

SCOPE

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

OBJECTIVES:

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

Unit I

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

Unit II

Customs Law: Basic Concepts of Customs Law- Different types of Customs Duty- Abatement of duty in damaged or deteriorated goods- Valuation –Customs procedure- Exemptions- Customs Duty drawback- Duty Free Zones- Offense and Penalties.

Unit III

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

UNIT IV

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

UNIT V

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

TEXT BOOK

1. V.S Datey, "Indirect Taxes "Taxmann Publication (P) Ltd., New Delhi (2010)
2. Simplified approach to GST – A Ready Reference – April2017.

REFERENCE BOOK

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



KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University)

(Established under section 3 of UGC Act 1956)

Coimbatore-641021

Department of Commerce CA

Name: **Dr.R.Sankar Ganesh**

Department: **Management**

Subject Code: **17CCU502B**

Semester: **V**

Year: **2017 - 2020 Batch**

Subject: **Business Law**

Lesson Plan

UNIT 1

S.No	Lecture Hours	Contents	References
1.	1	Introduction to indirect tax: meaning	T1 : 2-3
2.	1	Features of indirect tax	T1: 1-2
3.	1	Types of objective	T1: 4-5
4.	1	Types of indirect tax	R3: A/3- 4
5.	1	Describe indirect taxes and criticisms of these taxes	
6.	1	Principles and cannon of taxation	T1: 5-7
7.	1	Tax system in India	W1
8.	1	A Disruptive Tax Reform in India	
9.	1	Pros of indirect tax	T1: 8-9
10	1	Cons of indirect tax	T1: 8-9
11	1	Contribution to government revenues	R3 : A/10
12	1	Taxes levied on various sectors	
13	1	Development of Indirect tax	R3:A/11
14	1	Canons of Taxation	T1: 4-5
15	1	Difference between Direct and Indirect Taxes	T1: 9 – 10
16	1	Shifting the balance from direct to indirect taxes	
17	1	Major Reforms in Indirect Taxes	T1: 15 – 16
18	1	Recent trends in Indirect Taxes	T1: 16-17

19	1	Developments under Indirect Taxes	
20	1	Recapitulation and important question discussion	
Total Number of hours planned for Unit 1			20
UNIT 2			
1	1	Basic concept of customs law	R5: C1-C3
2	1	Different types of customs Duty	R1: 88-90
3	1	Abatement of duty in damaged or deteriorated goods	R5: C97-C98
4	1	Remission of duty on damaged goods or deteriorated goods	
5	1	Valuation	R4: 101-103
6	1	Customs Procedure	R4: 116- 117
7	1	Exemptions	R3: C/63- C/66
8	1	Simplification and clearance of Customs Duty	
9	1	Customs duty drawback	R4: 121-124
10	1	Duties free zones	W1
11	1	Free trade and warehousing zones	
12	1	Offense and penalties	R3: C/186-C/190
13	1	Fines imposed on Customs offences	
14	1	Central Board of Customs	T1: 19
15	1	Valuation of goods for the purpose of customs duty	T1: 20
16	1	Recent trends in customs duty	T1: 21
17	1	Import and Export status in India per changes in Customs duty	
18	1	Difference between Excise, safeguard and Customs duty	T1: 23
19	1	Recapitulation and important question discussion	
Total Number of hours planned for Unit 2			19
UNIT 3			
1	1	Introduction to Goods and Services Tax (GST) Meaning of GST and Basic Concepts	T2: 1-8
2	1	Features of GST	T2: 15-17
3	1	A disruptive tax reform in India	

4	1	Benefits of GST	T2: 11-17
5	1	GST working mechanism	T2: 10
6	1	Payment process under GST	
7	1	GST rate and Taxes on GST	T2: 18-20
8	1	Goods and Service tax Network (GSTN)	T2: 21-24
9	1	GST Administration	
10	1	Constitutional Framework of GST	T2: 25-27
11	1	Model GST Law	T2:35-51
12	1	Chargeability for GST	T2:53
13	1	Time, place and value for goods and services under GST	
14	1	Provisions of chargeability	T2: 53-54
15	1	Conditions of levy	T2: 55-56
16	1	Composition Scheme	T2: 57
17	1	Composition levy GST	
18	1	Aggregate Turnover, Composition levy	T2: 58
19	1	Recapitulation and important question discussion	
Total Number of hours planned for Unit 3			19
UNIT 4			
1	1	Meaning and Scope supply	T2: 61-62
2	1	Types of Supply and time of Supply	T2: 62-65
3	1	Provision relating to time of Supply	T2: 69-71
4	1	Place of supply	T2: 75
5	1	Time and Place of supply under revised GST model	
6	1	Provision relating to place of supply	T2: 75-91
7	1	Valuation mechanism	T2: 95-97
8	1	Input tax credit mechanism	T2: 107- 112
9	1	Payment mechanism	T2: 113
10	1	Understanding payment process under GST	

11	1	Condition for collection	T2:114
12	1	Payment procedures under proposed GST	T2: 114-115 T2: 119
13	1	Registration under GST rules	
14	1	GST registration and enrollment	T2: 120
15	1	Major features of registration	T2: 120
16	1	Provisional Registration	T2: 121
17	1	GST System Process, Schedule of the Enrolment Plan	T2: 120
18	1	Schedule of the Enrolment Plan	T2: 69-71
19	1	Recapitulation and important question discussion	
Total Number of hours planned for Unit 4			19
UNIT 5			
1	1	Registration under GST	T2: 145-149
2	1	Return Filing Rules	T2: 145-149
3	1	GST forms	T2: 157-161
4	1	Refund Provision in GST	T2: 157-161
5	1	E –commerce	T2: 163
6	1	Taxation of E- Commerce under GST	T2: 169-171
7	1	TDS/TCS	T2: 169-171
8	1	GST provision mechanism	T2: 157-161
9	1	GST provision mechanism	T2: 157-161
10	1	State wise turnover	T2: 173-175
11	1	Small scale exemption	T2: 173-175
12	1	Voluntary registration facility	T2: 176-177
13	1	GST Rules	T2: 179 – 183
14		Revised GST return rules and payment rules	T2: 179 – 183
15		Revision of returns after GST implementation	T2: 192-208
16		Recapitulation and Important Questions Discussion	
17	1	Previous Year ESE Question Paper Revision	

18	1	Previous Year ESE Question Paper Revision	
19	1	Previous Year ESE Question Paper Revision	
Total Number of hours planned for Unit 5 and discussion of previous year ESE Question papers			19
Total Number of hours allotted for all five units			96

Text Book:

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

Reference Books:

- R1 V. Balachandran (2006) Indirect taxation, Sultan Chand & sons, New Delhi
R2 P. Radhakrishnan (2006) Indirect taxation, KalyanPublisher , New Delhi
R3 Sethurajan (2005) Indirect taxation including Wealth tax, Speed Publication
R4 Singhanian (2014) , Indirect taxation, Taxmann Publication(p) ltd., New Delhi (2010)
R5 DingarePagare, (2014), Business Taxation , Sultan Chand & sons, New Delhi

Websites:

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

UNIT-I

SYLLABUS

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 ABOUT TAX

Meaning

A Tax is “a charge levied by both central and state government without any expectation of direct return in benefit”.

A tax is a compulsory payment or contribution by the people to the government for which there is no direct return to the tax payers. Tax imposed a personal obligation on the people to pay the tax on it.

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

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

A fee charged or "levied" by a government on a product, income, or activity. Since public goods and services do not allow a non-payer to be excluded, or allow exclusion by a consumer, there cannot be a market in the good or service, and so they need to be provided by the government or a quasi-government agency, which tend to finance themselves largely through

taxes.

Hence , “taxation should not be like killing the goose that lays golden eggs”.

GENERAL CHARACTERISTICS

The following are the characteristics of a tax,

1. It is an enforced contribution
2. It is generally payable in money.
3. It is proportionate in character, usually based on the ability to pay
4. It is levied on persons and property within the jurisdiction of the state
5. It is levied pursuant to legislative authority, the power to tax can only be exercised by the law making body or congress
6. It is levied for public purpose
7. It is commonly required to be paid at regular intervals.

A good tax system should possess the following characteristics:

1. It should ensure maximum social advantage. It should be used to finance public services.

2. It should cause minimum aggregate sacrifice. In a good tax system, the allocation of taxes among tax payers is made according to the ability to pay. It falls more heavily on the rich and less on the poor. It should be reasonably progressive so as to minimise the gap of inequality of income and wealth in the community, thereby ensuring their better distribution.

3. In a good tax system, taxes are universally applicable in the sense that persons with same ability to pay are treated in the same way without any discrimination whatsoever. In the Indian tax system, however, this attribute is lacking to some extent. For instance, income tax is not universal in India, as no income tax is levied on agricultural incomes.

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V**

UNIT: I - INTRODUCTION

4. It should contain a predominance of good taxes satisfying most of the canons of taxation. That is to say, the taxes imposed should be more or less equitable, convenient to pay, economical, certain, productive, flexible and simple as far as possible.

5. The entire structure of the tax system should have built-in flexibility, so that changes are possible according to the changing conditions of a dynamic economy. It should be possible to add or withdraw a tax without destroying the entire system and its balancing effect. A rigid tax structure is very unsatisfactory. Taxation must cope with the changing needs of the modern government. The capacity to adjust itself to the dynamic conditions of an economy is a virtue of a good tax system.

6. A good tax system should be a balanced one, it means there must exist not one kind of taxes but all types in the right proportion. In other words, it should not contain just progressive, regressive or proportional taxes only, but a healthy combination of all such taxes. Similarly, it should have a balance of direct and indirect taxes.

7. The tax system should be multiple, but then took a great multiplicity is not desirable. Dalton, however, suggests that a good tax system has to be also a reasonably efficient administrative system.

8. Further, in a good tax system there is simplicity, implying the absence of any unnecessary and avoidable complexities.

9. A good tax system should not hamper the development of trade and industry, but instead help the rapid economic development of the country. Taxation is designed to mobilise the surplus resources in the economy and not deprive the private sector of its resources.

Thus, the tax system should contain taxes which are strictly in relation to the tax payer's ability to pay. In Dalton's opinion, in a good tax system, there should be a double illusion that rich should pay more than what they think they should, so that the rich will be contented and the poor become virtuous; in this way, the incentive to work and save will be sustained.

Various factors have to be considered in determining the tax system of a country. The tax system of a country develops according to the tax ideals of the government and the goals of public policy, which the system has to incorporate in its structure. The practical shape of the tax system of a country depends on its historical background.

OBJECTIVES OF TAXATION

The following are the objectives of levying taxes,

Primary Purpose

It is to provide funds or property with which the government discharges its appropriate functions for the protection and general welfare of the its citizens.

Non Revenue Objectives

Aside from purely financing government operational expenditures, taxation is also utilized as a tool to carry out the national objective of social and economic development.

1. To strengthen anemic enterprises by granting them tax exemptions or other conditions or incentives for growth;
2. To protect local industries against foreign competition by increasing local import taxes;
3. As a bargaining tool in trade negotiations with other countries;
4. To counter the effects of inflation or depression;
5. To reduce inequalities in the distribution of wealth;
6. To promote science and invention, finance educational activities or maintain and improve the efficiency of local police forces;
7. To implement police power and promote general welfare.

TYPES OF TAXES

The following are the types of taxes in India,

1. DIRECT TAXES

These types of taxes are directly imposed & paid to Government of India. There has been a steady rise in the net Direct Tax collections in India over the years, which is healthy signal. Direct taxes, which are imposed by the Government of India, are:

a. Income Tax

Income tax, this tax is mostly known to everyone. Every individual whose total income exceeds taxable limit has to pay income tax based on prevailing rates applicable time to time.

By doing investment in certain scheme you can save Income Tax.

b. Wealth Tax

Wealth tax is a direct tax, which is charged on the net wealth of the assessee. Wealth tax is chargeable in respect of Net wealth corresponding to Valuation date. Net wealth means all assets less loans taken to acquire those assets. Wealth tax is 1% on net wealth exceeding 30 Lakhs (Rs 3,000,000). So if you have more money, assets you are liable to pay tax.

Note:- Wealth tax is abolished by government in budget 2015. Now onwards surcharge of 12% is applicable on individual earning 1 crore and above.

c. Capital Gains Tax

Capital Gain tax as name suggests it is tax on gain in capital. If one sale property, shares, bonds & precious material etc. and earn profit on it within predefined time frame you are supposed to pay capital gain tax. The capital gain is the difference between the money received from selling the asset and the price paid for it.

Capital gain tax is categorized into short-term gains and long-term gains. The Long-term Capital Gains Tax is charged if the capital assets are kept for more than certain period 1 year in case of share and 3 years in case of property. Short-term Capital Gains Tax is applicable if these assets are held for less than the above-mentioned period. Rate at which this tax is applied varies based on investment class.

d. Securities Transaction Tax

A lot of people do not declare their profit and avoid paying capital gain tax, as government can only tax those profits, which have been declared by people. To fight with this situation Government has introduced STT (Securities Transaction Tax) which is applicable on every transaction done at stock exchange. That means if you buy or sell equity shares, derivative instruments, equity oriented Mutual Funds this tax is applicable.

This tax is added to the price of security during the transaction itself, hence you cannot avoid (save) it. As this tax amount is very low people do not notice it much.

e. Perquisite Tax

Earlier to Perquisite Tax we had tax called FBT (Fringe Benefit Tax) which was abolished in 2009, this tax is on benefit given by employer to employee. E.g If your company provides you non-monetary benefits like car with driver, club membership, ESOP etc. All this benefit is taxable under perquisite Tax. In case of ESOP The employee will have to pay tax on the difference between the Fair Market Value (FMV) of the shares on the date of exercise and the price paid by him/her.

f. Corporate Tax

Corporate Taxes are annual taxes payable on the income of a corporate operating in India. For the purpose of taxation companies in India are broadly classified into domestic companies and foreign companies. In addition to above other taxes are also applicable on corporate.

2. INDIRECT TAXES

a. Sales Tax

Sales tax charged on the sales of movable goods. Sale tax on Inter State sale is charged by Union Government, while sales tax on intra-State sale (sale within State) (now termed as VAT) is charged by State Government. Sales can be broadly classified in three categories. (a) Inter-State Sale (b) Sale during import/export (c) Intra-State (i.e. within the State) sale. State Government can impose sales tax only on sale within the State.

CST is payable on inter-State sales is @ 2%, if C form is obtained. Even if CST is charged by Union Government, the revenue goes to State Government. State from which movement of goods commences gets revenue. CST Act is administered by State Government.

b. Service Tax

Most of the paid services you take you have to pay service tax on those services. This tax is called service tax. Over the past few years, service tax been expanded to cover new services.

Few of the major service which comes under vicinity of service tax are telephone, tour operator, architect, interior decorator, advertising, beauty parlor, health center, banking and financial service, event management, maintenance service, consultancy service

Current rate of interest on service tax is 14%. This tax is passed on to us by service provider.

c. Value Added Tax

The Sales Tax is the most important source of revenue of the state governments; every state has their respective Sales Tax Act. The tax rates are also different for respective states.

d. Custom duty and Octroi (On Goods)

Custom Duty is a type of indirect tax charged on goods imported into India. One has to pay this duty , on goods that are imported from a foreign country into India. This duty is often payable at the port of entry (like the airport). This duty rate varies based on nature of items.

Octroi is tax applicable on goods entering in to municipality or any other jurisdiction for use, consumption or sale. In simple terms one can call it as Entry Tax.

e. Excise Duty

An excise or excise duty is a type of tax charged on goods produced within the country. This is opposite to custom duty which is charged on bringing goods from outside of country. Another name of this tax is CENVAT (Central Value Added Tax).

If a producer or manufacturer of goods or hire labor to manufacture goods then they are liable to pay excise duty to the government.

f. Anti Dumping Duty

Dumping is said to occur when the goods are exported by a country to another country at a price lower than its normal value. This is an unfair trade practice which can have a distortive effect on international trade. In order to rectify this situation Central Govt. imposes an anti dumping duty not exceeding the margin of dumping in relation to such goods.

3. OTHER TAXES

a. Professional Tax

Professional tax is imposed by respective Municipal Corporations. Most of the States in India charge this tax. This tax is paid by every employee working in Private organizations. The tax is deducted by the Employer every month and remitted to the Municipal Corporation and it is mandatory like income tax. The rate on which this tax is applicable is not same in all states.

b. Dividend distribution Tax

Dividend distribution tax is the tax imposed by the Indian Government on companies according to the dividend paid to a company's investors. Dividend amount to investor is tax free. At present dividend distribution tax is 15%.

c. Municipal Tax

Municipal Corporation in every city imposed tax in terms of property tax. Owner of every property has to pay this tax. This tax rate varies in every city.

d. Entertainment Tax

Tax is also applicable on Entertainment; this tax is imposed by state government on every financial transaction that is related to entertainment such as movie tickets, major commercial shows exhibition, broadcasting service, DTH service and cable service.

e. Stamp Duty, Registration Fees, Transfer Tax

If one decide to purchase property than in addition to cost paid to seller and must consider additional cost to transfer that property on name. That cost include registration fees, stamp duty and transfer tax. This is required for preparing legal document of property. In simple sense this tax is imposed on the handing over of the title of property ownership by one person to

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V**

UNIT: I - INTRODUCTION

another. It incorporates a legal transaction fee and stamp duty. This amount varies from property to property based on cost.

f. Education Cess, Surcharge

Education cess is deducted and used for Education of poor people in INDIA. All taxes in India are subject to an education cess, which is 3% of the total tax payable. The education cess is mainly applicable on Income tax, excise duty and service tax.

Surcharge is an extra tax or fees that added to your existing tax calculation. This tax is applied on tax amount.

g. Toll Tax

At some of places you need to pay tax in order to use infrastructure (road, bridge etc.) build from your money given to government as Tax. This tax is called as toll tax. This tax amount is very small amount but, to be paid for maintenance work and good up keeping.

MERITS OF DIRECT TAXATION

The following are the merits of direct taxation,

1. Equity:

Direct taxes like income tax, wealth tax, etc. are based on the principle of ability to pay, so the equity or justice in the allocation of tax burden is well secured by these taxes. A horizontal equity is maintained by taxing persons in a similar economic situation at the same rate, so also a vertical equity in direct taxation is maintained by discriminating between tax payers according to their differing economic standing.

2. Progressive:

Usually direct taxation is progressive in effect. Since direct taxes can be designed with fine gradation and progressiveness, they can serve as an important fiscal weapon of reducing the gap of inequalities in income and wealth. Direct taxes thus lead to the objective of social equality. Death duties and inheritance taxes are unique in this respect.

3. Productive:

Direct taxes are elastic and productive. Revenue from direct taxes increases or decrease automatically with the change in the national income or wealth of the country.

4. Certainty:

The canon of certainty is perfectly embodied in direct taxation. Compared to indirect taxes, direct taxes are more exact and precise in estimating the revenue. Further, in direct taxes, the tax-payer knows how much he has to pay and the State can estimate the yields correctly.

5. Economy:

The canon of economy is also well maintained under direct taxation. Direct taxes like income tax etc. being collected annually in lump-sum, the administrative cost of such collection will be minimum as compared to the indirect taxes like sales tax, excise duties, etc., which are collected at short intervals (usually, quarterly), and which involve a high cost of collection.

Further, chances of tax evasion are also minimised in direct taxes when they are collected at source. Gladstone, therefore, puts it as: “If you had only direct taxes you would have an economical government.”

6. Educative:

Direct taxes have an educative value as they create a civic sense among the tax-payers. Citizens realise their duty to pay taxes and because of the direct burden of taxes they become conscious and keep vigil on how the public income is spent by the government in a democratic country.

7. Anti-inflationary:

Direct taxation can serve as a good instrument of anti-inflationary fiscal policy designed to maintain the price level at a stable level. The excessive purchasing power during inflation can be mopped up from the community through increased direct taxes.

DEMERITS OF DIRECT TAXATION

The following are the demerits of direct taxation,

1. Pinching:

Since direct taxes are to be paid in a lump-sum they pinch the tax payers more. Thus, the announcement effect of a direct tax always tends to cause resentment among the tax payers.

2. Inconvenient:

Direct taxes do not conform to the canon of convenience as returns of income tax, wealth tax, etc., are to be filed in time and complete records are to be maintained up-to-date by each individual tax payer. Moreover, it is very inconvenient to pay these taxes as they are collected in lump-sum.

3. Evasion and Corruption:

Since the assessment of direct taxes depends upon the voluntary declaration of the tax payer about his income, wealth, etc., there is great scope for tax evasion by concealing real income. Thus, in fact, under direct taxation, honesty is taxed while dishonesty is rewarded. Tax evasion in effect leads to corruption also.

4. Uneconomical:

Direct taxes are not so economical as they are claimed to be. They are uneconomical when the tax base is narrow. Further, elaborate machinery is required for their collection as each and every assessee has to be contacted individually and properly checked to prevent tax evasion.

Nevertheless, it must be permitted that direct taxes are generally more productive of revenue than indirect taxes. Moreover, indirect taxes, too, are uneconomical in this respect.

5. Narrow based:

Direct taxes are generally narrow based; therefore, a large section of masses remains untouched and to that extent, they fail to achieve their objective of promoting civic sense among the citizens. Especially, the poor section of the community remains untouched under direct taxes.

6. Arbitrary:

The nature and base of direct taxes are arbitrarily decided by the exchequer. The Finance Minister uses his own value judgements in determining the taxation potential of the tax payer. There is no scientific formula or base for evolving the mode of gradation and progression in direct taxation.

7. Disincentiveness:

Direct taxes being based on income and wealth, if they are excessive may discourage savings and kill the incentive to work hard.

In evaluating all these demerits, we may, however, find that they are the result of administrative difficulties and inefficiencies rather than any economy principle. Bastable, therefore, rightly concludes that taking the defects and merits together, direct taxation ought to be a part of every modern financial system and the extent to which it can be applied will, of course, depend on the particular economic state of the country. A rich country has greater, scope for direct taxation than a poor country.

MERITS OF INDIRECT TAXES

Indirect taxes have advantages of their own.



1. 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.

2. Convenient:

They are convenient to both the tax-payer and the State. The tax-payers do not feel the burden much partly because an indirect tax is paid in small amounts and partly because it is paid only when making purchases. But the convenience is even greater due to the fact that the tax is “price-coated”. It is wrapped in price. It is like a sugar-coated quinine pill. Thus, a tobacco tax is not felt when it is included in the price of every cigarette bought. It is convenient to the State as well which can collect the tax at the ports or at the factory.

3. Broad-based:

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

4. Easy Collection:

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

5. 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 this may not always be possible.

6. Elastic:

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

7. Equitable:

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

8. 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.

DEMERITS OF INDIRECT TAXES

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

1. 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.

2. Uncertain:

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

3. Raising Prices Unduly:

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

4. Uneconomical:

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

5. 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.

6. Harmful to Industries:

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

DIFFERENCE BETWEEN DIRECT AND INDIRECT TAXES

1. Allocation Effect

The allocative effects of direct taxes are superior to those of indirect taxes. When a particular amount is raised through a direct tax like income tax, it would imply a lesser burden than the same amount raised through an indirect tax like excise duty.

An indirect tax involves excessive burden as it distorts the consumer's preference regarding goods due to price changes.

Thus an indirect tax has an adverse effect on the allocation of resources than a direct tax.

2. Distributive Effect

Direct taxes are progressive and they help to reduce inequalities. But indirect taxes are regressive and they widen the gap of inequalities.

Hence, direct taxes are regarded to be superior to indirect taxes in effecting a more equitable distribution of income and wealth. But this is not always true. Even indirect taxes can be made progressive by levying them on luxuries and exempting them on necessities.

Both direct and indirect taxes are alternative methods of achieving any particular redistribution of income.

3. Administrative Costs

The administrative costs of direct taxes are more than that of indirect taxes. Direct taxes are narrow based and has many exemptions. Indirect taxes can be conveniently collected and cost of collection is constant overtime. Indirect taxes are easier to administer than direct taxes.

From point of view of efficiency and productivity, indirect taxes are better. Indirect taxes are wrapped up in prices and hence they cannot be easily evaded. They are more productive as their cost of collection is the least. Thus, from point of view of administrative costs, indirect taxes are relatively superior.

4. Built-in Flexibility and Stability

Direct taxes are more flexible than indirect taxes. During a period of prosperity, direct taxes fetch more revenue as they are progressive. But indirect taxes are proportional and they do not fetch as much revenue as direct taxes.

Direct taxes help to reduce the inflationary pressure by taking away the excess purchasing power and hence they promote stability. But indirect taxes are inflationary. Hence, from the point of stability, direct taxes are preferred to indirect taxes.

5. Growth Orientation

Indirect taxes are more growth oriented than direct taxes. Direct taxes, being progressive, reduce savings. When savings and investments are discouraged, economic growth is adversely effected.

Indirect taxes discourage consumption and increase savings. Indirect taxes on luxuries reduce conspicuous consumption and channelise resources in to growth oriented programmes.

Thus from the above points allocation, distribution and stability, direct taxes are superior. From the view of productivity and economic growth, indirect taxes are more superior. But the use of both direct and indirect taxes is indispensable in modern public finance.

IMPACT SHIFTING AND INCIDENCE OF TAXATION

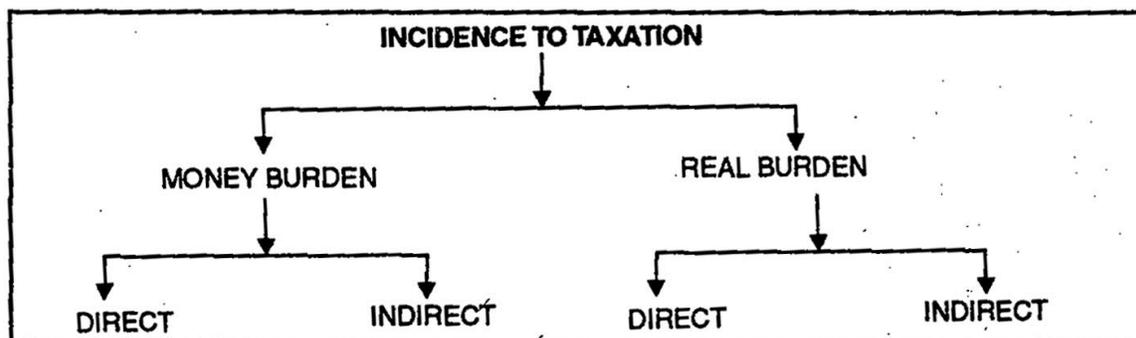
The study on incidence and shifting of taxation is crucial to determine the economic and social effects of a particular tax. Its object is to enquire about the classification of class, group or section, community and individuals who ultimately bear the burden of taxation. When a state imposes a tax, the money has to be paid by someone. Generally, the incidence of tax does not fall on the persons who are directed to pay it but transferred on the shoulders of other persons. Therefore, the person who originally pays the tax may not be actually bearing its money burden. The main problem is concerned with the actual bearer of this tax. In order to understand the problem, it becomes imperative to assess:

- (a) Who pays the tax in the first instance; and
- (b) Who actually bears the burden of the tax.

Keeping in view these factors, the government must have a correct idea of the concept of money burden of taxes. So far as direct tax is concerned, a tax on income cannot be shifted to the shoulders of others but it is expected in the case of indirect taxes. It is a fact that every individual wants to shift his incidence on others as far as he can maintain his purchasing power unaffected.

MEANING OF INCIDENCE

The incidence of a tax refers to the final money burden on a person who ultimately bears it. Whenever, the money burden of a tax finally settles to rest on the ultimate tax-payer, is called the incidence of a tax. Thus, under tax incidence, the problem arises as on whom actually money burden falls. Therefore, incidence of a tax which falls on various people can be classified as given on the next page:



According to Prof. Dalton, direct money burden indicates that the burden of taxation in terms of money lies on a person on which the tax is levied. This means that one who pays the tax, bears the burden also. In other words, he is not supposed to transfer the burden to someone else. Here, the term 'incidence' involves the term 'shifting' also. If a tax is shifted, the incidence does not fall upon the man who shifts it. Suppose, the government levies a tax on sugar, and collects the amount from the manufacturer of sugar, the money burden of the tax falls on the manufacturer of the sugar directly. If the manufacturer is able to pass on the money burden of the tax to another person, say, the wholesale dealer by means of raising the price of sugar i.e. shifting the money burden, if the process of shifting continues from wholesaler to the final consumer the incidence is said to be on the final consumer who ultimately bears the money burden. This is the indirect money burden.

Similarly, the real burden of a tax, according to Prof. Dalton, is the sacrifice which the imposition of a tax entails on the tax-payers. Further, direct real burden is the 'sacrifice of economic welfare which has to be made by the tax-payer as a result of the payment of tax. On the contrary, indirect real burden is the reduction in the consumption of goods by the tax payer due to imposition of tax. However, Prof Dalton is of the opinion that direct, money burden only falls under the scope of the theory of incidence of taxation and other burdens are dealt under the effects of taxation.

Prof. Findlay Shirras defines the incidence of taxation, "Thus the problems of incidence is the analysis to determine who pays the tax i.e. on whom the money burden of the tax falls or

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V**

UNIT: I - INTRODUCTION

rests.” Prof. Adam Smith describes that incidence of taxation is meant for the final resting place of their payment. Richard A: Musgrave states, “The concept of incidence is location, of the ultimate burden of a tax which starts from the false promise that a tax such has an ultimate burden.”

In short, the opinions of different economists are not similar. Incidence according to some economists is concerned with the load of a tax while others make the distinction between incidences of a tax when other things are not the same. For instance, Prof.Mugrave made three types of incidence as:

- (a) Specific incidence, when a tax is imposed without any change in the expenditure side of government account.
- (b) Differential incidence, when a tax is levied as a substitute or another tax.
- (c) Balanced budget incidence, when the government increases its expenditure by the yield of the tax.

The Taxation Enquiry commission of India adopted the definition given by Mrs. Hicks while studying the problem of incidence of taxation in India. The Commission has defined the formal and effective incidence of taxation as, “Formal incidence is the money burden of taxes resting with the subject on whom the burden is intended by the taxing authority to fall and effective incidence is the real or final distribution of tax burden after its shifting in consequences of changing demand and supply conditions of the taxed commodity or services.” In this sense formal incidence is what Prof. Dalton calls the money burden of a tax and effective incidence is indirect money burden of a tax. Therefore, formal incidence is a part and parcel of the theory incidence while effective incidence is a part of the study of general effects of taxation.

IMPACT OF TAXATION

Impact of taxation refers to the immediate burden of the tax. The impact of a tax, therefore, is the immediate result of the imposition of a tax on the person who pays it in first instance. However, it is not essential that the person who pays the tax in the first instance will

also bear the ultimate or final money burden of a tax. To be more specific, the impact and incidence of a tax may not fall on the same person. The impact of taxation is on the producer while incidence of taxation on the consumer. The impact does not reduce the income of the producer, though it puts pressure on him for a short period whereas incidence is durable and it ends in diminishing the monetary income of the tax-payers.

The impact has differently been defined by different economists. To quote Prof. J.K. Mehta, "Impact might be said to be the immediate money burden. The impact of a tax is on the man on whom it is imposed. The man who pays the tax to the government bear its impact. A tax might be levied on the producer of cloth. The cloth producer pays the tax to the government, He is said to bear the impact of the tax. The producers, however, raise the price of his cloth in an attempt to pass the whole or part of the tax on the buyers of cloth. If he is able to raise the price we say that the tax has been shifted, partly or wholly to the buyers. If price does not rise to full extent of the tax, we say that some incidence of the tax remains on the cloth producer. But the impact is only on the producer. For it is he alone in the above case who in the first place bears the entire burden of the tax."

It shows that the study of impact of taxation is significant in comparison to the incidence. In other words, it does not hold any economic utility. Again, according to Prof. Mehta, who states, "It is not important to study the impact of a tax. Nor is it difficult to know on whom the impact of a tax always falls. What is necessary to know is the incidence of a tax as already explained. The only importance of impact consists in this that we know that in the most cases, the person who bears the impact also bears the incidence of the tax. He may bear a part or whole of the burden of the tax but some incidence is always on the man who bears the impact."

DISTINCTION BETWEEN IMPACT AND INCIDENCE

The following points show the distinction between impact and incidence of taxation:

Distinction between Impact and Incidence of Taxation

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V**

UNIT: I - INTRODUCTION

Impact	Incidence
(i) It is felt by the tax-payer at the point of imposition of a tax.	(i) It is felt by the tax-payer at the point of settlement of the tax.
(ii) It refers to the initial burden of the tax.	(ii) It refers to the ultimate burden of the tax.
(iii) It can be shifted easily.	(iii) It cannot be shifted.
(iv) Evasion of tax is illegal.	(iv) Avoidance of tax is not illegal
(v) It is felt by the person from whom the tax is collected.	(v) It is felt by the person who actually bears the burden of the tax.
(vi) Monetary payment of tax is included in it.	(vi) Direct monetary burden is included in it.
(vii) Impact can be on a person who cannot shift it.	(vii) Burden of tax can easily be shifted on others.

Difficulties in the Study of Incidence of Tax. It is very difficult to study the problem of incidence of tax. Many difficulties arise in its study and they may be mentioned below:

- (i) **Difficult to Differentiate.** In practice, it is very difficult to differentiate between incidence and effects of taxation. As a result, it creates many difficulties in study.
- (ii) **Fluctuations in Prices.** Due to fluctuations in prices, it is not possible to measurement of incidence of tax. If prices increase on account of it can easily be studied. On the contrary, if prices increase on account of in Prices of raw materials, labour etc., then it will be difficult to determine that who is bearing the burden of the tax.
- (iii) **Comparative Concept.** The study of incidence of tax is possible only on comparative basis The incidence of tax can be studied when it is studied separately The person who pays tax, feels it more in comparison to those, who does not pay it.

IMPORTANCE OF THE STUDY OF INCIDENCE

We know that the aim of taxation is not merely to raise revenue but also to achieve economic and social justice. However, equity in the distribution -of tax burden can only be

obtained if it is known who is to bear the burden of the tax. For this purpose, the study of incidence of taxation becomes worthwhile. Without it, the policy of the government in securing maximum social advantage is meaningless. Therefore, its importance is highlighted below:

- (a) It helps to find out the effect and burden of a particular tax,
- (b) It guides for achieving a fair distribution of the tax burden and for understanding the general economic consequences of taxation,
- (c) It helps to trace out the tax-paying potentialities.
- (d) It guides which type of taxes should be preferred i.e., direct or indirect;
- (e) It is useful to measure the purchasing power of the tax -payers.

SHIFTING OF TAXATION

Shifting of taxation is a process by which the money burden of a tax is transferred from one person to another. Thus, when a person wants to save himself from the burden of a tax and it falls on him as an incidence and places the duty of someone else to pay the tax is known as shifting of tax burden. The incidence of a tax falls on that person who cannot shift it further. Generally, tax shifting is of two types:

- (a) **Single-point shifting.** When a producer shifts the burden of a tax on his product to the consumer's shoulders. In this case, the producer passes the-burden of the tax to the consumer in the shape of higher prices.
- (b) **Multi-point shifting.** Here a producer shifts the burden of a tax from one point to several points. In this situation, when government imposes an excise duty on cloth, it is paid by the producer in the first instance but producer further shifts the burden to the wholesale dealer and in turn, shifts to the retailer and finally shifts to the consumer.

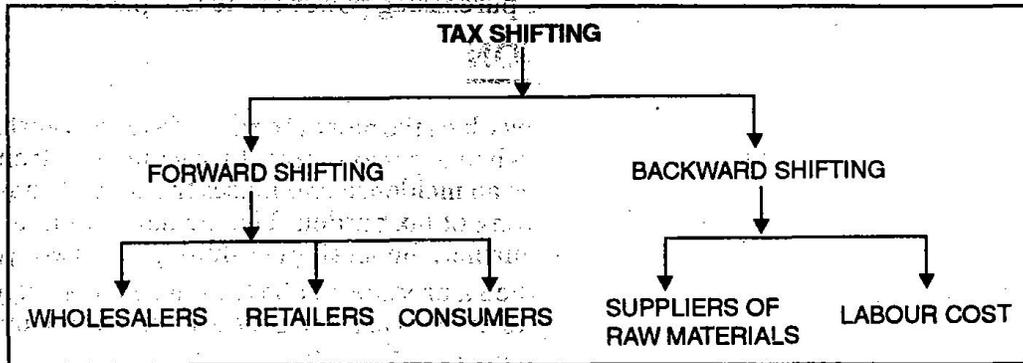
PROCESS OF TAX SHIFTING

There are three main processes of tax shifting as discussed below:

- (i) **Shifting through Price.** Usually, shifting of a tax is done through price. A seller always tries to raise the price of the commodity to shift the tax burden on the consumer. The shifting process may only occur in the case of price transactions as in

a free economy, there is no other vehicle than prices for tax reimbursement. Broadly, it includes all payments made to the different factors of production. The ability of tax shifting depends upon economic factors. Sometimes, this change in price, however, can be accomplished by a change in the quality of the product, like the producer shifts money burden not by increasing the price but by deteriorating the quality. Again, deliberate effects are made to shift the tax burden to disclose - hidden taxes which are really shiftable.

- (ii) **Shifting at Many Points.** The shifting of the burden of a tax is also done at many points, when a tax is imposed on one person and it passes to another person and further, in this process, it is shifted to five to six hands For instance, a tax is levied on the producer who shifts it to wholesale dealer. The wholesale dealer shifts it to the retailer and he again passes the same to the consumers, thus, ultimately shifting is borne by the customers.
- (iii) **Shifting through Tax Capitalisation.** This type of shifting occurs when goods are durable and they are subject to a series of successive annual taxes during its life-time. If the-whole series of further taxes are to be shifted backward at the time of purchase of a capital good, the further taxes should be capitalised and deducted in the lump sum from the price offered for the capital goods. However, this, type of shifting may be done partially or wholly due to different conditions. For example, when someone wants to buy residential building which will be taxed annually in its life time, but the purchaser would ask the seller to deduct this taxable amount from the price of the building. This is called tax capitalisation.
- (iv) **Shifting of Tax through Forward and Backward.** The shifting of a tax is done through manipulation of price of the taxed commodity. This type of shifting can take place in two directions - forward and backward shifting as explained under:



- (a) **Forward shifting** is a common form of tax shifting which takes place when a producer of a commodity shifts the money burden of a tax onwards to the middleman, wholesaler, retailer and customers. In forward shifting, the price is so raised or the quality and quantity of the commodity are reduced that the entire amount of tax is shifted from the original taxpayer to the consumers.
- (b) **Backward shifting**, on the contrary, occurs when a tax on the commodity is shifted backward to the agents of production. Thus, under backward shifting price remains unchanged and the tax burden is borne by factor inputs. If a tax is imposed on a commodity, the purchaser may take the initiative to accept a lower price. Let us suppose that a tax is imposed on the wholesaler of a commodity. The wholesaler could not secure the higher prices but a tax induces him to force his workers to accept lower wages or force other factors of production to accept lower remunerations. Another example of backward shifting is employer's contribution to the Employee's State Insurance Fund because a large part of this contribution is shifted back to the employee in the form of lower wages if the bargaining power of the labour is low.

The shifting can, sometimes, also occur with the combination of forward and backward shifting. This happens when a manufacture is able to transfer the entire tax burden neither to the wholesaler nor to the factor inputs but tries to shift it in parts. In such situations, the producer has to bear partially if not wholly the money burden of the tax. But this type of shifting whether

forward or backward depends on the relative strength of resistance to transfer the burden. If commodities are having inelastic demand, these will have less resistance to forward shifting and vice-versa.

FACTORS INFLUENCING INCIDENCE AND SHIFTING OF TAXATION

Though, both factors of elasticity of demand and supply, greatly influence the incidence and shifting of Taxation, yet there are other factors which determine it to the larger extent. These factors are briefly mentioned below:

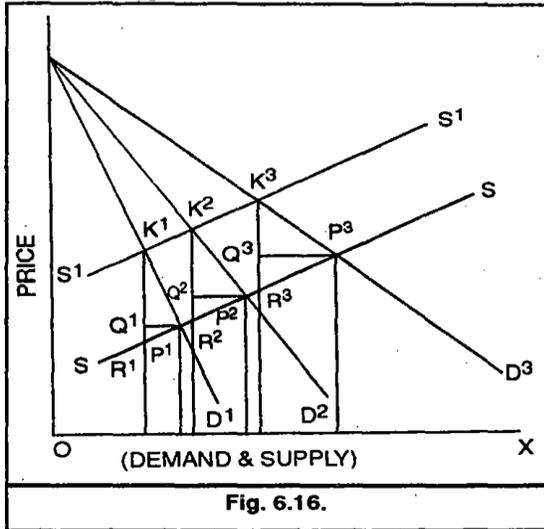
1. Elasticity of Demand and Supply.

As earlier stated that the problem of shifting and incidence of tax are related to the pricing decisions and the prices are affected by the forces of demand and supply of the concerned goods and services. Therefore, the relative forces of demand and supply will influence tax shifting and incidence. In other words, the incidence of tax imposed on any commodity is determined by the relative strength of buyers and sellers, "The sellers in short try to put the incidence of tax imposed on the buyers by reducing the supply, the buyers try to put it on the sellers by reducing the demand. The relative ability of the two groups to achieve their aims with the minimum loss to themselves, determines the result." Other things being the same, the greater the elasticity of demand for the tax commodity the higher shall be the incidence of tax on the seller and conversely, greater the inelasticity of demand for the taxed commodity higher shall be the incidence of taxation on the buyers. In the same manner, the greater the elasticity of supply for the taxed commodity, the higher shall be the incidence on the buyer and conversely greater the inelasticity of supply more shall be the incidence of taxation on the producers.

2. Nature of Demand for Taxed Commodity.

The nature of demand for different commodities differs from one another as the elasticity of demand is not the same for all commodities. A necessity has inelastic demand as compared to a luxury or comfort. It implies that the relative incidence of a particular tax upon different commodities would entirely be different. This can be explained with the help of a diagram In

figure 6.16, D1 ,D2 ,D3 are three demand curves showing less elasticity, unit elasticity and greater elasticity, SS is the supply curve



before tax was imposed and $S'S'$ is the supply curve after the tax was imposed. P_1 is the price per unit of comfort and P_3 is the price per unit of the luxuries, before the imposition of tax. The incidence on these three different types of commodities will be as next:

(i) Incidence on Necessities.

The burden of tax in this case is $K'R' = K'Q' + O'R'$ and the rise in the price, due to the imposition of tax is $K'01$ amount of the total tax imposed upon the commodity. The seller will bear the burden equal to $K1Q1$ and the buyer have to bear $Q1R1$ amount of tax.

Since $K1Q1 > OR'$, thus the burden of tax is higher upon the sellers in comparison to the buyers. It means that taxes on necessities can be passed to the buyers since the elasticity of demand for necessities is inelastic.

(ii) Incidence on Comforts.

In this case the demand is more elastic and the total burden of tax is $K2R2 = K2Q2 + Q2R2$. Here, the rise in price due to tax is $K2Q2$ amount of total tax. Here the burden on the buyers is $K2Q2$ and burden of tax upon the sellers is $02R2$. Because $K2 02 = Q2R2$ so the burden is equally divided between the buyers and sellers. It implies that in case of unit elasticity the burden of tax is almost equally divided between the buyers and sellers.

(iii) Incidence on Luxuries.

In this case the Demand curve is $D3 D3$. The total burden of tax is $K3R3 = R3Q3 + O3R3$ Consumer will bear the tax amounting to $K3Q3$ and the seller will bear the burden equal to $Q3R3$. But since $K303 < Q3R3$, the burden is higher upon the sellers in comparison to the buyers. Hence it is difficult to shift the burden of tax on luxuries upon the buyers.

3. Nature of Supply of the Taxed Commodity.

The nature of the supply of commodity plays significant role in shifting of tax commodities with elastic supply of tax which may help the sellers in shifting the burden to the buyers. But the supply depends upon certain factors like raw material, potentialities of the producers, capacity to produce in the short periods of loss, etc. However, if the elasticity of supply is inelastic, the sellers have to bear the burden because they cannot adjust the supply in their best interest. Thus, the burden cannot easily be shifted over the long period. Similarly shifting may be either forward or backward. Forward shifting means when the prices can be raised and the entire burden of tax can be passed Of the buyers. This is only possible when the supply of the commodity is perfectly inelastic. On the contrary, backward shifting, the price of

the commodity does not rise as the cost of the factors of production is reduced by the amount of tax. In this case, supply is perfectly elastic.

4. Shifting Is a Price Mechanism.

Tax shifting is a phenomenon of price mechanism, and cannot occur in the absence when there is no change in price mechanism. Hence, shifting of prices after the imposition of a tax is also brought about by a change in demand and supply. The shifting of incidence generally works forward and backward. The forward shifting occurs when the prices are raised on imposition of a tax and the incidence of burden falls upon the buyers. The greater is the inelasticity of demand, the greater is the proportion of the tax and vice-versa. Similarly, in the backward shifting, prices are not raised and the burden is borne out by the seller himself out of profit.

5. Period of Time.

Period of time is another factor which determines shifting of a taxation. The shorter the period, the lesser is the scope of adjusting the supply. In this period, the supply of the commodity will remain relatively inelastic. Hence, a greater burden of a tax will be upon the seller. But in the long run the supply of that commodity will be relatively elastic as it can easily adjust according to the circumstances. Supply will be comparatively elastic and there is a good scope of shifting the burden on the buyers by raising the prices after the output is reduced.

6. Tax Territory.

The size of the area for which a tax is imposed also affects the degree of tax shifting. It is impossible to shift a local tax. State Sales Tax is easy to shift due to its uniformity over the wider area of the other state's taxes. Central Sales Taxes are far more easier to shift. Though if the local tax is small in amount, it may easily be shifted, but if it is heavy in amount shifting encounters serious bottlenecks.

7. Seasonal Change and Shifting of Taxes.

Certain goods are demanded in particular seasons. During the season, the commodity can be sold with profit and when it becomes out of season, the commodity is either sold at loss or at a smaller margin and sometimes it is not sold. Thus, during the seasons, tax burden can easily be shifted to the buyers but in 'Off-seasons' it is possible to do so. Similarly, secular trends have also occasional changes in the supply and demand.

8. Business conditions.

The conditions prevailing in the economy at the time of imposition of a tax greatly affect the extent of tax shifting. During the period of prosperity, prices are high and the sellers are the 'happy lot' to sell the commodities with much profit. Thus it is easier to shift the burden for tax on the buyers. While in depression, the atmosphere of gloom and frustration prevails in the market. Prices keep on falling and commodity loses its demand. The shifting a tax on to the buyers during such a period is a difficult task.

9. Basis of Tax.

Generally, taxes are levied on two basis on commodities as (a) Ad Valorem (b) Specific tax. Specific tax can be easily shifted. It is not easy to shift the burden of Ad valorem tax. Because after the imposition of tax when price increases the rate of taxation is also increased resulting in change in price. Thus, basis of tax greatly affects the incidence of shifting of a tax.

10. Substitutes.

In the case of commodities having substitute it is difficult to shift the incidence of tax. When price increases as a result of tax imposition, people prefer to substitute their higher price commodity to less price commodity. Under these circumstances, seller does not consider it to be favourable to increase the price with the result that he himself bears the tax burden.

11. Nature of Tax.

The incidence of tax of a firm also depends upon the nature of the tax i. e. whether the tax can be shifted or not. If a tax is imposed on the excess profit of a firm under monopoly or imperfect competition, the incidence cannot be shifted as it is imposed on the profits which are in excess of the normal profit and it will not affect the supply or output. if, on the other hand, the tax is levied on the output of a firm, it will result in reducing its supply and raising its price. Thus, the incidence will be shifted on the sellers accordingly.

12. Policy of Government.

The policy of government is also responsible to a greater extent in the matter of a tax shifting. For instance, in India in the case of Sale Tax legislation stipulates that the burden of such tax is to be borne by the buyers. In a similar manner, government itself fixes the prices of certain commodities only to prevent the shifting of the burden upon the consumer.

CANONS OF TAXATION

A. Adam smith's canon of taxation,

1. Canon of Equity

The principle aims at providing economic and social justice to the people. According to this principle, every person should pay to the government depending upon his ability to pay. The rich class people should pay higher taxes to the government, because without the protection of the government authorities (Police, Defence, etc.) they could not have earned and enjoyed their income. Adam Smith argued that the taxes should be proportional to income, i.e., citizens should pay the taxes in proportion to the revenue which they respectively enjoy under the protection of the state.

2. Canon of Certainty

According to Adam Smith, the tax which an individual has to pay should be certain, not arbitrary. The tax payer should know in advance how much tax he has to pay, at what time he has to pay the tax, and in what form the tax is to be paid to the government. In other words, every tax should satisfy the canon of certainty. At the same time a good tax system also ensures that the government is also certain about the amount that will be collected by way of tax.

3. Canon of Convenience

The mode and timing of tax payment should be as far as possible, convenient to the tax payers. For example, land revenue is collected at time of harvest income tax is deducted at source. Convenient tax system will encourage people to pay tax and will increase tax revenue.

4. Canon of Economy

This principle states that there should be economy in tax administration. The cost of tax collection should be lower than the amount of tax collected. It may not serve any purpose, if the taxes imposed are widespread but are difficult to administer. Therefore, it would make no sense to impose certain taxes, if it is difficult to administer.

B. Canons of Taxation Given By Others

Activities and functions of the government have increased significantly since Adam Smith's time. Government are expected to maintain economic stability, full employment, reduce income inequality & promote growth and development. Tax system should be such that it meets the requirements of growing state activities.

5. Canon of Productivity

It is also known as the canon of fiscal adequacy. According to this principle, the tax system should be able to yield enough revenue for the treasury and the government should have no need to resort to deficit financing. This is a good principle to follow in a developing economy.

6. Canon of Elasticity

According to this canon, every tax imposed by the government should be elastic in nature. In other words, the income from tax should be capable of increasing or decreasing according to the requirement of the country. For example, if the government needs more income at time of crisis, the tax should be capable of yielding more income through increase in its rate.

7. Canon of Flexibility

It should be easily possible for the authorities to revise the tax structure both with respect to its coverage and rates, to suit the changing requirements of the economy. With changing time and conditions the tax system needs to be changed without much difficulty. The tax system must be flexible and not rigid.

8. Canon of Simplicity

The tax system should not be complicated. That makes it difficult understand and administer and results in problems of interpretation and disputes. In India, the efforts of the government in recent years have been to make the system simple.

9. Canon of Diversity

Principle states that the government should collect taxes from different sources rather than concentrating on a single source of tax.

ROLE OF DIRECT AND INDIRECT TAXATION IN UNDERDEVELOPED ECONOMIES

Regarding role of direct and indirect taxation in under-developed Country is a confused phenomenon Indirect taxation or commodity taxation plays a vital role in the finances of developing countries but the sole objective of imposing indirect taxation is similar as that of direct taxation in 'developed countries. Generally it promotes resources for public investment, to raise the rate of investment through the curtailment of consumption and raise the incremental saving ratio.

It is a well recognised fact that direct taxation is attractive due to its characteristics of productivity, equity, economy and certainty. But at the same time, they have very limited scope in developing economy as of low level of income and low standard of living of the people in such countries. Indirect taxation or commodity taxation is the main source of public revenue.

Again, they have also the justification on the ground of promoting economic growth. Indirect taxation or commodity taxation must be efficient, equitable and better oriented to achieve the objectives of planned development. The difficulty lies in the fact that indirect has heavy burden on the common masses than on the rich.

Under these circumstances, the proper role of indirect taxation, therefore, is to curtail the potential increase in consumption. In less developed countries, people have almost unity marginal Propensity to consume due to their low level of income. By adopting developmental plans, national income increases and the consumption pattern also changes as lower income group people tend to raise at the same rate of income. If additional consumption is not restricted, the increase in productivity will be fully absorbed by the increased consumption. In this manner, indirect taxation on commodity holds good as it helps to restrict the increase in consumption and promote some of the additional income for investment. Thus, the defects of indirect taxation can be minimised if high rates of taxation are levied on luxury and conspicuous goods. Secondly, low rate taxation is levied on the articles of common consumption. In short, indirect taxation in developing countries must satisfy the canon of equity along with an element of progressive taxation. It is only through indirect taxation the vast majority of the population in developing countries can contribute to revenue.

However, a legitimate question arises whether or not indirect taxation should be imposed on necessities of life. To quote Taxation Enquiry Commission in India, who favoured the argument, “for any substantial receipts from commodity taxation and appreciate restraint on consumption in the economy as a whole, it will be necessary to extent excise and sales taxation, to the consumption of lower income group and of goods which are commonly classed as necessities.” Further, it stated, “Additional taxation of ‘a wide range of luxury or semi-luxury products at fairly substantial rates, accompanied by broad-based taxation of articles of mass consumption at comparatively low rates, is therefore indicated.’”¹

Similarly, the Enquiry Committee on indirect taxation recommended that the structure of Indian tax system should ensure sufficient and rising flow of resources.

Dr.R.J.Chelliah puts the case of indirect taxation in under-developed and developing countries with the same objective as of direct taxation in advanced countries. However, the main objectives of indirect taxation are:

1. To broaden the tax net, it should raise resources for increased public spendings.
2. To minimise the inequalities, highly progressive rate at conspicuous consumption and lower rate at essential goods for common masses of e community.
3. To check potential increase in consumption rather than to curtail the existing consumption level of the community.
4. To diversify the resources from non-essential to essential goods;
5. To provide the protection to the domestic industries;
6. To prevent consumption from rising as much as income rises as a result of past investment. This is possible by promoting real savings by curbing the increase in consumption;
7. Import duties should be designed to curtail imports and steps must be taken in correcting the disequilibrium in the balance of payment;

To conclude the discussion, no value judgment can be made on the relative significance of direct and indirect taxation because both are complementary and alternative means of achieving income distribution. We agree with the remarks of Gladstone who aptly stated that direct and indirect, taxes should be viewed as equally attractive sisters, neither of whom should be pursued too ardently. The government should handle it properly with appropriate grace.

ROLE OF DIRECT AND INDIRECT TAXES DEVELOPING ECONOMICS

In developing countries both direct and indirect taxes are used to mobilise substantial resources to desired fields, discourage Unproductive investments, stimulate productive investment reduces Conspicuous consumption and discourage investment in land etc. They have

also to be used to transfer an increasing proportion of the addition made to the national income for development purposes. Now, let us analyse the role of direct and indirect taxes for their contribution in economic development.

A. Role of Direct Taxes in Developing Economies

1. **Discourage Speculative Investment.** Direct taxes like taxes on land, capital gains tax etc. are imposed to prevent speculative investment. Such a tax Policy would check Productivity investment and release a greater amount of resources available for productive Investment. Moreover, unearned income like rent and interest may be subject to a higher tax rate than the earned income from work for a given tax rate imposed on the unearned income is likely to have less adverse effects. This would tend to increase the amount of resources available for the public Sector investment. The new modern industries may be subjected to a preferential tax treatment by means by developmental rebates higher depreciation allowances, Carrying Over of losses, exemption from payment of taxes for a fixed period of time etc. Such a policy would stimulate the private sector Investment in essential industries on account of reallocation of resources in favour of such Industries.

2. **Control over Inflation:** Direct taxes especially progressive taxes control Inflation. Since the distinctive effects of the progressive rates in the non-functional personal incomes are low, they would be more important for checking an inflationary pressure associated with the development expenditure Besides the personal income taxes can be adopted to have a built-in-flexibility so as during inflationary period that a higher proportion of the additional income will pass on to the government. This would require a rise in the marginal tax rates. Such tax system is said to have a built-in-flexibility when an increasing proportion of the increments to the national income goes to the government by way of taxes.

3. **Inducement to Agricultural Sector.** In the initial stages of economic development, the agricultural sector lends to benefit to a considerable extent because of the developmental expenditure. There will also be a rise in the cost of land because of the economic development. In the initial stages of development process, the government has to transfer to the public sector an increasing proportion of the additional income in the hands of agriculture's who tend to get an increasing proportion of the national income. A progressive agricultural income tax, especially in 'the large farm incomes should help in this connection.

4. **Restrictions on Consumption.** As the national income increases, it is necessary to restrict its consumption level in the initial stages of economic development. To raise the amount of investible resources for the developmental purposes, especially by means of progressive income taxes which have a built-in-flexibility. Such a tax may encourage many people to work more to maintain their income after the tax deduction. However this requires an improvement in the tax administration. Many less developed countries can attain a higher rate of growth over decades if they spent more on high protein food for their younger children even at the cost of real investment.

5. **Reduction in Inequalities of Income.** Direct taxes are also to be used to reduce, to some extent, inequalities in the distribution of income and wealth. Moreover, it helps to reduce concentration of economic power in the hands of few individuals. The progressive income taxes and the capital taxes, annual taxes on capital assets, death duties, gift taxes, capital levies and capital gains taxes would go a long way to achieve the objective of reducing income and wealth inequalities and also the concentration of economic power in a few hands. The capital taxes have also less adverse effects on various economic incentive than the progressive income taxes, while raising the additional resources from productive investment. If, however, there is a low rate of capital formation in the private sector, it may partly offset by an increase in the capital formation in the public sector.

6. **Element of Equity.** Direct taxes of different types can also be used to introduce an element of equity or justice in taxation by imposing them according to the abilities of individuals to pay taxes. This means that those with greater abilities to pay will pay higher taxes and vice versa.

B. ROLE OF INDIRECT TAXES IN DEVELOPING ECONOMIES

1. **Less Effect on Incentive to Work.** Indirect taxes like sale taxes and excise duties have much less adverse effects on incentives work, save and invest. Therefore they may be used to avoid adverse effects of direct taxes. Moreover, they can be used to tap the tax potential of different sectors of the economy. Such taxes would help to reduce the consumption, especially of the food-stuff by farmers so that more marketable surplus would be available to feed the urban masses. This may be done by imposing taxes on goods consumed by them as they are forced to sell a larger proportion of their produce to buy the same amount of the consumer's goods as before.
2. **More Convenient.** Some indirect taxes like import duties and excise duties are administratively more convenient than income tax. They cannot be evaded. They are regarded as the cheapest method of collecting taxes from the people.
3. **Reduce Investment in Luxury Goods.** Indirect taxes like excise duties may be used to reduce investment in the luxury goods industries by taxing their products, at high rates so that there is a great decrease in demand for such goods. Hence more resources would be released for more productive or essential industries. An indirect tax is an effective means to reduce the expenditure of the richer classes on goods of conspicuous consumption it means that indirect taxes can be used to bring about reallocation of resources in favour of more essential industries by discouraging investment in the luxury goods.
4. **More Flexible.** Indirect taxes are considered more flexible so that their rates can be changed according to the changes in economic conditions in a developing economy. For

instance, the imports of certain goods which are flow being produced at home, may be restricted by means of import duties. In a sense price planning and the price flexibility can be achieved by means of indirect taxes easily.

5. **Inducement to Work.** Indirect taxes may also prove incentive. Since they reduce the real income of the people because of the rise in prices of goods. Subjects to these taxes, people may be induced to work more so as to enjoy the same level of income after the payment of taxes. Such a situation would contribute to economic growth especially in the long run period.

6. **Not Conflicting with WTO.** The import duties may be imposed in such a way that they do not conflict with the provisions of WTO. Luxury goods may be subjected to higher import duties. The import duties may also be used to protect infant industries having potentialities of growth under the cover of protection. However, the rise in people's income at home due to protection policy must also be taxed for the development purposes. This will reduce the increased consumption possibility at home.

EFFECTS OF TAXATION

A. EFFECTS OF TAXATION ON PRODUCTION

Main effects of taxation on production are: 1. Effects on Ability to work, 2. Effect on the Ability to Save, 3. Effect on Ability to Invest

1. Effects on Ability to work:

Taxes reduce disposable income. As such, the buying capacity and consumption expenditure are curtailed. These cause the standard of living to deteriorate. Consequently, efficiency and ability to work is adversely affected. This happens in the case of low income group people. For the rich, however, the ability to work is not so much affected by taxation. To

avoid the ill-effects of taxation, it is essential to grant exemption limits in income tax for the benefit of poor and middle income groups.

2. Effect on the Ability to Save:

All taxes always have an adverse effect on one's saving capacity. Ability to save is adversely affected by taxation as taxes fall on income and saving is the function of disposable income. As disposable income declines, savings tend to decline. Though normally, taxation is on the surplus income (the income which is in excess of the minimum standard of consumption level), the ability to save will be reduced proportionally to the amount of taxation, as it will adversely affect the marginal propensity to save by reducing the surplus income out of which saving is generated.

3. Effect on Ability to Invest:

Ability to invest in the private sector evidently falls on account of the reduced saving ability caused by the tax imposition. Hence, all taxes have the immediate effect of reducing the amount of resources available for investment in the private sector. In fact, taxation leads to a vicious circle in that when a tax is imposed, ability to save is reduced, less saving resources are available for investment in capital formation of the private sector, so there will be reduction in capital which in turn would lead to low productivity and low income, causing a further reduction in the ability of the people to save.

B. EFFECTS OF TAXATION ON DISTRIBUTION

The effects of taxation on distribution depend on:

- i. Nature of taxes or tax rates; and
- ii. Kinds of taxes.

By nature, taxation may be proportional, progressive or regressive. Progressive tax rates can reduce inequality as a larger amount of tax will be collected from the high income groups. A proportional tax rate causes no change in the relative income distribution in the society. A regressive tax implies a higher burden on the low-income groups; it, thus, tends to widen the gap

of inequality. In short, progressive taxation can lead to a reduction in equality and realisation of egalitarian goals.

Taxes should be made progressive to ensure equitable distribution, but progressivity should not be so sharp as to adversely affect production and growth. Indeed, in a developing economy, distribution must follow production. There should be economic planning for production and appropriate fiscal measures for equitable distribution, once the production goal is realised.

C.EFFECTS OF TAXATION ON THE DESIRE TO WORK, SAVE AND INVEST

It is generally assumed that all taxes have a disincentive effect in this regard, but the relation between taxation and incentive to work, save and invest is not so simple.

The effects of taxation on the desire to work, save and invest, however, can be visualised by examining:

- (a) The psychological burden of taxes often is felt by individuals, and
- (b) The relative money burden of taxes falling upon them.

The former can be known through the announcement effect of taxation, while the latter can be known by studying the structure of the given tax system.

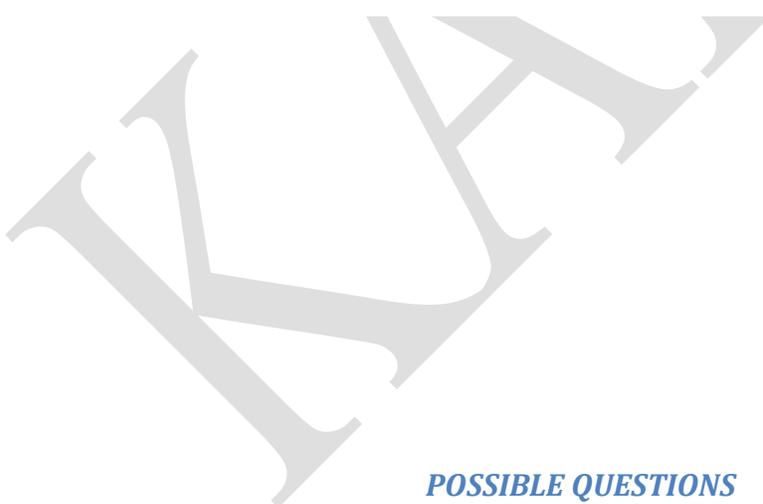
The announcement effect:

The announcement effect of taxation refers to the psychological reaction of the tax payers towards the imposition of a tax. Broadly speaking, every tax contains a psychological pinch of disutility. Hence, the general contention is that the imposition of a new tax immediately reduces the disposable income of the tax payer as such it may kill his desire to earn income in the present as well as in the future, when it is known that the tax so imposed will be continued for ever. Hence, people may react to taxation by altering their preference from that of work to leisure. Thus, it is inferred that taxes tend to have a disincentive effect on work.

However, taxes do not always have a disincentive effect as is usually believed. Because, the psychological burden of taxation is never felt equally by all the tax payers; it, in fact, varies from individual to individual. As Dalton points out, any individual tax payer's reaction to taxation depends on the elasticity of his demand for disposable income.

It measures the extent of the willingness of an individual to accept a reduction in income. The degree of elasticity of demand for income, however, differs from individual to individual. Thus, individuals who have a relatively elastic demand for income, and who would adjust their expenditure according to variation in income, will not be encouraged to work hard and earn more by the imposition of a tax because they do not regard pre-tax income level to be inevitable for their expenditures. On the contrary, these people may be induced to work less when they think of paying less tax by earning less.

In general, however, it may be laid down that for a large number of people, the elasticity of demand for income is low, i.e., people generally wish to have a certain level of income always by any means.



POSSIBLE QUESTIONS

PART - B (2 Marks)

1. What is indirect tax? Give example
2. What do you mean by impact and incidence of taxation?

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V**

UNIT: I - INTRODUCTION

3. What is meant by corporation tax?
4. What are the canons of taxation given by Adam Smith.?
5. Write any four non- tax revenue to the government.
6. List any four tax revenue to the government.
7. What do you mean by direct taxes? Give example.
8. What are the types of shifting of taxation?
9. Write note on wealth tax.
10. What are the types of property tax?
11. List the tax revenues to the government
12. State any two characteristics of indirect taxes.
13. List any four indirect tax laws.
14. What are the types of commodity tax?
15. What is meant by sales tax?
16. What are the merits of direct tax
17. List the demerits of indirect tax
18. What are the types of taxation system?
19. Write note on proportional tax system
20. Give the meaning of progressive tax system.

PART - C (6 Marks)

1. 'Tax is the main source of revenue to the government' – Discuss
2. Discuss the merits and demerits of direct taxation
3. Explain the tax and non – tax revenues to the government.
4. Narrate the administration and relevant procedure of indirect taxes.
5. Explain the concept of impact, shifting and incidence of taxation
6. Distinguish between direct and indirect taxes
7. Narrate the advantages and disadvantages of indirect taxes.
8. Explain the canon of taxation
9. Distinguish between direct and indirect taxes

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V**

UNIT: I - INTRODUCTION

10. Explain the tax and non – tax revenues to the government.
11. Explain the taxation system in India.
12. Discuss the merits and demerits of progressive tax system.
13. Explain the administration and relevant procedures of the indirect tax Act.

KAHE

INDIRECT TAX LAW (17CCU 502 B)

UNIT -1

QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
_____ will get tax revenue from sales tax, excise on liquor.	state government	central government	local authorities	revenue department	state government
sales tax, central sales tax is levied by _____	state government	individual state	administration of government	Central government	central government
tax is derived from Latin word _____	taxone	individual state	taxore	taxmine	taxore
tax state to cover his share of the cost to _____	central government	individual state	general public service	consumers	general public service
tax imposes a _____ on the taxpayers	compulsory obligation	individual state	direct obligation	indirect obligation	personal obligation
The basic purpose of taxation is _____	Increasing revenue	raising revenue	enormous revenue	imposes revenue	raising revenue
Abnormal demand will be reduced , _____ can be achieved	economic stability	inflation	deflation	increasing demand	economic stability
Removal of regional imbalances, the government can use _____	tax policy	tax measures	tax exemptions	tax concessions	tax measures
Payment of tax through banks will be another measure of _____	compulsory	convenience	collection	adequate service	convenience
lesser demand means _____ of industrialization	lower price	lower growth	lower supply	lower rate	lower growth
Indirect taxes _____ the prices of products	Increase the price	decrease the price	inflation	deflation	Increase the price
Indirect taxes are included in the _____ of the commodities	Purchase price	Product price	selling price	spending amount	selling price
Direct taxes are based on the principle of _____ to pay	willingness	ability	wealth	Income	ability

direct taxes create _____ among tax payers	confidence	consciousness	capability	responsibility	consciousness
consumers paid _____ while purchasing commodities	large amounts	Small amounts	medium amounts	enlarge amounts	small amounts
Indirect taxes are _____ in nature	progressive nature	rice	poor	regressive	regressive
Tax evasion as _____ part of the price of goods	tax ability	tax paying	tax forms	tax arise	tax ability
tax rates creates _____ leading to increase in cost	Taxability	deflation	Inflation	tax evasion	Inflation
Impact of _____ falls on the manufacturer.	excise duty	sales tax	customs duty	Vat	excise duty
collection of Indirect tax constitute over _____ of the tax revenue.	75%	81%	71%	86%	71%
Political factors are influencing _____ of government.	tax returns	tax evasion	tax policy	tax system	tax policy
Concurrent list contain entries of _____ and stae governments	Union	central	exclusive	constitution	union
state government has exclusive powers enumerated in _____ in seventh schedule	List I	List II	List IV	List V	List II
Heavy duties on non-essential goods, discourage the _____ of such goods.	Sales	Consumption	Production	Purchase	Production
Employment opportunities can be created by _____	tax concessions	tax exemptions	tax evasions	tax system	tax concessions
The _____ of collection of tax, more productive in administration	lower the cost	higher the cost	medium of cost	escaping cost	lower the cost
Simplicity of tax laws will enable _____ to the taxpayers	tax compliance	tax evasion	tax effort	tax exemption	tax compliance
Tax evasion as _____	tax system	tax effort	tax forms	Tax cost	tax forms

Tax is levied on other than _____	products	services	goods	cost	goods
_____ are levied on higher rate of taxes	luxurious articles	gifts	consumable goods	commodities	gifts
principle of economy is achieved in case of _____	Indirect tax	direct tax	sales tax	customs duty	direct tax
Indirect taxes are those which strike the citizen income in _____	private consumption	Public consumption	common consumption	property consumption	private consumption
Tax liability increase in the same proportion is called _____	Proportional taxation	progressive taxation	regressive taxation	digressive taxation	proportional taxation
_____ in a system in which taxes are levied only on one subject.	single tax	multiple tax	relative tax	commodity tax	single tax
Increase in rates of Indirect tax leads to _____	Increase in cost	Increase in price	Increase in goods	Increase in value of goods	Increase in cost
Taxation acts as an _____	Instrument of public	Instrument of value	Instrument of price	Instrument of resource	Instrument of resource
Economic transformation of developing countries generate _____	generation of value	generation of savings	generation of capital	generation of interest	generation of savings
Indirect taxes are imposed _____ on goods	production	consumption	marketing	servicing	consumption
central government is empowered to impose _____	customs duty	safeguard duty	excise duty	Additional duty	economic
Tax must be collected in a _____ manner from the tax payers	possible	economic	convenient	certain	convenient
Maximum tax paying capacity of the economy as a whole is _____	relative taxable capacity	absolute taxable capacity	determining capacity	None of these	absolute taxable capacity
Tax evasion is comparatively _____ in the case of organized sector	less	higher the cost	medium	very less	less
Imposition of indirect taxes creates _____ in the use of production	imbalance	burden	balance	In burden	balance

The consumption of harmful goods _____ increases social welfare	economy	social welfare	services	priority sector	social welfare
Major components of the economic process initiated in _____	tax reform	tax policy	tax consultation	tax excising	tax reform
Tax liability as a proportion of income falls with increase in tax payers	degressive taxation	progressive taxation	regressive taxation	None of these	regressive taxation
The principle implies that the cost of tax collection must be _____	maximum	minimum	medium	no cost	minimum
The surplus of production over the minimum of _____ required to be produce	consumption	production	sales	distribution	consumption
The central excise is compared to the _____	direct tax	indirect tax	Service tax	principle of equity	indirect tax
_____ is the sacrifice in the payment of tax	capital	goods	interest	penalty	interest
_____ is the sacrifice in the payment of tax	priority	Relevance	payment	benefit	Relevance
The cost of collection of tax is _____ of the government	high	low	medium	normal	high
The amount of paying tax is _____ price of commodity	higher	low	normal	Very low	higher
Indirect tax have been contributing not less than _____ in 1980	85%	80%	75%	65%	75%
_____ is the largest source of single revenue source	customs duty	excise duty	VAT	service tax	2
Major components of the economic process initiated _____ in tax reform	1981	1985	1991	1999	1991
_____ in India comprises a system of customs and duties	Indirect tax	service tax	customs duty	direct tax	direct tax

The process of indirect tax system in the country began in _____	1995	1985	1992	1999	1985
_____ is very less in Indirect taxation	tax empowerment	tax evasion	tax rules	tax appointment	tax evasion
Traders are charge _____ price in actual rate tax	less	very high	high	very less	less

SYLLABUS

Customs Law: Basic Concepts of Customs Law- Different types of Customs Duty- Abatement of duty in damaged or deteriorated goods- Valuation –Customs procedure- Exemptions- Customs Duty drawback- Duty Free Zones- Offense and Penalties

MEANING OF CUSTOMS DUTY

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.

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 contains various provisions relating to imports and exports of goods and merchandise 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 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.

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;
2. **“Aircraft”** has the same meaning as in the Aircraft Act, 1934 (22 of 1934)
3. **“Appellate Tribunal”** means the Customs, Excise and Gold (Control) Appellate Tribunal constituted under section 129.1
4. **“Assessment”** includes provisional assessment, reassessment and any order of assessment in which the duty assessed is nil;
5. **“Baggage”** means all goods, whether personal effects or brought in commercial quantities, imported by any passenger or member of the crew that are liable to customs

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: II – CUSTOMS LAW

duty. It includes unaccompanied baggage dispatched from a foreign country within the prescribed period after arrival of the owner of goods in India.

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;
8. **“Commissioner (Appeals)”** means a person appointed to be a Commissioner of Customs (Appeals) under sub-section (1) of section 4;
9. **“Commissioner of Customs”**, except for the purposes of Chapter XV, includes an Additional Commissioner of Customs;]
10. **“Conveyance”** includes a vessel, an aircraft and a vehicle
11. **“Customs Airport”** means any airport appointed under clause (a) of section 7 to be a Customs airport
12. **“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
13. **“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]

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: II – CUSTOMS LAW

14. **“Customs Station”** means any customs port, customs airport or land customs station
15. **“Dutiable Goods”** means any goods which are chargeable to duty and on which duty has not been paid
16. **“Duty”** means a duty of customs leviable under this Act
17. **“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
18. **“Examination”**, in relation to any goods, includes measurement and weighing thereof
19. **“Export”** with its grammatical variations and cognate expressions, means taking out of India to a place outside India
20. **“Export Goods”** means any goods which are to be taken out of India to a place outside India
21. **“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
22. **“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-
- Any naval vessel of a foreign government taking part in any naval exercises

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: II – CUSTOMS LAW

- Any vessel engaged in fishing or any other operations outside the territorial waters of India and
- Any vessel or aircraft proceeding to a place outside India for any purpose whatsoever;

23. “Goods” includes -

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

24. “Import”, with its grammatical variations and cognate expressions, means bringing into India from a place outside India

25. “Import manifest” or “import report” means the manifest or report required to be delivered under section 30

26. “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

27. “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

28. “Indian customs waters” means the [waters extending into the sea up to the limit of contiguous zone of India under section 5 of the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976 (80 of 1976)) and includes any bay, gulf, harbour, creek, or tidal river

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: II – CUSTOMS LAW

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. **“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.
32. **“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;]
33. **“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
34. **“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
35. **“Tariff value”**, in relation to any goods, means the tariff value fixed in respect. thereof under sub-section (2) of section 14
36. **“Value”**, in relation to any goods, means the value thereof determined in accordance with the provisions of sub-section (1) of section 14
37. **“Vehicle”** means conveyance of any kind used on land and includes a railway vehicle

38. “Warehouse” means a public warehouse appointed under section 57 or a private warehouse licensed under section 58

39. “Warehoused goods” means goods deposited in a warehouse

FEATURES OF CUSTOM DUTIES

The following are the features and objectives of customs duties,

1. Regulating the amount of import in India in order to protect the domestic market.
2. Protecting Indian Industry from undue competition
3. Prohibiting certain imports of goods for achieving the policy objectives of the Government.
4. Regulating imports
5. 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” 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.

THE MAJOR OBJECTIVES OF IMPOSING EXPORT DUTIES

The following are the major objectives of levying especially export duties,

1. Export duties for revenue purposes
2. Export duties for anti inflationary condition
3. Export duties to stabilize price of essential commodities
4. Export duties to protect home industries
5. Export duties as countervailing measure
6. Export duties to control export of raw materials.

TYPES OF CUSTOMS TARRIF

Regardless of whether a tariff is bound or applied on preferential versus non-discriminatory basis, the tariff can take several forms.

1. 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.

2. **Specific tariffs** are computed on the physical quantity of the good being imported, e.g., Australia's 2005 schedule includes a tariff of \$1.22/kg on certain types of cheeses and the United States charges \$0.68 per live goat. The physical quantity may be expressed in ways that are difficult to determine without laboratory equipment. The European Union charges duties on certain dairy products based on the weight of lactic matter in the product, and the United States charges a tariff on raw cane sugar that varies with the sucrose content of sugar: “1.4606 cents/kg less 0.020668 cents/kg for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 0.943854 cents/kg.”

3. **Mixed tariffs** are expressed as either a specific or an ad valorem rate, depending on which generates the most (or sometimes least) revenue. For example, Indian duties on certain rayon fabrics are either 15 percent ad valorem or Rs. 87 per square meter, whichever is higher.

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: II – CUSTOMS LAW

4. **Compound tariffs** include both ad valorem and a specific component. For example, Pakistan charges Rs. 0.88 per liter of some petroleum products plus 25 percent ad valorem.

5. **Tariff rate quotas** are made up of a low tariff rate on an initial increment of imports (the within-quota quantity) and a very high tariff rate on imports entering above that initial amount. Trade economists typically argue that these non ad valorem tariffs are less transparent and more distorting, i.e., that they drive a bigger wedge between domestic and international prices. In addition, their economic impact changes as world prices change.

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

DIFFERENCE BETWEEN SALES TAX AND CUSTOMS DUTY

The following are the differences between excise duty and customs duty

Sales tax	Customs duty
1. Sales tax is on the sale and not on the goods	Customs duty is levied on goods
2. Sakes tax is imposed on intra sale	Customs duty is imposed on imports and exports
3. It is collected by state government	It is imposed by central government Since there is only one customs act, customs duty is charges uniformly through out the country
4. Sales tax may differ from state to state . Because there is separate sales tax act for each state	Revenue from customs duty is for the central government
5. Revenue from sales is for the state government	It is regulated by customs duty Act 1962.
6. It is regulated by state sales sales tax Act.	

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,

1. 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

2. 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).

3. 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.

4. 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.

5. 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.

6. 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.

7. Countervailing duty on subsidized 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.

8. 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'.

9. 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

10. 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.

DIFFERENCES BETWEEN SAFEGUARD DUTY AND ANTI DUMPING DUTY

The following are the differences between safeguard and anti- dumping duty,

Safeguard duty	Anti dumping duty
-----------------------	--------------------------

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: II – CUSTOMS LAW

<p>1. Legal authority The safeguard duty on imported goods is leviable under section 8 b of the customs tariff act 1975.</p> <p>2. Purpose Safeguard duty is levied on order to ensure that goods imported increased quantity do not cause or threaten to cause serious injury to domestic industry.</p> <p>3. Nature Safeguard duty relates to quantum of imports</p> <p>4. Duration Safeguard duty is effective for 4 years But in appropriate cases can be extended to a period not exceeding 10 years.</p>	<p>The government has been given the powers under sec 9 A of the customs tariff Act 1975 to levy anti dumping duty.</p> <p>Anti dumping duty is levied on the dumped articles in order to protect the domestic market.</p> <p>Anti- dumping duty is concerned with valuation of imported goods.</p> <p>Anti dumping duty is effective up to 5 years and can be extended in certain cases for a further period of 5 years.</p>
--	---

METHODS OF DETERMINING VALUE

Customs Valuation rules 1988 have provided 6 methods of valuation of imported goods.

They are

I. TRANSACTION VALUE OR SAME GOODS BASED METHOD

Under this method, assessable value is determined on the basis of transaction value of imported goods.

Transaction value is the price actually paid / payable for the goods when sold for export to India (Invoice price) after adjusting cost of services.

II. IDENTICAL GOODS BASED METHOD :

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: II – CUSTOMS LAW

In this method, assessable value is determined on the basis of transaction value of identical goods.

III. SIMILAR GOODS BASED METHOD :

Under this method, assessable value is calculated on the basis of transaction value of similar goods.

IV. DEDUCTIVE VALUE:

Here, assessable, value is calculated is calculated by reducing post – incorporation cost and expenses from selling price available in India.

V. COMPUTED VALUE METHOD:

Cost of production of imported goods	xxx
Add: Profit and General Expenses (Usually made in the country of exportation)	xxx
Add: Cost of Transport, Landing & Insurance	xxx
	———
Assessable Value	xxx
	———

VI. RESIDUAL METHOD

It is called “Residual method / Best Judgement method”. Under this method, assessable value is determined on the basis of valuation rules of 1988 & Section 14 (1) of Customs Act and data available India.

EXEMPTION FROM CUSTOMS DUTY

1. By general notification and
2. By special order

1) EXEMPTION BY GENERAL NOTIFICATION

Section 25(1) of Customs Act 1962 authorises Central Government to issue notifications granting exemptions from Duty.

General notification granting exemption is published in official Gazette.

Exemption notification issued u/s 25 should be laid before parliament.

The exemption may be unconditional or subject to conditions.

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: II – CUSTOMS LAW

When the exemption is subject to conditions, the conditions be specified in the notification and they may be required to be fulfilled before or after clearance.

The notification can be issued only in public interest.

Goods Exempted by Notification :

For Export

- Coffee
- Black Pepper
- Iron ore
- Chromite ore
- Ground nut
- Tea
- Cardamon etc.,

For Import

- Goods imported for research, training or educational purposes
- Goods imported for exhibitions, expeditions etc.
- Import of machines for repairing or reconditioning purpose
- Import of specified medicines and drugs by Govt. hospitals

2) EXEMPTION BY SPECIAL ORDER

Section 25 (2) of the Customs Act authorises the Central Government to issue special order to grant exemption from payment of duty.

Special order is issued separately for each case and communicated to the beneficiary directly by Government.

It can be done only in public interest

Exemption by special order is always 100 %

Exemption orders u/s 25 (2) can be issued in favour of individual imports also.

Goods exempted by special order :

- (a) Goods of strategic nature
- (b) Goods of secret nature
- (c) Goods for charitable purpose

SPECIFIC AND ADVALOREM TAXES

According to the assessment, taxes on commodities may be classified as under:

- (i) Specific Tax and
- (ii) Ad Valorem Tax.

(a) Specific Tax

Taxes which are based on specific qualities or attributes of goods are called specific taxes. This tax is imposed on the commodity according to its weight, size or volume e.g. specific excise duty may be levied on the cloth in the length units and tax on the sugar is based according to the units of weight. The tax on television picture tube is based on the size.

Advantages of Specific Tax

Specific tax is quite easy to calculate and administer. The collection of such type of tax is quite convenient. It has a disadvantage because it puts more burden on poor section than the rich as marginal utility of money for rich people is lower than that of poor people.

Disadvantages of Specific Tax

- i) Specific tax is regressive in nature. It falls heavily on the cheaper varieties of a product which the lower income group consumes.
- (ii) Specific tax is less equitable as compared to ad valorem tax

(b) Ad Valorem Tax

As the tax is imposed on a commodity according to its value, it is called ad valorem tax. This kind of tax is received after assessing the value of the taxable possession of a person. Several imported articles are taxed in terms of value and they are nothing to do with the size,

length and weight of the commodity. For example, an export or import duty is levied at the rate of 5 paise per rupee or 5 per cent of the value of the goods.

Advantages of Ad Valorem Tax

- (i) The main advantages of ad valorem tax is that it imposes greater burden on the rich section of the society.
- (ii) Ad valorem tax is more equitable as it is imposed on the value of goods and thus the canon of ability to pay is fulfilled.
- (iii) Ad valorem tax is difficult to administer and collect as it is imposed on the value of goods which is usually disputed.
- (iv) Ad valorem tax increases inflationary pressures when there is rise in price level.
- (v) Ad valorem taxes equitable in incidence as they are based on the value of article so that canon a ability to pay is fulfilled.

Demerits of Ad Valorem

The ad valorem tax is quite difficult to administer as it is difficult to assess the value of the commodity though it can be specified easily. So, there is a wide scope of tax evasion as people may show small value of a particular commodity only for the sake of saving the tax amount.

Both specific and ad valorem taxes are difficult to differentiate. Therefore compromise has to be made between specific and ad valorem taxes. For this, commodities may be graded according to their quality and the different rates of specific duties may be imposed on them. Even then, specific taxes are relatively considered regressive in nature and burden of it falls more heavily on the section of the society than on the rich Therefore, ad valorem duties are **PREFERRED** to specific duties. In India, Indirect Taxation Enquiry Committee favoured ad valorem duties in lieu of specific duties for ensuring stability and elasticity in the tax System.

DIFFERENCES BETWEEN ADVALOREM DUTY AND SPECIFIC DUTY

The following are the differences between advalorem and specific duty,

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: II – CUSTOMS LAW

Advalorem duty	Specific duty
<p>1. Basis of levy</p> <p>Advalorem duty is levied on a certain percentage on the value of commodity to be taxed.</p> <p>2. Administration of duty</p> <p>It is very difficult to administer. Thus the duty is levied on the value of commodity. But in practice, its very difficult to estimate the value of thousands of commodities imported from a large number of countries</p> <p>3. Predictions of quantum of revenue</p> <p>Under advalorem duty the government cannot correctly predict the quantum of revenue yield.</p> <p>4. Chance of tax evasion</p> <p>Under advalorem duty there is great chance of tax evasion. The value state in the bills may not be correct.</p> <p>5. Tax burden</p> <p>Advalorem duty keeps the burden of tax steady ie during the times of boom the tax liability trends to rise in time of recession the liability also goes</p>	<p>Specific duty is levied as of the weight, length etc of the commodity to be taxed.</p> <p>It is easier to administer and collect. Once it is possible to identify the goods it easy to levy and collect tax.</p> <p>Under specific duty the government can easily predict the quantum of revenue yield.</p> <p>Under specific duty unit of measurement of commodities ie weight, length, bulk ., can be ascertained at any time. Hence there is less chance of tax evasion.</p> <p>Specific duty does not keep the tax burden steady.</p>

<p>down</p> <p>6. Revenue yield</p> <p>Advolerum duty brings higher revenue during the period of raising prices. Because when the price tends increase the revenues yields also increases.</p>	<p>Under specific duty revenue yield is of static in nature.</p>
---	--

Remission On Duty On Lost Goods, Destroyed Goods (Or) Abandoned Goods

Customs Act provides remission of duty on goods lost, destroyed before clearance for home consumption. Importer should establish loss / destruction by natural causes (Act of Govt; not of man)

Sec. 23 covers losses occurring after clearance order but before actual clearance.

In case duty has already been paid on goods lost / destroyed refund can be obtained after getting remission order. No duty will be levied on goods abandoned by the importer on account of heavy duty.

1. Physical availability:

- Lost / destroyed goods are not physically available.
- Abandoned goods are physically available.

2. Quantity Lost:

- Any quantity

3. Duty liability

- Duty is leviable. But AC / DC may grant remission for lost / destroyed goods.
- Owner not liable to pay duty for abandoned goods.

4. Nature of Benefit:

- Benefit is given by Statute, but discretion is available to AC /DC.

•

5. Burden of proof:

- Loss / destruction due to natural causes, should be proved by importer.

6. Restoration:

- Restoration is not possible, since goods are physically lost / destroyed.

7. Abandonment:

- Sec. 23 covers situations of abandonment / surrender also.

8. Time point:

- Lost / destroyed any time before clearance for home consumption (either directly or from warehouse)

9. Warehoused goods:

- Applicable to warehoused goods also.

WAREHOUSING

The following are the rules regarding warehousing as per Act.

Appointing Of Public Warehouses – Sec.57

At any warehousing station, the Assistant Commissioner of Customs or Deputy Commissioner of Customs may appoint public warehouses wherein dutiable goods may be deposited.

Licensing Of Private Warehouses – Sec.58

(1) At any warehousing station, the Assistant Commissioner of Customs or Deputy Commissioner of Customs may license private warehouses wherein dutiable goods imported by or on behalf of the licensee, or any other imported goods in respect of which facilities for deposit in a public warehouse are not available, may be deposited.

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: II – CUSTOMS LAW

(2) The Assistant Commissioner of Customs or Deputy Commissioner of Customs may cancel a licence granted under sub-section (1) –

(a) by giving one month's notice in writing to the licensee; or

(b) If the licensee has contravened any provision of this Act or the rules or regulations or committed breach of any of the conditions of the licence :

(3) Pending an enquiry whether a licence granted under sub-section (1) should be cancelled under clause (b) of sub-section (2), the Assistant Commissioner of Customs or Deputy Commissioner of Customs may suspend the licence.

Where the whole of the goods or any part thereof are transferred to another person, the proper officer may accept a fresh bond from the transferee in a sum equal to twice the amount of duty assessed on the goods transferred and thereupon the bond executed by the transferor shall be enforceable only for a sum mentioned therein less the amount for which a fresh bond is accepted from the transferee.

PERMISSION FOR DEPOSIT OF GOODS IN A WAREHOUSE – Sec.60

When the provisions of section 59 have been complied with in respect of any goods, the proper officer may make an order permitting the deposit of the goods in a warehouse.

PERIOD FOR WHICH GOODS MAY REMAIN WAREHOUSED — Sec.61

(1) Any warehoused goods may be left in the warehouse in which they are deposited or in any warehouse to which they may be removed, -

- In the case of capital goods intended for use in any hundred per cent export oriented undertaking, till the expiry of five years;
- In the case of any other goods, till the expiry of one year, After the date on which the proper officer has made an order under section 60 permitting the deposit of the goods in a warehouse:

(2) Where any warehoused goods remain in a warehouse beyond the period specified in that sub-section by reason of extension of the aforesaid period or otherwise, interest at such rate as is specified in section 47 shall be payable, on the amount of duty payable at the time of clearance of the goods in accordance with the provisions of section 15 on the warehoused goods, for the period from the expiry of the said warehousing period till the date of payment of duty on the warehoused goods;

CONTROL OVER WAREHOUSED GOODS. – Sec.62

- (1) All warehoused goods shall be subject to the control of the proper officer.
- (2) No person shall enter a warehouse or remove any goods there from without the permission of the proper officer.
- (3) The proper officer may cause any warehouse to be locked with the lock of the Customs Department and no person shall remove or break such lock.
- (4) The proper officer shall have access to every part of a warehouse and power to examine the goods therein.

PAYMENT OF RENT AND WAREHOUSE CHARGES. – Sec.63

- (1) The owner of any warehoused goods shall pay to the warehouse-keeper rent and warehouse charges at the rates fixed under any law for the time being in force or where no rates are so fixed, at such rates as may be fixed by the Commissioner of Customs.
- (2) If any rent or warehouse charges are not paid within ten days from the date when they became due, the warehouse-keeper may, after notice to the owner of the warehoused goods and with the permission of the proper officer cause to be sold (any transfer of the warehoused goods notwithstanding) such sufficient portion of the goods as the warehouse-keeper may select.

OWNER'S RIGHT TO DEAL WITH WAREHOUSED GOODS. – Sec. 64

With the sanction of the proper officer and on payment of the prescribed fees, the owner of any goods may either before or after warehousing the same -

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: II – CUSTOMS LAW

- (a) Inspect the goods;
- (b) Separate damaged or deteriorated goods from the rest;
- (c) Sort the goods or change their containers for the purpose of preservation, sale, export or disposal of the goods;
- (d) Deal with the goods and their containers in such manner as may be necessary to prevent loss or deterioration or damage to the goods;
- (e) Show the goods for sale; or
- (f) Take samples of goods without entry for home consumption, and if the proper officer so permits, without payment of duty on such samples.

MANUFACTURE AND OTHER OPERATIONS IN RELATION TO GOODS IN A WAREHOUSE – Sec.65

(1) With the sanction of the Assistant Commissioner of Customs or Deputy Commissioner of Customs and subject to such conditions and on payment of such fees as may be prescribed, the owner of any warehoused goods may carry on any manufacturing process or other operations in the warehouse in relation to such goods.

(2) Where in the course of any operations permissible in relation to any warehoused goods under sub-section (1), there is any waste or refuse, the following provisions shall apply : –

(a) If the whole or any part of the goods resulting from such operations are exported, import duty shall be remitted on the quantity of the warehoused goods contained in so much of the waste or refuse as has arisen from the operations carried on in relation to the goods exported.

(b) If the whole or any part of the goods resulting from such operations are cleared from the warehouse for home consumption, import duty shall be charged on the quantity of the warehoused goods contained in so much of the waste or refuse as has arisen from the operations carried on in relation to the goods cleared for home consumption.

POWER TO EXEMPT IMPORTED MATERIALS USED IN THE MANUFACTURE OF GOODS IN WAREHOUSE. – Sec 66

If any imported materials are used in accordance with the provisions of section 65 for the manufacture of any goods and the rate of duty leviable on the imported materials exceeds the rate of duty leviable on such goods, the Central Government, if satisfied that in the interests of the establishment or development of any domestic industry it is necessary so to do, may, by notification in the Official Gazette, exempt the imported materials from the whole or part of the excess rate of duty.

REMOVAL OF GOODS FROM ONE WAREHOUSE TO ANOTHER – Sec. 67

The owner of any warehoused goods may, with the permission of the proper officer, remove them from one warehouse to another, subject to such conditions as may be prescribed for the due arrival of the warehoused goods at the warehouse to which removal is permitted.

CLEARANCE OF WAREHOUSED GOODS FOR HOME CONSUMPTION – Sec. 68

The importer of any warehoused goods may clear them for home consumption, if –

- (a) A bill of entry for home consumption in respect of such goods has been presented in the prescribed form;
- (b) The import duty leviable on such goods and all penalties, rent, interest and other charges payable in respect of such goods have been paid; and
- (c) An order for clearance of such goods for home consumption has been made by the proper officer.

CLEARANCE OF WAREHOUSED GOODS FOR EXPORTATION – Sec. 69

(1) Any warehoused goods may be exported to a place outside India without payment of import duty if –

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: II – CUSTOMS LAW

- a shipping bill or a bill of export has been presented in respect of such goods in the prescribed form;
- The export duty, penalties, rent, interest and other charges payable in respect of such goods have been paid; and
- An order for clearance of such goods for exportation has been made by the proper officer.

(2) Warehoused goods of any specified description are likely to be smuggled back into India, it may, by notification in the Official Gazette, direct that such goods shall not be exported to any place outside India without payment of duty or may be allowed to be so exported subject to such restrictions and conditions as may be specified in the notification.

GOODS NOT TO BE TAKEN OUT OF WAREHOUSE EXCEPT AS PROVIDED BY THIS ACT. – Sec. 71:

No warehoused goods shall be taken out of a warehouse except on clearance for home consumption or re-exportation, or for removal to another warehouse, or as otherwise provided by this Act.

GOODS IMPROPERLY REMOVED FROM WAREHOUSE, ETC. – Sec. 72

(1) In any of the following cases, that is to say, -

- Where any warehoused goods are removed from a warehouse in contravention of section 71;
- Where any warehoused goods have not been removed from a warehouse at the expiration of the period during which such goods are permitted under section 61 to remain in a warehouse;
- Where any warehoused goods have been taken under section 64 as samples without payment of duty;
- Where any goods in respect of which a bond has been executed under section 59 and which have not been cleared for home consumption or exportation are not duly accounted for to the satisfaction of the proper officer, the proper officer may demand, and the owner of such goods shall forthwith pay, the full amount of duty chargeable on account of such goods together with all penalties, rent, interest and other charges payable in respect of such goods

(2) If any owner fails to pay any amount demanded under sub-section (1), the proper officer may, without prejudice to any other remedy, cause to be detained and sold, after notice to the owner (any transfer of the goods notwithstanding) such sufficient portion of his goods, if any, in the warehouse, as the said officer may select.

CANCELLATION AND RETURN OF WAREHOUSING BOND. – Sec. 73

When the whole of the goods covered by any bond executed under section 59 have been cleared for home consumption or exported or are otherwise duly accounted for, and when all amounts due on account of such goods have been paid, the proper officer shall cancel the bond as discharged in full, and shall on demand deliver it, so cancelled, to the person who has executed or is entitled to receive it.

CUSTOMS DUTY DRAW BACK

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: II – CUSTOMS LAW

Drawback Defined. In terms of rule 2 (a), "drawback" in relation to any goods exported out of India, means the refund of duty paid on importation of such goods in terms of Sec. 74 of the Customs Act.

Section 74 of the Customs Act 1962 as amended vide Customs (Amendment) Act; 1985 allows Drawback on re-export of duty paid goods. It reads as under:

(1) When any goods capable of being easily identified which have been Imported Into India and upon which any duty has been paid on importation,

(i) are entered for export and the proper officer makes an order permitting clearance and loading of the goods for exportation under section 51: or

(ii) are to be exported as baggage and the owner of such baggage for the purpose of clearing it makes a declaration of its contents to the proper officer under section 77 (which declaration shall be deemed to be an entry for export for the purposes of this section) and such officer makes an order permitting clearance of the goods for exportation or

(iii) are entered for export by post under section 82 and the proper officer makes an order permitting clearance of the goods for exportation.

Ninety-eight per cent of such duty shall except otherwise here in after provided be repaid as drawback, if-

(a) The goods are identified to the satisfaction of the Assistant Commissioner of Customs as the goods which Imported and

(b) The goods are entered for export within two years from the date of payment of duty on the importation thereof, Provided that in any particular case the aforesaid period be extended by the Board by such further period as it may deem fit.

(2) Notwithstanding anything contained in sub-section (1). the rate of drawback in the case of goods which have been used after the importation thereof shall be such as the Central Government, having regard to the duration of use, depreciation in value and other relevant

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: II – CUSTOMS LAW

circumstances may, by notification in the Official Gazette, fix.

(3) The Board may make regulations for the purpose of carrying out the provisions of this section and, in particular, such regulations may –

(a) provide for the manner in which the identity of goods imported in different consignments which are ordinarily stored together in bulk, may be established ;

(b) specify the goods which shall be deemed to be not capable of being easily identified.

(4) For the purposes of this section-

(a) goods shall be deemed to have been entered for export on the date with reference to which the rate of duty is calculated under section 16;

(b) in the case of goods assessed to duty provisionally under section 18, the date of payment of the provisional duty shall be deemed to be date of payment of duty.

Distinction Between Sec. 74 and 75 of Customs Act, 1962

There is a distinction between Sec. 74 and Sec. 75 of the CA 1962. Sec. 74 of Customs Act comes into operation when articles are imported and thereafter re-exported, such articles being easily identifiable; and Sec. 75 comes into operation when "imported materials are used in the manufacture of goods which are re-exported." 1995 Rules

Conditions

Accordingly, for claiming drawback on re-export of duty paid goods, the following conditions need to be fulfilled:

(1) the goods are identified to the satisfaction of the customs as the goods which were imported, as per Sec. 74 (1)

(2) the goods are entered for export within two years from the date of payment of duty on the importation thereof, unless the said period is extended by the Central Board of Excise & Customs, as per Sec. 74(1)

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: II – CUSTOMS LAW

(3) The claim for drawback should not exceed the prevailing market price or value (PMV) of the goods exported as per Sec. 76. Hence, the market value should not be less than the drawback claim or, i.e., drawback is not admissible if its claim amount is higher than the market value of the goods exported.

Amount of Drawback

98% of the duty will be re-paid as drawback, on the fulfillment of the necessary conditions.

No Drawback.

When any of the goods specified below have been used after their importation into India, drawback of duty paid thereon shall not be allowed, when they are exported out of India.

(i) Wearing apparel

(ii) Tea chests

(iii) Exposed cinematograph films passed by the Board of Film Censors in India

(iv) Unexposed photographic films, paper and plates, and X-ray films

Personal Goods.

In respect of a motor car or goods (other than those above) imported by a person for his personal use, drawback shall be calculated by reducing the import duty paid in respect of such motor car or goods by 4%, 3%, 2t% and 2% for use for each quarter or part thereof during the period of first year, second year, third year and fourth year respectively. Moreover, if the period exceeds more than 2 years, drawback shall be allowed only if the said period is got extended. Besides, the motorcar or goods should not have been used for more than four years.

Exhibits

Goods imported on payment of duty for the purpose of exhibition and demonstration can be regarded as "used" depending upon whether these are worked upon/operated or not in the

course of exhibition. Each case will be decided on merits for grant of drawback on their re-export under Sec. 74 of the Customs Act.

Drawback Claim Procedure on Re-export of Imported Goods

1. Postal Exports

- Drawback Parcels
- The outer packing carrying the address of the consignee shall also carry in bold letters the words: "DRAWBACK EXPORT".

Claim Form & Documents

Along with the parcel/packet, file a claim in the prescribed form at Annexure 17, to the post office. The form is to be filled in quadruplicate and submit along with:

- (i) copy of Bill of Entry or any other document against which goods were cleared on importation.
- (ii) evidence of having paid import duty
- (iii) calculation sheet showing the amount of drawback claimed.

Date of Receipt

An intimation showing date of receipt of claim application shall be given by the proper officer of Customs to the exporter.

Deficiency Memo

In case the drawback claim is not complete in all respect, the exporter shall be intimated through a deficiency memo in the form prescribed, within 15 days of its receipt from postal authorities.. The exporter is required to comply with the requirements specified in the deficiency memo, within 30 days of its receipt. In that case the date of issue of an acknowledgment of reply to deficiency memo shall be considered as date of receipts of drawback claim for the purpose of payments of interest on delayed settlement/payment of drawback under Sec. 75A of the Customs

Act.

2. Non-Postal Export

a. Shipment

Shipping Bill/Bill of Export

The procedure for export (rather re-export) of imported goods by sea, air or land (surface) but other than post is same as for normal exports explained partly in Chapters 2 and 4. Accordingly, the exporter is to file Drawback Shipping Bill/Bill of Export in triplicate.

Declarations/Statements

Give the following declarations/statements on SB/Bill of Export.

- (i) State the description, quantity and such other particulars as are necessary for deciding whether the goods are entitled to drawback on their re-export.
- (ii) Make a Declaration that –
 - (a) the export is being made under a claim for drawback under section 74 of the Customs Act;
 - (b) that the duties of customs were paid on the goods imported;
 - (c) that the goods imported were not taken into use after importation

Documents

Enclose the following documents along with the SB/Bill of Export.

- (i) Bill of Entry or Any other prescribed document against which goods were cleared on importation.
- (ii) Import invoice
- (iii) Documentary evidence of having paid the import duty
- (iv) Export invoice
- (v) Packing List

(vi) RBI's permission to Re-export the goods, where necessary.

Post-shipment Stage

Claim of Drawback

Rule 5 of the Drawback Rule on Re-export of Imported Goods, 1995 lays down the procedure to claim drawback.

Claim Form

The claim should be made in prescribed form at Annexure 8 to the concerned Customs House Drawback Cell/Deptt.) within 3 months from the date of "Let Export Order" given by the customs on the SB/Bill of Export. It can be filed within a further period of 3 months on sufficient cause for late filing, being shown and accepted by the Asstt. Commissioner of Customs.

Documents

The claim application should be sent with the following documents

- (i) Triplicate copy of the Shipping Bill bearing examination report recorded by the proper officer of the customs at the time of export
- (ii) Copy of Bill of Entry or any other prescribed document against which goods were cleared on importation.
- (iii) Import invoice.
- (iv) Evidence of payment of duty paid at the time of importation of the goods.
- (v) Permission from Reserve Bank of India for re-exports of goods, wherever necessary.
- (vi) Export invoice and packing list.
- (vii) Copy of Bill of lading or AirWay bill.
- (viii) Any other documents as may be specified in the deficiency memo.

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: II – CUSTOMS LAW

Payment

The drawback and interest, if any, shall be paid to the exporter or his agent specially authorised by him to receive the said amount of drawback and interest.

Interest

15% interest per annum will be payable on delayed payment of drawback i.e. if it is not paid within three months from the date of filing of the claim or receipt of the compliance of the deficiency memo issued, if any.

Repayment

Where an amount of drawback and interest, if any, has been paid erroneously or the amount so paid is in excess of what the exporter is entitled to the claimant shall be liable to repay/refund the said excess amount within three months from the date of demand.

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.

BRAND RATE OF DUTY DRAWBACK

Brand rate of duty drawback is applicable in either of the following circumstances:

- When individual rate fixed in respect of goods on which all industry rate is not applicable, or
- All industry rate does not cover 80% of the drawback amount due

The brand rate of duty drawback is fixed by the Central Government after necessary verification of the manufacturing processes and the documents provided giving details of input output ratio, duty paid on inputs, etc. No drawback is allowed on VAT, CST

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;

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: II – CUSTOMS LAW

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

ASSESSMENT OF DUTY:

The term assessment means qualification of the amount of duty payable.

As per section 2 (2) Assessment includes provisional assessment re-assessment and any order of assessment in which the duty assessed is nil.

Types of assessment

1. First appraisalment

2. Second appraisalment

STEPS IN ASSESSMENT

In the context of customs duty the process of assessment involves the following stages:

- a. Determination of the quantity and total value of the goods
- b. Determination of the proper tariff classification of the goods
- c. Determination of the appropriate rate of duty and
- d. Determination whether the goods are to be cleared for home consumption or to be deposited in the warehouse.

DEMURRAGE CHARGES

Demurrage is chargeable on all goods left in the CHPT's transit sheds or Yards beyond the expiry of the free days. After demurrage begins to accrue no allowance is made for Customs notified holidays or port's non working days 'Day' for purposes of this Chapter shall be reckoned with as from 6 a.m to 6 a.m.

SCALE 1- FREE DAYS (IMPORTS)

(1) Dangerous / Explosive goods:- The demurrage will accrue from the day following the complete discharge of the dangerous / explosive cargo.

(2) Sweepings collected from the CHPT's premises:- Ten days excluding Customs notified holidays and port's non working days are allowed free for sweepings of a particular commodity of a particular vessel, collected from the port's premises after the last date of clearance of the original commodity of that vessel which has caused the sweepings.

(3) Goods landed in excess, or under 'Nil' mark, etc.: -

(a) Goods landed in excess of the manifested quantity are free for six days calculated from the date following the issue of vessel's out turn, by the CHPT excluding customs notified holidays and port non-working days.

(b) Goods under 'Nil' mark or with marks differing from the manifest which are adjusted against the manifested quantity on amended delivery orders issued by the Steamer Agents are free upto six working days in the case of coastal cargo and seven working days in the case of foreign cargo excluding customs notified holidays and port nonworking days after the date of complete discharge of a vessel's cargo.

(4) Abandoned goods: Abandoned and uncleared/unclaimed goods sold by the CHPT in public auction:- In respect of abandoned and uncleared/unclaimed goods listed for public auction by the CHPT, the demurrage leviable shall be limited to six months from the date of its accrual, or to

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: II – CUSTOMS LAW

the date of receipt of intimation of abandonment in the Harbour Office, in writing, whichever is earlier.

(5) Salvaged goods:- The free period of two working days in the case of coastal and three working days in the case of foreign cargo will count from the day following the notification of salvage by the Receiver of Wrecks in the Tamil Nadu Government Gazette, or from the day following the date on which the advice of the salvage of goods is sent, by the Receiver of Wrecks to the Steamer Agent concerned, or the consignee of the goods or their Clearing Agent, whichever is earlier.

(6) Direct Delivery of cargo: Whenever packages are directly delivered on to the parties vehicle and not moved out of port premises within 24 hours from the time of directly loading on to the parties vehicle, demurrage charges shall be collected for such packages after expiry of 24 hours from the time of directly loading on to the parties vehicle at the rates specified in Scale 6 below in this Chapter

(7). Goods sold in Auction: Goods sold in auction shall be allowed three free days excluding Customs notified holidays and port's non working days from the date of confirmation of sale and thereafter the successful bidder shall be charged at daily rates as per Scale 4 of this Chapter upto and including the date of clearance by the successful bidder.

(8) Cargo other than mentioned above:

(a) Seven working days in the case of coastal cargo and seven working days in the case of foreign cargo excluding customs notified holidays and port nonworking days are free after complete discharge of a vessel's cargo, or the date when the last package was put over side.

(b) Different Free days shall also be declared in respect of coastal cargo or foreign cargo as the case may be ex. one vessel in the same voyage at different berthings.

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: II – CUSTOMS LAW

(c) Whenever discharge of Import cargo is suspended or stopped for more than 48 hours for any reason not attributable to CHPT, free days shall also be declared for the cargo already handled. Free days for the balance cargo shall be declared after discharge.

(d) Sweepings collected on Board the vessel:- The number of free days excluding Customs notified holidays and port's non working days as applicable to (a) above.

(e) Survey goods:

(9) The following free periods are allowed in addition to the free periods applicable as per description of goods:

a) For periods of detention during which goods are detained by the Commissioner of Customs for the purpose of special examination involving analytical or technical tests other than the ordinary process of appraisal and certified by the Commissioner of Customs to be not attributable to any fault or negligence on the part of the Importers and

(b) Where goods are detained by the Commissioner of Customs on account of Import Control formalities and certified by the Commissioner of Customs to be not attributable to any fault or negligence on the part of the Importer, for such period of detention under 9 (a) and (b), the demurrage charges shall be recovered as under:

- First 45 days : Free
- 46 days to 60 days : 25% of actual demurrage charges
- 61 days to 90 days : 50% of actual demurrage charges
- Beyond 90 days : 100% of actual demurrage charges

Actual demurrage charges at full rate shall be worked out as per Scale of Rates at the appropriate slab as applicable after 45 days and the concessional rate mentioned above shall be applied thereon on the full demurrage charges leviable.

SCALE 2 – FREE DAYS (EXPORTS)

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: II – CUSTOMS LAW

(1) **Export cargo for a vessel** other than containerised Export Cargo and other than cars meant for Export through RORO Vessel shall be allowed.

(2). **Goods** not shipped and removed outside:-

(3). **Salvaged Goods**:- Three days excluding customs notified holidays and port non-working days will count as free, from the day following the notification of salvage by the Receiver of Wrecks in the Tamil Nadu Government Gazette.

(4). **Goods detained by Customs**:- For periods of detention - during which the goods are detained by the Commissioner of Customs for the purpose of analytical test or technical tests, other than the ordinary process of appraisal and certified by the Commissioner of Customs to be not attributable to any fault or negligence on the part of the Exporter, for such periods of detention, the demurrage charges shall be recovered as under:

- First 45 days : Free
- 46 days to 60 days : 25% of actual demurrage charges
- 61 days to 90 days : 50% of actual demurrage charges
- Beyond 90 days : 100% of actual demurrage charges

Actual demurrage charges at full rates shall be worked out as per Scale of Rates at the appropriate slab as applicable after 45 days and the concessional rate mentioned above shall be applied thereon the full demurrage charges leviable.

The first 45 days shall be reckoned with as follows;

- (i) first 45 days after expiry of free days if cargo detained by the Customs before expiry of free days; and,
- (ii) first 45 days from the date of detention if cargo is detained by the Customs after accrual of demurrage charges. The detention certificate for availing the above concession shall be submitted within a period of six months from the date of clearance of goods.

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: II – CUSTOMS LAW

SCALE 3 - CONFISCATED GOODS

(1) For the goods confiscated by Customs, the normal dues accrued on the goods from the date of expiry of the free days upto the date of confiscation (or) for the first four months from the date of expiry of free days whichever is earlier shall be recovered from the Customs as pre-confiscation charges on the goods.

(2) Post-confiscation charges shall also be recovered on the confiscated goods from the Customs as Storage charges from the date of confiscation upto the date of removal of goods to Custom Warehouse on daily rate basis as per rates given in Scale 4 below. In addition to the Storage charges, removal charges @ Rs.20/- per package weighing upto half-a-tonne and Rs.230/- per tonne or part thereof for packages weighing more than half-a-tonne shall also be recovered.

(3). The CHPT dues accrued on the confiscated goods upto the date of confiscation shall also be limited to the extent of amount available from the Customs from the proceeds of sale of confiscated goods and the balance dues may be treated as remitted.

**SCALE 4 - DUE ON GOODS CONFISCATED BY CUSTOMS / GOODS SOLD IN
AUCTION**

Item No. Description of packages Charge payable per day or part thereof 1. Bags, Bales, Cases, Crates, Casks, kegs, drums, jars, Machinery unpacked and articles not enumerated Rs.30 per tonne or part thereof 2. Carriages and motor cars Rs.150.00 each

SCALE 5 - FREE DAYS (TRANSHIPMENT GOODS)

Transshipment goods shall be allowed a free period of fifteen days (excluding Customs notified holidays and port's non working days) from the date following the date of expiry of free days admissible as import cargo as per classification under Scale '1' of this Chapter.

EXPORT PROMOTION SCHEMES

1. THE EXPORT PROMOTION SCHEMES CAN BE CATEGORIZED AS,-

(i) Duty exemption scheme which permit duty free import of inputs required for export production viz. Advance Authorization and Duty Free import Authorizations (DFIA);

(ii) Duty remission scheme which enable post-export replenishment of / remission of duty paid on inputs viz. Duty Entitlement Pass Book Scheme;

(iii) Reward schemes which entitle exporters to duty credit scrips subject to various specific conditions like Served from India Scheme (SFIS), Vishesh Krishi Gram Udyog Yojana (VKGUY), Focus Market Scheme (FMS), Focus Product Scheme (FPS) and Status Holder Incentive Scheme.

(iv) Export Promotion Capital Goods (EPCG) Scheme which permits an exporter to import Capital Goods at concessional / Nil duty against an export obligation to be fulfilled in specified time.

2. ADVANCE AUTHORISATION SCHEME:

The Advance Authorisations are issued to allow duty free import of inputs, which are physically incorporated in the export products and services.

3. DUTY FREE IMPORT AUTHORISATION (DFIA):

The Duty Free Import Authorizations (DFIA) scheme introduced in 2006 is similar to Advance Authorisation scheme in most aspects **except** with a minimum value addition requirement of 20%. Once export obligation is completed, transferability of authorisation/ material imported against the authorisation is permitted. However, once the transferability has been endorsed, the inputs can be imported/domestically sourced only on payment of Additional Customs duty/Central Excise duty.

4. REWARD SCHEME – SERVED FROM INDIA SCHEME:

Served From India Scheme (SFIS) incentivizes exports of specified goods/exports to certain countries. The objective of SFIS is to “accelerate growth in export of services so as to

create a powerful and unique ‘Served From India’ brand, instantly recognized and respected world over.

5. REWARD SCHEME – VISHESH KRISHI AND GRAM UDUOG YOJANA (VKGUY) OR SPECIAL AGRICULTURE AND VILLAGE INDUSTRY SCHEME:

The objective of VKGUY is to promote exports of specified agricultural products, and Gram Udyog products, forest based products.

6. REWARD SCHEME - FOCUS MARKET SCHEME (FMS):

The objective of this scheme is to offset high freight cost and other externalities to select international markets with a view to enhance India’s export competitiveness in these countries.

In terms of Notification No. 93/2009-Cus., dated 11-9-2009 the following categories of export products/sectors are ineligible for Duty Credit Scrip, under FMS:

- (a) Supplies made to SEZ units;
- (b) Service exports;
- (c) Diamonds and other precious, semi precious stones, gold, silver, platinum and other precious metals in any form, including plain and studded jewellery;
- (d) Ores and concentrates, of all types and in all forms;
- (e) Cereals, of all types;
- (f) Sugar, of all types and in all forms;
- (g) Crude/petroleum oil and crude/petroleum based products covered under ITC HS codes 2709 to 2715, of all types and in all forms; and
- (h) Milk and milk products covered

7. REWARD SCHEME - FOCUS PRODUCT SCHEME (FPS):

The objective of this scheme is to incentivise export of specified products notified in Appendix 37D of HBP Vol.1 to all countries (including SEZ units). The exporters are entitled for Duty Credit Scrip @ 2% of FOB value of exports in free foreign exchange.

8. REWARD SCHEME - MARKET LINKED FOCUS PRODUCTS SCRIP (MLFPS)

The export of products/sectors of high export intensity/employment potential (which are not covered under present Focus Product Scheme List) are incentivized at 2% of FOB value of

exports in free foreign exchange under Focus Product Scheme when exported to the Linked Markets (countries), which are not covered in the present FMS list.

9. REWARD SCHEME - STATUS HOLDERS INCENTIVE SCRIP (SHIS):

The Status Holders of specified sectors are provided with an extra scrip called the SHIS @ 1% of the of FOB value of exports of these sectors made during 2009-10, 2010-11 and 2011-12 **and 2012-13**. The objective of the scheme is to promote investment in upgradation of technology of some specified sectors.

10. EXPIRED/ABOLISHED EXPORT PROMOTION SCHEMES WHOSE SCRIPS / CERTIFICATES ARE STILL IN USE :

There are some Export Promotion Schemes that have expired and no longer in vogue, but imports against scrips issued to beneficiaries of these schemes are continuing and hence their monitoring becomes important:

i) Duty Free Credit Entitlement (DFCE) Scheme

This scheme for status holders was announced on 31-3-2003 whereby the status holders having incremental growth of more than 25% in FOB value of exports subject to a minimum export turnover of Rs.25 crores, were entitled to duty credit at 10% of the incremental growth in exports. The duty credit scrip / the goods imported against it are governed by the Actual User condition.

ii) Target Plus Scheme (TPS)

This scheme was introduced for the Star Export Houses w.e.f. 1-9-2004 whereby the exporters were entitled to rewards in the form of duty free credit based on incremental export performance. Initially, the entitlement was 5% to 15% of the incremental growth in exports, but later w.e.f. 1- 4-2005, it was reduced to 5%. The duty credit scrip/the goods imported against it are governed by the actual user condition and can be used for import of any inputs, capital goods including spares, office equipment, professional equipment and office furniture.

iii) Duty Free Replenishment Certificate (DFRC) scheme

This scheme permitted duty free import (exemption from only Basic Customs duty) of inputs which were used in the manufacture of export product on post-export basis as

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: II – CUSTOMS LAW

replenishment. The DFRC authorisations were issued with a minimum value addition of 25% and only in respect of export products covered under the SION notified by DGFT.

(iv). Duty Entitlement Pass Book (DEPB) scheme:

This was an export promotion scheme that envisages grant of DEPB Credit Entitlement to an exporter at the time of export at an advalorem rate notified by DGFT, in relation to FOB value of the export product.

11. SPECIAL PROVISIONS:

The following exports categories /sectors are ineligible for Duty Credit Scrip entitlement under VKGUY, FMS, FPS (including MLFPS) and Status Holders Incentive Scrip schemes:

- (a) EOUs / EHTPs / BTPs who are availing direct tax benefits / exemption;
- (b) Export of imported goods covered under Para 2.35 of FTP;
- (c) Exports through transshipment, meaning thereby that exports originating in third country but transshipped through India;
- (d) Deemed Exports;
- (e) Exports made by SEZ units or SEZ products exported through DTA units; and
- (f) Items, which are restricted or prohibited for export under Schedule-2 of Export Policy in ITC (HS).

12. EXPORT PROMOTION CAPITAL GOODS (EPCG) SCHEME:

Under EPCG scheme, import of capital goods which are required for the manufacture of resultant export product specified in the EPCG Authorization is permitted at nil/ concessional rate of Customs duty. This Scheme enables upgradation of technology of the indigenous industry. For this purpose EPCG Authorizations are issued by RA (Regional Authority) of DGFT on the basis of nexus certificate issued by an independent chartered engineer.

13. GENERAL PROVISIONS OF EXPORT PROMOTION SCHEMES:

Imports and exports under the Export Promotion schemes are restricted to limited ports, airports, ICDs and LCSs, as specified in the respective Customs duty exemption ieport.com -

India's Premier Export Import Portal notifications. However, the Commissioners of Customs are empowered to permit export/import under these schemes from any other place which has not been notified, on case to case basis by making suitable arrangements at such places.

SPECIAL ECONOMIC ZONE (SEZ)

Government of India has enacted the Special Economic Zone (SEZ) Act, with an objective of providing an internationally competitive and hassle free environment for exports. A SEZ is defined as a "specifically demarked duty-free enclave and shall deemed to be foreign territory (out of Customs jurisdiction) for the purpose of trade operations and duties and tariffs". The SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006. It provides drastic simplification of procedures and a single window clearance policy on matters relating to central and state governments. The scheme is ideal for bigger Industries and has a significant impact on future Exports and employment

In 2005, the Department of Commerce, Ministry of Commerce & Industry, Government of India has enacted the Special Economic Zone (SEZ) Act, with an objective of providing an internationally competitive and hassle free environment for exports. A SEZ is defined as a "specifically demarked duty-free enclave and shall deemed to be foreign territory (out of Customs jurisdiction) for the purpose of trade operations and duties and tariffs". The SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006. It provides drastic simplification of procedures and a single window clearance policy on matters relating to central and state governments. The scheme is ideal for bigger Industries and has a significant impact on future Exports and employment

SALIENT FEATURES OF SEZ SCHEME ARE AS UNDER:

- Duty free import/domestic procurement of goods for development, operation and maintenance of SEZ units.
- 100% Income Tax exemption on export profits available to SEZ units for 5 years, 50% for next 5 years and 50% of ploughed back profits for 5 years thereafter.
- Exemption from Central seal Tax.
- Exemption from Service Tax.

- Single window clearance for Central and State level approval.

BENEFITS OF EXPORT PROMOTION SCHEME

The following are the benefits of export promotion scheme,

- Customs Duty Exemption in full on imports.
- Central Excise Duty Exemption in full on indigenous procurement.
- Central Sales Tax Reimbursement on indigenous purchase against from C.
- All relevant equipment / goods including second hand equipment can be imported (except prohibited items).
- Equipment can also be imported on loan basis/lease.
- 100% FDI is permitted through automatic route.
- Sales in the DTA up to 50% of the FOB value of exports permissible.
- Use of computer imported for training permissible subject to certain conditions.
- Depreciation on computers at accelerated rates up to 100% over 5 years is permissible.

POSSIBLE QUESTIONS

PART - B (2 Marks)

1. What is customs duty?
2. Define imported goods
3. What is duty drawback?
4. What is customs area under the customs Act?
5. Define Baggage.
6. What are export goods?
7. What are the types of customs duty?
8. Write a note on safe guard duty.
9. Define Goods under customs Act

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: II – CUSTOMS LAW

10. Define export goods
11. List the types of export promotion scheme given by Central government.
12. What are the components of bills of entry?
13. What is import duty?
14. Who are the officers of customs under customs Act?
15. List the prohibited export goods.
16. List any four export promotion schemes as per Act.
17. Write note on duty draw back.
18. What are the functions of customs officers?
19. Give the meaning of
 - a. warehousing and b. demurrage

PART - C (6 Marks)

1. Narrate the components of customs laws.
2. Explain the purpose of prohibition on imports or export of goods.
3. Discuss the provisions relating to assessment of customs duty.
4. Explain the provisions relating to warehouse of goods as per Customs Act.
5. Describe the procedure of clearance of goods for home consumption
6. Explain the nature of offences under customs Act
7. Explain the types of customs duty.
8. Describe the exemption from customs duty as per Customs Act.
9. Explain the concept of 'value' for purposes of levy of customs duty.
10. Discuss the export promotion schemes under customs Act
11. Explain the functions and powers of customs authorities as per Act.
12. Enumerate the provisions regarding computation of duty as per Customs Act.

INDIRECT TAX LAW (17CCU 502 B)

UNIT -II

QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
Customs duty is imposed an_____	customs act 1965	customs act 1962	customs act 1949	customs act 1955	customs act 1962
Safeguard domestic trade is imposed on _____ goods	export	interstate	import	local sales	import
First schedule of customs act 1975 _____	export tariff	control tariff	local tariff	import tariff	import tariff
second schedule of customs act 1975 is_____	Export tariff	interchange tariff	local tariff	multi tariff	export tariff
Basic customs duty is based on _____ of goods	actual value	basis value	standard value	preference value	basis value
Government is empowered _____ of customs act is prescribe notification	sec 10	sec 25	sec 35	sec 45	sec25
_____Goods could not suffer excise duty	Exported	local stated	Imported	local valuable	imported
_____ additional duties levied on imported goods	special additional duty	protective	anti-dumping duty	additional duty	protective
Exporter sells the product to an exporting country at_____ price	high	very high	less	very less	less
_____ of customs act to safeguard the interest of domestic industry	sec 9A	sec8b	sec 18	sec 19	Sec 8B
_____ is levied on dumped articles	anti-dumping duty	valorem duty	safeguard duty	protective duty	Anti-dumping duty
_____ means customs port and customs airport	customs area	customs station	customs goods	customs duty	Customs station
_____ goods kept in ware house called warehouse goods	export	import	Inter local	local	import
_____ means all goods ,personal effects brought in commercial quantities	warehouse	Bona fide baggage	baggage	imports	baggage
_____ of the customsact empowers the central govt from import and export	sec 9	sec 10	sec 11	sec8	sec 11
_____ goods are Illegal import of highly notified by central govt	imported	exported	notified	identified	notified
The notified goods required within _____ days from the date	8	7	6	2	7

_____ of the customs act may the powers to board	sec 3	sec 4	sec 5	sec 7	sec4
Large manufacturer from abroad export goods at_____ prices	very high	high	less	very less	very high
Foreign _____ or aircraft means any vessel or aircraft at the time of carriage	coming vessel	lodging vessel	going vessel	updating	going vessel
_____ goods means any goods brought into india from outside india	export	import	inter state	local	import
_____ means the import of goods in contravention of provisions	legal import	statutory import	Illegal import	local import	Illegal import
_____ means a place intimated in subsection	section	sub section	specified section	intimated section	subsection
_____ government is satisfied expenditure public interest measures	state	central	local	union territory	central
After the expiry of seven days from specified date _____ to the subsection	exempted goods	marketable goods	specified goods	intimated goods	specified goods
Transport of specified goods to be covered to be covered by	receipts	payments	invoice	vouchers	vouchers
Assessable value is determined by _____ of identical goods	computed	transaction value	deducted value	residual value	transaction value
Section 25 of the customs act _____ to issue special orders	state	central	tax authorizes	public authorities	central
Customs act provides remission duty on goods lost on _____ consumption	home	industry	business	natural	home
_____ is not liable to pay abandoned goods	sellers	buyers	owners	wholesalers	owners
_____ is not possible and goods are physically lost	Abandonment	restoration	time point	destroyed	restoration
_____ of customs may permit an importer to enter general bond	commissioner	executed	Deputy commissioner	official government	deputy commissioner
_____ have been compiled in respect of goods	sec 30	sec 49	sec 38	sec 59	sec59
_____ intended to use 100% export oriented	consumable goods	capital goods	customs goods	producing goods	capital goods

A _____ has been presented in such goods of export	shipping bill	clearance bill	export bill	payment bill	shipping bill
Rebate of duty is chargeable on _____ on goods	Producing	manufacturing	packing	purchasing	manufacturing
All Industry rate is not cover _____ of the drawback	85%	88%	80%	90%	80%
_____ have been defined in subsection	relative goods	prohibited goods	customs goods	notified goods	prohibited goods
Conservation of _____ safeguarding payments	Excise duty	foreign exchange	customs goods	export goods	foreign exchnage
Central govt has issued notification to import of _____	sensitive goods	notified goods	regulative goods	restricting goods	sensitive goods
Notified goods means goods specified in the notification issued under section _____	.IIA	.IIB	.IIC	.IVC	.IIB
Goods shall be taken from one place to another only when they are accompanied by _____	cash	transport voucher	.Bills	.document paper	transport voucher
The statement containing particulars of notified goods duly signed must be delivered in _____	.duplicate	original	accounts	voucher	.duplicate
Valuation of goods under customs Act dealt under	.Section 10	section12	section14	.section25	section14
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
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
The GATT valuation code came into effect from	1.1.81	1.2.81	1.3.81	12.81	1.1.81
India started implementing the GATT valuation code from	.18.8.1985	18.8.1988	18.8.1990	18.8.1991	18.8.1988
The central government has powers to prohibit importation and exportation of goods under section _____ of customs Act	10	0.13	12	11	11
Entry 83 to list (union List)of _____ schedule to constitution reads duties of customs including export duties.	sixth	seventh	fourth	fifth	seventh

Central Government can grant partial/full exemption from duty under section____of the customs Act.	26	0.22	0.23	0.25	0.25
Section 25(1) of the customs Act authorises the _____ to issue notification granting exemptions from duty.	state government	central government	Municipality	Local authority	central government
The exemptions granted under the customs Act are broadly classified as _____ & _____	.general , specific	ordinary ,Special	special , compliment	compound , special	general , specific
Penalty for attempt to export goods improperly on persons concerned would not exceed_____ times the value of goods.	.Three	.four	.five	Ten	special , compliment
For effective shipment, the exporter or his agent should file a shipping bill in_____	duplicate	triplicate	quadruplicate	original	duplicate
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
Tea cannot be exported unless a licence is granted by	.central government	state government	.Tea board	Coffee Board	Tea board
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
The british established the first board of revenue with its headquarters in_____	delhi	Mumbai	chennai	calcutta	calcutta
customs tariff contains	97 chapters	98 chapters	99 chapters	100 chapters	97 chapters

SYLLABUS

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

GOODS AND SERVICE TAX- I

Introduction to goods & Services Tax (GST)

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

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

As Table 1 highlights, most of them face serious challenges. They are either overly centralized, depriving the sub-federal levels of fiscal autonomy (Australia, Germany, and Austria); or where there is a dual structure, they are either administered independently creating too many differences in tax bases and rates that weaken compliance and make inter-state transactions difficult to tax (Brazil, Russia and Argentina); or administered with a modicum of coordination which minimizes these disadvantages (Canada and India today) but does not do away with them.

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B**COURSE NAME: INDIRECT TAX LAW**
BATCH : 2017 SEMESTER - V
UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

Table 1: Comparison of Federal VAT Systems

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

Journey of GST

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

- a. In 2003, the Kelkar Task Force on indirect tax had suggested a comprehensive Goods and Services Tax (GST) based on VAT principle.
- b. A proposal to introduce a National level Goods and Services Tax (GST) by April 1, 2010 was first mooted in the Budget Speech for the financial year 2006-07.

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

- c. Since the proposal involved reform/ restructuring of not only indirect taxes levied by the Centre but also the States, the responsibility of preparing a Design and Road Map for the implementation of GST was assigned to the Empowered Committee of State Finance Ministers (EC).
- d. Based on inputs from Govt of India and States, the EC released its First Discussion Paper on Goods and Services Tax in India in November, 2009.
- e. In order to take the GST related work further, a Joint Working Group consisting of officers from Central as well as State Government was constituted in September, 2009.
- f. In order to amend the Constitution to enable introduction of GST, the Constitution (115th Amendment) Bill was introduced in the Lok Sabha in March 2011. As per the prescribed procedure, the Bill was referred to the Standing Committee on Finance of the Parliament for examination and report.
- g. Meanwhile, in pursuance of the decision taken in a meeting between the Union Finance Minister and the Empowered Committee of State Finance Ministers on 8th November, 2012, a 'Committee on GST Design', consisting of the officials of the Government of India, State Governments and the Empowered Committee was constituted.
- h. This Committee did a detailed discussion on GST design including the Constitution (115th) Amendment Bill and submitted its report in January, 2013. Based on this Report, the EC recommended certain changes in the Constitution Amendment Bill in their meeting at Bhubaneswar in January 2013.
- i. The Empowered Committee in the Bhubaneswar meeting also decided to constitute three committees of officers to discuss and report on various aspects of GST as follows:-
 - a. Committee on Place of Supply Rules and Revenue. Neutral Rates;
 - b. Committee on dual control, threshold and exemptions:
 - c. Committee on IGST and GST on imports.

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA

COURSE NAME: INDIRECT TAX LAW

CODE: 17CCU502 B

BATCH : 2017

SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

- j. The Parliamentary Standing Committee submitted its Report in August, 2013 to the Lok Sabha. The recommendations of the Empowered Committee and the recommendations of the Parliamentary Standing Committee were examined in the Ministry in consultation with the Legislative Department. Most of the recommendations made by the Empowered Committee and the Parliamentary Standing Committee were accepted and the draft Amendment Bill was suitably revised.
- k. The final draft Constitutional Amendment Bill incorporating the above stated changes were sent to the Empowered Committee for consideration in September 2013.
- l. The EC once again made certain recommendations on the Bill after its meeting in Shillong in November 2013. Certain recommendations of the Empowered Committee were incorporated in the draft Constitution (115th Amendment) Bill. The revised draft was sent for consideration of the Empowered Committee in March, 2014.
- m. The 115th Constitutional (Amendment) Bill, 2011, for the introduction of GST introduced in the Lok Sabha in March 2011 lapsed with the dissolution of the 15th Lok Sabha.
- n. In June 2014, the draft Constitution Amendment Bill was sent to the Empowered Committee after approval of the new Government.
- o. Based on a broad consensus reached with the Empowered Committee on the contours of the Bill, the Cabinet on 17.12.2014 approved the proposal for introduction of a Bill in the Parliament for amending the Constitution of India to facilitate the introduction of Goods and Services Tax (GST) in the country. The Bill was introduced in the Lok Sabha on 19.12.2014, and was passed by the Lok Sabha on 06.05.2015. It was then referred to the Select Committee of Rajya Sabha, which submitted its report on 22.07.2015.
- p. The Constitutional amendment bill was then passed from Rajya Sabha on 8th Aug 2016 and notified from 15th Sep 2016.

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

Concept of Dual GST — An Indian GST Model

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

Basically, there were three models available for adoption. First, the **Single (Central) GST model**, where the Centre levies and collects the GST for both Centre and the States, and then distributes the share of the individual States in accordance with its consumption pattern determined on the basis of prior survey. It may be recalled that GST is a destination based consumption tax. This is prevalent in Australia, New Zealand, Germany etc.

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

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

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

Initially, it was conceptualized that there would be a national level goods and services tax, however, with the release of First Discussion Paper by the Empowered Committee of the State Finance Ministers on 10.11.2009, it has been made clear that there would be a —Dual GST in India, taxation power – both by the Centre and the State to levy the taxes on the Goods and Services. Almost 150 countries have introduced GST in some form. While countries such as Singapore and New Zealand tax virtually everything at a single rate, Indonesia has five positive rates, a zero rate and over 30 categories of exemptions. In China, GST applies only to goods and the provision of repairs, replacement and processing services. GST rates of some countries are given below. Country Australia France Canada Germany Japan Singapore Sweden New Zealand Rate of GST 10% 19.6% 5% 19% 5% 7% 25% 15% World over in almost 150 countries there is GST or VAT, which means tax on goods and services. Under the GST scheme, no distinction is made between goods and services for levying of tax. In other words, goods and services attract

the same rate of tax. GST is a multi-tier tax where ultimate burden of tax fall on the consumer of goods/ services. It is called as value added tax because at every stage, tax is being paid on the value addition. Under the GST scheme, a person who was liable to pay tax on his output, whether for provision of service or sale of goods, is entitled to get input tax credit (ITC) on the tax paid on its inputs.

Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122nd Amendment Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12% ,18% and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold.

In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products.

GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's trillion dollar economy. The rate of GST in India is between double to four times that levied in other countries like Singapore.

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

Indirect Taxation 4/16

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.

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

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. Indirect Taxation (2017) 5/16
- (vi) Import of services would be treated as inter-State supplies and would be subject to IGST.
- (vii) CGST, SGST /UTGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States under the aegis of the GSTC.
- (viii) GST would replace the following taxes currently levied and collected by the Centre:
 - a) Central Excise Duty;
 - b) Duties of Excise (Medicinal and Toilet Preparations);
 - c) Additional Duties of Excise (Goods of Special Importance);
 - d) Additional Duties of Excise (Textiles and Textile Products);
 - e) Additional Duties of Customs (commonly known as CVD);
 - f) Special Additional Duty of Customs (SAD);
 - g) Service Tax;
 - h) Cesses and surcharges insofar as they relate to supply of goods or services.
- (ix) State taxes that would be subsumed within the GST are:
 - a) State VAT;

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

Indirect Taxation

WORKING MECHANISM OF GST

As GST is a multi-stage tax, it involves collection by registered vendors throughout the production and distribution chain before the goods or services reach end-consumers. Under the GST framework, each registered vendor charges GST on his sales, and reclaims credits for the tax paid on his purchases. The total amount of GST paid to the tax authority by all the vendors in the production and distribution chain is equal to the amount of tax finally borne by the consumer. Below is a hypothetical case showing how GST is charged through a production and distribution chain, using the example of the manufacture and sale of a suit, assuming a 5% GST rate is levied and each vendor is registered under the GST system.

Stage 1

Imagine a manufacturer of, say, shirts. He buys raw material or inputs — cloth, thread, buttons, tailoring equipment — worth Rs 100, a sum that includes a tax of Rs 10. With these raw materials, he manufactures a shirt. In the process of creating the shirt, the manufacturer adds value to the materials he started out with. Let us take this value added by him to be Rs 30. The gross value of his good would, then, be Rs 100 + 30, or Rs 130. At a tax rate of 10%, the tax on output (this shirt) will then be Rs 13. But under GST, he can set off this tax (Rs 13) against the tax he has already paid on raw material/inputs (Rs 10). Therefore, the effective GST incidence on the manufacturer is only Rs 3 (13 – 10).

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V
UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

Stage 2

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

Stage 3

In the final stage, a retailer buys the shirt from the wholesaler. To his purchase price of Rs 150, he adds value, or margin, of, say, Rs 10. The gross value of what he sells, therefore, goes up to Rs 150 + 10, or Rs 160. The tax on this, at 10%, will be Rs 16. But by setting off this tax (Rs 16) against the tax on his purchase from the wholesaler (Rs 15), the retailer brings down the effective GST incidence on himself to Re 1 (16 – 15). Thus, the total GST on the entire value chain from the raw material/input suppliers (who can claim no tax credit since they haven’t purchased anything themselves) through the manufacturer, wholesaler and retailer is, Rs 10 + 3 + 2 + 1, or Rs 16.

Illustration I: Suppose hypothetically that the rate of CGST is 10% and That of SGST is 10%. When a wholesale dealer of steel in Uttar Pradesh supplies steel bars and rods to a construction company which is also located within the same State for, say Rs. 100, the dealer would charge CGST of Rs. 10 and SGST of Rs. 10 in addition to the basic price of the goods. He would be required to deposit the CGST component into a Central Government account while the SGST portion into the account of the concerned State Government Of course. he need not actually pay Rs. 20 (Rs.10 + Rs.10) in cash as he would be entitled to set-off this liability against the CGST or SGST paid on his purchases (say, inputs). But for paying CGST he would be allowed to use only the credit of CGST paid on his purchases while for SGST he can utilize the credit of SGST alone. In other words, COST credit cannot, in general, be used for payment of SGST. Nor can SGST credit be used for payment of CGST.

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA

COURSE NAME: INDIRECT TAX LAW

CODE: 17CCU502 B

BATCH : 2017

SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

Benefits of GST

The benefits of GST can be summarized as under:

Category	Benefits
For Business and Industry	<ul style="list-style-type: none"><li data-bbox="537 510 1369 762">• Easy compliance: A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.<li data-bbox="537 842 1369 1150">• Uniformity of tax rates and structures: GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.<li data-bbox="537 1230 1369 1430">• Removal of cascading: A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.<li data-bbox="537 1509 1369 1650">• Improved competitiveness: Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.<li data-bbox="537 1730 1369 1871">• Gain to manufacturers and exporters: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

	<p>phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.</p>
For Central and State Governments	<ul style="list-style-type: none">• Simple and easy to administer: Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.• Better controls on leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.• Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.
For the Consumer	<ul style="list-style-type: none">• Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

	<p>only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.</p> <ul style="list-style-type: none">• Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.
--	---

Salient features of the Indian GST model

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

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

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

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

GST Rate

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

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

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

for further investment in infrastructure, industry etc. This will lead to more employment. All these factors would lead to growth in industry and business. Consequently, there is bound to be growth in GDP after introduction of GST.

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

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

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

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

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

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

"The fundamental principle is that the present incidence will continue. Nobody needs to worry that their tax rate will go up too much or hope that their tax rate will go down too much. There is no need for anxiety. The standard tax rate for services will be 18 per cent under GST.

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V
UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

The only exceptions will be those services such as transportation that currently enjoy abatement. The abatement will not remain. But the services will be fitted in the tax slab under GST based on the present incidence post abatement.”

Taxes to be subsumed under GST

The GST would replace the following taxes:

(A) Taxes currently levied and collected by the Centre:

- a. Central Excise duty
- b. Duties of Excise (Medicinal and Toilet Preparations)
- c. Additional Duties of Excise (Goods of Special Importance)
- d. Additional Duties of Excise (Textiles and Textile Products)
- e. Additional Duties of Customs (commonly known as CVD) (0 Special Additional Duty of Customs (SAD)
- f. Service Tax
- g. Central Surcharges and Cesses so far as they relate to supply of goods and services

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

- a. State VAT
- b. Central Sales Tax
- c. Luxury Tax
- d. Entry Tax (all forms)
- e. Entertainment and Amusement Tax (except when levied by the local bodies)
- f. Taxes on advertisements

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

- g. Purchase Tax
- h. Taxes on lotteries, betting and gambling
- i. State Surcharges and Cesses so far as they relate to supply of goods and services

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

Constitutional Framework of GST

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

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

The amendment Act contains 20 amendments. As per Sub Section (2) of Section 1, the constitutional amendments are to be enforced with effect from such date as the Central Government may, by notification in the Official Gazette, appoint. The central government, in exercise of this power has appointed the 16th day of September, 2016 as the date on which the provisions of Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17, 18, 19 and 20 of the said Constitutional amendment Act, shall come into force. This notification has been issued to carry out the provisions of Constitutional amendments. Prior to this notification, the presidential order dated 15th September 2016, has also confirmed the constitution of GST Council.

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

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

1. **Non-Applicability of GST Law in the State of Jammu and Kashmir:** Earlier the GST Law was proposed to be applicable to J&K as well. However, in the Bill, the applicability of GST Law is extended to whole of India except the state of J&K.
2. **Change in the Scope of Taxable Event i.e. Supply:** Earlier the supply of goods or services between related persons, when made in the course or furtherance of business was treated as Supply even when there is no consideration. Employer and Employee were covered in the definition of related person. Thus any supply of Goods or services by employer to his employees even if that supply is free of cost would have been covered under the scope of GST. Now the bill provides that such gifts not exceeding Rs. 50,000 by an employer to an employee shall not be treated as supply for the purpose of GST.
3. **Removal of uncertainty relating to chargeability of GST on Supply of Immovable Property:** Earlier the "Goods" were defined as every kind of movable property other than money and securities but includes actionable claim. Further the "Services" were defined as anything other than goods. Thus there was an apprehension that Government may levy GST on supply of immovable Property such as Land or building apart from levy of Stamp duty on such transactions. Now in the bill introduced in the parliament, the government has removed that uncertainty by providing in Schedule III that, "Sale of land and, sale of building except the sale of under construction building will neither be treated as a supply of goods not a supply of services. Thus GST can't be levied in those supplies.
4. **Non Chargeability of GST on Actionable Claims:** As "Actionable claim" were included in the definition of "Goods", there may be chargeability of GST on supply of Actionable Claim under earlier law. In the Schedule III of newly introduced bill, Actionable Claim, other than lottery, betting and gambling will neither be treated as a supply of goods not a supply of services. Thus GST can't be levied in that case.

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

5. **Fixing the Upper cap of GST rate at 20% in case of CGST Law, and 40% in case of IGST Law:** Earlier the upper cap fixed was 14% and 25% respectively in both the laws. With a view to keep some flexibility to increase the rates in future, the upper cap has been fixed at 20% and 40% respectively under CGST and IGST Law. However the applicable slab rate will be same as approved by council i.e. 5%, 12%, 18% and 28%.
6. **Payment of GST by recipient under Reverse Charge in case of supply of taxable goods or services or both by a unregistered supplier to a registered person.** In line with the purchase tax on purchase of goods from an unregistered dealer prevailing in many of the states, the GST Bill has introduced the same. Liability to pay GST in such cases will be on the recipient of such goods or services.
7. **Reduction in Composition rates, a welcome move for MSME sector:** Earlier it was proposed to levy 1% composition rate for trader and 2.5% for manufacturer. Further composition scheme was not allowed for a supplier of services. Now in the bill, some reduction in composition rates has been made which is a welcome move for the MSME sector. 1% of composition rate will be applicable in case of a manufacturer instead of earlier 2.5%. Further 0.50% of composition rate will be applicable in case of a trader instead of earlier 1%. Further the composition scheme will now be allowed to Restaurant Sector with a composition rate of 2.5%.
8. **Requirement to seek permission from proper officer for composition scheme is dispensed with:** Now a registered person, whose aggregate turnover in the preceding financial year did not exceed 50 lacs, may opt to pay under composition scheme.
9. **Change in the provision for determining the liability to pay tax in case of Services (Time of Supply of Services):** Earlier, the time of supply of services was the earlier of date of issue of Invoice, or the last date on which the invoice should have been issued or date of receipt of payment by the supplier. Now in the bill, as introduced in the parliament, the provisions of service tax for determining liability to pay service tax has

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

been incorporated in the GST bill. Thus the time of supply of services shall be earlier of the following dates:

- a. If the invoice is issued within the period prescribed, the date of issue of invoices or the date of receipt of payment, whichever is earlier;
- b. If the invoice is not issued within the period prescribed, the date of provision of services, or the date of receipt of payment, whichever is earlier;
- c. If The date on which the recipient shows the receipt of services in his books of accounts, in a case where aforesaid clause (a) or (b) does not apply.

10. Change in Actual Payment Condition for Non-reversal of Credits: Earlier where a recipient fails to pay to the supplier of services, the amount towards the value of supply along with taxes thereon within a period of 3 months from the date of issue of invoices by the supplier, an amount equal to ITC availed were required to be paid along with interest thereon. Thus the aforesaid provision was restricted only in case of Services. Further there was no provision made in the law for re-allowing the credit reversed earlier due to application of aforesaid provisions. Now in the bill, the aforesaid provision is also extended to supply of Goods. Further the time period for payment is extended to 180 days from earlier 3 months. Further provision has also been made for re-availing the credit reversed earlier at the time of actual payment.

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

be allowed if used for making an outward taxable supply of same category or as a part or taxable composite or mixed supply

Minimal Interface

- i. The physical interface between the tax payer and the tax authorities would be minimal under GST. Certain important provisions in this regard are:
- ii. Registration will be granted on line and shall be deemed to have been granted if no deficiency is communicated to the applicant within working days as may be prescribed.
- iii. Taxable person shall himself assess the taxes payable (self-assessment) and credit it to the account of the Government.
- iv. Payment of tax shall be made electronically through internet banking. Smaller taxpayers shall be allowed to use the systems generated challan and pay tax at the bank counter.
- v. The tax payer shall furnish the details of sales and purchases electronically without any physical interface with the tax authorities.
- vi. Tax payers shall file, electronically, monthly returns of sales and purchases, ITC availed, tax payable, tax paid and other prescribed particulars. Composition tax payers shall file, electronically, quarterly returns. Omission/incorrect particulars can be self-rectified before the filing of annual return.
- vii. Matching, reversal and reclaim of input tax credit shall be done electronically on the GSTN portal without any tax payer contact. [This would prevent, inter 'cilia, input tax credit being taken on the basis of fake invoices or twice on the same invoice.]
- viii. Tax payers shall be allowed to keep and maintain accounts and other records in electronic form.

Input tax credit

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V
UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

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

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

Refund

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

- (i) Time limit for claiming refund has been increased from one year to two years.
- (ii) Refund claim along with documentary evidence is to be filed online without any physical interface and the tax refund will be directly credited to the nominated bank account of the applicant.
- (iii) Refund shall be granted within 60 days from the date of receipt of application. Interest is payable if refund is not sanctioned within the stipulated period of 60 days.

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

- (iv) If the refund claim is less than Rs. 5 lakhs, there is no need for the claimant to furnish any documentary evidence that he has not passed on the incidence of tax to any other person. Only a self-certification to this effect would suffice.
- (v) Refund of input tax credit shall be allowed in case of exports or where the credit accumulation is on account of inverted duty structure (i.e. where the tax rate on output is higher than that on inputs).
- (vi) In case of refund claim on account of exports, 90% of the claim shall be paid immediately on a provisional basis without verification of documentary evidence.

COMPOSITION SCHEME

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

- In order to opt for composition scheme the total aggregate turnover of the taxable person should not exceed 1NR 50 lakhs.
- The definition of "aggregate turnover" as per section 2(6) of GST law: "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess:
- Instead of collecting GST taxpayer will pay a certain % of levy. This levy or tax will be not less than 1% in case of a manufacturer, 2.5% in case of Restaurants and 0.5% in any other case of the turnover in a state during the year.
- **Composition levy is not applicable to the taxable person:-**

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

- a. Who is engaged in the supply of services other than in case of Restaurants; or
 - b. Who makes any supply of goods which are not leviable to tax under this Act; or
 - c. Who makes any inter-State outward supplies of goods; or
 - d. Who makes any supply of goods through an electronic commerce operator who is required to collect tax at source under section 56; or
 - e. Who is a manufacturer of such goods as may be notified on the recommendation of the Council:
- Composition levy is linked to an assessee's PAN. In case an assessee has opted for the scheme for a business with a particular Pan, the scheme shall apply to all the businesses with the same PAN.
 - In order to identify the total number of registrations of a particular organization the PAN will be considered as common identifier to calculate total number of registrations taken by such organization in India under GST and aggregate turnover reported by all the GSTINs having same PAN will be considered to calculate the limit of IN R 50 lakhs.
 - The requirement of the provision of draft law clearly states that in case any of the premise (s) having same PAN has/have not opted for composition scheme, then the benefits of the composition scheme can't be availed by other premises.
 - No GST shall be collected by an assessee opting for the scheme from the recipient of its supplies.
 - The composite taxpayer shall not be allowed to take any credit on the inward supplies received by them on which they have paid taxes.
 - In case the taxpayer is doing any inter-state supplies of goods and/or services then no permission for opting of composition shall be granted.

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

- Under GST regime all the taxpayers have to take registration w.r.t all states from where they are supplying goods and/or services. So, this will result in taking multiple registrations.

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

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

Meaning and scope of the term “Supply”

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

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

POSSIBLE QUESTIONS

PART - B (2 Marks)

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

PART - C (6 Marks)

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: III – INTRODUCTION TO GOODS AND SERVICES TAX

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

KAHE

INDIRECT TAX LAW (17CCU 502 B)

UNIT -III

QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
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
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
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
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
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
_____ 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
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
_____ 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
The _____ would need to submit periodical returns, in common format as suggested by Central authority.	Tax payers	Entities	Revenue officer	State Government	Tax payers
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
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

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
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
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
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
The permissible number of business verticals in a State in GST will be:	25	30	35	40	35
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
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
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

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
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
For supply of services, invoice should be prepared in,	Original + 1 copy	Original + 2 copies	Original + 3 copies	Original + 4 copies	Original + 1 copy
For supply of Goods, invoice should be prepared in:	Original + 1 copy	Original + 2 copies	Original + 3 copies	Original + 4 copies	Original + 2 copies
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
Invoice reference number is valid for	45 days	1 month	30 days	60 days	30 days
Who is responsible to pay the GST?	Person supplying	Person receiving	Both the above	person distributing	Both the above
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
Which of the following taxes leviable on Imports?	CGST	SGST	IGST	Customs duty and IGST under Section 3 of Customs Tariff Act, 1975	Customs duty and IGST under Section 3 of Customs Tariff Act, 1975

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
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
What are the taxes levied on an intra-State Supply?	CGST	SGST *	CGST and SGST	IGST	CGST and SGST
What is the maximum rate prescribed under CGST?	12%	28%	20%	18%	20%
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
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
Which of the following taxes will be levied on Imports?	CGST	SGST	IGST	Exempt	IGST
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
Is there any maximum rate prescribed under UTGST?	14%	28%	20%	30%	20%
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

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
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%
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%
What is the rate applicable under CGST to a registered person opting to taxes under composition scheme, not being a manufacturer or a hotelier?	1%	2.50%	0.50%	2%	0.50%
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
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
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
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
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

What will happen if the turnover of a registered person opting to pay taxes under composition scheme during the year 2017-18 crosses Rs.50 lakhs?	He can continue under composition scheme till the end of the financial year	He will be liable to pay tax at normal rates of GST on the entire turnover for the financial year 2017-18	He will cease to remain under the composition scheme with immediate effect	He will cease to remain under the composition scheme from the quarter following the quarter in which the aggregate turnover exceeds Rs.50 lacs	He will cease to remain under the composition scheme with immediate effect
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
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 &
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
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
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
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
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 &
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

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 &
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 &
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 &
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 issue of voucher

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: IV – GST – SUPPLY

SYLLABUS

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

CHARGEABILITY FOR GST

Provisions for Chargeability

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

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

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

Conditions for Levy of IGST

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

- (i) The Supply must be of Goods and/or Services. (Thus, no GST on other than Goods and / or Services)

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: IV – GST – SUPPLY

- (ii) The Supply must be Intra State. [The Supply within State is chargeable to CGST and SGST. The other supply viz, between two states shall be chargeable to IGST]
- (iii) The person must be a Taxable Person. [As defined Section 2 (107) read with Section 22 and 24 of the Central GST Bill]

Meaning of the term Supply	<p>The term Supply has been defined in Section 7 of the Central GST Bill 2017. The definition, is as follows:-</p> <ul style="list-style-type: none">a) All forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;b) Import of services for a consideration whether or not in the course or furtherance of business;c) The activities specified in Schedule I, made or agreed to be made without a consideration; <p>Thus the definition has very wide connotations as it also includes the activities without consideration. The valuation mechanism applicable to non-monetary transactions shall be placed soon.(Refer detailed discussion below)</p>
Meaning of the Important terms	<p>Definitions by Amended Constitution</p> <p>As per article 366 of the Constitution of India amended by 'Clause 14' of the Constitution (122nd. Amendment) Act' 2014 assented on 8th September' 2016, the important related definition are reproduced below:-</p> <p>(12A) "Goods and Services Tax" means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption;</p> <p>(26A) "Services" means anything other than goods;</p>

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: IV – GST – SUPPLY

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: IV – GST – SUPPLY

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

Types of Supply

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: IV – GST – SUPPLY

(i) Taxable supply

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

(ii) Exempt supply

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

(iii) Zero-rated supply

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

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

(iv) Composite / Mixed supply

Section 2(30) of the Central GST Bill' 2017 defines composite supply to mean a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;

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

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

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

(v) Continuous supply of Foods/services

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

As per Section 2(32), “Continuous supply of goods” means a supply of goods which is provided, or agreed to be provided, continuously or on recurrent basis, under a contract, whether or not by means of a wire, cable, pipeline or other conduit, and for which the supplier invoices the recipient on a regular or periodic basis and includes supply of such goods as the Government may, subject to such conditions, as it may, by notification, specify;

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: IV – GST – SUPPLY

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

vi) Inward/Outward supply

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

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

(vii) Inter/Intro State supply

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

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

(viii) Deemed supply

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: IV – GST – SUPPLY

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

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

Need for Place of Supply of Goods and Services

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

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

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

- (i) The manner of delivery of service could be altered easily. For example telecom service could change from mostly post-paid to mostly pre-paid; billing address could be changed,

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: IV – GST – SUPPLY

billers address could be changed, repair or maintenance of software could be changed from onsite to online; banking services were earlier required customer to go to the bank, now the customer could avail service from anywhere;

- (ii) Service provider, service receiver and the service provided may not be ascertainable or may easily be suppressed as nothing tangible moves and there would hardly be a trail;
- (iii) For supplying a service, a fixed location of service provider is not mandatory and even the service recipient may receive service while on the move. The location of billing could be changed overnight;
- (iv) Sometime the same element may flow to more than one location, for example, construction or other services in respect of a railway line, a national highway or a bridge on a river which originate in one state and end in the other state. Similarly a copy right for distribution and exhibition of film could be assigned for many states in single transaction or an advertisement or a programme is broadcasted across the country at the same time. An airline may issue seasonal tickets, containing say 10 leafs which could be used for travel between any two location in the country. The card issued by Delhi metro could be used by a person located in Noida, or Delhi or Faridabad, without the Delhi metro being able to distinguish the location or journeys at the time of receipt of payment;
- (v) Services are continuously evolving and would thus continue to pose newer challenges. For example 15-20 years back no one could have thought of DTH, online information, online banking, online booking of tickets, internet, mobile telecommunication etc.

Importance of Valuation

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

Illustrative Issues

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: IV – GST – SUPPLY

Following illustrative issues arise in valuation for GST. Suppose,

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

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

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

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

Input tax credit

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

- (i) Tax payer is allowed to take credit of taxes paid on inputs (input tax credit), as self-assessed, in his return.
- (ii) Taxpayer can take credit of taxes paid on all goods and services, other than a few in the negative list, and utilize the same for payment of output tax.

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: IV – GST – SUPPLY

- (iii) Credit of taxes paid on inputs shall be allowed where the inputs are used for business purposes or making taxable supplies.
- (iv) Full input tax credit shall be allowed on capital goods on its receipt as against the current Central Government practice of staggering the credit in two equal instalments.
- (v) Unutilized input tax credit can be carried forward.
- (vi) The facility of distribution of input tax credit amongst group companies has been provided for.

Valuation in GST Law

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

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

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

- a) Any taxes, duties, cesses, fees and charges levied under any law for the time being in force other than this Act, the State Goods and Services Tax Act, the Union Territory Goods and Services Tax Act and the Goods and Services Tax (Compensation to States) Act, if charged separately by the supplier;
- b) Any amount that the supplier is liable to pay in relation to such supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods and/or services;

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: IV – GST – SUPPLY

- c) Incidental expenses, such as, commission and packing, charged by the supplier to the recipient of a supply, including any amount charged for anything done by the supplier in respect of the supply of goods and/or services at the time of, or before delivery of the goods or, as the case may be, supply of the services;
- d) Interest or late fee or penalty for delayed payment of any consideration for any supply; and
- e) Subsidies directly linked to the price excluding subsidies provided by the Central and State governments. The amount of subsidy shall be included in the value of supply of the supplier who receives the subsidy.

Rule 1 of GST Valuation Rules

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

Be the open market value of such supply;

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

Illustration:

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: IV – GST – SUPPLY

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

Important Definition

"Open Market Value" of a supply of goods or services or both means the full value in money, excluding the integrated tax, central tax, State tax, Union territory tax and the cuss payable by a person in a transaction, where the supplier and the recipient of the supply are not related and price is the sole consideration, to obtain such supply at the same lime when the supply being valued is made.

Rule 2 of GST Valuation Rules

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

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

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

Rule 3 of GST Valuation Rules

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

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

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

Rule 4 of GST Valuation Rules

It determines value of supply of goods or services or both based on cost. As per this rule, Where the value of a supply of goods or services or both is not determinable by any of the preceding rules, the value shall be 110% of the cost of production or manufacture or cost of acquisition of such goods or cost of provision of such services.

Rule 5 of GST Valuation Rules

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

Rule 6 of GST Valuation Rules

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

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

Rule 7 of GST Valuation Rules

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

Illustration

Corporate services firm A is engaged to handle the legal work pertaining to the incorporation of Company B. Other than its service fees, A also recovers from B, registration fee and approval fee for the name of the company paid to Registrar of the Companies. The fees charged by the Registrar of the companies registration and approval of the name are compulsorily levied on B. A is merely acting as a pure agent in the payment of those fees. Therefore, A's recovery of such expenses is a disbursement and not part of the value of supply made by A to B.

Input Tax Credit Mechanism

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

Section 16 to Section 21 of the GST Bill' 2017 passed by Lok Sabha on 29th March' 2017, comprehensively discusses the provisions relating to the input tax credit. In the pre GST era, the Cenvat Credit Rules' 2004 used to provide for the detailed provisions relating to the cenvat credit as far as Central excise and service tax is concerned. Thus, the major provisions relating to cenvat credit was handled by rules only. However, in GST regime, the provisions

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: IV – GST – SUPPLY

relating to the cenvat credit or we call it as input tax credit has been dealt by Section 16 along with other sections and read with various rules to be placed in public domain soon.

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

Conditions necessary for obtaining ITC

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

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

Time limit for taking ITC

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

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

Negative list on which Input Tax Credit is not permitted

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: IV – GST – SUPPLY

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

(i) For making the following taxable supplies, namely

- a. Further supply of such vehicles or conveyances; or
- b. Transportation of passengers; or
- c. Imparting training on driving, flying, navigating such vehicles or conveyances;

(ii) For transportation of goods.

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

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

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

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

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

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

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: IV – GST – SUPPLY

- c) Works contract services when supplied for construction of immovable property, other than plant and machinery, except where it is an input service for further supply of works contract service;
- d) Goods or services received by a taxable person for construction of an immovable property on his own account, other than plant and machinery, even when used in course or furtherance of business;

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

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

Payment Mechanism

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: IV – GST – SUPPLY

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

- (i) Electronic payment process- no generation of paper at any stage
- (ii) Single point interface for challan generation- GSTN
- (iii) Ease of payment — payment can be made through online banking, Credit Card/Debit Card, NEFT/RTGS and through cheque/cash at the bank
- (iv) Common challan form with auto-population features
- (v) Use of single challan and single payment instrument
- (vi) Common set of authorized banks
- (vii) Common Accounting Codes

Conditions for Collection

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

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

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

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

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: IV – GST – SUPPLY

- a) Electronically generated challan from GSTN Common Portal in all modes of payment and no use of manually prepared challan;
- b) Facilitation for the taxpayer by providing hassle free, anytime, anywhere mode of payment of tax;
- c) Convenience of making payment online;
- d) Logical tax collection data in electronic format;
- e) Faster remittance of tax revenue to the Government Account;
- f) Paperless transactions;
- g) Speedy Accounting and reporting;
- h) Electronic reconciliation of all receipts;
- i) Simplified procedure for banks;
- j) Warehousing of Digital Challan.

Modes of Payment

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

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V

UNIT: IV – GST – SUPPLY

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

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

POSSIBLE QUESTIONS

PART - B (2 Marks)

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH : 2017 SEMESTER - V**

UNIT: IV – GST – SUPPLY

15. What are the conditions for availing input credit on vehicles?

PART - C (6 Marks)

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

INDIRECT TAX LAW (17CCU 502 B)

UNIT -IV

QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
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
The value of supply of goods and services shall be the	Transaction value	MRP	Market Value	None of above	Transaction value
The value of supply should include	Any non-GST taxes, duties, cases, 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
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
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
Whether definition of Inputs includes capital goods	Yes	No	Certain capital goods only	None of the above	No
Is it mandatory to capitalize the capital goods in books of Accounts?	Yes	No	Optional	None of the above	Yes
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
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
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

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
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
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
Input tax credit on capital goods and Inputs can be availed in one installment or in multiple installments?	In thirty six installments	In twelve installments	In one installment	In six installments	In one installment
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.
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
Can the taxable person under Composition Scheme claim input tax credit?	Yes	No	Central Government to decide	State Government to decide	No
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
Can Composition tax be collected from Customers?	Yes	No	Central Government to decide	State Government to decide	No
Which of the following are considered for calculating the aggregate turnover?	Taxable supplies	Exempt Supplies	Both the above	Non-taxable supplies	Both the above

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
Every supplier shall be liable to be registered under Revised Model GST Law in the State from where he makes a taxable supply of goods and/or services if his aggregate turnover in a financial year.....:	` 10 lacs	Exceeds ` 20 lacs	` 50 lacs	No limit for registration	Exceeds ` 20 lacs
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
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
Inspections, Search and seizure operations under GST are to be authorized by a CGST/SGST Officer not below the rank of _____	A) Dy Commissioner	B) Asst Commissioner	C) Joint Commissioner	D) Commissioner	C) Joint Commissioner
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
The person in charge of the conveyance carrying any consignment of goods exceeding the value of _____, shall carry _____, shall carry prescribed documents (E Waybill)	A) ` 50,000	B) ` 1,00,000	C) ` 10,000	D) ` 100 lakhs	A) ` 50,000
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

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
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
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
Declaration of inputs held in stock by job worker on behalf of manufacturer is to be filed by?	A) Manufacturer	B) Job Worker	C) Servicer	d) Both and	d) Both and
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
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
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
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
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
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
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

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
ITC includes tax payable under also	A) VAT	B) Reverse charge	C) Excise	D) Customers	B) Reverse charge
ITC is allowed on tax paid on capital goods in instalments in GST	A) 12	B) 36	C) 3	D) 1	D) 1
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
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 equivalent 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 equivalent to the input tax credit in respect inputs held in state in any form
ITC in GST is computed by generating	A) GSTR I	B) GSTR II	C) GSTR III	D) GSTR IV	B) GSTR II
..... tax is levied on inter-state supply of goods and services?	A) CGST	B) SGST	C) IGST	D) VAT	C) IGST
IGST means?	A) Inter-state GST	B) Integrated GST	C) Import GST	D) International GST	B) Integrated GST
IGST Act is passed by?	A) State Legislative	B) Parliament	C) Union Territory	D) Legislative Council	B) Parliament
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
IGST is levied and collected is?	A) Allotted to centre only	B) Allotted to states only	C) Allotted to UT's only	D) Apportioned between center and states	D) Apportioned between center and states

..... is levied on imports of goods and services?	A) SGST	B) CGST	C) IGST	D) VAT	C) IGST
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
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
..... Act implements 'destination principle of taxation' in GST scenario?	A) CGST	B) SGST	C) Customs	D) IGST	D) IGST
..... Act provides un-intercepted ITC chain on inter-state transactions?	A) IGST	B) CGST	C) VAT	D) SGST	A) IGST
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
In IGST state shall pay the amount equal to the ITC SGST used by the supplier in the exporting state to central?	A) Exporting state	B) Importing state	C) Centre	D) state	A) Exporting state
Place of supply of goods when supply involves movement of goods?	A) location of the goods at the time at which the movement of goods terminates for delivery to the recipient	B) location of the goods at the time at which movement of goods commences for delivery to the recipient	C) location of the principle place of business of the supplier	D) location of the principle place of business of the recipient	A) location of the goods at the time at which the movement of goods terminates for delivery to the recipient
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
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

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V

UNIT: V – REGISTRATION UNDER GST

SYLLABUS

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

REGISTRATION UNDER GST

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

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

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V

UNIT: V – REGISTRATION UNDER GST

Major features of the registration procedures under GST

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

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

a. Compulsory Registration

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

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V**

UNIT: V – REGISTRATION UNDER GST

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

b.Provisional Registration

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

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

Steps to Complete Provisional Registration

- Step 1: Enter the Username (Provisional ID) and Password provided to you by your State VAT Authority
- Step 2: Enter Mobile Number and Email Address of the authorized signatory of the business entity. All future correspondence from the GST portal will be sent on this registered Mobile Number and Email Address

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B**COURSE NAME: INDIRECT TAX LAW**
BATCH: 2017 SEMESTER - V**UNIT: V – REGISTRATION UNDER GST**

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

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

RETURNS UNDER GST**Periodicity of Return Filing**

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

S.No	Return / Ledger	For	To be Filed by
1	GSTR 1	Outward supplies made by taxpayer (other than compounding taxpayer and ISD)	10 th of the next month
2	GSTR 2	Inward supplies received by a taxpayer (other than a compounding taxpayer and ISD)	15 th of the next month
3	GSTR 3	Monthly return (other than compounding taxpayer and ISD)	20 th of the next month
4	GSTR 4	Quarterly return for compounding Taxpayer	18 th of the month next to quarter
5	GSTR 5	Periodic return by Non- Resident Foreign Taxpayer	Seven days from last day of registration

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B**COURSE NAME: INDIRECT TAX LAW**
BATCH: 2017 SEMESTER - V**UNIT: V – REGISTRATION UNDER GST**

6	GSTR 6	Return for Input Service Distributor (ISD)	13 th of the next month
7	GSTR 7	Return for Tax Deducted at Source	10 th of the next month
8	GSTR 8	E-Commerce Operator	10 th of the next month
9	GSTR 9	Annual Return	By 31 st December of next FY
10	GSTR 10	Final Return	3 months form the dare of Cancellation

Other important points relating to periodicity of return filing

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

- (i) Normal/ Regular taxpayers with multiple registrations (for business verticals) within a State would have to file GSTR-1, GSTR-2 and GSTR-3 for each of the registrations separately.
- (ii) Compounding taxpayers would have to file a quarterly return in GSTR-4.
- (iii) Taxpayers otherwise eligible for the composition scheme can opt out of composition and file monthly returns and thereby make their supplies eligible for ITC in hands of the purchasers. In such a case, they will have to file GSTR 1-3 irrespective of their turnover.
- (iv) Casual taxpayers would have to file GSTR-1, GSTR-2 and GSTR-3 returns for the period for which they have obtained registration. The registration of Casual taxpayers

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V**

UNIT: V – REGISTRATION UNDER GST

will be done in the same manner as that of Normal/ Regular taxpayers but with payment of advance tax.

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

The provisions of Returns are contained in Chapter 9 of the GST Bill' 2017. The Joint Committee on business processes for GST return process had also released its report in Oct 2015

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V

UNIT: V – REGISTRATION UNDER GST

to outline the process of filing returns in GST. Major features of the returns filing procedures under GST are as follows:

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

Refund Provisions in Model GST Law

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

- Any person claiming refund of any tax and interest may make an application to the proper Officer of 1GST/CGST/SGST before the expiry of 2 years from the relevant date in such form and in such manner as may be prescribed.
- A taxable person may claim refund of any unutilized input tax credit at the end of any tax period.
- No refund of unutilized ITC shall be allowed in cases other than exports or in cases where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on outputs.

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V**

UNIT: V – REGISTRATION UNDER GST

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

1) Refund scenarios in GST

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

- (i) Exports of goods and services. It can be tax paid on the inputs used in the use of goods and services which are exported at zero rate or in case tax is paid on such exports then such tax (No refund of Unutilized ITC, if goods exported outside India are subjected to export duty) [Proviso to 54(3)]
- (ii) On account of accumulation of account of rate of tax on inputs higher than the rate of taxes on Outputs. The case must not be of Exempt or NIL rated supply.

B) On Finalization of provisional assessment under Sec. 60

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

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V**

UNIT: V – REGISTRATION UNDER GST

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

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

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

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

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

2) Procedure

a) General procedures on submission of application

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V

UNIT: V – REGISTRATION UNDER GST

✓ Relevant dates for different scenarios are specified under Explanation 2 to Section 54

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

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

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V**

UNIT: V – REGISTRATION UNDER GST

c) Verification

The verification will be mostly online.

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

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

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

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

- A simple formula will be prescribed in the rules may be based on proportionate credit based on export turnover/total turnover.
- A declaration can be obtained from the exporter regarding Utilization of inputs in exported goods.
- Refund shall be granted within 60 days from the date of application containing complete details. Sec.48 (7).
- For export refunds to notified category of dealers, 90% refund can be granted before verification subject to such conditions and restrictions.

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V

UNIT: V – REGISTRATION UNDER GST

1) Unjust enrichment and consumer Welfare Fund

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

2) Withholding of refunds (Sec.54)

Refund can be withheld in the following circumstances:

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

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

4) Interest on delayed refunds (Sec.56)

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

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

Electronic Commerce

In the existing VAT, service tax and excise legislation, there are no specific provisions for e-commerce operators to pay taxes on sale of goods or to make any tax deductions from the

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V**

UNIT: V – REGISTRATION UNDER GST

payments being made by them to actual seller of goods. However, many states, under their VAT law have started prescribing returns to be filed by the e-commerce operators with information relating to the supplies made through their portal. In order to mitigate the challenges being posed by e-commerce transactions, the GST Law endeavours to establish a compliance mechanism to ensure that the appropriate taxes are discharged by the actual suppliers supplying goods or services through electronic portals. The pivotal point from where this can be ensured is the E-commerce operator.

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

E-Commerce Operators

As per section 43B(d) of the MGL defines an Electronic Commerce to mean the supply or receipt of goods and/ or services, or transmitting of funds or data, over an electronic network, primarily the internet, by using any of the applications that rely on the internet, like but not limited to e-mail, instant messaging, shopping carts, web services, universal description Discovery and integration (UDDI), File Transfer Protocol (FTP) and Electronic Data Interchange (EDI) whether or not the payment is conducted online and whether or not the ultimate delivery of the goods and/or services is done by the operator. Section 43B(e) of the Indian GST Law defines an Electronic Commerce Operator (Operator) as every person who, directly or indirectly, owns, operates or manages an electronic platform which is engaged in facilitating the supply of any goods and/or services. Also a person providing any information or any other services incidental to or in connection with such supply of goods and services through electronic platform would be considered as an Operator. The GST Law also explains that a person supplying goods/services on his own account, however, would not be considered as an Operator.

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V**

UNIT: V – REGISTRATION UNDER GST

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.

KAHE

TAX DEDUCTED AT SOURCE / TAX COLLECTED AT SOURCE

Provisions for Tax Deducted at Source (TDS)

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

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

How will the TDS be accounted by the TDS Deductor?

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

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

Provisions for Tax Collected at Source (TCS)

As per section 52 of the GST Bill' 2017, the provisions for TCS are applicable only for E-Commerce Operator. Every E-Commerce Operator needs to withhold a percentage (to be

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B****COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V****UNIT: V – REGISTRATION UNDER GST**

notified later on the recommendation of the GST Council) of the amount which is due from him to the supplier at the time of making actual payment to the supplier. Such withheld amount is to be deposited by such E-Commerce Operator to the appropriate GST account by the 10th of the next month. The amount deposited as TCS will be reflected in the electronic cash ledger of the supplier.

Time limit of payment of TCS

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

GST RETURN FILING

Filing GST return under the GST regime is crucial as non-compliance and delay will result in penalties and affect your compliance rating and timely refunds. What is GST Return? A return is a document containing details of income which a taxpayer is required to file with the tax administrative authorities. This is used by tax authorities to calculate tax liability. Under GST, a registered dealer has to file GST returns that includes: Purchases Sales Output GST (On sales) Input tax credit (GST paid on purchases) To file GST returns, GST compliant sales and purchase invoices are required. To generate GST compliant invoices for free on Clear Tax, Bill Book. Who has to file GST Returns? In the GST regime, any regular business has to file three monthly returns and one annual return. This amounts to 37 returns in a year. The beauty of the system is that one has to manually enter details of one monthly return – GSTR-1. The other two returns – GSTR 2 & 3 will get auto-populated by deriving information from GSTR-1 filed by you and your vendors. There are separate returns required to be filed by special cases such as composition dealers .

Small Scale Exemption

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

Typically a small number of firms account for a large proportion of revenues from taxes on goods and services. Simultaneously, resources used in the collection of taxes are scarce and must therefore be deployed effectively; these need to be concentrated on the largest taxpayers as part of the risk management strategy. Further, the compliance burden under the invoice credit method is relatively high and it is uneconomical to collect revenues from a large number of small taxpayers. Hence, keeping in view the compliance cost and administrative feasibility, small dealers (including service providers) and manufacturers should be exempted from the purview of both CGST and SGST if their annual aggregate turnover (excluding both CGST and SGST) of all goods and services does not exceed Rs.20 lakh (Rs 10 lacs for North Eastern states). However, like in most other countries, those below the threshold limit may be allowed to register voluntarily to facilitate sales to other registered manufacturers/dealers, limit competitive distortions and avoid inequities.

GST and Its Impact On Small Scale Industries :

Small scale industries play a significant role in the overall growth of an economy. This industry is mainly specialized in the production of consumer commodities. SSIs generate huge employment due to the utilization of labour power for the production of goods. In a developing country like India where unemployment is a major problem; these industries pave the way for employment of skilled and non-skilled persons. The implementation of GST is certainly going to affect this sector and the employees associated with it. Any tax-regime should ensure such an environment in which the proper growth of small scale industries may be assured. The First Discussion Paper (FDP) produced by the Empowered committee of state finance ministers and report of the thirteenth finance commission's Task Force have provided some important suggestions with respect to this sector.

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

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V

UNIT: V – REGISTRATION UNDER GST

- Between 10 lakhs and ‘Y’ figure
- Only SGST
- Above 150 lakhs
- Above ‘Y’ figure
- Both SGST and CGST

But the Task Force is of the view that the small dealers (including service providers) and manufacturers should be exempted from the purview of both CGST and SGST if their annual aggregate turnover (excluding both CGST and SGST) of all goods and services does not exceed Rs.10 lakhs. However, those below the threshold limit may be allowed to register voluntarily to facilitate sales to other registered manufacturers / dealers, so that the cascading effect or tax may be avoided, if desired. At present the small scale industries are entitled to exemptions from payment of CENVAT in respect of their turnover upto 1.5 crore.

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

**CLASS: III B.COM CA
CODE: 17CCU502 B**

**COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V**

UNIT: V – REGISTRATION UNDER GST

POSSIBLE QUESTIONS

PART A (2 Marks)

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

PART - C (6 Marks)

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

CLASS: III B.COM CA
CODE: 17CCU502 B

COURSE NAME: INDIRECT TAX LAW
BATCH: 2017 SEMESTER - V

UNIT: V – REGISTRATION UNDER GST

10. Explain the contents of invoice to be issued by goods transport agency.

KAHE

INDIRECT TAX LAW (17CCU 502 B)

UNIT - V

QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
Place of supply where the goods are supplied on board a conveyance such as vessel, an aircraft, a train or motor vehicle?	Location of supplier	Location of recipient	Location at which such goods are taken on board	None of these	Location at which such goods are taken on board
The default rule of place of supply of services made to a registered person shall be?	Location of such person	Location of service provider	Location where service is provided	Location where agreement for rendering of service is executed	Location of such person
The default rule of place of supply of services made to any person other than a registered person if address on record exist shall be?	Location of service provider	Location where service is rendered	Location where agreement for rendering of service is executed	Location of the recipient	Location of the recipient
The default rule of place of supply of services made to any person other than a registered person if address on record doesn't exist shall be?	Location of the recipient of services	Location of the supplier of services	Location where service is rendered	Location where agreement for rendering of services is executed	Location of the supplier of services
Place of supply of services in relation to lodging accommodation shall be?	Location of the supplier	Location of the recipient	Location at the lodging accommodation is located	None of these	Location at the lodging accommodation is located
Place of supply of services in relation to mobile connection for pre-paid customers other than through internet shall be?	Location of supplier	Location of recipient	Location where such pre-payment is recieved as such vouchers are sold	None of these	Location where such pre-payment is recieved as such vouchers are sold
CGST and SGST will be levied on;	Intra-state supply	Inter-state supply	Import	Export	Intra-state supply
Which one of the following shall not be treated as supply;	Rental	Lease	Actionable claim	License	License
The maximum rate that can be levied as CGST or SGST will be at;	18%	20%	18%	40%	20%
On which one of the following items, GST will be levied;	Aviation fuel	Liquefied petroleum Gas	Natural Gas	High Speed Diesel oil	Aviation fuel
Works contract is ;	Supply of goods	Supply of services	Supply of both	Neither supply of goods nor supply of services	Supply of both

In 'composite supply' the following shall be treated as the supply;	Supply with highest rate of tax	Supply which attracts reverse charge	Supply which is the principal supply	Supply of item which can be separately sold	Supply which is the principal supply
Composition levy is applicable to the taxable persons whose aggregate turnover	Did not exceed 50 lakh in the current year	Did not exceed 50 lakh in the preceding year	Did not exceed 60 lakh in the current year	Did not exceed 60 lakh in the preceding year	Did not exceed 60 lakh in the current year
In 'Mixed supply' the following shall be treated as the supply;	Supply with highest rate of tax	Supply which attracts reverse charge	Supply which is the principal supply	Supply of item which can be separately sold	Supply which is the principal supply
Which one of the statements regarding the Composition levy is incorrect;	Inter-state inward is supply permitted	Not eligible to collect tax	Certain manufactures and service providers are not permitted	Supply of goods which are not leviable to tax under GST is permitted	Not eligible to collect tax
The maximum rate of tax prescribed for manufactures in Composition levy is; (CGST +SGST)	1%	5%	0.50%	2.50%	1%
When will the inputs and/or capital goods sent to job-work become a supply?	When the inputs and/or capital goods sent to job-worker are not received within 1 year or 3 years respectively	When the inputs and/or capital goods sent to job-worker are not supplied, with or without payment of tax, from the job-workers place within 1 year or 3 years	Both under or	None of the above	Both under or
From when will the period of one or three years be calculated under Section 143?	The day when such inputs and/or capital goods sent to job-worker	The day when the job-worker receives the said goods, in case the job-worker receives the goods directly	Option and	None of the above	Option and

GST is applicable on__	Inputs and/or capital goods sent to job-worker Satisfying conditions u/s 143)	The job-worker charges and additional material added by the job-worker on the inputs sent by the principal	Both of the above	None of the above	The job-worker charges and additional material added by the job-worker on the inputs sent by the principal
When should a job-worker take registration?	Always	Only if his aggregate turnover exceeds the threshold limits specified under Section 22 of the Act.	Never	None of the above	Only if his aggregate turnover exceeds the threshold limits specified under Section 22 of the Act.
Can a principal supply inputs and/or capital goods from the job-worker's premises?	Yes, only when the job-worker is registered	Yes, even if the job-worker is unregistered by declaring the job-worker's premises as his additional place of business	Yes, irrespective of whether the job-worker is registered or not, principal is engaged in the supply of goods which are notified by the Commissioner on this behalf	All of the above	All of the above
The books and other records U/S 35 are to be maintained at	Place where the books and accounts are maintained	Place of address of the Proprietor/ Partner/Director/Principal Officer	Principal place of business mentioned in the Certificate of Registration	Any of the above	Principal place of business mentioned in the Certificate of Registration
In case, more than one place of business situated within a state specified in the Registration Certificate, the books and Accounts shall be maintained at	Each place of business pertaining to such place alone	Place where the books of accounts are maintained for all places situated within a state	At principal place of business covered mentioned in the Registration Certificate for all places of business in each state	Any of the above	Each place of business pertaining to such place alone

Accounts are required to be maintained in	Manual form	Electronic form	Manual and electronic form	Manual or electronic form	Manual or electronic form
Who of the below, even if not registered, is required to maintain records	Owner of warehouse	Owner of godown	Owner of any other place used for storage of goods	All the above	All the above
If a turnover during a financial year exceeds the prescribed limit, then accounts get audited by	Chartered Accountant	Cost Accountant	Either or	All of the above	Either or
What accounts and records are required to be maintained by every registered taxable person at his principal place of business	account of production or manufacture of goods and stock of goods	inward or outward supply of goods and/or services	input tax credit availed and output tax payable and paid	All of the above	All of the above
Can all the records be maintained in an electronic form?	Yes	No	Some records	Yes, if authenticated by digital signature	Yes, if authenticated by digital signature
The time period prescribed for maintenance of accounts and records if the taxable person is a party to an appeal or revision shall be-	Two year after final disposal of such appeal or revision or proceeding, or until the expiry of thirty-six months from the last date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later	Two year after final disposal of such appeal or revision or proceeding, or until the expiry of sixty months from the last date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later	One year after final disposal of such appeal or revision or proceeding, or until the expiry of seventy two months from the last date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later	One year after final disposal of such appeal or revision or proceeding, or until the expiry of forty months from the last date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later	One year after final disposal of such appeal or revision or proceeding, or until the expiry of seventy two months from the last date of filing of Annual Return for the year pertaining to such accounts and records, whichever is later
Taxable person has to maintain his records for a period of	expiry of seventy two months from the last date of filing of Annual Return for the year	expiry of forty months from the last date of filing of Annual Return for the year	expiry of thirty months from the last date of filing of Annual Return for the year	expiry of ninety months from the last date of filing of Annual Return for the year	expiry of seventy two months from the last date of filing of Annual Return for the year
What is the time limit for issue of an order for recovery in case of fraud, misstatement or suppression?	30 months	18 months	5 years	3 years	5 years

What is the time limit for issue of order for recovery in cases other than fraud, misstatement or suppression?	30 months	18 months	5 years	3 years	3 years
Is it obligatory on the part of the Department to take on record the assessor's representation?	Yes	No	At the discretion of the proper officer	If requested by Notice	Yes
What is the maximum amount of demand for which the officer can issue an order under section 66 in cases other than fraud, misstatement or suppression?	Amount of tax + interest + penalty of 10% of tax	Amount of tax + interest + penalty of 10% of tax or ` 10,000/- whichever is higher	` 10,000/-	Amount of tax + interest + 25% penalty	Amount of tax + interest + penalty of 10% of tax or ` 10,000/- whichever is higher
What is the maximum amount of demand for which the officer can issue an order under section 67 in case fraud, misstatement or suppression?	Amount of tax + interest + penalty of 15% of tax	Amount of tax + interest + penalty of 25% of tax	Amount of tax + interest + penalty of 50% of tax	Amount of tax + interest + penalty of 100% of tax	Amount of tax + interest + penalty of 100% of tax
Which of these registers/ledgers are maintained online -	Tax liability register	Credit ledger	Cash ledger	All of them	All of them
Physical payment made through challan will be credited to which of the following registers/ledgers?	Electronic Tax liability register	Electronic Credit ledger	Electronic Cash ledger	All of them	Electronic Cash ledger
What is deemed to be the date of deposit in the electronic cash ledger?	Date on which the amount gets debited in the accounts of the taxable person	Date on which payment is initiated and approved by the taxable person	Date of credit to the account of the appropriate Government	Earliest of the above three dates	Date of credit to the account of the appropriate Government
What gets debited to the electronic credit ledger?	Matched input tax credit	Provisionally input tax credit	Unmatched input tax credit	All of them	All of them
Balance in electronic credit ledger can be utilized against which liability-	Output tax payable	Interest	Penalty	All of them	Output tax payable
Balance in electronic credit ledger under IGST can be used against which liability-	IGST Liability only	IGST and CGST liability	IGST, CGST and SGST liability	None of them	IGST, CGST and SGST liability
Balance in electronic credit ledger under CGST can be used against which liability-	CGST Liability only	CGST and IGST liability	CGST, IGST and SGST liability	None of them	CGST and IGST liability
Balance in electronic credit ledger under SGST can be used against which liability -	SGST Liability only	SGST and IGST liability	SGST, IGST and CGST liability	None of them	SGST and IGST liability

What should I do if I pay the wrong tax i.e. IGST instead of CGST/SGST or vice versa?	Remit tax again and claim refund	It will be auto-adjusted	It will be adjusted on application/request	None of the above	Remit tax again and claim refund
What should I do if I pay tax under wrong GSTIN?	Pay again under right GSTIN and claim refund	Auto-adjustment	Adjustment on application/request	Raise ISD invoice and transfer	Pay again under right GSTIN and claim refund
I made an online payment of tax. Due to technical snag CIN was not generated but my bank account is debited. What should I do?	Wait for 24 hours for re-credit	Approach bank	File application with Department GST PMT-6)	File return without challan	File application with Department GST PMT-6)
What is the due date for payment of tax?	Last day of the month to which payment relates	Within 10 days of the subsequent month	Within 20 days of the subsequent month	Within 15 days of the subsequent month	Within 20 days of the subsequent month
My head office is in Bangalore and 4 branches are in different States including Delhi), all registered under GST and one ISD registered unit in Delhi. How many electronic cash ledgers can I have?	1	4	5	6	5
What is the validity of challan in Form GST PMT-4?	1 day	5 days	15 days	Perpetual validity	15 days
I failed to pay tax and/or file returns on time. I should pay interest on -	Gross tax payable	Gross tax payable and input credit claimed	Net tax payable	No interest payable, if reasonable cause is shown	Gross tax payable
From which date interest is liable in case of excess input tax credit claimed?	From the last date of the month in which credit is claimed	From the due date for filing GSTR-2 of the month in which credit is claimed	From the due date for filing GSTR-3 of the month in which credit is claimed	From the date of utilization of credit.	From the due date for filing GSTR-3 of the month in which credit is claimed
The value of supply of goods and services shall be the	Transaction value	MRP	Market Value	None of above	Transaction value
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

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
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	Discounts offered to customers, subject to conditions
Any amount of tax collected shall be deposited to the credit of the Central or State Government:	Only when the supplies are taxable	Regardless of whether the supplies in respect of which such amount was collected are taxable or not	Only when the supplies are not taxable	None of the above	Regardless of whether the supplies in respect of which such amount was collected are taxable or not
Is there any time limit for issue of notice under section 69 in cases where tax is collected but not paid?	No time limit	1 year	3 years	5 years	No time limit
Within how many years from the date of issue of notice should the proper officer issue an order?	1 year	2 years	3 years	4 years	1 year
Whether the person who has borne the incidence of amount can apply for refund of surplus left after adjustment towards tax collected but not paid under section 69?	Yes	No	At the discretion of the proper officer	None of the above	Yes
What happens if a taxable person has paid CGST/SGST in SGST Act) on a transaction considered by him to be an intra-State supply but which is subsequently held to be an inter-State supply?	Pay tax and seek refund	Adjust against future liability	Take re-credit	File a suit for recovery	Pay tax and seek refund