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CLASS: II B.COM (PA)

COURSE NAME: INDIRECT TAXATION

COURSE CODE: 18PAU402

BATCH : 2018-2021 SEMESTER – IV

UNIT-III CONCEPT OF TIME,VALUE AND PLACE OF TAXABLE SUPPLY

UNIT-III

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 fulfilment 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"]

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

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

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

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

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

(i) Taxable supply

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

(ii) Exempt supply

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

(iii) Zero-rated supply

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

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

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(iv) Composite / Mixed supply

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

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

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

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

(v) Continuous supply of Foods/services

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

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

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

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

vi) Inward/Outward supply

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

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

(vii) Inter/Intro State supply

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

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

(viii) Deemed supply

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

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

Need for Place of Supply of Goods and Services

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

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

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

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

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

Importance of Valuation

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

Illustrative Issues

Following illustrative issues arise in valuation for GST. Suppose,

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

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

A Builder charges Rs. 2 crores for a flat and in addition charges Rs. 5,00,000 for External Development Charges (EDC), Rs. 3,00,000 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 crores or Rs. 2.13 crores, etc.

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

Input tax credit

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

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

Valuation in GST Law

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

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

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

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

Rule 1 of GST Valuation Rules

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

Be the open market value of such supply;

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

Illustration:

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

Important Definition

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

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

Rule 2 of GST Valuation Rules

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

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

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

Rule 3 of GST Valuation Rules

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

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

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

Rule 4 of GST Valuation Rules

It determines value of supply of goods or services or both based on cost. As per this rule,

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Where the value of a supply of goods or services or both is not determinable by any of the

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

Rule 5 of GST Valuation Rules

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

Rule 6 of GST Valuation Rules

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

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

Rule 7 of GST Valuation Rules

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

Illustration

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

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

Input Tax Credit Mechanism

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

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

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

Conditions necessary for obtaining ITC

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

- 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;

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- c) The tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilization of input tax credit admissible in respect of the said supply; and
- d) He has furnished the return under section 39:

Time limit for taking ITC

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

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

Negative list on which Input Tax Credit is not permitted

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

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

- (i) For making the following taxable supplies, namely
 - a. Further supply of such vehicles or conveyances; or
 - b. Transportation of passengers; or
 - c. Imparting training on driving, flying, navigating such vehicles or conveyances;
- (ii) For transportation of goods.

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(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 force; or
 - B. Such inward supply of goods or services or both of a particular category is used by a registered person for making an outward taxable supply of the same category of goods or services or both or as part of a taxable composite or mixed supply; and
- (iv) Travel benefits extended to employees on vacation such as leave or home travel concession.
- c) Works contract services when supplied for construction of immovable property, other than plant and machinery, except where it is an input service for further supply of works contract service;
- d) Goods or services received by a taxable person for construction of an immovable property on his own account, other than plant and machinery, even when used in course or furtherance of business;

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

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

Payment Mechanism

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

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

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

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

Conditions for Collection

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

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

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

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

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

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

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

Modes of Payment

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

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

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

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

POSSIBLE QUESTIONS

PART - B (2 Marks)

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

PART - C (6 Marks)

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UNIT-III CONCEPT OF TIME,VALUE AND PLACE OF TAXABLE SUPPLY – GOODS AND SERVICES TAX – SUPPLY

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

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DEPARTMENT OF COMMERCE

II B.Com (PA)

INDIRECT TAXATION (18PAU402)

UNIT -III

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

33. A taxable person shall not be entitled to take input tax credit in respect of any goods services to him after the expiry of from the date of tax invoice related to such supply?	A) One month	B) Six months	C) One year	D) Two years			C) One year							
34. Input tax credit is not available on?	A) Goods used for personal use	B) Trading goods	C) Capital goods	D) Fixed capital			A) Goods used for personal use							
35. The five conditions for claiming ITC doesn't include the following:	A) He is in possession of tax invoice	B) He has received the goods/service s	C) The tax charged has been actually paid to the Government	D) He must have inter-state supply			D) He must have inter-state supply							
36. Input tax credit in relation to SGST means:	A) SGST and CGST	B) SGST and IGST	C) IGST and CGST	D) IGST, SGST and CGST			B) SGST and IGST							
37. ITC in relation to CGST means.....	A) SGST and CGST	B) SGST and IGST	C) IGST and CGST	D) IGST, SGST and CGST			C) IGST and CGST							
38. ITC in relation to IGST means	A) SGST and CGST	B) SGST and IGST	C) IGST and CGST	D) IGST, SGST and CGST			D) IGST, SGST and CGST							
39. Cross utilization of ITC is ot allowed between:	A) SGST and CGST	B) SGST and IGST	C) IGST and CGST	D) None of the above			A) SGST and CGST							
40. Tax paid on goods and services under Act is allowable both under SGST act and CGST Act?	A) IGST	B) VAT	C) Excise	D) Customs			A) IGST							
41. ITC includes tax payable under also	A) VAT	B) Reverse charge	C) Excise	D) Customers			B) Reverse charge							
42. ITC is allowed on tax paid on capital goods in	A) 12	B) 36	C) 3	D) 1			D) 1							

[illegible]

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

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

Unit – IV
GST Registration**Procedure for GST Registration and Filing of GST Returns**

According to GST rules, it is mandatory for a business that has a turnover of above Rs.40 lakh to register as a normal taxable entity. This is referred to as the GST registration process. The turnover is Rs.10 lakh for businesses that are present in hill states and North-Eastern states. The registration process can be completed within 6 working days.

GST registration can be done easily at the online GST portal. Business owners can fill a form on the GST portal and submit the necessary documents for registration. It is mandatory for certain businesses to complete the GST registration process. It is a criminal offense if these businesses carry out operations without registering for GST and heavy penalties are levied for non-registration.

Step-by-step procedure to complete GST Registration

The step-by-step procedure that individuals must follow to complete GST Registration is mentioned below:

- First, individuals must visit the GST portal (<https://www.gst.gov.in/>).
- Next, the individual must click on the 'Register Now' link which can be found under the 'Taxpayers' tab.
- Next, the individual must select 'New Registration'.
- On the same page, the individual must fill the below-mentioned details:
 - Under the 'I am a' drop-down menu, select 'Taxpayer'.
 - Select the respective state and district from the drop-down menu.
 - Enter the name of the business.
 - Enter the PAN of the business.
 - Enter the email ID and mobile number in the respective boxes. The entered email ID and mobile number must be active as OTPs will be sent to them.
 - Enter the image that is shown on the screen in the respective box and click on 'Proceed'.
- On the next page, enter the OTP that was sent to the email ID and mobile number in the respective boxes.
- Once the details have been entered, click on 'Proceed'.
- Individuals will be shown the Temporary Reference Number (TRN) on the screen. It is vital that they make a note of the TRN.
- Next, individuals must visit the GST portal again and click on 'Register' which is present under the 'Taxpayers' menu.
- Next, select 'Temporary Reference Number (TRN)'.
- Next, individuals must enter the TRN and the captcha details.
- Once the details have been entered, click on 'Proceed'.

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- Individuals will receive an OTP on their email ID and registered mobile number. Enter the OTP on the next page and click on 'Proceed'.
 - The status of your application will be available on the next page. On the right side, there will be an Edit icon, click on it.
 - There will be 10 sections on the next page. All the relevant details must be filled, and the necessary documents must be submitted. The list of documents that must be uploaded are mentioned below:
 - Photographs
 - Address proof where the business is located.
 - Bank details such as account number, bank name, bank branch, and IFSC code.
 - Authorisation form
 - The constitution of the taxpayer.
 - Once all the above-mentioned details have been entered, individuals must visit the 'Verification' page. Once individuals check the declaration, they must submit the application by using one of the below mentioned methods:
 - By using an Electronic Verification Code (EVC). The code will be sent to the registered mobile number of the applicant.
 - By using the e-Sign method. An OTP will be sent to the mobile number that has been linked with the Aadhaar card.
 - In case companies are registering, the application must be submitted by using the Digital Signature Certificate (DSC).
 - Once the above step is completed, a success message will be shown on the screen. The Application Reference Number (ARN) will be sent to the registered mobile number and email ID.
 - Individuals can check the status of the ARN on the GST portal.

Types of GST Registration

Under the GST Act, GST Registration can be of various types. It is vital that the taxpayer is aware of the different types of GST Registration and selects the appropriate one. The different types of GST Registration are mentioned below:

- **Normal Taxpayer:** Most of the businesses in India fall under this category. The applicant need not provide any deposit in order to become a normal taxpayer. There is also no expiry date for taxpayers who fall under this category.
- **Casual Taxable Person:** Individuals who wish to set up a seasonal shop or stall can opt for this category. An advance amount that is equal to the expected GST liability during the time the stall or seasonal shop is present must be deposited by the taxpayer. The duration of the GST Registration under this category is 3 months and it can be extended or renewed.
- **Composition Taxpayer:** Taxpayers who wish to obtain the [GST](#) Composition Scheme can opt for this type of GST Registration. A flat [GST rates](#) must be deposited by taxpayers who opt for GST Registration under this category. Input tax credit cannot be obtained by taxpayers who come under this category.
- **Non-Resident Taxable Person:** In case individuals live outside India, but supply goods to individuals who stay in India, must opt for this type of GST Registration. Similar to the Casual Taxable Person type of GST Registration, taxpayers must pay a deposit that is equal to the expected GST liability during the time the GST registration is active. The duration for this type of GST registration is usually 3 months, but it can be extended or renewed at the type of expiry.

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- Non-Resident Online Service Provider
 - Special Economic Zone Developer
 - GST TDS Deductor – Government Entities
 - UN Embassy/ Body/ other notified individuals
 - Special Economic Zone Unit
 - GST TDS Collector – E-commerce Companies

GST Registration must be completed by the below-mentioned individuals and businesses:

- Individuals who have registered under the tax services before the GST law came into effect.
- Non-Resident Taxable Person and Casual Taxable Person
- Individuals who pay tax under the reverse charge mechanism
- All e-commerce aggregators are required to register for GST
- Businesses who have a turnover that exceeds Rs.40 lakh. In the case of Uttarakhand, Himachal Pradesh, Jammu & Kashmir, and North-Eastern states, the turnover of the business should exceed Rs.10 lakh.
- Input service distributors and agents of a supplier
- Individuals who supply goods through an e-commerce aggregator.
- Individuals who are providing database access and online information from outside India to people who live in India other than those who are registered taxable persons must complete GST Registration.

Documents that are required to complete the GST Registration

The below-mentioned documents are required to complete the GST Registration:

- Permanent Account Number (PAN) of the applicant
- Aadhaar card of the applicant
- The bank account statement of the applicant, as well as a cancelled cheque, must be submitted
- The address proof where the business is located must be given
- The Incorporation Certificate or the business registration proof must be submitted
- The Digital Signature must be given
- The Director's or Promoter's address proof and identity proof must be submitted along with their photographs.
- The Authorised Signatory must receive the Letter of Authorisation or Board Resolution.

Penalty in case individuals or businesses do not complete GST Registration

In case the offender does not pay tax or makes a payment that is lesser than the amount that must be paid (due to genuine errors), the penalty that is levied is 10% of the tax amount that is due. However, the minimum penalty that must be paid is Rs.10,000.

In case the offender does not complete the GST Registration on purpose and tries to evade tax, the penalty that is levied is 100% of the tax amount that is due.

GST Returns

GST is the single indirect tax that is levied on the supply of goods and services between different entities. GST returns are the tax return forms that are required to be filed by these entities with the Income Tax authorities of India.

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All individuals registered under the GST Act has to furnish the details of the sales and purchases of goods and services along with the tax collected and paid. This can be done by filing online returns. GST Returns are the Goods and Services Tax Return forms that taxpayers of all types have to file with the income tax authorities of India under the new GST rules.

Implementation of a comprehensive Income Tax system like GST in India will ensure that taxpayer services such as registration, returns, and compliance are transparent and straightforward. Individual taxpayers will be using 4 forms for filing their returns such as the return for supplies, return for purchases, monthly returns, and annual return. Small taxpayers who have opted for composition scheme will have to file quarterly returns. All filing of returns will be done online.

Filing GST Returns Online:

From manufacturers and suppliers to dealers and consumers, all taxpayers have to file their tax returns with the GST department every year. Under the new GST regime, filing tax returns has become automated. GST returns can be filed online using the software or apps provided by Goods and Service Tax Network (GSTN) which will auto-populate the details on each GSTR forms. Listed below are the steps for filing GST returns online:

- Visit the GST portal (www.gst.gov.in).
- A 15-digit GST identification number will be issued based on your state code and PAN number.
- Upload invoices on the GST portal or the software. An invoice reference number will be issued against each invoice.
- After uploading invoices, outward return, inward return, and cumulative monthly return have to be filed online. If there are any errors, you have the option to correct it and refile the returns.
- File the outward supply returns in GSTR-1 form through the information section at the GST Common Portal (GSTN) on or before 10th of the following month.
- Details of outward supplies furnished by the supplier will be made available in GSTR-2A to the recipient.
- Recipient has to verify, validate, and modify the details of outward supplies, and also file details of credit or debit notes.
- Recipient has to furnish the details of inward supplies of taxable goods and services in GSTR-2 form.
- The supplier can either accept or reject the modifications of the details of inward supplies made available by the recipient in GSTR-1A.

Different Types of Returns applicable under the new GST Law

Return form	Who should file the return and what should be filed?	Due date for filing returns
GSTR-1	Registered taxable supplier should file details of outward supplies of taxable goods and services as effected.	10th of the subsequent month.
GSTR-2	Registered taxable recipient should file details of inward supplies of taxable goods and services claiming input tax credit.	15th of the subsequent month.

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Return form	Who should file the return and what should be filed?	Due date for filing returns
GSTR-3	Registered taxable person should file monthly return on the basis of finalization of details of outward supplies and inward supplies plus the payment of amount of tax.	20th of the subsequent month.
GSTR-4	Composition supplier should file quarterly return.	18th of the month succeeding quarter.
GSTR-5	Return for non-resident taxable person.	20th of the subsequent month.
GSTR-6	Return for input service distributor.	13th of the subsequent month.
GSTR-7	Return for authorities carrying out tax deduction at source.	10th of the subsequent month.
GSTR-8	E-commerce operator or tax collector should file details of supplies effected and the amount of tax collected.	10th of the subsequent month.
GSTR-9	Registered taxable person should file annual return.	31 December of the next fiscal year.
GSTR-10	Taxable person whose registration has been cancelled or surrendered should file final return.	Within 3 months of date of cancellation or date of cancellation order, whichever is later.
GSTR-11	Person having UIN claiming refund should file details of inward supplies.	28th of the month, following the month for which the statement was filed.

Various kinds of GST return Forms:

GST return can be filed using different forms depending on the type of transaction and registration of the taxpayer. Return forms for normal taxpayers are:

GSTR-1

GSTR-1 return form has to be filed by a registered taxable supplier with details of the outward supplies of goods and services. This form is filled by the supplier. The buyer has to validate the auto-

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populated purchase information on the form and make modifications if required. The form will contain the following details:

- Business name, period for which the return is filed, Goods and Services Taxpayer Identification Number (GSTIN).
- Invoices issued in the previous month and the corresponding taxes collected.
- Advances received against a supply order that has to be delivered in the future.
- Revision in outward sales invoices from the previous tax periods.

GSTR-1 has to be filed by 10th of the following month.

GSTR-2

GSTR-2 return form has to be filed by a registered taxable recipient with details of the inward supplies of goods and services. The form will contain the following details:

- Business name, period for which the return is filed, Goods and Services Tax Identification Number (GSTIN).
- Invoices issued in the previous month and the corresponding taxes collected.
- Advances received against a supply order that has to be delivered in the future.
- Revision in outward sales invoices from the previous tax periods.

GSTR-2 has to be filed by 15th of the following month.

GSTR-3

GSTR-3 return form has to be filed by a registered taxpayer with details that are automatically populated by from GSTR-1 and GSTR-2 returns forms. The taxpayer has to verify and make modifications, if any. GSTR-3 return form will contain the following details:

- Details about [Input Tax Credit](#), liability, and cash ledger.
- Details of tax paid under CGST, SGST, and IGST.
- Claim a refund of excess payment or request to carry forward the credit.

GSTR-3 has to be filed by 20th of the following month.

GSTR-4

GSTR-4 return form has to be filed by taxpayers who have opted for the Composition Scheme. Taxpayers with small business or a turnover of up to Rs.75 lakh can opt for the Composition Scheme wherein he or she have to pay tax at a fixed rate based on the type of business. Taxpayers under this scheme will not have input tax credit facility. GSTR-4 quarterly return form will contain the following details:

- The total value of consolidated supply made during the period of return.
- Details of tax paid.
- Invoice-level purchase information.

GSTR-4 has to be filed by 18th of the following month.

GSTR-5

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GSTR-5 return form has to be filed by all registered non-resident taxpayers. This form will contain the following:

- Name and address of the taxpayer, GSTIN, and period of return.
- Details of outward supplies and inward supplies.
- Details of goods imported, any amendments in goods imported during the previous tax periods.
- Import of services, amendments in import of services
- Details of credit or debit notes, closing stock of goods, and refund claimed from cash ledger.

GSTR-5 has to be filed by 20th of the following month.

GSTR-6

GSTR-6 return form has to be filed by all taxpayers who are registered as an Input Service Distributor. This form will contain the following:

- Name and address of the taxpayer, GSTIN, and period of return.
- Details of input credit distributed.
- Supplies received from registered persons.
- The amount of input credit availed under the current tax period.
- Details of inward supplies will be auto-populated from GSTR-1 and GSTR-5 return forms.
- Details of the receiver of input credit corresponding to his or her GSTIN.
- Details of credit or debit notes.
- Input tax credit received, input tax credit reverted, and input tax credit distributed as SGST, CGST, and IGST.

GSTR-6 has to be filed by 13th of the following month.

GSTR-7

GSTR-7 return form has to be filed by all registered taxpayers who are required to deduct tax at source under the GST rule. This form will contain the following:

- Name and address of the taxpayer, GSTIN, and period of return.
- TDS details and amendments in invoice amount, TDS amount or contract details.
- TDS liability will be auto-populated. Details of fees for late filing of return and interest on delayed payment of TDS.
- Refund received from Electronic Cash Ledger will be auto-populated.

GSTR-7 has to be filed by 10th of the following month.

GSTR-8

GSTR-8 return form has to be filed by all e-Commerce operators who are required to collect tax at source under the GST rule. This form will contain details of supplies effected and the amount of tax collected under Sub-section (1) of Section 43C of Model GST Law. Other details include:

- Name and address of the taxpayer, GSTIN, and period of return.
- Details of supplies made to registered taxable person and amendments, if any.
- Details of supplies made to unregistered persons.
- Details of Tax Collected at Source.

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- TDS liability will be auto-populated. Details of fees for late filing of return and interest on delayed payment of TDS.

GSTR-8 has to be filed by 10th of the following month.

GSTR-9

GSTR-9 return form is filed by normal taxpayers with details of all income and expenditure for the year. This detail will be regrouped in accordance with the monthly returns. The taxpayer will have the opportunity to make modifications in the information provided if required. GSTR-9 has to be filed by 31st December of the following financial year along with the audited copies of the annual accounts.

GSTR-10

GSTR-10 return form has to be filed by any taxpayer who opts for cancellation of GST registration. This form will contain the following:

- Application Reference Number (ARN).
- Date of cancellation of GST registration.
- Unique ID of cancellation order.
- Date of cancellation order.
- Details of closing stock including amount of tax payable on closing stock.

GSTR-10 final return form has to be filed within 3 months of the date of cancellation or date of cancellation order, whichever is later.

GSTR- 11

GSTR-11 return form has to be filed by everyone who has been issued a Unique Identity Number (UIN) and claims a refund of the taxes paid on inward supplies. This form will contain the following details:

- Name of the government entity, UIN, and period of return.
- All inward purchases from GST registered supplier will be auto-populated.

Based on the above mentioned details, the tax refund will be made. GSTR-11 form has to be filed on 28th of the month, following the month for which supply was received.

File GST return with GSTN

The Goods and Service Tax Network will store information of all GST registered sellers and buyers, combine the submitted details, and maintain registers for future reference. Companies have to file 3 monthly returns every 3 months and one annual return in a financial year (37 returns in total). GSTN has launched a simple excel based template to make filing of returns easier for businesses. This excel workbook can be downloaded from the GST common portal free of charge. Taxpayers can use this template to collate invoice data on a regular basis. The details of inward and outward supplies can be uploaded on the GST portal on or before the due date. The data preparation can be done offline. Only while uploading the prepared file on the GST portal will the taxpayer need Internet.

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Penalty for late filing of returns

A penalty will be levied on the taxpayer in case he/she fails to file the returns on time. This penalty is called the late fee. As per the GST Law, the late fee is Rs.100 for each day for each Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST). Thus, the total fine amount will be Rs.200 per day. However, this rate is subject to changes which will be announced through notifications. The maximum amount of fine that can be levied is Rs.5,000. Integrated GST or IGST does not attract any late fee in case the return filing is delayed. The taxpayer will also be required to pay an interest at the rate of 18% p.a. in addition to the late fee. This interest has to be calculated by the taxpayer on the amount of tax that is to be paid. The time period will be calculated from the day following the filing deadline till the date when the actual payment is made.

Tax Invoice

Subject to rule 54, a tax invoice referred to in section 31 shall be issued by the registered person containing the following particulars, namely,-

- (a) name, address and Goods and Services Tax Identification Number of the supplier;
- (b) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters-hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination thereof, unique for a financial year;
- (c) date of its issue;
- (d) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;
- (e) name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is fifty thousand rupees or more;
- (f) name and address of the recipient and the address of delivery, along with the name of the State and its code, if such recipient is un-registered and where the value of the taxable supply is less than fifty thousand rupees and the recipient requests that such details be recorded in the tax invoice;
- (g) Harmonised System of Nomenclature code for goods or services;
- (h) description of goods or services;
- (i) quantity in case of goods and unit or Unique Quantity Code thereof;
- (j) total value of supply of goods or services or both;
- (k) taxable value of the supply of goods or services or both taking into account discount or abatement, if any;
- (l) rate of tax (central tax, State tax, integrated tax, Union territory tax or cess);
- (m) amount of tax charged in respect of taxable goods or services (central tax, State tax, integrated tax, Union territory tax or cess);

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- (n) place of supply along with the name of the State, in the case of a supply in the course of inter-State trade or commerce;
 - (o) address of delivery where the same is different from the place of supply;
 - (p) whether the tax is payable on reverse charge basis, and
 - (q) signature or digital signature of the supplier or his authorised representative:

Provided that the Board may, on the recommendations of the Council, by notification, specify:

- (i) the number of digits of Harmonised System of Nomenclature code for goods or services that a class of registered persons shall be required to mention, for such period as may be specified in the said notification; and
- (ii) the class of registered persons that would not be required to mention the Harmonised System of Nomenclature code for goods or services, for such period as may be specified in the said notification:

Provided further that where an invoice is required to be issued under clause (f) of sub-section (3) of section 31, a registered person may issue a consolidated invoice at the end of a month for supplies covered under sub-section (4) of section 9, the aggregate value of such supplies exceeds rupees five thousand in a day from any or all the suppliers:

Provided also that in the case of the export of goods or services, the invoice shall carry an endorsement "SUPPLY MEANT FOR EXPORT ON PAYMENT OF INTEGRATED TAX" or "SUPPLY MEANT FOR EXPORT UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX", as the case may be, and shall, in lieu of the details specified in clause (e), contain the following details, namely,-

- (i) name and address of the recipient;
- (ii) address of delivery; and
- (iii) name of the country of destination:

Provided also that a registered person may not issue a tax invoice in accordance with the provisions of clause (b) of sub-section (3) of section 31 subject to the following conditions, namely,-

- (a) the recipient is not a registered person; and
- (b) the recipient does not require such invoice, and shall issue a consolidated tax invoice for such supplies at the close of each day in respect of all such supplies.

Time Limit for Issuing Tax Invoice

The invoice referred to in rule 46, in the case of the taxable supply of services, shall be issued within a period of thirty days from the date of the supply of service:

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Provided that where the supplier of services is an insurer or a banking company or a financial institution, including a non-banking financial company, the period within which the invoice or any document in lieu thereof is to be issued shall be forty five days from the date of the supply of service:

Provided further that an insurer or a banking company or a financial institution, including a non-banking financial company, or a telecom operator, or any other class of supplier of services as may be notified by the Government on the recommendations of the Council, making taxable supplies of services between distinct persons as specified in section 25, may issue the invoice before or at the time such supplier records the same in his books of account or before the expiry of the quarter during which the supply was made.

Manner of Issuing Invoice

(1) The invoice shall be prepared in triplicate, in the case of supply of goods, in the following manner, namely, -

(a) the original copy being marked as ORIGINAL FOR RECIPIENT;

(b) the duplicate copy being marked as DUPLICATE FOR TRANSPORTER; and

(c) the triplicate copy being marked as TRIPLICATE FOR SUPPLIER.

(2) The invoice shall be prepared in duplicate, in the case of the supply of services, in the following manner, namely, -

(a) the original copy being marked as ORIGINAL FOR RECIPIENT; and

(b) the duplicate copy being marked as DUPLICATE FOR SUPPLIER.

(3) The serial number of invoices issued during a tax period shall be furnished electronically through the common portal in FORM GSTR-1.

Revised tax invoice and credit or debit notes

(1) A revised tax invoice referred to in section 31 and credit or debit notes referred to in section 34 shall contain the following particulars, namely:-

(a) the word “Revised Invoice”, wherever applicable, indicated prominently;

(b) name, address and Goods and Services Tax Identification Number of the supplier;

(c) nature of the document;

(d) a consecutive serial number not exceeding sixteen characters, in one or multiple series, containing alphabets or numerals or special characters-hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination thereof, unique for a financial year;

(e) date of issue of the document;

(f) name, address and Goods and Services Tax Identification Number or Unique Identity Number, if registered, of the recipient;

(g) name and address of the recipient and the address of delivery, along with the name of State and its code, if such recipient is un-registered;

(h) serial number and date of the corresponding tax invoice or, as the case may be, bill of supply;

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(i) value of taxable supply of goods or services, rate of tax and the amount of the tax credited or, as the case may be, debited to the recipient; and

(j) signature or digital signature of the supplier or his authorised representative.

(2) Every registered person who has been granted registration with effect from a date earlier than the date of issuance of certificate of registration to him, may issue revised tax invoices in respect of taxable supplies effected during the period starting from the effective date of registration till the date of the issuance of the certificate of registration:

Provided that the registered person may issue a consolidated revised tax invoice in respect of all taxable supplies made to a recipient who is not registered under the Act during such period:

Provided further that in the case of inter-State supplies, where the value of a supply does not exceed two lakh and fifty thousand rupees, a consolidated revised invoice may be issued separately in respect of all the recipients located in a State, who are not registered under the Act.

(3) Any invoice or debit note issued in pursuance of any tax payable in accordance with the provisions of section 74 or section 129 or section 130 shall prominently contain the words "INPUT TAX CREDIT NOT ADMISSIBLE".

1. Introduction

Invoice is a document which provides evidence as to existence of transaction of sale or purchase of goods or the agreement of supply. GST act also gives immense importance to invoice and named it as tax invoice containing details provisions as stated hereunder.

2. Meaning of tax invoice

Tax Invoice shall be deemed to include a document issued by an Input Service Distributor and also include any supplementary or revised invoice issued by the supplier in respect of a supply made earlier.

3. Issue of tax invoice

Supply of goods

Every registered person is required to issue a tax invoice at the time of supply of taxable goods and the invoice shall contain following particulars:-

- Description of goods;
- Quantity of goods;
- Value of goods;
- Tax charged on Value of goods; and
- Such other particulars as may be prescribed.

Supply of services

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Every registered taxable person is required to issue a tax invoice at the time of supply of taxable service and the said invoice shall contain all the following essential details as –

- Description of Services;
- Value of Services;
- Tax charged on Value of Services; and
- Such other particulars as may be prescribed.

4. Revised Invoice

If a Registered Taxable Person issued any invoice before issue of registration certificate then such registered person may issue a revised notice for the period starting from the effective date of registration and date of issuance of certificate of registration.

5. Composition levy

A registered taxable person who opts for composition levy shall at the time of supply of goods or services not issue a tax invoice. Instead it had to issue a bill of supply containing the particulars as required.

6. Non-taxable supply

A registered taxable person who supplies non-taxable goods or services shall instead of issuing a tax invoice had to issue a bill of supply containing the particulars as required.

7. Tax Indication in the Tax Invoice

Where A Registered Dealer providing supply for a consideration and which is liable to tax, then tax on such supply shall necessarily be indicates in all documents relating to assessment, tax invoice and other documents.

8. Credit Notes

- When a Credit note should be issued

When a registered dealer issued a tax invoice for supply of goods or services and in such invoice the amount of tax charged and taxable value is more than the taxable value and tax payable, then the taxable person, who supplied the goods, may issue a credit note to the recipient containing such particulars as may be prescribed.

- Time limit for issuing Credit Note

Thirtieth day of September following the end of the financial year in which such supply was made or date of filling of the relevant annual return; whichever is earlier:

- No credit note shall be issued by the said person if the incidence of tax and interest on such supply has been passed by him to any other person

9. Debit Note

- When a Debit Note should be issued

When a Registered Dealer issued tax invoice for supply of goods or services and in such invoice the amount of tax charged and taxable value is less than the taxable value and tax payable, then said

taxable person, who supplied the goods, may issue a debit note to the recipient containing such particulars as may be prescribed.

- Time limit for issuing Credit Note

Thirtieth day of September following the end of the financial year in which such supply was made or date of filing of the relevant annual return; whichever is earlier:

10. Furnishing details of debit and credit note in return

- If any registered taxable person issues and receives a credit or debit note in relation to a supply of goods or services, he shall declare the details of credit and debit note in the return for the month during which the credit or debit note has been issued or received.
- Time limit for details given in the return

Return for any month but not later than month of September following the end of the financial year in which such supply was made or the date of filing of the relevant annual return; whichever is earlier.

- The tax liability shall be adjusted in the manner specified in GST Act.

11. Conclusion

Thus, GST act in itself contains various provisions in relation to time of issue and content of invoices and also contains provisions where the invoice is under-valued or over-valued in addition to the manner and timing of furnishing of the related details.

Accounts and Records

Under the Goods and Services Tax Law, the taxpayer is required to maintain certain documents, accounts, and records in respect of manufacturing, trading or provision of services. All the aspects related to applicability of provisions, maintenance of Accounts and Records under GST are as follows:

Applicable Provisions

Chapter – VIII of CGST Act, 2017

Section 35:- Accounts & Other Records

Section 36:- Period of Retention of Accounts

Goods and Services Tax (Accounts and Records) Rules, 2017

Rule 1:- Maintenance of Accounts by Registered Persons

Rule 2:- Generation and Maintenance of Electronic Records

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Rule 3:- Records to be maintained by owner or operator of godown or warehouse and transporters

Goods and Services Tax Rules, 2017 Accounts and Records Format

Form GST ENR-01

Maintenance of Accounts by Registered Persons (RP)	
Particulars	Records
TRUE AND CORRECT accounts of the goods or services supplied or imported or exported or supplies attract tax on reverse charge basis along with relevant documents like:	<div> Invoices Bills of supply Delivery Challans Credit/Debit Notes Receipt Vouchers Payment Vouchers Refund Vouchers E-way Bills </div> <p>All documents related to Import & Exports like Bill of Entry, Bill of Lading etc.</p>
With regard to stock (For each commodity): - (except person paying tax U/s 10 i.e. opted composition scheme)	<div> Opening balance Receipts Supply Goods lost/ stolen/destroyed/ written off/disposed Disposed by way of gift/free samples Closing balance </div>
With regards to advances	<div> Advance received Advance Paid Advance Adjustments </div>
Each RP (except person paying tax U/s 10 i.e. opted composition)	<div> Details of Tax Payable Tax Collected </div>

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scheme)	Tax Input Input Others	Tax	Credit	Paid Tax Claimed
With Regards to Manufacturer	Monthly Raw Services Goods Waste By Product Generated	Production Quantitative Material used in Manufacturing used in Manufacturing Manufactured produced	Account, Showing: Details used in Manufacturing used in Manufacturing Manufactured produced	
With regards to Supply of Service	Quantitative Details of goods used in provision of Service Details of Input Services Utilized Services Supplied			
Suppliers Records	Name Complete GSTIN		Address	
Customers Record	Name Complete GSTIN (if registered)		Address	
Storage Records	Complete Address (Including goods stored in transit) Particulars of Stock Stored			

Specified Records by Specified Persons

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Specified Person	Records Require
Agent	<i>Particulars of authorization from each principal separately</i> <i>Particulars (Description, Value & Quantity) of Goods/Services Received on behalf of every principal</i> <i>Particulars (Description, Value & Quantity) of Goods/services Supplied on behalf of every principal.</i> <i>Details of accounts furnished to every principal</i> <i>Tax paid on receipts/supply of Goods/services effected on behalf of every principal.</i>
Works Contractors	Every RP executing works contracts shall keep separate accounts for each work contract showing; - i) Name & Address or person on whose behalf the works contract is executed ii) Description, value and quantity of goods or services received iii) Description, value and quantity of goods or services utilized iv) Details of payment received in respect of each works contract v) Names and addresses of suppliers from whom he has received goods or services.
Carrier or Clearing and Forwarding Agent	True and correct record of such goods handled by him (e.g. Airway Bill, Tax Invoice, Bill of Supply, Delivery Invoice as per the case)

Other Points to Remember – Do's

Do's	As Per Rules
Manual Books of Accounts	Each volume of books of accounts shall be serially

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Must be Serial Numbered	numbered.
Electronic Records must be signed by Digital Signature	In case of records maintained in electronic form the same shall be authenticated by means of a digital signature.
Maintain Books of Accounts at Principal & Additional Place of Business	Every registered person shall keep the books of accounts at the principal place of business and books of accounts relating to additional place of business mentioned in his certificate of registration and such books of accounts shall include any electronic form of data stored on any electronic device
Records must be Maintained for 6.5 Years from Closure of Financial Year	Accounts maintained by the registered person together with all invoices, bills of supply, credit and debit notes, and delivery challans relating to stocks, deliveries, inward supply and outward supply shall be preserved for the period as provided in section 36.
Produce the Books of Accounts to Authorized Officer	Every registered person shall, on demand, produce the books of accounts which he is required to maintain under any law in force.

Other Points to Remember – Don't

Don't	As Per Rules
Don't Store any taxable goods at any place other than the registered premises	In case, any taxable goods are found to be stored at any other place (other than the registered premises) without any valid documents the Proper officer shall determine the tax payable on such goods as if such goods have been

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	supplied by the RP.
Don't erase, alter or overwrite any entry in registers, accounts and documents without proper attestation	Any entry in registers, accounts and documents shall not be erased, effaced or overwritten and all incorrect entries shall be scored with proper attestation after recording correct entry. In case of electronic accounts, a log of every entry edited/deleted should be maintained.
Don't store books of accounts at any other place except place registered under GST	Any documents, registers or books of accounts belonging to a RP are found at any other premises (not mentioned in registration certificate) shall be presumed to be maintained by the said RP.

Records

Principal Place	Additional Place
At Such Principal Place	At such Additional Place

Records

Manual	Electronic
All Records as specified above	Additional Back Up

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Appeal or Revision or any other Proceeding	
Not Pending	Pending
For 72 Months from date of filing of Annual Return	For a Period of 1Year after finalDisposal of case or72 Months, whichever is Later

Generation and Maintenance of Electronic Records

Rule	Analysis	Action
Proper electronic back-up of records shall be maintained and preserved in such manner that, in the event of destruction of such records due to accidents or natural causes, the information can be restored within reasonable period of time.	Proper back up with restoration time of reasonable period	Take Back up on Real Time Basis or Batch Basis in DVD, Hard Disc or Cloud
The registered person maintaining electronic records shall produce, on demand, the relevant records or documents, duly authenticated by him, in hard copy or in any electronically readable format.	On demand produce the records with duly authentication (the hard copy or electronic readable format)	Produce Records in Soft Copy or Hard Copy, at the ease of registered person.
Where the accounts and records are stored electronically by any	On demand RP should provide files,	Don't maintain any unnecessary software,

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registered person, he shall, on demand, provide the details of such files, passwords of such files where necessary for access and any other information which is required for such access along with sample copy in printed form of the information stored in such files.	passwords or printout of sample of such file	document or file along with the records and files.
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Records to be Maintained by Owner or Operator of Godown or Warehouse and Transporters

Person	Records Required
Every owner or operator of warehouse or godown or any other place used for storage of goods and every transporter, irrespective of whether he is a registered person or not	shall <i>maintain records of the consignor, consignee and other relevant details of the goods</i> in such manner as may be prescribed. shall <i>submit the details regarding his business electronically on the Common Portal in FORM GST ENR-01</i> (upon validation of the details furnished, a unique enrollment number shall be generated and communicated to the said person) shall be <i>deemed to be enrolled in the State or Union territory if already enrolled</i> under any other State or Union territory shall, where required, <i>amend the details furnished in FORM GST ENR-01</i>
Every owner or operator of a warehouse or godown	shall maintain <i>Books of Accounts</i> with respect to the <i>period</i> for which particular <i>goods remain in the warehouse,</i> including the <i>particulars relating to dispatch, movement, receipt, and disposal</i> of such goods
The owner or the operator of the	shall store the goods in such manner that they can be identified item wise and owner wise

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godown	and shall facilitate any physical verification or inspection by the proper officer on demand
Person engaged in the business of transporting goods	shall maintain records of goods transported, delivered and goods stored in transit by him along with GSTIN of the registered consignor and consignee for each of his branches.

Electronic Way Bill

E-Way Bill is the short form of Electronic Way Bill. It is a unique document/bill, which is electronically generated for the specific consignment/movement of goods from one place to another, either inter-state or intra-state and of value more than INR 50,000, required under the current GST regime.

As per the update on 23rd Mar 2018, Generation of the e-Way Bill has been made compulsory from 1st April 2018. Inter-state implementation of e-way bill is notified to be implemented from 1st April 2018.

The implementation of Eway Bill to kick-off from 15th April 2018 in a phased manner. States to be divided into 4 lots to execute this phased rollout.

When e-Way Bill is generated, a unique e-Way Bill Number (EBN) is made available to the supplier, recipient and the transporter.

The e-Way Bill replaces the Way Bill, which was a physical document and existed during the VAT regime for the movement of goods.

Needs to generate an eway bill during transportation:

GST Registered Person:

(a) When a registered person causes the movement of goods/ consignment, either in the capacity of a consignee (i.e., buyer) or consignor (i.e., seller) in his/her vehicle or hired vehicle or railways or by air or by ship, then either the registered person or the recipient should generate the e-Way Bill in Form GST EWB 01 electronically on the common portal by furnishing information in Part B.

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(b) When a registered person causes the movement of goods and hands these over to the transporter for transportation by road, but the e-Way Bill has not been generated, then it is the transporter who needs to generate the bill. The registered person will first furnish the information relating to the transporter in Part B of Form GST EWB. After which, the transporter will generate the e-Way Bill by the information furnished by the registered person through Part A of Form GST EQB 01.

Unregistered Person:

(a) When an unregistered person causes the movement of goods, through his/her conveyance or hired conveyance or using the services of a transporter, then the e-Way Bill needs to be generated either by the unregistered person or by the transporter, by completing Form GST EWB-01.

(b) When an unregistered person supplies the goods to a registered person AND the registered person is known to the unregistered person at the time of the start of the movement of goods, then it will be considered that the registered person is moving the consignment. In this case, the registered person or transporter shall complete the formalities of the e-Way Bill.

When Should E-Way Bill Be Issued

Ideally, e-Way Bill should be generated before the commencement of movement of goods above the value of INR 50,000 (either individual invoice or consolidated invoice of multiple consignments). The movement of goods will be either about a supply/ reasons other than supply (like return)/ inward supply from an unregistered person.

For purposes of an e-Way Bill, supply is considered either a payment in the course of business/ a payment which may not be in the course of business/ no consideration of payment (in the case of barter/ exchange).

Latest update as on 23rd Mar 2018:
The transporters need not generate the Eway bill (as Form EWB-01 or EWB-02) where all the consignments in the conveyance :
Individually (single Document**) is less than or equal to Rs 50,000 BUT
In Aggregate (all documents** put together) exceeds Rs 50,000.

(**Document means Tax Invoice/Delivery challan/Bill of supply)

GST E-Way Bill Format

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Below is the image of the e-Way Bill to be electronically generated after completing the Form GST EWB-01.

FORM GST EWB-01

(See rule 138)

E-Way Bill

PART-A	
A.1	GSTIN of Recipient
A.2	Place of Delivery
A.3	Invoice or Challan Number
A.4	Invoice or Challan Date
A.5	Value of Goods
A.6	HSN Code
A.7	Reason for Transportation
A.8	Transport Document Number
PART-B	
B.	Vehicle Number

The bill comprises of 2 parts – Part A and Part B.

Part A of the form is to collect the details of the consignment, usually about the invoice.

- **GSTIN of Recipient:** The recipient of the goods needs to provide the **GST Identification N**
- **Place of Delivery:** The Pin Code of the place where goods are to be delivered needs to be filled in.
- **Invoice or Challan Number:** The Invoice or Challan number of the supplied goods, needs to be filled in.
- **Value of Goods:** The total consignment value of the goods.
- **HSN Code:** The HSN (**H**armonized **S**ystem of **N**omenclature) code of the transported goods is required. If the turnover is up to INR 5 crores, then the first two digits need to be mentioned. For a turnover more than INR 5 crores, four digits of HSN code are required.
- **Reason for Transportation:** One needs to select the most appropriate option from the list of reasons which is pre-defined.
- **Transport Document Number:** One needs to enter the Goods Receipt Number/ Railway Receipt Number/ Airway Bill Number/ Bill of Loading Number.

In Part B of this form, one needs to fill in the vehicle number of the transported goods. The transporter will complete this information in the common portal.

How To Generate e-Way Bills

e-Way Bills are generated either via online [e-way bill system](#) or SMS. The bill needs to be generated before the start of the movement of goods about supply/ reasons other than supply/ inward supply from an unregistered person. [Supply being defined sale of goods and payment made/ branch transfer/ barter or exchange]

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The table below is aimed to provide a bird's eye-view of 'Who, When and How' will generate the e-Way Bill and which part of the form needs to be completed:

Who	When	Which Part	Form
A person Registered under GST	Before movement of goods	Complete Part A	GST EWB-01
If Registered person is consignor or consignee (mode of transport may be owned or hired) OR is recipient of goods	Before movement of goods	Complete Part B	GST EWB-01
Registered person is consignor or consignee and goods are handed over to transporter of goods	Before movement of goods	Complete Part B	The registered person to furnish information about the transporter GST EWB-01
Transporter of goods	Before movement of goods		e-Way Bill will be created based on the information completed by the registered person in Part A of GST EWB-01
An unregistered person under GST and recipient is registered	Recipient is considered to be same as the Supplier		1) If it is an intrastate/intra-union territory transport of 10 km or less from a business place of the consignor to business place of the transporter with the intention of further transportation,

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the supplier or the transporter is not required to furnish the details of conveyance in Part B of FORM GST EWB-01.

2) If air/ship /railways make the supply, then consignor or recipient needs to complete Part A of FORM GST EWB-01.

Responsibilities Of The Transporter

Under GST regime, when goods are moved from one place to another, the transporter needs to ensure to carry an e-Way Bill. When a registered person causes the movement of goods and hands these over to the transporter for transportation by road, but the e-Way Bill has not been generated, then it is the transporter who needs to create the bill.

When an unregistered person causes the movement of goods, through his/her conveyance or hired vehicle or services of a transporter, then the e-Way Bill needs to be generated and can be done by the transporter.

In cases where there are multiple consignments, being sent through one conveyance, the transporter has the responsibility to ensure that the serial number of each individually generated e-way bill per each consignment is entered on the common platform and a consolidated e-Way Bill via the Form GST EWB 02 is created.

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GST Payments and Refunds

Current GST return filing requires that every month, once GSTR-1 is filed to report Sales, one must file GSTR-3B to report the ITC and make necessary GST Payment. Also if a refund is required to be claimed the same can be done by filing relevant refund related forms.

Under GST the [tax to be paid](#) is mainly divided into 3 –

- IGST – To be paid when interstate supply is made (paid to center)
- CGST – To be paid when making supply within the state (paid to center)
- SGST – To be paid when making supply within the state (paid to state)

CIRCUMSTANCES	CGST	SGST	IGST
Goods sold from Delhi to Bombay	NO	NO	YES
Goods sold within Bombay	YES	YES	NO
Goods sold from Bombay to Pune	YES	YES	NO

Apart from the above payments a dealer is required to make these payments –

- Tax Deducted at Source (TDS) – [TDS](#) is a mechanism by which tax is deducted by the dealer before making the payment to the supplier

For example –

A government agency gives a road laying contract to a builder. The contract value is Rs 10 lakh.

When the government agency makes payment to the builder TDS @ 1% (which amounts to Rs 10,000) will be deducted and balance amount will be paid.

- Tax Collected at Source (TCS) – [TCS](#) is mainly for e-commerce aggregators. It means that any dealer selling through e-commerce will receive payment after deduction of TCS @ 2%.

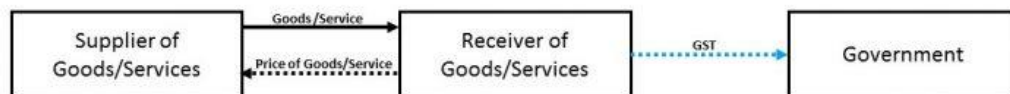
This provision is currently relaxed and will not be applicable to notified by the government.

- Reverse Charge – The liability of payment of tax shifts from the supplier of goods and services to the receiver. To know more about reverse charge check out our article [‘Know all about Reverse Charge under GST’](#)

NORMAL GST PAYMENT PROCESS



GST PAYMENT IN CASE OF REVERSE CHARGE



- Interest, Penalty, Fees and other payments

How to calculate the GST payment to be made?

Usually, the [Input Tax Credit](#) should be reduced from Outward Tax Liability to calculate the total GST payment to be made.

TDS/TCS will be reduced from the total GST to arrive at the net payable figure. Interest & late fees (if any) will be added to arrive at the final amount.

Also, ITC cannot be claimed on interest and late fees. Both Interest and late fees are required to be paid in cash.

The way the calculation is to be done is different for different types of dealers –

Regular Dealer

A regular dealer is liable to pay GST on the outward supplies made and can also claim Input Tax Credit (ITC) on the purchases made by him.

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The GST payable by a regular dealer is the difference between the outward tax liability and the ITC.

Composition Dealer

The GST payment for a composition dealer is comparatively simpler. A dealer who has opted for [composition scheme](#) has to pay a fixed percentage of GST on the total outward supplies made.

GST is to be paid based on the type of business of a composition dealer.

Composition Scheme – Applicable GST Rate			
Type of Business	CGST	SGST	Total
Manufacturer and Traders (Goods)	0.5%	0.5%	1.0%
Restaurants not serving alcohol	2.5%	2.5%	5%
Service Providers are not eligible for Composition Scheme			

3. Who should make the payment?

These dealers are required to make GST payment –

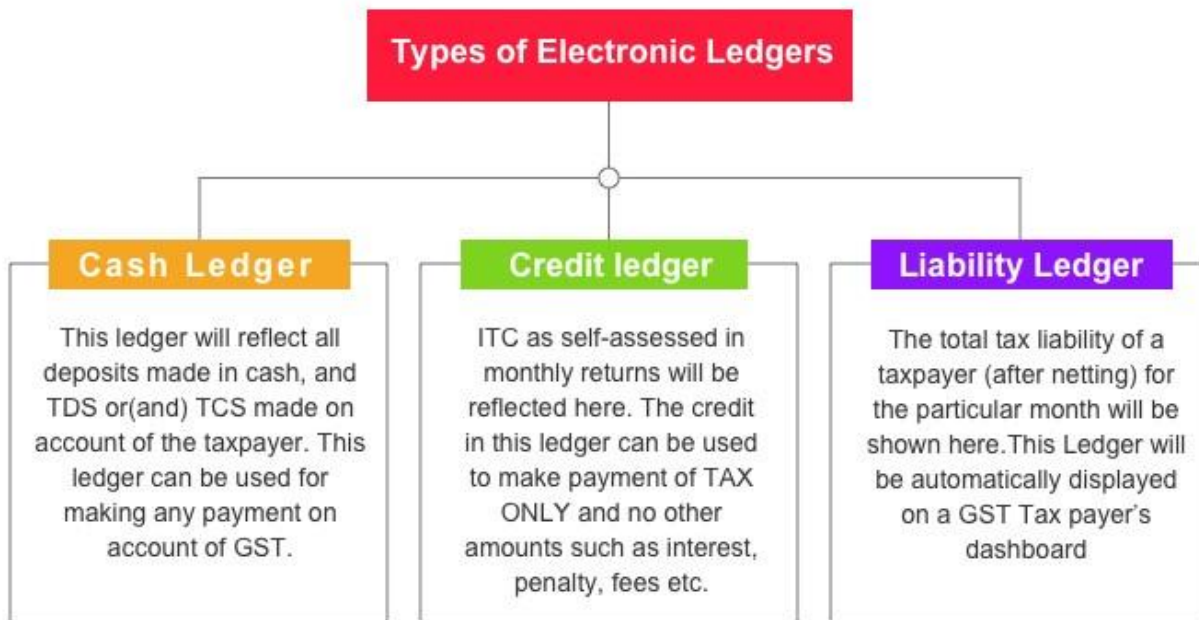
1. A Registered dealer is required to make GST payment if GST liability exists.
2. Registered dealer required to pay tax under [Reverse Charge Mechanism\(RCM\)](#).
3. E-commerce operator is required to collect and pay TCS
4. Dealers required deducting TDS

4. When should GST payment be made?

GST payment is to be made when the GSTR 3 is filed i.e by 20th of the next month.

5. What are the electronic ledgers?

These [ledgers](#) are maintained on the electronically on GST Portal.



6. How to make GST payment?

GST payment can be made in 2 ways –

- **Payment through Credit Ledger –**

The credit of ITC can be taken by dealers for GST payment. The credit can be taken only for payment of Tax. Interest, penalty and late fees cannot be paid by utilizing ITC.

- **Payment through Cash Ledger –**

GST payment can be made [online](#) or offline. The challan has to be generated on GST Portal for both online and offline GST payment.

Where tax liability is more than Rs 10,000, it is mandatory to pay taxes Online.

7. What is the penalty for non-payment or delayed payment?

If GST is short paid, unpaid or paid late interest at a rate of 18% is required to be paid by the dealer.

Also, a penalty to be paid. The penalty is higher of Rs. 10,000 or 10% of the tax short paid or unpaid.

B. Refunds –**1. What is GST refund?**

Usually when the GST paid is more than the GST liability a situation of claiming GST refund arises. Under GST the process of claiming a refund is standardized to avoid confusion. The process is online and time limits have also been set for the same.

2. When can the refund be claimed?

There are many cases where [refund](#) can be claimed. Here are some of them –

Excess payment of tax is made due to mistake or omission.

- Dealer Exports (including deemed export) goods/services under claim of rebate or Refund
- ITC accumulation due to output being tax exempt or nil-rated
- Refund of tax paid on purchases made by Embassies or UN bodies
- Tax Refund for International Tourists
- Finalization of provisional assessment

3. How to calculate GST refund?

Let's take a simple case of excess tax payment made.

Mr. B's GST liability for the month of September is Rs 50000. But due to mistake, Mr. B made a GST payment of Rs 5 lakh.

Now Mr. B has made an excess GST payment of Rs 4.5 lakh which can be claimed as a refund by him. The time limit for claiming the refund is 2 years from the date of payment.

4. What is the time limit for claiming the refund?

The time limit for claiming a refund is 2 years from relevant date.

The relevant date is different in every case.

Here are the relevant dates for some cases –

Reason for claiming GST Refund	Relevant Date
Excess payment of GST	Date of payment
Export or deemed export of goods or services	Date of despatch/loading/passing the frontier

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ITC accumulates as output is tax exempt or nil-rated	Last date of financial year to which the credit belongs
Finalisation of provisional assessment	Date on which tax is adjusted

Also if refund is paid with delay an interest of 24% p.a. is payable by the government.

5. How to claim GST refund?

The [refund application](#) has to be made in Form RFD 01 within 2 years from relevant date.

The form should also be certified by a Chartered Accountant.

Goods and Service tax or GST will be one tax to subsume all taxes. It will bring in the “One nation one tax” regime. To maintain a check and examine whether correct GST is being paid and the refund is claimed, certain taxable persons will be subject to audit under GST.

Audit under GST



Latest Update as on 8th December 2018:

Due date for filing GSTR-9, GSTR-9A and GSTR-9C is extended till 30th June 2019 by CBIC for FY 2017-18

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Audit under GST is the process of examination of records, returns and other documents maintained by a taxable person. The purpose is to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed, and to assess the compliance with the provisions of GST.

Threshold for Audit

Every registered taxable person whose turnover during a financial year exceeds the prescribed limit [as per the latest GST Rules, the turnover limit is above Rs 2 crore] shall get his accounts audited by a chartered accountant or a cost accountant. He shall electronically file:

1. an annual return using the Form GSTR 9 by 31st December of the next Financial Year* ,
2. the audited copy of the annual accounts,
3. a certified reconciliation statement in the form GSTR-9C, reconciling the value of supplies declared in the return with the audited annual financial statement,
4. and other particulars as prescribed.

Rectifications to Returns After GST Audit

If any taxable person, after furnishing a return discovers any omission/incorrect details (from results of audit), he can rectify **subject to payment of interest**. However, no rectification will be allowed after the due date for filing of return for the month of September or second quarter, (as the case may be), following the end of the financial year, or the actual date of filing of the relevant annual return, whichever is earlier.

For example, X found during the audit that he has made a mistake in Oct 2017 return. X submitted an annual return for FY 2017-18 on 31st August 2018 along with audited accounts. He can rectify the Oct 2017 mistake within-

20th Oct 2018 (last date for filing Sep return)

or

31st August 2018 (the actual date of filing of relevant annual return)

-earlier, ie., his last date for rectifying is 31st August 2018.

This rectification will not be allowed where results are from scrutiny/audit by the tax authorities.

Audit by Tax Authorities

- The Commissioner of CGST/SGST (or any officer authorized by him) may conduct an audit of a taxpayer. The frequency and manner of an audit will be prescribed later.
- A notice will be sent to the auditee at least 15 days before.
- The audit will be completed within 3 months from the date of commencement of the audit.
- The Commissioner can extend the audit period for a further six months with reasons recorded in writing.

Obligations of the Auditee

The taxable person will be required to:

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-
1. provide the necessary facility to verify the books of account/other documents as required
 2. to give information and assistance for timely completion of the audit.

Findings of Audit

On conclusion of an audit, the officer will inform the taxable person within 30 days of:

- the findings,
- their reasons, and
- the taxable person's rights and obligations

If the audit results in detection of unpaid/short paid tax or wrong refund or wrong input tax credit availed, then demand and recovery actions will be initiated.

Special Audit

When can a special audit be initiated?

The Assistant Commissioner may initiate the special audit, considering the nature and complexity of the case and interest of revenue. If he is of the opinion during any stage of scrutiny/inquiry/investigation that the value has not been correctly declared or the wrong credit has been availed then special audit can be initiated.

A special audit can be conducted even if the taxpayer's books have already been audited before.

Who will order and conduct a special audit?

The Assistant Commissioner (with the prior approval of the Commissioner) can order for special audit (in writing). The special audit will be carried out by a chartered accountant or a cost accountant nominated by the Commissioner.

Time limit for special audit

The auditor will have to submit the report within 90 days. This may be further extended by the tax officer for 90 days on an application made by the taxable person or the auditor.

Cost

The expenses for examination and audit including the auditor's remuneration will be determined and paid by the Commissioner.

Findings of special audit

The taxable person will be given an opportunity of being heard in findings of the special audit.

If the audit results in detection of unpaid/short paid tax or wrong refund or input tax credit wrongly availed then demand and recovery actions will be initiated.

Thus, GST is a completely new tax regime already taking India by storm. Businesses will face challenges in transition and application of GST.

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GOODS AND SERVICE TAX (COMPENSATION TO STATES) ACT, 2017

The Goods and Service Tax (Compensation to States) Act, 2017 provides for a mechanism to compensate the States on account of loss of revenue which may arise due to implementation of the Goods and Services Tax read together with the Constitutional (one Hundred and First Amendment) Act, 2016, for a period of 5 years.

This Act, inter-alia provides:

- (a) That the base year during the transition period shall be reckoned as the financial year 2015-16 for the purpose of calculating compensation amount payable to the States;
- (b) That the revenue proposed to be compensated would consist of revenues from all taxes that stands subsumed into the GST law, as audited by the CAG;
- (c) For reckoning the growth rate of revenue subsumed for a State at 14% per annum;
- (d) That the compensation will be released bi-monthly based on the provisional numbers furnished by the Central Accounting Authorities and the final adjustment to be done after the accounts are subjected to audit by CAG;
- (e) That the revenue foregone on account of grant of exemption in the 11 special categories State (Article 279A), be counted for the purpose of determining revenue for the base year 2015-16;
- (f) That the revenue of States directly devolved to Mandi / Municipalities would be considered as revenue subsumed;
- (g) Levy of a cess over and above the GST on certain notified goods to compensate States for 5 years on account of revenue loss suffered by them;
- (h) That the proceeds of the cess will be utilised to compensate States that warrant payment of compensation;
- (i) That 50% of the amount remaining unutilised in the fund at the end of the fifth year will be transferred to the Centre and the balance 50% would be distributed amongst the State and Union Territories in the ratio of total revenues from SGST / UTGST of the fifth year;

Relevant Sections of the GST Compensation Act warranting attention are reproduced below:

2. Definitions:

- (c) “cess” means the goods and service tax compensation cess levied under section 8; (g) “input tax” in relation to a taxable person, means:
 - (i) the cess charged on any supply of goods or services or both to him; Goods and Services Tax (Compensation to States) Act, 2017 696 BGM on GST Acts & Rules
 - (ii) the cess charged on import of goods, and includes the cess payable on reverse charge basis; (p) “taxable supply” means a supply of goods or services or both which is chargeable to the cess under this Act;

8. Levy and Collection of Cess

(1). There shall be levied a cess on such intra-State supplies of goods or services or both as provided for in Section 9 of CGST Act and such inter-State supplies of goods or services or both as provided for in Section 5 of IGST Act, 2017 and collected in such manner as may be prescribed on the recommendations of the Council, for the purposes of providing compensation to the States for loss of revenue arising on account of implementation of the goods and services tax with effect from the date from which the Central Goods and Service Tax Act is brought into force for a period of five years or for such period as may be prescribed on the recommendations of the council. Provided that no such cess shall be leviable on supplies made by a taxable person who has decided to opt for composition levy under section 10 of the Central Goods and Service Tax

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Act.

(2). The cess shall be levied on such supplies of goods and services as are specified in column 2 of the Schedule, on the basis of value, quantity or on such basis at such rate not exceeding the rate set-forth in the corresponding entry in column 4 of the Schedule, as the Central Government may, on the recommendations of the Council, by notification in the Official Gazette, specify. Provided that where the cess is chargeable on any supply of goods or services or both with reference to their value, for each such supply the value shall be determined under Section 15 of the Central Goods and Service Tax Act for intra-State and inter-State supplies of goods or services or both. Provided further that the cess on goods imported into India shall be levied and collected in accordance with the provisions of Section 3 of the Customs Tariff Act, 1975(51 of 1975), at the point when duties of customs are levied on the said goods under Section 12 of the Customs Act, 1962 (52 of 1962), on a value determined under the Customs Tariff Act, 1975.

9. Returns, Payments and Refunds

(1) Every taxable person registered making a taxable supply of goods or services or both, shall –

(a) Pay the amount of cess as payable under this Act in such manner;

(b) Furnish such returns in such forms, along with the returns to be filed under the Central Goods and Services Tax Act; and

(c) Apply for refunds of such cess paid in such form, as may be prescribed. Goods and Services Tax (Compensation to States) Act, 2017 GST Compensation Act 697 (2)

For all purposes of furnishing of returns and claiming refunds, except for the form to be filed, the provisions of the Central Goods and Service Tax Act and the rules made thereafter, shall, as far as may be, apply in relation to the levy and collection of the cess leviable under section 8 on all taxable supplies of goods or services or both, as they apply in relation to the levy and collection of Central Tax on such supplies under the said Act or the rules made thereunder.

11. Other Provisions Relating to Cess

(1) The provisions of the Central Goods and Services Tax Act and the rules made thereunder, including those relating to assessment, input tax credit, non-levy, short-levy, interest, appeals, offences and penalties, shall, as far as may be, mutatis mutandis apply in relation to the levy and collection of the cess leviable under Section 8 on the intrastate supply of goods and services, as they apply in relation to the levy and collection of Central Tax on such intra-state supplies under the said Act or the rules made thereunder.

(2) The provisions of the Integrated Goods and Services Tax Act, and the rules made thereunder, including those relating to assessment, input tax credit, non-levy, short-levy, interest, appeals, offences and penalties, shall mutatis mutandis apply in relation to the levy and collection of the cess leviable under Section 8 on the

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inter-state supply of goods and services, as they apply in relation to the levy and collection of Integrated Goods Tax on such inter-state supplies under the said Act or the rules made thereunder. Provided that the input tax credit in respect of Cess on supply of goods and services leviable under Section 8, shall be utilised only towards payment of said Cess on supply of goods and services leviable under the said Section.

Note: The CGST Rules, 2017 would apply mutatis mutandis to the GST Compensation Act, 2017 other than the rules relating to Composition (Rule 3 to 7) and Transitional Provisions (Rule 117 to 121) Relevant circulars, notifications, clarifications, flyers issued by Government: -

1. Notification No. 1/2017 dated 28.06.2017 - GST Cess Rate notifying the rates of cess on goods (as amended from time to time)
2. Notification No. 2/2017 dated 28.06.2017 - GST Cess Rate notifying the rates of cess on services (as amended from time to time)
3. Notification No. 4/2017 dated 20.07.2017 - GST Cess Rate regarding exemption to intraState supplies of second hand goods received by a registered person, dealing in buying and selling of second hand goods
4. Notification No. 7/2017 dated 13.10.2017 - GST Cess Rate regarding reduced rate of cess on the leasing of motor vehicles (purchased and supplied on lease before 01.07.2017)
5. Notification No. 1/2018 dated 25.01.2018 – GST Cess Rate regarding exemption from cess on all old and used motor vehicles on which supplier has not availed any credits Goods and Services Tax (Compensation to States) Act, 2017 698 BGM on GST Acts & Rules
6. Circular No. 1/1/2017-Compensation Cess dated 26.07.2017 regarding applicability of Section 16 of the IGST Act, 2017 (zero rated supply) for the purpose of Compensation Cess on exports Salient features of the GST Compensation Act: I. Levy of cess:

- GST Compensation Cess (under Section 8 of the Act) will be levied on all intra-State and inter-State supplies of goods or services or both, including import of goods.
- The following supplies will be liable at the rate specified below: o Pan Masala (60% ad valorem) o Tobacco and Tobacco products (Rs. 4,170 per 1,000 sticks or 290% ad valorem or a combination thereof) o Coal, briquettes and similar solid fuels (Rs. 400 per tonne) o Aerated Water (12% ad valorem) o Used and old Motor vehicles, Ambulance, Cars for physically handicapped persons, Electrically operated vehicles, Three wheeled vehicles, Motor vehicles of engine capacity not exceeding 1500cc and of length not exceeding 4000 mm (NIL) o Motor cars and passenger motor vehicles (15% ad valorem), SUVs (22% ad valorem)
- The Cess would not be leviable on supplies made by a person who has opted for composition levy.
- Those supplies that are liable to tax with reference to their value (i.e. all supplies except coal, briquettes and similar solid fuels), are to be determined based on the Valuation provisions under Section 15 of the CGST Act.
- The cess levied under this Act would be payable over and above the CGST, SGST/UTGST and IGST tax leviable on. Cess would be levied on whole value exclusive of GST i.e. for Transaction value as per Section

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15 is Rs. 100 and GST Rate is 18% then Cess would be levied on Rs. 100 Calculation would be Rs. 100+18% GST+ % Compensation Cess (as specified).

- Dealer of second hand goods: The levy of Cess has been exempted on intra-State procurement of second hand goods from an un-registered supplier when purchased by a registered person dealing in buying and selling of second hand goods and who pays the Cess on the margin basis of computation envisaged under rule 32(5) of the CGST Rules, 2017.

- The Central Government reduced the rate of Cess at 65% of the Cess which is otherwise payable on supply of motor vehicles which are purchased or leased before Goods and Services Tax (Compensation to States) Act, 2017 GST Compensation Act 699 July 1, 2017 subject to the condition that such supplier has not availed input tax credit of Central Excise Duty or VAT or any other taxes paid thereon w.e.f. 13.10.2017.

- As a further relief measure, the Central Government has prescribed 'NIL' rate of Cess on supply of all old and used motor vehicles on which supplier has not availed CENVAT or VAT credit under the earlier regime or input tax credit in GST regime w.e.f. 25.01.2018.

- The scope and applicability of the notifications issued in respect of old and used motor vehicles (MV), can be better understood by a comparative analysis as summarised below:

Particulars Notification No. 7/2017– Compensation Cess (Rate) dated 13th October, 2017 Notification No. 1/2018 Compensation Cess (Rate) dated 25th January, 2018 Scope a. MV purchased and leased prior to July 1, 2017 which are continued to be leased in GST regime b. MV purchased prior to July 1, 2017 and supplied in GST regime All old and used MVs Note:

1. Not applicable on lease transactions.

2. Can be purchased either before or after July 1, 2017 Rate of Cess 65% of Cess payable NIL Condition Input tax credit (ITC) of Central Excise duty, VAT or any other taxes paid is not taken ITC not taken in GST regime or CENVAT credit or VAT credit not availed in earlier regime Refund of Cess upon Export:

- Exporter will be eligible to claim refund of Cess paid under the Act on export of goods on the similar lines as refund of IGST paid on exports. Further, Cess will not be charged on goods exported by an exporter under bond / LUT and refund of input tax credit of Cess relating to goods exported will be available on similar lines as refund of input taxes in relation to zero-rated supplies.

II. Determination of Base Year Revenue:

- The Compensation amount to be paid in any year during the transition period is to be computed taking the base year as 2015-16 only.

- The provisions of Section 5(1) of the said Act lists the taxes imposed by State / Union that stand subsumed into the GST while the proviso to Section 5(1) lists out the taxes that shall not be included for calculation of base year revenue. The revenue collected by the States on account of the said taxes detailed in Section 5(1) of

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the Act alone would be considered for the determination of Base Year Revenue; Goods and Services Tax (Compensation to States) Act, 2017 700 BGM on GST Acts & Rules

- The revenue collected would always be reckoned as ‘net of refunds’; • The transition period will be the period of 5 years from the date when the respective SGST Acts commence. III. Input Tax Credit and returns:
- Input Tax Credit on inward supplies liable to cess can be utilized only for payment of cess on outward supplies liable to cess under the Act.
- A taxable person effecting supplies chargeable to cess is required to file returns along with the returns prescribed under the CGST Act. IV. General
- All provisions of CGST Act and IGST Act including input tax credit, assessment, offences, penalties, interest, non-levy and short-levy will apply in relation to the levy and collection of cess on intra-State and inter-State supply, respectively. Note: The relevant notifications on Compensation Cess have been provided in forthcoming pages of this publication

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Department of Commerce

Subject: INDIRECT TAXATION

CLASS : II B.COM(PA)

Semester: IV

SUB CODE: 18PAU402

POSSIBLE QUESTIONS - UNIT –IV

PART – A (ONE MARK)

QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER
The time of supply of vouchers when the supply with respect to the voucher is not identifiable is -----	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	Residual value	Transaction value
Exempt supply is a supply which is not subject to -----	GST	AST	BST	MRP	GST
GST rate has been primarily categorized in to ----- slab rates	2	3	4	5	4
Deductions are allowed from the transaction value is -----	Discounts offered to customers,	Packing Charges,	Amount paid by customer	Freight charges	Discounts offered to customers,
Composition levy in GST is chargeable under section -----	9	10	11	12	10
Composition scheme for payment of GST available to small taxpayers whose aggregate turnover not exceeding ----- crores	Rs.1.0 crores	Rs.1.5 crores	Rs.2.0 crores	Rs.2.5 crores	Rs.1.5 crores
Composition scheme applies only to the ----- supplies	Interstate	Intrastate	Centre only	State only	Intra state

Filing of tax return under normal GST levy is -----	Monthly	Quarterly	Half yearly	Annually	monthly
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
Any dealer registered under composition scheme will not be eligible to take credit of ----- on purchases	Input tax credit	Dealers credit	Output tax credit	Suppliers credit	Input tax credit
Whether credit on inputs should be availed based on receipt of documents or receipt of goods	Receipt of goods	Receipt of Documents	Receipt of goods and documents	Either receipt of documents or Receipt of goods	Receipt of goods and documents
Documents to be issued under composition GST levy is -----	Bill of exchange	Credit note	Bill of supply	Tax invoice	Bill of supply
Input tax credit on capital goods and Inputs can be availed in ----- --installment	In 6 installments	In 12 installments	In one installment	In 8 installments	In one installment
Receiver of goods or services pay tax directly to government is -----	Direct charge	Reverse charge	TDS	TCS	Reverse charge
The time limit to pay the value of supply with taxes to avail the input tax credit is -----	60 days	120 days	180 days	365 days	180 days
Can the taxable person under Composition Scheme claim input tax credit-----	Yes	No	Central Government to decide	State Government to decide	No
Collecting tax from suppliers of goods and services are called -----	Direct charge	Reverse charge	TDS	TCS	Direct charges
Receiver of goods or services will recover tax from dues to supplier and pay it to government is called -----	Direct charge	Reverse charge	TDS	TCS	TDS

TDS is applicable when the value of supply under contract exceeds Rs. -----	Rs. 1,00,000	Rs.1,50,000	Rs.2,00,000	Rs.2,50,000	Rs.2,50,000
Rate of tax under TDS is ----- on value of supply	1%	2%	3%	4%	1%
Every supplier shall be liable to be registered under Revised Model GST Law if his aggregate turnover in a financial year:	` 10 lacs	Exceeds ` 20 lacs	` 50 lacs	No limit for registration	Exceeds ` 20 lacs
The ----- persons are not required to be compulsorily registered, Revised Model GST Law	Casual Dealer	Person making sale of taxable goods	Persons who pay tax under reverse charge	Non-resident taxable persons,	Person making sale of taxable goods
The union government levy -----taxes	CGST and IGST	SGST and IGST	SGST only	CGST only	CGST and IGST
Inspections, Search and seizure operations under GST are to be authorised by a CGST/SGST Officer not below the rank of -----	Deputy Commissioner	Assistant Commissioner	Joint Commissioner	Commissioner	Joint Commissioner
Inspections can be conducted at the business places of, -----	Taxable persons	Transporter of goods	Owner or Operator of Godowns/Ware house	All of the above	All of the above
The person in charge of the conveyance carrying any consignment of goods exceeding the value of_____, shall carry prescribed documents (EWaybill)	` Rs. 50,000	Rs.` 1,00,000	`Rs. 10,000	` /Rs. 100 lakhs	Rs.` 50,000
Input tax credit as per the VAT law will be carried forward as ---	CGST	SGST	IGST	CGST or SGST	SGST
The state government levy -----taxes	CGST	SGST	IGST	GST	SGST
For credit to be allowable, invoices should not be issued -----	Three months	Six months	Nine months	Twelve months	Twelve months

before the appointed day					
When the goods are imported into India Place of supply of goods is -----	Location of the importer	Location of the exporter	Location of Dealer	Location of supplier	Location of the importer
Declaration of inputs held in stock by job worker on behalf of manufacturer is to be filed by-----	Manufacturer	Job Worker	Service provider	Both manufacturer and job worker	Both manufacturer and job worker
A taxable person shall not be entitled to take input tax credit after the expiry offrom the date of tax invoice related to supply.	One month	Six months	One year	Two years	One year
Input tax credit is not available on	Goods used for personal use	Trading goods	Capital goods	Fixed capital	Goods used for personal use
The five conditions for claiming ITC doesn't include the following:	He is in possession of tax invoice	He has received the goods/services	The tax charged has been actually paid to the Government	He must have inter-state supply	He must have inter-state supply
Input tax credit in relation to SGST means:	SGST and CGST	SGST and IGST	IGST and CGST	IGST, SGST and CGST	SGST and IGST
ITC in relation to CGST means.....	SGST and CGST	SGST and IGST	IGST and CGST	IGST, SGST and CGST	IGST and CGST
ITC in relation to IGST means.....	SGST and CGST	SGST and IGST	IGST and CGST	IGST, SGST and CGST	IGST, SGST and CGST
Cross utilization of ITC is not allowed between:	SGST and CGST	SGST and IGST	IGST and CGST	None of the above	SGST and CGST
Tax paid on goods and services under Act is allowable both under SGST act and CGST Act.	IGST	VAT	Excise	Customs	IGST
ITC includes tax payable under also	VAT	Reverse charge	Excise	Customers	Reverse charge

ITC is allowed on tax paid on capital goods in instalments in GST	12	36	3	1	1
ITC on pre-registration stock is allowed of registration is take within..... days from the date on which he is liable for registration	15	30	90	60	30
The price actually paid or payable for the supply of goods or services is called ----	Valuation	Transaction value	Book value	Market value	Transaction value
ITC in GST is computed by generating.....	GSTR I	GSTR II	GSTR III	GSTR IV	GSTR II
..... tax is levied on inter-state supply of goods and services.	CGST	SGST	IGST	VAT	IGST
Expand IGST	Inter-state GST	Integrated GST	Import GST	International GST	Integrated GST
IGST Act is passed by?	State Legislative	Parliament	Union Territory	Legislative Council	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	Article 246 A	Article 269 A	Article 254	Article 279 A	Article 269 A
IGST is levied and collected is..... ?	Allotted to centre only	Allotted to states only	Allotted to UT's only	Apportioned between center and states	Apportioned between center and states
..... is levied on imports of goods and services	SGST	CGST	IGST	VAT	IGST
Import/Export is treated as..... in GST.	Intra-state supply	Inter-state supply	Non-taxable supply	Exempted supply	Inter-state supply
Inter-state supplies means any supply where the location of supply	in the same state	in different states	outside the country	Location around the states	different states

and place of supply are - -----					
..... Act implements 'destination principle of taxation' in GST scenario.	CGST	SGST	Customs	IGST	IGST
..... Act provides un-intercepted ITC chain on inter-state transactions.	IGST	CGST	VAT	SGST	IGST
Manner of utilizing ITC for payment of IGST?	(i) IGST (ii) SGST (iii) CGST (iv) Cash	(i) CGST (ii) IGST (iii) SGST (iv) Cash	(i) IGST (ii) Cash (iii) CGST (iv) SGST	(i) IGST (ii) CGST (iii) SGST (iv) Cash	(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 centre?	Exporting state	Importing state	Centre	state	Exporting state
There are ----- methods of input tax credit	4	3	2	5	2
Place of supply of goods where the supply doesn't involve movement of goods?	Location of the goods at the time of purchase order	Location of the goods at the time of delivery to the recipient	Location of the supplier	Location of the recipient	Location of the goods at the time of delivery to the recipient
Place of supply where the goods are assembled or installed?	Place of supplier	Place of recipient	Place of transporter	Place of the such assembly or installation	Place of the such assembly or installation

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 to 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 goods or service or both?
10. Write the concept of supply made by vouchers.
11. What is output and output tax? Give example
12. What is capital goods?
13. Who is input credit distributor?
14. What is job work?
15. What are the conditions for availing input credit on vehicles?

PART - C (6 Marks)

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)?

SYLLABUS

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

CUSTOMS LAW

INTRODUCTION

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

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

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

MEANING OF CUSTOMS DUTY

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

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

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

1. THE CUSTOMS ACT, 1962

The Customs Act, 1962 is the basic Act for levy and collection of customs duty in India. It 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.

FEATURES AND OBJECTIVES OF CUSTOMS DUTIES

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

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

TYPES OF CUSTOMS TARIFF

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

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

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

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

TYPE OF CUSTOMS DUTIES

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

BASIC CUSTOMS DUTY

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

AUXILIARY DUTY OF CUSTOMS

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

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

EXPORT DUTIES

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

CESSSES

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

EDUCATION CESS ON CUSTOMS DUTY

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

PROTECTIVE DUTIES

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

COUNTERVAILING DUTY ON SUBSIDISED GOODS

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

ANTI DUMPING DUTY ON DUMPED ARTICLES

Often, large manufacturer from abroad may export goods at very low prices compared to prices in his domestic market. Such dumping may be with intention to cripple domestic industry or to dispose of their excess stock. This is called 'dumping'. In order to avoid such dumping, Central Government can impose, under section 9A of Customs Tariff Act, anti-dumping duty upto margin of dumping on such articles, if the goods are being sold at less than its normal value.

Levy of such anti-dumping duty is permissible as per WTO

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

SAFEGUARD DUTY

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

NATIONAL CALAMITY CONTINGENT DUTY

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

DEFINITIONS

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

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

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

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

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

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

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

(21) “Foreign-going vessel or aircraft” means any vessel or aircraft for the time being engaged in the carriage of goods or passengers between any port or airport in India and any port or airport outside India, whether touching any intermediate port or airport in India or not, and includes-

(i) Any naval vessel of a foreign government taking part in any naval exercises;

(ii) Any vessel engaged in fishing or any other operations outside the territorial waters of India;

(iii) Any vessel or aircraft proceeding to a place outside India for any purpose whatsoever;

(22) “Goods” includes -

(a) Vessels, aircrafts and vehicles;

(b) Stores;

(c) Baggage;

(d) Currency and negotiable instruments; and

(e) Any other kind of movable property;

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- (23) “Import”, with its grammatical variations and cognate expressions, means bringing into India from a place outside India;
- (24) “Import manifest” or “import report” means the manifest or report required to be delivered under section 30;
- (25) “Imported goods” means any goods brought into India from a place outside India but does not include goods which have been cleared for home consumption;
- (26) “Importer”, in relation to any goods at any time between their importation and the time when they are cleared for home consumption, includes any owner or any person holding himself out to be the importer;
- (27) “India” includes the territorial waters of India;
- (28) “Indian customs waters” means the [waters extending into the sea up to the limit of contiguous zone of India under section 5 of the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976 (80 of 1976)) and includes any bay, gulf, harbour, creek, or tidal river;
- (29) “Land customs station” means any place appointed under clause (b) of section 7 to be a land customs station;
- (30) “Market price”, in relation to any goods, means the wholesale price of the goods in the ordinary course of trade in India;
- (31) “Person-in-charge” means -
- (a) In relation to a vessel, the master of the vessel;
- (b) In relation to an aircraft, the commander or pilot-in-charge of the aircraft ;
- (c) In relation to a railway train, the conductor, guard or other person having the chief direction of the train;

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- (d) In relation to any other conveyance, the driver or other person in charge of the conveyance;
- (32) “Prescribed” means prescribed by regulations made under this Act;
- (33) “Prohibited goods” means any goods the import or export of which is subject to any prohibition under this Act or any other law for the time being in force but does not include any such goods in respect of which the conditions subject to which the goods are permitted to be imported or exported have been complied with; (34) “Proper officer”, in relation to any functions to be performed under this Act, means the officer of customs who is assigned those functions by the Board or the [Commissioner of Customs;]
- (35) “Regulations” means the regulations made by the Board under any provision of this Act;
- (36) “Rules” means the rules made by the Central Government under any provision of this Act;
- (37) “Shipping bill” means a shipping bill referred to in section 50;
- (38) “Stores” means goods for use in a vessel or aircraft and includes fuel and spare parts and other articles of equipment, whether or not for immediate fitting;
- (39) “Smuggling”, in relation to any goods, means any act or omission which will render such goods liable to confiscation under section 111 or section 113;
- (40) “Tariff value”, in relation to any goods, means the tariff value fixed in respect. thereof under sub-section (2) of section 14;
- (41) “Value”, in relation to any goods, means the value thereof determined in accordance with the provisions of sub-section (1) of section 14;
- (42) “Vehicle” means conveyance of any kind used on land and includes a railway vehicle;
- (43) “Warehouse” means a public warehouse appointed under section 57 or a private warehouse licensed under section 58;
- (44) “Warehoused goods” means goods deposited in a warehouse;

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

IMPORT / EXPORT RESTRICTIONS / PROHIBITIONS UNDER CUSTOMS LAW

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

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

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

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

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

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

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

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

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

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

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

POWER TO PROHIBIT IMPORTATION OR EXPORTATION OF GOODS-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30[28AA. INTEREST ON DELAYED PAYMENT OF DUTY

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

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

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

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

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

further increased.]

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

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

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

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

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

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

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

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

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

RESTRICTIONS ON CUSTODY AND REMOVAL OF IMPORTED GOODS-

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

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

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

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

DUTY DRAWBACK

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

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

The following are Drawbacks:

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

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

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

DUTY FREE ZONE

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

duty free.

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

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

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

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

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

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

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

graduates from the LDC group. INDIA'S DUTY-FREE TARIFF PREFERENCE FOR LDCs

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

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

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

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

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

OFFENCES AND PENALTIES

Types of Punishments

The Customs Act envisages two types of punishments:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

POSSIBLE QUESTIONS

PART – A (1 mark) (Online examination)

PART – B (8 Marks)

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

DEPARTMENT OF COMMERCE

II B.Com (PA)

INDIRECT TAXATION (18PAU402)

UNIT -V

QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER					
1. Customs duty is imposed an_____	customs act 1965	customs act 1962	customs act 1949	customs act 1955	customs act 1962					
2. Safeguard domestic trade is imposed on _____goods	export	interstate	import	local sales	import					
3. First schedule of customs act 1975 _____	export tariff	control tariff	local tariff	import tariff	import tariff					
4. second schedule of customs act 1975 is_____	Export tariff	interchange tariff	local tariff	multi tariff	export tariff					
5. Basic customs duty is based on _____of goods	actual value	basis value	standard value	preferential value	basis value					
6. Government is empowered _____of customs act is prescribe notification	sec 10	sec 25	sec 35	sec 45	sec25					
7. _____Goods could not suffer excise duty	Exported	local stated	Imported	local valuable	imported					
8. _____additional duties levied on imported goods	special additional duty	protective	anti dumping duty	additional duty	protective					
9. Exporter sells the product to an exporting country at _____price	high	very high	less	very less	less					
10. _____of customs act to safeguard the interest of domestic industry	sec 9A	sec8b	sec 18	sec 19	Sec 8B					
11. _____is levied on dumped articles	anti dumping duty	valorem duty	safeguard duty	protective duty	Anti-dumping duty					
12. _____means customs port and customs airport	customs area	customs station	customs goods	customs duty	Customs station					
13. _____goods kept in ware house called warehouse goods	exort	import	interlocal	local	import					
14. _____means all goods ,personal effects brought in commercial quantities	warehouse	bonafide baggage	baggage	imports	baggage					
15. _____of the customsact empowers the central govt from import and export	sec 9	sec 10	sec11	sec8	sec 11					
16. _____goods are Illegal import of highly notified by central govt	imported	exported	notified	identified	notified					
17. The notified goods required within _____ days from the date	8	7	6	2	7					
18. _____of the customs act may the powers to board	sec 3	sec 4	sec 5	sec 7	sec4					

19. Large manufacturer from abroad export goods at_____prices	very high	high	less	very less	very high					
20. Foreign_____or aircraft means any vessel or aircraft at the time of carriage	coming vessel	lodging vessel	going vessel	updating	going vessel					
21. _goods means any goods brought into india from outside india	export	import	inter state	local	import					
22. _____means the import of goods in contravention of provisions	legal import	statutory import	Illegal import	local import	Illegal import					
23. _means a place intimated in subscion	section	sub section	specified section	intimated section	subsection					
24. _____government is satisfied expenditure public interest measures	state	central	local	union territory	central					
25. After the expiry of seven days from specified date _____to the subsection	exempted goods	marketable goods	specified goods	intimated goods	specified goods					
26. Transport of specified goods to be covered to be covered by	receipts	payments	invoice	vouchers	vouchers					
27. Assessable value is determined by _____of identical goods	computed	transaction value	deducted value	residual value	transaction value					
28. Section 25 of the customs act _____to issue special orders	state	central	tax authorities	public authorities	central					
29. Customs act provides remission duty on goods lost on _____consumption	home	industry	business	natural	home					
30. _____is not liable to pay abandoned goods	sellers	buyers	owners	wholesalers	owners					
31. _is not possible and goods are physically lost	Abandonment	restoration	time point	destroyed	restoration					
32. _of customs may permit an importer to enter general bond	commissioner	executed	Deputy commissioner	official government	deputy commissioner					
33. _have been compiled in respect of goods	sec 30	sec 49	sec 38	sec 59	sec59					
34. _____intended to use 100% export oriented	consumable goods	capital goods	customs goods	producing goods	capital goods					
35. A _____has been presented in such goods of export	shipping bill	clearance bill	export bill	payment bill	shipping bill					
36. Rebate of duty is chargeable on _____on goods	Producing	manufacturing	packing	purchasing	manufacturing					
37. All Industry rate is not cover _____of the drawback	85%	88%	80%	90%	80%					
38. _____have been defined in subsection	relative goods	prohibited goods	customs goods	notified goods	prohibited goods					
39. Conservation of _____safeguarding payments	Excise duty	foreign exchange	customs goods	export goods	foreign exchange					
40. Central govt has issued notification to	sensitive	notified	regulative	restrictive	sensitive					

import of _____	goods	goods	goods	g goods	goods					
41. Notified goods means goods specified in the notification issued under section _____	IIA	.IIB	IIIC	.IVC	.IIB					
42. Goods shall be taken from one place to another only when they are accompanied by _____	cash	transport voucher	.Bills	.document paper	transport voucher					
43. The statement containing particulars of notified goods duly signed must be delivered in _____	.duplicate	original	.accounts	voucher	.duplicate					
44. Valuation of goods under customs Act dealt under _____	.Section 10	section 12	section 14	.section 25	section 14					
45. The valuation rules, 1988 based on GATT valuation code, provides _____	.Five methods of valuation	six methods of valuation	seven methods of valuation	eight methods of valuation	six methods of valuation					
46. Assessable value under the customs Act, 1962 excludes _____	.Landing charges	Insurance	cost of transport of the importation	travelling charges	cost of transport of the importation					
47. The GATT valuation code came into effect from _____	1.1.81	1.2.81	1.3.81	12.81	1.1.81					
48. India started implementing the GATT valuation code from _____	.18.8.1985	18.8.1988	18.8.1990	18.8.1991	18.8.1988					
49. The central government has powers to prohibit importation and exportation of goods under section _____ of customs Act	10	0.13	12	11	11					
50. Entry 83 to list (union List) of _____ schedule to constitution reads duties of customs including export duties.	sixth	seventh	fourth	fifth	seventh					
51. Central Government can grant partial/full exemption from duty under section _____ of the customs Act.	26	0.22	0.23	0.25	0.25					
52. Section 25(1) of the customs Act authorises the _____ to issue notification granting exemptions from duty.	state government	central government	.Municipality	Local authority	central government					
53. The exemptions granted under the customs Act are broadly classified as _____ & _____	.general , specific	ordinary , Special	special , compliment	compound , special	.general , specific					
54. Penalty for attempt to export goods improperly on persons concerned would not exceed _____ times the value of goods.	.Three	.four	.five	Ten	special , compliment					
55. For effective shipment, the exporter or his agent should file a shipping bill in _____	duplicate	triplicate	quadruplicate	original	duplicate					
56. Shipping bills should be filed in the customs House within _____ days before the arrival of the loading vessel.	7 days	.14 days	.21 days	30 days	triplicate					

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

18PAU402**INDIRECT TAXATION****Semester – IV****6H – 5C****Instruction Hours / week: L: 6 T: 0 P: 0****Marks: Internal: 40****External: 60****Total: 100****End Semester Exam: 3 Hours****COURSE OBJECTIVES:****To make the students**

1. To Understand the Concept of indirect taxes emphasizing GST, CGST/IGST/SGST/UTGST and customs law.
2. To learn and compute the GST liabilities.
3. To know how to register GST and apply the GST provisions.
4. To communicate orally and in written form the indirect taxations concepts and provisions.
5. To be familiar with the standards and laws pertaining to the GST and customs and utilize for lifelong practical application.

COURSE OUTCOMES:**Learners should be able to**

1. Comprehend on the Concept of indirect taxes emphasizing GST, CGST/IGST/SGST/UTGST and customs law.
2. Comprehend and compute GST liabilities.
3. Know the procedure to register GST and apply GST provisions to business situations.
4. Communicate orally and in written form the indirect taxations concepts and provisions.
5. Familiar with the standards and laws pertaining GST and customs and utilize for lifelong practical application.

UNIT I CONCEPT OF INDIRECT TAXES

Concept of Indirect Taxes at a glance : Background; Constitutional powers of taxation; Indirect taxes in India – An overview; Pre-GST tax structure and deficiencies; Administration of Indirect Taxation in India; Existing tax structure.

UNIT II BASICS OF GOODS AND SERVICES TAX ‘GST’

Basics concept and overview of GST; Constitutional Framework of GST; GST Model – CGST / IGST / SGST / UTGST; Taxable Event; Concept of supply including composite and mixed supply; Levy and collection of CGST and IGST; Composition scheme & Reverse Charge; Exemptions under GST.

UNIT III CONCEPT OF TIME, VALUE & PLACE OF TAXABLE SUPPLY:

Basic concepts of Time and Value of Taxable Supply; Basics concept of Place of Taxable Supply. Input Tax Credit & Computation of GST Liability- Overview.

UNIT IV PROCEDURAL COMPLIANCE UNDER GST :

Registration; Tax Invoice, Debit & Credit Note, Account and Record, Electronic way Bill; Return, Payment of Tax, Refund Procedures; Audit.

Basic overview on Integrated Goods and Service Tax (IGST), Union Territory Goods and Service tax (UTGST), and GST Compensation to States.

UNIT V OVERVIEW OF CUSTOMS ACT :

Overview of Customs Law; Levy and collection of customs duties; Types of Custom duties; Classification and valuation of import and export goods; Exemption; Officers of customs; Administration of Customs Law; Import and Export Procedures; Transportation, and Warehousing; Duty Drawback; Demand and Recovery; Confiscation of Goods and Conveyances; Refund.

Note: Distribution of marks - 30% theory and 70% problems

SUGGESTED READINGS :

1. V S Datey, Indirect taxes Law and Practice (2019), 42nd Edition, Taxmann Publication, New Delhi.
2. Dr. H.C. Mehrotra, Prof. V.P. Agarwal (2017), Indirect Taxes, 18th Revised Edition, Sahitya Bhawan Publications, New Delhi.
3. Dr Girish Ahuja , Dr Ravi Gupta (2018), Practical Approach to Direct and Indirect Taxes: Containing Income Tax and GST, 37th edition, Wolters Kluwer India Private Limited, New Delhi.
4. Pawan Dhiman (2018), Direct and Indirect Tax Manual, 1st Edition, KSK Publisher and Distributors, New Delhi.
5. The Institute of Cost Accountants of India (2018), Indirect Taxation, Directorate of Studies/
<https://icmai.in/TaxationPortal/GST/index.php>



KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University)

(Established under section 3 of UGC Act 1956)

Coimbatore-641021

Department of Commerce (Professional Accounting)

Name: **R. Jayalakshmi**

Department: **Commerce (PA)**

Subject Code: **16PAU402**

Semester: **IV**

Year: **2019 - 2020 Batch**

Subject: **Indirect Taxation**

Lesson Plan

UNIT 1			
S.No	Lecture Hours	Contents	References
1	1	Concept of Indirect Taxes	R2 8-9
2	1	Background of Indirect Taxes	R2 10-11
3	1	Constitutional powers of Taxation	R3 1.14-1.17
4	1	Indirect Taxes in India – An overview	R3 1.29-1.34
5	1	Principles of Indirect Taxes in India, Pre-GST tax structure	R2 12-17
6	1	Deficiencies in pre-GST tax structure, Administration of Indirect Taxation in India	R3 1.25,1.34-1.37 R2 18-25
7	1	Benefits of Indirect taxation	R2 30-32
8	1	Limitations of Indirect taxation	R2 32-33
9	1	Existing tax structure	R2 28-30
10	1	Recapitulation and discussion of important questions	
Total Number of hours planned for Unit 1			10
UNIT 2			
1	1	Basic concepts and overview of GST	R2 39-40
2	1	Constitutional framework of GST	R2 41-43
3	1	GST Model-CGST, SGST, UTGST, IGST	R2 91-93
4	1	Needs of GST, Advantages of GST	R2 43-44, R2 87-92

5	1	Taxable Event	R3 3.11
6	1	Concept of Supply including composite and mixed supply	R2 110-111
7	1	Levy and collection of CGST and IGST	R2 160-163
8	1	Composition scheme and Reverse Charge	R2 105-121, R2 125-127
9	1	Exemptions under GST	R2 46, 53, 82
10	1	Recapitulation and discussion of Important questions	
Total Number of hours planned for Unit 2			10
UNIT 3			
1	1	Basic concept of Time	R2 115-117
2	1	Value of Taxable Supply	R2 117-119
3	1	Basic concept of Place of Taxable Supply	R2 119
4	1	Input Tax Credit, Claims of Input Tax Credit	R2 119-120
5	1	Eligibility and conditions for Input Tax Credit	R2 120-121
6	1	Documents required for claiming Input Tax Credit	R2 178
7	1	Determinants of nature of supply, Zero rated supply	R2 108-109, R2 111-112
8	1	Composition levy	R2 112-114
9	1	Computation of GST Liability-Overview	R2 39-41
10	1	Recapitulation and discussion of Important questions	
Total Number of hours planned for Unit 3			10
UNIT 4			
1	1	Registration procedure under GST	R2 127
2	1	Tax invoice under GST	R3 6.28-6.30
3	1	Debit and Credit Note	W1
4	1	Account and Record	W1
5	1	Electronic way bill	R2 62-63

6	1	Return for GST	R2 173-176
7	1	Payment of Tax	W1
8	1	Refund procedure under GST	W1
9	1	Audit compliance under GST	W1
10	1	Scope of tax Audit, Compulsory Tax Audit	R3 9.3-9.5
11	1	Audit Report, Audit of Accounts for claiming deductions	R3 9.5-9.6, W1
12	1	Integrated Goods and Service Tax	R2 160-163
13	1	Union Territory Goods and Service Tax	R2 93
14	1	GST compensation to States	R2 104-105
15	1	Recapitulation and discussion of Important questions	
Total Number of hours planned for Unit 4			15
UNIT 5			
1	1	Overview of Customs Law, Levy and collection of customs duties	R2 1.84-1.85, R3 3.10-3.11
2	1	Types of customs duties	R2 189-192
3	1	Types of customs duties	R2 189-192
4	1	Classification and valuation of import and export goods	R2 217-224
5	1	Exemption from duty, Officers of customs	R2 214-216, R3 3.9-3.10
6	1	Administration of customs law	R3 3.9-3.10
7	1	Import procedures, Export procedures	R2 193-205
8	1	Transportation and warehousing	R3 3.43-3.45
9	1	Duty drawback, Demand and Recovery	R2 225-228, R3 3.35-3.36
10	1	Confiscation of goods and conveyances	R3 3.62-3.65
11	1	Refund of customs duties paid	R3 3.33-3.35
12	1	Recapitulation and discussion of Important questions	

13	1	Discussion of previous year ESE Question papers	
14	1	Discussion of previous year ESE Question papers	
15	1	Discussion of previous year ESE Question papers	
Total Number of hours planned for Unit 5 and discussion of previous year ESE Question papers			15
Total Number of hours allotted for all five units			60

SUGGESTED READINGS:

R 1 – V.S.Datey, Indirect Taxes Law and Practice(2019) Taxmann Publication, New Delhi.

REFERENCES

R2 – Dr.V.VijayaGanesh, (2017) A Text Book of Indirect Tax (Including GST), Sri Mahalakshmi Publishers.

R3 – T.S.Reddy and Y.Hariprasad Reddy, Business Taxation (Indirect Taxes), Margham Publications, Chennai.

Websites:

W1 – www.cbic.gov.in

W2 – www.gst.gov.in

W3 – www.gstindia.com

W4 – www.icai.org

SYLLABUS**Unit – I CONCEPT OF INDIRECT TAXES**

Concept of Indirect Taxes at a glance : Background; Constitutional powers of taxation; Indirect taxes in India – An overview; Pre-GST tax structure and deficiencies; Administration of Indirect Taxation in India- Existing tax structure.

INTRODUCTION TO INDIRECT TAXATION**INTRODUCTION**

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

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

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

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

MEANING

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

Indirect Tax and Direct Tax

In case of direct tax, tax is to be collected in pecuniary term by an individual directly out of income they have earned. But in case of indirect tax, tax is paid indirectly by the consumer out of rest of amount of income earned. In case of direct tax, assesses is bound to pay the tax whether his willingness is there or nor but in case of indirect tax, consumer pays the tax voluntarily. Assessee can only be a person who earns his income under income tax act whereas, in case of indirect tax, a 5 year old child can also be the consumer who pays the tax indirectly. In case of direct tax, assesses pays the tax @ x at income earned and he may not pay the tax if he is exempted from paying tax in that financial year under tax slabs whereas in case of indirect tax no exemption if provided by the authority of law and consumer has to pay the tax separately from the amount of actual cost of the product which makes the product more costlier.

Paid tax can be claimed back or adjusted in income tax where as normally it is not always

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

Extent of Taxation under Constitution of India:

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

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

Only those provisions which are inconsistent with our constitution will be struck down for the time being and other will be applicable in same manner. Under Article 255, when there is a controversy between international law and municipal law, international law will prevail in India.

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

FEATURES OF INDIRECT TAX

1. The Scientific Division of Tax Powers:

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

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

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

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

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

2. Multiplicity of Tax Structure

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

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

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

of the Central Government grew by 17.6 percent and 19.9 percent in 2003-04 and 2004 – 05, respectively.

3. Larger share of Indirect Taxes

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

4. Insufficient Tax Revenue

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

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

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

6. Incidence of Taxation

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

higher income and taxpaying capacity.

7. Progressiveness in Tax Structure:

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

8. Narrow Base

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

9. Complexity of Indian Tax Laws:

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

10. Integration between Centre and Sate Revenue:

After independence concrete efforts were made to organize the tax structure scientifically in tune with the requirements of a federal set of government. At present there is well-organized machinery for the collection distribution and expenditure of the revenue. Now the tax system is

well structured to generate sufficient revenue to meet the requirements of development objectives. However we can point out a number of short comings in Indian tax structure. It is usually argued that Indian tax system is unscientific because it doesn't provide any stimulation for production investment and saving activities of the government.

TYPES OF INDIRECT TAX

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

- (1) The duty is on goods.
- (2) The goods must be excisable.
- (3) The goods must be manufactured or produced.
- (4) Such manufacture or production must be in India.

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

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

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

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

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

Service Tax

The interesting thing about Service Tax in India is that the Government depends heavily on the voluntary compliance of the service providers for collecting Service Tax in India. When it was

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

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

Value Added Tax

VAT is kind of indirect tax. It is paid at each state of sale on the value added to a product. Value Added Tax Act is enacted to levy VAT. For an instance, A extracted iron ore, so A will pay tax on quantum of iron ore sold to B. this iron ore becomes raw material for B and if B manufactures steel sheets, then a new product is invented with new purpose and if B sells this sheet to C and C manufactures steel good then again a new product with new use is invented. In this case B and C both have to pay VAT at different rates as their final product is different. Thus, it can be said that VAT is imposed if a new goods is invented which has different purpose, different name and different characteristics. If any of these essential elements is not fulfilled then, VAT

cannot be imposed. Thus, it is multi point levy of VAT on supply chain upon each entity. VAT rates vary from state to state on petrol, tobacco, alcohol etc. VAT rates are administered by state governments and it is similar to sales tax. VAT is levied or charged as soon as some value is added to the raw material. The value addition in the hands of each of the entities is subject to tax. VAT can be computed by using any of the three methods:

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

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

Central sales Tax

Central sales tax is levied upon a dealer on sale of all goods during their transaction in inter- state trade or commerce or in outside state trade transaction. This transaction can be inter-state sale even if the seller and buyer are from same state but goods are transferred from one state to another under contract of sale during their transition by transfer of documents. The state from where the goods are moved out, tax will be levied on that state based on that state sales rate. Sales tax cannot be levied upon the sale or purchase of good outside that state and import and export of any goods outside the India. If sale is made to reseller and tax exempted institutions are two conditions where this Central Sales Tax is exempted. Sales Tax are of two kinds- Central Sales Tax which is to be levied on inter-state sale and purchase of goods by the parliament and another

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

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

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

Customs duty

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

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

1. Basic Duty
 2. Additional Duty (Countervailing Duty) (CVD)
 3. Additional Duty to compensate duty on inputs used by Indian manufacturers
 4. Anti-dumping Duty
-

5. Protective Duty
6. Duty on Bounty Fed Articles
7. Export Duty
8. Cess on Export
9. National Calamity Contingent Duty
10. Education Cess
11. Secondary and Higher Education Cess
12. Road Cess
13. Surcharge on Motor Spirit

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

Expenditure Tax

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

Stamp Duties

Stamp duties are paid on rates basis. This —rates| are mainly prescribed by central

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

Securities Transaction Tax (STT)

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

OBJECTIVES OF INDIRECT TAX

1. Tax Planning:

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

2. Tax Accounting

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

3. Tax Compliance:

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

4. Tax Governance:

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

5. Support Other Departments:

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

6. Audit Defence

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

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

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

2. Elasticity of Taxation:

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

In developing countries, the share of tax revenue as a proportion of national income is low as compared to the developed countries. This share of tax revenue will rise as national income

increases, if the tax system is sufficiently elastic. Progressive taxation of income and wealth provides this elasticity to the tax system. Impositions of higher indirect (axes on luxury goods having a high income elasticity of demand also makes the tax system elastic.

3. Diversity:

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

4. Taxation as in Instrument of Economic Growth:

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

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

5. Taxation as an Instrument for Improving Income Distribution:

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

6. Taxation for Ensuring Economic Stability:

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

CANNON OF TAXATION

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

1. Canon of Equality

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

2. Canon of Certainty:

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

The certainty aspects of taxation are:

1. Certainty of effective incidence i.e., who shall bear the tax burden.
2. Certainty of liability as to how much shall be the tax amount payable in a particular

period. This the tax payers as well as the exchequer should unambiguously know.

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

3. Canon of Economy:

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

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

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

4. Canon of Convenience:

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

5. Canon of Elasticity:

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

6. Canon of Productivity:

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

7. Canon of Simplicity:

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

8. Canon of Diversity:

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

9. Canon of Expediency:

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

TAX SYSTEM IN INDIA

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

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

DIRECT TAXES

These taxes are levied directly on the persons.

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

Some of the direct taxes are-

1. Income Tax-

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

2. Corporate Income Tax –

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

3. Securities Transaction Tax-

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

4. Banking Cash Transaction Tax -

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

INDIRECT TAXES-

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

Some examples of Indirect Taxes are-

1. Value Added Tax

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

Current rate-

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

2. Customs Duty –

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

3. Excise Duty –

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

4. Service Tax-

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

Current rate- 12

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

social welfare

social infrastructure like education, health etc

social security measures like pensions for the elderly, unemployment benefits

Taxation System in India

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

Service Tax

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

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

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

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

Service Tax and Indian Constitution

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

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

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

GST

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

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

Constitutional Amendment for GST

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

PROS AND CONS OF INDIRECT TAX

Advantages of Indirect Taxes:

Indirect taxes have advantages of their own.

(i) The Poor Can Contribute:

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

(ii) Convenient:

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

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

(iii) Non-evadable:

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

(iv) Elastic:

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

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

(vi) Check Harmful Consumption: .

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

Disadvantages of Indirect Taxes:

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

(i) **Regressive:**

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

(ii) **Uncertain:**

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

(iii) **Raising Prices Unduly:**

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

(iv) **Uneconomical:**

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

(v) No Civic Consciousness:

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

(vi) Harmful to Industries:

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

CONTRIBUTION OF INDIRECT TAX TO GOVERNMENT REVENUE

Economists say that governments must strive to collect more revenue from direct taxes and comparatively lesser from the regressive indirect taxes if they want to reduce inequality. But a close look at data since 2009-10 indicates that India has moved in the opposite direction. For, while collections from direct taxes such as corporate tax and personal income tax have risen in absolute terms, their contribution to India's total tax revenue has fallen. On the other hand, the share of indirect taxes such as excise duty, customs and service tax has risen. Direct taxes accounted for a tad above 60% of the total tax collections in 2009-10. In 2016-17, their share is estimated to fall to less than 52% of the budgeted gross tax revenue of Rs 16.3 lakh crore. This is almost entirely because of a drop in the share of corporate taxes from about 39% to roughly 30%. Also, direct taxes have been growing at a slower pace than indirect taxes. The estimated growth in collections from corporation tax and income tax from 2012-13 to 2016-17 is 52%. This compares with the estimated 64% rise in revenue from excise duty, service tax and customs duty during the period.

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

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

DEVELOPMENT OF INDIRECT TAXATION

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

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

2. Indirect taxes are adapting to new economic realities:

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

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

3. The global trade landscape is changing fast:

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

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

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

CONSTITUTIONAL SCHEME OF INDIRECT TAXATION IN INDIA

BEFORE GST:

1. Article 265 of the Constitution of India provides that no tax shall be levied or collected except by authority of law. As per Article 246 of the Constitution, Parliament has exclusive powers to make laws in respect of matters given in Union List (List I of the Seventh Schedule) and State Government has the exclusive jurisdiction to legislate on the matters containing in State List (List II of the Seventh Schedule). In respect of the matters contained in Concurrent List (List III of the Seventh Schedule), both the Central Government and State Governments have concurrent powers to legislate.
2. Before advent of GST, the most important sources of indirect tax revenue for the Union were customs duty (entry 83 of Union List), central excise duty (entry 84 of Union List), and service tax (entry 97 of Union List). Although entry 92C was inserted in the Union List of the Seventh Schedule of the Constitution by the Constitution (Eighty-eighth Amendment) Act, 2003 for levy of taxes on services, it was not notified. So tax on

services were continued to be levied under the residual entry, i.e. entry 97, of the Union List till GST came into force. The Union also levied tax called Central Sales Tax (CST) on inter-State sale and purchase of goods and on inter-State consignments of goods by virtue of entry 92A and 92B respectively. CST however is assigned to the State of origin, as per Central Sales Tax Act, 1956 made under Article 269 of the Constitution.

3. On the State side, the most important sources of tax revenue were tax on sale and purchase (entry 54 of the State List), excise duty on alcoholic liquors, opium and narcotics (entry 51 of the State List), Taxes on luxuries, entertainments, amusements, betting and gambling (entry 62 of the State List), octroi or entry tax (entry 52 of the State List) and electricity tax ((entry 53 of the State List). CST was also an important source of revenue though the same was levied by the Union.

HISTORICAL EVOLUTION OF INDIRECT TAXATION IN POSTINDEPENDENCE

INDIA TILL GST:

1. In post-Independence period, central excise duty was levied on a few commodities which were in the nature of raw materials and intermediate inputs, and consumer goods were outside the net by and large. The first set of reform was suggested by the Taxation Enquiry Commission (1953-54) under the chairmanship of Dr. John Matthai. The Commission recommended that sales tax should be used specifically by the States as a source of revenue with Union governments' intervention allowed generally only in case of inter-State sales. It also recommended levy of a tax on inter-State sales subject to a ceiling of 1%, which the States would administer and also retain the revenue.
2. The power to levy tax on sale and purchase of goods in the course of inter- State trade and commerce was assigned to the Union by the Constitution (Sixth Amendment) Act, 1956. By mid-1970s, central excise duty was extended to most manufactured goods. Central excise duty was levied on unit, called specific duty, and on value, called ad valorem duty.

The number of rates was too many with no offsetting of taxes paid on inputs leading to significant cascading and classification disputes.

3. The Indirect Taxation Enquiry Committee constituted in 1976 under Shri L K Jha recommended, *inter alia*, converting specific rates into *ad valorem* rates, rate consolidation and input tax credit mechanism of value added tax at manufacturing level (MANVAT). In 1986, the recommendation of the Jha Committee on moving on to value added tax in manufacturing was partially implemented. This was called modified value added tax (MODVAT). In principle, duty was payable on value addition but in the beginning it was limited to select inputs and manufactured goods only with one-to-one correlation between input and manufactured goods for eligibility to take input tax credit. The comprehensive coverage of MODVAT was achieved by 1996-97.
4. The next wave of reform in indirect tax sphere came with the New Economic Policy of 1991. The Tax Reforms Committee under the chairmanship of Prof. Raja J Chelliah was appointed in 1991. This Committee recommended broadening of the tax base by taxing services and pruning exemptions, consolidation and lowering of rates, extension of MODVAT on all inputs including capital goods. It suggested that reform of tax structure must have to be accompanied by a reform of tax administration, if complete benefits were to be derived from the tax reforms. Many of the recommendations of the Chelliah Committee were implemented. In 1999-2000, tax rates were merged in three rates, with additional rates on a few luxury goods. In 2000-01, three rates were merged into one rate called Central Value Added Tax (CENVAT). A few commodities were subjected to special excise duty.
5. Taxation of services by the Union was introduced in 1994 bringing in its ambit only three services, namely general insurance, telecommunication and stock broking. Gradually, more and more services were brought into the fold. Over the next decade, more and more services were brought under the tax net. In 1994, tax rate on three services was 5% which gradually increased and in 2017 it was 15% (including cess). Before 2012, services were taxed under a 'positive list' approach. This approach was prone to 'tax avoidance'. In

2012 budget, negative list approach was adopted where 17 services were out of taxation net and all other services were subject to tax. In 2004, the input tax credit scheme for CENVAT and Service Tax was merged to permit cross utilization of credits across these taxes.

6. Before state level VAT was introduced by States in the first half of the first decade of this century, sales tax was levied in States since independence. Sales tax was plagued by some serious flaws. It was levied by States in an uncoordinated manner the consequences of which were different rates of sales tax on different commodities in different States. Rates of sales tax were more than ten in some States and these varied for the same commodity in different States. Inter-state sales were subjected to levy of Central Sales Tax. As this tax was appropriated by the exporting State credit was not allowed by the dealer in the importing State. This resulted into exportation of tax from richer to poorer states and also cascading of taxes. Interestingly, States had power of taxation over services from the very beginning. States levied tax on advertisements, luxuries, entertainments, amusements, betting and gambling.

7. A report, titled "Reform of Domestic Trade Taxes in India", on reforming indirect taxes, especially State sales tax, by National Institute of Public Finance and Policy under the leadership of Dr. Amaresh Bagchi, was prepared in 1994. This Report prepared the ground for implementation of VAT in States. Some of the key recommendations were; replacing sales tax by VAT by moving over to a multistage system of taxation; allowing input tax credits for all inputs, including on machinery and equipment; harmonization and rationalization of tax rates across States with two or three rates within specified bands; pruning of exemptions and concessions except for a basic threshold limit and items like unprocessed food; zero rating of exports, inter-State sales and consignment transfers to registered dealers; taxing inter-State sales to non-registered persons as local sales; modernization of tax administration, computerization of operations and simplification of forms and procedures.

8. The first preliminary discussion on transition from sales tax regime to VAT regime took place in a meeting of Chief Ministers convened by the Union Finance Minister in 1995. A standing Committee of State Finance Ministers was constituted, as a result of meeting of the Union Finance Ministers and Chief Ministers in November, 1999, to deliberate on the design of VAT which was later made the Empowered Committee of State Finance Ministers (EC). Haryana was the first State to implement VAT, in 2003. In 2005, VAT was implemented in most of the states. Uttar Pradesh was the last State to implement VAT, from 1st January, 2008.

CONSTITUTIONAL AMENDMENT:

1. As explained above, unification of Central VAT and State VAT was possible in form of a dual levy under the constitutional scheme. Power of taxation is assigned to either Union or States subject-wise under Schedule VII of the Constitution. While the Centre is empowered to tax goods up to the production or manufacturing stage, the States have the power to tax goods at distribution stage. The Union can tax services using residuary powers but States could not. Under a unified Goods and Services Tax scheme, both should have power to tax the complete supply chain from production to distribution, and both goods and services. The scheme of the Constitution did not provide for any concurrent taxing powers to the Union as well as the States and for the purpose of introducing goods and services tax amendment of the Constitution conferring simultaneous power on Parliament as well as the State Legislatures to make laws for levying goods and services tax on every transaction of supply of goods or services was necessary.
2. The Constitution (115th Amendment) Bill, 2011, in relation to the introduction of GST, was introduced in the Lok Sabha on 11.03.2011. The Bill was referred to the Standing Committee on Finance on 29.03.2011. The Standing Committee submitted its report on the Bill in August, 2013. However, the Bill, which was pending in the Lok Sabha, lapsed with the dissolution of the 15th Lok Sabha.

3. The Constitution (122nd Amendment) Bill, 2014 was introduced in the 16th Lok Sabha on 19.12.2014. The Constitution Amendment Bill was passed by the Lok Sabha in May, 2015. The Bill was referred to the Select Committee of Rajya Sabha on 12.05.2015. The Select Committee submitted its Report on the Bill on 22.07.2015. The Bill with certain amendments was finally passed in the Rajya Sabha and thereafter by Lok Sabha in August, 2016. Further the bill was ratified by required number of States and received assent of the President on 8th September, 2016 and has since been enacted as Constitution (101st Amendment) Act, 2016 w.e.f. 16.09.2016.

4. The important changes introduced in the Constitution by the 101st Amendment Act are the following:

a) Insertion of new article 246A which makes enabling provisions for the Union and States with respect to the GST legislation. It further specifies that Parliament has exclusive power to make laws with respect to GST on inter- State supplies.

b) Article 268A of the Constitution has been omitted. The said article empowered the Government of India to levy taxes on services. As tax on services has been brought under GST, such a provision was no longer required.

c) Article 269A has been inserted which provides for goods and services tax on supplies in the course of inter-State trade or commerce which shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council. It also provides that Parliament may, by law, formulate the principles for determining the place of supply, and when a supply of goods, or of services, or both takes place in the course of inter-State trade or commerce.

d) Article 270 has been amended to provide for distribution of goods and services tax collected by the Union between the Union and the States.

e) Article 271 has been amended which restricts power of the Parliament to levy surcharge under GST. In effect, surcharge cannot be imposed on goods and services which are subject to tax under Article 246A.

f) Article 279A has been inserted to provide for the constitution and mandate of GST Council.

g) Article 366 has been amended to exclude alcoholic liquor for human consumption from the ambit of GST, and services have been defined.

h) Article 368 has been amended to provide for a special procedure which requires the ratification of the Bill by the legislatures of not less than one half of the States in addition to the method of voting provided for amendment of the Constitution. Thus, any modification in GST Council shall also require the ratification by the legislatures of one half of the States.

i) Entries in List I and List II have been either substituted or omitted to restrict power to tax goods or services specified in these Lists or to take away powers to tax goods and services which have been subsumed in GST.

j) Parliament shall, by law, on the recommendation of the Goods and Services Tax Council, provide for compensation to the States for loss of revenue arising on account of implementation of the goods and services tax for five years.

k) In case of petroleum and petroleum products, it has been provided that these goods shall not be subject to the levy of Goods and Services Tax till a date notified on the recommendation of the Goods and Services Tax Council.

PART A

ONLINE EXAMINATION

PART B

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

PART C

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

KARPAGAM ACADEMY OF HIGHER EDUCATION

DEPARTMENT OF COMMERCE

II B.Com (PA)

INDIRECT TAXATION (18PAU402)

UNIT -1

QUESTION	OPTION A	OPTION B	OPTION C	OPTION D	ANSWER			
1. _____ will get tax revenue from sales tax, excise on liquor.	state government	central government	local authorities	revenue department	State government			
2. Sales tax, central sales tax is levied by _____	state government	individual state	administration of government	Central government	Central government			
3. Tax is derived from latin word _____	taxone	individual state	taxore	taxmine	Taxore			
4. tax state to cover his share of the cost to _____	central government	individual state	general public service	consumers	General public service			
5. Tax imposes a _____ on the taxpayers	compulsory obligation	individual state	direct obligation	indirect obligation	personal obligation			
6. The basic purpose of taxation is _____	Increasing revenue	raising revenue	enormous revenue	imposes revenue	raising revenue			
7. Abnormal demand will be reduced , _____ can be achieved	economic stability	inflation	deflation	increasing demand	economic stability			
8. Removal of regional imbalances, the government can use _____	tax policy	tax measures	tax exemptions	tax concessions	tax measures			
9. Payment of tax through banks will be another measure of _____	compulsory	convenience	collection	adequate service	convenience			
10. Lesser demand means _____ of industrialization	lower price	lower growth	lower supply	lower rate	lower growth			
11. Indirect taxes _____ the prices of products	Increase the price	decrease the price	inflation	deflation	Increase the price			
12. Indirect taxes are included in the _____ of the commodities	Purchase price	Product price	selling price	spending amount	selling price			
13. Direct taxes are based on the principle of _____ to pay	willingness	ability	wealth	On come	Ability			
14. Direct taxes create _____ among tax payers	confidence	consciousness	capability	responsibility	consciousness			
15. consumers paid _____ while purchasing commodities	large amounts	Small amounts	medium amounts	enlarge amounts	small amounts			
16. Indirect taxes are _____ in nature	progressive nature	Rice	poor	regressive	Regressive			
17. Tax evasion is _____ part of the price of goods	tax ability	tax paying	tax forms	tax arise	tax ability			
18. tax rates creates _____ leading to increase in cost	Taxability	deflation	Inflation	tax evasion	Inflation			
19. Impact of _____ falls on the	excise duty	sales tax	customs duty	Vat	excise duty			

manufacturer.								
20. collection of Indirect tax constitute over _____ of the tax revenue.	75%	81%	71%	86%	71%			
21. Political factors are influencing _____ of government.	tax returns	tax evasion	tax policy	tax system	tax policy			
22. Concurrent list contain entries of _____ and state governments	Union	Central	exclusive	constitution	Union			
23. state government has exclusive powers enumerated in _____ in seventh schedule	List I	List II	List IV	List V	List II			
24. Heavy duties on non-essential goods, discourage the _____ of such goods.	Sales	Consumption	Production	Purchase	Production			
25. Employment opportunities can be created by _____	tax concessions	tax exemptions	tax evasions	tax system	Tax concessions			
26. The _____ of collection of tax, more productive in Administration	lower the cost	higher the cost	medium of cost	escaping cost	lower the cost			
27. Simplicity of tax laws will enable _____ to the taxpayers	tax compliance	tax evasion	tax effort	tax exemption	Tax compliance			
28. Tax evasion as _____	tax system	tax effort	tax forms	taxcost	tax forms			
29. Tax is a levy on other than _____	products	services	goods	cost	Goods			
30. _____ are levied on higher rate of taxes	luxurious articles	gifts	consumable goods	commodities	Gifts			
31. principle of economy is achieved in case of _____	Indirect tax	direct tax	sales tax	customs duty	direct tax			
32. Indirect taxes are those which strike the citizen income in _____	private consumption	Public consumption	common consumption	property consumption	private consumption			
33. Tax liability increase in the same proportion is called _____	Proportional taxation	progressive taxation	regressive taxation	depressive taxation	proportional taxation			
34. _____ in a system in which taxes are levied only on one subject.	single tax	multiple tax	relative tax	commodity tax	single tax			
35. Increase in rates of Indirect tax leads to _____	Increase in cost	Increase in price	Increase in goods	Increase In value of goods	Increase in cost			
36. Taxation acts as an _____	Instrument of public	Instrument of value	Instrument of price	Instrument of resource	Instrument of resource			
37. Economic transformation of developing countries generate _____	generation of value	generation of savings	generation of capital	generation of interest	generation of savings			
38. Indirect taxes are imposed _____ on goods	production	consumption	marketing	servicing	consumption			
39. central government is empowered to impose _____	customs duty	safeguard duty	excise duty	Additional duty	Economic			

40. Tax must be collected in a _____ manner from the tax players	possible	economic	convenient	certain	Convenient			
41. Maximum tax paying capacity of the economy as a whole is _____	relative taxable capacity	absolute taxable capacity	determining capacity	None of these	absolute taxable capacity			
42. Tax evasion is comparatively _____ in the case of organized Sector	Less	higher the cost	medium	very less	Less			
43. Imposition of indirect taxes creates _____ in the use of production	Imbalance	burden	balance	imburden	Balance			
44. The levy of high rate reduce consumption of harmful goods and increase _____	Economy	social welfare	Services	priority sector	social welfare			
45. Major components of the economic process initiated in _____	tax reform	tax policy	tax consultation	tax excising	tax reform			
46. Tax liability as a proportion of income falls with increase in tax payers	degressive taxation	progressive taxation	regressive taxation	None of these	regressive taxation			
47. The principle implies that the cost of tax collection must be _____	Maximum	minimum	Medium	no cost	Minimum			
48. The surplus of production over the minimum of _____ required to be Produce	consumption	production	Sales	distribution	consumption			
49. The central excise is compared to the _____	direct tax	indirect tax	Service tax	principle of equity	indirect tax			
50. paying tax first and take _____	Capital	goods	Interest	penalty	Interest			
51. _____ is the sacrifice in the payment of tax	Priority	revalance	payment	benefit	Revalence			
52. The cost of collection of tax is _____ of the government	High	low	Medium	normal	High			
53. The amount of paying tax is _____ price of commodity	Higher	low	Normal	Very low	Higher			
54. Indirect tax have been contributing not less than _____ in 1980	85%	80%	75%	65%	75%			
55. _____ is the largest source of single revenue source	Customs duty	excise duty	VAT	service tax	Excise duty			
56. Major components of the economic process initiated _____ in tax reform	1981	1985	1991	1999	1991			
57. _____ in India comprises a system of customs and duties	Indirect tax	service tax	customs duty	direct tax	direct tax			
58. The process of indirect tax system in the country began in _____	1995	1985	1992	1999	1985			
59. _____ is very less in Indirect taxation	Tax empowerment	tax evasion	tax rules	tax appointment	tax evasion			

60. Traders are charged _____ price in actual rate tax	less	very high	High	very less	less			
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UNIT: II – BASICS OF GOODS AND SERVICES TAX ‘GST’

UNIT-II

SYLLABUS

Basics of Goods and Services Tax ‘GST’: Basics concept and overview of GST; Constitutional Framework of GST; GST Model – CGST / IGST / SGST / UTGST; Taxable Events; Concept of supply including composite and mixed supply; Levy and collection of CGST and IGST; composition Scheme and Reverse Charge; Exemptions under GST.

GOODS AND SERVICE TAX

Introduction to Goods & Services Tax (GST)

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

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

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

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

Table 1: Comparison of Federal VAT Systems

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

Journey of GST

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

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

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

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.

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

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

Initially, it was conceptualized that there would be a national level goods and services tax, however, with the release of First Discussion Paper by the Empowered Committee of the State Finance Ministers on 10.11.2009, it has been made clear that there would be a —Dual

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GST in India, taxation power – both by the Centre and the State to levy the taxes on the Goods and Services. Almost 150 countries have introduced GST in some form. While countries such as Singapore and New Zealand tax virtually everything at a single rate, Indonesia has five positive rates, a zero rate and over 30 categories of exemptions. In China, GST applies only to goods and the provision of repairs, replacement and processing services. GST rates of some countries are given below.

Country	Australia	France	Canada	Germany	Japan	Singapore	Sweden	New Zealand
Rate of GST	10%	19.6%	5%	19%	5%	7%	25%	15%

World over in almost 150 countries there is GST or VAT, which means tax on goods and services. Under the GST scheme, no distinction is made between goods and services for levying of tax. In other words, goods and services attract the same rate of tax. GST is a multi-tier tax where ultimate burden of tax 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 2 Indirect Taxation (2015-2018 batch) 2/16
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Education trillion dollar economy. The rate of GST in India is between double to four times that levied in other countries like Singapore.

GST MODELS

There are three prime models of GST:

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

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BENEFITS OF GST

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

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FEATURES

The salient features of GST are asunder:

- (i) GST would be applicable on —supply of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.
- (ii) GST would be based on the principle of destination based consumption taxation as against the present principle of origin based taxation.
- (iii) It would be a dual GST with the Centre and the States simultaneously levying it on a common base. The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by the States [including Union territories with legislature] would be called State GST (SGST). Union territories without legislature would levy Union territory GST (UTGST).
- (iv) An Integrated GST (IGST) would be levied on inter-State supply (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted.
- (v) Import of goods would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.
- (vi) Import of services would be treated as inter-State supplies and would be subject to IGST.
- (vii) CGST, SGST /UTGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States under the aegis of the GSTC.
- (viii) GST would replace the following taxes currently levied and collected by the Centre:
 - a) Central Excise Duty;
 - b) Duties of Excise (Medicinal and Toilet Preparations);
 - c) Additional Duties of Excise (Goods of Special Importance);
 - d) Additional Duties of Excise (Textiles and Textile Products);
 - e) Additional Duties of Customs (commonly known as CVD);
 - f) Special Additional Duty of Customs (SAD);
 - g) Service Tax;
 - h) Cesses and surcharges insofar as they relate to supply of goods or services.

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(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.

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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.

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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

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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, CGST credit cannot, in general, be used for payment of SGST. Nor can SGST credit be used for payment of CGST.

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

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Benefits of GST

The benefits of GST can be summarized as under:

Category	Benefits
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For Business and Industry	<p>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.</p> <ul style="list-style-type: none">• Uniformity of tax rates and structures: GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.• Removal of cascading: A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.• Improved competitiveness: Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.• Gain to manufacturers and exporters: The subsuming of
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	<p>major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.</p>
For Central and State Governments	<p>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.</p> <ul style="list-style-type: none">• 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	<p>Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being</p>

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

- (i). The GST shall have three components: one levied by the Centre on Intrastate transactions (hereinafter referred to as CGST) 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

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credit for the Central GST and the State GST would be aligned.

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

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

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multiplicity of tax and multiple points of collection will reduce the transaction cost and make

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

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

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

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

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

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

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

Taxes to be subsumed under GST

The GST would replace the following taxes:

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

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

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

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

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

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

Constitutional Framework of GST

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

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

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

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

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

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

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

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

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

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

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

Minimal Interface

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

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before the tiling 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

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

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

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

COMPOSITION SCHEME

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

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

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turnover|| means the aggregate value of all taxable supplies (excluding the value of

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

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

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GST1Ns having same PAN will be considered to calculate the limit of IN R 50 lakhs.

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

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

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

Meaning and scope of the term —Supply

Section 7 of the Central GST Bill, 2017 specifies the meaning and scope of supply in an

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inclusive manner. As per this section, the following elements are required to be satisfied, in order to constitute a _supply‘ :-

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

TAXABLE EVENT

A taxable event is any transaction or occurrence that results in a tax consequence. Before levying any tax, taxable event needs to be ascertained. It is the foundation stone of any taxation system; it determines the point at which tax would be levied.

Supply (GST) Meaning and Scope of Supply under GST

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

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

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

Part I: Supplies for consideration

As per section 7(1) (a) of the Central GST Act, 2017 supplies include all forms as laid under for goods and / or services made for a consideration in the course of or for furtherance of business:

Under GST the specific inclusion has been made for importation of services, for a consideration whether or not in the course or furtherance of business.

Part II: Supplies without consideration

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

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

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

Part III: Deemed Supply

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

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

Transactions Deemed as Supply of Goods:

Any transfer of the title in goods is a supply of goods

Any transfer of title of goods under an agreement which stipulates that property in goods will pass at a future date upon payment of full consideration as agreed like hire purchase

Permanent transfer or disposal of business assets with or without consideration

Supply of goods by any unincorporated association or body of persons to a member thereof

Transactions Deemed as Supply of Services:

Transfer of right or undivided share in goods without transfer of title Any lease, tenancy, easement, license to occupy land

Any lease or letting out of the building for business or commerce either wholly or partially

Any treatment or process applied on another person's goods like job work Any business assets put for private use whether or not for consideration Renting of immovable property

Construction of a complex, building, civil structure or part thereof

Temporary transfer or permitting the use or enjoyment of any intellectual property right Development, design, programming, customization, adaptation, up-gradation, enhancement, implementation of information technology software

Agreeing to the obligation to refrain from an act, or to tolerate an act or a situation, or to do an act

Works contracts

Part IV: Specific Exclusions

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

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

Services by an employee to the employer in the course of or in relation to his employment.

Services by any court or tribunal

The functions performed by any Members of Parliament, State legislature, Panchayats, Municipalities and other local authorities

The duties performed by any person as a Chairperson/Member/Director in a body established by the Central Government, State Government or local authority and who is not deemed as an employee before the commencement of this clause

Services of funeral, burial, crematorium or mortuary including transportation of deceased Sale of land, sale of building after the issuance of completion certificate and

Actionable claims other than lottery, betting and gambling

Part V: Mixed and Composite Supply

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

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

TYPES OF SUPPLY

1. Based on location

Intra-State supply

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

Exceptions –

Supply of goods to or by a **Special Economic Zone** developer or a SEZ unit; or Goods **imported** into the territory of India; or

Supplies made to a **tourist** (section 15)

Territorial waters

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

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

Inter-State supply

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

Two different States;

Two different Union territories; or A State and a Union territory

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

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

When the supplier is located in India and the place of supply is **outside India**;

To or by a **Special Economic Zone (SEZ)** developer or a SEZ unit; or

In the taxable territory, not being an intra-state supply and not covered elsewhere.

2. Based on combination

Composite Supply

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

Mixed Supply

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

Continuous Supply

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

3. Based on Recipient

Inward Supply

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

Outward Supply

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

4. Based on Tax treatment

Exempt Supply

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

Zero-Rated Supply

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

Non-Taxable Supply

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

Taxable Supply

Supply on which tax shall be paid under GST.

Reverse Charge Mechanism (RCM):

1. Levy of GST on reverse charge mechanism on receipt of supplies from unregistered suppliers, to be applicable to only specified goods in case of certain notified classes of registered persons, on the recommendations of the GST Council. In this regard, notification No. 07/2019- Central Tax (Rate) dated 29.03.2019 has been issued which prescribes that the promoter shall pay tax on reverse charge basis w.e.f. 01.04.2019 on following supplies received from unregistered suppliers –

- a. such supplies which constitute the shortfall from the minimum value of goods or services or both required to be purchased by a promoter for construction of a project as prescribed in notification No. 11/2017- Central Tax (Rate) dated 28.06.2017;
- b. cement which constitute the shortfall from the minimum value of goods or services or both required to be purchased by a promoter for construction of project as prescribed in notification No. 11/2017- Central Tax (Rate); and
- c. capital goods supplied to a promoter for construction of a project on which tax is payable or paid at the rate prescribed in notification No. 11/2017- Central Tax (Rate).

2. Earlier the reverse charge mechanism under sub-section (4) of section 9 of the CGST Act, 2017 and under sub-section (4) of section 5 of the IGST Act, 2017 was kept under suspension till 30.09.2019.

Exemption:

Supply from GTA to unregistered persons has been exempted from tax.

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?

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

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DEPARTMENT OF COMMERCE

II B.Com (PA)

INDIRECT TAXATION (18PAU402)

UNIT -II

QUESTION	OPTION A	OPTION B	OPTION C	OPTION D			ANSWER	
1. The GST to be levied by the center on intra-state supply of goods and / or services would be called _____	Central GST	State GST	Integrated GST	Single GST			State GST	
2. The GST to be levied by the center on inter-state supply of goods and / or services would be called _____	Central GST	State GST	Integrated GST	Single GST			Integrated GST	
3. Expansion of SGST _____	Simplified Goods and Service Tax	State Goods and Service Tax	Standard Goods and Service Tax	Single Goods and Service Tax			State Goods and Service Tax	
4. Expansion of CGST _____	Central Goods and Service Tax	Common Goods and Service Tax	Contract Goods and Service Tax	Computed Goods and Service Tax			Central Goods and Service Tax	
5. Expansion of IGST _____	Intra Goods and Service Tax	Inter Goods and Service Tax	Integrated Goods and Service Tax	Internal Goods and Service Tax			Integrated Goods and Service Tax	
6. __ GST model where both center and the state levy and collect their share of concurrently and simultaneously from CGST and SGST.	Dual	Demo	Distinguished	Development			Dual	

7. Dual GST model where both center and the state levy and collect their share of concurrently and simultaneously from _____ and _____.	CGST & SGST	IGST & SGCT	IGST & CGST	VAT & GST			CGST & SGST	
8. ___ is the tax on goods and services with comprehensive and continues set-off benefit to the retailers level	Goods and service tax	Value added tax	Excise Duty	Service tax			Goods and service tax	
9. The _____ would need to submit periodical returns, in common format as suggested by Central authority.	Tax payers	Entities	Revenue officer	State Government			Tax payers	
10. When does the liability to pay GST arise in case of supply of goods?	On raising of invoice	At the time of supply of goods	On receipt of payment	Earliest of a ,b or c			Earliest of a ,b or c	
11. What is time of supply of goods under CGST Act, 2017?	Date of issue of invoice	Date of receipt of consideration by the supplier	Date of dispatch of goods	Earlier of &			Earliest of a ,b or c	
12. What is time of supply of goods liable to tax under reverse	Date of receipt of goods	Date on which the payment is made	Date immediately following 30 days from the	Earlier of a/b/c			Earlier of a/b/c	

charge mechanism?			date of issue of invoice by the supplier				
13. What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?	Date of issue of voucher	Date of redemption of voucher	Earlier of &	a) & whichever is later		Date of issue of voucher	
14. What is the time of supply of vouchers when the supply with respect to the voucher is not identifiable?	Date of issue of voucher	Date of redemption of voucher	Earlier of &	& whichever is later		Date of redemption of voucher	
15. What is date of receipt of payment?	Date of entry in the books	Date of payment credited into bank account	Earlier of a and b	Date of filing of return		Earlier of a and b	
16. The permissible number of business verticals in a State in GST will be:	25	30	35	40		35	
17. A Bill of Supply has to be issued for which of the following -	Supply of Exempted Services Only	Supply of Exempted Goods and Services	Supply of Exempted Goods Only	Supply of Exempted trading Only		Supply of Exempted Goods and Services	
18. If the value of an exempted supply is `100, a Bill of Supply,	Has to be issued	Need not be issued unless recipient asks for	Need not be issued even if recipient asks for	unimportant		Has to be issued	
19. A supply of Goods,	Cannot be made without moving the same	Can be made without moving the same	Can be made only if the same person is buying and selling the goods in different capacities by way of legal fiction	not required		Cannot be made without moving the same	

20. If, Goods are supplied on sale or return basis,	Under seamless credit concept of GST, Invoice has to be issued by the supplier while sending the goods; Another Invoice has to be issued by the recipient while rejecting the goods.	Invoice has to be issued by the supplier while sending the goods but the recipient can take credit only when the goods are accepted by him.	Invoice has to be issued when the recipient accepts the goods or six months from the date of supply whichever is earlier	Invoice has to be issued when the recipient accepts the goods or six months from the date of supply whichever is later			Invoice has to be issued when the recipient accepts the goods or six months from the date of supply whichever is earlier	
21. The period within which the invoice should be issued from the date of supply of service, is	30 days	1 month	Immediately on provision of service	15 days			30 days	
22. For supply of services, invoice should be prepared in,	Original + 1 copy	Original + 2 copies	Original + 3 copies	Original + 4 copies			Original + 1 copy	
23. For supply of Goods, invoice should be prepared in:	Original + 1 copy	Original + 2 copies	Original + 3 copies	Original + 4 copies			Original + 2 copies	
24. Invoice reference number is	The invoice number as printed on the invoice	Generated from the portal of GSTN	Both a and b	Service tax			Generated from the portal of GSTN	
25. Invoice reference number is valid for	45 days	1 month	30 days	60 days			30 days	
26. Who is responsible to pay the GST?	Person supplying	Person receiving	Both the above	person distributing			Both the above	
27. What are the supplies to which the reverse charge mechanism could be applied?	Inward Supply of Goods/Services	Outward Supply of Goods/Services	purchase	sales			Inward Supply of Goods/Services	
28. Which of the following taxes leviable on Imports?	CGST	SGST	IGST	Customs duty and IGST under Section 3 of Customs Tariff			Customs duty and IGST under Section 3 of Customs Tariff	

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

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

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

happen if the turnover of a registered person opting to pay taxes under composition scheme during the year 2017-18 crosses Rs.50 lakhs?	under composition scheme till the end of the financial year	liable to pay tax at normal rates of GST on the entire turnover for the financial year 2017-18	to remain under the composition scheme with immediate effect	remain under the composition scheme from the quarter following the quarter in which the aggregate turnover exceeds Rs.50 lacs		remain under the composition scheme with immediate effect	
49. When does the liability to pay GST arise in case of supply of goods?	On raising of invoice	At the time of supply of goods	On receipt of payment	Earliest of a ,b or c		Earliest of a ,b or c	
50. What is time of supply of goods under CGST Act, 2017?	Date of issue of invoice	Date of receipt of consideration by the supplier	Date of dispatch of goods	Earlier of &		Earlier of &	
51. What is time of supply of goods liable to tax under reverse charge mechanism?	Date of receipt of goods	Date on which the payment is made	Date immediately following 30 days from the date of issue of invoice by the supplier	Earlier of a/b/c		Earlier of a/b/c	
52. What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?	Date of issue of voucher	Date of redemption of voucher	Earlier of &	& whichever is later		Date of redemption of voucher	
53. What is the time of supply of vouchers when the supply with respect to the voucher is identifiable?	Date of issue of voucher	Date of redemption of voucher	Earlier of &	& whichever is later		Date of redemption of voucher	
54. What is date of receipt of payment?	Date of entry in the books	Date of payment credited into bank account	Earlier of a and b	Date of filing of return		Earlier of a and b	

55. What is the time of supply of service if the invoice is issued within 30 days from the date of provision of service?	Date of issue of invoice	Date on which the supplier receives payment	Date of provision of service	Earlier of &		Earlier of &	
56. What is the time of supply of service for the supply of taxable services up to Rs.1000 in excess of the amount indicated in the taxable invoice?	At the option of the supplier – Invoice date or Date of receipt of consideration	Date of issue of invoice	Date of receipt of consideration.	Date of entry in books of account		At the option of the supplier – Invoice date or Date of receipt of consideration	
57. How is the date of receipt of consideration by the supplier determined?	Date on which the receipt of payment is entered in the books of account	Date on which the receipt of payment is credited in the bank account	Earlier of &	& whichever is later		Earlier of &	
58. What is the time of supply of service in case of reverse charge mechanism?	Date on which payment is made to the supplier	Date immediately following 60 days from the date of issue of invoice	Date of invoice	Earlier of &		Earlier of &	
59. What is the time of supply of service in case an associated enterprise receives services from the service provider located outside India?	Date of entry in the books of account of associated enterprise(recipient)	Date of payment	Earlier of &	Date of entry in the books of the supplier of service		Earlier of &	
60. What is the time of supply of vouchers when the supply with respect to the	Date of issue of voucher	Date of redemption of voucher	Earlier of &	& whichever is later		Date of issue of voucher	

voucher is identifiable?								
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