



# KARPAGAM ACADEMY OF HIGHER EDUCATION

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Coimbatore-641021

**Department of Management**

Name: **Dr.M.Nandhini**

Department: **Management**

Subject Code: **16BAU603A**

Semester: **VI**

Year: **2016 -19 Batch**

Subject: **TAXATION - II - Lesson Plan**

UNIT I			
S.No	Lecture Hours	Contents	References
1	1	Tax – Meaning, Definition, Direct Tax and Indirect Tax – Meaning, Features, Merits and Demerits	W1
2	1	GST – Object and subject of GST	T : Page No : 2 - 11
3	1	History of GST, GST in India and International scenario	T : Page No : 11 - 17
4	1	GST Law – Definition – Goods, Service and State	T : Page No :
5	1	TUTORIAL - Features of GST – Concept of supply, Dual GST, Integrated GST, Scope of GST, Composition levy	T : Page No : 17 - 22
6	1	Composition and Features of GST council Framework of GST	T : Page No : 23 - 25
7	1	GST – Registration, Benefits of GST – Quick decision, Boost Indian exports, Transparency	T : Page No : 25 - 27
8	1	CGST Act 2017 - Introduction, Definition – Agent, Aggregate Turnover, Assessment, Money, Market value	T : Page No : 27 - 31
9	1	Levy of GST – CGSY, SGST, UTGST, IGST	T : Page No : 31 - 32
10	1	TUTORIAL - Collection of GST – Methods – Direct Charge, Reverse charge	T : Page No : 32 - 33
11	1	Liability under GST	T : Page No : 35 - 36
12	1	Recapitulation and discussion of important questions	
<b>Total Number of hours planned for Unit I</b>			<b>12</b>
UNIT II			
1	1	Supply – Meaning and concept Manufacturer, Sale of good, Provision of services, Taxable event	R1 : Page No : 74 - 77 W2
2	1	Parameters of supply – Goods and Services, Consideration, Taxable person, Taxable supply, Taxable Territory	R1 : Page No : 77 - 79
3	1	Supply – Features, Deemed supply	R1 : Page No : 79 - 81

4	1	Types of supply – Taxable and non taxable supply	R1 : Page No : 81 - 83
5	1	TUTORIAL - Schedule I and II Under CGST	R1 : Page No : 83 - 85
6	1	Composition Levy – Objectives, Features – Eligibility, Place of supply, Rate of tax, ITC, Billing	R1 : Page No : 85 - 87
7	1	Composition Scheme – Applicability, Eligibility, Conditions, Restrictions	R1 : Page No : 87 - 89
8	1	Place of supply – Importance	R1 : Page No : 89 - 91
9	1	Time of supply – Importance. Determination of time of supply – Goods, Services, Rate of tax	R1 : Page No : 91 - 94
10	1	TUTORIAL - Valuation of Goods and Services – Inclusion and Exclusion in value of supply	R1 : Page No : 94 - 97
11	1	Valuation Rates	R1 : Page No : 97 - 98
12	1	Recapitulation and discussion of important questions	
<b>Total Number of hours planned for Unit II</b>			<b>12</b>
<b>UNIT III</b>			
1	1	Input Tax Credit – Introduction, solution for double taxation and cascading, Features of ITC	R2: Page No : 154 - 156 W3
2	1	Methods of ITC – Sales and Credit subtraction	R2: Page No : 156 - 159
3	1	GST Input Tax Credit Mechanism	R2: Page No : 159 - 161
4	1	Framework of ITC	R2: Page No : 162 - 164
5	1	TUTORIAL - Eligibility and Conditions for taking Input Tax Credit	R2: Page No : 164 - 166
6	1	Input Tax on capital goods, Apportionment of credits and blocked credits	R2: Page No : 166 - 167
7	1	Documents required for claiming of Input Tax Credit, Utilization of Input Tax Credit	R2: Page No : 168 - 169
8	1	Manner of recovering ITC distributed in excess	R2: Page No : 169 - 170
9	1	Registration under GST – Benefits, Compulsory Registration, Exemption under registration, Time limit, Amendment	R2: Page No : 170 - 172
10	1	TUTORIAL - Procedure for Registration and Forms of Registration	R2: Page No : 172 - 173
11	1	Accounting and Records and Filing of Returns	R2: Page No : 173 - 175
12	1	Recapitulation and discussion of important questions	R2: Page No : 175 - 177
<b>Total Number of hours planned for Unit III</b>			<b>12</b>

UNIT IV			
1	1	Integrated Goods and Service Tax – Introduction, Scope – Preliminary, Administration, Levy and collection of tax Determination of nature of supply	R2: Page No : 212 - 213
2	1	Definition – CGST, Central Tax, Export of Goods and Export of Services, Import of Goods	R2: Page No : 213 - 216
3	1	Levy and collection of tax	R2: Page No : 216 - 218
4	1	Power to grant exemption	R2: Page No : 218 - 219
5	1	TUTORIAL - Determination of supply – Inter and Intra state supply	R2: Page No : 219 - 220
6	1	Supply of goods – Supply of goods imported, supply of services, Supply of services imported	R2: Page No : 221 - 222
7	1	Place of supply of goods and services	R2: Page No : 222 – 223
8	1	Zero rated supply	R2: Page No : 223 -224
9	1	Claim or refund option under zero rated supply	R2: Page No : 224 - 225
10	1	TUTORIAL - Union Territory goods and Services Act 2017	R2: Page No : 225 - 226
11	1	GST (Compensation to States) Act 2017	W4
12	1	Recapitulation and discussion of important questions	
<b>Total Number of hours planned for Unit IV</b>			<b>12</b>
UNIT V			
1	1	Customs Duty – Objectives, Scope of customs law in India	T : Page No : 107 - 111 W5
2	1	Customs Act – legal structure and content	T : Page No : 112 - 118
3	1	Definition – Baggage, Bill of Entry, Bill of Export, Board, Export, Import	T : Page No : 119 - 123
4	1	Levy and collection of custom duty, Taxable events	T : Page No : 126 - 133
5	1	TUTORIAL - Types of custom duty, Classification of goods	T : Page No : 133 - 141
6	1	Importance of classification of goods, Customs valuation	T : Page No : 141 - 147
7	1	Methods of valuation, Customs Duty draw back – Conditions and Procedure	R1 : Page No : 497 - 511
8	1	TUTORIAL - Powers of customs officers Offences and Penalties E -Way billing	R1 : Page No : 512 - 529
9	1	Recapitulation and discussion of important questions	

10	1	Discussion of previous ESE question papers	
11	1	Discussion of previous ESE question papers	
12	1	Discussion of previous ESE question papers	3
<b>Total Number of hours planned for Unit 5 and discussion of previous year ESE Question papers</b>			<b>12</b>
<b>Total Number of hours allotted for all five units</b>			<b>60</b>

## SUGGESTED READINGS

### TEXT BOOKS

T - Dinkar Pagare., Business Taxation (Indirect Taxes), (2018), Sultan Chand & Sons., New Delhi

### REFERENCES

R1 - V.S. Datey. Indirect Taxes Law and Practice,, (2018), Taxmann Publications Pvt., Ltd., New Delhi

R2 – Dr.R.Parameswaran and P. Viswanathan, (2018), Indirect Taxes GST and Customs Laws,  
Kavin Publications, Coimbatore

### WEBSITES

W1 – [www.coverfox.com/personal-finance/tax/indirect-tax/](http://www.coverfox.com/personal-finance/tax/indirect-tax/)

W2 – [www.cleartax.in/s/time-place-and-value-of-supply-in-gst](http://www.cleartax.in/s/time-place-and-value-of-supply-in-gst)

W3 – [www.profitbooks.net/input-tax-credit-under-gst/](http://www.profitbooks.net/input-tax-credit-under-gst/)

W4-[www.taxguru.in/goods-and-service-tax/analysis-of-gst-](http://www.taxguru.in/goods-and-service-tax/analysis-of-gst-)

W5-[www.bankbazaar.com/tax/customduty](http://www.bankbazaar.com/tax/customduty).

**SCOPE**

Indirect Tax represents the concepts of central sales tax, VAT, customs duty and service tax. This paper provides the basics of understanding the existence of various indirect tax laws in India.

**OBJECTIVES**

- To enlighten the students knowledge in indirect tax
- To impart students knowledge in the fundamentals of indirect tax

**UNIT I****OVERVIEW OF GST**

Overview of GST – GST international Scenario – GST in India – History of GST – GST Council – Framework of GST – Registration of GST – Introduction to CGST Act, 2017 – Important Definitions – Levy of GST – Liability under GST.

**UNIT – II****SUPPLY**

Supply – Characteristics of supply – Schedule I under CGST – Schedule II under CGST – Activities which are not supply – Composite and Mixed Supply – Composition levy – Meaning – Condition & Restriction – Time of Supply of Services – Time of supply in case of change in rate of tax – Value of supply.

**UNIT III****ITC & REGISTRATION**

Input Tax Credit – Meaning – Input Tax Credit Restrictions – Job work – Accounts and Records – Tax Invoice, Credit and Debit Notes – Registration – Persons liable to register – Persons not liable to register – Returns – Payment – Utilization of ITC – Refunds.

**UNIT IV****IGST**

Introduction to IGST Act; 2017 – Important definitions – Nature of Supply – Inter State Supply –



Intra State Supply – Suppliers in Territorial waters – Place of Supply of goods – Place of Supply of Services – Union Territory Goods and Services Act, 2017 – Introduction to GST (Compensation to States) Act, 2017.

## UNIT V

### CUSTOMS ACT, 1962

Customs duty – Prohibition and exportation of goods detection of illegally imported and exported goods and their prevention – Levy and exemption from custom duty – Valuation of goods under Customs Act – Clearance of imported goods and exports goods – Draw back – Conditions and procedure of availing of draw back – Powers on Customs Officers – Search and seizure – Confiscation of goods – offences and penalties appeals – E-way bill.

### SUGGESTED READINGS:

#### TEXT BOOKS

1. Dingare Pagare. (2014). *Business Taxation*. New Delhi: Sultan Chand & Sons.

#### REFERENCES

1. Datey, V.S. (2015). *Indirect Taxes Law and Practices*. New Delhi: Taxmann Publications(P) Ltd.
2. Balachandran. (2014). *Indirect Taxation*. New Delhi: Sultan Chand and Sons.
3. Gupta, R.L., Gupta, V.K. (2012). *Indirect Tax*. New Delhi: Sultan Chand and Co.
4. Dhingra Joy. (2014). *Indirect Taxes*. New Delhi: Kalyani Publication.
5. Amit Arora, C.A. (2010). *Indirect Taxes*. New Delhi: Bharat Law House Pvt. Ltd.

**UNIT-I - GOODS AND SERVICE TAX**

**SYLLABUS**

**Overview of GST – GST International Scenario – GST in India – History of GST – GST Council – Framework of GST – Registration of GST – Introduction to GST Act 2017 – Important Definitions – Levy of GST – Liability under GST**

**INTRODUCTION ABOUT TAX**

**Meaning**

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

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

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

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

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

taxes.

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

### **GENERAL CHARACTERISTICS**

The following are the characteristics of a tax,

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

### **A good tax system should possess the following characteristics:**

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

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

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

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



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

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

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

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

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

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

Various factors have to be considered in determining the tax system of a country. The tax system of a country develops according to the tax ideals of the government and the goals of

public policy, which the system has to incorporate in its structure. The practical shape of the tax system of a country depends on its historical background.

### **OBJECTIVES OF TAXATION**

The following are the objectives of levying taxes,

#### **Primary Purpose**

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

#### **Non Revenue Objectives**

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

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

**TYPES OF TAXES**

**The following are the types of taxes in India,**

**1. DIRECT TAXES**

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

**a. Income Tax**

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

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

**b. Wealth Tax**

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

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

**c. Capital Gains Tax**

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

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

**d. Securities Transaction Tax**

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

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

**e. Perquisite Tax**

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

**f. Corporate Tax**

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

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**2. INDIRECT TAXES****a. Sales Tax**

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

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

**b. Service Tax**

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

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

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

**c. Value Added Tax**

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

**d. Custom duty and Octroi (On Goods)**

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

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

**e. Excise Duty**

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

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



**f. Anti Dumping Duty**

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

**3. OTHER TAXES****a. Professional Tax**

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

**b. Dividend distribution Tax**

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

**c. Municipal Tax**

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

**d. Entertainment Tax**

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

**e. Stamp Duty, Registration Fees, Transfer Tax**

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

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

**f. Education Cess, Surcharge**

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

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

**g. Toll Tax**

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

**MERITS OF DIRECT TAXATION**

The following are the merits of direct taxation,

**1. Equity:**

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

**2. Progressive:**

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

**3. Productive:**

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

**4. Certainty:**

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

**5. Economy:**

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

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

**6. Educative:**

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

**7. Anti-inflationary:**

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

## **DEMERITS OF DIRECT TAXATION**

The following are the demerits of direct taxation,

### **1. Pinching:**

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

### **2. Inconvenient:**

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

### **3. Evasion and Corruption:**

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

### **4. Uneconomical:**

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

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

**5. Narrow based:**

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

**6. Arbitrary:**

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

**7. Disincentiveness:**

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

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

**MERITS OF INDIRECT TAXES**

Indirect taxes have advantages of their own.

**1. The Poor Can Contribute:**

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



**2. Convenient:**

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

**3. Broad-based:**

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

**4. Easy Collection:**

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

**5. Non-evadable:**

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

**6. Elastic:**

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

**7. Equitable:**

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

**8. Check Harmful Consumption: .**

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

**DEMERITS OF INDIRECT TAXES**

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

**1. Regressive:**

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

**2. Uncertain:**

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

**3. Raising Prices Unduly:**

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

**4. Uneconomical:**

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

**5. No Civic Consciousness:**

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

**6. Harmful to Industries:**

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

**DIFFERENCE BETWEEN DIRECT AND INDIRECT TAXES****1. Allocation Effect**

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

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

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

**2. Distributive Effect**

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

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

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

### **3. Administrative Costs**

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

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

### **4. Built-in Flexibility and Stability**

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

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

### **5. Growth Orientation**

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

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

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

### **IMPACT SHIFTING AND INCIDENCE OF TAXATION**

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

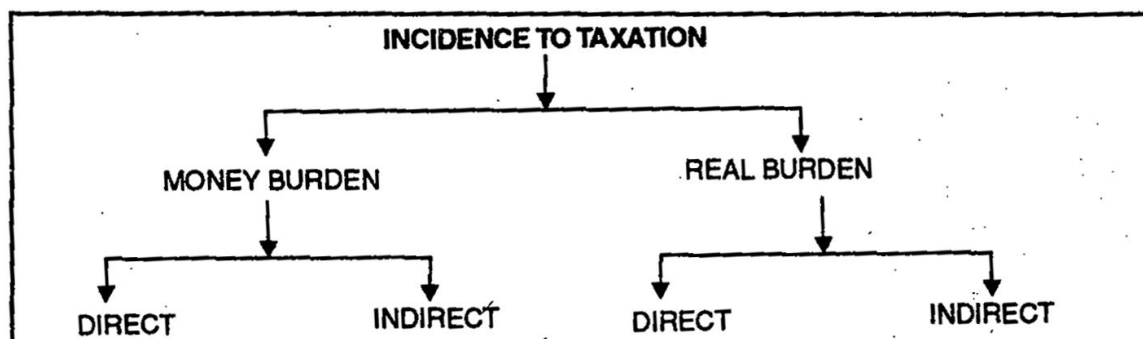
- (a) Who pays the tax in the first instance; and
- (b) Who actually bears the burden of the tax.

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

### **MEANING OF INCIDENCE**

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





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

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

Prof. Findlay Shirras defines the incidence of taxation, "Thus the problems of incidence is the analysis to determine who pays the tax i.e. on whom the money burden of the tax falls or rests." Prof. Adam Smith describes that incidence of taxation is meant for the final resting place of their payment. Richard A: Musgrave states, "The concept of incidence is location, of the

ultimate burden of a tax which starts from the false promise that a tax such has an ultimate burden.”

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

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

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

### **IMPACT OF TAXATION**

Impact of taxation refers to the immediate burden of the tax. The impact of a tax, therefore, is the immediate result of the imposition of a tax on the person who pays it in first instance. However, it is not essential that the person who pays the tax in the first instance will also bear the ultimate or final money burden of a tax. To be more specific, the impact and incidence of a tax may not fall on the same person. The impact of taxation is on the producer while incidence of taxation on the consumer. The impact does not reduce the income of the producer, though it puts pressure on him for a short period whereas incidence is durable and it ends in diminishing the monetary income of the tax-payers.

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

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

### **DISTINCTION BETWEEN IMPACT AND INCIDENCE**

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

### **CANONS OF TAXATION**

#### **A. Adam smith’s canon of taxation,**

##### **1. Canon of Equity**

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

pay the taxes in proportion to the revenue which they respectively enjoy under the protection of the state.

## **2. Canon of Certainty**

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

## **3. Canon of Convenience**

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

## **4. Canon of Economy**

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

## **B. Canons of Taxation Given By Others**

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

### **5. Canon of Productivity**

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

### **6. Canon of Elasticity**

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

### **7. Canon of Flexibility**

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

### **8. Canon of Simplicity**

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

### **9. Canon of Diversity**

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



## **ROLE OF DIRECT AND INDIRECT TAXATION IN UNDERDEVELOPED ECONOMIES**

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

It is a well recognised fact that direct taxation is attractive due to its characteristics of productivity, equity, economy and certainty. But at the same time, they have very limited scope in developing economy as of low level of income and low standard of living of the people in such countries. Indirect taxation or commodity taxation is the main source of public revenue. Again, they have also the justification on the ground of promoting economic growth. Indirect taxation or commodity taxation must be efficient, equitable and better oriented to achieve the objectives of planned development. The difficulty lies in the fact that indirect has heavy burden on the common masses than on the rich.

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

taxation. It is only through indirect taxation the vast majority of the population in developing countries can contribute to revenue.

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

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

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

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

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

### **ROLE OF DIRECT AND INDIRECT TAXES DEVELOPING ECONOMICS**

In developing countries both direct and indirect taxes are used to mobilise substantial resources to desired fields, discourage Unproductive investments, stimulate productive investment reduces Conspicuous consumption and discourage investment in land etc. They have also to be used to transfer an increasing proportion of the addition made to the national income for development purposes. Now, let us analyse the role of direct and indirect taxes for their contribution in economic development.

#### **A. Role of Direct Taxes in Developing Economies**

1. **Discourage Speculative Investment.** Direct taxes like taxes on land, capital gains tax etc. are imposed to prevent speculative investment. Such a tax Policy would check Productivity investment and release a greater amount of resources available for productive Investment. Moreover, unearned income like rent and interest may be subject to a higher tax rate than the earned income from work for a given tax rate imposed on the unearned income is likely to have less adverse effects. This would tend to increase the amount of resources available for the public Sector investment. The new modern industries may be subjected to a preferential tax treatment by means by developmental rebates higher depreciation allowances, Carrying Over of losses, exemption from payment of taxes for a fixed period of time etc. Such a policy would stimulate the private sector Investment in essential industries on account of reallocation of resources in favour of such Industries.
2. **Control over Inflation:** Direct taxes especially progressive taxes control Inflation. Since the distinctive effects of the progressive rates in the non-functional personal incomes are low, they would be more important for checking an inflationary pressure associated with the development expenditure Besides the personal income taxes can be adopted to have a

built-in-flexibility so as during inflationary period that a higher proportion of the additional income will pass on to the government. This would require a rise in the marginal tax rates. Such tax system is said to have a built-in-flexibility when an increasing proportion of the increments to the national income goes to the government by way of taxes.

3. **Inducement to Agricultural Sector.** In the initial stages of economic development, the agricultural sector Lends to benefit to a considerable extent because of the developmental expenditure. There will also be a rise in the cost of land because of the economic development. In the initial Stages of development process, the government has to transfer to the public sector an increasing proportion of the additional income in the hands of agriculture's who tend to get an increasing proportion of the national income. A progressive agricultural income tax, especially in 'the large farm incomes should help in this connection.
4. **Restrictions on Consumption.** As the national income increases, it is necessary to restrict its consumption level in the initial stages of economic development. To raise the amount of investible resources for the developmental purposes, especially by means of progressive income taxes which have a built-in-flexibility. Such a tax may encourage many people to work more to maintain their income after the tax deduction. However this requires an improvement in the tax administration. Many less developed countries can attain a higher rate of growth over decades if they spent more on high protein food for their younger children even at the cost of real investment.
5. **Reduction in Inequalities of Income.** Direct taxes arc also to be used to reduce, to some extent, inequalities in the distribution of income and wealth. Moreover, it helps to reduce concentration of economic power n the hands of few individuals. The progressive income taxes and the capital taxes, annual taxes on capital assets, death duties, gift taxes, capital levies and capital gains taxes would go a long way to achieve the objective of reducing income and wealth inequalities and also the concentration of economic power in a few hands. The capital taxes have also less adverse effects on various economic incentive than the progressive income taxes, while raising the additional resources from productive

investment. If, however, there is a low rate of capital formation in the private sector, it may partly offset by an increase in the capital formation in the public sector.

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

#### **B. ROLE OF INDIRECT TAXES IN DEVELOPING ECONOMIES**

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

restricted by means of import duties. In a sense price planning and the price flexibility can be achieved by means of indirect taxes easily.

5. **Inducement to Work.** Indirect taxes may also prove incentive. Since they reduce the real income of the people because of the rise in prices of goods. Subjects to these taxes, people may be induced to work more so as to enjoy the same level of income after the payment of taxes. Such a situation would contribute to economic growth especially in the long run period.
6. **Not Conflicting with WTO.** The import duties may be imposed in such a way that they do not conflict with the provisions of WTO. Luxury goods may be subjected to higher import duties. The import duties may also be used to protect infant industries having potentialities of growth under the cover of protection. However, the rise in people's income at home due to protection policy must also be taxed for the development purposes. This will reduce the increased consumption possibility at home.

### **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

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by a comparison with the other large federal systems—European Union, Canada, Brazil, Indonesia, China and Australia--that have a VAT (the United States does not have a VAT).

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

**Table 1: Comparison of Federal VAT Systems**

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



### **Journey of GST**

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

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

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- h. This Committee did a detailed discussion on GST design including the Constitution (115<sup>th</sup>) Amendment Bill and submitted its report in January, 2013. Based on this Report, the EC recommended certain changes in the Constitution Amendment Bill in their meeting at Bhubaneswar in January 2013.
- i. The Empowered Committee in the Bhubaneswar meeting also decided to constitute three committees of officers to discuss and report on various aspects of GST as follows:-
  - a. Committee on Place of Supply Rules and Revenue. Neutral Rates;
  - b. Committee on dual control, threshold and exemptions;
  - c. Committee on IGST and GST on imports.
- 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 (115<sup>th</sup> Amendment) Bill. The revised draft was sent for consideration of the Empowered Committee in March, 2014.
- m. The 115<sup>th</sup> 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.

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- 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 8<sup>th</sup> Aug 2016 and notified from 15<sup>th</sup> 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 29<sup>th</sup> 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 GSTI 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 trillion dollar economy. The rate of GST in India is between double to four times that levied in other countries like Singapore.

### **MODELS OF GST**

There are three prime models of GST:

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

### **BENEFITS OF GST**

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

## **FEATURES**

The salient features of GST are asunder:

- (i) GST would be applicable on —supplyl of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.
- (ii) GST would be based on the principle of destination based consumption taxation as against the present principle of origin based taxation.
- (iii) It would be a dual GST with the Centre and the States simultaneously levying it on a common base. The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by the States [including Union territories with legislature] would be called State GST (SGST). Union territories without legislature would levy Union territory GST (UTGST).
- (iv) An Integrated GST (IGST) would be levied on inter-State supply (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted. Page 6 of 15
- (v) Import of goods would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties. (vi) Import of services would be treated as inter-State supplies and would be subject to IGST.
- (vii) CGST, SGST /UTGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States under the aegis of the GSTC.
- (viii) GST would replace the following taxes currently levied and collected by the Centre:
  - a) Central Excise Duty;
  - b) Duties of Excise (Medicinal and Toilet Preparations);
  - c) Additional Duties of Excise (Goods of Special Importance);
  - d) Additional Duties of Excise (Textiles and Textile Products);
  - e) Additional Duties of Customs (commonly known as CVD);
  - f) Special Additional Duty of Customs (SAD);
  - g) Service Tax;
  - h) Cesses and surcharges insofar as they relate to supply of goods or services.
- (ix) State taxes that would be subsumed within the GST are:
  - a) State VAT;



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

### **WORKING MECHANISM OF GST**

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

#### **Stage 1**

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

#### **Stage 2**

The next stage is that of the good passing from the manufacturer to the wholesaler. The wholesaler purchases it for Rs 130, and adds on value (which is basically his margin) of, say,

Rs 20. The gross value of the good he sells would then be Rs  $130 + 20$  — or a total of Rs 150. A 10% tax on this amount will be Rs 15. But again, under GST, he can set off the tax on his output (Rs 15) against the tax on his purchased good from the manufacturer (Rs 13). Thus, the effective GST incidence on the wholesaler is only Rs 2 ( $15 - 13$ ).

**Stage 3**

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

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

**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

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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.

### Benefits of GST

The benefits of GST can be summarized as under:

Category	Benefits
For Business and Industry	<ul style="list-style-type: none"><li>• <b>Easy compliance:</b> A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.</li><li>• <b>Uniformity of tax rates and structures:</b> GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.</li><li>• <b>Removal of cascading:</b> 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</li></ul>

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	<p>would reduce hidden costs of doing business.</p> <ul style="list-style-type: none"><li>• <b>Improved competitiveness:</b> Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.</li><li>• <b>Gain to manufacturers and exporters:</b> The subsuming of 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.</li></ul>
<b>For Central and State Governments</b>	<ul style="list-style-type: none"><li>• <b>Simple and easy to administer:</b> 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.</li><li>• <b>Better controls on leakage:</b> 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.</li><li>• <b>Higher revenue efficiency:</b> GST is expected to decrease the cost of collection of tax revenues of the Government, and</li></ul>

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	will therefore, lead to higher revenue efficiency.
<b>For the Consumer</b>	<ul style="list-style-type: none"><li>• <b>Single and transparent tax proportionate to the value of goods and services:</b> Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.</li><li>• <b>Relief in overall tax burden:</b> Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.</li></ul>

**Salient features of the Indian GST model**

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

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- (v). Cross utilization of ITC between the Central GST and the State GST would not be allowed.
- (vi). Ideally, the problem related to credit accumulation on account of refund of GST should be avoided by both the Centre and the States except in the cases such as exports, purchase of capital goods, input tax at higher rate than output tax etc. where, again refund/adjustment should be completed in a time bound manner.
- (vii). To the extent feasible, uniform procedure for collection of both Central GST and State GST would be prescribed in the respective legislation for Central GST and State GST.
- (viii). The administration of the CGST and IGST to the Centre and for State GST to the States would be given. This would imply that the Centre and the States would have concurrent jurisdiction for the entire value chain and for all taxpayers on the basis of thresholds for goods and services prescribed for the States and the Centre.
- (ix). The present threshold prescribed in different State VAT Acts below which VAT is not applicable varies from State to State. A uniform State GST threshold across States is desirable and, therefore, it is considered that a threshold of gross annual turnover of Rs.20 lakh both for goods and services for all the States (Excluding North-Eastern Region and Special Category States wherein the threshold of Rs. 10 lakh is prescribed as per the meeting of GST Council dated 23<sup>rd</sup> 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 aid that the GST rate will be fixed on the basis of RNR i.e. Revenue Neutral Rate. In that case, the issue arise that how will there be growth in revenue and growth in GDP after introduction of GST.

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

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

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

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

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

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

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

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

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

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

**Taxes to be subsumed under GST**

The GST would replace the following taxes:

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

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

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

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

- d. Entry Tax (all forms)
- e. Entertainment and Amusement Tax (except when levied by the local bodies)
- f. Taxes on advertisements
- 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 (122<sup>nd</sup> Amendment) Bill' 2014 became the GST Constitutional (101<sup>st</sup> Amendment) Act' 2016 when the president assented the provisions of bill on 8<sup>th</sup> Sept' 2016.

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

The amendment Act contains 20 amendments. As per Sub Section (2) of Section 1, the constitutional amendments are to be enforced with effect from such date as the Central Government may, by notification in the Official Gazette, appoint. The central government, in exercise of this power has appointed the 16th day of September, 2016 as the date on which the

provisions of Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17, 18, 19 and 20 of the said Constitutional amendment Act, shall come into force. This notification has been issued to carry out the provisions of Constitutional amendments. Prior to this notification, the presidential order dated 15<sup>th</sup> 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 29<sup>th</sup> March 2017**

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

4. **Non Chargeability of GST on Actionable Claims:** As "Actionable claim" were included in the definition of "Goods", there may be chargeability of GST on supply of Actionable Claim under earlier law. In the Schedule III of newly introduced bill, Actionable Claim, other than lottery, betting and gambling will neither be treated as a supply of goods 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%.
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:

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

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

11. **Credit of Rent-a-cab, life insurance, and health insurance allowed, if used for making an outward taxable supply of same category.** Earlier the credit of rent-a-cab, life insurance, and health insurance were fully denied except where the government



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

### **Minimal Interface**

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

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# KARPAGAM ACADEMY OF HIGHER EDUCATION

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**CLASS: III BBA**

**COURSE NAME: TAXATION - II**

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## KARPAGAM ACADEMY OF HIGHER EDUCATION

### DEPARTMENT OF MANAGEMENT

**III BBA - (2016 - 2019 BATCH)**

**VI SEMESTER**

**TAXATION - II (16BAU603A)**

### POSSIBLE QUESTIONS

#### Part A (ONE Mark)

#### Multiple Choice Questions

#### Online Examination

#### PART - B (2 Marks)

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

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18. What are the types of taxation system?
19. Write note on proportional tax system
20. Give the meaning of progressive tax system.
21. What is GST?
22. What is CGST, and SGST?
23. What do you know about UTGST and IGST?
24. GST is destination based tax system. What does it mean?
25. What are the goods not covered under GST?
26. How the concept of supply is important under GST?
27. What is dual GST?
28. What is GSTN?
29. What is the threshold limit specified for registered under GST?
30. Who can avail composition scheme?
31. What is the mode of payment of taxes?
32. What is assessment?
33. What is taxable event under GST?
34. What is composition scheme?

**\*CIA- 3 X 2 = 6 (ANSWER ALL THE QUESTIONS)**

**\*\*ESE - 5 X 2 = 10 (ANSWER ALL THE QUESTIONS)**

**PART - C (6 Marks)**

1. 'Tax is the main source of revenue to the government' – Discuss
2. Discuss the merits and demerits of direct taxation
3. Explain the tax and non – tax revenues to the government.
4. Narrate the administration and relevant procedure of indirect taxes.
5. Explain the concept of impact, shifting and incidence of taxation
6. Distinguish between direct and indirect taxes
7. Narrate the advantages and disadvantages of indirect taxes.
8. Explain the canon of taxation
9. Distinguish between direct and indirect taxes
10. Explain the tax and non – tax revenues to the government.
11. Explain the taxation system in India.
12. Discuss the merits and demerits of progressive tax system.
13. Explain the administration and relevant procedures of the indirect tax Act.
14. Explain the history and evaluation of GST in India.
15. What are the constitutional provisions relevant for GST?
16. Explain the benefits of GST.
17. What is rate structure? How many rates are specified un GST?
18. What are the services of GSTN?
19. Explain the taxes subsumed in GST.
20. Explain the different type of assessments under GST.
21. Discuss the scope of supply under GST.
22. What is manufacture under GST law?
23. What is the responsibility of persons opting for composition scheme?

**\*CIA- 3 X 8 = 24 (EITHER OR TYPE)**

**\*\*ESE- 5 X6 = 30 (EITHER OR TYPE)**

QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4	ANSWER
Sales tax is a _____	Direct tax	Indirect tax	Personal tax	Corporate tax	Indirect tax
Sales tax and central sales tax is levied by _____	State Government	individual state	administration of government	Central Government	Central Government
_____	Tax one	state	Taxare	Tax mine	Taxare
On the basis of purpose of taxation, taxes are classified as ----- taxes	General and specific	Direct and indirect	Central and state	Wealth and gift	General and Specific
Tax imposes a _____ on the taxpayers	compulsory obligation	personal obligation	direct obligation	indirect obligation	compulsory obligation
The basic purpose of taxation is _____	To reduce cost	Raising revenue	To increase cost	To increase profit	Raising revenue
When abnormal demand will be reduced , _____ can be achieved	economic stability	inflation	deflation	increasing demand	economic stability
Removal of regional imbalances, the government can use _____	Charging fee	Control over public	Grants and subsidies	tax measures	tax measures
Payment of tax through banks will be another measure of _____	compulsory	convenience	collection	adequate service	convenience
Indirect taxes _____ the prices of products	Increase the price	decrease the price	inflation	deflation	Increase the price
Indirect taxes are included in the _____ of the commodities	Purchase price	Product price	selling price	spending amount	selling price
Direct taxes are based on the principle of _____ to pay	willingness	ability	wealth	income	ability
Direct taxes create _____ among tax payers to contribute the government	confidence	consciousness	capability	responsibility	consciousness
Consumers paid _____ of tax while purchasing commodities	large amounts	Small amounts	medium amounts	enlarge amounts	small amounts
Indirect taxes are _____ in nature	Progressive	Degressive	Regression	Regressive	Regressive
Tax evasion is _____ part of the price of goods	tax ability	tax paying	tax forms	tax arise	tax ability
Tax rates creates _____ leading to increase in cost	Taxability	deflation	Inflation	tax evasion	Inflation
Collection of Indirect tax constitute over _____ of the tax revenue.	75%	81%	71%	86%	71%
The principles of taxation is otherwise called as _____	merits of taxation	Canons of taxation	Demerits of taxation	Economy of taxation	Canons of taxation
Concurrent list contains entries of _____ and state governments	union	state	exclusive	constitution	union
enumerated in _____ of seventh schedule	List I	List II	List IV	List V	List II
Heavy duties on non-essential goods, discourage the _____ of such goods.	Sales	Consumption	Production	Purchase	Production
The _____ of collection of tax, more productive in administration	lower the cost	higher the cost	medium of cost	escaping cost	lower the cost
Simplicity of tax laws will enable _____ to the taxpayers	tax compliance	tax evasion	tax effort	tax exemption	tax compliance
Tax evasion is a _____ act	Lawful	Unlawful	Void	Acceptable	Unlawful
_____	Marshall	Adam smith	Fayal	Taylor	Adam smith
In _____ taxes the tax burden can be moved to others	Direct tax	Indirect tax	Income tax	Wealth tax	Indirect tax

Principle of economy is achieved in case of _____	Indirect tax	direct tax	sales tax	customs duty	direct tax
Indirect taxes are those which strike the citizen income in _____	private consumption	Public consumption	common consumption	property consumption	private consumption
proportion with income is called _____	Proportional taxation	Progressive taxation	Regressive taxation	Degressive taxation	Proportional taxation
_____ is a system in which taxes are levied only on one subject.	single tax	multiple tax	relative tax	commodity tax	single tax
Increase in rates of Indirect tax leads to _____	Increase in cost	Increase in price	Increase in goods	Increase in value of goods	Increase in cost
Taxation act as an _____	Instrument of public	Instrument of value	Instrument of price	Instrument of resource	Instrument of resource
Indirect taxes are imposed _____ on goods	production	consumption	marketing	servicing	consumption
Central government is empowered to impose _____	Customs duty	Local taxes	Municipal taxes	House tax	Customs duty
Indirect taxes can be _____	Shifted	transferable	Not imposed	Not a tax	Shifted
Maximum tax paying capacity of the economy as a whole is _____	relative taxable capacity	absolute taxable capacity	determining capacity	Improper ability to pay	absolute taxable capacity
Tax evasion is comparatively _____ in the case of organized sector	less	higher	medium	very less	less
_____ is levied on the basis of value of the commodities	Specific duty	Advelorem duty	Customs duty	Sales tax	Advelorem duty
The consumption of harmful goods increases _____	economy	social welfare	services	priority sector	social welfare
process related to tax are initiated in _____	tax reform	Economic policy	consultation	Regulation	tax reform
Tax liability as a proportion of income falls with increase in tax is called -----	Degressive taxation	Progressive taxation	Regressive taxation	Proportional	Regressive taxation
The principle implies that the cost of tax collection must be _____	maximum	minimum	medium	average	minimum
_____ goods are the goods and services that are consumed by people to satisfy the their personal needs and wants	Public	Private	Luxury	Durable	Private
The union list contains _____ entries and the sources of revenue	66	47	97	85	97
and principles of the income and expenditure of the government is called --	Tax revenue	Non taxable revenue	Public finance	Private finance	Public finance
The cost of collection of tax is _____ of the government	high	low	medium	normal	high
The tax on the net profits of the joint stock companies is called -----	Income tax	Wealth tax	Estate duty	Corporation tax	Corporation tax
The state list contains _____ entries and the sources of revenue	66	47	97	85	66
_____ is the largest source of single revenue to the government	customs duty	excise duty	VAT	service tax	Excise duty



Major components of the economic process initiated in _____ tax reform	1981	1985	1991	1999	1991
The process of indirect tax system in the country began in _____	1995	1985	1992	1999	1985
If impact and incidence fall on different persons is called -----	Direct tax	Indirect tax	Wealth tax	Gift tax	Indirect tax
The concurrent list contains ____ entries and the sources of revenue	66	47	97	85	47
The GST Act was passed on -----	2015	2016	2017	2018	2017
intra- state supply of goods and / or services would be called _____	Central GST	State GST	Integrated GST	Single GST	State GST
inter- state supply of goods and / or services would be called _____	Central GST	State GST	Integrated GST	Single GST	Integrated GST
Expansion of SGST _____	Simplified Goods and Service Tax	State Goods and Service Tax	Standard Goods and Service Tax	Single Goods and Service Tax	State Goods and Service Tax
Expansion of CGST _____	Central Goods and Service Tax	Common Goods and Service Tax	Contract Goods and Service Tax	Computed Goods and Service Tax	Central Goods and Service Tax
Expansion of GST _____	Goods and Service Tax	Goods and Sales Tax	Goods and Service Taxation	General and Service Tax	Goods and Service Tax

**UNIT-II - SUPPLY**

**SYLLABUS**

**Supply – Characteristics of Supply – Schedule I under CGST – Schedule ii under CGST – Activities which are not supply – Composite and Mixed Supply – Composition levy – Meaning – Condition and Restrictions – Time of supply of services – Time of supply in case of change in rate of tax – Value of tax**

**SUPPLY**

**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]

<b>Meaning of the term Supply</b>	<p><b>The term Supply has been defined in Section 7 of the Central GST Bill 2017. The definition, is as follows:-</b></p> <ul style="list-style-type: none"><li>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;</li><li>b) Import of services for a consideration whether or not in the course or furtherance of business;</li><li>c) The activities specified in Schedule I, made or agreed to be made without a consideration;</li></ul> <p><b>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)</b></p>
<b>Meaning of the Important terms</b>	<p><b>Definitions by Amended Constitution</b></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) <b>"Goods and Services Tax"</b> 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) "<b>Services</b>" means anything other than goods;</p> <p><b>Definitions under Section 2 of Central GST Bill 2017</b></p> <p><b>(52) "Goods"</b></p> <ul style="list-style-type: none"><li>• Means every kind of movable property other than money and securities</li><li>• 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:</li></ul> <p><b>(102) "Services"</b></p> <ul style="list-style-type: none"><li>• Means anything other than goods, money and securities</li><li>• 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</li></ul>
<p><b>Meaning of the term 'Intra State' and 'Inter State'</b></p>	<p><b>Section 7 of IGST Bill 2017: Supplies of goods and/or services in the course of Inter-State trade or commerce</b></p> <ul style="list-style-type: none"><li>• <b>Supply of goods</b> 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"><li>a) Two different States;</li><li>b) Two different Union territories; or</li><li>c) A State and a Union territory,</li></ol></li></ul> <p><b>Supply of goods imported</b> into the territory of India, till <b>they cross</b></p>

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

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	A person who takes registration voluntarily shall also be treated as a taxable person.
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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.

**(iv) Composite / Mixed supply**

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

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

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

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

**(v) Continuous supply of Foods/services**

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

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



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

**(vi) Inward/Outward supply**

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

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

**(vii) Inter/Intro State supply**

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

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

**(viii) Deemed supply**

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

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

**Need for Place of Supply of Goods and Services**

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

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

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

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

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

### **Importance of Valuation**

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

### **Illustrative Issues**

Following illustrative issues arise in valuation for GST. Suppose,

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

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

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

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

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### Place of Supply of Goods [Section 10 of IGST Act, 2017]

Section 10 prescribes the provisions for determining the place of supply of goods in domestic transactions. The five broad rules so set out are as under:

#### SITUATION

#### PLACE OF SUPPLY OF GOODS

A	Supply involves movement of goods	Termination of goods for delivery (Illustration 1)
B	Delivery on the direction of third party	Principal place of business of third party (Illustration 2)
C	No movement of goods in a supply	Location of goods at the time of delivery (Illustration 3)
D	Installation/ assembly	Place of assembly or installation (Illustration 4)
E	Supply on board a conveyance	Location where goods are taken on board (Illustration 5)

### Place of supply of services [Section 12 & 13 of IGST Act, 2017]

Section 12 : Supplier and Recipient both are located in India

#### SERVICES

#### STATUS OF RECIPIENT

##### Registered

##### Unregistered

Section 12(2): General Principle

Location of Recipient

location of recipient if address on records exists or

location of supplier, in other cases

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**Section 12(3):** Place of supply would be the location where the immovable property is situated.  
Exception/Special cases –

a) Directly related to immovable property If the immovable property is located at more than one state, value shall be taken proportionately as per contract or as per

(b) Lodging accommodation Rules.

(c) Accommodation for functions

(d) Ancillary services to the above

**Section 12(4):** Beauty parlor, Place of performance of service  
fitness, restaurant and catering  
services plastic cosmetic  
surgery etc

**Section 12(5):** Training & Location of recipient Location of performance  
Performance Appraisal

**Section 12(6):** Admission to Place where the event is held or where the park or such place is  
cultural, artistic, sporting, located  
educational, entertainment,  
amusement event etc. and  
ancillary services

**Section 12(7):** Location of event. Location of recipient if the  
event is outside India

(a) Organization of events  
above including conferences,  
fair exhibition etc.

(b) Ancillary Services, or

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assigning of sponsorship of  
such events Location of such  
person

If the activity is in more than one state, it is proportionate

If the event is held outside India, location of the recipient

## SERVICES

## STATUS OF RECIPIENT

**Section 12(8):** Transport of goods, including Courier/mail Location of recipient Location where goods are handed over for transportation.

**Section 12(9):** Transportation of passengers right to passage given for a future use & point of embarkment not known Location of recipient Place where the passenger embarks on (gets into) the conveyance for a continuous journey.

**Section 12(10):** On board a conveyance while in transit. Conveyance may be a ship, air craft, train, vehicle etc Location of first, scheduled point of departure of that conveyance for the journey.

**Section 12(12):** Banking & Financial services and Stock broking services Location of recipient if address exists on records of supplier or else, location of supplier.

**Section 12(13):** Insurance services Location of recipient Location of recipient of services as on the records of the supplier.

**Section 12(11):** Telecommunication services including data transfer, broad casting, cable TV services etc.



# KARPAGAM ACADEMY OF HIGHER EDUCATION

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CLASS: III BBA

COURSE NAME: TAXATION - II

COURSE CODE: 16BAU603AUNIT IISEMESTER: VI BATCH : 2016 -18

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- |   |   |
|---|---|
| (a) fixed telecom line                  | Place of fixing/installation  |
| (b) post paid mobile, internet services | Billing address of recipient  |
| (c) Prepaid through agent               | Address of Agent, place of payment/sale of voucher coupon etc.                                  |
| (d) In other cases                      | Address of recipient as per records. If address is not available, place of supplier of services |

## **Place of supply of service [Section 13 of IGST ACT, 2017]**

Section 13 of IGST Act, 2017 deals with place of supply of service the parties is outside India

**Section 13(2) General:** Location of recipient or supplier, if location of supplier is not available

**Section 13(3) Specific cases:** location of actual performance

**Section 13(4) Immovable Property:** location of such property

**Section 13(5) Admission to/organization of events etc:** location of event

**Section 13(6) Multi location:** location in Taxable territory

**Section 13(7) Multi location & more than one state/UT:** proportional to value in each state/UT

**Section 13(8) Banking, intermediary and hiring of means of transport:** location of supplier

**Section 13(9) Goods transport other than mail/courier:** destination of goods

**Section 13(10) Passenger transport:** location of embarkment

**Section 13(11) services on board a conveyance:** first scheduled point

## **TIME OF SUPPLY**

GST is payable on supply of goods or services. A supply consists of elements that can be separated in time, like purchase order / agreement, despatch (of goods), delivery (of goods) or provision or performance of service, entry in the records,

payment, and entry of the payment in the records or deposit in the bank.

So, at which of these points of time will GST become payable? Will it become payable when an agreement to supply goods or services is made, or when the goods are shipped or the services are provided, or when the invoice is issued or when payment is made? What if the goods are shipped over a period of time? What if the service is provided over a period of time? Provisions relating to 'time of supply' provide answer to all such and other questions that arise on the timing of the liability to pay CGST and SGST/UTGST (intra-State supply) and IGST (inter-State supply) as time of supply fixes the point in time when the liability to pay tax arises.

The CGST Act provides separate provisions for time of supply for goods and services vide sections 12 and 13 of CGST Act. Section 14 provides for the method of determining the time of supply in case there is a change in the rate of tax on supply of goods or services.<sup>1</sup> Sections 12 and 13 use the provisions of section 31 relating to issue of tax invoice as a reference point. Events like issuing of invoices, receipt of payment, provision of service, receipt of services in books of account need to be analysed to determine the time of supply when the tax on supply is payable under forward charge. When the tax on supply is payable under reverse charge, events like date of receipt of goods, date of making payment etc. need to be analysed to determine the time of supply. The provisions relating to time of supply essentially push the tax collection event to the earliest possible time. In the subsequent pages of this Unit, sections 12 and 13 are extracted, followed by their analysis, to understand how to determine the time of supply of goods and services respectively. When studying the statutory provisions, the definitions (extracted first) must also be referred to simultaneously, so as to understand the precise meaning of the terms used.

## **DEFINITIONS**

**Associated enterprises** shall have the same meaning as assigned to it in section 92A of the Income-tax Act, 1961 [Section 2(12)].

**Document** includes written or printed record of any sort and electronic record as defined in clause (t) of section 2 of the Information Technology Act, 2000 [Section 2(41)].

**Goods** means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply [Section 2(52)].

**Prescribed** means prescribed by rules made under this Act on the recommendations of the Council [Section 2(87)].

**Recipient** of supply of goods or services or both, means

(a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;

(b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and

(c) where no consideration is payable for the supply of a service, the person to whom the service is rendered, and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied [Section 2(93)].

**Services** 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 [Section 2(102)].

**Supplier** in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied [Section 2(105)].

**Reverse charge** means the liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under sub-section (3) or sub-section (4) of section 9, or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act [Section 2(98)].

**Voucher** means an instrument where there is an obligation to accept it as consideration or part consideration for a supply of goods or services or both and where the goods or services or both to

be supplied or the identities of their potential suppliers are either indicated on the instrument itself or in related documentation, including the terms and conditions of use of such instrument [Section 2(118)].

Section 12 covers the determination of time of supply in the following situations:

- Supply of goods by supplier where supplier is liable to pay tax;
- Receipt of goods that are taxable under reverse charge;
- Supply of vouchers that can be used to pay for goods;
- Residual cases
- Addition to value of supply by way of interest or fee or penalty for delayed payment.

Section 13 stipulates how to determine time of supply in the following situations:

- Supply of service on which the supplier is liable to pay tax,
- Receipt of service that is taxable under reverse charge basis,
- Supply of vouchers that can be used to pay for services,
- Residual cases,

Addition to value of supply by way of interest or fee or penalty for delayed payment.

Below we consider these in more detail.

## **VALUE OF SUPPLY**

GST is payable (i) on supply of goods and / or services for a consideration in the course of or furtherance of business; (ii) on certain supplies made without a consideration as specified in Schedule I to the CGST Act. As GST is levied as a percentage of the value of supply, whether of goods or of services, it becomes important to know how to arrive at the value on which tax is to be paid. Provisions relating to 'value of supply' set out the mechanism to compute such value basis which CGST and SGST/UTGST (intra-State supply) and IGST (inter- State supply) should be paid.

Section 15 of the CGST Act provides common provisions for determining the value of goods and services. It provides the mechanism for determining the value of a supply which is

made between unrelated persons and when price and only the price is the sole consideration of the supply. When value cannot be determined under section 15, the same is determined using Chapter IV: Determination of Value of Supply of CGST Rules.

**Inclusions in determination of Value of Supply**

- (a) any taxes, duties, cess, 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 or services or both;
- (c) incidental expenses, including commission and packing, charged by the supplier to the recipient of a supply and any amount charged for anything done by the supplier in respect of the supply of goods or services or both at the time of, or before delivery of goods or supply of 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 Government and State Governments

Note: Interest or late fee or penalty for delayed payment of any consideration for any supply was not taxable under Central Excise or Sales Tax laws. Now they are all part of value.

**Exclusions in determination of Value of Supply**

- (a) Any discount which is given before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and
- (b) any discount given after the supply has been affected, if –

- (i) such discount was known and agreed at the time of supply, that is, established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and
- (ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.

Where the value of the supply of goods or services or both cannot be determined under sub-section (1), the same shall be determined in such manner as may be prescribed.

Notwithstanding anything contained in sub-section (1) or sub-section (4), the value of such supplies as may be notified by the Government on the recommendations of the Council shall be determined in such manner as may be prescribed. For the purposes of this Act persons shall be deemed to be “related persons” if–

- (i) such persons are officers or directors of one another’s businesses;
- (ii) such persons are legally recognized partners in business;
- (iii) such persons are employer and employee;
- (iv) any person directly or indirectly owns, controls or holds twenty-five per cent. or more of the outstanding voting stock or shares of both of them;
- (v) one of them directly or indirectly controls the other;
- (vi) both of them are directly or indirectly controlled by a third person;
- (vii) together they directly or indirectly control a third person; or
- (viii) they are members of the same family;

The term “person” also includes legal persons and persons who are associated in the business of one another in that one is the sole agent or sole distributor or sole concessionaire, howsoever described, of the other, shall be deemed to be related

## **DEFINITIONS**

**Agent** means a person, including a factor, broker, commission agent, arhatia, del credere agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another [Section 2(5)].

**Cess** shall have the same meaning as assigned to it in the Goods and Services Tax (Compensation to States) Act [Section 2(22)].

**Consideration** in relation to the supply of goods or services or both includes –

(a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;

(b) the monetary value of any act or forbearance, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government; Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies the deposit as consideration for the said supply [Section 2(31)].

**Goods** means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply [Section 2(52)].

**Market value** shall mean the full amount which a recipient of a supply is required to pay in order to obtain the goods or services or both of like kind and quality at or about the same time and at the same commercial level where the recipient and the supplier are not related [Section 2(73)].

**Money** means the Indian legal tender or any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveller cheque, money order, postal or electronic remittance or any other instrument recognised by the Reserve Bank of India when used as a consideration to settle an obligation or exchange with Indian legal tender of another



denomination but shall not include any currency that is held for its numismatic value [Section 2(75)].

**Person** includes-

- (a) an individual;
- (b) a Hindu Undivided Family;
- a company;
- (d) a firm;
- (e) a Limited Liability Partnership;
- (f) an association of persons or a body of individuals, whether incorporated or not, in India or outside India;
- (g) any corporation established by or under any Central Act, State Act or Provincial Act or a Government company as defined in section 2(45) of the Companies Act, 2013;
- (h) any body corporate incorporated by or under the laws of a country outside India;
- (i) a co-operative society registered under any law relating to cooperative societies;
- (j) a local authority;
- (k) Central Government or a State Government;
- (l) society as defined under the Societies Registration Act, 1860;
- (m) trust; and
- (n) every artificial juridical person, not falling within any of the above [Section 2(84)].

**Prescribed** means prescribed by rules made under this Act on the recommendations of the Council [Section 2(87)].

**Recipient** of supply of goods or services or both, means

- (a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
- (b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and

(c) where no consideration is payable for the supply of a service, the person to whom the service is rendered, and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied [Section 2(93)].

**Services** 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 [Section 2(102)].

**Supplier** in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied [Section 2(105)].

**Voucher** means an instrument where there is an obligation to accept it as consideration or part consideration for a supply of goods or services or both and where the goods or services or both to be supplied or the identities of their potential suppliers are either indicated on the instrument itself or in related documentation, including the terms and conditions of use of such instrument [Section 2(118)]. mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged [Section 2(102)].

**Supplier** in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied [Section 2(105)].

**Voucher** means an instrument where there is an obligation to accept it as consideration or part consideration for a supply of goods or services or both and where the goods or services or both to be supplied or the identities of their potential suppliers are either indicated on the instrument itself or in related documentation, including the terms and conditions of use of such instrument [Section 2(118)].

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# KARPAGAM ACADEMY OF HIGHER EDUCATION

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**CLASS: III BBA**

**COURSE NAME: TAXATION - II**

**COURSE CODE: 16BAU603A UNIT II SEMESTER: VI BATCH : 2016 -18**

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## KARPAGAM ACADEMY OF HIGHER EDUCATION

### DEPARTMENT OF MANAGEMENT

**III BBA - (2016 - 2019 BATCH)**

**VI SEMESTER**

**TAXATION - II (16BAU603A)**

### POSSIBLE QUESTIONS

#### Part A (ONE Mark)

#### Multiple Choice Questions

#### Online Examination

#### 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 goods or service or both?
10. Write the concept of supply made by vouchers.

**\*CIA- 3 X 2 = 6 (ANSWER ALL THE QUESTIONS)**

**\*\*ESE - 5 X 2 = 10 (ANSWER ALL THE QUESTIONS)**

**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?

**\*CIA- 3 X 8 = 24 (EITHER OR TYPE)**

**\*\*ESE- 5 X6 = 30 (EITHER OR TYPE)**

QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4	ANSWER
The _____ would need to submit periodical returns, in common format as suggested by Central authority.	Tax payers	Entities	Revenue officer	State Government	Tax payers
The composition levy is an alternative method of levy of tax designed for small taxpayers whose turnover up to ----- crores in financial year	1.0crores	1.5 crores	2.0 crores	2.5 crores	1.5 crores
Every registered person shall make the assessment under GST is called _____	Provisional assessment	Income escaping assessment	Re assessment	Self assessment	Self assessment
----- refers to the tax which is collected by the e-commerce operator when the supplier supplies the goods and services	TDS	TCS	GST	Customs duty	TCS
----- refers to the tax which is deducted when the recipient of goods and services makes payment under Act.	TDS	TCS	GST	Customs duty	TDS
----- is date of receipt of payment.	Date of entry in the books	Date of payment credited into bank account	Date of entry or payment whichever is earlier	Date of filing of return	Date of entry or payment whichever is earlier
The permissible number of business verticals in a State in GST will be _____	25	30	35	40	35
A Bill of Supply has to be issued for which of the following -----	Supply of Exempted Services Only	Supply of Exempted Goods and Services	Supply of Exempted Goods Only	Supply of Exempted trading Only	Supply of Exempted Goods and Services
If the value of an exempted supply is ₹100, a Bill of Supply, _____	Has to be issued	Need not be issued unless recipient asks for	Need not be issued even if recipient asks for	May or may not be issued unless the recipient asks for	Has to be issued
A supply of Goods _____	Cannot be made without moving the goods and services	without moving the goods and	selling the goods by way of legal	Buying of goods	Cannot be made without moving the goods and
The ----- rate means the GST is not charged to the final consumer	Exempted	Taxable	Zero rate	Partially taxable	Zero rate
The period within which the invoice should be issued from the date of supply of service, is _____	30 days	1 month	20 days	15 days	30 days
For supply of services, invoice should be prepared in, _____	Original + 1 copy	Original + 2 copies	Original + 3 copies	Original + 4 copies	Original + 1 copy
For supply of Goods, invoice should be prepared in _____	Original + 1 copy	Original + 2 copies	Original + 3 copies	Original + 4 copies	Original + 2 copies

Invoice reference number is _____	The invoice number as printed on the invoice	Generated from the portal of GSTN	Generated from the portal of USTN	Service tax	Generated from the portal of GSTN
Invoice reference number is valid for _____	45 days	1 month	30 days	60 days	30 days
----- is responsible to pay the GST.	Supplier	Receiver	Supplier and receiver	Agent	Supplier and receiver
----- Supplies to which the reverse charge mechanism could be applied.	Inward Supply	Outward Supply	supply	Inward and outward supply	Inward and outward supply
Which of the following taxes leviable on Imports?	CGST	SGST	IGST	Customs duty and IGST	Customs duty and IGST
----- means any goods other than capital goods used by the supplier in course of business	Output	Assets	Input	Liabilities	Input
What is the threshold limit of turnover in the previous year for opting to pay tax under the composition scheme?	Not exceeding Rs.10 lacs	Not exceeding Rs.20 lacs	Not exceeding Rs.40 lacs	Not exceeding Rs.50 lacs	Not exceeding Rs.50 lacs
What are the taxes levied on an intra-State Supply?	CGST	SGST	CGST and SGST	IGST	CGST and SGST
What is the maximum rate prescribed under CGST?	12%	28%	20%	18%	20%
Who will notify the rate of tax to be levied under CGST?	Central Government	State Government	GST Council	Central Government as per the recommendations of the GST Council	Central Government as per the recommendations of the GST Council
Reverse charge mechanism is applicable for _____	Notified categories of goods	Exempted goods	Zero rated goods	Taxable goods	Notified categories of goods
----- taxes will be levied on Imports of goods	CGST	SGST	IGST	UTGST	IGST
Which of the following taxes would be levied on an intra-State supply of goods or services or both	CGST	Union territory tax	CGST and Union territory tax	IGST	CGST and Union territory tax
Maximum rate prescribed under UTGST is -----	14%	28%	20%	30%	20%
Central taxes subsumed under GST is -----	Service tax	State vat	Luxury tax	Purchase tax	Service tax
The threshold limit of turnover in the preceding financial year for opting to pay tax under composition scheme is -----	Rs.20 lacs	Rs.10 lacs	Rs.50 lacs	Rs .30lacs	Rs.50 lacs

What is the rate applicable under CGST to a manufacturer opting to pay taxes under composition scheme?	2.50%	1%	0%	5%	1%
The rate applicable under CGST to a registered person being an hotelier opting to pay taxes under composition scheme is -----	1%	0.50%	2.50%	3.50%	2.50%
The rate applicable under CGST to a registered person opting to taxes under composition scheme, not being a manufacturer or a hotelier is ----	1%	2.50%	0.50%	2%	0.50%
State taxes subsumed within the GST is -----	Central excise duty	Central surcharge	Cess	Entry tax	Entry tax
Taxes not subsumed under GST is -----	State VAT	Purchase tax	Tax on lottery	Export duty	Export duty
The rate of GST for gold is -----	5%	12%	18%	3%	3%
The rate of GST for luxury goods is -----	5%	12%	18%	28%	28%
Which of the following will be excluded from the computation of 'aggregate turnover'?	Value of Taxable supplies	Value of Exempt Supplies	Non-taxable supplies	tax is paid on reverse charge basis	tax is paid on reverse charge basis
The rate of GST for services is -----	5%	12%	18%	28%	18%
----- covers the tax on essential good , standard rate and tax on luxury goods	Taxable supplies	Exempt supplies	Zero rated supplies	Partially taxable supplies	Taxable supplies
Transport of goods in a vessel is chargeable at the rate of ----- in GST	5%	12%	18%	28%	5%
Taxable event in GST is -----	Supply of goods and services	Receiver of goods and services	Import of good	Export of goods	Supply of goods and services
Determination of tax liability under GST is called -----	Turnover	Value	Assessment	Duty	Assessment
-----are assets purchased with an intention to use same in the business making supply of goods and services	Capital goods	Current goods	Flexible goods	Fixed assets	Capital goods
----- is the date of receipt of payment.	Date of entry in the books	Date of payment credited into bank account	Date of entry and payment whichever is earlier	Date of filing of return	Date of entry and payment whichever is earlier
----- means a person on whose behalf an agent carries on the business of supply or receipt of goods or services.	Manufacturer	Agent	Principal	Supplier	Principal

----- 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
----- means an instrument where there is an obligation to accept it as consideration for supply of goods or services.	Payment	Receipt	Bill	Voucher	Voucher
Zero rated supply is a taxable supply which is subject to a rate of -----	1%	0%	2%	3%	0%
----- is a combination of two or more supplies	Mixed supply	Exempted supply	Zero rated	Taxable	Mixed supply
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	Date of agreement	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	Inter state	Intra state	Centre only	State only	Intra state
Filing of tax return under normal GST levy is -----	Monthly	Quarterly	Half yearly	Annually	Monthly
Place of supply of services in relation to mobile connection for pre-paid customers other than through internet shall be .....	Location of supplier	Location of recipient	Location where such pre-payment is received as such vouchers are sold	Location of the buyer	Location where such pre-payment is received as such vouchers are sold



**UNIT-III – INPUT TAX CREDIT****SYLLABUS**

**ITC and Registration: Input Tax credit – Meaning – input Tax Credit restrictions – Job work – Accounts and Records – Tax invoice - Credit and Debit notes – Registration Person liable to register – Persons not liable to register – Returns – Payments – Utilization of ITC – Refunds**

**Input tax credit**

The provisions of input tax credit have been prone to litigation. The GST law provides an elaborate mechanism for a ailment 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.

In earlier indirect tax regime, the credit mechanism for indirect taxes levied by the Union Government was governed by the CENVAT Credit Rules, 2004; and the credit mechanism for state-level VAT on sale of goods was governed by the States under their respective VAT Acts and Rules. The VAT legislations allowed ITC of VAT on inputs and capital goods in transactions within the state, but not on inputs and capital goods coming in the State from outside the state, on which central sales tax was paid. CENVAT Credit Rules, 2004 allowed availing and utilization of credit of duty/tax paid on both goods (capital goods and inputs) and services by the manufacturers and the service providers across the country

**DEFINITIONS**

**Agent** means a person, including a factor, broker, commission agent, arhatia, del credere agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another [Section 2(5)].

**Business** includes

- (a) any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;
- (b) any activity or transaction in connection with or incidental or ancillary to sub-clause (a);
- (c) any activity or transaction in the nature of sub-clause (a), whether or not there is volume, frequency, continuity or regularity of such transaction;
- (d) supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;
- (e) provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;
- (f) admission, for a consideration, of persons to any premises;
- (g) services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;
- (h) services provided by a race club by way of totalisator or a licence to boomaker in such club; and

(i) any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities [Section 2(17)].

**Conveyance** includes a vessel, an aircraft and a vehicle [Section 2(34)].

**Exempt supply** means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the IGST Act, and includes non-taxable supply [Section 2(47)].

**Capital goods** means goods, the value of which is capitalized in the books of account of the person claiming the ITC and which are used or intended to be used in the course or furtherance of business [Section 2(19)].

**Input** means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business [Section 2(59)].

**Input service** means any service used or intended to be used by a supplier in the course or furtherance of business [Section 2(60)].

**Input tax** in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—

- (a) the integrated goods and services tax charged on import of goods; the tax payable under the provisions of sub-sections (3) and (4) of section 9;
- (c) the tax payable under the provisions of sub-section (3) and (4) of section 5 of the IGST Act;
- (d) the tax payable under the provisions of sub-section (3) and sub-section (4) of section 9 of the respective State Goods and Services Tax Act; or
- (e) the tax payable under the provisions of sub-section (3) and sub-section (4) of section 7 of the Union Territory Goods and Services Tax Act, but does not include the tax paid under the composition levy [Section 2(62)].

**Input tax credit** means the credit of input tax [Section 2(63)].

**Inward supply** in relation to a person, shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration [Section 2(67)].

**Motor vehicle** shall have the same meaning as assigned to it in clause (28) of section 2 of the Motor Vehicles Act, 1988 [Section 2(76)].

**Motor vehicle or vehicle under the Motor Vehicles Act, 1988** means any mechanically propelled vehicle adapted for use upon roads whether the power of propulsion is transmitted thereto from an external or internal source and includes a chassis to which a body has not been attached and a trailer; but does not include a vehicle running upon fixed rails or a vehicle of a special type adapted for use only in a factory or in any other enclosed premises or a vehicle having less than four wheels fitted with engine capacity of not exceeding thirty-five cubic centimetres. [Section 2(28) of Motor Vehicles Act, 1988].

**Non-resident taxable person** means any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India [Section 2(77)].

**Principal** means a person on whose behalf an agent carries on the business of supply or receipt of goods or services or both [Section 2(88)].

**Recipient** of supply of goods or services or both, means—

- (a) where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
- (b) where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available;
- and (c) where no consideration is payable for the supply of a service, the person to whom the service is rendered, and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied [Section 2(93)].

**Supplier** in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied [Section 2(105)].

**Taxable supply** means a supply of goods or services or both which is leviable to tax under CGST Act [Section 2(108)].

**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 (SEZ) developer or a Special Economic Zone unit [Section 16(1) of IGST Act].

## **ELIGIBILITY AND CONDITIONS FOR TAKING INPUT TAX CREDIT [SECTION 16]**

### **STATUTORY PROVISIONS**

#### **Section 16 Eligibility and conditions for taking input tax credit**

##### **Sub-section Clause Particulars**

(1) Every registered person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in section 49, be entitled to take credit of input tax charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business and the said amount shall be credited to the electronic credit ledger of such person.

(2) Notwithstanding anything contained in this section, no registered person shall be entitled to the credit of any input tax in respect of any supply of goods or services or both to him unless,—

- (a) he is in possession of a tax invoice or debit note issued by a supplier registered under this Act, or such other tax paying documents as may be prescribed;
- (b) he has received the goods or services or both. Explanation.—For the purposes of this clause, it shall be deemed that the registered person has received the goods where the goods are delivered by the supplier to a recipient or any other person on the direction of such registered person, whether acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise;
- (c) subject to the provisions of section 41, the tax charged in respect of such supply has been actually paid to the Government, either in cash or through utilisation of input tax credit admissible in respect of the said supply; and
- (d) he has furnished the return under section 39:

Provided that where the goods against an invoice are received in lots or instalments, the registered person shall be entitled to take credit upon receipt of the last lot or instalment:

Provided further that where a recipient fails to pay to the supplier of goods or services or both, other than the supplies on which tax is payable on reverse charge basis, the amount towards the value of supply along with tax payable thereon within a period of one hundred and eighty days from the date of issue of invoice by the supplier, an amount equal to the input tax credit availed by the recipient shall be added to his output tax liability, along with interest thereon, in such manner as may be prescribed: Provided also that the recipient shall be entitled to avail of the credit of input tax on payment made by him of the amount towards the value of supply of goods or services or both along with tax payable thereon.

(3) Where the registered person has claimed depreciation on the tax component of the cost of capital goods and plant and machinery under the provisions of the Income-tax Act, 1961, the input tax credit on the said tax component shall not be allowed.

(4) A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under section 39 for the month of September following the end of financial year to which such invoice or invoice relating to such debit note pertains or furnishing of the relevant annual return, whichever is earlier.

### **Input Tax Credit of the CGST Rules**

#### **Rule 36 Documentary requirements and conditions for claiming input tax credit**

(1) The input tax credit shall be availed by a registered person, including the Input Service Distributor, on the basis of any of the following documents, namely:-

- (a) an invoice issued by the supplier of goods or services or both in accordance with the provisions of section 31;
- (b) an invoice issued in accordance with the provisions of clause (f) of sub-section (3) of section 31, subject to the payment of tax;
- (c) a debit note issued by a supplier in accordance with the provisions of section 34;
- (d) a bill of entry or any similar document prescribed under the Customs Act, 1962 or rules made thereunder for the assessment of integrated tax on imports;
- (e) an input service distributor invoice or input service distributor credit note or any document issued by an input service distributor in accordance with the provisions of sub-rule (1) of rule 54.

(2) Input tax credit shall be availed by a registered person only if all the applicable particulars as specified in the provisions of Chapter VI are contained in the said document, and the relevant information, as contained in the said document, is furnished in **FORM GSTR-2** by such person.

(3) No input tax credit shall be availed by a registered person in respect of any tax that has been paid in pursuance of any order where any demand has been confirmed on account of any fraud, wilful misstatement or suppression of facts.

**Rule 37 Reversal of input tax credit in the case of non-payment of consideration**

(1) A registered person, who has availed of input tax credit on any inward supply of goods or services or both, but fails to pay to the supplier thereof the value of such supply along with the tax payable thereon within the time limit specified in the second proviso to sub-section (2) of section 16, shall furnish the details of such supply, the amount of value not paid and the amount of input tax credit availed of proportionate to such amount not paid to the supplier in **FORM GSTR-2** for the month immediately following the period of one hundred and eighty days from the date of the issue of the invoice. Provided that the value of supplies made without consideration as specified in Schedule I of the said Act shall be deemed to have been paid for the purposes of the second proviso to sub-section (2) of section 16.

(2) The amount of input tax credit referred to in sub-rule (1) shall be added to the output tax liability of the registered person for the month in which the details are furnished.

(3) The registered person shall be liable to pay interest at the rate notified under sub-section (1) of section 50 for the period starting from the date of availing credit on such supplies till the date when the amount added to the output tax liability, as mentioned in sub-rule (2), is paid.

(4) The time limit specified in sub-section (4) of section 16 shall not apply to a claim for re-availing of any credit, in accordance with the provisions of the Act or the provisions of this Chapter, that had been reversed earlier.

(i) Eligibility for taking ITC [Section 16(1)]

(a) Registration under GST

Every registered person shall be entitled to ITC charged on inward supply of goods and / or services. This is subject to the provisions relating to use of ITC under section 49 and the conditions



and restrictions in the rules. [Section 49 prescribes provisions relating to payment of tax, interest, penalty & other amounts. The same has been discussed in detail in Chapter 9:

Payment of Tax.]

(b) Goods/services to be used for business purposes ITC will be available on goods and/or services which are used in the course or furtherance of the business [See definition of business]; the “intention to use” the goods and/or services in the course or furtherance of business would also lead to availing of credit on such goods and/or services. Thus, tax paid on goods and or/services which are used or intended to be used for non-business purposes cannot be availed as credit. ITC will be credited in Electronic Credit Ledger.

(ii) Conditions for taking ITC [Section 16(2)] The registered person will be entitled to ITC on a supply only if **ALL** the following four conditions are fulfilled:

(a) Possession of tax paying document [Section 16(2)(a) read with rule 36 of the CGST Rules]

ITC can be availed on the basis of any of the following documents:

- i) Invoice issued by a supplier of goods and/or services
- ii) Invoice issued by recipient (receiving goods and/or services from unregistered supplier) along with proof of payment of tax (in case of reverse charge)
- iii) A debit note issued by supplier
- iv) Bill of entry or similar document prescribed under Customs Act
- v) Revised invoice
- vi) Document issued by Input Service Distributor<sup>2</sup>

The documents basis which ITC is being taken should have all the relevant particulars as prescribed in rule 46 of the CGST Rules. [Rule 46 relating to tax invoice has been discussed in detail in Chapter 8: Tax Invoice, Credit and Debit Notes.]

The person taking the ITC must have received the goods and / or services.

**“Bill to Ship to” Model also included:** Under this model, the goods are delivered to a third party on the direction of the registered person who purchases the goods from the supplier. Receipt of goods u/s 16(2)(b) includes delivery to another person on the direction of the registered person by way of transfer of documents of title to goods or otherwise



either before or during the movement of goods. It would be deemed that the registered person has received the goods in such scenario. So, ITC will be available to the registered person on whose order the goods are delivered to third person.

(c) Tax leviable on supply actually paid to Government [Section 16(2)(c)]

Tax should actually have been paid, by cash or through utilization of ITC, on the goods and / or services for which ITC is being taken. However, provisional ITC can be taken initially, prior to matching in the common portal, and used for payment of self-assessed tax on outward supply. (More details on this are given under the Heading “How ITC is availed and utilized”).

(d) Filing of return [Section 16(2)(d)] The registered person taking the ITC must have filed his return under section 39.

(iii) Goods received in lots: ITC available only on receipt of last lot [First proviso to section 16(2)] In case the goods covered under an invoice are not received in a single consignment but are received in lots / instalments, the ITC can be taken only upon receipt of the last lot / instalment.

(iv) Payment for the invoice to be made within 180 days [Second proviso to section 16(2) read with rule 37 of CGST Rules] The registered person must pay the supplier, the value of the goods and/or services along with the tax within 180 days from the date of issue of invoice. In the event of failure to do so, the details of such supplies and corresponding credits thereon must be furnished in the GSTR 2 of the month immediately following such 180 days. Such credits availed by the registered person would be added to his output tax liability of the month in which the details are furnished, with interest. Interest will be paid @ 18% from the date of availing credit till the date when the payment is made to the supplier. However, once the payment is made, the recipient will be entitled to avail the credit again without any time limit [see discussion on time limit for availing credit under point (vi)]. In case part payment has been made, proportionate credit would be allowed.

### **Exceptions**

This condition of payment of value of supply plus tax within 180 days does not apply in the following situations:

1. Supplies on which tax is payable under reverse charge

2. Deemed supplies without consideration

**Apportionment of ITC [Sub-sections (1) and (2) of section 17 read with rule 42 and rule 43 of CGST Rules]**

The situations requiring apportionment are as follows:

- (a) when the goods and / or services are used by the registered person partly for the purpose of business (see the definition of business) and partly for other purposes [Section 17(1)]; and
- (b) when the goods and / or services are used by the registered person partly for making taxable supplies including zero-rated supplies and partly for making exempt supplies (see the definition of exempt supplies) [Section 17(2)]. In both the above situations, full ITC on inward supplies cannot be taken; only proportionate ITC is allowed in such scenarios. Where goods and/or services are used partly for non-business purposes and partly for business purposes, ITC attributable only to business purposes can be taken by the registered person. Similarly, where goods and/or services are partly used for making exempt supplies including zero rated supplies and partly for taxable supplies, ITC attributable to taxable supplies and zero rated supplies can be taken by the registered person.

**REGISTRATION UNDER GST**

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

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

- Pass on the credit of the taxes paid on the goods or services supplied to purchasers or recipients.

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

### **Major features of the registration procedures under GST**

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

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

### **a. Compulsory Registration**

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

- (i) Persons making any inter-State taxable supply;
- (ii) Casual taxable persons making taxable supply;
- (iii) Persons who are required to pay tax under reverse charge;

- (iv) Person who are required to pay tax as Electronic Commerce Operator;
- (v) Non-resident taxable persons making taxable supply;
- (vi) Persons who are required to deduct tax (TDS) under section 51, whether or not separately registered under this Act;
- (vii) Persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise;
- (viii) Input Service Distributor, whether or not separately registered under this Act;
- (ix) Persons who supply goods or services or both, other than supplies specified under sub-section (5) of section 9, through such electronic commerce operator who is required to collect tax at source under section 52;
- (x) Every electronic commerce operator;
- (xi) Every person supplying online information and data base access or retrieval services from a place outside India to a person in India, other than a registered person; and
- (xii) Such other person or class of persons as may be notified by the Government on the recommendations of the Council.

### **b.Provisional Registration**

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

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

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### Steps to Complete Provisional Registration

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

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

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

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

### RETURNS UNDER GST

#### Periodicity of Return Filing

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

S.No	Return / Ledger	For	To be Filed by
1	GSTR 1	Outward supplies made by taxpayer (other than compounding taxpayer and ISD)	10 <sup>th</sup> of the next month

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2	GSTR 2	Inward supplies received by a taxpayer (other than a compounding taxpayer and ISD)	15 <sup>th</sup> of the next month
3	GSTR 3	Monthly return (other than compounding taxpayer and ISD)	20 <sup>th</sup> of the next month
4	GSTR 4	Quarterly return for compounding Taxpayer	18 <sup>th</sup> of the month next to quarter
5	GSTR 5	Periodic return by Non- Resident Foreign Taxpayer	Seven days from last day of registration
6	GSTR 6	Return for Input Service Distributor (ISD)	13 <sup>th</sup> of the next month
7	GSTR 7	Return for Tax Deducted at Source	10 <sup>th</sup> of the next month
8	GSTR 8	E-Commerce Operator	10 <sup>th</sup> of the next month
9	GSTR 9	Annual Return	By 31 <sup>st</sup> December of next FY
10	GSTR 10	Final Return	3 months from the date of Cancellation

### **Other important points relating to periodicity of return filing**

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

- (i) Normal/ Regular taxpayers with multiple registrations (for business verticals) within a State would have to file GSTR-1, GSTR-2 and GSTR-3 for each of the registrations separately.

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- (ii) Compounding taxpayers would have to file a quarterly return in GSTR-4.
- (iii) Taxpayers otherwise eligible for the composition scheme can opt out of composition and file monthly returns and thereby make their supplies eligible for ITC in hands of the purchasers. In such a case, they will have to file GSTR 1-3 irrespective of their turnover.
- (iv) Casual taxpayers would have to file GSTR-1, GSTR-2 and GSTR-3 returns for the period for which they have obtained registration. The registration of Casual taxpayers will be done in the same manner as that of Normal/ Regular taxpayers but with payment of advance tax.
- (v) Non-Resident Taxpayers (foreigners) would be required to file GSTR-5 return for the period for which they have obtained registration within a period of seven days after the date of expiry of registration. In case registration period is for more than one month, monthly return(s) would be filed and thereafter return for remaining period would be filed within a period of seven days as stated earlier.
- (vi) Annual return (GSTR-9) will be filed by all normal/ regular and composition taxpayers. It will be based on financial records.
- (vii) Cut-off date for filing of details of outward supplies (GSTR-1), inward supplies (GSTR-2) and monthly return (GSTR-3) would be 10<sup>th</sup>, 15<sup>th</sup> and 20<sup>th</sup> day respectively of the succeeding month for all monthly filers.
- (viii) Cut-off date for filing of Quarterly return (GSTR-4) by compounding taxpayer would be 18th day of the first month of the succeeding quarter.
- (ix) Cut-off date for filing of Input Service Distributor return (GSTR-6) would be 13th day of the succeeding month.
- (x) Cut-off date for filing of TDS (Tax Deducted at Source) return (GSTR-7) by Tax Deductor would be 10<sup>th</sup> day of the succeeding month.

- (xi) For Annual return, the cut-off date would be 31<sup>st</sup> December following the end of the financial year for which it is filed.
- (xii) The filing of return would be only through online mode although the facility of offline generation and preparation of returns would be provided. The returns prepared in offline mode would have to be uploaded before due date.

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

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

### **Refund Provisions in Model GST Law**

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



- Any person claiming refund of any tax and interest may make an application to the proper Officer of 1GST/CGST/SGST before the expiry of 2 years from the relevant date in such form and in such manner as may be prescribed.
- A taxable person may claim refund of any unutilized input tax credit at the end of any tax period.
- No refund of unutilized ITC shall be allowed in cases other than exports or in cases where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on outputs.
- No refund of unutilized ITC in cases where the goods are exported out of India are subjected to export duty.
- The Refund application shall be accompanied by:
  - ✓ Documentary evidence as may be prescribed to establish that a refund is due.
  - ✓ Such documentary or other evidence as the applicant may furnish to establish that the amount of tax and interest, if any, paid on such tax or any other amount paid in relation to which such refund is claimed was collected from, or paid by, him and the incidence of such tax and interest had not been passed on by him to any other person.
  - ✓ If the amount claimed is less than five lakh rupees, he may file a declaration, based on the documentary and other evidences with him, certifying that the incidence of such tax and interest had not been passed on by him to any other person.

### **1) Refund scenarios in GST**

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

- (i) Exports of goods and services. It can be tax paid on the inputs used in the use of goods and services which are exported at zero rate or in case tax is paid on such exports then such tax

(No refund of Unutilized ITC, if goods exported outside India are subjected to export duty)  
[Proviso to 54(3)]

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

**B) On Finalization of provisional assessment under Sec. 60**

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

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

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

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

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

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

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

**2) Procedure****a) General procedures on submission of application**

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

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

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

1. Shipping Bill (Export Promotion copy);
2. Mate's Receipt / Transporter's Challan (in case of export by road);
3. Export invoice;
4. Packing list;

5. Bill of Lading/ Airway Bill;
6. Bank Realization Certificate (BRC).
7. In case of services, invoice and BRC.

**c) Verification**

The verification will be mostly online.

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

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

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

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

- A simple formula will be prescribed in the rules may be based on proportionate credit based on export turnover/total turnover.
- A declaration can be obtained from the exporter regarding Utilization of inputs in exported goods.

- Refund shall be granted within 60 days from the date of application containing complete details. Sec.48 (7).
- For export refunds to notified category of dealers, 90% refund can be granted before verification subject to such conditions and restrictions.

### **1) Unjust enrichment and consumer Welfare Fund**

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

### **2) Withholding of refunds (Sec.54)**

Refund can be withheld in the following circumstances:

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

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

### **4) Interest on delayed refunds (Sec.56)**

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

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

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

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

**Refund**

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

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

## KARPAGAM ACADEMY OF HIGHER EDUCATION

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**CLASS: III BBA**

**COURSE NAME: TAXATION - II**

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**UNIT III**

**SEMESTER: VI BATCH : 2016 -18**

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- (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.

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## KARPAGAM ACADEMY OF HIGHER EDUCATION

### DEPARTMENT OF MANAGEMENT

#### III BBA - (2016 - 2019 BATCH)

#### VI SEMESTER

#### TAXATION - II (16BAU603A)

#### UNIT III

#### POSSIBLE QUESTIONS

#### Part A (ONE Mark)

#### Multiple Choice Questions

#### Online Examination

#### PART B

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

**\*CIA - 3 X 2 = 6 (ANSWER ALL THE QUESTIONS)**

**\*\*ESE - 5 X 2 = 10 (ANSWER ALL THE QUESTIONS)**



**PART - C**

1. What are the benefits available to registered suppliers under GST?
2. Under what circumstances same person can have different registration in same state.
3. Discuss the Return Filing.
4. Explain Rules for return filing.
5. Briefly explain Refund Provision in GST.
6. Briefly explain Small scale exemption.
7. What is advance registration? Who are liable for advance registration?
8. Explain the contents of invoice to be issued by goods transport agency.
9. Explain the various types of input credit methods
10. What are the conditions specified under section 16(2) for utilizing input credit?

**\*CIA - 3 X 8 = 24 (EITHER OR TYPE)**

**\*\*ESE - 5 X 6 = 30 (EITHER OR TYPE)**

QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4	ANSWER
There are ----- types of registration under GST	5	2	3	4	2
A person shall register under tax law if e fulfills the conditions in the Act for registration is called -----	Registration	Compulsory registration	Voluntary registration	Not a registration	Compulsory registration
Any person whose aggregate value of taxable supply of goods and services is below ----- may voluntarily register.	Rs. 10 lacs	Rs. 20 lacs	Rs. 30 lacs	Rs. 40 lacs	Rs. 20 lacs
The threshold limit of 20 lacs is reduced to ----- in case of special category states	Rs. 10 lacs	Rs. 20 lacs	Rs. 30 lacs	Rs. 40 lacs	Rs. 10 lacs
CGST and SGST will be levied on -----	Intra-state supply	Inter-state supply	Import	Export	Intra-state supply
Which one of the following shall not be treated as supply?	Rental	Lease	Actionable claim	License	License
The maximum rate that can be levied as CGST or SGST will be at---	18%	20%	18%	40%	20%
On which one of the following items, GST will be levied-----	Aviation fuel	petroleum Gas	Natural Gas	High Speed Diesel oil	Aviation fuel
Works contract is ----	Supply of goods	Supply of services	Supply of goods and services	supply of goods nor services	Supply of goods and services
----- means any person who owns, operates or manages digital or electronic facility or platform for e- commerce	Business operator	Contractor	e-commerce operator	Supplier	e-commerce operator
Composition levy is applicable to the taxable persons whose aggregate turnover did not exceed ----- during the current year	Rs. 50 lakhs	Rs. 60 lakhs	Rs. 70 lakhs	Rs. 80 lakhs	Rs. 50 lakhs
Amendment to registration is given in Sec ---- under GST Act	26	27	28	29	28
Which one of the statements regarding the Composition levy is incorrect?	Inter-state inward supply is permitted	Not eligible to collect tax	manufactures and service providers are not	goods which are not leviable to tax under GST is	Not eligible to collect tax
The maximum rate of tax prescribed for manufactures in Composition levy is CGST and SGST -----	1%	5%	0.50%	2.50%	1%
The authorities will grant registration within --- days from the date of registration	7	15	30	45	7
The ----- form is used for applying for registration	GST REG - 01	GST REG - 02	GST REG - 03	GST REG - 04	GST REG - 01
----- is evidence for a sale transaction and base document for collection of tax	Bill	Document	Receipt	Invoice	Invoice

Invoices for supply of goods should be in -----	Original	Duplicate	Triplicate	Four copies	Triplicate
The original copy of invoice for supply of goods being marked as original for ----	Recipient	Supplier	Transporter	buyer	Recipient
The duplicate copy of invoice for supply of goods being marked as duplicate for ---	Recipient	Supplier	Transporter	buyer	Transporter
The triplicate copy of invoice for supply of goods being marked as triplicate for ---	Recipient	Supplier	Transporter	buyer	Supplier
Accounts are required to be maintained in-----	Manual form	Electronic form	Register	electronic form	Manual or electronic form
_____ has to maintain record even though he is not registered under GST	Owner of warehouse	Owner of godown	any other place used for storage of goods	Owner of warehouse or godown	Owner of warehouse or godown
If a turnover during a financial year exceeds the prescribed limit, then accounts get audited by	Chartered Accountant	Cost accountant	Management accountant	Accountant	Chartered accountant
The original copy of invoice for supply of services being marked as original for ----	Recipient	Supplier	Transporter	buyer	Recipient
The duplicate copy of invoice for supply of services being marked as duplicate for -----	Recipient	Supplier	Transporter	buyer	supplier
Registered persons making supply of goods and services with value below Rs. ----- may not issue invoices	Rs.100	Rs.200	Rs300	Rs. 400	Rs. 200
Tax applicable to the particular supply , the rate is not determined at the time of receipt of advance, tax should be charged -----	5%	10%	12%	18%	18%
The time limit for issue of an order for recovery in case of fraud, misstatement or suppression is -----	30 months	18 months	5 years	3 years	5 years
The time limit for issue of order for recovery in cases other than fraud, misstatement or suppression-----	30 months	18 months	5 years	3 years	3 years
----- is distributing input tax available with it on common services to various branches or offices	Input service distributor	Input goods distributor	Output service distributor	output service distributor	Input service distributor
A ----- agency supplying services in relation to transportation of goods by road in a goods carriage shall issue a tax invoice.	Services transport	Transport	Goods transport	Shipment	Goods transport

----- is to be issued when the supplier has charged excess value for the goods or services are found to be defective	Credit note	Debit note	Purchase note	Sales note	Credit note
----- registers/ledgers are maintained in online.	Tax liability register	Credit ledger	Cash ledger	Tax liability ledger, credit ledger and cash ledger	Tax liability ledger, credit ledger and cash ledger
Physical payment made through challan will be credited to in ----- registers/ledgers	Electronic Tax liability register	Electronic Credit ledger	Electronic Cash ledger	Electronic sales ledger	Electronic Cash ledger
----- is to be issued when the supplier charged less value for the goods or services	Credit note	Debit note	Purchase note	Sales note	Debit note
----- account is debited to the electronic credit ledger	Matched input tax credit	Provisionally input tax credit	Unmatched input tax credit	Matched input tax credit, Provisionally input tax credit and Unmatched	Matched input tax credit, Provisionally input tax credit and Unmatched input tax credit
Balance in electronic credit ledger can be utilized against ----- liability	Output tax payable	Interest	Penalty	Fine	Output tax payable
Balance in electronic credit ledger under IGST can be used against -----	IGST Liability only	IGST and CGST liability	CGST and SGST liability	SGST liability only	IGST, CGST and SGST liability
Balance in electronic credit ledger under CGST can be used against -----	CGST Liability only	CGST and IGST liability	IGST and SGST liability	UGST liability only	CGST and IGST liability
Balance in electronic credit ledger under SGST can be used against -----	SGST Liability only	SGST and IGST liability	IGST and CGST liability	CGST liability only	SGST and IGST liability
What should a dealer do if he pays the wrong tax i.e. IGST instead of CGST/SGST or vice versa?	Remit tax again and claim refund	It will be auto-adjusted	It will be adjusted on application/request	Remit tax twice	Remit tax again and claim refund
What should a dealer do if he pay tax under wrong GSTIN?	under right GSTIN and claim refund	Auto-adjustment	Adjustment on application/	Raise ISD invoice and transfer	under right GSTIN and claim refund
Every registered dealer whose aggregate turnover during a financial year exceeds ----- shall get his accounts audited	1 crore	2 crores	3 crores	4 crores	2 crores
The due date for payment of tax is -----	the month to which payment relates	Within 10 days of the subsequent month	Within 20 days of the subsequent month	Within 15 days of the subsequent month	Within 20 days of the subsequent month
Annual return for a financial year shall be filed on or before ----- of the next financial year.	31 <sup>st</sup> March	31 <sup>st</sup> July	31 <sup>st</sup> October	31 <sup>st</sup> December	31 <sup>st</sup> December

The validity of challan in Form GST PMT-4 ----	1 day	5 days	15 days	Perpetual validity	15 days
If a dealer failed to pay tax and/or file returns on time, he should pay interest on -	Gross tax payable	Gross tax payable and input credit claimed	Net tax payable	payable, if reasonable cause is shown	Gross tax payable
Period of keeping books of accounts and records shall be for a period of ----- year after final disposal of such appeal or proceeding or investigation.	5 years	4 years	2 years	1 year	1 year
The value of supply of goods and services shall be the -----	Transaction value	MRP	Market Value	Residual value	Transaction value
The maximum late fee shall not exceed ----- under GST	Rs.5,000	Rs.3,000	Rs.2,000	Rs.1,000	Rs. 5000
A registered person making ----- supply shall be eligible to claim refund.	Multiple supply	Time of supply	Zero rated supply	Export of goods	Zero rated supply
Deductions allowed from the transaction value are -----	Discounts offered	Packing Charges,	paid by customer	Freight charges	Discounts offered
----- tax means the integrated tax chargeable under the Act on taxable supply of goods or services	Input	Output	Purchase	Sales	Input
The time limit for issue of notice under section 69 in cases where tax is collected but not paid----	No time limit	1 year	3 years	5 years	No time limit
The maximum late fee shall not exceed ----- on turnover in the state	0.10%	0.15%	0.20%	0.25%	0.25%
A registered dealer may issue consolidated invoice at the end to the day for all supplies made on the day to ,	Registered dealer	Unregistered dealer	Supplier	Recipient	Unregistered dealer
Order of cancellation of registration is issued in the form ----- as per GST Act.	GST REG 17	GST REG 18	GST REG 19	GST REG 20	GST REG 19
The ----- removes the cascading effect of the tax levied	Input tax credit	Output tax credit	Composite scheme	Residual value	Input tax credit
The term “used in the course or furtherance of business” means-----	It should be directly related to output supply	It is planned to use in the course of business	It is used in the course of business	the course of business for making outward supply	It is used in the course of business

**UNIT-IV – IGST ACT****SYLLABUS**

**Introduction to IGST Act 2017 – Important Definitions – Nature of Supply – Inter State Supply – Intra state Supply – Suppliers in Territorial Waters - Place of supply of goods – Place of supply of services – Union Territory Goods and Services Act 2017 – Introduction to GST(Compensation to states) Act 2017**

The Integrated Goods and Services Tax Act, 2017 [IGST] was passed by the Parliament for levy and collection of tax on inter-state supply of goods or services or both by the Central Government and for matters connected therewith or incidental thereto.

The Union Government presented the Integrated Goods and Service Tax Bill, 2017 in Lok Sabha and it was passed by the same on 29th March, 2017. The Rajya Sabha passed the bill on 6th April, 2017 and was assented to by the President on 13th April, 2017.

IGST is levied and collected by the Centre on inter-state supply of goods and services. Under Article 269A of the Constitution, IGST on supplies in the course of inter-state trade or commerce is 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. IGST paid is available as credit to set off against the payment of IGST, CGST and SGST sequentially on output supplies IGST (Integrated Goods & Services Tax) Act, 2017 deals with supplies interstate, import into India and supplies made outside India. The following table illustrates the same.

**Relevance of IGST**

Before discussing the IGST Model and its features, it is important to understand how inter state trade or commerce is being regulated in the present indirect tax system. It is significant to note that earlier the Central Sales Tax Act, 1956 regulated the inter-state trade or commerce (hereinafter

referred to as “CST”), the authority for which was constitutionally derived from Article 269 of the Constitution. Further, as per Article 286 of the Constitution of India, no State could levy sales tax on any sales or purchase of goods that took place outside the State or in the course of the import of the goods into, or export of the goods out of the territory of India. Only the Parliament could levy tax on such a transaction.

The Central Sales Tax Act was enacted in 1956 to formulate principles for determining when a sale or purchase of goods takes place in the course of inter-state trade or commerce. The Act also provided for the levy and collection of taxes on sales of goods in the course of inter-State trade. However, CST was collected and retained by the origin State, which was an aberration. Any indirect tax, by definition, is a consumption tax, the incidence of which, is borne by the consumer. Logically, the tax must accrue to the destination State having jurisdiction over the consumer.

Input Tax Credit (hereinafter referred to as ITC) of CST was not allowed to the buyer which, resulted in cascading of tax (tax on tax) in the supply chain.

Moreover, various accounting forms were required to be filed in CST viz., C Form, E1, E2, F, I, J Forms etc. which added to the compliance cost of the business and impeded the free flow of trade.

The IGST model was brought in to remove all such deficiencies. IGST is a mechanism to monitor the inter-State trade of goods and services and ensure that the SGST component accrues to the consumer State. It maintains the integrity of ITC chain in inter-State supplies. The IGST rate is broadly equal to CGST rate plus SGST rate. IGST would be levied by the Central Government on all inter-State transactions of taxable goods or services.

$\text{IGST rate} = \text{CGST rate} + \text{SGST rate}$

Cross-utilisation of credit requires the transfer of funds between respective accounts. The utilisation of credit of CGST & SGST for payment of IGST would require the transfer of funds to IGST accounts. Similarly, the utilisation of IGST credit for payment of CGST & SGST would necessitate the transfer of funds from IGST account. As a result, CGST account and SGST (of, say, Punjab) would have equal amount, whereas, there will not be any amount left in IGST and

SGST (of, say, Maharashtra) after the transfer of ITC, in case of inter-state transaction between Puna & Maharashtra.

The IGST payment can be done by utilising the ITC. The amount of ITC on account of IGST is allowed to be utilised towards the payment of IGST, CGST and SGST, in that order.

It is very important to determine the nature of supply – whether it is inter-State or intrastate, as the kind of tax to be paid (IGST or CGST+SGST) depends on that.

**(i) Inter-State Supply**

Subject to the place of supply provisions, where the location of the supplier and the place of supply are in:

- (a) Two different States;
- (b) Two different Union Territories; or
- (c) A State and a Union Territory, such supplies shall be treated as the supply of goods or services in the course of inter-State trade or commerce. Any supply of goods or services in the taxable territory, not being an intra-State supply, shall be deemed to be a supply of goods or services in the course of inter-State trade or commerce.

Also, supplies to or by Special Economic Zones (SEZs) are defined as inter-State supply. Further, the supply of goods imported into the territory of India till they cross the customs frontiers of India or the supply of services imported into the territory of India shall be treated as supplies in the course of inter-State trade or commerce. Also, the supplies to international tourists are to be treated as inter-State supplies.

**Inter-State supply :**

Supply of goods from one State or Union Territory to another State or Union Territory

- Supply of services from one State or Union Territory to another State or Union Territory
- Import of goods till they cross customs frontier
- Import of services



- Export of goods or services
- Supply of goods/services to/by SEZ
- Supplies to international tourists
- Any other supply in the taxable territory which is not intra-State supply.

Thus, the nature of the supply depends on the location of the supplier and the place of supply.

(ii) **Intra-State supply**: It has been defined as any supply where the location of the supplier and the place of supply are in the same State or Union Territory.

### **Important Definitions**

Section 2 of the IGST Act, 2017 contains the definitions of various terms used at several places in the Act. Some of the important definitions are reproduced as follows:

**Section 2(3)** : “continuous journey” means a journey for which a single or more than one ticket or invoice is issued at the same time, either by a single supplier of service or through an agent acting on behalf of more than one supplier of service, and which involves no stopover between any of the legs of the journey for which one or more separate tickets or invoices are issued.

Explanation – For the purposes of this clause, the term “stopover” means a place where a passenger can disembark either to transfer to another conveyance or break his journey for a certain period in order to resume it at a later point of time

**Section 2(5)** : “export of goods” with its grammatical variations and cognate expressions, means taking goods out of India to a place outside India

**Section 2(6)** : “export of services” means the supply of any service when, –

- (i) the supplier of service is located in India;
- (ii) the recipient of service is located outside India;
- (iii) the place of supply of service is outside India;

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(iv) the payment for such service has been received by the supplier of service in convertible foreign exchange; and

(v) the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8

**Section 2(7)** : “fixed establishment” means a place (other than the registered place of business) which is characterised by a sufficient degree of permanence and suitable structure in terms of human and technical resources to supply services or to receive and use services for its own needs

**Section 2(10)** : “import of goods” with its grammatical variations and cognate expressions, means bringing goods into India from a place outside India

**Section 2(11)** : “import of services” means the supply of any service, where –

(i) the supplier of service is located outside India;

(ii) the recipient of service is located in India; and

(iii) the place of supply of service is in India

**Section 2(14)** : “location of the recipient of services” means,

where a supply is received at a place of business for which the registration has been obtained, the location of such place of business;

b) where a supply is received at a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere), the location of such fixed establishment;

c) where a supply is received at more than one establishment, whether the place of business or fixed establishment, the location of the establishment most directly concerned with the receipt of the supply; and

d) in absence of such places, the location of the usual place of residence of the recipient h) Section 2(15): “location of the supplier of services” means, –

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- a) where a supply is made from a place of business for which the registration has been obtained, the location of such place of business;
- b) where a supply is made from a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere), the location of such fixed establishment;
- c) where a supply is made from more than one establishment, whether the place of business or fixed establishment, the location of the establishment most directly concerned with the provision of the supply; and
- d) in absence of such places, the location of the usual place of residence of the supplier

**Section 2(16)** : “non-taxable online recipient” means any Government, local authority, governmental authority, an individual or any other person not registered and receiving online information and database access or retrieval services in relation to any purpose other than commerce, industry or any other business or profession, located in taxable territory.

Explanation. – For the purposes of this clause, the expression “governmental authority” means an authority or a board or any other body, –

- (i) set up by an Act of Parliament or a State Legislature; or
- (ii) established by any Government, with ninety per cent. or more participation by way of equity or control, to carry out any function entrusted to a municipality under article 243W of the Constitution

**Section 2(19)** : “Special Economic Zone” shall have the same meaning as assigned to it in clause (za) of section 2 of the Special Economic Zones Act, 2005;

**Section 2(20)** : “Special Economic Zone developer” shall have the same meaning as assigned to it in clause (g) of section 2 of the Special Economic Zones Act, 2005 and includes an Authority as defined in clause (d) and a Co-Developer as defined in clause (f) of section 2 of the said Act;

**Section 2(21)** : “supply” shall have the same meaning as assigned to it in section 7 of the Central Goods and Services Tax Act;

**Section 2(22)** : “taxable territory” means the territory to which the provisions of this Act apply

**Levy and Collection Under IGST, ACT 2017 [Section 5]**

(1) Subject to the provisions of sub-section (2), there shall be levied a tax called the integrated goods and services tax on all inter-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 of the Central Goods and Services Tax Act and at such rates, not exceeding forty per cent., as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person. Provided that the integrated tax on goods imported into India shall be levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 on the value as determined under the said Act at the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962.

(2) The integrated tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.

(3) The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

(4) The integrated tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

(5) The Government may, on the recommendations of the Council, by notification, specify categories of services, the tax on inter-State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall

apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services.

Provided that where an electronic commerce operator does not have a physical presence in the taxable territory, any person representing such electronic commerce operator for any purpose in the taxable territory shall be liable to pay tax.

Provided further that where an electronic commerce operator does not have a physical presence in the taxable territory and also does not have a representative in the said territory, such electronic commerce operator shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.

Provisions for levy are similar for both under CGST & IGST Act. Section 15 of Central Goods & Services Act, 2017 is common to both the charges for valuation. CGST is for intrastate supply and IGST for interstate supply.

CGST rate is 20% maximum whereas under IGST it is 40%, because IGST is a combined tax of CGST +SGST. The following may be noted :

- (1) IGST is imposed on interstate supply
- (2) Value is as determined under Section 15 of CGST Act, 2017
- (3) Alcohol for human consumption is out of IGST
- (4) The maximum rate of levy under IGST is 40%
- (5) Interstate supply includes imports
- (6) IGST is levied on imported goods under Section 3 of Customs Tariff Act
- (7) Such levy is simultaneous with the levy of Basic Customs Duty under section 12 of the Customs Act, 1962
- (8) Petroleum product items will be chargeable under IGST but at a later date to be recommended by the GST Council.

A supply would be treated as import or export, if certain conditions are satisfied as defined.

**Zero rated supply** : Exports and supplies to SEZs are considered as ‘zero rated supply’ on which no tax is payable. However, ITC is allowed, subject to such conditions, safeguards and procedure as may be prescribed, and refunds in respect of such supplies may be claimed by following either of these options:

- (i) Supply made without the payment of IGST under Bond and claim refund of unutilised ITC or
- (ii) Supply made on payment of IGST and claim refund of the same

**Refund of integrated tax paid on supply of goods to tourists leaving India** : Section 15 of the IGST Act, 2017 provides for refund of IGST paid to an international tourist leaving India on goods being taken outside India, subject to such conditions and safeguards as may be prescribed. An international tourist has been defined as a non-resident of India who enters India for a stay of less than 6 months. IGST would be charged on such supplies, similarly as in the course of export.

**The IGST Rules, 2017** were notified vide Notification No. 4 /2017-Integrated Tax dated 28th June 2017 and further as amended by Notification No. 12/2017-Integrated Tax, dated 15th November, 2017.

Rule 2 of IGST Rules, 2017 lay down that the Central Goods and Services Tax Rules, 2017, for carrying out the provisions specified in Section 20 of the Integrated Goods and Services Tax Act, 2017 shall, so far as may be, apply in relation to integrated tax as they apply in relation to central tax.

### **INTRODUCTION TO UNION TERRITORY GOODS & SERVICES TAX ACT, 2017**

The Central GST Act, 2017 will be applicable on all the intra state transactions of supply of goods and/or services and is the revenue of the Central Government. As CGST would be levied on all the transactions of taxable goods and services, and is therefore applicable in all the states and union territories of India. The Integrated GST Act, 2017 will be applicable on all the inter-state transactions of goods and services. It is regulated by the Central Government and therefore will be applicable on all the transactions of goods and services applicable in India or import / export transactions. However, for the purpose of levy and collection of SGST levied on each intra state transactions of goods and services, all the states / union territories of India have their own

state / union territory legislation. The Union Territory Goods & Services Tax Act, 2017 intends to make a provision for levy and collection of tax on intra-State supply of goods or services or both by the Union Territories and for matters connected therewith or incidental thereto.

### **APPLICABILITY OF THE UTGST ACT, 2017**

This Act may be called the Union Territory Goods and Services Tax Act, 2017. It would be applicable in the following Union Territories Delhi and Puducherry are the other two Union Territories but this Act will not be applicable there as they have their own State Legislature and Government. State GST would be applicable in their case. Some definitions prescribed in the Act as defined under Section 2 are as follows:

**Definitions :** In this Act, unless the context otherwise requires:

- 1) “appointed day” means the date on which the provisions of this Act shall come into force;
- 2) “Commissioner” means the Commissioner of Union territory tax appointed under section 3;
- 3) “designated authority” means such authority as may be notified by the Commissioner;
- 4) “exempt supply” means supply of any goods or services or both which attracts nil rate of tax or which may be exempt from tax under section 8, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply;
- 5) “existing law” means any law, notification, order, rule or regulation relating to levy and collection of duty or tax on goods or services or both passed or made before the commencement of this Act by Parliament or any Authority or person having the power to make such law, notification, order, rule or regulation;
- 6) “Government” means the Administrator or any Authority or officer authorised to act as Administrator by the Central Government;
- 7) “output tax” in relation to a taxable person, means the Union territory tax chargeable under this Act on taxable supply of goods or services or both made by him or by his agent but excludes tax payable by him on reverse charge basis;



**ADMINISTRATION & POWERS OF OFFICERS [SECTION 4, 5 & 6]**

The Administrator may, by order, authorise any officer to appoint officers of Union Territory tax below the rank of Assistant Commissioner of Union Territory tax for the administration of this Act. The Commissioner may, subject to such conditions and limitations as may be specified in this behalf by him, delegate his powers to any other officer subordinate to him.

Without prejudice to the provisions of this Act, the officers appointed under the Central Goods and Services Tax Act, 2017 are authorised to be the proper officers for the purposes of this Act, subject to such conditions as the Government shall, on the recommendations of the Council, by notification, specify.

Subject to the conditions specified in the notification issued :

- a) where any proper officer issues an order under this Act, he shall also issue an order under the Central Goods and Services Tax Act, as authorised by the said Act under intimation to the jurisdictional officer of central tax;
- b) where a proper officer under the Central Goods and Services Tax Act has initiated any proceedings on a subject matter, no proceedings shall be initiated by the proper officer under this Act on the same subject matter.

Any proceedings for rectification, appeal and revision, wherever applicable, of any order passed by an officer appointed under this Act, shall not lie before an officer appointed under the Central Goods and Services Tax Act.

**LEVY AND COLLECTION OF UTGST [SECTION 7]**

As per the provision of Section 7 of the UTGST Act, 2017 there shall be levied a tax called the Union territory tax on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 of the Central Goods and Services Tax Act, 2017 and at such rates, not exceeding twenty per cent, as may be notified by the Central Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.



However, the Union territory tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Central Government on the recommendations of the Council.

The GST Council has already approved the total tax rates of 0%, 5%, 12%, 18% and 28%. The highest applicable approved rate of UTGST has been prescribed at 20%. Though the highest rate of tax as charges as UTGST would not be more than 14% but an enabling limit of 20% has been prescribed in law to avoid need of changing the law, in case of need to revise the rate of tax in future. All the provisions of this Act shall apply to a recipient of goods or services or both , notified under reverse charge as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

The Union Territory Tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

For eg: A registered taxable person receives agricultural produce say paddy from an agriculturist, then such registered taxable person would be liable for payment of tax at the applicable rate on paddy under reverse charge as an agriculturist is not liable for registration.

The Central Government may, on the recommendations of the Council, by notification, specify categories of services, the tax on intra-State supplies of which, shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services.

Provided that where an electronic commerce operator does not have a physical presence in the taxable territory, any person representing such electronic commerce operator for any purpose in the taxable territory shall be liable to pay tax.

Further it is provided that where an electronic commerce operator does not have a physical presence in the taxable territory and also he does not have a representative in the said territory, such electronic commerce operator shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.

**EXEMPTION FROM GST [SECTION 8]**

As per the provisions of Section 8 of the Act, the Central Government on the recommendations of the GST Council, by notification exempt either absolutely or subject to such conditions as may be specified therein, goods or services or both of any specified description from the whole or any part of the tax leviable on such supply. In other cases, Central Government in public interest and on recommendation of the Council, by special order, exempt from payment of tax.

The Central Government may, if it considers necessary or expedient so to do for the purpose of clarifying the scope or applicability of any notification or order issued, insert an explanation in such notification or order, as the case may be, by notification at any time within one year of issue of the notification under Section 8(1) or order under Section 8(2), and every such explanation shall have effect as if it had always been the part of the first such notification or order, as the case may be.

Explanation – For the purposes of this section, where an exemption in respect of any goods or services or both from the whole or part of the tax leviable thereon has been granted absolutely, the registered person supplying such goods or services or both shall not collect the tax, in excess of the effective rate, on such supply of goods or services or both.

**PAYMENT OF TAX [SECTION 9]**

As per the provision of section 9 of the Act, the amount of input tax credit available in the electronic credit ledger of the registered person on account of:

a) integrated tax shall first be utilised towards payment of integrated tax and the amount remaining, if any, may be utilised towards the payment of Central tax and State tax, or as the case may be, Union territory tax, in that order;

b) the Union territory tax shall first be utilised towards payment of Union territory tax and the amount remaining, if any, may be utilised towards payment of integrated tax;

c) the Union territory tax shall not be utilised towards payment of Central tax.

such inputs or goods are used or intended to be used for making taxable supplies under GST;

ii. the said registered person is eligible for input tax credit on such inputs under GST;

iii. the said registered person is in possession of invoice or other prescribed documents evidencing payment of tax under the existing law in respect of such inputs; and

iv. such invoices or other prescribed documents were issued not earlier than twelve months immediately preceding the appointed day.

### **INPUT TAX CREDIT ON INPUT STOCKS [SECTION 18]**

The eligible input tax credits in respect of inputs held in stocks, inputs held in semi finished goods and inputs held in stock of finished goods on the day immediately preceding the appointed day will be eligible as input tax credit to be taken as UTGST in the electronic ledger.

The following registered taxable person will be eligible for the input tax credit:

a) Who was not liable to be registered.

b) Who was involved in dealing with exempted goods or tax free goods.

c) Goods which have suffered tax at first point of sale and their subsequent sale was not liable to tax in the Union Territory under the previous law but which are liable to be taxed in GST.

d) Where a person is entitled to tax at the time of sale.

However, the Input tax credit is available subject to the following conditions:

**INPUT TAX CREDIT: TAXABLE AS WELL AS EXEMPTED GOODS**

A registered person, who was engaged in the sale of taxable goods as well as exempted goods or tax free goods under the existing law but which are liable to tax under this Act, shall be entitled to take, in his electronic credit ledger the amount of credit of the value added tax and entry tax, if any, carried forward in a return furnished under the previous law by him and the amount of credit of the value added tax and entry tax, if any, in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day, relating to such exempted goods or tax free goods in accordance with the provisions of the Act.

**SWITCH OVER FROM COMPOSITION LEVY**

A registered person, who was either paying tax at a fixed rate or paying a fixed amount in lieu of the tax payable under the previous law shall be eligible for, credit of value added tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the appointed day subject to the following conditions:

- i. Such inputs or goods were used or intended to be used for making taxable supplies under this Act;
- ii. the said registered person is not paying tax under section 10 of the Central Goods and Services Tax Act;
- the said registered person is eligible for input tax credit on such inputs under this Act;
- iv. the said registered person is in possession of invoice or other prescribed documents evidencing payment of tax under the existing law in respect of inputs; and
- v. such invoices or other prescribed documents were issued not earlier than twelve months immediately preceding the appointed day.

A registered person who has paid the Central tax and the Union territory tax on a transaction considered by him to be an intra-State supply, but which is subsequently held to be an inter-State supply, shall be refunded the amount of taxes so paid in such manner and subject to such conditions as may be prescribed.

Further, a registered person who has paid integrated tax on a transaction considered by him to be an inter-State supply, but which is subsequently held to be an intra-State supply, shall not be required to pay any interest on the amount of the central tax and the Union territory tax payable.

Where any amount of tax, interest or penalty is payable by a person to the Government under any of the provisions of this Act or the rules made thereunder and which remains unpaid, the proper officer of central tax, during the course of recovery of said tax arrears, may recover the amount from the said person as if it were an arrear of central tax and credit the amount so recovered to the account of the Government under the appropriate head of Union territory tax.

Where the amount recovered is less than the amount due to the Government under this Act and the Central Goods and Services Tax Act, the amount to be credited to the account of the Government shall be in proportion to the amount due as Union territory tax and Central tax.

#### **ADVANCE RULING [SECTION 14]**

“Advance Ruling” means a decision provided by the Authority or the Appellate Authority to an applicant on matters or on questions specified in sub-section (2) of section 97 or sub-section (1) of section 100 of the Central Goods and Services Tax Act, in relation to the supply of goods or services or both being undertaken or proposed to be undertaken by the applicant;

“Appellate Authority” means the Appellate Authority for Advance Ruling constituted under section 16;

“Applicant” means any person registered or desirous of obtaining registration under this Act;

“Authority” means the authority for Advance Ruling constituted under Section 15.

The Central Government shall, by notification, constitute an Authority to be known as the (name of the Union territory) Authority for Advance Ruling provided that the Central Government may, on the recommendations of the Council, notify any Authority located in any State or any other Union territory to act as the Authority for the purposes of this Act.

The Authority shall consist of :

- i. one member from amongst the officers of central tax; and

- ii. one member from amongst the officers of Union territory tax, to be appointed by the Central Government.

The qualifications, the method of appointment of the members and the terms and conditions of their service shall be such as may be prescribed.

### **CONSTITUTION OF APPELLATE AUTHORITY FOR ADVANCE RULING [SECTION 16]**

The Central Government shall, by notification, constitute an Appellate Authority to be known as the (name of the Union territory) Appellate Authority for Advance Ruling for Goods and Services Tax for hearing appeals against

the advance ruling pronounced by the Advance Ruling Authority.

The Appellate Authority shall consist of:

- i. the Chief Commissioner of central tax as designated by the Board; and
- ii. the Commissioner of Union territory tax having jurisdiction over the applicant.

### **SALIENT FEATURES OF GST (COMPENSATION TO STATES) ACT, 2017**

The GST (Compensation to States) Act, 2017 provides for the manner of ascertaining the amount of compensation that shall be payable to states during the transition period of five years by the Centre on account of revenue loss attributable to levy of Goods and Services Tax in India. It involves the following steps:

The compensation shall be met out from compensation cess for which the provisions in relation to collection, payment return, refund etc. have been provided for in the GST(Compensation to States) Act, 2017.

#### **Objectives of the Act:**

- 1. It provides for the compensation of loss to the states arising due to implementation of Goods and Services Tax in India

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2. The financial year 2015-16 shall be taken as base year for the purpose of calculating compensation amount payable to the states.
3. The revenue to be compensated consists of revenues from all the taxes that are levied by the states which have subsumed under Goods and Services Tax, as audited by the Comptroller and Auditor General of India.
4. The projected growth rate of revenue during transition period shall be 14%.
5. The compensation shall be released bi-monthly on a provisional basis and final adjustment shall be made after getting audited accounts of the year from the Comptroller and Auditor General of India.
6. In case of eleven special category states referred to in Article 279A of the Constitution, the revenue forgone on account of exemption of taxes granted shall be counted towards the definition of Revenue for the base year 2015-16 for calculating compensation.
7. The revenues of the states that were not credited to the consolidated fund of states government but were directly collected by “mandi” or “municipality” would also be included in the definition of revenue if these were subsumed in the Goods and Services Tax.
8. To generate revenue to compensate states for five years for loss suffered by the states on account of implementation of Goods and Services Tax, is by levy of a cess on such goods as recommended by the GST Council over and above the GST rate on that item.
9. The proceeds of the cess shall be credited to the fund called Goods and Services Tax Compensation Fund and all the compensation payable to the states as GST compensation shall be paid from this fund. The balance if any left out in the GST compensation fund after five year shall be equally shared between the Centre and the states.

Some definitions prescribed in Section 2 of the Act are as follows:

**Section 2 :** In this Act, unless the context otherwise requires:

- a) “central tax” means the central goods and services tax levied and collected under the Central Goods and Services Tax Act;

- b) “Central Goods and Services Tax Act” means the Central Goods and Services Tax Act, 2017;
- c) “cess” means the goods and services tax compensation cess levied under section 8;
- d) “compensation” means an amount, in the form of goods and services tax compensation, as determined under section 7;
- e) “Council” means the Goods and Services Tax Council constituted under the provisions of article 279A of the Constitution;
- f) “Fund” means the Goods and Services Tax Compensation Fund referred to in section 10;
- g) “input tax” in relation to a taxable person, means,
  - i. cess charged on any supply of goods or services or both made to him;
  - ii. cess charged on import of goods and includes the cess payable on reverse charge basis;
- h) “Integrated Goods and Services Tax Act” means the Integrated Goods and Services Tax Act, 2017;
- i) “integrated tax” means the integrated goods and services tax levied and collected under the Integrated Goods and Services Tax Act;
- j) “prescribed” means prescribed by rules made, on the recommendations of the Council, under this Act;
- k) “projected growth rate” means the rate of growth projected for the transition period as per section 3;
- l) “Schedule” means the Schedule appended to this Act;
- m) “State” means,
  - i. for the purposes of sections 3, 4, 5, 6 and 7 the States as defined under the Central Goods and Services Tax Act; and



- ii. for the purposes of sections 8, 9, 10, 11, 12, 13 and 14 the States as defined under the Central Goods and Services Tax Act and the Union territories as defined under the Union Territories Goods and Services Tax Act;
- n) “State tax” means the State goods and services tax levied and collected under the respective State Goods and Services Tax Act;
- o) “State Goods and Services Tax Act” means the law to be made by the State Legislature for levy and collection of tax by the concerned State on supply of goods or services or both;
- p) “taxable supply” means a supply of goods or services or both which is chargeable to the cess under this Act;
- q) “transition date” shall mean, in respect of any State, the date on which the State Goods and Services Tax Act of the concerned State comes into force
- r) “transition period” means a period of five years from the transition date; and
- s) “Union Territories Goods and Services Tax Act” means the Union Territories

The words and expressions used and not defined in this Act but defined in the Central Goods and Services Tax Act and the Integrated Goods and Services Tax Act shall have the meanings respectively assigned to them in those Acts.

#### **GST COMPENSATION [SECTION 7]**

The compensation payable to a State shall be provisionally calculated and released at the end of every two months period, and shall be finally calculated for every financial year after the receipt of final revenue figures, as audited by the Comptroller and Auditor General of India. However, in case any excess amount has been released as compensation to a State in any financial year during the transition period, as per the audited figures of revenue collected, the excess amount so released shall be adjusted against the compensation amount payable to such State in the subsequent financial year.

The total compensation payable for any financial year during the transition period to any State shall be calculated in the following manner:

- a) the projected revenue for any financial year during the transition period, which could have accrued to a State in the absence of the goods and services tax, shall be calculated by applying the projected growth rate over the base year revenue of that state.
- b) the actual revenue collected by a State in any financial year during the transition period shall be
  - i. the actual revenue from State tax collected by the State, net of refunds given by the said State under Chapters XI and XX of the State Goods and Services Tax Act;
  - ii. the integrated goods and services tax apportioned to that State; and
  - iii. any collection of taxes on account of the taxes levied by the respective State under the Acts specified in sub-section (4) of section 5, net of refund of such taxes, as certified by the Comptroller and Auditor-General of India;
- c) the total compensation payable in any financial year shall be the difference between the projected revenue for any financial year and the actual revenue collected by a State referred to in clause (b).

The loss of revenue at the end of every two months period in any year for a State during the transition period shall be calculated, at the end of the said period, in the following manner:

- a. The projected revenue that could have been earned by the State in absence of the goods and services tax till the end of the relevant two months period of the respective financial year shall be calculated on a pro-rata basis as a percentage of the total projected revenue for any financial year during the transition period, calculated in accordance with section 6.

Illustration: If the projected revenue for any year calculated in accordance with section 6 is one hundred rupees, for calculating the projected revenue that could be earned till the end of the period of ten months for the purpose of this sub-section shall be  $100 \times (10/12) = \text{Rs.}83.33$ ;

- b. The actual revenue collected by a State till the end of relevant two months period in any financial year during the transition period shall be:
- i. the actual revenue from State tax collected by the State, net of refunds given by the State under Chapters XI and XX of the State Goods and Services Tax Act;
  - ii. the integrated goods and services tax apportioned to that State, as certified by the Principal Chief Controller of Accounts of the Central Board of Excise and Customs; and
  - iii. any collection of taxes levied by the said State, under the Acts specified in sub-section (4) of section 5, net of refund of such taxes;
- c. the provisional compensation payable to any State at the end of the relevant two months period in any financial year shall be the difference between the projected revenue till the end of the relevant period in accordance point (1) and the actual revenue collected by a State in the said period as referred to in point (2), reduced by the provisional compensation paid to a State till the end of the previous two months period in the said financial year during the transition period.

Where no compensation is due to be released in any financial year, and in case any excess amount has been released to a State in the previous year, this amount shall be refunded by the State to the Central Government and such amount shall be credited to the Fund in such manner as may be prescribed.

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### DEPARTMENT OF MANAGEMENT

III BBA - (2016 - 2019 BATCH)

VI SEMESTER

TAXATION - II (16BAU603A)

UNIT IV

### POSSIBLE QUESTIONS

Part A (ONE Mark)

Multiple Choice Questions

Online Examination

### PART B

1. What is IGST?
2. What is continuous travel?
3. Write a short note on export
4. What is meant by online information?
5. What is meant by data base access?
6. What is meant by retrieval services?
7. Write a short note on import
8. List out the products exempted from IGST
9. What is supply in territorial waters?
10. Define fixed establishment

**\*CIA - 3 X 2 = 6 (ANSWER ALL THE QUESTIONS)**

**\*\*ESE - 5 X 2 = 10 (ANSWER ALL THE QUESTIONS)**

**PART - C**

1. Discuss the scope of IGST ACT 2017?
2. Explain the levy and collection procedure under IGST Act 2017?
3. Explain the location of service provider and recipient for charging IGST?4?
4. Explain the concept inter and intra state supply?
5. How the inter and intra state supply is important for charging IGST?
6. “Import of goods and service es shall not be treated as inter state supply” Is the statement correct
7. Explain the importance of supply of goods and services under IGST?

**\*CIA - 3 X 8 = 24 (EITHER OR TYPE)**

**\*\*ESE - 5 X6 = 30 (EITHER OR TYPE)**

QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4	ANSWER
_____ means a place which is characterised by a sufficient degree of permanence	Fixed establishment	Accommodation	Input	output	Fixed establishment
_____ means the integrated goods and service tax levied under this act	Input tax	Output tax	Tax	Integrated tax	Integrated tax
_____ means the territory to which the provision of the act applied	Taxable territory	Non taxable territory	Territory water	Territory	Taxable territory
Zero rated supply is discussed under section _____	6	7	8	9	6
Government means _____ under IGST Act	Central Government	State Government	Union Government	Central and State Government	Central Government
Supplies in territorial water is explained under section ____	6	7	8	9	9
_____ is the first chapter in IGST Act	Preliminary	Administration	Levy and collection of tax	Determination of nature of supply	Preliminary
_____ is the second chapter in IGST Act		Administration	Levy and collection of tax	Determination of nature of supply	Administration
_____ is the third chapter in IGST Act		Administration	Levy and collection of tax	Determination of nature of supply	Levy and collection of tax
_____ is the fourth chapter in IGST Act		Administration	Levy and collection of tax	Determination of nature of supply	Determination of nature of supply
_____ GST model where both centre and the state levy and collect their share of concurrently and simultaneously from CGST and SGST.	Dual	Dual	Distinguished	Development	Dual
Dual GST model where both center and the state levy and collect their share of concurrently and simultaneously from _____ and _____.	CGST & SGST	IGST & SGST	IGST & CGST	VAT & GST	CGST & SGST
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	Six	Twelve	Single	Eight	Single
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
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

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
The state government levy ----- -taxes	CGST	SGST	IGST	GST	SGST
For credit to be allowable, invoices should t be issued ----- before the appointed day	Three months	Six months	Nine months	Twelve months	Twelve months
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	Manufacturer and job worker	Manufacturer and job worker
A taxable person shall not be entitled to take input tax credit after the expiry of ..... from 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 ot allowed between:	SGST and CGST	SGST and IGST	IGST and CGST	UTGST	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 also includes tax payable under .....	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 by .....	Central government only	State government only	UT' only	Collected and apportioned between centre and state government	Collected and apportioned between centre and state government
..... 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 and place of supply are ----	in the same state	in different states	outside the country	Location around the states	in different states

..... 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
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
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

**UNIT-V – CUSTOMS ACT 1962****SYLLABUS**

**Customs Act 1962: Customs Duty – Prohibition and Exportation of goods detection of illegally imported and exported and their prevention – Levy and exemption from custom duty – Valuation of goods under Customs Act – Clearance of imported goods and exported goods – Draw back – Conditions and procedure of availing draw back – Powers of Customs officers – search and Seizure – Confiscation of goods – Offences and penalties appeals – E-way bill**

**MEANING OF CUSTOMS DUTY**

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

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

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

**CUSTOMS LAW**

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

**1. The Customs Act, 1962**

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

**2. The Customs Tariff Act, 1975**

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

**DEFINITIONS**

1. **“Adjudicating authority”** means any authority competent to pass any order or decision under this Act, but does not include the Board, [Commissioner (Appeals)] or Appellate Tribunal;
2. **“Aircraft”** has the same meaning as in the Aircraft Act, 1934 (22 of 1934)
3. **“Appellate Tribunal”** means the Customs, Excise and Gold (Control) Appellate Tribunal constituted under section 129.1
4. **“Assessment”** includes provisional assessment, reassessment and any order of assessment in which the duty assessed is nil;
5. **“Baggage”** means all goods, whether personal effect or brought in commercial quantities, imported by any passenger or member of the crew that are liable to customs duty. It includes unaccompanied baggage dispatched from a foreign country within the prescribed period after arrival of the owner of goods in India.
6. **“Board”** means the [Central Board of Excise and Customs constituted under the Central Boards of Revenue Act, 1963 (54 of 1963)];

7. **“Coastal Goods”** means goods, other than imported goods, transported in a vessel from one port in India to another;
8. **“Commissioner (Appeals)”** means a person appointed to be a Commissioner of Customs (Appeals) under sub-section (1) of section 4;
9. **“Commissioner of Customs”**, except for the purposes of Chapter XV, includes an Additional Commissioner of Customs;]
10. **“Conveyance”** includes a vessel, an aircraft and a vehicle
11. **“Customs Airport”** means any airport appointed under clause (a) of section 7 to be a Customs airport
12. **“Customs Area”** means the area of a customs station and includes any area in which imported goods or exported goods are ordinarily kept before clearance by Customs Authorities
13. **“Customs Port”** means any port appointed under clause (a) of section 7 to be a customs port; [and includes a place appointed under clause (aa) of that section to be an inland container depot]
14. **“Customs Station”** means any customs port, customs airport or land customs station
15. **“Dutiable Goods”** means any goods which are chargeable to duty and on which duty has not been paid
16. **“Duty”** means a duty of customs leviable under this Act
17. **“Entry”** in relation to goods means an entry made in a bill of entry, shipping bill or bill of export and includes in the case of goods imported or to be exported by post, the entry referred to in section 82 or the entry made under the regulations made under section 84
18. **“Examination”**, in relation to any goods, includes measurement and weighing thereof
19. **“Export”** with its grammatical variations and cognate expressions, means taking out of India to a place outside India
20. **“Export Goods”** means any goods which are to be taken out of India to a place outside India

21. **“Exporter”**, in relation to any goods at any time between their entry for export and the time when they are exported, includes any owner or any person holding himself out to be the exporter
22. **“Foreign-going vessel or aircraft”** means any vessel or aircraft for the time being engaged in the carriage of goods or passengers between any port or airport in India and any port or airport outside India, whether touching any intermediate port or airport in India or not, and includes-
- Any naval vessel of a foreign government taking part in any naval exercises
  - Any vessel engaged in fishing or any other operations outside the territorial waters of India and
  - Any vessel or aircraft proceeding to a place outside India for any purpose whatsoever;
23. **“Goods”** includes -
- (a) Vessels, aircrafts and vehicles;
  - (b) Stores;
  - (c) Baggage;
  - (d) Currency and negotiable instruments; and
  - (e) Any other kind of movable property;
24. **“Import”**, with its grammatical variations and cognate expressions, means bringing into India from a place outside India
25. **“Import manifest” or “import report”** means the manifest or report required to be delivered under section 30
26. **“Imported goods”** means any goods brought into India from a place outside India but does not include goods which have been cleared for home consumption
27. **“Importer”**, in relation to any goods at any time between their importation and the time when they are cleared for home consumption, includes any owner or any person holding himself out to be the importer
28. **“Indian customs waters”** means the [waters extending into the sea up to the limit of contiguous zone of India under section 5 of the Territorial Waters, Continental Shelf,

Exclusive Economic Zone and other Maritime Zones Act, 1976 (80 of 1976)) and includes any bay, gulf, harbour, creek, or tidal river

- 29. “Land customs station”** means any place appointed under clause (b) of section 7 to be a land customs station
- 30. “Market price”**, in relation to any goods, means the wholesale price of the goods in the ordinary course of trade in India
- 31. “Prohibited goods”** means any goods the import or export of which is subject to any prohibition under this Act or any other law for the time being in force but does not include any such goods in respect of which the conditions subject to which the goods are permitted to be imported or exported have been complied with.
- 32. “Proper officer”**, in relation to any functions to be performed under this Act, means the officer of customs who is assigned those functions by the Board or the [Commissioner of Customs;]
- 33. “Stores”** means goods for use in a vessel or aircraft and includes fuel and spare parts and other articles of equipment, whether or not for immediate fitting
- 34. “Smuggling”**, in relation to any goods, means any act or omission which will render such goods liable to confiscation under section 111 or section 113
- 35. “Tariff value”**, in relation to any goods, means the tariff value fixed in respect. thereof under sub-section (2) of section 14
- 36. “Value”**, in relation to any goods, means the value thereof determined in accordance with the provisions of sub-section (1) of section 14
- 37. “Vehicle”** means conveyance of any kind used on land and includes a railway vehicle
- 38. “Warehouse”** means a public warehouse appointed under section 57 or a private warehouse licensed under section 58
- 39. “Warehoused goods”** means goods deposited in a warehouse

### **FEATURES OF CUSTOM DUTIES**

The following are the features and objectives of customs duties,

1. Regulating the amount of import in India in order to protect the domestic market.
2. Protecting Indian Industry from undue competition

3. Prohibiting certain imports of goods for achieving the policy objectives of the Government.
4. Regulating imports
5. Coordinating legal provisions with other laws dealing with foreign exchange such as Foreign Trade Act, Foreign Exchange Regulation Act, Conservation of Foreign Exchange and Prevention of Smuggling Act, etc.

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

### **THE MAJOR OBJECTIVES OF IMPOSING EXPORT DUTIES**

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

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

### **TYPES OF CUSTOMS TARRIF**

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

1. The most common is an **ad valorem tariff**, which means that the customs duty is calculated as a percentage of the value of the product. Many countries' tariff schedules also include a variety of non ad valorem tariffs.

**2. Specific tariffs** are computed on the physical quantity of the good being imported, e.g., Australia's 2005 schedule includes a tariff of \$1.22/kg on certain types of cheeses and the United States charges \$0.68 per live goat. The physical quantity may be expressed in ways that are difficult to determine without laboratory equipment. The European Union charges duties



on certain dairy products based on the weight of lactic matter in the product, and the United States charges a tariff on raw cane sugar that varies with the sucrose content of sugar: “1.4606 cents/kg less 0.020668 cents/kg for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 0.943854 cents/kg.”

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

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

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

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

## **DIFFERENCE BETWEEN SALES TAX AND CUSTOMS DUTY**

The following are the differences between excise duty and customs duty

<b>Sales tax</b>	<b>Customs duty</b>
1. Sales tax is on the sale and not on the goods	Customs duty is levied on goods
2. Sales tax is imposed on intra sale	Customs duty is imposed on imports and exports
3. It is collected by state government	It is imposed by central government

4. Sales tax may differ from state to state . Because there is separate sales tax act for each state	Since there is only one customs act, customs duty is charges uniformly through out the country
5. Revenue from sales is for the state government	Revenue from customs duty is for the central government
6. It is regulated by state sales sales tax Act.	It is regulated by customs duty Act 1962.

### **TYPE OF CUSTOMS DUTIES**

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

#### **1. Basic Customs Duty**

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

#### **2. Auxiliary Duty of Customs**

This duty is levied under the Finance Act and is leviable all goods imported into the country at the rate of 50 per cent of their value. However this statutory rate has been reduced in the case of certain types of goods into different slab rates based on the basic duty chargeable on them. Additional (Countervailing) Duty of Customs This countervailing duty is leviable as additional duty on goods imported into the country and the rate structure of this duty is equal to the excise duty on like articles produced in India. The base of this additional duty is c.i.f. value of imports plus the duty levied earlier. If the rate of this duty is on ad-valorem

basis, the value for this purpose will be the total of the value of the imported article and the customs duty on it (both basic and auxiliary).

### **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.

#### **3. Cesses**

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

#### **4. 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.

#### **5. 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.

#### **6. Countervailing duty on subsidized goods**

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

### **7. 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'.

### **8. 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

### **9. National Calamity Contingent Duty**

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

**DIFFERENCES BETWEEN SAFEGUARD DUTY AND ANTI DUMPING DUTY**

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

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

**METHODS OF DETRMINING VALUE**

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

They are

**I. TRASACTION VALUE OR SAME GOODS BASED METHOD**

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

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

### II. IDENTICAL GOODS BASED METHOD :

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

### III. SIMILAR GOODS BASED METHOD :

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

### IV. DEDUCTIVE VALUE:

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

### V. COMPUTED VALUE METHOD:

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

### VI. RESIDUAL METHOD

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

### EXEMPTION FROM CUSTOMS DUTY

1. By general notification and
2. By special order

#### 1) EXEMPTION BY GENERAL NOTIFICATION

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

General notification granting exemption is published in official Gazette.

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

The exemption may be unconditional or subject to conditions.

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

The notification can be issued only in public interest.

Goods Exempted by Notification :

**For Export**

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

**For Import**

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

**2) EXEMPTION BY SPECIAL ORDER**

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

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

It can be done only in public interest

Exemption by special order is always 100 %

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

**Goods exempted by special order :**

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

**SPECIFIC AND ADVALOREM TAXES**

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

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

**(a) Specific Tax**

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

**Advantages of Specific Tax**

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

**Disadvantages of Specific Tax**

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

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**(b) Ad Valorem Tax**

As the tax is imposed on a commodity according to its value, it is called ad valorem tax. This kind of tax is received after assessing the value of the taxable possession of a person. Several



imported articles are taxed in terms of value and they are nothing to do with the size, length and weight of the commodity. For example, an export or import duty is levied at the rate of 5 paise per rupee or 5 per cent of the value of the goods.

### **Advantages of Ad Valorem Tax**

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

### **Demerits of Ad Valorem**

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

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

### **DIFFERENCES BETWEEN ADVALOREM DUTY AND SPECIFIC DUTY**

The following are the differences between advalorem and specific duty,

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

<b>6. Revenue yield</b> Advolverum duty brings higher revenue during the period of raising prices. Because when the price tends increase the revenues yields also increases.	Under specific duty revenue yield is of static in nature.
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**Remission On Duty On Lost Goods, Destroyed Goods (Or) Abandoned Goods**

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

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

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

**1. Physical availability:**

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

**2. Quantity Lost:**

- Any quantity

**3. Duty liability**

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

**4. Nature of Benefit:**

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

**5. Burden of proof:**

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

**6. Restoration:**

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

**7. Abandonment:**

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

**8. Time point:**

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

**9. Warehoused goods:**

- Applicable to warehoused goods also.

**WAREHOUSING**

The following are the rules regarding warehousing as per Act.

**Appointing Of Public Warehouses – Sec.57**

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

**Licensing Of Private Warehouses – Sec.58**

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

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

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

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

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

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

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

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

#### **PERIOD FOR WHICH GOODS MAY REMAIN WAREHOUSED — Sec.61**

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

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

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

**CONTROL OVER WAREHOUSED GOODS. – Sec.62**

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

**PAYMENT OF RENT AND WAREHOUSE CHARGES. – Sec.63**

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

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

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

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

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

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

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

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

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

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

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

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

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

**CLEARANCE OF WAREHOUSED GOODS FOR HOME CONSUMPTION – Sec. 68**

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

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



**CLEARANCE OF WAREHOUSED GOODS FOR EXPORTATION – Sec. 69**

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

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

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

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

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

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

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

- Where any warehoused goods are removed from a warehouse in contravention of section 71;

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

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

### **CANCELLATION AND RETURN OF WAREHOUSING BOND. – Sec. 73**

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

### **CUSTOMS DUTY DRAW BACK**

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) For the purposes of this section-

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

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

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

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

### **Conditions**

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

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

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

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

**Amount of Drawback**

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

**No Drawback.**

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

(i) Wearing apparel

(ii) Tea chests

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

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

**Personal Goods.**

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

**Exhibits**

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

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

### **Drawback Claim Procedure on Re-export of Imported Goods**

#### **1. Postal Exports**

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

#### **Claim Form & Documents**

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

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

#### **Date of Receipt**

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

#### **Deficiency Memo**

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

payments of interest on delayed settlement/payment of drawback under Sec. 75A of the Customs Act.

## **2. Non-Postal Export**

### **a. Shipment**

#### **Shipping Bill/Bill of Export**

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

#### **Declarations/Statements**

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

(i) State the description, quantity and such other particulars as are necessary for deciding whether the goods are entitled to drawback on their re-export.

(ii) Make a Declaration that –

(a) the export is being made under a claim for drawback under section 74 of the Customs Act;

(b) that the duties of customs were paid on the goods imported;

(c) that the goods imported were not taken into use after importation

#### **Documents**

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

(i) Bill of Entry or Any other prescribed document against which goods were cleared on importation.

(ii) Import invoice

(iii) Documentary evidence of having paid the import duty

(iv) Export invoice

(v) Packing List

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

### **Post-shipment Stage**

#### **Claim of Drawback**

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

#### **Claim Form**

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

#### **Documents**

The claim application should be sent with the following documents

- (i) Triplicate copy of the Shipping Bill bearing examination report recorded by the proper officer of the customs at the time of export
- (ii) Copy of Bill of Entry or any other prescribed document against which goods were cleared on importation.
- (iii) Import invoice.
- (iv) Evidence of payment of duty paid at the time of importation of the goods.
- (v) Permission from Reserve Bank of India for re-exports of goods, wherever necessary.



(vi) Export invoice and packing list.

(vii) Copy of Bill of lading or AirWay bill.

(viii) Any other documents as may be specified in the deficiency memo.

### **Payment**

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

### **Interest**

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

### **Repayment**

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

### **DUTY DRAWBACK**

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

#### **The following are Drawbacks:**

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

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

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

**BRAND RATE OF DUTY DRAWBACK**

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

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

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

**POWER TO PROHIBIT IMPORTATION OR EXPORTATION OF GOODS-**

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

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

- (a) The maintenance of the security of India;
- (b) The maintenance of public order and standards of decency or morality;
- (c) The prevention of smuggling;
- (d) The prevention of shortage of goods of any description;
- (e) The conservation of foreign exchange and the safeguarding of balance of payments;
- (f) The prevention of injury to the economy of the country by the uncontrolled import or export of gold or silver;
- (g) The prevention of surplus of any agricultural product or the product of

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## KARPAGAM ACADEMY OF HIGHER EDUCATION

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**CLASS: III BBA**

**COURSE NAME: TAXATION - II**

**COURSE CODE: 16BAU603A**

**UNIT V**

**SEMESTER: VI BATCH : 2016 -18**

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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.

### **ASSESSMENT OF DUTY:**

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

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

Types of assessment

1. First appraisalment
2. Second appraisalment

### **STEPS IN ASSESSMENT**

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

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

### **DEMURRAGE CHARGES**

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

### **SCALE 1- FREE DAYS (IMPORTS)**

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

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

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

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

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

**(4) Abandoned goods:** Abandoned and uncleared/unclaimed goods sold by the CHPT in public auction:- In respect of abandoned and uncleared/unclaimed goods listed for public auction by the CHPT, the demurrage leviable shall be limited to six months from the date of its accrual, or to the date of receipt of intimation of abandonment in the Harbour Office, in writing, whichever is earlier.

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

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

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

**(8) Cargo other than** mentioned above:

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

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

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

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

(e) Survey goods:

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

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

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

- First 45 days : Free
- 46 days to 60 days : 25% of actual demurrage charges

- 61 days to 90 days 50% of actual demurrage charges
- Beyond 90 days : 100% of actual demurrage charges

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

### **SCALE 2 – FREE DAYS (EXPORTS)**

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

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

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

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

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

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

The first 45 days shall be reckoned with as follows;

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

### **SCALE 3 - CONFISCATED GOODS**

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

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

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



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

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

**SCALE 5 - FREE DAYS (TRANSHIPMENT GOODS)**

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

**EXPORT PROMOTION SCHEMES**

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

- (i) Duty exemption scheme which permit duty free import of inputs required for export production viz. Advance Authorization and Duty Free import Authorizations (DFIA);
- (ii) Duty remission scheme which enable post-export replenishment of / remission of duty paid on inputs viz. Duty Entitlement Pass Book Scheme;
- (iii) Reward schemes which entitle exporters to duty credit scrips subject to various specific conditions like Served from India Scheme (SFIS), Vishesh Krishi Gram Udyog Yojana (VKGUY), Focus Market Scheme (FMS), Focus Product Scheme (FPS) and Status Holder Incentive Scheme.
- (iv) Export Promotion Capital Goods (EPCG) Scheme which permits an exporter to import Capital Goods at concessional / Nil duty against an export obligation to be fulfilled in specified time.

**2. ADVANCE AUTHORISATION SCHEME:**

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

**3. DUTY FREE IMPORT AUTHORISATION (DFIA):**

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

**4. REWARD SCHEME – SERVED FROM INDIA SCHEME:**

Served From India Scheme (SFIS) incentivizes exports of specified goods/exports to certain countries. The objective of SFIS is to “accelerate growth in export of services so as to create a powerful and unique ‘Served From India’ brand, instantly recognized and respected world over.

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

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

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

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

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

- (a) Supplies made to SEZ units;
- (b) Service exports;
- (c) Diamonds and other precious, semi precious stones, gold, silver, platinum and other precious metals in any form, including plain and studded jewellery;
- (d) Ores and concentrates, of all types and in all forms;
- (e) Cereals, of all types;
- (f) Sugar, of all types and in all forms;

(g) Crude/petroleum oil and crude/petroleum based products covered under ITC HS codes 2709 to 2715, of all types and in all forms; and

(h) Milk and milk products covered

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

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

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

The export of products/sectors of high export intensity/employment potential (which are not covered under present Focus Product Scheme List) are incentivized at 2% of FOB value of exports in free foreign exchange under Focus Product Scheme when exported to the Linked Markets (countries), which are not covered in the present FMS list.

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

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

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

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

#### **i) Duty Free Credit Entitlement (DFCE) Scheme**

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

**ii) Target Plus Scheme (TPS)**

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

**iii) Duty Free Replenishment Certificate (DFRC) scheme**

This scheme permitted duty free import (exemption from only Basic Customs duty) of inputs which were used in the manufacture of export product on post-export basis as replenishment. The DFRC authorisations were issued with a minimum value addition of 25% and only in respect of export products covered under the SION notified by DGFT.

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

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

**11. SPECIAL PROVISIONS:**

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

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

**12. EXPORT PROMOTION CAPITAL GOODS (EPCG) SCHEME:**

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

**13. GENERAL PROVISIONS OF EXPORT PROMOTION SCHEMES:**

Imports and exports under the Export Promotion schemes are restricted to limited ports, airports, ICDs and LCSs, as specified in the respective Customs duty exemption [ieport.com](http://ieport.com) - India's Premier Export Import Portal notifications. However, the Commissioners of Customs are empowered to permit export/import under these schemes from any other place which has not been notified, on case to case basis by making suitable arrangements at such places.

**SPECIAL ECONOMIC ZONE (SEZ)**

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

In 2005, the Department of Commerce, Ministry of Commerce & Industry, Government of India has enacted the Special Economic Zone (SEZ) Act, with an objective of providing an internationally competitive and hassle free environment for exports. A SEZ is defined as a "specifically demarked duty-free enclave and shall deemed to be foreign territory (out of Customs jurisdiction) for the purpose of trade operations and duties and tariffs". The SEZ Act, 2005, supported by SEZ Rules, came into effect on 10th February, 2006. It provides drastic simplification

of procedures and a single window clearance policy on matters relating to central and state governments. The scheme is ideal for bigger Industries and has a significant impact on future Exports and employment

**SALIENT FEATURES OF SEZ SCHEME ARE AS UNDER:**

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

**BENEFITS OF EXPORT PROMOTION SCHEME**

The following are the benefits of export promotion scheme,

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

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# KARPAGAM ACADEMY OF HIGHER EDUCATION

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**CLASS: III BBA**

**COURSE NAME: TAXATION - II**

**COURSE CODE: 16BAU603A**

**UNIT V**

**SEMESTER: VI BATCH : 2016 -18**

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## KARPAGAM ACADEMY OF HIGHER EDUCATION

### DEPARTMENT OF MANAGEMENT

#### III BBA - (2016 - 2019 BATCH)

#### VI SEMESTER

#### TAXATION - II (16BAU603A)

#### UNIT V

#### POSSIBLE QUESTIONS

##### Part A (ONE Mark)

##### Multiple Choice Questions

##### Online Examination

#### PART B

1. What is customs duty?
2. Define imported goods
3. What is duty drawback?
4. What is customs area under the customs Act?
5. Define Baggage.
6. What are export goods?
7. What are the types of customs duty?
8. Write a note on safe guard duty.
9. Define Goods under customs Act
10. Define export goods
11. List the types of export promotion scheme given by Central government.
12. What are the components of bills of entry?
13. What is import duty?
14. Who are the officers of customs under customs Act?
15. List the prohibited export goods.

## KARPAGAM ACADEMY OF HIGHER EDUCATION

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16. List any four export promotion schemes as per Act.

17. Write note on duty draw back.

18. What are the functions of customs officers?

19. Give the meaning of

a. warehousing and b. demurrage

**\*CIA - 3 X 2 = 6 (ANSWER ALL THE QUESTIONS)**

**\*\*ESE - 5 X 2 = 10 (ANSWER ALL THE QUESTIONS)**



**PART - C**

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

**\*CIA - 3 X 8 = 24 (EITHER OR TYPE)**

**\*\*ESE - 5 X6 = 30 (EITHER OR TYPE)**

QUESTIONS	OPTION 1	OPTION 2	OPTION 3	OPTION 4	ANSWER
Customs Act was passed in the year ____	1970	1965	1962	1975	1962
Safeguard domestic duty is imposed on _____ goods	export	interstate	import	local sales	import
First schedule of customs act 1975 is _____	export tariff	control tariff	local tariff	import tariff	import tariff
Second schedule of customs act 1975 is _____	Export tariff	interchange tariff	local tariff	multi tariff	Export tariff
Basic customs duty is based on _____ of goods	actual value	basic value	standard value	preference value	basic value
Government is empowered under _____ of Customs Act for issuing prescribes notification to custom goods.	sec 10	sec 25	sec 35	sec 45	sec25
_____ goods could not suffer excise duty	Exported	local stated	Imported	local valuable	imported
_____ additional duties levied on imported goods	special additional duty	protective	anti dumping duty	additional duty	protective
Exporter sells the product to an exporting country at _____ price	high	very high	less	very less	less
_____ of Customs Act will safeguard the interest of domestic industry	sec 9A	sec8b	sec 18	sec 19	sec8b
_____ duty is levied on dumped articles	anti dumping duty	advalorem duty	safeguard duty	protective duty	anti-dumping duty
_____ means customs port and customs airport	customs area	customs station	customs goods	customs duty	Customs station
_____ goods are kept in warehouse is called warehouse goods	Export	import	Inter local	local	import
_____ means all goods personal effects brought in commercial quantities	warehouse	Bonafide baggage	baggage	Pilfered	baggage
_____ of the customs Act empowers the central Govt. for import and export of goods	sec 9	sec 10	sec11	sec8	sec 11
The authority competent to pass any order or decision under the Act is called ----- authority	Customs	Excise	Empowerin g	Adjudicating	Adjudicati ng
----- goods means goods other than imported goods transported in a vessel from one port in India to another	Draw back goods	Imported goods	Exported goods	Coastal goods	Coastal goods
The declaration of tax liability is called ---	Collection of duty	Assessment of duty	Levy of duty	Taxable event	Levy of duty
Large manufacturer from abroad, export goods at _____ prices	very high	high	less	very less	very high
Foreign _____ or aircraft means any vessel or aircraft at the time of carriage	coming vessel	lodging vessel	going vessel	updating	going vessel

_____ goods means any goods brought into India from outside India	export	import	inter state	local	import
_____ means the import of goods in contravention of provisions	legal import	statutory import	Illegal import	local import	Illegal import
----- goods mean bringing into India from a place outside India	Import	Export	Domestic	Trade	Import
----- goods mean taking out of India to a place outside India	Import	Export	Domestic	Trade	Export
Residual method is also called as -----	Computed method	Transaction method	Fall back method	Deductive method	Fall back method
Transport of specified goods to be covered by-----	receipts	payments	invoice	vouchers	vouchers
Assessable value is determined by _____ of identical goods	computed	transaction value	deducted value	residual value	transaction value
Section 25 of the customs Act empower _____ government to issue special orders	state	central	tax authorities	public authorities	central
Customs act provides remission duty on goods lost on __consumption	home	industry	business	natural	home
_____ is not liable to pay abandoned goods	sellers	buyers	owners	wholesalers	owners
_____ is not possible and goods are physically lost	Abandonment	restoration	time point	destroyed	restoration
_____ of customs may permit an importer to enter general bond	commissioner	tax officer	deputy commissioner	official government	deputy commissioner
_____ have been compiled in respect of goods ad per Act	sec 30	sec 49	sec 38	sec 59	sec59
_____ intended to use 100% export oriented	consumable goods	capital goods	customs goods	producing goods	capital goods
A _____ has been presented when the goods are exported to other countries	shipping bill	clearance bill	export bill	payment bill	shipping bill
Rebate of duty is chargeable on _____ goods	Producing	manufacturing	packing	purchasing	manufacturing
All Industry rate is not covered _____ of the drawback	85%	88%	80%	90%	80%
_____ have been defined in subsection	relative goods	prohibited goods	customs goods	notified goods	prohibited goods
Conservation of _____ safeguarding payments to exporters	Excise duty	foreign exchange	customs goods	export goods	foreign exchange
Central government has issued notification to import of _____	sensitive goods	notified goods	regulative goods	restricting goods	sensitive goods
Notified goods means goods specified in the notification issued under section_____	IIA	IIB	IIIC	IVC	.IIB
Goods shall be taken from one place to another only when they are accompanied by a _____	cash	transport voucher	Bills	.document paper	transport voucher

The statement containing particulars of notified goods duly signed must be delivered in _____	duplicate	original	accounts	voucher	duplicate
Valuation of goods under customs Act dealt under	Section 10	Section 12	Section 14	Section 25	Section 14
The valuation rules, 1988 based on GATT valuation code provides	five methods of valuation	six methods of valuation	seven methods of valuation	eight methods of valuation	six methods of valuation
Assessable value under the customs Act, 1962 excludes _____	Landing charges	Insurance	cost of transport of the importation	travelling charges	cost of transport of the importation
The GATT valuation code came into effect from _____	1.1.1981	1.2.1981	1.3.1981	12.1981	1.1.1981
India started implementing the GATT valuation code from _____	18.8.1985	18.8.1988	18.8.1990	18.8.1991	18.8.1988
The central government has powers to prohibit importation and exportation of goods under section _____ of customs Act	10	0.13	12	11	11
Entry 83 to list (Union List) of _____ schedule to constitution reads duties of customs including export duties.	sixth	seventh	fourth	fifth	seventh
Central Government can grant partial/full exemption from duty under section _____ of the customs Act.	26	22	23	25	25
Section 25(1) of the customs Act authorizes the _____ to issue notification granting exemptions from duty.	state government	central government	Municipality	Local authority	central government
The exemptions granted under the customs Act are broadly classified as _____ & _____	general, specific	ordinary, Special	special, complimentary	compound, special	general, specific
The term pilfer means ---- as per Customs act	Steal	Lost	Warehouse	Storage	Steal
For effective shipment, the exporter or his agent should file a shipping bill in _____	duplicate	triplicate	quadruplicate	original	duplicate
Shipping bills should be filed in the customs House within _____ days before the arrival of the loading vessel.	7 days	14 days	21 days	30 days	7 days
Tea cannot be exported unless a licence is granted by	central government	state government	Tea board	Coffee Board	Tea board

A new tariff based on the _____ has been introduced for indigenously manufactured goods under the central excise Tariff Act, 1985	HSBN	HSN	HHN	HMN	HSN
The British established the first board of revenue with its headquarters in_____	Delhi	Mumbai	Chennai	Calcutta	Calcutta
Customs tariff contains-----	97 chapters	98 chapters	99 chapters	100 chapters	97 chapters



# KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University)  
(Established under section 3 of UGC Act 1956)

Coimbatore-641021

**Department of Management**

Name: **Dr.M.NANDHINI**

Department: **Management**

Subject Code: **16BAU03A**

Semester: **VI**

Year: **2016-2019 Batch**

Subject: **TAXATION - II**

## ASSIGNMENT TITLE

S. No	Register No.	Name of the Student	Assignment Title
1	16BAU001	AJITH ABRAHAM. A	Canons of Taxation
2	16BAU002	ARUN KUMAR.S	Features of Tax
3	16BAU003	ASHIK.B	Features of direct tax
4	16BAU004	ASUTHULLAH.A	Merits and Demerits of direct tax
5	16BAU005	CHIDHAMBARAM.K	Features of indirect tax
6	16BAU006	DINESH KUMAR.P	Merits and demerits of indirect tax
7	16BAU007	HARITHA.A	GST in India
8	16BAU008	INDHIRANI.S	Features of GST
9	16BAU009	INDUJA.S	Benefits of GST
10	16BAU010	JAVIDULLA.S	GST - Definitions
11	16BAU011	KABILAN.N	Levy of GST
12	16BAU012	KALPANA.A	Liability under GST
13	16BAU014	KARTHICK.R	Characteristics of Supply
14	16BAU016	KARUPPUSAMY.P	GST – Schedule I

15	16BAU017	KIRTHI.S	GST – Schedule II
16	16BAU018	MANOJ KUMAR.E	Types of Supply
17	16BAU019	MARAPPAN.E	Place of Supply
18	16BAU020	NAMITHA KRISHNA.R	Time of Supply
19	16BAU021	RAGUL.V	Value of Supply
20	16BAU022	RAJESH KUMAR.R	Input Tax Credit
21	16BAU023	SABARIGIRINATHAN.R	ITC – Features and Advantages
22	16BAU024	SAKTHI.P	ITC – Accounts Settlement
23	16BAU025	SANTHIYA PRIYA.M	Registration Procedure
24	16BAU026	SATHISH.S	ITC – Refund
25	16BAU027	SELVAKUMAR.K	IGST Act 2017
26	16BAU028	SHAHID SALEEM.B	IGST - Definitions
27	16BAU029	SHEIK FAYAZ.H	Nature of Supply
28	16BAU030	SHESHADRI SAIPRASAD RAMMOHAN	Inter and Intra state supply
29	16BAU031	SIVAPRAKASH.A	GST Act 2017
30	16BAU032	SUSMITHA.R	LONG ABSENT
31	16BAU033	SYED ABUTHAHIR.K. S	Customs Duty
32	16BAU034	TAMILSELVAN.K	Customs Act 1962
33	16BAU035	THAMARAI SELVAN. S	Prohibition and Export of goods
34	16BAU036	THOUFEEK.M.A	Customs Duty - Definitions

35	16BAU037	VIGNESH.S	Levy of customs duty
36	16BAU038	VIJAY.K	Exemption from customs duty
37	16BAU039	VIJAY.S	Valuation of goods under customs Act
38	16BAU040	VINITHKUMAR.S	Clearance of goods
39	16BAU041	VINOTH.S	Customs Duty – Draw backs
40	16BAU042	VINOTHINI.V	Procedure under custom duty
41	16BAU043	VISHAL SAMIAIAH	Customs officers - Powers
42	16BAU044	VISHNU. S	Procedure under custom duty
43	16BAU045	YUVARAJ.V	Search and Seize – Customs Act
44	16BAU046	NAJMUL.S	E-way billing



- \_\_\_\_\_ is a monetary payment paid by the public, which is levied regularly by authority, without direct compensation to cover the public burden
  - Tax
  - Taxation
  - Customs Duty
  - Indirect tax
- \_\_\_\_\_ means the system of tax collection and set of laws that govern the process of collection
  - Tax
  - Taxation
  - Customs Duty
  - Indirect tax
- In \_\_\_\_\_, the impact and incidence of tax falls on the same person
  - Direct Tax
  - Taxation
  - Customs Duty
  - Indirect tax
- There are \_\_\_\_\_ kinds of duties levied on the commodities
  - Two
  - Three
  - Four
  - Six
- Under VII schedule, taxes levied by central and state government has \_\_\_\_\_ lists
  - Union
  - Union, State and Concurrent
  - State
  - Concurrent
- \_\_\_\_\_ duty is levied on the basis of value of commodities
  - Specific
  - Exempted
  - Taxable
  - Advalorem
- GST came into force on \_\_\_\_\_
  - 1.07.2017
  - 1.06.2017
  - 1.04.2017
  - 1.09.2017
- \_\_\_\_\_ duty is levied as to the weight, length or some other unit of measurement of commodity
  - Specific
  - Exempted
  - Taxable
  - Advalorem
- GST council was constituted by the \_\_\_\_\_ of India
  - Prime Minister
  - Home Minister
  - Union Finance Minister
  - President
- \_\_\_\_\_ is a supply of goods and services
  - Taxable impact
  - Taxable event
  - Customs duty
  - Taxable incident
- HSN coding mechanism is developed by the \_\_\_\_\_
  - State government
  - Central government
  - World Customs Organization
  - Central and State government

12. Services are classified using \_\_\_\_\_  
 a. Service Accounting Code    b. Service Code    c. Service applied Code    d. Simple Accounting Code
13. Tax Deducted at Source is applicable for \_\_\_\_\_  
 a. Government Departments    b. E – commerce Operators    c. Local Mechanism  
 d. Government departments, Government agencies and Local mechanism
14. \_\_\_\_\_ are not subsumed under GST  
 a. Luxury tax    b. Entry tax    c. Toll tax    d. Service tax
15. In GST, services are taxed at \_\_\_\_\_  
 a. 18%    b. 28%    c. 5%    d. 0.25%
16. There are \_\_\_\_\_ types of supplies under the GST laws in India  
 a. Two    b. Three    c. Four    d. Six
17. \_\_\_\_\_ rate is imposed on essential items  
 a. 18%    b. 28%    c. 5%    d. 0.25%
18. GST on the supply of goods and services between the state, the tax is levied based on \_\_\_\_\_  
 a. IGST Act 2017    b. SGST Act 2017    c. CGST Act 2017    d. UTGST Act 2017
19. Goods means every kind of movable property other than \_\_\_\_\_ and \_\_\_\_\_  
 a. Money, Securities    b. Cheque, Draft    c. Capital, Liabilities    d. Assets. Liabilities
20. Person includes \_\_\_\_\_  
 a. Individual, HUF and Firm    b. HUF    c. Firm    d. Company

**PART – B (3 X 2 = 6 Marks)**

**ANSWER ALL THE QUESTIONS**

21. Who are all the members of GST council?
22. What is meant by mixed supply?
23. Define Money

**PART – C (3 X 8 = 24 Marks)**

**ANSWER ALL THE QUESTIONS**

24. a. Explain the canons of taxation advocated by Adam Smith?
- Or**
- b. From where central and state government draw power to levy taxes?
25. a. Discuss the history and evaluation of GST in India?
- Or**
- b. Describe the taxes subsumed in GST?
26. a. Explain the different kinds of supply with reference to tax rate?
- Or**
- b. List out and explain the benefits of Goods and Service Tax?

**KARPAGAM ACADEMY OF HIGHER EDUCATION****(Deemed to be University)****(Established Under Section 3 of UGC Act, 1956)****COIMBATORE – 641021****(For the candidates admitted from 2016 onwards)****I Internal Examination, December - 2018****III BBA****VI Semester****TAXATION - II****COURSE CODE: 16BAU603A****ANSWER KEY****PART – A (20 X 1 = 20 Marks)**

<b>Q.No.</b>	<b>Answer</b>
1	Tax
2	Taxation
3	Direct Tax
4	Two
5	Union, State and Concurrent
6	Advalorem
7	1.07.2017
8	Specific
9	President
10	Taxable Event

<b>Q.No.</b>	<b>Answer</b>
11	Worlds Customs organization
12	Service Accounting Code
13	Government departments, Government Agencies and Local mechanism
14	Toll Tax
15	18%
16	Two
17	5%
18	IGST Act 2017
19	Money and Securities
20	Individual, HUF and Firm

## PART – B

### ANSWER ALL THE QUESTIONS

**21. Who are all the members of GST council?**

- Union Finance Minister
- State Finance Minister

**22. What is meant by mixed supply?**

Supply of variety of goods or commodities at single price in a box is mixed supply

**23. Define Money**

- Currency Notes
- Cheque
- Demand Draft

## PART – C

### ANSWER ALL THE QUESTIONS

**24. a. Explain the canons of taxation advocated by Adam Smith?**

- Canon of Equality
- Canon of Consistency
- Canon of Conservation
- Canon of production

**24. b. From where central and state government draws power to levy taxes?**

- CGST ACT 2017
- STGST ACT 2017
- UTGT ACT 2017

**25.a. Discuss the history and evaluation of GST in India?**

GST was implemented all over India from 1.07.2017

- CGST ACT 2017
- STGST ACT 2017
- UTGT ACT 2017

**25. b. Describe the taxes subsumed in GST?**

Taxes subsumed under Central

Taxes subsumed under State

**26. a. Explain the different kinds of supply with reference to tax rate?**

1. Taxable Supply
2. Non Taxable supply
3. Composite supply
4. Mixed Supply

**26. b. List out and explain the benefits of Goods and Service Tax?**

1. Benefit to all
2. Cost reduction
3. Mitigate Inflation
4. Eradicate poverty
5. Employment Opportunities

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COIMBATORE – 641 021  
(For the candidates admitted from 2016 onwards)

**CONTINUOUS INTERNAL ASSESSMENT II – FEBRUARY 2019**  
**BACHELOR OF BUSINESS ADMINISTRATION**  
**SIXTH SEMESTER**

**TAXATION - II**

**Time: 2 Hours**  
**Date: 05.02.2019**

**Maximum: 50 Marks**  
**Session : FN**

**PART – A (20 X1 = 20 Marks)**  
**ANSWER ALL THE QUESTIONS**

1. \_\_\_\_\_ is the activity that is not treated as supply of goods or services
  - a. Permanent transfer/ Disposable of business assets
  - b. Any transfer of title in goods
  - c. Licence
  - d. Actionable claim
2. The highest authority for appeal under GST is \_\_\_\_\_
  - a. Central board of Indirect taxers and customs
  - b. Ministry of finance
  - c. Supreme Court
  - d. State High Court.
3. Works contract includes \_\_\_\_\_
  - a. Constructions
  - b. Alteration
  - c. Repair
  - d. Construction, Alteration and Repair
4. The GST registration is granted within \_\_\_\_\_
  - a. 3 days
  - b. 5 days
  - c. 7 days
  - d. 10 days
5. GST is a tax on \_\_\_\_\_ consumption of goods and services
  - a. Final
  - b. Initial
  - c. Second
  - d. Third
6. GST is considered as a remedy for the problem of \_\_\_\_\_ and \_\_\_\_\_
  - a. Tax, Cascading
  - b. Double taxation, Cascading
  - c. Double taxation, Tax evasion
  - d. Taxation, Cascading
7. GST registration is not mandatory for \_\_\_\_\_
  - a. Input service distributor
  - b. Casual taxable person
  - c. Non resident taxable person
  - d. Agriculturist
8. \_\_\_\_\_ is a mechanism to avoid cascading of taxes
  - a. SGST
  - b. ITC
  - c. CGST
  - d. IGST
9. Cascading in simple language is \_\_\_\_\_
  - a. Tax on income
  - b. Tax on services
  - c. Tax on tax
  - d. Tax on goods
10. \_\_\_\_\_ mechanism is the backbone to avoid double taxation and cascading of taxes
  - a. Output GST credit
  - b. Input GST credit
  - c. Input UTGST credit
  - d. Input CGST credit

11. The core feature of a GST is that tax is collected through a \_\_\_\_\_ process  
a. Staged    b. Initial    c. Final    d. Second
12. Any business whose turnover in a financial year exceeds \_\_\_\_\_ for eastern and hill states must seek registration  
a. 3 lakhs    b. 5 lakhs    c. 7 lakhs    d. 10 lakhs
13. The non resident taxable person supplying online information shall submit his application in \_\_\_\_\_  
a. Form GST – 5    b. Form GST – 10    c. Form GST – 15    d. Form GST – 20
14. There are \_\_\_\_\_ methods for computing ITC  
a. Three    b. Two    c. Five    d. Six
15. \_\_\_\_\_ method, is transaction based and also based on the tax charged in invoice  
a. Sales subtraction    b. Credit subtraction with invoices    c. Addition sales    d. Addition invoice
16. \_\_\_\_\_ means goods other than capital goods or services used by the supplier of goods or services in the course of furtherance of business  
a. Output    b. Input    c. Output tax    d. Input tax
17. \_\_\_\_\_ is a tax imposed on the person when he receives supply of goods and services which is used for his or her business  
a. Output    b. Input    c. Output tax    d. Input tax
18. Availing tax paid on input for the purpose of utilizing for payment of output tax is called \_\_\_\_\_  
a. Output tax credit    b. Input tax credit    c. Output tax    d. Input tax
19. \_\_\_\_\_ means the GST collected on the value of supply made by supplier of goods or services  
a. Output tax credit    b. Input tax credit    c. Output tax    d. Input tax
20. \_\_\_\_\_ is documentary evidence issued by the supplier of goods and services to recipient  
a. Debit note    b. Invoice    c. Credit note    d. GST Form

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

21. What is meant by place of supply, when movement of goods involved?  
22. Who is distinct person?  
23. Define input tax.

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

24. a. Is place of supply being important in GST? If yes, how it is?  
**Or**  
a. Explain the basic rule to determine time of supply of goods or services?
25. a. Can any person be eligible for input tax credit? If not, what is the eligibility?  
**Or**  
b. Explain the various types of OIDAR services. What is place of supply of services?
26. a. Discuss the methods of input tax credit with suitable illustration?  
**Or**  
b. Describe the items that shall be included in transaction value?

**KARPAGAM ACADEMY OF HIGHER EDUCATION****(Deemed to be University)****(Established Under Section 3 of UGC Act, 1956)****COIMBATORE – 641021****(For the candidates admitted from 2016 onwards)****II Internal Examination, February - 2019****III BBA****VI Semester****TAXATION - II****COURSE CODE: 16BAU603A****ANSWER KEY****PART – A (20 X 1 = 20 Marks)**

<b>Q.No.</b>	<b>Answer</b>
1	Actionable claim
2	Supreme court
3	Construction, alteration and repair
4	5 days
5	Final
6	Double taxation and cascading
7	Agriculturist
8	ITC
9	Tax on tax
10	Input GST credit

<b>Q.No.</b>	<b>Answer</b>
11	Staged
12	10 lakhs
13	Form GST 10
14	Two
15	Credit subtraction with invoices
16	Input
17	Input tax
18	Input tax credit
19	Output tax
20	Invoice



**PART – B (3 X 2 = 6 Marks)****ANSWER ALL THE QUESTIONS****21. What is meant by place of supply, when movement of goods involved?**

Place of supply of goods under GST defines whether the transaction will be counted as intra-state or inter-state, and accordingly levy of SGST, CGST & IGST will be determined.

**22. Who is distinct person?**

Distinct persons are persons with different GSTINs belonging to one legal entity (single PAN) situated within the same state or in two different states or in a different country.

**23. Define input tax.**

Input tax is the tax paid on purchases by a registered dealer in course of its business. ... When a dealer that is registered for value added tax (VAT) buys goods or services from another supplier

**PART – C (3 X 8 = 24 Marks)****ANSWER ALL THE QUESTIONS****24. a. Is place of supply being important in GST? If yes, how it is?**

To determine the actual nature of the movement of goods and services, it is imperative to understand the “place of supply” of such goods or services. It plays a pivotal role in identifying whether CGST & SGST or IGST will be levied on any transaction.

Place of supply of goods and services have been given separate provisions. The location of the supplier and the place of supply together define the nature of the transaction. The registered place of business of the supplier is the location of the supplier, and the registered place of the recipient is the place of supply.

**Place of supply rules for Goods**

- 1) Where the supply involves a movement of goods, the place of supply shall be determined by the location of the goods at the time of final delivery.
- 2) Where the supply involves a movement of goods, on the direction of a third party, whether as an agent or otherwise, the place of supply shall be the principle place of business of such third party, irrespective of the place of delivery of goods.
- 3) Where the supply does not involve any movement of goods, then place of supply shall be the location of such goods at the time of final delivery.

4) Where the supply includes installation of goods at site, then place of supply shall be the place of such installation.

5) Where the goods are being supplied on board a vehicle, vessel, aircraft, or a train, i.e. on board a conveyance, then place of supply shall be the first location at which the goods are boarded.

6) Any other cases not covered above will be determined further as per recommendations from the GST council (yet to be finalised)

### **Place of supply rules for Services**

For an immovable property:

- Where both service provider and recipient are required to be physically present
- In case of an event
- Ancillary activities to the events
- Transportation of goods
- Passenger Transportation
- Supply of services on board a conveyance, vehicle, vessel, train or aircraft
- Telecommunication Services

**Or**

### **24.b Explain the basic rule to determine time of supply of goods or services?**

The time of supply of goods shall be the earlier of the following dates –

(a) The date of issuing of invoice (or the last day by which invoice should have been issued) or

(b) The date of receipt of payment

-whichever is earlier

If the supplier receives an amount up to Rs. 1000 in excess of the invoice amount, the time of supply for the extra amount shall be the date of issue of invoice (at the option of the supplier).

For (a) and (b)- The supply shall be assumed to have been made to the extent it is covered by the invoice or the payment (as the case may be).

For (b)- the date of receipt of payment shall be earlier of-

1. The date on which he entered the payment in his books or
2. The date on which the payment is credited to his bank account

**25.a. Can any person be eligible for input tax credit? If not, what is the eligibility?**

ITC can be availed by a registered taxable person in a specific manner and within a specified time frame. The table below shows the different situations wherein the inputs can be claimed for semi-finished goods or stock or finished goods.

Situation	ITC claims day for semi-furnished goods/stock/finished goods (held on immediate preceding day)
If a person has applied for registration or is liable to register or is granted registration	Day from when he is liable to pay taxes
When a person takes voluntary registration	Registration day
When a taxable registered person stops paying taxes in composition levy scheme	Day from when he is liable to pay tax normally u/s 7.

Input tax credit for the above-mentioned situations can be claimed only if it does not exceed one year from the tax invoice date of issue related to supply.

For any other cases, ITC must be claimed earlier of the following-

- a) Furnishing of annual return or
- b) Due date of filing the monthly return (GSTR-3) for the next financial year's September month.

**25. b. Explain the various types of OIDAR services. What is place of supply of services?**

The section 2(17) of the IGST Act, 2017 states that, "Online information and database access or retrieval services" mean services whose delivery is mediated by information technology over the internet or an electronic network, nature of which renders their supply essentially automated, involving minimal human intervention & impossible to ensure in the

absence of information technology and includes electronic services such as,

- Advertising on the internet;
- Providing cloud services;
- Provision of movie, software, e-books, music, and other intangibles through telecommunication networks or internet;
- Providing data or information, retrievable or otherwise, to any person in electronic form through a computer network;
- Online supplies of digital content (movies, television shows, music and the like);
- Digital data storage; and
- Online gaming.

**26. a. Discuss the methods of input tax credit with suitable illustration?**

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

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

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

**ITC will be reversed in the following cases**

- 1) Non-payment of invoices in 180 days
- 2) Credit note issued to ISD by seller
- 3) Inputs partly for business purpose and partly for exempted supplies or for personal use
- 4) Capital goods partly for business and partly for exempted supplies or for personal use
- 5) ITC reversed is less than required

## 26. b. Describe the items that shall be included in transaction value?

“Transaction Value” is the basis for Valuation for supply of goods and/or services under the GST Regime. For the levy of tax i.e. GST first we have to determine the transaction value. ‘Transaction Value’ is the price actually paid or payable for supply of goods and/or services.

This is subject to dual condition as mentioned below:

- Supplier and recipient of the supply are not related; and
- Price is the sole consideration for the supply

Transaction Value cannot be based on MRP

Under Section 4A of the Central Excise Act, the central Government has the power to notify the goods which shall be valued on the basis of MRP less Abatement permitted. However, GST Act there is no provision for determination of value on the MRP basis. Thus, in all cases liability of GST will be determined based on the transaction value.

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COIMBATORE – 641 021  
(For the candidates admitted from 2016 onwards)

**CONTINUOUS INTERNAL ASSESSMENT III – MARCH 2019**  
**BACHELOR OF BUSINESS ADMINISTRATION**  
**SIXTH SEMESTER**

**TAXATION - II**

**Time: 2 Hours**  
**Date: 12 .03.2019**

**Maximum: 50 Marks**  
**Session : FN**

**PART – A (20 X1 = 20 Marks)**  
**ANSWER ALL THE QUESTIONS**

1. Power to examine person \_\_\_\_\_  
a. U/s 106-A of Customs Act      b. U/s 106-B of Customs Act      c. U/s 108 of Customs Act  
d. U/s 107 of Customs Act
2. \_\_\_\_\_taxes will be levied on interstate sale  
a. IGST      b. ITC      c. SGST      d. UTGST
3. Valuation of goods under the Customs Act is dealt under \_\_\_\_\_  
a. Section 10      b. Section 12      c. Section 14      d. Section 15
4. The Payment of drawback is governed by \_\_\_\_\_  
a. The Central Excise Act      b. Customs Act      c. Tamilnadu Sales Tax Act  
d. Central Sales Tax Act
5. Any person aggrieved by any decision or order passed under the Customs Act by an Officer of rank lower than a collector of customs, may appeal to \_\_\_\_\_  
a. Collector (Appeals)      b. Appellate Tribunal      c. High court      d. Central Government
6. The state government levy \_\_\_\_\_  
a. IGST      b. CGST      c. UTGST      d. SGST
7. Goods become liable to \_\_\_\_\_ when there is import into India  
a. Sales Tax      b. Excise Duty      c. Customs Duty      d. House Tax
8. Bill of entry under Customs Act is submitted by \_\_\_\_\_  
a. An exporter      b. A business agent      c. An importer      d. Manufacturer
9. The Customs Act 1962 is divided into \_\_\_\_\_  
a. 14 Chapters      b. 15 Chapters      c. 16 Chapters      d. 17 Chapters
10. At what rate interest is payable on the delayed payment of customs duty \_\_\_\_\_  
a. 10%      b. 12%      c. 15%      d. 18%
11. IGM/EGM given by \_\_\_\_\_  
a. Person in charge of the vehicle, vessel or aircraft      b. Customs authorities  
c. Importer or Exporter      d. Trader
12. Under which section Entry Inward is granted by the Customs Officer \_\_\_\_\_  
a. U/s 31 of Customs Act, 1962      b. U/s 32 of Customs Act, 1962  
c. U/s 33 of Customs Act, 1962      d. U/s 34 of Customs Act, 1962
13. Bill of lading is a \_\_\_\_\_  
a. Receipt given by carrier to consignor      b. Receipt given by customs officer

- c. Form given by Importer d. Receipt given by government
14. Bill of Entry for warehousing is called \_\_\_\_\_  
a. Ex bond Bill of Entry b. Into Bond Bill of Entry c. Storage Bill of Entry  
d. Movement of Materials Bill of Entry
15. \_\_\_\_\_ is the first chapter in IGST Act  
a. Preliminary b. Administration c. Levy and collection of tax d. Determination of nature of tax
16. ITC in relation to IGST means \_\_\_\_\_  
a. SGST and CGST b. SGST and IGST c. IGST and CGST d. IGST, SGST and CGST
17. IGST Act is passed by \_\_\_\_\_  
a. State Legislative b. Parliament c. Union Territory d. Legislative Council
18. Customs tariff contains \_\_\_\_\_  
a. 97 chapters b. 98 chapters c. 99 chapters d. 100 chapters
19. The British established the first board of revenue with its headquarters in \_\_\_\_\_  
a. Delhi b. Mumbai c. Chennai d. Calcutta
20. The term pilfer means \_\_\_\_\_ as per Customs Act  
a. Steal b. Lost c. Warehouse d. Storage

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

21. Define Baggage.
22. List out any two prohibited export goods under Customs Act.
23. What is meant by IGST?

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

24. a. Explain the different types of customs duty.

**Or**

- b. Discuss the levy and collection procedure under IGST Act 2017.
- 25.a. Describe the nature of offences under customs Act
- Or**
- b. “Import of goods and services shall not be treated as interstate supply” Is the statement correct?
26. a. Explain the importance of supply of goods and services under IGST.

**Or**

- b. Examine the functions and powers of customs authorities as per Customs Act.

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<b>Q.No.</b>	<b>Answer</b>
1	U/s 107 of Customs Act
2	IGST
3	Section 14
4	Customs Act
5	Collector (Appeals)
6	SGST
7	Customs Duty
8	An importer
9	17 Chapters
10	15%

<b>Q.No.</b>	<b>Answer</b>
11	Person in charge of the vehicle, vessel or aircraft
12	U/s 31 of Customs Act, 1962
13	Receipt given by carrier to consignor
14	Into Bond Bill of Entry
15	Preliminary
16	IGST, SGST and CGST
17	Parliament
18	97 Chapters
19	Calcutta
20	Steal



**PART – B (3 X 2 = 6 Marks)****ANSWER ALL THE QUESTIONS****21. Define Baggage**

`Baggage' is a comprehensive term which means the luggage of a passenger, accompanied or unaccompanied, and comprises of the trunks or bags and the personal belongings of the passenger contained therein. Customs Act, 1962 has defined the term “baggage”, but only in an inclusive manner.

**22. List out any two prohibited export goods under Customs Act.**

- Narcotic Drugs
- Antiquities

**23. What is meant by IGST?**

Integrated Goods and Services Tax” (IGST) means tax levied under this Act on the supply of any goods and/or services in the course of inter-State trade or commerce and for this purpose,

**PART – C (3 X 8 = 24 Marks)****ANSWER ALL THE QUESTIONS****24. a. Explain the different types of customs duty.**

Basic Customs Duty: This duty is imposed on the value of goods at a specified rate as it is fixed on an ad-valorem basis.

- Countervailing Duty: CVD or Additional Customs Duty is levied on imported goods that fall under Section 3 of the Customs Tariff Act of 1975

**Or**

**24. b. Discuss the levy and collection procedure under IGST Act 2017.****Levy and collection**

- Subject to the provisions of sub-section (2), there shall be levied a tax called the integrated goods and services tax on all inter-State supplies of goods or services or both; except on the supply of alcoholic liquor for human consumption, on the value determined under section 15 of the Central Goods and Services Tax Act and at such rates, not exceeding forty per cent., as may be notified by the Government on the recommendations of the Council and collected in such manner as may be

prescribed and shall be paid by the taxable person:  
Provided that the integrated tax on goods imported into India shall be levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 on the value as determined under the said Act at the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962.

- The integrated tax on the supply of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.
- The Government may, on the recommendations of the Council, by notification, specify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.
- The integrated tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.
- The Government may, on the recommendations of the Council, by notification, specify categories of services, the tax on inter-State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services:

Provided that where an electronic commerce operator does not have a physical presence in the taxable territory, any person representing such electronic commerce operator for any purpose in the taxable territory shall be liable to pay

tax:

Provided further that where an electronic commerce operator does not have a physical presence in the taxable territory and also does not have a representative in the said territory, such electronic commerce operator shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.

**25.a. Describe the nature of offences under customs Act**

Nature of offence Penalty under Section 114 of the Customs Act, 1962. (iii) In the case of any other goods Penalty not exceeding the value of the goods as declared by the exporter or the value as determined under the Customs Act, whichever is greater.

Persons involved in import or export activity in violation of prohibitions or restrictions in vogue or with the intent to evade duties or fraudulently claim export incentives are liable for strict penal action under the Customs Act, 1962. The offending goods can be confiscated and heavy fines and penalties imposed on the persons concerned. In fact, sensitive goods like narcotics, FICN, arms and ammunitions, etc. are absolutely confiscated. There are also provisions for arrests and prosecution to deter smuggling or commercial fraud, which seriously affects the economy. 1.2 In the context of penal provisions under the Customs Act, 1962 the term “smuggling” has vast connotations and means “any act or omission which will render such goods liable for confiscation under Sections 111 or 113 of the said Act. 1.3 In general terms, the word ‘penalty’ means punishment under the law, i.e., such punishment as is provided in penal laws. It also means the sum payable as a punishment for a default. The Customs Act, 1962 contains specific provisions for imposition of penalty in case of contraventions of the legal stipulations

**Or**

**25. b. “Import of goods and services shall not be treated as interstate supply” Is the statement correct?**

As a basic principle, GST law says that all supplies of goods & services made as imports into India will be treated as an inter-state supply. All inter-state supplies attract IGST. So import of goods and services into India will attract IGST. Basic custom duty and all applicable customs levy will continue to be charged.

- IGST on import of goods will be levied and collected under the Customs Act, 1962.
- IGST on import of services will be covered under the IGST Act.

Here the importer has to deposit IGST on reverse charge basis. Except in case of OIDAR (Online Information Data Access and Retrieval) services, the supplier has to seek registration and pay taxes.

The IGST paid on imports will be available as input tax credit to the importer. This can be set off against the GST outgo on supplies made by the importer.

**26. a. Explain the importance of supply of goods and services under IGST.**

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

**Or**

**26. b. Examine the functions and powers of customs authorities as per Customs Act.**

- Power to search and seize
- Power to summon
- Power to stop and search the conveyance
- Power to take samples
- Power to take X rays on bodies when suspected