KARPAGAM ACADEMY OF HIGHER EDUCATION

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

Coimbatore – 641 021.

SYLLABUS

SUBJECT NAME: INDIRECT TAX LAWS **SUB.CODE:16CCU502B**

CLASS: III B.COM(CA) **SEMESTER: VI**

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SCOPE

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

OBJECTIVES:

To provide basic knowledge and equip students with application of principle 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- Duties free zones- Offense and penalties.

Unit III

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

UNIT IV

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

UNIT V

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

TEXT BOOK

1. V.S Datey, (2016) "Indirect Taxes " Taxmann Publication (P) Ltd., New Delhi

2. Simplified approach to GST – A Ready Reference – April 2017.

REFERENCE BOOK

1. V. Balachandran (2015) Indirect taxation, Sultan Chand & sons, New Delhi

2. P. Radhakrishnan (2016) Indirect taxation, Kalyan Publisher , New Delhi

3. Sethurajan (2005) Indirect taxation including Wealth tax, Speed Publication

4. Singhania (2014) , Indirect taxation,Taxmann Publication(p) ltd., New Delhi

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LECTURE PLAN
DEPARTMENT OF COMMERCE

STAFF NAME: R.SUBASREE
SUBJECT NAME: INDIRECT TAX LAWS SUB.CODE:16CCU502B
SEMESTER: V CLASS: III B.Com (CA)

S.No	Lecture Duration Period	Topics to be Covered	Support Material/Page Nos
		UNIT-I	
1	1	Introduction to indirect tax	T:2-3
2	1	Indirect tax- meaning	T:1
3	1	Features of indirect tax	T:1-2
4	1	Types of taxes	T1:3-4 W1
5	1	Objectives	T1:4-5
6	1	Types of indirect tax	R:2-4
7	1	Principles of indirect tax	T:5
8	1	Tax system in India	W
9	1	Tax system in India	W
10	1	Pros of indirect tax	T:8-9
11	1	Cons of indirect tax	T1:8-9
12	1	Contribution to government revenue	R-10
13	1	Development of indirect tax	R-11
14	1	Development of indirect tax	R-11
15	1	Canons of taxation	T-9
16	1	Canons of taxation- types	T:10-11
17	1	Difference betwe4en direct and indirect taxes	T-12

18	1	Major reforms in indirect taxes	T:15-16
19	1	Recent ternds in indirect taxes	T:16-17
20	1	Recapitulation and Discussion of Important Questions	
	Total No of Hours Planned For Unit I=20		
		UNIT-II	
1	1	Basic concepts of customs law	R:31-33
2	1	Different types of customs duty	R:88-90
3	1	Different types of customs duty	R:88-90
4	1	Abatement of duty in damaged goods	R:97-98
5	1	Valuation	R:101-103
6	1	Valuation	R:101-103
7	1	Customs procedure	R:116-117
8	1	Customs procedure	R:116-117
9	1	Exemptions	R:63-66
10	1	Custom duty drawback	R:121-124
11	1	Custom duty drawback	R:121-124
12	1	Duties free zone	W
13	1	Offences and penalties	R:186-190
14	1	Centaral board of customs	T:19
15	1	Valuation of goods for purpose of customs duty	T:20
16	1	Recent trends in customs duty	T:21
17	1	Difference between excise and customs duty	T:23
18	1	Difference between safeguard and customs duty	T:23
19	1	Recapitulation and Discussion of Important Questions	
	Total No of Hours Planned For Unit II=19		

		UNIT-III	
1	1	Introduction to goods and services tax	T:1-8
2	1	Meaning and basic concepts of GST	T:1-8
3	1	Features of GST	T:15-17
4	1	Benefits of GST	T:15-17
5	1	Disadvantages of GST	T:15-17
6	1	GST working mechanism	T-10
7	1	GST rates and taxes	T:18-20
8	1	Goods and services tax network (GSTN)	T:21-24
9	1	Constitutional framework of GST	T:25-27
10	1	Model of GST law	T:35-51
11	1	Model of GST law	T:35-51
12	1	Chargeability of GST	T:53
13	1	Provision of chargesbility	T:53-54
14	1	Condition of levy	T:55-56
15	1	Composition scheme	T:57
16	1	Types of GST	T:58
17	1	Aggregate turnover	T:59
18	1	Composition levy	T:60
19	1	Recapitulation and Discussion of Important Questions	
	Total No of Hours Planned For Unit III=19		
		UNIT-IV	
1	1	Introduction	T:61
2	1	Scope of supply	T:62
3	1	Types of supply	T:62-63
4	1	Time of supply	T:63-65
5	1	Difference between time and	T:65

		types of supply	
6	1	Provision relating to time of supply	T:65-69
7	1	Place of supply	T:75
8	1	Difference between time and place of supply	T:76
9	1	Provision relating to place of supply	T:77-80
10	1	Valuation mechanism	T:95-97
11	1	Input tax credit mechanism	T:107-112
12	1	Payment mechanism	T:113
13	1	Condition for collection	T:114
14	1	Payment procedure under proposed GST	T:114-115
15	1	Registration under GST rules	T:119
16	1	Major features of registration	T:120
17	1	Provisional registration	T:121
18	1	Schedule of enrolment plan	T:121
19	1	Recapitulation and important question discussion	
	Total No of Hours Planned for unit IV=19		
		[UNIT V	
1	1	Introduction about registration under GST	T:145-146
2	1	Registration under GST	T:147
3	1	Return filing	T:148
4	1	Online return filing procedure	T:149
5	1	Rules	T:150
6	1	Refund provision in GST	T:157-161
7	1	E-Commerce	T:163
8	1	TDS/TCS	T:160-163
9	1	Differene between TDS&TCS	T:171
10	1	Small scale exemptions	T:173-174

11	1	State wise turnover	T:175
12	1	Voluntary registration facility	T:’176-177
13	1	GST rules	T:179-183
14	1	Revised GST return rules	T:192-204
15	1	Revised GST payment rules	T:204-208
16	1	Recaptulation and important question discussion	
17	1	Discussion of previous year ESE question paper	
18	1	Discussion of previous year ESE question paper	
19	1	Discussion of previous year ESE question paper	
	Total No of Hours Planned for unit V=19		
Total Planned Hours	96		

TEXT BOOK

1.V.S.Datey , “ Taxmann publication” (P) ltd, New Delhi(2010)

2.Simplified approach to GST – A ready reference – April 2017

REFERENCES

1. V.Balachandran(2006) Indirect taxation, Sultan Chand & sons, New Delhi.

2. P.Radhakrishnan (2006) Indirect taxation, Kalyan Publisher, New Delhi.

3. Senthurajan (2005) Indirect Taxation including Wealth tax, Seed Publication.

4. Singhania (2014), Indirect taxation, Taxmann Publication (p) ltd., New Delhi (2010).

WEBSITES

W1: http://www.wipo.int./edocs/laws/en/in/inossen.pdf
W2 : www.taxmann.com.
W3: www.taxonline.com

UNIT-I

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

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 pays the tax, there is no question of shifting of burden of tax in future but in case of indirect tax , if the goods are transferred from one consumer to the another, the burden of tax is shifted to the subsequent consumer. Indirect tax is a wider concept with regard to direct tax. Indirect tax affects only an individual which does not affect the price or demand of goods directly whereas in case of indirect tax it affects the whole country as well as global market and if the price of goods is increased, the demand of that good may fall down which will indirectly hinder the healthy development of country. Tax evasion is more in direct tax whereas it is comparatively very low in indirect taxation.

Extent of Taxation under Constitution of India:

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

When union list is inconsistent with the state list, union list will prevail. Under Article 249, parliament can make laws on state list either when 2/3rd member of Rajya Sabha gives its consent or in case of emergency. Even doctrine of eclipse is also applicable in taxation case, which states that all those British law which were prevailing before independence are not illegal. Only those provisions which are inconsistent with our constitution will be struck down for the

time being and other will be applicable in same manner. Under Article 255, when there is a controversy between international law and municipal law, international law will prevail in India.

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

FEATURES OF INDIRECT TAX

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

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

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

(a) Union,

(b) State, and

(c) Concurrent.

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

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

2. **Multiplicity of Tax Structure**

India is having a broad based and extensive tax structure. Its main feature is the existence of multiplicity of taxes. There are both union government taxes and state government taxes. The tax structure includes both direct and indirect taxes. In the case of states governement indirect taxes play a dominant role, in the composition of tax revenue. Among the direct taxes imposed in

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

The indirect taxes in India Consists of excise duties, customs duties, etc. The important taxes levied by the union government are income tax, corporation tax, central excise duties, wealth tax, gift tax, custom duties etc.The state governments main taxes are land revenue, sale

tax, state excise duties entertainment tax, stamp and registration duties etc. The gross tax revenue of the Central Government grew by 17.6 percent and 19.9 percent in 2003-04 and 2004 – 05, respectively.

3. Larger share of Indirect Taxes

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

4. Insufficient Tax Revenue

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

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

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

6. Incidence of Taxation

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

7. Progressiveness in Tax Structure:

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

8. Narrow Base

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

9. Complexity of Indian Tax Laws:

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

10. Integration between Centre and Sate Revenue:

After independence concrete efforts were made to organize the tax structure scientifically in tune with the requirements of a federal set of government. At present there is well-organized machinery for the collection distribution and expenditure of the revenue. Now the tax system is well structured to generate sufficient revenue to meet the requirements of development objectives. However we can point out a number of short comings in Indian tax structure. It is usually argued that Indian tax system is unscientific because it doesn‗t provide any stimulation for production investment and saving activities of the government.

TYPES OF INDIRECT TAX

We all knew that Tax law is divided into two parts that is direct and indirect tax. This direct and indirect tax are further classified as Direct tax includes Income Tax Act and Wealth Act, where as Indirect tax is classified as Central Excise duty, Customs duty, Service tax, Central sales tax, Value added tax, and miscellaneous. Almost each and every branch of law is classified into different sub-heads, likewise taxation is classified as follows in form of this chart:-It is an indirect tax levied and collected on the excisable goods manufactured or produced in India (excluding alcohol and tobacco) which has its marketability and which is known to the market or which already exists in the market. Central excise duty is also being levied to ores and minerals which are extracted from the earth. Manufacturer of marketable goods is liable to pay the excise duty to the government on the day when the goods are taken out the door of manufacturing unit. He is bound to pay to pay duty on all goods manufactured or produced in India unless and until it is exempted by the law. Exemption is given to develop the country is that; manufacturer is not bound to pay the excise duty on the goods exported out of India provided that specified quantum of quality and quantity is too maintained. This was done to increase the exportation in India. The duty of Central Excise is levied if the following conditions are satisfied:

(1) The duty is on goods.

(2) The goods must be excisable.

(3) The goods must be manufactured or produced.

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

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

1. Central Excise Act, 1944(CEA): The basic Act which provides the constitutional power for charging of duty, valuation etc.

2. Central Excise Tariff Act, 1985 (CETA): This classifies the goods under 96 chapters with specific codes assigned.

3. Central Excise Rules, 2002: It deals with the procedural aspects of excise duty. The rules given under rules are implemented or come into force after issue of notification.

4. Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000: This rule deals with the provisions of valuation of excisable goods.

5. Central vat Credit Rules, 2004: This rule deals with provisions relating to Cenvat Credit and its utilization.

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

1. A person, who produces or manufactures any excisable goods,

2. A person, who stores excisable goods in a warehouse,

3. In case of molasses, the person who procures such molasses,

4. In case goods are produced or manufactured on job work,

i. The person on whose account goods are produced or manufactured by the job work, or

ii. The job worker, where such person authorizes the job worker to pay the duty leviable on such goods.

Service Tax

The interesting thing about Service Tax in India is that the Government depends heavily on the voluntary compliance of the service providers for collecting Service Tax in India. When it was introduced initially there were three services which were liable but over the years various other services have been added and today more than a hundred services are liable under service tax. One of the main reasons for the services to be taxed is the fact that the manufacturing sector can be taxed only to a certain extent and if we want to maintain the healthy completion and growth, all the activities are to be taxed which is also important for justice and equity. The service providers in India except those in the state of Jammu and Kashmir are required to pay a Service Tax under the provisions given in Chapter V and VA of the Finance Act of 1994 for the time being. Service Tax Act enacted on 1994. Under this Act, service tax is levied on gross or aggregate amount of service on receiver by the service provider. Under rule 6, tax is to be paid on the value received and central government can also grant exemptions long with making rules under this rule with the span of time for the time being.

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

Value Added Tax

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

1. Subtraction method: Difference between the value of output and the cost of input is taken out and tax is applied on that difference.

2. The Addition method: All the payments that is payable to the factors of production are added and thud value added is computed.

3. Tax credit method: This entails set-off of the tax paid on input.

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

Central sales Tax

Central sales tax is levied upon a dealer on sale of all goods during their transaction in inter- state trade or commerce or in outside state trade transaction. This transaction can be inter-state sale even if the seller and buyer are from same state but goods are transferred from one state to another under contract of sale during their transition by transfer of documents. The state from where the goods are moved out, tax will be levied on that sate based on that state sales rate. Sales tax cannot be levied upon the sale or purchase of good outside that state and import and export of any goods outside the India. If sale is made to reseller and tax exempted institutions are two conditions where this Central Sales Tax is exempted.Sales Tax are of two kinds- Central Sales Tax which is to be levied on inter-state sale and purchase of goods by the parliament and another is Sales Tax which is to be levied on commerce trade sales at various rates under Sales Tax Act by the State government who can also impose additional tax charge as purchase tax, turnover tax etc. Thus, Sales Tax helps in generating major revenue for different State governments. In India, most of states have supplemented their Sales Tax with VAT.

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

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

Customs duty

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

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

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

13. Surcharge on Motor Spirit

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

Expenditure Tax

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

Stamp Duties

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

Securities Transaction Tax (STT)

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

OBJECTIVES OF INDIRECT TAX

1. Tax Planning:

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

2. Tax Accounting

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

3. Tax Compliance:

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

4. Tax Governance:

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

5. Support Other Departments:

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

6. Audit Defence

Roles and responsibilities have been determined who deals with the tax authorities during an audit (announcement) and tax authorities questions and procedures

―how to act‖ (e.g. appoint one contact person, never provide documents without first making copies) have been documented and rolled out.

PRINCIPLES OF INDIRECT TAX

1. Productivity or Fiscal Adequacy:

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

2. Elasticity of Taxation:

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

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

3. Diversity:

A good tax system should follow the principle of diversity. This implies that there should not be a single or a few taxes from which Government seeks to raise large revenue. This is because if a Government tries to get large revenue from a single tax or few taxes, it will have to raise the rates of taxation too high which will not only adversely affect the incentives to work, save and invest but also encourage evasion of taxes.

4. Taxation as in Instrument of Economic Growth:

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

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

5. Taxation as an Instrument for Improving Income Distribution:

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

6. Taxation for Ensuring Economic Stability:

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

CANNON OF TAXATION

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

1. Canon of Equality

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

2. Canon of Certainty:

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

The certainty aspects of taxation are:

1. Certainty of effective incidence i.e., who shall bear the tax burden.

2. Certainty of liability as to how much shall be the tax amount payable in a particular period. This the tax payers as well as the exchequer should unambiguously know.

3. Certainty of revenue i.e., the government should be certain about the estimated collection of revenue from a given tax levied.

3. Canon of Economy:

This principle suggests that the cost of collecting a tax should not be exorbitant but be the minimum. Extravagant tax collection machinery is not justified. According to Adam Smith,

―Every tax has to be contrived as both to take and keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state.‖

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

4. Canon of Convenience:

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

5. Canon of Elasticity:

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

6. Canon of Productivity:

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

7. Canon of Simplicity:

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

8. Canon of Diversity:

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

9. Canon of Expediency:

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

TAX SYSTEM IN INDIA

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

‗indirect' because the real burden of such a tax is not borne by the individual or firm paying it but is passed on to the consumer. Excise duty, customs duty, sales tax etc.There Are Two Categories of Taxes in India, These Are –

DIRECT TAXES

These taxes are levied directly on the persons.

These contributes major chunk of the total taxes collected in India.

Some of the direct taxes are-

1. Income Tax-

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

2. Corporate Income Tax –

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

3. Securities Transaction Tax-

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

Transaction Tax.

4. Banking Cash Transaction Tax -

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

INDIRECT TAXES-

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

Some examples of Indirect Taxes are-

1. Value Added Tax

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

Current rate-

On agricultural goods-4% On luxury items- 20%

2. Customs Duty –

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

3. Excise Duty –

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

4. Service Tax-

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

Current rate- 12

Funds provided by taxation are used by governments to carry out the functions such as military defence enforcement of law and order redistribution of wealth economic infrastructure — roads, ports etc

social welfare

social infrastructure like education, health etc

social security measures like pensions for the elderly, unemployment benefits

Taxation System in India

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

Service Tax

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

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

Its share in the country‘s Gross Domestic Product (GDP) has increased from about 28% in 1951, to 55% (2011).

Taxing services is important to raise resources and increasing the tax-GDP ratio service providers should share the tax burden with others-industry

Service Tax and Indian Constitution

The 88th amendment to the Constitution (2004) amended Article 270 (made it divisible) and inserted in the Union List (List I) entry No. 92C — _taxes on services'.

The amendment to the Constitution places services tax formally under the Union List, This will pave the way for the Centre to levy and collect the tax.

The amendment becomes redundant with the introduction of GST in 2011 where the services will be jointly taxed by Centre and States.

GST

Goods and Services Tax is a multi-point sales tax with set off for tax paid on purchases of inputs. There is no cascading (tax on tax) effect as there is deduction or credit mechanism for taxes paid for the inputs. The tax is levied on the value added and on consumption only. Total burden of the tax is exclusively borne by the domestic consumer. Exports are not subject to GST.

The goods and service tax (GST) is proposed to be a comprehensive indirect tax levy on manufacture and sale of goods as well as services at a national level. Integration of goods and services taxation would give India a world class tax system and improve tax collections. It would end the long standing distortions of differential treatments of manufacturing and service-sector. The introduction of goods and services tax will lead to the abolition of taxes such as octroi, Central sales tax, State level sales tax, entry tax, etc and eliminate the cascading effects tax on tax.

Constitutional Amendment for GST

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

PROS AND CONS OF INDIRECT TAX

Advantages of Indirect Taxes:

Indirect taxes have advantages of their own.

(i) The Poor Can Contribute:

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

(ii) Convenient:

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

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

(iii) Non-evadable:

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

(iv) Elastic:

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

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

(vi) Check Harmful Consumption: .

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

Disadvantages of Indirect Taxes:

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

(i) Regressive:

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

(ii) Uncertain:

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

(iii) Raising Prices Unduly:

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

(iv) Uneconomical:

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

(v) No Civic Consciousness:

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

(vi) Harmful to Industries:

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

CONTRIBUTION OF INDIECT 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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INDIRECT TAX LAW (16CCU502B)								
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 goverbment	local authorities	revenue department	state government			
2. sales tax,central sales tax is levied by ___________	state government	individual state	administration of government	centralgover nment	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 basicpurpose 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 governmant can use __________	tax policy	tax measures	tax exemptions	tax concessions	tax measures			
9. Payment of ytax through banks will be another measure of _________	compulsory	convenience	collection	adequate servicve	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	oncome	ability			
14. direct taxes create _______ among tax payers	confidence	consciousne ss	capability	responsibilit y	consciousne ss			
15. consumers paid __________ while purchasing commodities	large amounts	smallamoun ts	medium amounts	enlarge amounts	small amounts			
16. Indirect taxes are ______ in nature	progressive nature	rice	poor	regressive	regressive			
17. Tax evasion as ______ part of the price of goods	tax ability	tax paying	tax forms	tax arise	tax ability			
18. tax rates creates _________ leading to increase in cost	Taxability	deflation	Inflation	tax evasion	Inflation			
19. Impact of __________ falls on the	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 stae 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,moree 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 alevy on other than ________	products	services	goods	cost	goods			
30. _______are levied on higher rate of taxes	luxurious articles	gifts	consumable goods	commodities	gifts			
31. principleof 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	publicconsumption	common consumption	property consumption	private consumption			
33. Tax liability increase in the same proportion is called _______	Proportional taxation	progressive taxation	regressive taxation	degressive 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 invalue 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	additionalduty	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 conomy as a whole is _________	relative taxable capacity	absolute taxable capacity	determining capacity	noneof these	absolute taxable capacity			
42. Tax evasion is comparatively _______ in the case of orgaised sector	less	higher the cost	medium	very less	less			
43. Imposition of indirect taxes creates ________ in the use of production	imbalance	burden	balance	imburden	balance			
44. The consumption of harmful goods ___________ increases social welfare	economy	social welfare	services	priority sector	social welfare			
45. Major components of the economic process initiated in ________	tax reform	tax policy	tax consultation	tax excising	tax reform			
46. Tax liability asa proportion of income falls with increase in tax payers	degressive taxation	progressive taxation	regressive taxation	noneof 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	consumptio n	production	sales	distribution	consumptio n			
49. The central excise is compared to the _______	direct tax	indirect tax	servicetax	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 governement	high	low	medium	normal	high			
53. The amount of paying tax is_________ price of commodity	higher	low	normal	verylow	higher			
54. Indirect tax have been contributing not less than _____ in 1980	85%	80%	75%	65%	75%			
55. _________ is the largest source of single revenue source	customs duty	excise duty	VAT	service tax	2			
56. Major components of the economic process initiated _____ in tax reform	1981	1985	1991	1999	1991			
57. _______ in India comprises a system of customs and duties	Indirect tax	service tax	customs duty	direct tax	direct tax			
58. The process of indirect tax system in the country began in ______	1995	1985	1992	1999	1985			
59. _______ is very less in Indirect taxation	tax empowerm ent	tax evasion	tax rules	tax appointment	tax evasion			

60. Traders are charge _______ price in actual rate tax	less	very high	high	very less	less			

UNIT-II

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 goodbeing 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 county'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.

CESSES

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 ofassessment in which the duty assessed is nil;

(3) “Baggage” includes unaccompanied baggage but does not include motor vehicles;

(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 Linder 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;

(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 Lip 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;

(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 of 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;

(k) The protection of human, animal or plant life or health;

(1) 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 nationalprestige;

(u) The prevention of the contravention of any law for the time being in force; and

(v) Any other purpose conductive 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 with 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 fromsuch 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.

(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, excessduty, 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 thedate 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 atthe 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 TFPB-15-333.E 3

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.

KARPAGAM ACADEMY OF HIGHER EDUCATION					
DEPARTMENT OF COMMERCE					
III B.Com (CA)					
INDIRECT TAX LAW (16CCU502B)					
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	preference value	basis value
6. Government is empowered _______ of customs act is prescribe notification	sec 10	sec 25	sec 35	sec 45	sec25
7. _________Goods could not suffer excise duty	Exported	local stated	Imported	local valuable	imported
8. _________ additional duties levied on imported goods	special additional duty	protective	anti dumping duty	additional duty	protective
9. Exporter sells the product to an exporting country at__________ price	hogh	very high	less	very less	less
10. ______ of customs act to safeguard the interest of domestic industry	sec 9A	sec8b	sec 18	sec 19	Sec 8B
11. _______ is levied on dumped articles	anti dumping duty	valoreum duty	safeguard duty	protective duty	Anti-dumping duty
12. _____ means customs port and customs airport	customs area	customs station	customs goods	customs duty	Customs station
13. _________ goods kept in ware nouse called warehouse goods	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 subsction	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 authories	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 abondoned goods	sellers	buyers	owners	wholesal ers	owners					
31. _____ is not posssible 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 chargable 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 bya ________	cash	transport voucher	.Bills	.document paper	transport voucher					
43. The statement containing particulars of notified goods duly signed must be delivered in __________	.duplicate	orginal	.acccounts	voucher	.duplicate					
44. Valuation of goods under customs Act dealt under	.Section 10	section12	section14	.section25	section14					
45. The valuation rules,1988 based on GATT valuation code, 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	.Muncipality	Local authority	central government					
53. The exemptions granted under the customs Act are broadly classified as ______ & ______	.general , specific	ordinary ,Special	special , compliment	compund , speical	.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	orginal	duplicate					
56. Shipping bills should be filed in the customs House within ________days before the arrival of the loading vessel.	7 days	.14 days	.21 days	30 days	triplicate					

57. Tea cannot be exported unless a licence is granted by	.central government	state government	.Tea board	Coffee Board	.Tea board					
58. A new tariff based on the ______ has been introduced for indigenously manufactured goods under the central excise Tariff Act, 1985	.HSBN	HSN	HHN	HMN	HSN					
59. The british established the first board of revenue with its headquarters in__________	delhi	Mumbai	.chennai	.calcutta	.calcutta					
60. customs tariff contains	97 chapters	.98 chapters	.99 chapters	.100 chapters	97 chapters					

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.

Introduction to Goods and Services Tax

INTRODUCTION

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

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

Meaning of GST

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

Concepts of GST

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

Rates

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

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

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

MODELS OF GST

There are three prime models of GST:

GST at Central (Union) Government Level

only GST at State Government Level only

GST at both, Union and State Government Levels

BENEFITS OF GST

1. GST provide comprehensive and wider coverage of input credit setoff, you can use service tax credit for the payment of tax on sale of goods etc.

2. CST will be removed and need not pay. At present there is no input tax credit available for CST.

3. Many indirect taxes in state and central level included by GST, You need to pay a single GST instead of all.

4. Uniformity of tax rates across the states

5. Ensure better compliance due to aggregate tax rate reduces.

6. By reducing the tax burden the competitiveness of Indian products in international market is expected to increase and there by development of the nation.

7. Prices of goods are expected to reduce in the long run as the benefits of less tax burden would be passed on to the consumer.

FEATURES

The salient features of GST are asunder:

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

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

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

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

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

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

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

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

a) Central Excise Duty;

b) Duties of Excise (Medicinal and Toilet Preparations);

c) Additional Duties of Excise (Goods of Special Importance);

d) Additional Duties of Excise (Textiles and Textile Products);

e) Additional Duties of Customs (commonly known as CVD);

f) Special Additional Duty of Customs (SAD);

g) Service Tax;

h) Cesses and surcharges insofar as they relate to supply of goods or services.

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

- a) State VAT;
- b) Central Sales Tax;
- c) Purchase Tax;
- d) Luxury Tax;

e) Entry Tax (All forms);

f) Entertainment Tax (except those levied by the local bodies);

g) Taxes on advertisements;

h) Taxes on lotteries, betting and gambling;

i) State cesses and surcharges insofar as they relate to supply of goods or services.

WORKING MECHANISM OF GST

Businesses making taxable supplies have to be registered under GST if their annual sales turnover has exceeded the prescribed threshold. Only a registered person can charge and collect GST on the taxable supplies of goods and services made by him. GST is charged on the value or selling price of the products. The amount of GST incurred on input (input tax) can be deducted from the amount of GST charged (output tax) by the registered person.

If the amount of output tax is more than the input tax in the relevant taxable period, the difference shall be remitted to the Government. However, if the input tax is more than the output tax, the difference will be refunded by the Government.

What you need to do

GST requires businesses who have exceeded the prescribed threshold to register and to keep records of input and output tax. Businesses report their liability in a specific period called taxable period.

Explore the following sections to understand your responsibilities and obligations as a registrant under GST.

- **Registering your Business**
- **Issuing Tax Invoices**
- **Accounting for GST**
- **Filing Tax Returns**
- **Input Tax Credit Mechanism**

- **Claiming GST Refunds**
- **Paying GST**
- **Offences**
- **Review and Appeals**

1. Registering your Business

The first step to being GST-ready is to register for a GST identification number. You need to check whether you are required to register or whether you want to register voluntarily. Persons having businesses with annual sales turnover exceeding RM500,000 are liable to be registered under GST. Persons include an individual, sole proprietor, partnership, company, trust, estate, society, union, club, association or any other organization including a government department or a local authority which is involved in the business of making taxable supplies in Malaysia.

The annual sales turnover can be determined based on either:

The total value of taxable supplies of the current month and the previous 11 months, or

The total value of taxable supplies of the current month and the next 11 months.

You also need to decide on the type of registration best for your business:

- Voluntary Registration
- Group Registration.
- Divisional/Branch Registration
- Deregistration
- You must apply for deregistration of your business within 30 days from the date of the following circumstances when:
- Your business has ceased; or
- No longer fulfill the requirements of registration.
- Voluntary Registration

Any person making a taxable supply and having an annual sales turnover RM500,000 and below is not required to be registered. However, you may voluntarily apply for registration. Voluntary registration is allowable but must remain in the system for at least 2 years.

Once registered, you are required to charge and collect GST on the taxable supplies and at the same time are entitled to claim input tax credit and eligible to enjoy all facilities provided under the law.

Group Registration

Group registration is a facility that allows several companies to group and centralize their administration for the GST accounting purpose. Each company must be registered individually before they can be grouped as a single registered person and each company must be making wholly taxable supply.

Requirements for group registration :

Companies are eligible for group registration if one company controls another company. One company is taken to control another company if the first mentioned company holds directly, indirectly through subsidiaries or together directly or indirectly through subsidiaries more than 50% of the issued share capital of the second mentioned company.

One of the members has to be nominated by the group as the representative member of the group.

Any taxable supply made by or to a member of the group shall be treated as a supply by or to the representative member.

Supplies between group members would be disregarded as a supply.

Each member of the group is required to keep proper records as they are jointly and severally liable.

Divisional/Branch Registration

A taxable person who is carrying on its business in several divisions or branches upon request and subject to stipulated terms and conditions can be registered in the names of those divisions/branches. This is a facility for any taxable person with a number of self accounting units to register each unit separately for GST.

Each division/branch will be given a separate GST identification number and make its own returns. However, the taxable person remains accountable for all GST liability of all divisions/branches.

2. Issuing Tax Invoices

When you charge GST, you need to issue a tax invoice showing the amount of GST and the price of the supplies separately. The tax invoice has to be issued within 21 days after the time of the supply.

Particulars to be shown in the tax invoice:

- The words 'tax invoice' in a prominent place;
- The invoice serial number;
- The date of issuance of the invoice;
- The name (or trade name), address and GST identification number of the supplier;
- The name and address of the recipient of the supply;
- A description of the goods and/or services supplied;
- The quantity or volume of the goods and/or services supplied, for example, litres of petrol, kilos of meat or hours of labour;
- Any discount offered;
- The total amount payable excluding tax, the rate of tax and the total tax chargeable shown as a separate amount;
- The total amount payable including the total tax chargeable.
- The Director General of Customs may upon request allow the tax invoice to be varied from the above whether in term of particulars in the tax invoice or issuance of other type of tax invoice e.g. simplified tax invoice.
- The Director General of Customs may upon request allow the tax invoice to be varied from the above whether in term of particulars in the tax invoice or issuance of other type of tax invoice e.g. simplified tax invoice.

Simplified Tax Invoice

An invoice that does not contain all the particulars as required in the standard tax invoice and subject to the approval of the Director General. Simplified tax invoice can be used by the GST registrant to claim ITC provided the value of the invoice (inclusive GST) does not exceed RM500.

DG may allow the simplified tax invoice to be issued containing:

The name (or trade name), address and GST identification number of the supplier;

The date of issuance of the invoice;

The invoice serial number;

A description of the goods and/or services supplied;

The total amount payable including the total tax chargeable; and

For each rate of tax chargeable, the gross amount payable including tax and the tax rate applicable

3. Accounting for GST

Basically, all taxable persons will be required to account for GST based on accrual (invoice) basis of accounting i.e. all output tax and input tax are to be accounted and claimed based on the time when the invoice was issued or received.

However, certain categories of taxable persons may be allowed to use the payment (cash) basis of accounting. This facility may be given to businesses who carry out their activities solely on a cash payment basis.

All business and accounting records relating to GST transactions are to be kept in Bahasa Melayu or English for a period of seven (7) years.

4. Filing GST Returns

GST returns must be submitted to the GST office not later than the last day of the following month after the end of the taxable period.

Taxable period is a regular interval period where a taxable person is liable to account and pay to the government his GST liability. The standard taxable period is on quarterly basis.

However, a registrant may apply to be placed in other taxable period (monthly or 6 monthly) subject to specific conditions as follows:

Categories Periods Conditions

Standard Taxable Period Three months

Applicable to all taxable turnover not exceeding RM5 million

Non-standard Taxable Period One month

Applicable to taxable persons with annual taxable turnover exceeding RM5 million applicable to other taxable persons on request and subject to approval

Six months

Special cases

5. Input Tax Credit Mechanism

Businesses have to charge and collect GST on all taxable goods and services supplied to the consumers. Only businesses registered under GST can charge and collect GST.
Businesses are allowed to claim whatever amount of GST paid on the business inputs by offsetting against the output tax.

The excess amount of output tax shall be remitted to the government within the stipulated period. In the case where the amount of input tax cannot be fully recovered, businesses can make a claim for refund from the government.

6. Claiming GST Refund

Any refund of tax may be offset against other unpaid GST, customs and excise duties. Refund will be made to the claimant within 14 working days if the claim is submitted online or 28 working days if the claim is submitted manually.

7. Paying GST

If your output tax exceeds the input tax, the difference shall be remitted to the Government together with the GST returns not later than the last day of the following month after the end of taxable period.

8. Offences

Penalties may be imposed if the following offences are committed:

Any deficiency on the net tax payable.

No GST return is made.

A GST return is submitted without payment or a lesser payment;

Any refund paid to which there is no proper entitlement.

Failure to register.

9. Review and Appeals

Any person who is aggrieved by the decision of the officer of GST may apply for a review and revision to the DG within 30 days from the date of notification. Alternatively, such person shall make an appeal to the Tribunal within 30 days from the date of the decision.

The appeal case can be represented by the taxpayer himself or by any person whom he may appoint. The hearing shall be conducted in a private proceeding unless both parties agree to an open court.

GST RATES AND TAXES

GST is the biggest tax-related reform in the country bringing uniformity in the taxation structure and eliminating the cascading of taxes that was levied in the past. The GST Council meets from time to time to revise the GST rates for various products. Several states and industries recommend reduction in GST tax rate for various items which are discussed in these meetings.

GST stands for Goods and Services Tax. It is classified into three types:

- **CGST –Central GST**
- **SGST –State GST**
- **IGST –Integrated GST**

Finance Minister Arun Jaitley said that the government wanted to keep the GST rates close to the original rates. But there were differences in case of some items because of the changes in the economy as well as customer preferences. Some commodities were kept in the high tax bracket (18-28%) but on scrutinizing the list, they found that these commodities should be considered as necessities and not luxuries. This is why the GST rates were revised for commodities such as notebooks, exercise books, spectacles and lenses and some other items.

The table given below shows GST tax rate on some common items-

Tax Rates	Products
5%	Household necessities such as edible oil, sugar, spices, tea, and coffee (except instant) are included. Coal (instead of current 11.69%), Mishti/Mithai (Indian Sweets) and Life-saving drugs are also covered under this GST slab

12%	This includes computers and processed food
18%	Hair oil, toothpaste and soaps, capital goods and industrial intermediaries are covered in this slab
28%	Luxury items such as small cars (+1% or 3% cess), consumer durables like AC and Refrigerators, premium cars, cigarettes and aerated drinks (+15% cess), High-end motorcycles (+15% cess) are included here.

Though edible items like sugar, tea and coffee are included in the 5% slab, milk does not attract any tax under the new GST regime. The idea behind this is to ensure that basic food items are available for everyone but instant food is kept out of this category.

- Basic household items like toothpaste and hair oil, which currently attract 28% tax, will be taxed at 18% only.
- Sweets will also be taxable at 5%.
- Tax rates on coal has also been reduced from 11.69% to just 5% in order to relieve the pressure on power industries.
- GST also gives a major push to domestic industries as they will be able to procure seamless input credit for capital goods. Make in India campaign is set to flourish after this reform.

Revised GST Rates

The government has proposed a 4-tier tax structure for all goods and services under the slabs- 5%, 12%, 18% and 28%. After the recent revision of GST rates, these are the commodities that fall under the four tax slabs along with those that do not attract any tax. Please note that only those commodities are included in this list whose rates have been revised in various council meetings.

Let us have a look at various products and the tax slab* in which they fall into:

<u>No Tax</u>

Apart from other items that enjoy zero GST tax rate, these are the commodities added to the list after 11th June rate revision –

- Hulled cereal grains like barley, wheat, oat, rye, etc.
- Bone meal, hoof meal, horn meal, bone grist, horn core, etc.
- Palmyra jaggery
- All types of salt
- Dicalcium phosphate (DCP) of animal feed grade conforming to IS specification No. 5470 : 2002
- Kajal [other than kajal pencil sticks]
- Picture books, colouring books or drawing books for children
- Human hair – dressed, thinned, bleached or otherwise worked

5% Tax Slab

Given below are the items that have been added to the 5% GST tax rate slab along with the other existing items-

- Cashew nut
- Cashew nut in shell
- Ice and snow
- Bio gas
- Insulin
- Aggarbatti
- Kites
- Coir mats, matting and floor covering
- Pawan Chakki that is Wind-based Atta Chakki
- Postage or revenue stamps, stamp-postmarks, first-day covers, etc.
- Numismatic coins
- Braille paper, braille typewriters, braille watches, hearing aids and other appliances to compensate for a defect or disability

12% Tax Slab

After the GST council meeting on 11th June, the following items were added to the 12% GST rates category-

- Preparations of vegetables, fruits, nuts or other parts of plants, including pickle, murabba, chutney, jam, jelly
- Ketchups, sauces and mustard sauce but excluding curry paste, mayonnaise and salad dressings, mixed condiments and mixed dressings
- Bari made of pulses including mungodi
- Menthol and menthol crystals, peppermint, fractionated/deterpenated mentha oil, dementholised oil, Mentha piperita oil and spearmint oil
- All diagnostic kits and reagents
- Plastic beads
- Exercise books and note books
- Fly ash blocks
- Glasses for corrective spectacles and flint buttons
- Spoons, forks, ladles, skimmers, cake servers, fish knives, tongs
- Fixed Speed Diesel Engines
- Two-way radio (Walkie talkie) used by defence, police and paramilitary forces etc.
- Intraocular lens
- Corrective spectacles
- Playing cards, chess board, carom board and other board games, like ludo, etc.

18% Tax Slab

The items mentioned below have been added to the 18% GST tax rate slab among the other existing items-

- Curry paste; mayonnaise and salad dressings; mixed condiments and mixed seasonings
- Kajal pencil sticks
- Dental wax

- Plastic Tarpaulin
- School satchels and bags other than of leather or composition leather; toilet cases, Hand bags and shopping bags of artificial plastic material, cotton or jute; Handbags of other materials excluding wicker work or basket work
- Headgear and parts thereof
- Precast Concrete Pipes
- Salt Glazed Stone Ware Pipes
- Aluminium foil
- All goods, including hooks and eyes
- Rear Tractor tyres and rear tractor tyre tubes
- Rear Tractor wheel rim, tractor centre housing, tractor housing transmission, tractor support front axle
- Weighing Machinery other than electric or electronic weighing machinery
- Printers other than multifunction printers
- Ball bearing, Roller Bearings, Parts & related accessories
- Transformers Industrial Electronics
- Electrical Transformer
- Static Converters (UPS)
- Recorder
- CCTV
- Set top Box for TV
- Computer monitors not exceeding 17 inches
- Electrical Filaments or discharge lamps
- Winding Wires, Coaxial cables and Optical Fiber
- Perforating or stapling machines (staplers), pencil sharpening machines
- Baby carriages
- Instruments for measuring length, for use in the hand (for example, measuring rods and tapes, micrometers, callipers)
- Bamboo furniture
- Swimming pools and paddling pools

28% Tax Slab

The council meeting was held to 'reduce' the tax rates on certain items based on customer preferences. Hence, no additional items were added to the highest GST rates slab of 28%.

**The GST rates for various products are subject to change from time to time without prior information.*

WHAT IS GSTN (GOODS AND SERVICE TAX NETWORK)?

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

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

Structure of GSTN

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

Shareholder	Shareholding
Central Government	24.5%
State Governments & EC	24.5%
HDFC	10%
HDFC Bank	10%
ICICI Bank	10%
NSE Strategic Investment Co	10%

LIC Housing Finance Ltd 11%

Total 100%

Salient Features of the GSTN

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

1. Trusted National Information Utility

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

2. Handles Complex Transactions

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

Please read our article to know more about how the Centre and the States will settle IGST.

3. All Information Will Be Secure

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

4. Expenses Will Be Shared

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

Functions of GSTN

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

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

The GSTN will handle:

- Invoices
- Various returns
- Registrations
- Payments & Refunds

CONSTITUTIONAL FRAMEWORK AND MODEL OF GST LAW

PART A-Levy and Collection of CGST/SGST

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

Section 7(1) There shall be levied a tax called the Central/State Goods and Services Tax (CGST/SGST) on all intra-State supplies of goods and/or services at the rate specified in the Schedule to this Act and collected in such manner as may be prescribed.

Section 7(2) The CGST/SGST shall be paid by every taxable person in accordance with the provisions of this Act.

Section 7(3) Notwithstanding anything contained in sub-section (2), the Central or a State Government may, on the recommendation of the Council, by notification, specify categories of supply of goods and/or services the tax on which is payable on reverse charge basis and the tax thereon shall be paid by the person receiving such goods and/or services and all the provisions of this Act shall apply to such person as if he is the person liable for paying the tax in relation to such goods and/or services.

Section 4 of Chapter III of the IGST Act, 2016 provides: Section 4(1) There shall be levied a tax called the Integrated Goods and Services Tax on all supplies of goods and/or services

made in the course of inter-State trade or commerce at the rate specified in the Schedule to this Act and collected in such manner as may be prescribed.

Section 4(2) The Integrated Goods and Services Tax shall be paid by every taxable person inaccordance with the provisions of this Act

Section 4(3) Notwithstanding anything contained in sub-section (2), the Central Governmentmay, on recommendation of the Council, by notification, specify categories of supply ofgoods and/or services the tax on which is payable on reverse charge basis and the taxthereon shall be paid by the person receiving such goods and/or services and all theprovisions of this Act shall apply to such person as if he is the person liable for payingthe tax in relation to such goods and/or services.

Section 4(4) Notwithstanding anything contained in sub-section (1) but subject to suchconditions as may be notified in this behalf, no tax under this Act shall be payable by any taxable person in respect of such supplies of goods and/or services as are specified in Scheduleto the Act.

CHARGEABILITY GST AND COMPOSITION SCHEME

Introduction

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

Know About GST Composition Scheme

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

Turnover and Rate of Tax Under GST Composition Scheme

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

POSSIBLE QUESTIONS

PART A

ONLINE EXAMINATION

PART B

1. Write a short note on GST
2. Describe about GSTN
3. Explain SGST and CGST
4. Discuss about offences under GST
5. State and describe dual GST

PART C

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

9. Elaborate the Composition Scheme.

KARPAGAM ACADEMY OF HIGHER EDUCATION

DEPARTMENT OF COMMERCE

III B.Com (CA)

INDIRECT TAX LAW (16CCU502B)

UNIT -III

QUESTION	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 &			Earliest of a ,b or c		
12. What is time of supply of goods liable to tax under reverse	Date of receipt of goods	Date on which the payment is made	Date immediately following 30 days from the	Earlier of a/b/c			Earlier of a/b/c		

charge mechanism?			date of issue of invoice by the supplier					
13. What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?	Date of issue of voucher	Date of redemption of voucher	Earlier of &	a) & 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 &	& 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			35	
17. A Bill of Supply has to be issued for which of the following -	Supply of Exempted Services Only	Supply of Exempted Goods and Services	Supply of Exempted Goods Only	Supply of Exempted trading Only			Supply of Exempted Goods and 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	unimportant			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	not required			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 while rejecting the goods.	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		
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	Generated from the portal of GSTN	Both a and b	Service tax			Generated from the portal of GSTN		
25. Invoice reference number is valid for	45 days	1 month	30 days	60 days			30 days		
26. Who is responsible to pay the GST?	Person supplying	Person receiving	Both the above	person distributing			Both the above		
27. What are the supplies to which the reverse charge mechanism could be applied?	Inward Supply of Goods/Services	Outward Supply of Goods/Services	purchase	sales			Inward Supply of Goods/Services		
28. Which of the following taxes leviable on Imports?	CGST	SGST	IGST	Customs duty and IGST under Section 3 of Customs Tariff			Customs duty and IGST under Section 3 of Customs Tariff		

				Act, 1975			Act, 1975		
29. Who among the following can opt for composition?	Person engaged in the supply of services	Person making any supply of goods which are not leviable to tax under this Act;	Person making any inter-State outward supplies of goods;	to all persons			none of the above		
30. What is the threshold limit of turnover in the previous year for opting to pay tax under the composition scheme?	Rs. 20 lacs	Rs. 10 lacs	Not exceeding Rs.50 lacs	not exceeding 25 lakhs			Not exceeding Rs.50 lacs		
31. What are the taxes levied on an intra-State Supply?	CGST	SGST *	CGST and SGST	IGST			CGST and SGST		
32. What is the maximum rate prescribed under CGST?	12%	28%	20%	18%			20%		
33. Who will notify the rate of tax to be levied under CGST?	Central Government suo moto	State Government suo moto	GST Council suo moto	Central Government as per the recommendations of the GST Council			Central Government as per the recommendations of the GST Council		
34. What are the supplies on which reverse charge mechanism would apply?	Notified categories of goods or services or both	Inward supply of goods or services or both from an unregistered dealer	Both of the above	no supply			Both of the above		
35. Which of the following taxes will be levied on Imports?	CGST	SGST	IGST	Exempt			IGST		
36. Which of the following taxes would be levied on an intra-State supply of goods or services or both	CGST	Union territory tax	Both of the above	IGST			Both of the above		

37. Is there any maximum rate prescribed under UTGST?	14%	28%	20%	30%			20%		
38. Which of the following persons can opt for composition scheme?	Person making any supply of goods which are not leviable to tax under this Act;	Person making any inter-State outward supplies of goods;	Person effecting supply of goods through an e-commerce operator liable to collect tax at source	person who makes distribution			None of the above		
39. What is the threshold limit of turnover in the preceding financial year for opting to pay tax under composition scheme?	Rs.20 lacs	Rs.10 lacs	Rs.50 lacs	None of the above			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?	2.50%	1%	0%	No composition for manufacturer			1%		
41. What is the rate applicable under CGST to a registered person being a hotelier opting to pay taxes under composition scheme?	1%	0.50%	2.50%	3.50%			2.50%		
42. What is the rate applicable under CGST to a registered	1%	2.50%	0.50%	2%			0.50%		

person opting to taxes under composition scheme, not being a manufacturer or a hotelier?									
43. Can a registered person opt for composition scheme only for one out of his 3 business verticals having same Permanent Account Number?	Yes	No	Yes, subject to prior approval of the Central Government	Yes, subject to prior approval of the concerned State Government			No		
44. Can Composition scheme be availed if the registered person effects interstate supplies?	Yes	No	Yes, subject to prior approval of the Central Government	Yes, subject to prior approval of the concerned State Government			No		
45. Can a registered person under Composition Scheme claim input tax credit?	Yes	No	Input tax credit on inward supply of goods only can be claimed	Input tax credit on inward supply of services only can be claimed			No		
46. Can a registered person opting for composition scheme collect tax on his outward supplies?	Yes	No	Yes, if the amount of tax is prominently indicated in the invoice issued by him	Yes, only on such goods as may be notified by the Central Government			No		
47. Which of the following will be excluded from the computation of 'aggregate turnover'?	Value of Taxable supplies	Value of Exempt Supplies	Non-taxable supplies	Value of inward supplies on which tax is paid on reverse charge basis			Value of inward supplies on which tax is paid on reverse charge basis		
48. What will	He can continue	He will be	He will cease	He will cease to			He will cease to		

happen if the turnover of a registered person opting to pay taxes under composition scheme during the year 2017-18 crosses Rs.50 lakhs?	under composition scheme till the end of the financial year	liable to pay tax at normal rates of GST on the entire turnover for the financial year 2017-18	to remain under the composition scheme with immediate effect	remain under the composition scheme from the quarter following the quarter in which the aggregate turnover exceeds Rs.50 lacs			remain under the composition scheme with immediate effect		
49. 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		
50. 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 &			Earlier of &		
51. 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		
52. What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?	Date of issue of voucher	Date of redemption of voucher	Earlier of &	& whichever is later			Date of redemption of voucher		
53. What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?	Date of issue of voucher	Date of redemption of voucher	Earlier of &	& whichever is later			Date of redemption of voucher		
54. 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		

55. What is the time of supply of service if the invoice is issued within 30 days from the date of provision of service?	Date of issue of invoice	Date on which the supplier receives payment	Date of provision of service	Earlier of &			Earlier of &		
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?	At the option of the supplier – Invoice date or Date of receipt of consideration	Date of issue of invoice	Date of receipt of consideration.	Date of entry in books of account			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?	Date on which the receipt of payment is entered in the books of account	Date on which the receipt of payment is credited in the bank account	Earlier of &	& whichever is later			Earlier of &		
58. What is the time of supply of service in case of reverse charge mechanism?	Date on which payment is made to the supplier	Date immediately following 60 days from the date of issue of invoice	Date of invoice	Earlier of &			Earlier of &		
59. What is the time of supply of service in case an associated enterprise receives services from the service provider located outside India?	Date of entry in the books of account of associated enterprise(recipient)	Date of payment	Earlier of &	Date of entry in the books of the supplier of service			Earlier of &		
60. What is the time of supply of vouchers when the supply with respect to the	Date of issue of voucher	Date of redemption of voucher	Earlier of &	& whichever is later			Date of issue of voucher		

voucher is identifiable?									

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.

Meaning and Scope of Supply

Supply means and includes—

(a) all forms of supply of goods and/or services 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) importation of services, for a consideration whether or not in the course or furtherance of business, and

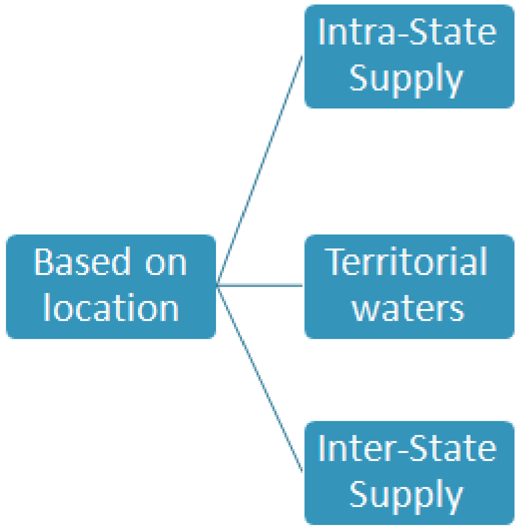
(c) a supply specified in Schedule I, made or agreed to be made without a consideration.

Meaning of Supply as per Schedule I

(1) Permanent transfer/disposal of business assets where input tax credit has been availed on such assets.

(2) Supply of goods or services between related persons, or between distinct persons as specified in section 10, when made in the course or furtherance of business.

Types of Supply



1. Based on location

Intra-State supply

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

Exceptions –

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

Territorial waters

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

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

Inter-State supply

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

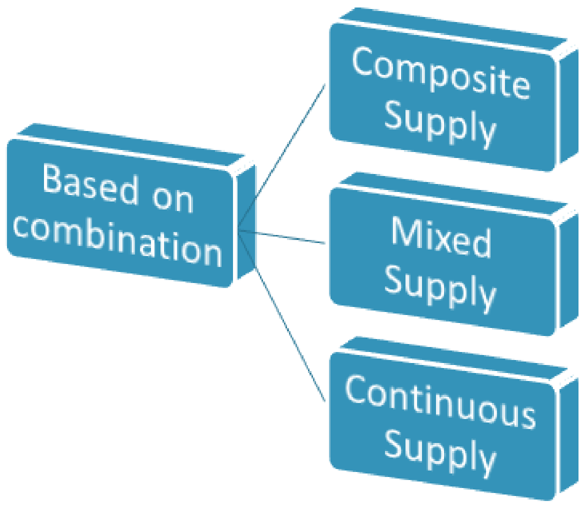
- **Two different States;**
- **Two different Union territories; or**

- **A State and a Union territory**

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

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

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



2. Based on combination

Composite Supply

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

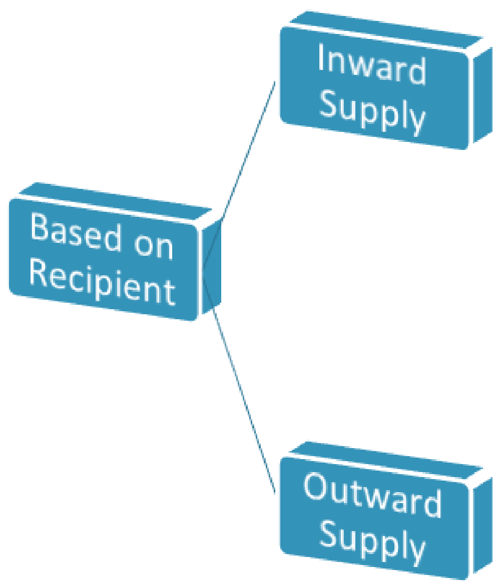
Mixed Supply

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

Continuous Supply

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

Continuous Supply Of Goods	Continuous Supply Of Services
• Means a supply of goods which is provided on continuous basis, under a contract, whether or not by means of a wire, cable, pipeline or other conduit, and for which the supplier invoices the recipient on a regular or basis and includes supply of notified goods.	• Means a supply of services which is provided continuously or on recurrent basis, under a contract, for a period exceeding three months with periodic payment obligations and includes supply of notified services.



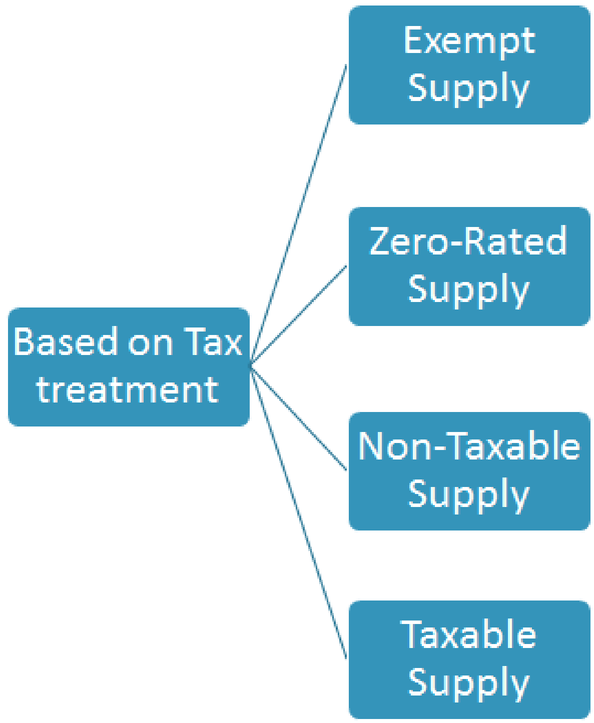
3. Based on Recipient

Inward Supply

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

Outward Supply

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



4. Based on Tax treatment

Exempt Supply

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

Zero-Rated Supply

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

Non-Taxable Supply

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

PROVISION RELATING TO TIME AND PLACE OF SUPPLY:

Taxable Supply

Supply on which tax shall be paid under GST.

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

Under GST, 3 types of taxes can be charged in the invoice. SGST and CGST in case of an intra-state transaction and IGST in case of an interstate transaction. But deciding whether a particular transaction is inter or intrastate is not an easy task.

Think about an online training where customers are sitting in different parts of the world.

Say in case, hotel services, where the receiver may have an office in another state and may be visiting the hotel only temporarily, or where goods are sold on a train journey passing through different states.

To help address some of these situations, the IGST act lays down certain rules which define whether a transaction is inter or intrastate. These rules are called the place of supply rules.

There are three important concepts:

Importance of Time, Place and Value of Supply

1. Time of Supply

A. Supply of goods

B. Supply of services

C. Reverse charge

2. Place of supply

A. Supply of Goods

B. Supply of Services

Why are time place and value of supply important?

Time of supply means the point in time when goods/services are considered supplied'. When the seller knows the 'time', it helps him identify due date for payment of taxes.

Place of supply is required for determining the right tax to be charged on the invoice, whether IGST or CGST/SGST will apply.

Value of supply is important because GST is calculated on the value of the sale. If the value is calculated incorrectly, then the amount of GST charged is also incorrect.

1. Time of Supply

Time of supply means the point in time when goods/services are considered supplied'. When the seller knows the 'time', it helps him identify due date for payment of taxes.

CGST/SGST or IGST must be paid at the time of supply. Goods and services have a separate basis to identify their time of supply. Let's understand them in detail.

A. Time of Supply of Goods

Time of supply of goods is earliest of:

1. Date of issue of invoice

2. Last date on which invoice should have been issued

3. Date of receipt of advance/ payment*.

For example:

Mr. X sold goods to Mr. Y worth Rs 1,00,000. The invoice was issued on 15th January. The payment was received on 31st January. The goods were supplied on 20th January.

*Note: GST is not applicable to advances under GST. GST in Advance is payable at the time of issue of the invoice. Notification No. 66/2017 – Central Tax issued on 15.11.2017

Let us analyze and arrive at the time of supply in this case.

Time of supply is earliest of –

1. Date of issue of invoice = **15th January**

2. Last date on which invoice should have been issued = 20th January

Thus the time of supply is 15th January.

What will happen if, in the same example an advance of Rs 50,000 is received by Mr. X on 1st January?

The time of supply for the advance of Rs 50,000 will be 1st January(since the date of receipt of advance is before the invoice is issued). For the balance Rs 50,000, the time of supply will be 15th January.

B. Time of Supply for Services

Time of supply of services is earliest of:

1. Date of issue of invoice

2. Date of receipt of advance/ payment.

3. Date of provision of services (if invoice is not issued within prescribed period)

Let us understand this using an **example**:

Mr. A provides services worth Rs 20000 to Mr. B on 1st January. The invoice was issued on 20th January and the payment for the same was received on 1st February.

In the present case, we need to 1st check if the invoice was issued within the prescribed time. The prescribed time is 30 days from the date of supply i.e. 31st January. The invoice was issued on 20th January. This means that the invoice was issued within a prescribed time limit.

The time of supply will be earliest of –

1. Date of issue of invoice = **20th January**

2. Date of payment = 1st February

This means that the time of supply of services will be 20th January.

C. Time of Supply under Reverse Charge

In case of reverse charge the time of supply for service receiver is earliest of:

1. Date of payment*

2. 30 days from date of issue of invoice for goods (60 days for services)

*w.e.f. 15.11.2017 'Date of Payment' is not applicable for goods and applies only to services. Notification No. 66/2017 – Central Tax

For example:

M/s ABC Pvt. Ltd undertook service of a director Mr. X worth Rs. 50,000 on 15th January. The invoice was raised on 1st February. M/s ABC Pvt Ltd made the payment on 1st May.

The time of supply, in this case, will be earliest of –

1. Date of payment = 1st May

2. 60 days from date of date of invoice = **2nd April**

Thus, the time of supply of services is 2nd April.

2. Place of supply

It is very important to understand the term 'place of supply' for determining the right tax to be charged on the invoice.

Here is an **example:**

Location of Service Receiver	Place of supply	Nature of Supply	GST Applicable
Maharashtra	Maharashtra	Intra-state	CGST + SGST
Maharashtra	Kerala	Inter-state	IGST

A. Place of Supply of Goods

Usually, in case of goods, the place of supply is where the goods are delivered.

So, the place of supply of goods is the place where the ownership of goods changes.

What if there is no movement of goods. In this case, the place of supply is the location of goods at the time of delivery to the recipient.

For example: In case of sales in a supermarket, the place of supply is the supermarket itself.

Place of supply in cases where goods that are assembled and installed will be the location where the installation is done.

For **example**, A supplier located in Kolkata supplies machinery to the recipient in Delhi. The machinery is installed in the factory of the recipient in Kanpur. In this case, the place of supply of machinery will be Kanpur.

B. Place of Supply for Services

Generally, the place of supply of services is the location of the service recipient.

In cases where the services are provided to an unregistered dealer and their location is not available the location of service provider will be the place of provision of service.

Special provisions have been made to determine the place of supply for the following services:

- Services related to immovable property
- Restaurant services

- Admission to events
- Transportation of goods and passengers
- Telecom services
- Banking, Financial and Insurance services.

In case of services related to immovable property, the location of the property is the place of provision of services.

Example 1:

Mr. Anil from Delhi provides interior designing services to Mr. Ajay(Mumbai). The property is located in Ooty(Tamil Nadu).

In this case, place of supply will be the location of the immovable property i.e. Ooty, Tamil Nadu.

Example 2:

A registered taxpayer offers passenger transport services from Bangalore to Hampi. The passengers do not have GST registration. What will be the place of supply in this case?

The place of supply is the place from where the departure takes place i.e. Bangalore in this case.

VALUATION MECHANISM:

Valuation of supply under GST

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

The value of supply under GST shall include:

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

Example

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

Currently, the invoice will look like-

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

Value of supply under GST

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

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

Discounts

Discounts will be treated differently under GST.Discounts given before or at the time of supply will be allowed as a deduction from transaction value. Discounts given after supply will be allowed only if certain conditions are satisfied.

Please read part II of this article which deals with discounts and impact of GST along with examples.

Valuation of supply when a transaction is not in INR.

When exports are made the invoice may be raised by the taxpayer in Foreign Currency. The IGST (if any) charged in the invoice will be converted using RBI Exchange Rate. The exchange rates are available on the RBI Website.

RBI exchange rates are to be used in case of imports too. When reverse charge is applicable on imported supplies the invoice amount has to be converted using the RBI Exchange Rate.

INPUT TAX CREDIT MECHANISM:

What is input tax credit?

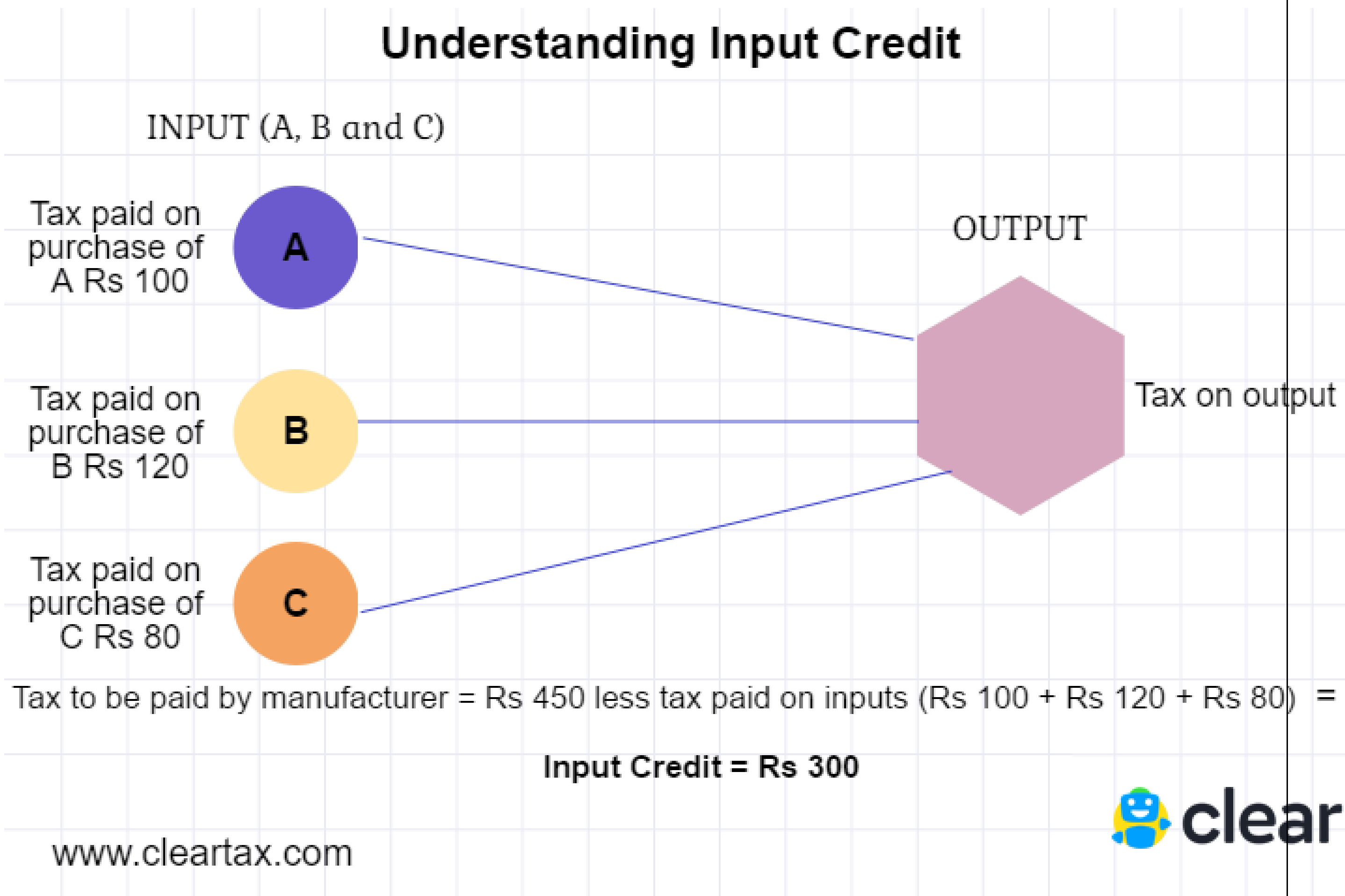
Input credit means at the time of paying tax on output, you can reduce the tax you have already paid on inputs and pay the balance amount.

Here's how-

When you buy a product/service from a registered dealer you pay taxes on the purchase. On selling, you collect the tax. You adjust the taxes paid at the time of purchase with the amount of output tax (tax on sales) and balance liability of tax (tax on sales *minus* tax on purchase) has to be paid to the government. This mechanism is called utilization of input tax credit.

For example- you are a manufacturer:

- Tax payable on output (FINAL PRODUCT) is Rs 450
- Tax paid on input (PURCHASES) is Rs 300
- You can claim INPUT CREDIT of Rs 300 and you only need to deposit Rs 150 in taxes.



Who can claim ITC?

ITC can be claimed by a person registered under GST only if he fulfills ALL the conditions as prescribed.

- The dealer should be in possession of tax invoice
- The said goods/services have been received
- Returns have been filed.
- The tax charged has been paid to the government by the supplier.
- When goods are received in installments ITC can be claimed only when the last lot is received.
- No ITC will be allowed if depreciation has been claimed on tax component of a capital good

A person registered under composition scheme in GST cannot claim ITC.

What can be claimed as ITC?

ITC can be claimed only for business purposes.

ITC will not be available for goods or services exclusively used for:

- Personal use
- Exempt supplies
- Supplies for which ITC is specifically not available

Reversal of Input Tax Credit

ITC can be availed only on goods and services for business purposes. If they are used for non-business (personal) purposes, or for making exempt supplies ITC cannot be claimed. Apart from these, there are certain other situations where ITC will be reversed.

ITC will be reversed in the following cases-

1) Non-payment of invoices in 180 days– ITC will be reversed for invoices which were not paid within 180 days of issue.

2) Credit note issued to ISD by seller– This is for ISD. If a credit note was issued by the seller to the HO then the ITC subsequently reduced will be reversed.

3) Inputs partly for business purpose and partly for exempted supplies or for personal use – This is for businesses which use inputs for both business and non-business (personal) purpose. ITC used in the portion of input goods/services used for the personal purpose must be reversed proportionately.

4) Capital goods partly for business and partly for exempted supplies or for personal use – This is similar to above except that it concerns capital goods.

5) ITC reversed is less than required- This is calculated after the annual return is furnished. If total ITC on inputs of exempted/non-business purpose is more than the ITC actually reversed during the year then the difference amount will be added to output liability. Interest will be applicable.

The details of reversal of ITC will be furnished in **GSTR-2.** To find out more about the segregation of ITC into business and personal use and subsequent calculations, please visit our article.

Reconciliation of ITC

ITC claimed by the person has to match with the details specified by his supplier in his GST return. In case of any mismatch, the supplier and recipient would be communicated regarding discrepancies after the filling of GSTR 3. Please read our article on the detailed explanation of the reasons for mismatch of ITC and procedure to be followed to apply for re-claim of ITC.

Documents Required for Claiming ITC

The following documents are required for claiming ITC:

1. Invoice issued by the supplier of goods/services
2. The debit note issued by the supplier to the recipient (if any)
3. Bill of entry
4. An invoice issued under certain circumstances like the bill of supply issued instead of tax invoice if the amount is less than Rs 200 or in situations where the reverse charge is applicable as per GST law.
5. An invoice or credit note issued by the Input Service Distributor(ISD) as per the invoice rules under GST.
6. A bill of supply issued by the supplier of goods and services or both.

PAYMENT MECHANISM:

How is the input tax credit in GST electronic credit ledger utilized?

Here, there are three liars of utilization of GST input tax credit.

The amount of input tax credit on account of IGST available in the electronic credit ledger shall first be utilized towards payment of IGST and the amount remaining, if any, may be utilized towards the payment of CGST and SGST, in that order.

The amount of input tax credit on account of CGST available in the electronic credit ledger shall first be utilized towards payment of CGST and the amount remaining, if any, may be utilized towards the payment of IGST.

The input tax credit on account of CGST shall not be utilized towards payment of SGST. Note: This provision is to be incorporated in CGST Act.

How to get refund of GST Tax?

The balance in the cash or credit ledger after payment of tax, interest, penalty, fee or any other amount payable under the Act or the rules made thereunder may be refunded in accordance with the provisions of section 38 and the amount collected as CGST/SGST shall stand reduced to that extent.

REGISTRATION UNDER GST AND ITS RULES:

Analysis of Valuation Rules for Supply

Valuation Rules have recently been released and are now open for public comment. These rules are currently hosted on CBEC's portal and you can access them here. These rules are going to impact all the businesses. To make it easier for our readers, we have come up with our analysis of these valuation rules.

All possible scenario wherein valuation is required are categorized under seven different heads. These heads are:

1. Value of Supply of Goods or Services where the consideration is not wholly in money.

Example will include cases when a buyer gives another good in exchange of partial consideration and barter.

2. Value of Supply of Goods or Services or both between distinct or related persons, other than through agent.

Example will include when goods or services are supplied to related persons or entities which have separate registration but common control.

3. Value of Supply of Goods made or received through an agent.

Specific cases when goods or services are supplied between Principal and his agent. There may not be a value-addition but these cases will fall under the definition of supply.

4. Value of Supply of Goods or Services or both based on cost.

This valuation method provides valuation on the basis of the cost of manufacture or cost of acquisition.

5. Residual method for determination of the value of supply of goods or services or both.

Any other method which can be fairly justified.

6. Determination of value in respect of certain supplies.

Specific cases such as Foreign Currency Convertor, Life Insurance Business are covered under this head.

7. Value of Supply of Service in the case of a pure agent.

This valuation rule will apply to exclusive Principal-Agent related cases.

Most of these valuation rules are case specific, the all powerful GST council has also listed up certain businesses such as the sale of foreign currency and life insurance business etc and their specific valuation rules

POSSIBLE QUESTIONS

PART - A

(1 mark) (Online examination)

PART – B

1. Explain about the time of supply.
2. Write about the place of supply.
3. What do you mean by supply?
4. Discuss about the scope of supply.
5. Give a detailed explanation on various types of supply under GST.
6. Write in detail about the registration procedure under GST.
7. Discuss about the valuation mechanism.

KARPAGAM ACADEMY OF HIGHER EDUCATION

DEPARTMENT OF COMMERCE

III B.Com (CA)

INDIRECT TAX LAW (16CCU502B)

UNIT -IV

QUESTION	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?	Date of issue of voucher	Date of redemption of voucher	Earlier issue of voucher	whichever is later			Date of redemption of voucher							
2. The value of supply of goods and services shall be the	Transaction value	MRP	Market Value	None of above			Transaction value							
3. The value of supply should include	Any non-GST taxes, duties, cesses, fees charged by supplier separately	Interest, late fee or penalty for delayed payment of any consideration for any supply	Subsidies directly linked to the price except subsidies provided by the Central and State Government	All of the above			All of the above							
4. When can the transaction value be rejected for computation of value of supply	When the buyer and seller are related and price is not the sole consideration	When the buyer and seller are related or price is not the sole consideration	It can never be rejected	When the goods are sold at very low margins			When the buyer and seller are related or price is not the sole consideration							
5. What deductions are allowed from the transaction value	Discounts offered to customers, subject to conditions	Packing Charges, subject to conditions	Amount paid by customer on behalf of the supplier, subject to conditions	Freight charges incurred by the supplier for CIF terms of supply, subject to conditions			Discounts offered to customers, subject to conditions							
6. Whether definition of Inputs includes	Yes	No	Certain capital goods only	None of the above			No							

capital goods														
7. Is it mandatory to capitalize the capital goods in books of Accounts?	Yes	No	Optional	None of the above			Yes							
8. Whether credit on capital goods can be taken immediately on receipt of the goods?	Yes	No	After usage of such capital goods	After capitalizing in books of Accounts			Yes							
9. Whether it is necessary to capitalize the capital goods in the books of account	Yes	No	Only use of goods is recognized	Accounting is not relevant			Yes							
10. The term "used in the course or furtherance of business" means?	It should be directly co related to output supply	It is planned to use in the course of business	It is used in the course of business	It is used in the course of business for making outward supply			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?	All the conditions	Any two conditions	Conditions not specified	None of the above			All the conditions							
12. Whether credit on inputs should be availed based on receipt of documents or receipt of goods	Receipt of goods	Receipt of Documents	Both	Either receipt of documents or Receipt of goods			Both							
13. In case supplier has deposited the taxes but the receiver has not received the documents, is receiver entitled to avail credit?	Yes it will be auto populated in recipient monthly returns	No as one of the conditions of 16(2) is not fulfilled	Yes if the receiver can prove later that documents are received subsequently	None of the above			No as one of the conditions of 16(2) is not fulfilled							
14. Input tax credit on capital goods and	In thirty six installments	In twelve installments	In one installment	In six installments			In one installment							

Inputs can be availed in one installment or in multiple installments?														
15. The tax paying documents in section 16(2) is	Bill of entry, Invoice raised on RCM supplies, etc.	Acknowledged copy of tax paid to department	Supply invoice by the recipient	none of the above			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?	Three months	Six Months	One hundred and eighty days	Till the date of filing of Annual Return			One hundred and eighty days							
17. Can the taxable person under Composition Scheme claim input tax credit?	Yes	No	Central Government to decide	State Government to decide			No							
18. Can the customer who buys from a taxable person covered by the composition scheme claim composition tax as input credit?	Yes	No	Central Government to decide	State Government to decide			No							
19. Can Composition tax be collected from Customers?	Yes	No	Central Government to decide	State Government to decide			No							
20. Which of the following are considered for calculating the aggregate turnover?	Taxable supplies	Exempt Supplies	Both the above	Non-taxable supplies			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?	He can continue under composition for that year	He will have to pay tax for whole of the turnover in that year	He will not be eligible for composition on turnover after crossing Rs. 50 lacs	None of the above			He will not be eligible for composition on turnover after crossing Rs. 50 lacs							
22. Every supplier	` 10 lacs	Exceeds ` 20	` 50 lacs	No limit for			Exceeds ` 20							

shall be liable to be registered under Revised Model GST Law in the State from where he makes a taxable supply of goods and/or services if his aggregate turnover in a financial year…………………:		lacs		registration			lacs							
23. Who among the following persons are not required to be compulsorily registered,irrespective of the threshold limits provided under Revised Model GST Law?	Casual Dealer	Person making sale of taxable goods	Persons who are required to pay tax under reverse charge	Non-resident taxable persons,			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?	Yes	No	Can't say	Government to decide			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	A) ` 50,000	B) ` 1,00,000	C) ` 10,000	D) ` 100 lakhs			A) ` 50,000							

conveyance carrying any consignment of goods exceeding the value of ________________ _, shall carry prescribed documents (EWaybill)														
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 from payment of tax as per earlier law, the said inputs should be used or intended to be used for making,	A) Taxable supplies under GST	B) Exempt supplies	C) Either taxable or exempt supplies	D) Both taxable and exempt supplies			A) Taxable supplies under 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) Manufacture r	B) Job Worker	C) Servicer	d) Both and			d) Both and							

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 CGST	B) SGST and IGST	C) IGST and CGST	D) IGST, SGST and CGST			D) IGST, SGST 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	A) 12	B) 36	C) 3	D) 1			D) 1							

instalments in GST														
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 cause of Inter-state trade or commerce shall be levied and collected by the Government of India ?	A) Article 246 A	B) Article 269 A	C) Article 254	D) Article 279 A			B) Article 269 A							
50. IGST is levied and	A) Allotted to	B) Allotted to	C) Allotted to	D)			D)							

collected is ....?	centre only	states only	UT's only	Apportioned between center and states			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	A) location of the goods at the time at	B) location of the goods at the time at	C) location of the principle place of	D) location of the principle place of			A) location of the goods at the time at							

movement of goods?	which the movement of goods terminates for delivery to the recipient	which movement of goods commences for delivery to the recipient	business of the supplier	business of the recipient			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							

QUESTION
Place of supply where the goods are supplied on board a conveyance such as vessel, an aircraft, a train or n
The default rule of place of supply of services made to a registered person shall be ....?
The default rule of place of supply of services made to any person other than a registered person if address
The default rule of place of supply of services made to any person other than a registered person if address
Place of supply of services in relation to lodging accommodation shall be ....?
Place of supply of services in relation to mobile connection for pre-paid customers other than through inter
CGST and SGST will be levied on;
Which one of the following shall not be treated as supply;
The maximum rate that can be levied as CGST or SGST will be at;
On which one of the following items, GST will be levied;
Works contract is ;
In 'composite supply' the following shall be treated as the supply;
Composition levy is applicable to the taxable persons whose aggregate turnover
In 'Mixed supply' the following shall be treated as the supply;
Which one of the statements regarding the Composition levy is incorrect;
The maximum rate of tax prescribed for manufactures in Composition levy is; CGST +SGST)
When will the inputs and/or capital goods sent to job-work become a supply?
From when will the period of one or three years be calculated under Section 143?
GST is applicable on__
When should a job-worker take registration?
Can a principal supply inputs and/or capital goods from the job-worker's premises?
The books and other records U/S 35 are to be maintained at
In case, more than one place of business situated within a state specified in the Registration Certificate, the
Accounts are required to be maintained in
Who of the below, even if not registered, is required to maintain records
If a turnover during a financial year exceeds the prescribed limit, then accounts get audited by
What accounts and records are required to be maintained by every registered taxable person at his principal
can all the records be maintained in an electronic form?
The time period prescribed for maintenance of accounts and records if the taxable person is a party to an ap
Taxable person has to maintain his records for a period of
What is the time limit for issue of an order for recovery in case of fraud, misstatement or suppression?
What is the time limit for issue of order for recovery in cases other than fraud,misstatement or suppression
Is it obligatory on the part of the Department to take on record the assessee's representation?
What is the maximum amount of demand for which the officer can issue an order under section 66 in cases
What is the maximum amount of demand for which the officer can issue an order under section 67in case fi
Which of these registers/ledgers are maintained online -

Physical payment made through challan will be credited to which of the following registers/ledgers?
What is deemed to be the date of deposit in the electronic cash ledger?
What gets debited to the electronic credit ledger?
Balance in electronic credit ledger can be utilized against which liability-
Balance in electronic credit ledger under IGST can be used against which liability-
Balance in electronic credit ledger under CGST can be used against which liability-
Balance in electronic credit ledger under SGST can be used against which liability -
What should I do if I pay the wrong tax i.e. IGST instead of CGST/SGST or vice versa?
What should I do if I pay tax under wrong GSTIN?
I made an online payment of tax. Due to technical snag CIN was not generated but my bank account is deb
What is the due date for payment of tax?
My head office is in Bangalore and 4 branches are in different States including Delhi), all registered under G
What is the validity of challan in Form GST PMT-4?
I failed to pay tax and/or file returns on time. I should pay interest on -
From which date interest is liable in case of excess input tax credit claimed?
The value of supply of goods and services shall be the
The value of supply should include
When can the transaction value be rejected for computation of value of supply
What deductions are allowed from the transaction value
Any amount of tax collected shall be deposited to the credit of the Central or State Government:
Is there any time limit for issue of notice under section 69 in cases where tax is collected but not paid?
Within how many years from the date of issue of notice should the proper officer issue an order?
Whether the person who has borne the incidence of amount can apply for refund of surplus left after adjust
What happens if a taxable person has paid CGST/SGST in SGST Act) on a transaction considered by him t

KARPAGAM ACADEMY OF HIGHER EDUCATION
DEPARTMENT OF COMMERCE
III B.Com (CA)
INDIRECT TAX LAW (16CCU502B)
UNIT -V

OPTION A	OPTION B	OPTION C	OPTION D
Location of supplier	Location of recipie	Location at which su	None of these
Location of such person	Location of service	Location where servi	Location where agreemen
Location of service provider	Location where ser	Location where agree	Location of the recipient
Location of the recipient of s	Location of the sup	Location where servi	Location where agreemen
Location of the supplier	Location of the reci	Location at the lodgi	None of these
Location of supplier	Location of recipie	Location where such	None of these
Intra-state supply	Inter-state supply	Import	Export
Rental	Lease	Actionable claim	License
18%	20%	18%	40%
Aviation fuel	Liquefied petroleun	Natural Gas	High Speed Diesel oil
Supply of goods	Supply of services	Supply of both	Neither supply of goods r
Supply with highest rate of ta	Supply which attrac	Supply which is the p	Supply of item which can
Did not exceed 50 lakh in the	Did not exceed 50 l	Did not exceed 60 lak	Did not exceed 60 lakh in
Supply with highest rate of ta	Supply which attrac	Supply which is the p	Supply of item which can
Inter-state inward is supply p	Not eligible to colle	Certain manufactures	Supply of goods which ar
1%	5%	0.50%	2.50%
When the inputs and/or capit	When the inputs an	Both under or	None of the above
The day when such inputs ar	The day when the jo	Option and	None of the above
Inputs and/or capital goods s	The job-worker cha	Both of the above	None of the above
Always	Only if his aggregat	Never	None of the above
Yes, only when the job-work	Yes, even if the job	Yes, irrespective of w	All of the above
Place where the books and a	Place of address of	Principal place of bus	Any of the above
Each place of business pertai	Place where the boo	At principal place of	Any of the above
Manual form	Electronic form	Manual and electroni	Manual or electronic forn
Owner of warehouse	Owner of godown	Owner of any other p	All the above
Chartered Accountant	Cost Accountant	Either or	All of the above
account of production or ma	inward or outward	input tax credit availe	All of the above
Yes	No	Some records	Yes, if authenticated by d
Two year after final disposal	Two year after fina	One year after final d	One year after final dispo
expiry of seventy two month	expiry of forty mon	expiry of thirty month	expiry of ninety months fi
30 months	18 months	5 years	3 years
30 months	18 months	5 years	3 years
Yes	No	At the discretion of th	If requested by Noticee
Amount of tax + interest + p	Amount of tax + in	` 10,000/-	Amount of tax + interest
Amount of tax + interest + p	Amount of tax + in	Amount of tax + inte	Amount of tax + interest
Tax liability register	Credit ledger	Cash ledger	All of them

Electronic Tax liability regist	Electronic Credit le	Electronic Cash ledge	All of them
Date on which the amount g	Date on which paym	Date of credit to the a	Earliest of the above thre
Matched input tax credit	Provisionally input	Unmatched input tax	All of them
Output tax payable	Interest	Penalty	All of them
IGST Liability only	IGST and CGST lia	IGST, CGST and SG	None of them
CGST Liability only	CGST and IGST lia	CGST, IGST and SG	None of them
SGST Liability only	SGST and IGST lia	SGST, IGST and CG	None of them
Remit tax again and claim re	It will be auto-adjus	It will be adjusted on	None of the above
Pay again under right GSTIN	Auto-adjustment	Adjustment on applic	Raise ISD invoice and tra
Wait for 24 hours for re-cred	Approach bank	File application with	File return without challa
Last day of the month to whi	Within 10 days of th	Within 20 days of the	Within 15 days of the sub
1	4	5	6
1 day	5 days	15 days	Perpetual validity
Gross tax payable	Gross tax payable a	Net tax payable	No interest payable, if rea
From the last date of the mo	From the due date f	From the due date fo	From the date of utilizatio
Transaction value	MRP	Market Value	None of above
Any non-GST taxes, duties, c	Interest, late fee or	Subsidies directly link	All of the above
When the buyer and seller ar	When the buyer and	It can never be reject	When the goods are sold
Discounts offered to custome	Packing Charges, su	Amount paid by custo	Freight charges incurred l
Only when the supplies are ta	Regardless of wheth	Only when the suppli	None of the above
No time limit	1 year	3 years	5 years
1 year	2 years	3 years	4 years
Yes	No	At the discretion of th	None of the above
Pay tax and seek refund	Adjust against futur	Take re-credit	File a suit for recovery

		ANSWER
		Location at which such goods are taken on board
it for rendering of service is executed		Location of such person
		Location of the recipient
it for rendering of services is executed		Location of the supplier of services
		Location at the lodging accommodation is located
		Location where such pre-payment is recieved as such vouche
		Intra-state supply
		License
		20%
		Aviation fuel
ior supply of services		Supply of both
be separately sold		Supply which is the principal supply
the preceding year		Did not exceed 60 lakh in the current year
be separately sold		Supply which is the principal supply
e not leviable to tax under GST is permit		Not eligible to collect tax
		1%
		Both under or
		Option and
		The job-worker charges and additional material added by the
		Only if his aggregate turnover exceeds the threshold limits sp
		All of the above
		Principal place of business mentioned in the Certificate of Re
		Each place of business pertaining to such place alone
n		Manual or electronic form
		All the above
		Either or
		All of the above
ligital signature		Yes, if authenticated by digital signature
sal of such appeal or revision or proceedi		One year after final disposal of such appeal or revision or pro
rom the last date of filing of Annual Retur		expiry of seventy two months from the last date of filing of A
		5 years
		3 years
		Yes
+ 25% penalty		Amount of tax + interest + penalty of 10% of tax or ` 10,000
+ penalty of 100% of tax		Amount of tax + interest + penalty of 100% of tax
		All of them

		Electronic Cash ledger
e dates		Date of credit to the account of the appropriate Government
		All of them
		Output tax payable
		IGST, CGST and SGST liability
		CGST and IGST liability
		SGST and IGST liability
		Remit tax again and claim refund
ınsfer		Pay again under right GSTIN and claim refund
n		File application with Department GST PMT-6)
ɔsequent month		Within 20 days of the subsequent month
		5
		15 days
ısonable cause is shown		Gross tax payable
ɔn of credit.		From the due date for filing GSTR-3 of the month in which c
		Transaction value
		All of the above
at very low margins		When the buyer and seller are related or price is not the sole
by the supplier for CIF terms of supply, su		Discounts offered to customers, subject to conditions
		Regardless of whether the supplies in respect of which such a
		No time limit
		1 year
		Yes
		Pay tax and seek refund

ɛrs are sold

job-worker on the inputs sent by the principal
ecified under Section 22 of the Act.

gistration

ɔceeding, or until theexpiry of seventy two months from the last date of filing of Annual Return for theyear
ınnual Return for the year

/- whichever is higher

:redit is claimed

consideration

ımount was collected are taxable or not

pertaining to such accounts and records, whichever is later

UNIT-V

SYLLABUS

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

Procedure for GST Registration:

a) **Details to be furnished:**

Before applying for registration process, person has to declare the following:

- PAN
- Mobile number
- E-mail address
- State or UT

In **Part A of FORM GST REG-01** on the Common Portal, either directly or through a Facilitation Centre notified by Commissioner.

b) **Reference Number:**

On successful verification of the PAN, mobile number and e-mail, a temporary reference number shall be generated and communicated to the applicant.

c) **Application:**

Using the reference number, the applicant shall electronically submit an application in **Part B of FORM GST REG-01**, duly signed or verified through electronic verification code(EVC), along with documents specified in the form.

d) **Specified Documents:**

The following specified documents are required to be submitted along with the application:

A. Documents required for Private Limited Company, Public Company (limited company) / One Person Company (OPC):

i) Company documents

- PAN card of the company
- Registration Certificate of the company
- Memorandum of Association (MOA)/ Articles of Association (AOA)
- Copy of Bank Statement
- Declaration to comply with the provisions
- Copy of Board resolution

ii) Director related documents

- PAN and ID proof of directors

iii) Registered Office documents

- Copy of electricity bill/ landline bill, water bill
- No objection certificate of the owner
- Rent agreement (in case premises are rented)

B. Documents required for Limited Liability Partnerships (LLPs):

i) LLP Documents

- PAN card of the LLP
- Registration Certificate of the LLP
- LLP Partnership agreement
- Copy of Bank Statement of the LLP

• Declaration to comply with the provisions

• Copy of Board resolution

ii) Designated Partner related documents

• PAN and ID proof of designated partners

iii) Registered Office documents

• Copy of electricity bill, landline bill, water bill

• No objection certificate of the owner

• Rent agreement (in case premises are rented)

C. Documents required for Normal Partnerships

i) Partnership documents

• PAN card of the Partnership

• Partnership Deed

• Copy of Bank Statement

• Declaration to comply with the provisions

ii) Partner related documents

• PAN and ID proof of designated partners

iii) Registered Office documents

• Copy of electricity bill / landline bill, water bill

• No objection certificate of the owner

• Rent agreement (in case premises are rented)

• Documents required for Sole proprietorship / Individual

iv) Individual documents

• PAN card and ID proof of the individual

• Copy of Cancelled cheque or bank statement

• Declaration to comply with the provisions

v) Registered Office documents

• Copy of electricity bill/ landline bill, water bill

• No objection certificate of the owner

• Rent agreement (in case premises are rented)

D. Acknowledgement:

On the receipt of an application, an acknowledgement shall be issued to the applicant in FORM GST REG-02.

GST RETURN FILING

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

What is GST Return?

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

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

Purchases Sales

Output GST (On sales)

Input tax credit (GST paid on purchases)

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

Who has to file GST Returns?

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

What are the types of GST Returns?

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

1. Any regular business:

Return Form Particulars Interval Due Date

GSTR-1 Details of outward supplies of taxable goods and/or services effected Monthly 10th of the next month

GSTR-2 Details of inward supplies of taxable goods and/or services effected claiming input tax credit. Monthly 15th of the next month

GSTR-3 Monthly return on the basis of finalization of details of outward supplies and inward supplies along with the payment of amount of tax. Monthly 20th of the next month

GSTR-9 Annual Return Annually 31st December of next financial year

GSTR-3B Provisional return for the months of July and August Monthly 20th of the next month

REFUND PROVISION IN GST

Introduction Timely refund mechanism is essential in tax administration, as it facilitates trade through the release of blocked funds for working capital, expansion and modernisation of existing business. The provisions pertaining to refund contained in the GST law aim to streamline and standardise the refund procedures under GST regime. Thus, under the GST regime, there will be a standardised form for making any claim for refunds. The claim and sanctioning procedure will be completely online and time bound, which is a marked departure from the existing time consuming and cumbersome procedure. Situations Leading to Refund Claims The relevant date provision embodied in Section 54 of the CGST Act, 2017, provision contained in Section 77 of the CGST Act, 2017 and the requirement of submission of relevant documents as listed in Rule 1(2) of Refund Rules is an indicator of the various situations that may necessitate a refund claim.

A claim for refund may arise on account of:

1. Export of goods or services
2. Supplies to SEZs units and developers
3. Deemed exports
4. Refund of taxes on purchase made by UN or embassies etc.
5. Refund arising on account of judgment, decree, order or direction of the Appellate Authority, Appellate Tribunal or any court
6. Refund of accumulated Input Tax Credit on account of inverted duty structure
7. Finalisation of provisional assessment
8. Refund of pre-deposit
9. Excess payment due to mistake

10. Refunds to International tourists of GST paid on goods in India and carried abroad at the time of their departure from India

11. Refund on account of issuance of refund vouchers for taxes paid on advances against which, goods or services have not been supplied

12. Refund of CGST & SGST paid by treating the supply as intraState supply which is subsequently held as inter-State supply and vice versa Thus, practically every situation is covered.

The GST law requires that every claim for refund is to be filed within 2 years from the relevant date.

E-COMMERCE OPERATORS

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

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

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

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

Electronic Commerce Operator under GST

"Electronic commerce operator is every person who, owns, operates or manages digital or electronic facility or platform for electronic commerce." On the other hand, sale of a company's products through its website would not be called an e-commerce activity. Hence, the basic functions of an E-commerce operator are:

- To display the available products and services in the website.
- Arrange for dispatch through any of the vendors.
- Post the successful supply by the vendors, the e-commerce operator proceeds to settle the payment of the vendor on a periodical basis.

Ecommerce Operator GST Registration

All E-commerce operators need to obtain GST registration once the turnover crosses the threshold limit. GST registration for ecommerce operators was mandatory irrespective of turnover criteria, until the 23rd GST Council meeting. In the 23rd GST Council Meeting, the benefit of threshold limit was made available to e-commerce operators. The threshold limit for every businesses is 20 lakhs, and 10 lakhs for special category states, except Jammu and Kashmir which is fully exempt.

TDS

TDS or Tax Deducted at Source is a mechanism where the payer deducts a certain portion of the payment as tax of the receiver and deposits the same with the government. For example:A provides technical services to B for 50,000 INR, B is liable to deduct TDS @ 10%, i.e 5,000 INR and A receives 45,000 INR

TCS

TCS or Tax Collected at Source is a mechanism where the receiver extracts a certain amount as

tax of the payer and deposits the same with the government. For exampleA is selling a Motor Car worth 12 Lakhs,
A is liable to collect TCS @ 1% on the sale consideration and deposit the same with Govt.B pays 12.12 Lakhs (12 Lakhs + 1%)

TDS = Tax Deducted at Source i.e. deducted by PAYER or BUYER. e.g. Employer making salary payment or buyer of immovable property or person paying interest or commission or rent would deduct TDS and pay to the IT department.

TCS = Tax Collected at Source i.e. collected by RECEIVER or PAYEE or SELLER. e.g. Jeweller selling jewellery would collect TCS and pay to the IT department.

Both, **TDS and TCS are NOT taxes** but are deducted from payment (TDS) or received more (TCS) and paid to the IT department on your behalf.

The person whose money was deducted (in case of TDS) or had to pay more (in case of TCS) would consider the TDS / TCS as income tax paid and would adjust the amount against his income tax liability while filing tax return.
If his income is below taxable limit (<250000), he would get the refund of TDS and TCS.

1.Tax collected at source (TCS)

Tax collected at source (TCS) is the tax payable by a seller which he collects from the buyer at the time of sale. Section 206C of the Income-tax act governs the goods on which the seller has to collect tax from the purchasers.

2. Goods covered under TCS provisions and rates applicable to them

When the below-mentioned goods are utilized for the purpose of manufacturing, processing, or producing things, the taxes are not payable. If the same goods are utilized for trading purposes then tax is payable. The tax payable is collected by the seller at the point of sale.

The rate of TCS is different for goods specified under different categories :

Type of Goods	**Rate**
Liquor of alcoholic nature, made for consumption by humans	1%
Timber wood under a forest leased	2.5%
Tendu leaves	5%
Timber wood by any other mode than forest leased	2.5%
A forest produce other than Tendu leaves and timber	2.5%
Scrap	1%
Minerals like lignite, coal and iron ore	1%
Bullion that exceeds over Rs. 2 lakhs/ Jewellery that exceeds over Rs. 5 lakhs	1%

Purchase of Motor vehicle exceeding Rs. 10 Lakhs	1%
Parking lot, Toll Plaza and Mining and Quarrying	2%

3. Classification of Sellers and Buyers for TCS

There are some specific people or organizations who have been classified as sellers for tax collected at source. No other seller of goods can collect tax at source from the buyers apart from the following list :

1. Central Government
2. State Government
3. Local Authority
4. Statutory Corporation or Authority
5. Company registered under Companies Act
6. Partnership firms
7. Co-operative Society
8. Any person or HUF who is subjected to an audit of accounts under Income tax act for a particular financial year.

Similarly, only a few buyers are liable to pay the tax at source to the sellers.

Let us know who are those buyers:

1. Public sector companies
2. Central Government
3. State Government
4. Embassy of High commision
5. Consulate and other Trade Representation of a Foreign Nation
6. Clubs such as sports clubs and social clubs

4. TCS Payments & Returns

a. The dates for paying TCS to the government are :

Collection Month	Quarter Ending	Due date of Payment	Due Date of filing return
April	30th June	7th May	15th July

May		7th June	
June		7th July	
July	30th September	7th August	15th October
August		7th September	
September		7th October	
October	31st December	7th November	15th January
November		7th December	
December		7th January	
January	31st March	7th February	15th March
February		7th March	
March		7th April	

***All sums collected by an office of the Government should be deposited on the same day of collection.**

b. The seller deposits the TCS amount in Challan 281 within 7 days from the last day of the month in which the tax was collected.

c. Note: If the tax collector responsible for collecting the tax and depositing the same to the government does not collect the tax or after collecting doesn't pay it to the government as per above due dates, then he will be liable to pay interest of 1% per month or a part of the month

d. Every tax collector has to submit quarterly TCS return i.e in **Form 27EQ** in respect of the tax collected by him in a particular quarter. The interest on delay in payment of TCS to the government should be paid before filing of the return.

5. Certificate of TCS

1. When a tax collector files his quarterly TCS return i.e Form 27EQ, he has to provide a TCS certificate to the purchaser of the goods.

2. Form 27D is the certificate issued for TCS returns filed. This certificate contains the following details:

a. Name of the Seller and Buyer

b. TAN of the seller i.e who is filing the TCS return quarterly

c. PAN of both seller and buyer

d. Total tax collected by the seller

e. Date of collection

f. The rate of Tax applied

3. This certificate has to be issued within 15 days from the date of filing TCS quarterly returns. The due dates are:

Quarter Ending	Date for generating Form 27D
For the quarter ending on 30th June	15th August
For the quarter ending on 30th September	15th November
For the quarter ending on 31st December	15th February
For the quarter ending on 31st March	15th June

In case you are still confused about filing TCS returns, feel free to consult the tax experts at ClearTax.

6. TCS Exemptions

Tax collection at source is exempted in the following cases :

1. When the eligible goods are used for personal consumption

2. The purchaser buys the goods for manufacturing, processing or production and not for the purpose of trading of those goods.

7. TCS under GST

a. Any dealer or traders selling goods online would get the payment from the online platform after deducting an amount tax @ 2 %.

b. The tax would have to be deposited to the government by 10th of the next month.

c. All the dealers/traders are required to get registered under GST compulsorily.

d. Yet, these provisions are to be applicable.

Example: Mr. Raj(seller) is a trader who sells clothes online on Flipkart (buyer). He receives an order for Rs 10, 000 inclusive of tax and commission. Flipkart would thus be deducting tax for Rs 200 (2% of Rs. 10000).

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.

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

POSSIBLE QUESTIONS

PART A

ONLINE EXAMINATION

PART B

1. Describe E-Commerce.
2. Discuss about return filing.
3. List out GST registration rules.
4. What is mean by TDS/TCS.

PART C

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

Register No.: ……………..

[16CCU502B]

KARPAGAM ACADEMY OF HIGHER EDUCATION

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

COIMBATORE – 641021

(For the candidates admitted from 2016 onwards)

III B.Com (CA)

FIRST INTERNAL EXAMINATION

ELECTIVE - INDIRECT TAX LAWS

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

Date :13/7/2018

PART – A (20*1 = 20 Marks)
Multiple Choice Questions

1. ____________ will get tax revenue from sales tax, excise on liquor.
(a)state government (b) central government (c) local authorities (d) revenue department

2. Tax imposes a ___________ on the taxpayers
(a) compulsory obligaition (b) invidual state (c) direct obligation (d) indirect obligation

3. The basic purpose of taxation is __________
(a)Increasing revenue (b)raising revenue (c)enormous revenue (d)imposes revenue

4. consumers paid__________while purchasing commodities
(a)large amounts (b) smallamounts(c) medium amounts(d) enlarge amounts

5. Indirect taxes are_______in nature
(a)progressive nature (b)rice (c)poor (d)regressive

6. Tax evasion as_______part of the price of goods
(a)tax ability (b)tax paying(c) tax forms(d) tax arise

7. Tax rates creates_________leading to increase in cost
(a)Taxability (b)deflation(c) Inflation (d)tax evasion

8. Impact of__________falls on the manufacturer.
(a)excise duty (b)sales tax(c) customs duty (d)Vat

9. Simplicity of tax laws will enable__________to the taxpayers
(a)tax compliance (b) tax evasion (c)tax effort (d)tax exemption

10. Tax liability increase in the same proportion is called ________
(a)Proportional taxation (b) non progressive taxation (c) regressive taxation (d) degressive taxation

11. _________in a system in which taxes are levied only on one subject.
(a) single tax (b) multiple tax (c) relative tax (d) commodity tax

12. The surplus of production over the minimum of________required to be produce
(a) consumption (b) production (c) sales (d) none of these

13. __________is the largest source of single revenue source
(a) customs duty (b) excise duty (c) VAT (d) service tax

14. Traders are charge_______price in actual rate tax
(a) less (b) very high (c) high (d) very less

15. Customs duty is imposed an________
(a) customs act1965 (b) customs act 1962 (c) customs act1949 (d) customs act 1955

16. First schedule of customs act 1975 ________
(a)export tariff (b)control tariff (c) local tariff (d)import tariff

17. Basic customs duty is based on_______of goods
(a)actual value (b) basis value (c)standard value (d)preference value

18. ________Goods could not suffer
(a)excise duty (b)Exported (c) local stated Imported (d)local valuable

19. _______goods are Illegal import of highly notified by central govt
(a)imported (b)exported (c)notified (d) identified

20. Large manufacturer from abroad export goods at_____prices
(a)very high (b)high (c)less (d)very less

PART – B (3X2 = 6 marks)

ANSWER ALL THE QUESTIONS

21. What is mean by indirect tax?

22. What is mean by canon of taxation?

23. What is custom duty?

PART – C (3X8 = 24 marks)

ANSWER ALL THE QUESTIONS

24. a) Explain the features and objectives of indirect tax.

(Or)

a) Explain the features and objectives of customs duty.

25. a) Explain the types of indirect tax.

(Or)

b) Explain the types of customs duties.

26.a) What are the advantages and disadvantages of indirect tax?.

(Or)

b) Write a short note on taxation in India.

Register No.: ……………..

[16CCU502B]

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Date :13/7/2018

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2. Tax imposes a ___________ on the taxpayers
(a) compulsory obligaition (b) **invidual state** (c) direct obligation (d) indirect obligation

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(d)**regressive**

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13. __________is the largest source of single revenue source
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19. _______goods are Illegal import of highly notified by central govt
(a)imported (b)exported (c)**notified** (d) identified

20. Large manufacturer from abroad export goods at_____prices
(a)**very high** (b)high (c)less (d)very less

PART – B (3X2 = 6 marks)

ANSWER ALL THE QUESTIONS

21. What is mean by indirect tax?

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

22. What is mean by canon 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.

23. What is custom 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.

PART – C (3X8 = 24 marks)

ANSWER ALL THE QUESTIONS

24. a) Explain the features and objectives of indirect tax.

FEATURES OF INDIRECT TAX

1. The Scientific Division of Tax Powers
2. Multiplicity of Tax Structure
3. Larger share of Indirect Taxes
4. Insufficient Tax Revenue
5. Greater Importance to Sate Government in Federal Fiscal System

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.

(Or)

24. b) Explain the features and objectives of customs duty.

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 ofthe 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.

25. a) Explain the types of indirect tax.

TYPES OF INDIRECT TAX We all knew that Tax law is divided into two parts that is direct and indirect tax. This direct and indirect tax are further classified as Direct tax includes Income Tax Act and Wealth Act, where as Indirect tax is classified as Central Excise duty, Customs duty, Service tax, Central sales tax, Value added tax, and miscellaneous. Almost each and every branch of law is classified into different sub-heads, likewise taxation is classified as follows in form of this chart:-It is an indirect tax levied and collected on the excisable goods manufactured or produced in India (excluding alcohol and tobacco) which has its marketability and which is known to the market or which already exists in the market. Central excise duty is also being levied to ores and minerals which are extracted from the earth. Manufacturer of marketable goods is liable to pay the excise duty to the government on the day when the goods are taken out the door of manufacturing unit. He is bound to pay to pay duty on all goods manufactured or produced in India unless and until it is exempted by the law. Exemption is given to develop the country is that; manufacturer is not bound to pay the excise duty on the goods exported out of India provided that specified quantum of quality and quantity is too maintained. This was done to increase the exportation in India. The duty of Central Excise is levied if the following conditions are satisfied: (1) The duty is on goods. (2) The goods must be excisable. (3) The goods must be manufactured or produced. (4) Such manufacture or production must be in India. Unless and until these above conditions are not satisfied, excise duty cannot be levied upon excisable goods. Manufacture is liable to pay the duty and for this he need not necessarily be an Owner of raw material. Law related to central excise Act: 1. Central Excise Act, 1944(CEA): The basic Act which provides the constitutional power for charging of duty, valuation etc. 2. Central Excise Tariff Act, 1985 (CETA): This classifies the goods under 96 chapters with specific codes assigned. 3. Central Excise Rules, 2002: It deals with the procedural aspects of excise duty. The rules given under rules are implemented or come into force after issue of notification. 4. Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000: This rule deals with the provisions of valuation of excisable goods.

(Or)

25.b) Explain the types of customs duties.

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
AUXILIARY DUTY OF CUSTOMS
EXPORT DUTIES
CESSES
EDUCATION CESS ON CUSTOMS DUTY
PROTECTIVE DUTIES
ANTI DUMPING DUTY ON DUMPED ARTICLES

26.a) What are the advantages and disadvantages of indirect tax?.

PROS AND CONS OF INDIRECT TAX

Advantages of Indirect Taxes: Indirect taxes have advantages of their own.

(i) The Poor Can Contribute:

(ii) Convenient

(iii) Non-evadable

(iv) Elastic

(v) Equitable

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

(i) Regressive:

(ii) Uncertain

(iii) Raising Prices Unduly

(iv) Uneconomical

(v) Harmful to Industries

(Or)

26.b) Write a short note on taxation in India.

DEVELOPMENT OF INDIRECT TAXATION

1. Indirect taxes continue to grow while direct taxes stagnate
2. Indirect taxes are adapting to new economic realities
3. The global trade landscape is changing fast
4. Tax authorities are focusing on enforcement of indirect taxes

CONTRIBUTION OF INDIECT 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.

Register No.: ……….
[16CCU502B]

KARPAGAM ACADEMY OF HIGHER EDUCATION
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(For the candidates admitted from 2016 onwards)

THIRD INTERNAL EXAMINATION – SEPTEMBER 2018
III B. Com.(CA) – V SEMESTER
INDIRECT TAX LAWS

Date:8/10/2018 **Time : 2 Hours**
Maximum: 50 Marks

PART –A (20x1=20 Marks)

CHOOSE THE CORRECT ANSWER

1. _______is described as a toll or tax levied at the gates of a city on articles brought into the city .
   a)sales b) goods c) octroi d)article

2. At what rate interest is payable on the delayed payment of customs duty
   a) 10% b)12% c)15% d)36%

3. "Output tax" means tax paid or payable under this Act by any registered dealer in respect of ______________________
   a) sale of any goods b) purchase of goods c) manufacture d)export

4. VAT is based on______________principle
   a) value added b)single point c)accounting d)economic

5. Tax invoice is popularly known as ________________
   a) receipt b)pass c)bill d)document

6. Persons who are liable to pay service tax are required to register themselves with ______________________department
   a) Central Excise b)Income tax c)revenue d)sales

7. For the final consumer, not being VAT-registered, VAT simply forms part of the ______________
   a) purchase price b) product price c) cost of sales d)tax

8. VAT is calculated by deducting tax credit from tax collected
   a) during the payment period b) during the financial year c)during any period
   d) during the purchase period

9. Registration of dealers with gross annual turnover above____________would be compulsory
   a) Rs. 5,00,000 b)Rs. 10,00,000 c) Rs. 15,00,000 d)Rs. 50,00,000

10. Input tax credit should be allowed for the purchase of goods made within the state from a ____________________
   a) Registered dealer b)unregistered dealer c)any other dealer d)casual trader

11. CGST and SGST will be levied on

a) inter state b) Intra state c) Import d) Export

12. The maximum rate of tax prescribed for manufactures in Composition levy is; CGST +SGST)

a) 1% b)5% c) 0.5 d) 2.50%

13. The maximum rate that can be levied as CGST or SGST will be at;

a)18% b)20% c)40% d) 21%

14. What is the validity of challan in Form GST PMT-4?

a) 1 day b) 5 days c) 15 days d) 18 days

15. 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)Non resident taxable person

c) Person making sale of taxable goods d) Persons who are required to pay tax under reverse charge

16. 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.

17. 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

18. 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 of the equipment

c) ITC for input in stock allowed d) None of the above

19. IGST Act is passed by _________

a) State Legislative b) Parliament c) Union Territory d) Legislative Council

20. Under__________Article of the Constitution, GST on supplies in the cause of Inter-state trade or commerce shall be levied and collected by the Government of India .

a) Article 246 A b) Article 269 A c) Article 254 d) Article 279 A

PART – B (3 x 2= 6 Marks)
ANSWER ALL THE QUESTIONS

21. Explain TDS.
22. Write about time and place of supply.
23. Mention about voluntary registration facility.

PART – C (3 x 8= 24 Marks)
ANSWER ALL THE QUESTIONS

24. a) Write a note on Types of supply.

(OR)

b) Explain the registration procedure under GST.

25. a) Explain about input tax credit and documents required for claiming input tax credit.

(OR)

b) Write about payment mechanism under GST

26. a) Explain GST and its impact on small scale industries.

(OR)

b) TDS/TCS discuss in detail.

25. a) Explain about customs procedure and tax evasion (any 5 points).

(or)

b) Mention about the features of GSTN.

26. a) Discuss about the offences chargeable under GST..

(or)

b) Write about the constitutional framework and model of GST law.

Register No.: ……….
[16CCU502B]

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed to be University)
(Established Under section 3 of UGC Act 1956)
(For the candidates admitted from 2016 onwards) SECOND INTERNAL EXAMINATION – AUGUST 2018 III B. Com.(CA) – V SEMESTER
INDIRECT TAX LAWS

Date:14/8/2018 **Time : 2 Hours**
Maximum: 50 Marks

PART –A (20x1=20 Marks)
ANSWER ALL THE QUESTIONS

1. Exporter sells the product to an exporting country at________price
a) high b)very high **c)less** d)very less

2. After the expiry of seven days from specified date____to the Subsection
a) exempted goods b)marketable goods c)specified goods **d) intimated goods**

3. Transport of specified goods to be covered to be covered by
a) receipts b)payments c)invoice **d)vouchers**

4. ______of customs act to safeguard the interest of domestic industry
a) sec 9A **b)sec8b** c)sec 18 d)sec 19

5. ________additional duties levied on imported goods
a) special additional duty **b) protective** c)anti dumping duty d) additional duty

6. Safeguard domestic trade is imposed on_______goods
a) export b) interstate **c) import** d) local sales

7. _______is not liable to pay abandoned goods
a) sellers b) buyers **c) owners** d)wholesalers

8. ______of customs may permit an importer to enter general bond
a) commissioner b)executed **c)Deputy commissioner** d)official government

9. Shipping bills should be filed in the customs House within_______days before the arrival of the loading vessel.
a) **7 days** b)14 days c) 21 days d)30 days

10. Tea cannot be exported unless a license is granted by
a) central government b)state government **c)Tea board** d)Coffee Board

11. First schedule of customs act 1975 _______
a) export tariff b) control tariff c) local tariff d**) import tariff**

12. ________Goods could not suffer excise duty
a) Exported b) local stated **c) Imported** d) local valuable

13. ______means customs port and customs airport
a) customs area **b) customs station** c) customs goods d) customs duty

14. NCCD stands for ______ _ _ _
a) National Customs Contingent Duty **b) National Calamity Contingent Duty**
c) National Central excise Contingent Duty d) Nation Central Customs Duty

15. _______is levied on dumped articles
a) **anti dumping duty** b) ad valorem duty c)safeguard duty d) protective duty

16. _______goods are Illegal import of highly notified by central govt
a) imported b)exported **c)notified** d)identified

17. ________goods means any goods brought into India from outside India
a) export **b)import** c)inter state d)local

18. Form F is used for ______ _ _ __
a) export b)interstate c)import local **d)stock transfer**

19. VAT paid on purchase of goods is termed as ______ _ _
a) Exported **b)input tax** c)Imported c) local valuable

20. CST is a tax on ____ ______ __sale of goods.
a) special additional goods **b) Interstate** c)anti dumping duty d) additional duty

PART – B (3 x 2= 6 Marks)
ANSWER ALL THE QUESTIONS

21. Mention about the various types of GST in India.

GST at Central (Union) Government Level only

GST at State Government Level only GST at both,

Union and State Government Levels

CGST –Central GST

SGST –State GST

IGST –Integrated GST

22. Differenciate between CGST and IGST.

It is levied by Central government to replace the existing tax like service tax, excise, etc
It is levied by State government to replace the existing tax like sales tax, luxury tax, entry tax, etc.

23. Explain about 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.

PART – C (3 x 8= 24 Marks)
ANSWER ALL THE QUESTIONS

24. a) Explain about the working mechanism of GST

Registering your Business
Issuing Tax Invoices
Accounting for GST
Filing Tax Returns
Input Tax Credit Mechanism
Claiming GST Refunds Paying GST
Offences
Review and Appeals

(or)

b) Discuss about GST rates and taxes.

GST RATES AND TAXES GST is the biggest tax-related reform in the country bringing uniformity in the taxation structure and eliminating the cascading of taxes that was levied in the past. The GST Council meets from time to time to revise the GST rates for various products. Several states and industries recommend reduction in GST tax rate for various items which are discussed in these meetings. GST stands for Goods and Services Tax. It is classified into three types:
CGST –Central GST
SGST –State GST
IGST –Integrated GST

Tax Rates Products 5% Household necessities such as edible oil, sugar, spices, tea, and coffee (except instant) are included. Coal (instead of current 11.69%), Mishti/Mithai (Indian Sweets) and Life-saving drugs are also covered under this GST slab

12% This includes computers and processed food
18% Hair oil, toothpaste and soaps, capital goods and industrial intermediaries are covered in this slab
28% Luxury items such as small cars (+1% or 3% cess),
consumer durables like AC and Refrigerators, premium cars,
cigarettes and aerated drinks (+15% cess),
High-end motorcycles (+15% cess) are included here.

25. a) Explain about customs procedure and tax evasion (any 5 points).

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

(or)

b) Mention about the features of GSTN.

Salient Features of the GSTN The GSTN is a complex IT initiative. It will establish a uniform interface for the taxpayer and also create a common and shared IT infrastructure between the Centre and States. 1. Trusted National Information Utility The GSTN is a trusted National Information Utility (NIU) providing reliable, efficient and robust IT backbone for the smooth functioning of GST in India. 2. Handles Complex Transactions GST is a destination based tax. The adjustment of IGST (for inter-state trade) at the government level (Centre & various states) will be extremely complex, considering the sheer volume of transactions all over India. A rapid settlement mechanism amongst the States and the Centre will be possible only when there is a strong IT infrastructure and service backbone which captures, processes and exchanges information. Please read our article to know more about how the Centre and the States will settle IGST. 3. All Information Will Be Secure The government will have strategic control over the GSTN, as it is necessary to keep the information of all taxpayers confidential and secure. The Central Government will have control over the composition of the Board, mechanisms of Special Resolution and Shareholders Agreement, and agreements between the GSTN and other state governments. Also, the shareholding pattern is such that the Government shareholding at 49% is far more than that of any single private institution. 4. Expenses Will Be Shared The user charges will be paid entirely by the Central Government and the State Governments in equal proportion (i.e. 50:50) on behalf of all users. The state share will be then apportioned to individual states, in proportion to the number of taxpayers in the state.

26. a) Discuss about the offences chargeable under GST.

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;

(or)

b) Write about the constitutional framework and model of GST law.

CONSTITUTIONAL FRAMEWORK AND MODEL OF GST LAW PART A- Levy and Collection of CGST/SGST Section 7 of Chapter III of the CGST/SGST Act, 2016 provides: Section 7(1) There shall be levied a tax called the Central/State Goods and Services Tax (CGST/SGST) on all intra-State supplies of goods and/or services at the rate specified in the Schedule to this Act and collected in such manner as may be prescribed. Section 7(2) The CGST/SGST shall be paid by every taxable person in accordance with the provisions of this Act. Section 7(3) Notwithstanding anything contained in sub-section (2), the Central or a State Government may, on the recommendation of the Council, by notification, specify categories of supply of goods and/or services the tax on which is payable on reverse charge basis and the tax thereon shall be paid by the person receiving such goods and/or services and all the provisions of this Act shall apply to such person as if he is the person liable for paying the tax in relation to such goods and/or services.

Register No.: ……….
[16CCU502B]

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed to be University)
(Established Under section 3 of UGC Act 1956)
(For the candidates admitted from 2016 onwards)
SECOND INTERNAL EXAMINATION – AUGUST 2018
III B. Com.(CA) – V SEMESTER
INDIRECT TAX LAW

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

PART –A (20x1=20 Marks)
ANSWER ALL THE QUESTIONS

1. Exporter sells the product to an exporting country at___________price
   a) high b)very high c)less d)very less

2. After the expiry of seven days from specified date______to the Subsection
   a) exempted goods b)marketable goods c)specified goods d) intimated goods

3. Transport of specified goods to be covered to be covered by
   a) receipts b)payments c)invoice d)vouchers

4. _______of customs act to safeguard the interest of domestic industry
   a) sec 9A b)sec8b c)sec 18 d)sec 19

5. _________additional duties levied on imported goods
   a) special additional duty b) protective c)anti dumping duty d) additional duty

6. Safeguard domestic trade is imposed on_________goods
   a) export b) interstate c) import d) local sales

7. ________is not liable to pay abandoned goods
   a) sellers b) buyers c) owners d)wholesalers

8. _______of customs may permit an importer to enter general bond
   a) commissioner b)executed c)Deputy commissioner d)official government

9. Shipping bills should be filed in the customs House within_________days before the arrival of the loading vessel.
   a) 7 days b)14 days c) 21 days d)30 days

10. Tea cannot be exported unless a license is granted by
    a) central government b)state government c)Tea board d)Coffee Board

11. First schedule of customs act 1975 _________
    a) export tariff b) control tariff c) local tariff d) import tariff

12. ________Goods could not suffer excise duty

a) Exported b) local stated c) Imported d) local valuable

13. ______means customs port and customs airport

a) customs area b) customs station c) customs goods d) customs duty

14. NCCD stands for _____ _ _ _

a) National Customs Contingent Duty b) National Calamity Contingent Duty

c) National Central excise Contingent Duty d) Nation Central Customs Duty

15. _______is levied on dumped articles

a) anti dumping duty b) ad valorem duty c)safeguard duty d) protective duty

16. _______goods are Illegal import of highly notified by central govt

a) imported b)exported c)notified d)identified

17. ________goods means any goods brought into India from outside India

a) export b)import c)inter state d)local

18. Form F is used for _____ _ _ __

a) export b)interstate c)import local d)stock transfer

19. VAT paid on purchase of goods is termed as _____ _ _

a) Exported b)input tax c)Imported c) local valuable

20. CST is a tax on ____ ______ ___sale of goods.

a) special additional goods b) Interstate c)anti dumping duty d) additional duty

PART – B (3 x 2= 6 Marks)
ANSWER ALL THE QUESTIONS

21. Mention about the various types of GST in India.

22. Differenciate between CGST and IGST.

23. Explain about duty drawback.

PART – C (3 x 8= 24 Marks)
ANSWER ALL THE QUESTIONS

24. a) Explain about the working mechanism of GST

(or)

b) Discuss about GST rates and taxes.

25. a) Explain about customs procedure and tax evasion (any 5 points).

(or)

b) Mention about the features of GSTN.

26. a) Discuss about the offences chargeable under GST..

(or)

b) Write about the constitutional framework and model of GST law.

Register No.: ……….
[16CCU502B]

KARPAGAM ACADEMY OF HIGHER EDUCATION

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(For the candidates admitted from 2016 onwards)

THIRD INTERNAL EXAMINATION – SEPTEMBER 2018
III B. Com.(CA) – V SEMESTER
INDIRECT TAX LAWS

Date:8/10/2018 **Time : 2 Hours**
Maximum: 50 Marks

PART –A (20x1=20 Marks)

CHOOSE THE CORRECT ANSWER

1. _______is described as a toll or tax levied at the gates of a city on articles brought into the city .
   a)sales b) goods **c) octroi** d)article

2. At what rate interest is payable on the delayed payment of customs duty
   a) 10% b)12% **c)15%** d)36%

3. "Output tax" means tax paid or payable under this Act by any registered dealer in respect of _____________________
   a) **sale of any goods** b) purchase of goods c) manufacture d)export

4. VAT is based on______________principle
   a) **value added** b)single point c)accounting d)economic

5. Tax invoice is popularly known as ________________
   a) receipt b)pass **c)bill** d)document

6. Persons who are liable to pay service tax are required to register themselves with ______________________department
   a) **Central Excise** b)Income tax c)revenue d)sales

7. For the final consumer, not being VAT-registered, VAT simply forms part of the ______________
   a) **purchase price** b) product price c) cost of sales d)tax

8. VAT is calculated by deducting tax credit from tax collected
   a) **during the payment period** b) during the financial year c)during any period
   d) during the purchase period

9. Registration of dealers with gross annual turnover above____________would be compulsory
   a) **Rs. 5,00,000** b)Rs. 10,00,000 c) Rs. 15,00,000 d)Rs. 50,00,000

10. Input tax credit should be allowed for the purchase of goods made within the state from a ___________________
   a) **Registered dealer** b)unregistered dealer c)any other dealer d)casual trader

11. CGST and SGST will be levied on

a) inter state **b) Intra state** c) Import d) Export

12. The maximum rate of tax prescribed for manufactures in Composition levy is; CGST +SGST)

a) 1% b)5% c) 0.5 d) 2.50%

13. The maximum rate that can be levied as CGST or SGST will be at;

a)18% **b)20%** c)40% d) 21%

14. What is the validity of challan in Form GST PMT-4?

a) 1 day b) 5 days **c) 15 days** d) 18 days

15. 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)Non resident taxable person

c**) Person making sale of taxable goods** d) Persons who are required to pay tax under reverse charge

16. 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.

17. 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

18. 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 of the equipment**

c) ITC for input in stock allowed d) None of the above

19. IGST Act is passed by _________

a) State Legislative **b) Parliament** c) Union Territory d) Legislative Council

20. Under__________Article of the Constitution, GST on supplies in the cause of Inter-state trade or commerce shall be levied and collected by the Government of India .

a) Article 246 A **b) Article 269 A** c) Article 254 d) Article 279 A

PART – B (3 x 2= 6 Marks)

ANSWER ALL THE QUESTIONS

21. Explain TDS.
22. Write about time and place of supply.

Time of supply means the point in time when goods/services are considered supplied'. When the seller knows the 'time', it helps him identify due date for payment of taxes.

It is very important to understand the term 'place of supply' for determining the right tax to be charged on the invoice.

23. Mention about voluntary registration facility.

voluntary registration under GST even if you are not liable to be registered. All the provisions of GST applicable to a registered taxable person will similarly apply to you also, i.e. you will be treated as a normal taxable person.

PART – C (3 x 8= 24 Marks)

ANSWER ALL THE QUESTIONS

24. a) Write a note on Types of supply.

Intra-State supply
Inter-State supply
A State and a Union territory
Composite Supply
Mixed Supply

(OR)

b) Explain the registration procedure under GST.

Procedure for GST Registration:

a) Details to be furnished
b) Reference Number
c) Application
d) Specified Documents
e) Company documents
f) RegisteredOffice documents
g) Director related documents

25. a) Explain about input tax credit and documents required for claiming input tax credit.

What is input tax credit? Input credit means at the time of paying tax on output, you can reduce the tax you have already paid on inputs and pay the balance amount. Here's howWhen you buy a product/service from a registered dealer you pay taxes on the purchase. On selling, you collect the tax. You adjust the taxes paid at the time of purchase with the amount of output tax (tax on sales) and balance liability of tax (tax on sales minus tax on purchase) has to be paid to the government. This mechanism is called utilization of input tax credit. For example- you are a manufacturer: Tax payable on output (FINAL PRODUCT) is Rs 450• Tax paid on input (PURCHASES) is Rs 300• You can claim INPUT CREDIT of Rs 300 and you only need to deposit Rs 150 in taxes•

(OR)

b) Write about payment mechanism under GST

PAYMENT MECHANISM: How is the input tax credit in GST electronic credit ledger utilized? Here, there are three liars of utilization of GST input tax credit. The amount of input tax credit on account of IGST available in the electronic credit ledger shall first be utilized towards payment of IGST and the amount remaining, if any, may be utilized towards the payment of CGST and SGST, in that order. The amount of input tax credit on account of CGST available in the electronic credit ledger shall first be utilized towards payment of CGST and the amount remaining, if any, may be utilized towards the payment of IGST. The input tax credit on account of CGST shall not be utilized towards payment of SGST. Note: This provision is to be incorporated in CGST Act.

26. a) Explain 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.

(OR)

b) TDS/TCS discuss in detail.

TDS = Tax Deducted at Source i.e. deducted by PAYER or BUYER. e.g. Employer making salary payment or buyer of immovable property or person paying interest or commission or rent would deduct TDS and pay to the IT department. TCS = Tax Collected at Source i.e. collected by RECEIVER or PAYEE or SELLER. e.g. Jeweller selling jewellery would collect TCS and pay to the IT department. Both, TDS and TCS are NOT taxes but are deducted from payment (TDS) or received more (TCS) and paid to the IT department on your behalf.

25. a) Explain about customs procedure and tax evasion (any 5 points).

(or)

b) Mention about the features of GSTN.

26. a) Discuss about the offences chargeable under GST..

(or)

b) Write about the constitutional framework and model of GST law.