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The scheme would also allow option for GST registration for dealers with turnover below the compounding cut-off.

- (xi). The taxpayer would need to submit periodical returns, in common format as far as possible, to both the Central GST authority and to the concerned State GST authorities.
- (xii). Each taxpayer would be allotted a PAN-linked taxpayer identification number. This would bring the GST PAN-linked system in line with the prevailing PAN-based system for Income tax, facilitating data exchange and taxpayer compliance.
- (xiii). Keeping in mind the need of tax payer's convenience, functions such as assessment, enforcement, scrutiny and audit would be undertaken by the authority which is collecting the tax, with information sharing between the Centre and the States.

GST Rate

It is said that the GST rate will be fixed on the basis of RNR i.e. Revenue Neutral Rate. In that case, the issue arises that how will there be growth in revenue and growth in GDP after introduction of GST.

In this regard it is mentioned that whenever a new Tax regime is introduced, it is so planned that the new effective tax rate is more or less same as that of the previous regime - so that the new tax regime is revenue neutral. Hence is the need for finding the RNR. More often than not however, the total revenue collection under the new tax regime turns out to be more than in the old tax regime for various reasons including administrative efficiency, enhanced tax base, structural reforms etc. That's the reason why it is expected that there will be growth in revenue in the GST regime.

As for the growth in terms of GDP, the introduction of GST will entail much less effective duty that a taxpayer would pay compared to what he is paying now on account of Central Excise, Service Tax, and State VAT etc, all taken together. Besides, the reduction of multiplicity of tax and multiple points of collection will reduce the transaction cost and make

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‘doing business’ much easier. Consequently, a taxpayers would have more money in his hands for further investment in infrastructure, industry etc. This will lead to more employment. All these factors would lead to growth in industry and business. Consequently, there is bound to be growth in GDP after introduction of GST.

The GST Council shall make recommendations to the Union and States on the rates of GST.

As per the recommendations of the GST Council, 6 set of rates has been approved. These are 0%, 5%, 12%, 18%, 28% & 28% + Cess. As per the revised Model GST law introduced in Nov’ 2016, the rates of GST cannot exceed 28%. However, as per the GST Bill passed in Lok Sabha on 29th March’ 2017, the maximum rate on luxury goods can be 40%.

The GST Council, headed by finance minister Arun Jaitley and comprising representatives of all states, has agreed to keep the upper band of the rate in the law at 20%. “However, for the moment, the above introduced rates will not be changed”.

The GST Council has decided to keep the upper cap higher at 20% so that in future in case of need to hike tax rate, there is no need to approach Parliament for a nod and the GST Council can raise it. This means the central GST and state GST can be up to 20% each, leaving the scope for a maximum levy at 40 per cent. The officials said *“The 4-tier rate structure that has been decided will hold for now By keeping the upper cap at 20%, we are just keeping an enabling provision which the Council can exercise at a later date after deliberation”*.

The final schedule of rates on goods and services are much awaited. As per the news, the schedule of rates and exemptions shall be discussion in the GST Council meeting to be held on 18th & 19th May' 2017.

Revenue Secretary Hasmukh Adhia assured that tax rates under GST would not see any major fluctuation.

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“The fundamental principle is that the present incidence will continue. Nobody needs to worry that their tax rate will go up too much or hope that their tax rate will go down too much. There is no need for anxiety. The standard tax rate for services will be 18 per cent under GST. The only exceptions will be those services such as transportation that currently enjoy abatement. The abatement will not remain. But the services will be fitted in the tax slab under GST based on the present incidence post abatement.”

Taxes to be subsumed under GST

The GST would replace the following taxes:

(A) 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) (0 Special Additional Duty of Customs (SAD))
- f. Service Tax
- g. Central Surcharges and Cesses so far as they relate to supply of goods and services

(B) Taxes currently levied and collected by the State:

- a. State VAT
- b. Central Sales Tax
- c. Luxury Tax

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- d. Entry Tax (all forms)
- e. Entertainment and Amusement Tax (except when levied by the local bodies)
- f. Taxes on advertisements
- g. Purchase Tax
- h. Taxes on lotteries, betting and gambling
- i. State Surcharges and Cesses so far as they relate to supply of goods and services

The GST Council shall make recommendations to the Union and States on the taxes, cesses and surcharges levied by the Centre, the States and the local bodies which may be subsumed in the GST.

Constitutional Framework of GST

The GST Constitutional (122nd Amendment) Bill' 2014 became the GST Constitutional (101st Amendment) Act' 2016 when the president assented the provisions of bill on 8th Sept' 2016.

GST Constitutional (101st Amendment) Act' 2016 contains the provisions which are necessary for the implementation of GST Regime. The present amendments would subsume a number of indirect taxes presently being levied by Central and State Governments into GST thereby doing away the cascading of taxes and providing a common national market for Goods and Services. The aim to bring about these amendments in the Constitution is to confer simultaneous power on Parliament and State legislatures to make laws for levying GST simultaneously on every transaction of supply and Goods and Services.

The amendment Act contains 20 amendments. As per Sub Section (2) of Section 1, the constitutional amendments are to be enforced with effect from such date as the Central Government may, by notification in the Official Gazette, appoint. The central government, in

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exercise of this power has appointed the 16th day of September, 2016 as the date on which the provisions of Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17, 18, 19 and 20 of the said Constitutional amendment Act, shall come into force. This notification has been issued to carry out the provisions of Constitutional amendments. Prior to this notification, the presidential order dated 15th September 2016, has also confirmed the constitution of GST Council.

Thus, all the amendments of Constitution (One Hundred and First Amendment) Act, 2016 is now active.

Major Changes introduced in GST Bill passed by Lok Sabha on 29th March 2017

1. **Non-Applicability of GST Law in the State of Jammu and Kashmir:** Earlier the GST Law was proposed to be applicable to J&K as well. However, in the Bill, the applicability of GST Law is extended to whole of India except the state of J&K.
2. **Change in the Scope of Taxable Event i.e. Supply:** Earlier the supply of goods or services between related persons, when made in the course or furtherance of business was treated as Supply even when there is no consideration. Employer and Employee were covered in the definition of related person. Thus any supply of Goods or services by employer to his employees even if that supply is free of cost would have been covered under the scope of GST. Now the bill provides that such gifts not exceeding Rs. 50,000 by an employer to an employee shall not be treated as supply for the purpose of GST.
3. **Removal of uncertainty relating to chargeability of GST on Supply of Immovable Property:** Earlier the "Goods" were defined as every kind of movable property other than money and securities but includes actionable claim. Further the "Services" were defined as anything other than goods. Thus there was an apprehension that Government may levy GST on supply of immovable Property such as Land or building apart from levy of Stamp duty on such transactions. Now in the bill introduced in the parliament, the government has removed that uncertainty by providing in Schedule III that, "Sale of land

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and, sale of building except the sale of under construction building will neither be treated as a supply of goods nor a supply of services. Thus GST can't be levied in those supplies.

4. **Non Chargeability of GST on Actionable Claims:** As "Actionable claim" were included in the definition of "Goods", there may be chargeability of GST on supply of Actionable Claim under earlier law. In the Schedule III of newly introduced bill, Actionable Claim, other than lottery, betting and gambling will neither be treated as a supply of goods nor a supply of services. Thus GST can't be levied in that case.
5. **Fixing the Upper cap of GST rate at 20% in case of CGST Law, and 40% in case of IGST Law:** Earlier the upper cap fixed was 14% and 25% respectively in both the laws. With a view to keep some flexibility to increase the rates in future, the upper cap has been fixed at 20% and 40% respectively under CGST and IGST Law. However the applicable slab rate will be same as approved by council i.e. 5%, 12%, 18% and 28%.
6. **Payment of GST by recipient under Reverse Charge in case of supply of taxable goods or services or both by a unregistered supplier to a registered person.** In line with the purchase tax on purchase of goods from an unregistered dealer prevailing in many of the states, the GST Bill has introduced the same. Liability to pay GST in such cases will be on the recipient of such goods or services.
7. **Reduction in Composition rates, a welcome move for MSME sector:** Earlier it was proposed to levy 1% composition rate for trader and 2.5% for manufacturer. Further composition scheme was not allowed for a supplier of services. Now in the bill, some reduction in composition rates has been made which is a welcome move for the MSME sector. 1% of composition rate will be applicable in case of a manufacturer instead of earlier 2.5%. Further 0.50% of composition rate will be applicable in case of a trader instead of earlier 1%. Further the composition scheme will now be allowed to Restaurant Sector with a composition rate of 2.5%.

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8. **Requirement to seek permission from proper officer for composition scheme is dispensed with:** Now a registered person, whose aggregate turnover in the preceding financial year did not exceed 50 lacs, may opt to pay under composition scheme.
9. **Change in the provision for determining the liability to pay tax in case of Services (Time of Supply of Services):** Earlier, the time of supply of services was the earlier of date of issue of Invoice, or the last date on which the invoice should have been issued or date of receipt of payment by the supplier. Now in the bill, as introduced in the parliament, the provisions of service tax for determining liability to pay service tax has been incorporated in the GST bill. Thus the time of supply of services shall be earlier of the following dates:
- If the invoice is issued within the period prescribed, the date of issue of invoices or the date of receipt of payment, whichever is earlier;
 - If the invoice is not issued within the period prescribed, the date of provision of services, or the date of receipt of payment, whichever is earlier;
 - If The date on which the recipient shows the receipt of services in his books of accounts, in a case where aforesaid clause (a) or (b) does not apply.
10. **Change in Actual Payment Condition for Non-reversal of Credits:** Earlier where a recipient fails to pay to the supplier of services, the amount towards the value of supply along with taxes thereon within a period of 3 months from the date of issue of invoices by the supplier, an amount equal to ITC availed were required to be paid along with interest thereon. Thus the aforesaid provision was restricted only in case of Services. Further there was no provision made in the law for re-allowing the credit reversed earlier due to application of aforesaid provisions. Now in the bill, the aforesaid provision is also extended to supply of Goods. Further the time period for payment is extended to 180 days from earlier 3 months. Further provision has also been made for re-availing the credit reversed earlier at the time of actual payment.

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11. Credit of Rent-a-cab, life insurance, and health insurance allowed, if used for making an outward taxable supply of same category. Earlier the credit of rent-a-cab, life insurance, and health insurance were fully denied except where the government notifies the services which are obligatory for an employer to provide to its employees under any law for the time being in force. The aforesaid provision of denial of credit would have multifold consequences. For example, a life insurance company, in case re-insurance of life insurance, will not be eligible to take credit of GST paid on re-insurance amount. With a view to avoid the genuine hardships, the credit of aforesaid services will be allowed if used for making an outward taxable supply of same category or as a part or taxable composite or mixed supply

Minimal Interface

- i. The physical interface between the tax payer and the tax authorities would be minimal under GST. Certain important provisions in this regard are:
- ii. Registration will be granted on line and shall be deemed to have been granted if no deficiency is communicated to the applicant within working days as may be prescribed.
- iii. Taxable person shall himself assess the taxes payable (self-assessment) and credit it to the account of the Government.
- iv. Payment of tax shall be made electronically through internet banking. Smaller taxpayers shall be allowed to use the systems generated challan and pay tax at the bank counter.
- v. The tax payer shall furnish the details of sales and purchases electronically without any physical interface with the tax authorities.
- vi. Tax payers shall file, electronically, monthly returns of sales and purchases, ITC availed, tax payable, tax paid and other prescribed particulars. Composition tax payers shall file, electronically, quarterly returns. Omission/incorrect particulars can be self-rectified before the filing of annual return.

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- vii. Matching, reversal and reclaim of input tax credit shall be done electronically on the GSTN portal without any tax payer contact. [This would prevent, inter 'cilia, input tax credit being taken on the basis of fake invoices or twice on the same invoice.]
- viii. Tax payers shall be allowed to keep and maintain accounts and other records in electronic form.

Input tax credit

The provisions of input tax credit have been prone to litigation. The GST law provides an elaborate mechanism for availment and utilization of ITC and seeks to impart clarity so as to minimize disputes. The important provisions of the law are:

- (i) Tax payer is allowed to take credit of taxes paid on inputs (input tax credit), as self-assessed, in his return.
- (ii) Taxpayer can take credit of taxes paid on all goods and services, other than a few in the negative list, and utilize the same for payment of output tax.
- (iii) Credit of taxes paid on inputs shall be allowed where the inputs are used for business purposes or making taxable supplies.
- (iv) Full input tax credit shall be allowed on capital goods on its receipt as against the current Central Government practice of staggering the credit in two equal instalments.
- (v) Unutilized input tax credit can be carried forward.
- (vi) The facility of distribution of input tax credit amongst group companies has been provided for.

Refund

Refund provisions have been simplified and made more taxpayer friendly. Some of the important provisions of the GST Bill are:

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- (i) Time limit for claiming refund has been increased from one year to two years.
- (ii) Refund claim along with documentary evidence is to be filed online without any physical interface and the tax refund will be directly credited to the nominated bank account of the applicant.
- (iii) Refund shall be granted within 60 days from the date of receipt of application. Interest is payable if refund is not sanctioned within the stipulated period of 60 days.
- (iv) If the refund claim is less than Rs. 5 lakhs, there is no need for the claimant to furnish any documentary evidence that he has not passed on the incidence of tax to any other person. Only a self-certification to this effect would suffice.
- (v) Refund of input tax credit shall be allowed in case of exports or where the credit accumulation is on account of inverted duty structure (i.e. where the tax rate on output is higher than that on inputs).
- (vi) In case of refund claim on account of exports, 90% of the claim shall be paid immediately on a provisional basis without verification of documentary evidence.

COMPOSITION SCHEME

To help small businesses avoid the hassles of collecting GST, claiming Input Tax credit, etc, the Model GST law has proposed a simpler levy. This levy is called Composition Levy. Also, the scheme is optional and not mandatory. This facility is available u/s 10 of the GST Bill 2017. Some of the features of composition levy are explained below:

- In order to opt for composition scheme the total aggregate turnover of the taxable person should not exceed 1NR 50 lakhs.
- The definition of "aggregate turnover" as per section 2(6) of GST law: "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of

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inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess:

- Instead of collecting GST taxpayer will pay a certain % of levy. This levy or tax will be not less than 1% in case of a manufacturer, 2.5% in case of Restaurants and 0.5% in any other case of the turnover in a state during the year.
- **Composition levy is not applicable to the taxable person:-**
 - a. Who is engaged in the supply of services other than in case of Restaurants; or
 - b. Who makes any supply of goods which are not liable to tax under this Act; or
 - c. Who makes any inter-State outward supplies of goods; or
 - d. Who makes any supply of goods through an electronic commerce operator who is required to collect tax at source under section 56; or
 - e. Who is a manufacturer of such goods as may be notified on the recommendation of the Council:
- Composition levy is linked to an assessee's PAN. In case an assessee has opted for the scheme for a business with a particular Pan, the scheme shall apply to all the businesses with the same PAN.
- In order to identify the total number of registrations of a particular organization the PAN will be considered as common identifier to calculate total number of registrations taken by such organization in India under GST and aggregate turnover reported by all the GSTINs having same PAN will be considered to calculate the limit of IN R 50 lakhs.

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- The requirement of the provision of draft law clearly states that in case any of the premise (s) having same PAN has/have not opted for composition scheme, then the benefits of the composition scheme can't be availed by other premises.
- No GST shall be collected by an assessee opting for the scheme from the recipient of its supplies.
- The composite taxpayer shall not be allowed to take any credit on the inward supplies received by them on which they have paid taxes.
- In case the taxpayer is doing any inter-state supplies of goods and/or services then no permission for opting of composition shall be granted.
- Under GST regime all the taxpayers have to take registration w.r.t all states from where they are supplying goods and/or services. So, this will result in taking multiple registrations.

Thus, it can be concluded that in the following cases composition levy cannot be availed:

1. Aggregate turnover of all premises (GSTINs) with same PAN exceeds the prescribed limit of IN R 50 lakhs.
2. Any of the premises of the Organization having the same PAN is registered as a Normal taxpayer.
3. In case taxpayer is doing any inter-state supplies of goods and/or services.

Meaning and scope of the term “Supply”

Section 7 of the Central GST Bill’ 2017 specifies the meaning and scope of supply in an inclusive manner. As per this section, the following elements are required to be satisfied, in order to constitute a ‘supply’ :-

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- (i) Supply of goods and / or services;
- (ii) Supply is for a consideration; (Supply specified in 'Schedule 1' is also covered even if made without consideration)
- (iii) Supply is made in the course or furtherance of business;
- (iv) Supply is made in the taxable territory;
- (v) Supply is a taxable supply; and
- (vi) Supply is made by a taxable person.

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POSSIBLE QUESTIONS

PART - B (2 Marks)

1. What is GST?
2. What is CGST, and SGST?
3. What do you know about UTGST and IGST?
4. GST is destination based tax system. What does it mean?
5. What are the goods not covered under GST?
6. How the concept of supply is important under GST?
7. What is dual GST?
8. What is GSTN?
9. What is the threshold limit specified for registered under GST?
10. Who can avail composition scheme?
11. What is the mode of payment of taxes?
12. What is assessment?
13. What is taxable event under GST?
14. What is composition scheme?
15. What is mixed supply?

PART - C (6 Marks)

1. Explain the history and evolution of GST in India.
2. What are the constitutional provisions relevant for GST?
3. Explain the benefits of GST.
4. What is rate structure ? How many rates are specified un GST?
5. What are the services of GSTN?
6. Explain the taxes subsumed in GST.
7. Explain the different type of assessments under GST.

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8. Discuss the scope of supply under GST.
9. What is manufacture under GST law?
10. What is the responsibility of persons opting for composition scheme?

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(For the candidates admitted from 2017 onwards)

III B.COM - FIFTH SEMESTER
INDIRECT TAX LAW – ONLINE TEST
PART – A POSSIBLE QUESTIONS
Multiple Choice Question (each questions carries 1 marks)
Unit III

S. N o.	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 consideration 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/Services	(b) Outward Supply of Goods/Services	(c) Both the above	(d) None of the above	(a) Inward Supply of Goods/Services
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 recommendat ions 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 consideration	(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

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UNIT-IV

SYLLABUS

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

CHARGEABILITY FOR GST

Provisions for Chargeability

The charging section speaks for the essential conditions on the fulfillment of which, the tax can be charged. Section 9 of Central GST Bill' 2017 speaks for the conditions of taxability (levy) as follows:-

Conditions for Levy of CGST/SGST (Section 9 of GST Bill 2017)

- There must be a Supply. (The term supply defined in Section 7 of the Bill) [Refer discussion under Separate Chapter titled "Supply"]
- The Supply must be of Goods and/or Services. (Thus, no GST on other than Goods and / or Services)
- The Supply must be Intra State. [The Supply within State is chargeable to CGST and SGST. The other supply viz, between two states shall be chargeable to IGST]
- The person must be a Taxable Person. As defined Section 2 (107) read with Section 22 and 24 of the Central GST Bill/.

Conditions for Levy of IGST

There must be a Supply. (The term supply defined in Section 7 of the Bill) [Refer discussion under Separate Chapter titled "Supply"]

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- (i) The Supply must be of Goods and/or Services. (Thus, no GST on other than Goods and / or Services)
- (ii) The Supply must be Intra State. [The Supply within State is chargeable to CGST and SGST. The other supply viz, between two states shall be chargeable to IGST]
- (iii) The person must be a Taxable Person. [As defined Section 2 (107) read with Section 22 and 24 of the Central GST Bill]

Meaning of the term Supply	<p>The term Supply has been defined in Section 7 of the Central GST Bill 2017. The definition, is as follows:-</p> <ul style="list-style-type: none">a) All forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;b) Import of services for a consideration whether or not in the course or furtherance of business;c) The activities specified in Schedule I, made or agreed to be made without a consideration; <p>Thus the definition has very wide connotations as it also includes the activities without consideration. The valuation mechanism applicable to non-monetary transactions shall be placed soon.(Refer detailed discussion below)</p>
Meaning of the Important terms	<p>Definitions by Amended Constitution</p> <p>As per article 366 of the Constitution of India amended by 'Clause 14' of the Constitution (122nd. Amendment) Act' 2014 assented on 8th September' 2016, the important related definition are reproduced below:-</p> <p>(12A) "Goods and Services Tax" means any tax on supply of goods,</p>

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	<p>or services or both except taxes on the supply of the alcoholic liquor for human consumption;</p> <p>(26A) "Services" means anything other than goods;</p> <p>Definitions under Section 2 of Central GST Bill 2017</p> <p>(52) "Goods"</p> <ul style="list-style-type: none">• Means every kind of movable property other than money and securities• But includes actionable claims, growing crops grass and things attached to or forming part of the land which are agreed to be severed before supply or under the contract of supply: <p>(102) "Services"</p> <ul style="list-style-type: none">• Means anything other than goods, money and securities• But includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form. currency or denomination for which a separate consideration is charged
<p>Meaning of the term 'Intra State' and 'Inter State'</p>	<p>Section 7 of IGST Bill 2017: Supplies of goods and/or services in the course of Inter-State trade or commerce</p> <ul style="list-style-type: none">• Supply of goods shall be treated as supply in the course of Inter-State trade or commerce, where the location of the supplier and the place of supply are in—<ol style="list-style-type: none">a) Two different States;b) Two different Union territories; orc) A State and a Union territory,

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	<p>Supply of goods imported into the territory of India, till they cross the customs frontiers of India, shall also be treated to be a supply of goods in the course of inter-State trade or commerce.</p> <ul style="list-style-type: none">• Supply of services shall be treated as supply in the course of Inter-State trade or commerce, where the location of the supplier and the place of supply are in-<ol style="list-style-type: none">a) Two different States;b) Two different Union territories; orc) A State and a Union territory, <p>Supply of services imported into the territory of India shall also be treated to be a supply of services in the course of inter-State trade or commerce.</p> <p>Section 8 of IGST Bill 2017: Supplies of goods and/or services in the course of Intra-State trade or commerce</p> <ul style="list-style-type: none">• Intra-State supply of goods means<ul style="list-style-type: none">✓ Where the location of the supplier and the place of supply of goods are in the same State or same Union territory,• Intra-State supply of services means<ul style="list-style-type: none">✓ Where the location of the supplier and the place of supply of services are in the same State or same Union territory
Meaning of the term 'Taxable Person'	The scope and ambit of this term has been specified in Section 2(107) read with Section 22 and 24 of the Central GST Bill' 2017. As per these sections, Taxable Person means a person who is registered or

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	<p>liable to be registered under Section 22 or 24 of this Bill.</p> <p>A person who takes registration voluntarily shall also be treated as a taxable person.</p>
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Types of Supply

(i) Taxable supply

Taxable supply refers to a supply of goods and/or services which is chargeable to tax under the GST Act.

(ii) Exempt supply

Exempt supply means supply of any goods and/or services which are not taxable under the GST Act and includes such supply of goods/or services which are specified in the Exempt Schedule to the Act or which may be exempt from payment of tax under Sec. 11 of the GST Law.

(iii) Zero-rated supply

Zero rated supply is a supply of any goods and/or services on which no tax is payable but credit of the input tax related to that supply is admissible. Exports shall be treated as zero-rated supply. Zero rated supplies will be treated as taxable supply. Zero rated supply has been specified in Section 16 of IGST Bill' 2017. As per this section, "zero rated supply" means any of the following supplies of goods or services or both, namely:-

- a) Export of goods or services or both; or
- b) Supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit.

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(iv) Composite / Mixed supply

Section 2(30) of the Central GST Bill' 2017 defines composite supply to mean 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;

***Illustration:** Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply.*

As per Section 8 of the Central GST Bill' 2017, the tax liability on a composite or a mixed supply shall be determined in the following manner, namely:—

- a) A composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply; and
- b) A mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax.

(v) Continuous supply of Foods/services

Identifying a supply as a continuous supply of goods/services is required in order to determine the time of supply. Section 12 and Section 13 of the Central GST Bill read with Section 31 provides separate provisions for time of supply of goods and services in the case of their continuous supply.

As per Section 2(32), “Continuous supply of goods” means a supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, whether or not by means of a wire, cable, pipeline or other conduit, and for which the supplier invoices

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the recipient on a regular or periodic basis and includes supply of such goods as the Government may, subject to such conditions, as it may, by notification, specify;

As per Section 2(33), “Continuous supply of services” means a supply of services which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of such services as the Government may, subject to such conditions, as it may, by notification, specify;

vi) Inward/Outward supply

An inward supply refers to receipt of goods and/or services whether by purchase; acquisition or any other means and whether or not for any consideration.

An outward supply refers to supply of goods and/or services, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal made or agreed to be made by such person in the course or furtherance of business. Section 37 and Section 38 of the Central GST Bill' 2017 mandates every registered taxable person other than an input service distributor, a person paying tax under composite scheme or a tax deductor at source to file details of outward supplies and inward supplies respectively as a part of monthly / quarterly return.

(vii) Inter/Intro State supply

The location of the supplier and the place of supply determines whether a supply is treated as an Intra State supply or an Inter State supply. Determination of the nature of supply is essential to ascertain which type of GST is payable (i.e. CGST/SGST or IGST). Inter State supply of goods means (subject to Section 7 of the draft IGST Act), supply of goods where the location of the supplier and place of supply are in different States. Inter State supply of service means (subject to Section 7 of the draft IGST Act), supply of services where the location of the supplier and place of supply are in different States.

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Intra State supply of goods means (subject to Section 8 of the draft IGST Act), supply of goods where the location of the supplier and place of supply are in the same State. Intra State supply of service means (subject to Section 8 of the draft 1GST Act), where the location of supplier and the place of supply are in the same State.

(viii) Deemed supply

Schedule I of the Central GST Bill' 2017 lists specific transactions made without consideration as deemed supply for GST purposes. They include

- (i) Permanent transfer/disposal of business assets where input tax credit has been availed on such assets.
- (ii) Supply of goods or services between related persons, or between distinct persons as specified under section 25, when made in the course or furtherance of business.
- (iii) Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.
- (iv) Supply of goods by a principal to his agent or agent to his principal.
- (v) Importation of services by a taxable person from a related person in the course or furtherance of business.

Need for Place of Supply of Goods and Services

The basic principle of GST is that it should effectively tax the consumption of such supplies at the destination thereof or as the case may at the point of consumption. So place of supply provision determine the place i.e. taxable jurisdiction where the tax should reach. The place of supply determines whether a transaction is intrastate or inter-state. In other words, the place of Supply of Goods is required to determine whether a supply is subject to SGST plus CGST in a given State or else would attract IGST if it is an inter-state supply.

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Importance of place of supply provisions different in respect of goods and services

Goods being tangible do not pose any significant problems for determination of their place of consumption. Services being intangible pose problems w.r.t determination of place of supply mainly due to following factors:

- (i) The manner of delivery of service could be altered easily. For example telecom service could change from mostly post-paid to mostly pre-paid; billing address could be changed, billers address could be changed, repair or maintenance of software could be changed from onsite to online; banking services were earlier required customer to go to the bank, now the customer could avail service from anywhere;
- (ii) Service provider, service receiver and the service provided may not be ascertainable or may easily be suppressed as nothing tangible moves and there would hardly be a trail;
- (iii) For supplying a service, a fixed location of service provider is not mandatory and even the service recipient may receive service while on the move. The location of billing could be changed overnight;
- (iv) Sometime the same element may flow to more than one location, for example, construction or other services in respect of a railway line, a national highway or a bridge on a river which originate in one state and end in the other state. Similarly a copy right for distribution and exhibition of film could be assigned for many states in single transaction or an advertisement or a programme is broadcasted across the country at the same time. An airline may issue seasonal tickets, containing say 10 leafs which could be used for travel between any two location in the country. The card issued by Delhi metro could be used by a person located in Noida, or Delhi or Faridabad, without the Delhi metro being able to distinguish the location or journeys at the time of receipt of payment;

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- (v) Services are continuously evolving and would thus continue to pose newer challenges. For example 15-20 years back no one could have thought of DTH, online information, online banking, online booking of tickets, internet, mobile telecommunication etc.

Importance of Valuation

Valuation is an important aspect in every taxation law. After the chargeability gets clear, then comes the valuation aspect. The law must contain specific provision for valuation covering each and every activity of chargeability. The judiciary has clearly rules that, when the valuation mechanism fails then the chargeability falls fiat.

Illustrative Issues

Following illustrative issues arise in valuation for GST. Suppose,

A telecom company charges Rs. 1000 for a monthly billing and charges Rs. 100 for late payment. Whether the valuation for GST should be Rs. 1000 or Rs. 1100.

A person providing renting of immovable property services charges Rs. 50,000 for monthly rent and in addition separately charges Rs. 5000 for electricity payable to electricity companies, Rs. 2000 for property tax payable to municipality. In this case, whether the valuation for charging GST should be Rs. 50,000 or Rs. 55,000 or Rs. 57,000.

A Builder charges Rs. 2 crores for a flat and in addition charges Rs. 5,00,000 for External Development Charges (EDC), Rs. 3,00,000 for parking and Rs. 5,00,000 for Primary Location Charges (PLC). In this case, whether the valuation for construction Service should be Rs. 2 crores or Rs. 2.03 crores or Rs. 2.13 crores, etc.

A Chartered Accountant charges Rs. 2 lac for audit and in addition charges Rs. 25,000. actual basis) for travelling, accommodation, incurred exclusively for such purpose. In this case, whether the valuation for charging GST should be Rs. 2 lacs or Rs. 2.25 lacs.

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Input tax credit

The provisions of input tax credit have been prone to litigation. The GST law provides an elaborate mechanism for availment and utilization of ITC and seeks to impart clarity so as to minimize disputes. The important provisions of the law are:

- (i) Tax payer is allowed to take credit of taxes paid on inputs (input tax credit), as self-assessed, in his return.
- (ii) Taxpayer can take credit of taxes paid on all goods and services, other than a few in the negative list, and utilize the same for payment of output tax.
- (iii) Credit of taxes paid on inputs shall be allowed where the inputs are used for business purposes or making taxable supplies.
- (iv) Full input tax credit shall be allowed on capital goods on its receipt as against the current Central Government practice of staggering the credit in two equal instalments.
- (v) Unutilized input tax credit can be carried forward.
- (vi) The facility of distribution of input tax credit amongst group companies has been provided for.

Valuation in GST Law

All these aspects are discussed in Section 15 of the Revised Model GST Act 2016, which speaks for the valuation mechanism. The GST Valuation (Determination of the Value of Supply of Goods and Services) Rules, 2016 placed on record at the time of introduction of Model GST Act June 2016 does not find any place on Revised Model GST Act November 2016.

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As per sub section (1) of aforesaid Section 15, the value of a supply of goods and/or services shall be the transaction value, subject to the condition that the supplier and the recipient of the supply are not related and price is the sole consideration for the supply. Thus, the price of supply must not be impacted due to relation and any other consideration in kind.

Sub section (2) of Section 15 further requires the inclusion of following values in determining the actual transaction value:-

- a) Any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act, if charged separately by the supplier;
- b) Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods and/or services;
- c) Incidental expenses, such as, commission and packing, charged by the supplier to the recipient of a supply, including any amount charged for anything done by the supplier in respect of the supply of goods and/or services at the time of, or before delivery of the goods or, as the case may be, supply of the services;
- d) Interest or late fee or penalty for delayed payment of any consideration for any supply; and
- e) Subsidies directly linked to the price excluding subsidies provided by the Central and State governments. The amount of subsidy shall be included in the value of supply of the supplier who receives the subsidy.

Rule 1 of GST Valuation Rules

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It applies where the consideration is not wholly in money. As per this rule, where the supply of goods or services is for a consideration not wholly in money, the value of the supply shall,

Be the open market value of such supply;

- a) If open market value is not available, be the sum total of consideration in money and any such further amount in money as is equivalent to the consideration not in money if such amount is known at the time of supply;
- b) If the value of supply is not determinable under clause (a) or clause (b), be the value of supply of goods or services or both of like kind and quality;
- c) If value is not determinable under clause (a) or clause (b) or clause (c) be the sum total of consideration in money and such further amount in money that is equivalent to consideration not money as determined by application of rule 4 or rule 5 in that order.

Illustration:

- 1. Where a new phone is supplied for Rs.20000 along with the exchange of an old phone and if the price of the new phone without exchange is Rs.24000, the open market value of the new phone is Rs 24000.
- 2. Where a laptop is supplied for Rs. 40000 along with a barter of printer that is manufactured by the recipient and the value of the printer known at the lime of supply is Rs.4000 but the open market value of the laptop is not known, the value of the supply of laptop is Rs.44000.

Important Definition

"Open Market Value" of a supply of goods or services or both means the full value in money, excluding the integrated tax, central lax, Slate tax. Union territory tax and the cuss payable by a person in a transaction, where the supplier and the recipient of the supply are not related and

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price is the sole consideration, to obtain such supply at the same time when the supply being valued is made.

Rule 2 of GST Valuation Rules

It applies in case of transaction between distinct or related persons, other than through an agent. As per this rule, value in such cases shall-

- a) Be the open market value of such supply;
- b) If open market value is not available, be the value of supply of goods or services of like kind and quality;
- c) If value is not determinable under clause (a) or (b), be the value as determined by application of rule 4 or rule 5, in that order:

However, where the recipient is eligible for full input tax credit, the value declared in the invoice shall be deemed to be the open market value of goods or services.

Rule 3 of GST Valuation Rules

It determines the value in cases of supply of goods made or received through an agent. As per this rule, the value of supply of goods between the principal and his agent shall,-

Be the open market value of the goods being supplied, or At the option of the supplier,

Be 90% of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person, where the goods are intended for further supply by the said recipient;

Rule 4 of GST Valuation Rules

It determines value of supply of goods or services or both based on cost. As per this rule, Where the value of a supply of goods or services or both is not determinable by any of the

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preceding rules, the value shall be 110% of the cost of production or manufacture or cost of acquisition of such goods or cost of provision of such services.

Rule 5 of GST Valuation Rules

This rule is residual method for determination of value of supply of goods or services or both. As per this rule, where the value of supply of goods or services or both cannot be determined under rules 1 to 4, the same shall be determined using reasonable means consistent with the principles and general provisions of section 15 and these rules:

Rule 6 of GST Valuation Rules

This rule specifies the valuation mechanism in the following cases:-

- 1) The value of supply of services in relation to purchase or sale of foreign currency, including money changing. (Value is more or less same as that of Service tax law)
- 2) The value of supply of services in relation to booking of tickets for travel by air provided by an air travel agent. (Value is more or less same as that of Service tax law)

Rule 7 of GST Valuation Rules

This rule applies for value of supply of services in case of pure agent. (Value is more or less same as that of Service tax law)

Illustration

Corporate services firm A is engaged to handle the legal work pertaining to the incorporation of Company B. Other than its service fees, A also recovers from B, registration fee and approval fee for the name of the company paid to Registrar of the Companies. The fees charged by the Registrar of the companies registration and approval of the name are

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compulsorily levied on B. A is merely acting as a pure agent in the payment of those fees. Therefore, A's recovery of such expenses is a disbursement and not part of the value of supply made by A to B.

Input Tax Credit Mechanism

One of the key features of Goods and Service Tax (GST) in India is its uninterrupted and continuous chain of input tax credit (ITC). In the present indirect taxation system, cascading, of tax is significant due to non-availability of ITC at various stages. For example ITC of CST, Entry Tax, Luxury Tax is not available. Similarly ITC of VAT is not available to manufacturers and service providers and ITC of Central Excise duty, service tax & CVD is not admissible to dealers in goods. Under GST law, ITC will follow supply chain not only in intra-State transactions but also in inter-State transactions. Moreover, credit of tax paid at the time of import of goods and services would also be creditable. This is expected to result into significant reduction in cascading of taxes.

Section 16 to Section 21 of the GST Bill' 2017 passed by Lok Sabha on 29th March' 2017, comprehensively discusses the provisions relating to the input tax credit. In the pre GST era, the Cenvat Credit Rules' 2004 used to provide for the detailed provisions relating to the cenvat credit as far as Central excise and service tax is concerned. Thus, the major provisions relating to cenvat credit was handled by rules only. However, in GST regime, the provisions relating to the cenvat credit or we call it as input tax credit has been dealt by Section 16 along with other sections and read with various rules to be placed in public domain soon.

The GST law provides an elaborate mechanism for availment and utilization of ITC and seeks to impart clarity so as to minimize disputes.

Conditions necessary for obtaining ITC

As per Section 16(2) of the. GST Bill' 2017, following four conditions are stipulated:

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- a) He is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other taxpaying document(s) as may be prescribed;
- b) He has received the goods and/or services;
- c) The tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilization of input tax credit admissible in respect of the said supply; and
- d) He has furnished the return under section 39:

Time limit for taking ITC

As per Section 16(4) of the GST Bill, ITC cannot be taken beyond the month of September of the following FY to which invoice pertains or date of filing of annual return, whichever is earlier.

The underlying reasoning for this restriction is that no change in return is permitted after September of next FY. If annual return is tiled before the month of September then no change can be made after tiling of annual return.

Negative list on which Input Tax Credit is not permitted

Section 17 of the GST Bill provides for the negative list with respect to the admissibility of ITC. It has been provided that the ITC on following items cannot be availed:

(a) Motor vehicles and other conveyances except when they are used

- (i) For making the following taxable supplies, namely
 - a. Further supply of such vehicles or conveyances; or
 - b. Transportation of passengers; or

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c. Imparting training on driving, flying, navigating such vehicles or conveyances;

(ii) For transportation of goods.

(b) The following Supply of goods and services, namely,

(i) **Food and beverages, outdoor catering, beauty treatment,** health services, cosmetic and plastic surgery **except where an inward supply of goods or services** or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as an element of a taxable composite or mixed supply;

(ii) Membership of a club, health and fitness centre,

(iii) Rent-a-cab, life insurance, health insurance except where.

A. The Government notifies the services which are obligatory for an employer to provide to its employees under any law for the time being in three; or

B. Such inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as part of a taxable composite or mixed supply; and

(iv) Travel benefits extended to employees on vacation such as leave or home travel concession.

c) Works contract services when supplied for construction of immovable property, other than plant and machinery, except where it is an input service for further supply of works contract service;

d) Goods or services received by a taxable person for construction of an immovable property on his own account, other than plant and machinery, even when used in course or furtherance of business;

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The word “construction” includes re-construction, renovation,. additions or alterations or repairs, to the extent of capitalization, to the said immovable property.

- e) Goods and/or services on which tax has been paid under section 10; (*i.e.* Composition Scheme)
- f) Goods or services or both received by a non-resident taxable person except on goods imported by him;
- g) Goods and/or services used for personal consumption;
- h) Goods lost, stolen, destroyed, written off or disposed of by way of gift or free samples; and
- i) Any tax paid in term of sections 74, 129 or 130. (*i.e.* Confiscation, demand, etc)

Payment Mechanism

In modern day taxation regime, every transaction of the tax payer the tax administration should be transparent, responsive and simple. It has been experience of tax administrations that more the system and procedures are made electronic more is the efficiency of tax administration and greater is the satisfaction of taxpayer. In this context, payment system of GST shall also be based on Information Technology which can handle both the receipt and payment processes.

Section 49 of the GST Bill 2017 deals with the payment of tax, interest, penalty and other amounts. The Joint Committee on business processes for GST payment process had released its report in April 2015. The major features of the payments procedures under GST are as follows:

- (i) Electronic payment process- no generation of paper at any stage
- (ii) Single point interface for challan generation- GSTN

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- (iii) Ease of payment — payment can be made through online banking, Credit Card/Debit Card, NEFT/RTGS and through cheque/cash at the bank
- (iv) Common challan form with auto-population features
- (v) Use of single challan and single payment instrument
- (vi) Common set of authorized banks
- (vii) Common Accounting Codes

Conditions for Collection

As per Section 9 of the GST Bill' 2017, the collection of GST shall be made from the following persons:-

General Rule: Liability on supplier of Goods and/or Services to pay GST

Full Reverse charge: Liability on Recipient of Goods and/or Services to pay GST under Reverse Charge Mechanism. [Section 9(3) read with Notification]

The manner of payment of GST liability shall be prescribed by way of Rules. Further the Joint Committee on business processes for GST has released its Report on GST Payments dated April' 2015 specifying various mechanism.

The payment processes under proposed GST regime have the following features:

- a) Electronically generated challan from GSTN Common Portal in all modes of payment and no use of manually prepared challan;
- b) Facilitation for the taxpayer by providing hassle free, anytime, anywhere mode of payment of tax;
- c) Convenience of making payment online;

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- d) Logical tax collection data in electronic format;
- e) Faster remittance of tax revenue to the Government Account;
- f) Paperless transactions;
- g) Speedy Accounting and reporting;
- h) Electronic reconciliation of all receipts;
- i) Simplified procedure for banks;
- j) Warehousing of Digital Challan.

Modes of Payment

Payment by taxpayers through Internet Banking through authorized banks and through credit card/debit card; (Section 45 of RBI Act, 1934 permit banks other than RBI to be appointed as agency banks for carrying out government business. Agency banks are permitted to both receive and make payments on behalf of the Government and therefore act as Banker to respective governments. However, authorized banks are only permitted to receive payment of GST on behalf of the Government, and keeping this distinction in view, the expression ‘authorized bank’ is used throughout this Document.)

- a) Over the Counter payment (OTC) through authorized banks;
- b) Payment through NEFT/RTGS from any bank (including other than authorized banks).

Mode of payment described at b) above will be available for payments up to Rs. 10,000/- per challan only. Model GST law may have suitable provisions in relation to this. However, there should not be any IT system constraints for this i.e. the system should be able to receive payments through all three modes irrespective of the amount.

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Other means of payment, such as payment by book adjustment as is presently being allowed by Government of India to some departments / State governments or payment by debit to export scrips, while paying tax would not be allowed. It is also noted that all taxpayers under Centre are paying taxes electronically and possibly the same situation exists in some State Tax administrations. It is desirable that under the GST regime, all taxpayers should gradually move to internet payment over an indicative time frame.

POSSIBLE QUESTIONS

PART - B (2 Marks)

1. What is place of supply?
2. What is place of Supply when movement of goods involved?
3. What is place of supply when assembling and installation is happened at a place
4. How to determine place of supply of performance based services?
5. Who is not taxable online recipient?
6. What is the place of supply of service in relation ot property situated in foreign country?
7. What is the importance of time of supply under GST?
8. Is there any relevance for issue of invoice under GST?
9. What is the liability on interest or penalty is paid by recipient of ggod or service or both?
10. Write the concept of supply made by vouchers.
11. What is output and output tax? Give example
12. What is capital goods?
13. Who is input credit distributor?
14. What is job work?
15. What are the conditions for availing input credit on vehicles?

PART - C (6 Marks)

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1. Explain various methods of determining place of supply.
2. What is supply of goods to third persons? What is place of supply of such transaction?
3. What is location of supplier of service? Under what circumstances supplier place is place of supply of service.
4. What is location of recipient of service? Under what circumstances supplier place is place of supply of service.
5. What is the place of supply of services in relation to immovable property situated in different state or union territory?
6. How to determine place of supply of service for performance based services?
7. Is place of supply being important in GST? If yes how it is?
8. What is the basic rule to determine time of supply of goods or services?
9. What is the time of supply of goods for paying tax under reverse charge?
10. Explain the provision relating to supply made by issuing vouchers.
11. Explain the various types of input credit methods. What type of method Indian GST is following?
12. What are the ineligible inputs specified in section 17(5)?

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III B.COM - FIFTH SEMESTER
INDIRECT TAX LAW – 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

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UNIT: V – REGISTRATION UNDER GST

UNIT-V

SYLLABUS

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

REGISTRATION UNDER GST

The provisions of Registration are contained from Section 22 to Section 30 of the GST Bill' 2017. As per the provisions, every person who is liable to be registered under this Act shall apply for registration in every such State in which he is so liable within 30 days. Registration of a business with the tax authorities implies obtaining a unique identification code from the concerned tax authorities so that all the operations of and data relating to the business can be agglomerated and correlated. In any tax system this is the most fundamental requirement for identification of the business for tax purposes or for having any compliance verification program. Registration under Goods and Service Tax (GST) regime will confer following advantages to the business:

- Legally recognized as supplier of goods or services.
- Proper accounting of taxes paid on the input goods or services which can be utilized for payment of GST due on supply of goods or services or both by the business.
- Pass on the credit of the taxes paid on the goods or services supplied to purchasers or recipients.

The Joint Committee on business processes for GST registration process had also released its report in July 2015 to outline the process of taking registration in GST by existing as well as new assessee.

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Major features of the registration procedures under GST

Existing dealers: Existing VAT/Central excise/Service Tax payers will not have to apply afresh for registration under GST.

- (i) New dealers: Single application to be filed online for registration under GST.
- (ii) The registration number will be PAN based and will serve the purpose for Centre and State.
- (iii) Unified application to both-tax authorities.
- (iv) Each dealer to be given unique ID GSTIN.
- (v) Deemed approval within three days.
- (vi) Post registration verification in risk based cases only.

a.Compulsory Registration

Normally registration is taken when the person crosses the basic threshold limit for paying GST, however, as per Section 24, the following categories of persons shall be required to be registered compulsorily irrespective of the threshold limit:

- (i) Persons making any inter-State taxable supply;
- (ii) Casual taxable persons making taxable supply;
- (iii) Persons who are required to pay tax under reverse charge;
- (iv) Person who are required to pay tax as Electronic Commerce Operator;
- (v) Non-resident taxable persons making taxable supply;
- (vi) Persons who are required to deduct tax (TDS) under section 51, whether or not separately registered under this Act;

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- (vii) Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise;
- (viii) Input Service Distributor, whether or not separately registered under this Act;
- (ix) Persons who supply goods or services or both, other than supplies specified under sub-section (5) of section 9, through such electronic commerce operator who is required to collect tax at source under section 52;
- (x) Every electronic commerce operator;
- (xi) Every person supplying online information and data base access or retrieval services from a place outside India to a person in India, other than a registered person; and
- (xii) Such other person or class of persons as may be notified by the Government on the recommendations of the Council.

b.Provisional Registration

As per Section 139 of the GST Bill 2017, every person registered under any of the earlier laws and having a valid PAN shall be issued a certificate of registration on a provisional basis in such form and manner as may be prescribed.

The certificate of registration shall be granted on a final basis by the Central/State Government in manner as may be prescribed.

Steps to Complete Provisional Registration

Step 1: Enter the Username (Provisional ID) and Password provided to you by your State VAT Authority

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Step 2: Enter Mobile Number and Email Address of the authorized signatory of the business entity. All future correspondence from the GST portal will be sent on this registered Mobile Number and Email Address

Step 3: Enter OTP sent on Mobile Number and Email Address provided by you

Step 4: Enter information and up ad scanned images as mentioned in provisional registration form

RETURNS UNDER GST

Periodicity of Return Filing

Common periodicity of returns for a class of taxpayers would be enforced. There will be different frequency for filing of returns for different class of taxpayers, after payment of due tax, either prior to or at the time of filing return. The return can be filed without payment of self-assessed tax as per the return but such return would be treated as an invalid return and would not be taken into consideration for matching of invoices and for inter-governmental fund settlement among States and the Centre. The periodicity of return for different categories of taxpayers is as follows:

S.No	Return / Ledger	For	To be Filed by
1	GSTR 1	Outward supplies made by taxpayer (other than compounding taxpayer and ISD)	10 th of the next month
2	GSTR 2	Inward supplies received by a taxpayer (other than a compounding taxpayer and ISD)	15 th of the next month
3	GSTR 3	Monthly return (other than compounding taxpayer and ISD)	20 th of the next month

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4	GSTR 4	Quarterly return for compounding Taxpayer	18 th of the month next to quarter
5	GSTR 5	Periodic return by Non- Resident Foreign Taxpayer	Seven days from last day of registration
6	GSTR 6	Return for Input Service Distributor (ISD)	13 th of the next month
7	GSTR 7	Return for Tax Deducted at Source	10 th of the next month
8	GSTR 8	E-Commerce Operator	10 th of the next month
9	GSTR 9	Annual Return	By 31 st December of next FY
10	GSTR 10	Final Return	3 months from the date of Cancellation

Other important points relating to periodicity of return filing

Normal/Regular taxpayers (including casual taxpayers) would have to file details of outward supplies (GSTR-1), details of inward supplies (GSTR-2) and monthly Return (GSTR-3) for each registration.

- (i) Normal/ Regular taxpayers with multiple registrations (for business verticals) within a State would have to file GSTR-1, GSTR-2 and GSTR-3 for each of the registrations separately.
- (ii) Compounding taxpayers would have to file a quarterly return in GSTR-4.
- (iii) Taxpayers otherwise eligible for the composition scheme can opt out of composition and file monthly returns and thereby make their supplies eligible for ITC in hands of

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the purchasers. In such a case, they will have to file GSTR 1-3 irrespective of their turnover.

- (iv) Casual taxpayers would have to file GSTR-1, GSTR-2 and GSTR-3 returns for the period for which they have obtained registration. The registration of Casual taxpayers will be done in the same manner as that of Normal/ Regular taxpayers but with payment of advance tax.
- (v) Non-Resident Taxpayers (foreigners) would be required to file GSTR-5 return for the period for which they have obtained registration within a period of seven days after the date of expiry of registration. In case registration period is for more than one month, monthly return(s) would be filed and thereafter return for remaining period would be filed within a period of seven days as stated earlier.
- (vi) Annual return (GSTR-9) will be filed by all normal/ regular and composition taxpayers. It will be based on financial records.
- (vii) Cut-off date for filing of details of outward supplies (GSTR-1), inward supplies (GSTR-2) and monthly return (GSTR-3) would be 10th, 15th and 20th day respectively of the succeeding month for all monthly filers.
- (viii) Cut-off date for filing of Quarterly return (GSTR-4) by compounding taxpayer would be 18th day of the first month of the succeeding quarter.
- (ix) Cut-off date for filing of Input Service Distributor return (GSTR-6) would be 13th day of the succeeding month.
- (x) Cut-off date for filing of TDS (Tax Deducted at Source) return (GSTR-7) by Tax Deductor would be 10th day of the succeeding month.
- (xi) For Annual return, the cut-off date would be 31st December following the end of the financial year for which it is filed.

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- (xii) The filing of return would be only through online mode although the facility of offline generation and preparation of returns would be provided. The returns prepared in offline mode would have to be uploaded before due date.

The provisions of Returns are contained in Chapter 9 of the GST Bill' 2017. The Joint Committee on business processes for GST return process had also released its report in Oct 2015 to outline the process of filing returns in GST. Major features of the returns filing procedures under GST are as follows:

- (i) Common return would serve the purpose of both Centre and State Government.
- (ii) There are eight forms provided for in the GST business processes for filing for returns. Most of the average tax payers would be using only four forms for filing their returns. These are return for supplies, return for purchases, monthly returns and annual return.
- (iii) Small taxpayers: Small taxpayers who have opted composition scheme shall have to file return on quarterly basis.
- (iv) Filing of returns shall be completely online. All taxes earn also be paid online.

Refund Provisions in Model GST Law

Chapter XI having Sections 54 to 58 of GST Bill' 2017 deals with refund Provisions. For the purposes of this section "refund" includes refund of tax on goods and/or services exported out of India or on inputs or input services used in the goods and/or services which are exported out of India, or refund of tax on the supply of goods regarded as deemed exports, or refund of unutilized input tax credit.

- Any person claiming refund of any tax and interest may make an application to the proper Officer of 1GST/CGST/SGST before the expiry of 2 years from the relevant date in such form and in such manner as may be prescribed.

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- A taxable person may claim refund of any unutilized input tax credit at the end of any tax period.
- No refund of unutilized ITC shall be allowed in cases other than exports or in cases where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on outputs.
- No refund of unutilized ITC in cases where the goods are exported out of India are subjected to export duty.
- The Refund application shall be accompanied by:
 - ✓ Documentary evidence as may be prescribed to establish that a refund is due.
 - ✓ Such documentary or other evidence as the applicant may furnish to establish that the amount of tax and interest, if any, paid on such tax or any other amount paid in relation to which such refund is claimed was collected from, or paid by, him and the incidence of such tax and interest had not been passed on by him to any other person.
 - ✓ If the amount claimed is less than five lakh rupees, he may file a declaration, based on the documentary and other evidences with him, certifying that the incidence of such tax and interest had not been passed on by him to any other person.

1) Refund scenarios in GST

A) Refund of unutilized Input tax credit allowed only in following cases [Sec 54(3)]

- (i) Exports of goods and services. It can be tax paid on the inputs used in the use of goods and services which are exported at zero rate or in case tax is paid on such exports then such tax (No refund of Unutilized ITC, if goods exported outside India are subjected to export duty) [Proviso to 54(3)]

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- (ii) On account of accumulation of account of rate of tax on inputs higher than the rate of taxes on Outputs. The case must not be of Exempt or NIL rated supply.

B) On Finalization of provisional assessment under Sec. 60

A dealer can apply for Provisional assessment u/s 60 after which the officer is bound to do final assessment. If on final assessment refund is due to the dealer, it shall be paid.

C) Refund of Pre — deposit for filing appeal including refund arising in pursuance of an appellate authority's order (when the appeal is decided in favor of the appellant).

D) Excess payment of tax due to mistake or inadvertence:- Such excess payment may be on account of wrong mentioning of nature of tax/GSTIN/ of tax amount. In case of wrong mentioning of tax/GSTIN, the tax administration has to verify the correctness of tax payers claim while verifying the refund application filed by the him, which should be decided within the prescribed period. In case of wrong mentioning of tax, the refund of excess amount of tax, at the option of the taxpayer, would either be automatically carried forward or adjustment against future tax liabilities or be refunded.

E) Tax wrongfully collected and deposited with the Central or State Government.

A taxable person who has paid IGST/CGST/SGST mistakenly as an Interstate/intrastate supply, but the nature of which was subsequently clarified then he shall be allowed to take refund of the tax paid under the mistaken head, subject, to rules which will be made and provisions of Sec 54 of GST Bill.

F) Refund of tax payment on purchases made by Embassies or UN

The United Nations Organization and Consulates or Embassies are required to take a Unique Identity Number and purchases made by them will be reflected against their number in GSTIN and refunds can be granted. A separate process will be notified in the Rules.

2) Procedure

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a) General procedures on submission of application

- ✓ Refunds under GST is application based and subject to verification. Application to be submitted through GSTN Portal with provision for uploading supporting documents.
- ✓ Any person claiming refund of any tax or interest shall make application to the proper officer. [S.54(1)]
- ✓ The application form shall be correct and complete and will be prescribed in the Rules.
- ✓ The application shall be made before expiry of 2 years from the relevant date.
- ✓ Relevant dates for different scenarios are specified under Explanation 2 to Section 54

b) Documents to be accompanied with the Application form - General documents will be prescribed in the Rules. But the following documents for various scenarios are mentioned in the Business Process document.

For exports refund application to be submitted by the applicant. There will be a provision to upload scanned copies wherever possible

1. Shipping Bill (Export Promotion copy);
2. Mate's Receipt / Transporter's Challan (in case of export by road);
3. Export invoice;
4. Packing list;
5. Bill of Lading/ Airway Bill;
6. Bank Realization Certificate (BRC).
7. In case of services, invoice and BRC.

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c) Verification

The verification will be mostly online.

The Import Export code (IEC) details captured at the time of issuance of GSTN can be verified with DGFT online. As proposed, if the linkage with the customs network ICEGATE is worked out, shipping bill which includes relevant details from the export invoice and packing list can be verified online.

BRC-Since the exporter has a time period of one year from the date of export for remitting of export proceeds, BRC may not be available at the time of refund application. But if export proceeds are received in advance BRC may be available. Thus, in case of BRC refund should be subject to submission of BRC details within a period of maximum one year or as extended by RBI. e-BRC module of DGFT will be integrated with GST module.

If export is done on payment of duty, the uploaded export invoice can be verified online for verification of payment of duty.

If refund is claimed on GST paid on inputs used for exported goods, utilization for exports is required to be verified. For this, the GST paid character of purchases can be matched with supplier and exporter's return. No separate documents are necessary. As regard to utilization of inputs for export,

- A simple formula will be prescribed in the rules may be based on proportionate credit based on export turnover/total turnover.
- A declaration can be obtained from the exporter regarding Utilization of inputs in exported goods.
- Refund shall be granted within 60 days from the date of application containing complete details. Sec.48 (7).

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- For export refunds to notified category of dealers, 90% refund can be granted before verification subject to such conditions and restrictions.

1) Unjust enrichment and consumer Welfare Fund

Except in cases of exports, refund of unutilized ITC and the amount of tax and interest or other amounts paid by the applicant, if he had not passed on the incidence of such tax and interest to any other person and tax or interest borne by such notified persons, the refundable amount shall be credited to consumer welfare fund constituted under sec.57.

2) Withholding of refunds (Sec.54)

Refund can be withheld in the following circumstances:

- If the registered dealer has not submitted return, till he files the return.
- The proper officer can also deduct unpaid taxes if any of the dealer.
- Commissioner/Board can withhold refund, if, the Order of Refund is under appeal and he is of the opinion that grant of such refund will adversely affect revenue.

3) **Minimum threshold for refund [Sec 54(14)]** No refund shall be granted if the amount is less than Rs.1000/-.

4) Interest on delayed refunds (Sec.56)

- Interest accrues from after 60 days from the date of receipt of application.
- Interest rate yet to be notified. Business process Committee recommends 6%.
- In case of refund pursuant to appellate authority/ Tribunal/Court from the date of order.

5) Refunds under earlier law to be paid in cash (See transitional provisions)

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Electronic Commerce

In the existing VAT, service tax and excise legislation, there are no specific provisions for e-commerce operators to pay taxes on sale of goods or to make any tax deductions from the payments being made by them to actual seller of goods. However, many states, under their VAT law have started prescribing returns to be filed by the e-commerce operators with information relating to the supplies made through their portal. In order to mitigate the challenges being posed by e-commerce transactions, the GST Law endeavours to establish a compliance mechanism to ensure that the appropriate taxes are discharged by the actual suppliers supplying goods or services through electronic portals. The pivotal point from where this can be ensured is the E-commerce operator.

Section 52 read with Section 2 (45) of GST Bill' 2017 contains provisions for electronic commerce.

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.

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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.

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TAX DEDUCTED AT SOURCE / TAX COLLECTED AT SOURCE

Provisions for Tax Deducted at Source (TDS)

As per section 51, this provision is meant for Government and Government undertakings and other notified entities making contractual payments in excess of Rs. 2.5 Lakhs to suppliers. While making such payment, the concerned Government/authority shall deduct 1% of the total payable amount and remit it into the appropriate GST account.

Any amount shown as TDS will be reflected in the electronic cash ledger of the concerned supplier. He can utilize this amount towards discharging his liability towards tax, interest fees and any other amount.

How will the TDS be accounted by the TDS Deductor?

TDS Deductor will account for such TDS in the following ways:

1. Such deductors needs to get compulsorily registered under section 22 read with Section 24 of GST Bill.
2. They need to remit such TDS collected by the 10th day of the month succeeding the month in which TDS was collected and reported in GSTR 7.
3. The amount deposited as TDS will be reflected in the electronic cash ledger of the supplier.
4. They need to issue certificate of such TDS to the deductee within 5 days of deducting TDS failing which fees of Rs. 100 per day subject to maximum of Rs.5000/- will be payable by such deductor.

Provisions for Tax Collected at Source (TCS)

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As per section 52 of the GST Bill' 2017, the provisions for TCS are applicable only for E-Commerce Operator. Every E-Commerce Operator needs to withhold a percentage (to be notified later on the recommendation of the GST Council) of the amount which is due from him to the supplier at the time of making actual payment to the supplier. Such withheld amount is to be deposited by such E-Commerce Operator to the appropriate GST account by the 10th of the next month. The amount deposited as TCS will be reflected in the electronic cash ledger of the supplier.

Time limit of payment of TCS

In terms of Section 52(3) of the GST Bill' 2017, the amount collected by the operator is to be paid to the credit of appropriate government within 10 days after the end of the month in which amount was so collected.

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. To generate GST compliant invoices for free on Clear Tax, Bill Book. 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 .

Small Scale Exemption

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The rationale for providing small scale exemption or basic threshold limit in taxation law is that it is beneficial both for the assessee as well as the government.

Typically a small number of firms account for a large proportion of revenues from taxes on goods and services. Simultaneously, resources used in the collection of taxes are scarce and must therefore be deployed effectively; these need to be concentrated on the largest taxpayers as part of the risk management strategy. Further, the compliance burden under the invoice credit method is relatively high and it is uneconomical to collect revenues from a large number of small taxpayers. Hence, keeping in view the compliance cost and administrative feasibility, 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.20 lakh (Rs 10 lakhs for North Eastern states). However, like in most other countries, those below the threshold limit may be allowed to register voluntarily to facilitate sales to other registered manufacturers/dealers, limit competitive distortions and avoid inequities.

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:

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- Turnover of goods
- Turnover of services
- Applicable taxes(according to FDP)
- Below 10 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.

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POSSIBLE QUESTIONS

PART A (2 Marks)

1. Who are all responsible to register under GST?
2. Is there any exemption limit for registration under GST?
3. What are the notified states?
4. What is aggregate turnover?
5. What is business verticals?
6. What are the documents required for registration ?
7. What is Bill of supply?
8. Who is distinct person?
9. What is receipt voucher?
10. What is credit note and debit note?
11. What are the information to be furnished un GSTR-I?
12. When books of accounts to be audited?
13. When invoice should be issued for supply of goods?

PART - C (6 Marks)

1. What are the benefits available to registered suppliers under GST?
2. Under what circumstances same person can have different registration in same state.
3. Discuss the Return Filing.
4. Explain Rules for return filing..
5. Briefly explain Refund Provision in GST.
6. Discuss in detail about E –commerce.
7. TDS/TCS – discuss in detail.
8. Briefly explain Small scale exemption.

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9. What is advance registration? Who are liable for advance registration?
10. Explain the contents of invoice to be issued by goods transport agency.

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(For the candidates admitted from 2017 onwards)

III B.COM - FIFTH SEMESTER
INDIRECT TAX LAW – ONLINE TEST
PART – A POSSIBLE QUESTIONS

Multiple Choice Question (each questions carries 1 marks)

Unit V

S.N o.	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 accommodation 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 received as such vouchers are sold	D) None of these	C) Location where such pre-payment is received 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 authenticated 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 the expiry of sixty months from the last date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later	(c) One year after final disposal of such appeal or revision or proceeding, or until the expiry of seventy two months from the last date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later	(d) One year after final disposal of such appeal or revision or proceeding, or until the expiry of forty months from the last date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later	(c) One year after final disposal of such appeal or revision or proceeding, or until the expiry of seventy two months from the last date of filing of Annual Return for the year 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 67 in case of 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/request	(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/request	(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)

						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 consideration
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