Goods and services Tax (GST)

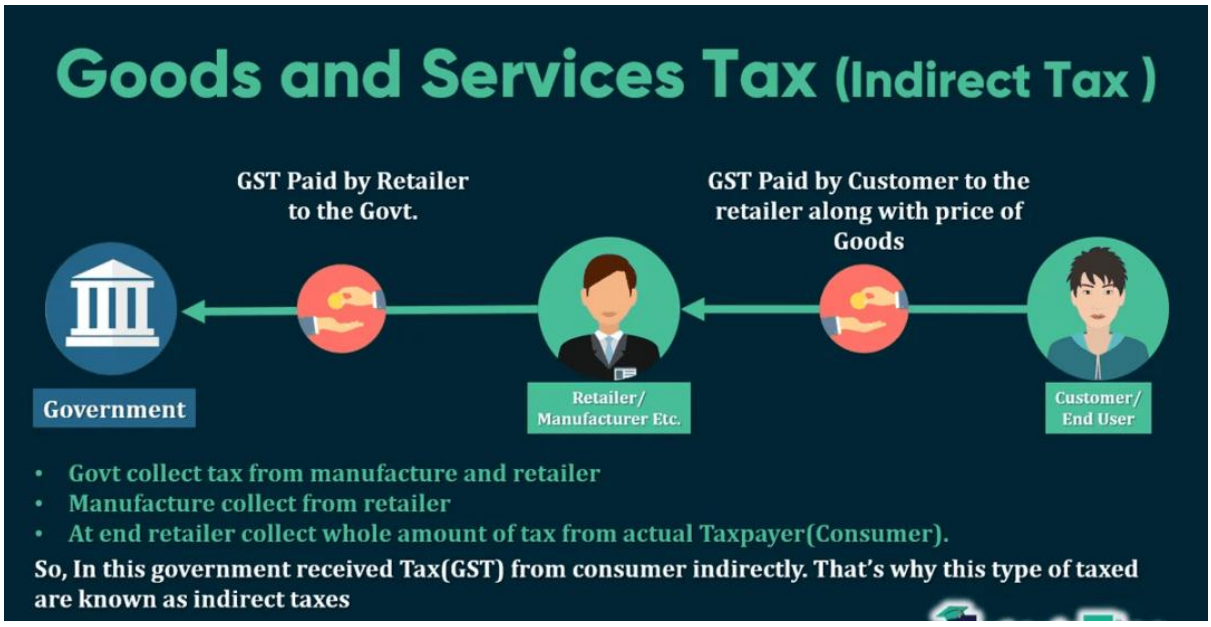
Unit 4: Structure of GST in India

Class Notes

Q. What do you mean by GST?

Ans: GST is known as the Goods and Services Tax. The Goods and Services Tax (GST) is a destination-based indirect tax applied on goods and services sold for domestic consumption. In other words, Goods and Service Tax (GST) is levied on the supply of goods and services. GST in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. A destination tax is a tax that would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed a place of supply.

The Goods and Service Tax Act was passed in the Parliament on 29th March 2017 and came into effect on 1st July 2017. GST has replaced many indirect taxes in India such as the excise duty, VAT, services tax, etc. After subsuming majority indirect taxes, GST is a single domestic indirect tax law for the entire country.



Q. What are the objectives of GST?

Ans: The objectives of introducing GST are as follows:

1. To achieve the ideology of 'One Nation, One Tax': "One Nation, One Tax" is the primary aim of the GST. Interesting is the fact that GST replaced plenty of indirect taxes under the previous tax regime. The main benefit of one single tax is that each state will have the same rate for a specific product or service. Tax administration is easier with the Central Government deciding the rates and policies.

2. To subsume a majority of the indirect taxes in India: One of the exciting objectives of GST was the subsumption of a majority of the indirect taxes. India had several erstwhile indirect taxes such as service tax, Value Added Tax (VAT), Central Excise, etc. prior to GST. Some taxes were governed by the states and some by the Centre. There was no unified and centralised tax on both goods and services. Hence, GST was introduced.

3. To eliminate the cascading effect of taxes: Earlier taxpayers could not set off the tax credits of one tax against the other. For instance, the excise duties paid during manufacture could not be set off against the Value Added Tax (VAT) payable during the sale. This led to a cascading effect of taxes. Under GST, the tax levy is only on the net value added at each stage of the supply chain. This has helped eliminate the cascading effect of taxes and contributed to the seamless flow of input tax credits across both goods and services.

4. To curb tax evasion: Under GST, taxpayers can claim an input tax credit only on invoices uploaded by their respective suppliers. This way, the chances of claiming input tax credits on fake invoices are minimal. The introduction of e-invoicing has further reinforced this objective. Also, due to GST being a nationwide tax and having a centralised surveillance system, the clampdown on defaulters is quicker and far more efficient. Hence, GST has curbed tax evasion and minimised tax fraud from taking place to a large extent.

5. To increase the taxpayer base: GST has helped in widening the tax base in India. Previously, each of the tax laws had a different threshold limit for registration based on turnover. As GST is a consolidated tax levied on both goods and services both, it has increased tax-registered businesses.

6. Online procedures to simplify doing business: Formerly, taxpayers faced a lot of hardships dealing with different tax authorities under each tax law. Also, while return filing was online, most of the assessment and refund procedures took place offline. Now, we can do all GST procedures almost totally online. The process of registering, filing returns, obtaining refunds, and generating E-way bills can all be completed in a single click.

7. To promote competitive pricing and increase consumption: Introducing GST has also led to an increase in consumption and indirect tax revenues. Due to the cascading effect of taxes under the previous regime, the prices of goods in India were higher than in global markets. Having uniform GST rates have contributed to overall competitive pricing across India and on the global front. This has hence increased consumption and led to higher revenues.

Q. Explain the features of GST.

Ans:

Goods and Services Tax (GST) is a comprehensive indirect tax introduced in India on 1st July 2017. It replaced several indirect taxes levied by the Central and State Governments. GST is levied on the supply of goods and services and aims to create a unified national market through a simplified and transparent tax system.

The Major Features of GST are as follows:

1. Comprehensive Indirect Tax: GST covers the supply of most goods and services under a common tax system, replacing several earlier indirect taxes such as VAT, Service Tax and Central Excise Duty.

2. Dual GST Model: India follows a dual GST system in which both the Central and State Governments levy tax. It consists of CGST, SGST and IGST, along with UTGST for applicable Union Territory transactions.

3. Destination-Based Tax: GST is a destination-based tax, meaning that tax revenue generally goes to the state where goods or services are consumed rather than where they are produced.

4. Value-Added Tax System: GST is collected at different stages of the supply chain, but businesses pay tax only on the value added by them after adjusting eligible input tax credit.

5. Input Tax Credit (ITC): Businesses can claim credit for eligible GST paid on purchases and adjust it against GST collected on sales. This helps avoid the cascading effect of taxes.

6. Online Tax Administration: GST registration, return filing, tax payment and other compliance activities are carried out electronically through the GST portal, making the system more convenient and transparent.

7. Uniform Tax Structure: GST provides a common indirect taxation framework across India, reducing differences in the tax system among states.

8. Elimination of Cascading Effect: GST reduces the tax-on-tax effect by allowing input tax credit at different stages of the supply chain.

9. Multiple Tax Slabs: GST in India follows different tax rates depending on the nature and category of goods and services. The commonly used rate categories include 5%, 12%, 18% and 28%, along with exempt and specially rated supplies.

10. GST Council: The GST Council is a constitutional body established under Article 279A of the Indian Constitution. It makes recommendations regarding GST rates, exemptions, rules and other important matters to ensure coordination between the Centre and States.

To conclude, GST is an important tax reform in India that has simplified the indirect taxation system. Its major features, such as the dual tax model, input tax credit, destination-based taxation and online administration, promote transparency, reduce tax cascading and facilitate the development of a common national market.

Q. Which Taxes were subsumed under the GST?

Ans: The GST would replace the following taxes:

- Central taxes that are subsumed under the GST are:
    - Central Excise duty
    - Duties of Excise (Medicinal and Toilet Preparations)
    - Additional Duties of Excise (Goods of Special Importance)
    - Additional Duties of Excise (Textiles and Textile Products)
    - Additional Duties of Customs (commonly known as CVD)
    - Special Additional Duty of Customs (SAD)
    - Service Tax
    - Central Surcharges and Cesses so far as they relate to supply of goods and services
- State taxes that are subsumed under the GST are:
    - State VAT
    - Central Sales Tax
    - Luxury Tax
    - Entry Tax (all forms)
    - Entertainment and Amusement Tax (except when levied by the local bodies)
    - Taxes on advertisements
    - Purchase Tax
    - Taxes on lotteries, betting and gambling
    - State Surcharges and Cesses so far as they relate to supply of goods and services

Taxes to be Subsumed under GST	
Central Taxes to be subsumed	**States Taxes to be Subsumed**
Central Excise Duty	VAT / Sales Tax
Additional Excise Duty	Luxury Tax on lottery, Betting and Gambling
Service Tax	Octroi and Entry Tax
Additional Custom Duty (Commonly Known as Countervailing Duty)	Purchase tax
Central Sales Tax	States Surcharges and cesses so far they relate to supply of goods and services
Central Surcharges so far they relate to supply of goods and services	-

Q. Which commodities are kept outside the purview of GST?

Ans: Even though GST applies to a large number of goods, there are certain non- GST goods. Supplies related to the following goods are not covered under GST:

- Some Petroleum products (Petrol, high-speed diesel, aviation turbine fuel, crude oil, natural gas)
- Electricity
- Alcohol for human consumption

Q. What is the taxable event under GST?

Answer: Taxable event under GST is supply of goods or services or both. CGST and SGST/ UTGST will be levied on intra-State supplies. IGST will be levied on inter-State supplies.

Q. What is Exempt supply, zero rated supply and non-GST activity under GST?

Ans:

	Zero Rated Supply	**Exempt Supply**	**Non-GST Activity**
Meaning	The rate of tax as per the GST act is '0'.	These supplies are taxable as per the GST act but are particularly exempted from GST.	These supplies are not under the purview of GST law.
Input Tax Credit Availability	Available	Not Available	Not Available
Example	Supplies made to SEZ or SEZ Developers	Fresh milk, fruits and vegetables, curd, bread, meat etc.	Alcohol for human consumption, petroleum products, etc.

Q. Elaborate the Advantages of GST for Various Stakeholders.

Answer: Goods and Services Tax (GST) is one of the major tax reforms introduced in India to simplify the indirect taxation system. It replaced multiple indirect taxes with a unified tax structure. GST has brought several benefits to different stakeholders, including consumers, businesses, manufacturers, traders, the government and the overall economy.

The major advantages of GST for various stakeholders are discussed below.

1. Advantages for Consumers

1. Reduction in Tax Burden: GST has replaced multiple indirect taxes, thereby reducing the possibility of tax being charged repeatedly at different stages.
2. Transparency in Taxation: Consumers can clearly identify the amount of GST charged on goods and services through tax invoices.
3. Uniform Tax Structure: A common indirect tax framework across the country reduces variations in taxation between states.
4. Improved Availability of Goods and Services: Removal of several inter-state tax barriers facilitates smoother movement of goods across the country.

2. Advantages for Businesses and Traders

1. Simplified Tax Structure: GST has replaced various indirect taxes with a common taxation system, making tax compliance relatively simpler.
2. Input Tax Credit Facility: Businesses can claim credit for eligible GST paid on purchases and adjust it against their output tax liability.
3. Reduction in Cascading Effect: The availability of ITC reduces the tax-on-tax effect and helps reduce the overall cost of business operations.
4. Easy Inter-State Trade: GST has reduced tax-related barriers between states, facilitating the movement of goods and services.
5. Online Compliance: Registration, return filing and tax payments can be completed through the GST portal, reducing paperwork.

3. Advantages for Manufacturers

1. Reduction in Production Cost: The availability of input tax credit reduces the burden of taxes on raw materials and other eligible inputs.
2. Improved Supply Chain Efficiency: Removal of several inter-state tax barriers facilitates efficient transportation and distribution of goods.
3. Wider Market Access: Manufacturers can sell their products across different states under a common tax framework.
4. Better Competitiveness: Reduction in cascading taxes can make domestically manufactured goods more competitive.

4. Advantages for the Government

1. Increase in Tax Revenue: A broader tax base and improved compliance can increase government revenue.
2. Better Tax Administration: Online registration, return filing and payment systems improve the efficiency of tax administration.

3. Reduction in Tax Evasion: Digital records and invoice-based credit mechanisms help track transactions and discourage tax evasion.
4. Improved Transparency: Electronic monitoring of transactions makes the taxation system more transparent and accountable.
5. Cooperative Federalism: The GST Council provides a common platform for the Central and State Governments to make decisions regarding GST policies.

5. Advantages for the Indian Economy

1. Creation of a Common National Market: GST facilitates the free movement of goods and services across different states by reducing tax-related barriers.
2. Promotion of Economic Growth: Simplification of taxation can encourage investment, production and business expansion.
3. Improvement in Ease of Doing Business: A unified tax system reduces the complexity associated with multiple indirect taxes.
4. Promotion of Formalisation: GST registration and invoice-based transactions encourage businesses to become part of the formal economy.
5. Improved Logistics and Distribution: Reduced inter-state tax barriers can improve transportation efficiency and supply chain management.

GST has brought significant changes to India's indirect taxation system. It has benefited consumers, businesses, manufacturers and the government by simplifying taxation, reducing the cascading effect and promoting transparency. Although certain implementation-related challenges remain, GST has played an important role in creating a more integrated and efficient Indian economy.

Q. Write a note on history/evolution of GST in India



In the year 2000, the then Prime Minister mooted the concept of GST and set up a committee to design a Goods and Services Tax (GST) model for the country. In 2003, the Central Government formed a task force on Fiscal Responsibility and Budget Management, which in 2004 strongly recommended fully integrated 'GST' on national basis.

Subsequently, the then Union Finance Minister, Shri P. Chidambaram, while presenting the Union Budget (2006-2007), announced that GST would be introduced from April 1, 2010. Since then, GST missed several deadlines and continued to be shrouded by the clouds of uncertainty.



The talks of ushering in GST, however, gained momentum in the year 2014 when the NDA Government tabled the Constitution (122nd Amendment) Bill, 2014 on GST in the Parliament on 19th December, 2014. The Lok Sabha passed the Bill on 6th May, 2015 and Rajya Sabha on 3rd August, 2016. Subsequent to ratification of the Bill by more than 50% of the States, Constitution (122nd Amendment) Bill, 2014 received the assent of the President on 8th September, 2016 and became the **Constitution (101st Amendment) Act, 2016,** which paved the way for introduction of GST in India.

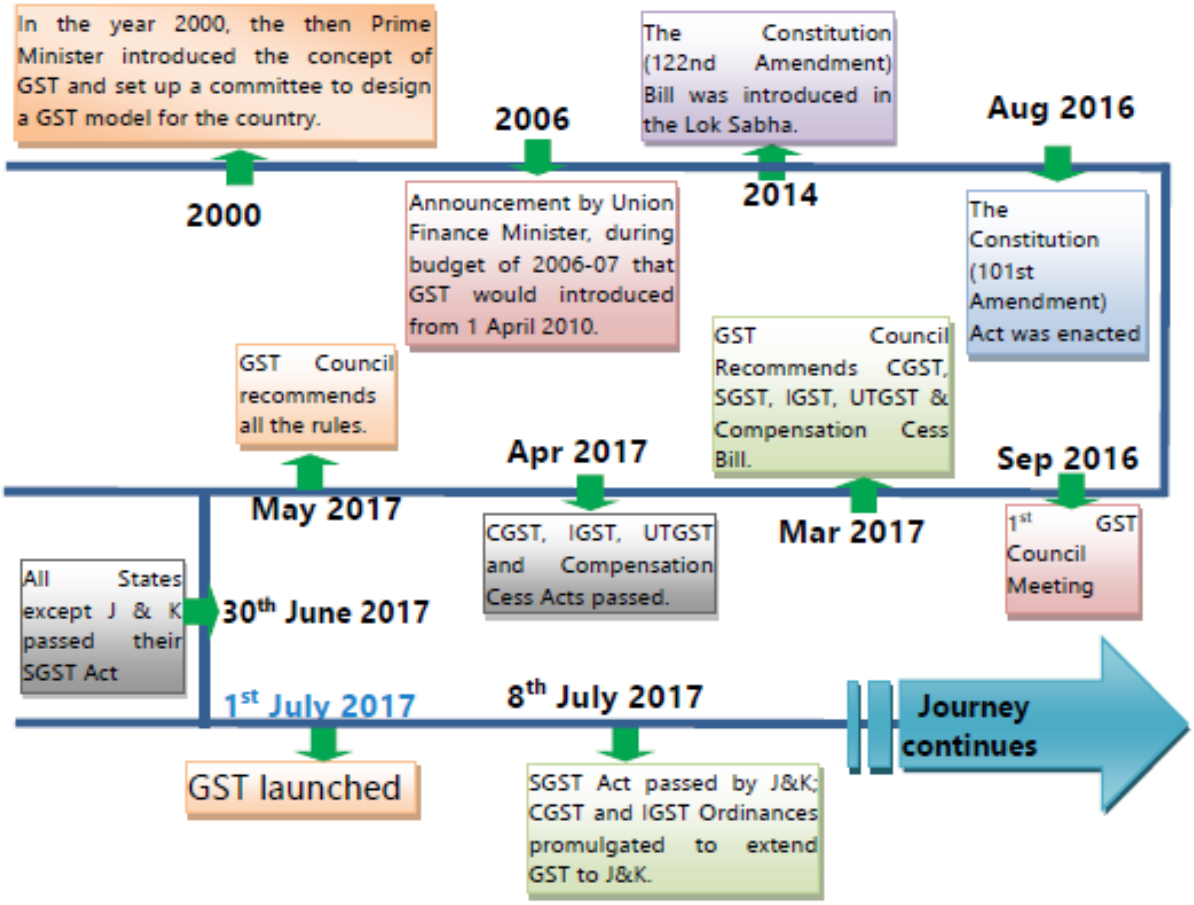


In the following year, on 27th March, 2017, the Central GST legislations - Central Goods and Services Tax Bill, 2017, Integrated Goods and Services Tax Bill, 2017, Union Territory Goods and Services Tax Bill, 2017 and Goods and Services Tax (Compensation to States) Bill, 2017 were introduced in Lok Sabha. Lok Sabha passed these bills on 29th March, 2017 and with the receipt of the President's assent on 12th April, 2017, the Bills were enacted.

> *It's a win for democratic ethos of India and a victory for everyone, GST will improve the way of doing business.*
>
> *-Narendra Modi*

The enactment of the Central Acts was followed by the enactment of the State GST laws by various State Legislatures. Telangana, Rajasthan, Chhattisgarh, Punjab, Goa and Bihar were among the first ones to pass their respective State GST laws. By 30th June, 2017, all States and Union Territories had passed their respective SGST and UTGST Acts except Jammu and Kashmir. With effect from 1st July, 2017, the historic indirect tax reform - GST was introduced. GST law was extended to Jammu and Kashmir on 8th July, 2017.

> *It is not the end but start of the Journey.*
>
> *-Arun Jaitely*



Q. Explain the Dual GST Model.

Ans: Goods and Services Tax (GST) is a comprehensive indirect tax introduced in India on 1st July 2017. It replaced several indirect taxes levied by the Central and State Governments, such as Central Excise Duty, Service Tax, VAT, Entry Tax and Entertainment Tax.

India follows a Dual GST Model, under which both the Central Government and the State Governments have the power to levy and collect GST on the supply of goods and services. This model is based on the federal structure of the Indian Constitution. The Dual GST Model is an important feature of India's indirect tax system. It maintains the financial powers of both the Central and State Governments while creating a unified national market.

The dual GST model or the dual GST structure means levying tax with two different taxation components. Dual GST means that GST will be levied simultaneously by Center and State Governments. Hence, every transaction of supply of goods or services shall include Central GST (CGST) and State GST (SGST), when the transaction is within the State. However, when the transaction is between states, there will be Integrated GST (CGST + SGST), which will be collected by the Central Government and then the SGST component paid to the State Government where the goods or services have been consumed.

For example, suppose a dealer in Assam sells goods worth ₹1,00,000 to a customer within Assam. Assuming the applicable GST rate is 18%, the tax will be divided as follows:

Particulars	Amount
Value of goods	₹1,00,000
CGST @ 9%	₹9,000
SGST @ 9%	₹9,000
Total GST	₹18,000
Total invoice value	₹1,18,000

However, if the same dealer sells goods worth ₹1,00,000 to a customer in West Bengal, IGST will be charged at 18%.

Particulars	Amount
Value of goods	₹1,00,000
IGST @ 18%	₹18,000
Total invoice value	₹1,18,000

Depending on the nature and location of the supply, GST is divided into three major components:

1. Central Goods and Services Tax (CGST)

- CGST is levied and collected by the Central Government.
- It applies to the supply of goods and services within the same state (intra-state supply).
- The revenue collected under CGST goes to the Central Government.

2. State Goods and Services Tax (SGST)

- SGST is levied and collected by the respective State Government.
- It applies to intra-state supplies along with CGST.
- The revenue collected under SGST goes to the concerned State Government.

3. Integrated Goods and Services Tax (IGST)

- IGST is levied and collected by the Central Government.
- It applies to inter-state supplies, that is, transactions involving the movement of goods or provision of services from one state to another.
- The revenue is subsequently apportioned between the Centre and the destination State as prescribed under the GST law.

4. Union Territory Goods and Services Tax (UTGST)

- UTGST is levied on intra-Union Territory supplies in Union Territories without a legislature.
- It is collected by the Union Territory administration.
- It operates alongside CGST in the same manner as SGST.

Summary Chart of Structure of Dual GST Model

Name	Explanation	Levied By	When?
CGST	Central Goods and Service Tax	Central Government	On INTRA State supply of Goods and Services.
SGST/ UTGST	Sate Goods and Service Tax / Union Territory Goods and Service Tax	State/ Union Territories	On INTRA State supply of Goods and Services.
IGST	Integrated Goods and Service Tax	Central Government	On INTER State supply of Goods and Services.

Advantages of adopting a dual GST model

- The total number of taxes levied by the Centre and state governments reduces.
- The effective tax rate for different goods gets reduced.
- This model helps in eliminating the cascading effect of taxes.
- The model proves to reduce the taxpayer's transaction costs by way of simplified tax compliance.
- Increase in the tax collections due to broadening the tax base and compliance improvement.

Q. What is meant by Input Tax Credit (ITC)

ITC is the mechanism that allows a registered business to reduce the tax it has already paid on inputs (purchases) from the tax it owes on its output (sales). It eliminates the **cascading effect** (tax-on-tax) of old indirect taxes and ensures tax is paid only on the true value added at each step.

Q. Explain the working mechanism of GST in India.

Answer: GST is a destination-based, value-added indirect tax levied on the supply of goods and services. Its working mechanism is based on the principle of Input Tax Credit (ITC), under which businesses receive credit for the eligible GST paid on their purchases and pay tax only on the value added at each stage of the supply chain. GST is ultimately borne by the final consumer, while businesses act as tax collectors on behalf of the government.

The working mechanism of GST can be explained through the following steps:

1. Levy of GST on Supply: GST is levied on the supply of goods and services. It is applicable at different stages of the supply chain, from the manufacturer to the wholesaler, retailer and final consumer.

2. Collection of GST: Every registered business collects GST from its customers at the applicable rate while selling goods or services.

3. Payment of GST on Purchases: A business also pays GST when purchasing raw materials, goods or services from other registered suppliers.

4. Claiming Input Tax Credit (ITC): The business can claim credit for eligible GST paid on purchases. This credit is adjusted against the GST collected on sales, subject to the conditions prescribed under GST law.

5. Payment of Net GST Liability: After adjusting the eligible input tax credit against the output tax liability, the business pays only the balance amount to the government.

Net GST Payable = Output GST - Eligible Input tax credit

6. Final Burden on Consumer: The final consumer cannot normally claim ITC. Therefore, the consumer bears the entire GST charged on the final purchase.

Example: Let us assume that a manufacturer produces a product and sells it to a wholesaler, who further sells it to a retailer. Finally, the retailer sells it to a consumer. Assume that the GST rate is 18% at every stage.

Particulars	Manufacturer	Wholesaler	Retailer
Purchase value (₹)	0	1,000	1,500
Purchase GST/ITC (₹)	0	180	270
Selling value (₹)	1,000	1,500	2,000
Output GST @ 18% (₹)	180	270	360
Less: ITC (₹)	0	180	270
Net GST payable (₹)	180	90	90

The manufacturer sells goods worth ₹1,000 and collects ₹180 as GST. Since there is no purchase tax considered in this simplified example, the manufacturer pays ₹180 to the government. The wholesaler purchases goods for ₹1,000 and pays ₹180 as GST. He sells the goods for ₹1,500 and collects ₹270 as GST. After claiming ITC of ₹180, he pays ₹90 to the government. The retailer purchases goods for ₹1,500 and pays ₹270 as GST. He sells the goods for ₹2,000 and collects ₹360 as GST. After claiming ITC of ₹270, he pays ₹90 to the government. The final consumer pays ₹360 as GST and cannot claim input tax credit. Thus, the total GST received by the government is ₹180 + ₹90 + ₹90 = ₹360. This is equal to 18% of the final selling value of ₹2,000.

Thus, the working mechanism of GST is based on the principles of value addition and input tax credit. It ensures that tax is collected at every stage of the supply chain without imposing tax on the tax already paid. Thus, GST reduces the cascading effect of taxation and makes the indirect tax system more transparent and efficient.

Q. Write a short note on GST Council.

Answer: The Goods and Services Tax Council (GST Council) is a constitutional body established under Article 279A of the Indian Constitution through the 101st Constitutional Amendment Act, 2016. It was constituted to ensure proper coordination between the Central and State Governments in matters relating to Goods and Services Tax (GST).

The GST Council plays an important role in making recommendations regarding GST rates, exemptions, tax policies and administrative procedures. It promotes cooperative federalism by providing a common platform for the Centre and States to take decisions on GST-related matters. The GST Council consists of the following members:

1. Chairperson: The Union Finance Minister acts as the Chairperson of the GST Council.
2. Union Minister of State: The Union Minister of State in charge of Revenue or Finance is a member of the Council.
3. State Finance Ministers: The Minister in charge of Finance or Taxation, or any other Minister nominated by each State Government, is a member of the Council.

The representative of the States elects one among themselves to act as the Vice-Chairperson of the Council.

The GST Council takes decisions through a voting mechanism.

- A meeting requires the presence of at least 50% of the total members to constitute a quorum.
- Every decision requires at least three-fourths of the weighted votes of the members present and voting.
- The vote of the Central Government carries a weightage of one-third of the total votes cast.
- The votes of all State Governments taken together carry a weightage of two-thirds of the total votes cast.

The major functions of the GST Council are explained below:

1. Recommendation of GST Rates: The Council recommends the GST rates applicable to different categories of goods and services to maintain uniformity in taxation.

2. Recommendation of Exemptions: It recommends the goods and services that may be exempted from GST, either fully or partially.

3. Determination of Taxable Limits: The Council recommends the threshold limits of annual turnover below which businesses may be exempted from GST registration, subject to applicable provisions.

4. Special Provisions for Certain States: It recommends special provisions for certain states, particularly those having special geographical, economic or administrative conditions.

5. Model GST Laws: The Council recommends model GST laws, principles of levy, apportionment of IGST and other related provisions for a uniform tax structure.

6. Dispute Resolution: It recommends the mechanism for resolving disputes between the Central Government and State Governments or among different States arising out of GST-related matters.

7. Special Rates During Emergencies: It recommends special GST rates for a specified period to raise additional resources during natural calamities or disasters.

8. Review of GST Policies: The Council reviews the implementation of GST and recommends necessary changes in tax rates, rules and procedures to improve the taxation system.

9. Promotion of Uniformity: It works towards maintaining uniformity in GST laws, tax rates and administrative procedures throughout the country.

10. Recommendations on Other GST Matters: It considers and recommends any other matter relating to GST as referred to it by the Central or State Governments.

The GST Council is an important institution for the successful implementation of GST in India. It ensures coordination between the Central and State Governments, promotes uniformity in indirect taxation and strengthens cooperative federalism. Thus, it plays a vital role in making India's GST system more efficient, transparent and effective.

Q. What are the tax rate slabs under GST?

India has a multi-tier tax structure with broad slabs:

- **0% (Exempted):** Essential food items, unbranded grains, healthcare/education services.
- **5%:** Household necessities, mass consumption items.
- **12%:** Processed foods, business services.
- **18%:** Standard rate for most manufactured goods and services.
- **28%:** Luxury and demerit goods (cars, aerated drinks, tobacco) — *often subject to additional cess*.
- *Special rates:* **0.25%** on unworked diamonds/precious stones, and **3%** on gold and silver.

Q. Write a note on GST Network.

Answer: The Goods and Services Tax Network (GSTN) is a not-for-profit government company established to provide the technological infrastructure required for implementing GST in India. It acts as the IT backbone of the GST system and facilitates online tax administration. GSTN provides a common online platform for taxpayers, tax authorities, the Central Government and State Governments.

Important Functions of GSTN

1. GST Registration: It provides an online facility for businesses to apply for GST registration.
2. Return Filing: It enables registered taxpayers to file GST returns electronically.

3. Tax Payment: It facilitates online payment of GST through authorised banking channels.
4. Input Tax Credit: It supports the matching and communication of invoice-related information required for claiming input tax credit.
5. Information Sharing: It facilitates the exchange of GST-related information between the Central and State tax authorities.
6. Electronic Records: It maintains digital records of taxpayers, returns and tax payments.
7. Transparency: It reduces paperwork and promotes transparency in tax administration.

To conclude, GSTN plays a vital role in the successful implementation of GST in India. By providing a common digital platform, it makes tax registration, return filing and tax payment easier, faster and more transparent.

Q. Inter-state and intra-state supply of goods and services.

Answer: Under GST, the nature of supply is determined by identifying the location of the supplier and the place of supply. Based on these factors, supplies are classified into inter-state and intra-state supplies.

a. Intra-State Supply: Intra-state supply refers to the supply of goods or services where the location of the supplier and the place of supply are in the same state or Union Territory, subject to the provisions of GST law.

Features:

1. It takes place within the same state or Union Territory.
2. Both CGST and SGST are levied on such supplies.
3. In Union Territories without a legislature, CGST and UTGST are applicable.
4. The revenue from CGST goes to the Central Government, while SGST goes to the respective State Government.

b. Inter-State Supply: Inter-state supply refers to the supply of goods or services where the location of the supplier and the place of supply are in two different states or Union Territories, or where the supply otherwise qualifies as inter-state under the GST Act.

Features:

1. It generally involves the supply of goods or services between two different states.
2. IGST is levied on such supplies.
3. IGST is collected by the Central Government.
4. The tax revenue is apportioned between the Centre and the destination State according to the applicable provisions.

Difference between Inter-State and Intra-State Supply

Basis	Intra-State Supply	Inter-State Supply
Meaning	Supply within the same state	Supply involving different states
Tax levied	CGST + SGST	IGST
Collection	Centre and State	Central Government
Example	Guwahati to Dibrugarh	Guwahati to Kolkata
Revenue	Shared between Centre and State	Apportioned as per GST law

Q. Write a short note on Casual Taxable Person.

Answer: According to Section 2(20) of the CGST Act, 2017, a casual taxable person means a person who occasionally undertakes transactions involving the supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or Union Territory where he has no fixed place of business. In simple words, a casual taxable person is a businessperson who temporarily carries out business activities in a state where he does not have a permanent place of business.

Examples

1. A trader from Assam participates in a trade fair in Delhi and sells goods there temporarily.
2. A jewellery dealer from West Bengal opens a temporary stall at an exhibition in Guwahati.
3. A businessperson from Mumbai provides temporary taxable services at an event in Assam without having a fixed place of business there.

Important Features of a Casual Taxable Person

1. Temporary Business Activity: The person undertakes business transactions occasionally in a particular state or Union Territory.
2. No Fixed Place of Business: The person does not have a fixed place of business in the state where the supply is made.
3. GST Registration: A casual taxable person is required to obtain GST registration irrespective of the normal turnover threshold.
4. Advance Tax Deposit: The person must deposit an advance amount of tax equivalent to the estimated GST liability for the period for which registration is sought.
5. Validity of Registration: Registration is generally valid for the period specified in the application or 90 days from the effective date of registration, whichever is earlier.
6. Extension: The registration period may be extended by a further period not exceeding 90 days, subject to the prescribed conditions and additional advance tax deposit.
7. Return Filing: The person is required to comply with the applicable GST return filing requirements.

Q. Explain the concept of Aggregate Turnover under GST.

Answer: Aggregate turnover refers to the total value of all taxable supplies, exempt supplies, exports of goods or services and inter-state supplies made by persons having the same Permanent Account Number (PAN), calculated on an all-India basis. It is defined under Section 2(6) of the Central Goods and Services Tax (CGST) Act, 2017. Aggregate turnover is an important concept under GST as it determines the registration requirements and eligibility for various GST schemes. It includes different categories of outward supplies made throughout India under the same PAN.

Aggregate turnover includes the following:

1. Taxable Supplies: The value of all supplies on which GST is applicable.
2. Exempt Supplies: The value of goods and services that are exempt from GST or attract a nil rate of tax.
3. Export Supplies: The value of goods and services exported outside India.
4. Inter-State Supplies: The value of supplies made from one state to another.

The following items are excluded:

1. GST, CGST, SGST, IGST and UTGST.
2. Compensation cess.
3. The value of inward supplies on which tax is payable under the reverse charge mechanism.

Example

Suppose a business has the following annual transactions:

Particulars	Amount
Taxable supplies	₹30,00,000
Exempt supplies	₹5,00,000
Export supplies	₹10,00,000
Inter-state supplies	₹5,00,000
GST collected	₹9,00,000

Aggregate Turnover:

= ₹30,00,000 + ₹5,00,000 + ₹10,00,000 + ₹5,00,000

= **₹50,00,000**

GST collected is excluded from aggregate turnover.

Q. Distinguish between GST and VAT.

Answer:

Goods and Services Tax (GST) is a comprehensive indirect tax levied on the supply of goods and services. It was introduced in India on 1st July 2017 to replace several indirect taxes, including VAT and Service Tax.

Value Added Tax (VAT) is an indirect tax levied on the sale of goods at different stages of the supply chain. Under the earlier indirect tax system, VAT was primarily administered by State Governments.

Differences between GST and VAT

Basis	GST	VAT
Meaning	Goods and Services Tax	Value Added Tax
Nature	Comprehensive indirect tax	Primarily a tax on the sale of goods
Applicability	Goods and services	Primarily goods
Introduction in India	1st July 2017	Introduced by different states at different times
Tax structure	Dual model – CGST, SGST, IGST and UTGST	Primarily state-level VAT
Tax administration	Jointly administered by Centre and States	Primarily administered by State Governments
Inter-state transactions	Generally covered under IGST	Earlier governed by Central Sales Tax (CST)
Input Tax Credit	Available across eligible goods and services, subject to conditions	Generally restricted by the earlier tax structure
Cascading effect	Reduces cascading through a wider ITC mechanism	Earlier system had limitations in credit across different taxes
Tax compliance	Common online GST portal	Separate state-level VAT systems

Advantages of GST over VAT

1. GST provides a more comprehensive indirect tax structure.
2. It brings goods and services under a common tax framework.
3. It provides a wider input tax credit mechanism.
4. It reduces the cascading effect of multiple indirect taxes.
5. It facilitates inter-state trade through a common tax system.
6. It promotes uniformity and transparency in indirect taxation.

GST represents a major improvement over the earlier VAT-based indirect tax structure in India. It has brought goods and services under a more integrated taxation system, reduced the cascading effect of taxes and facilitated the creation of a common national market.

Q. Distinguish between CGST, SGST, IGST and UTGST.

Under the Dual GST Model followed in India, GST is divided into four components: Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), Integrated Goods and Services Tax (IGST) and Union Territory Goods and Services Tax (UTGST). These taxes are levied depending on the nature and location of the supply of goods and services.

1. Central Goods and Services Tax (CGST): CGST is a tax levied and collected by the Central Government on the intra-state supply of goods and services. The revenue collected goes to the Central Government.

2. State Goods and Services Tax (SGST): SGST is a tax levied and collected by the respective State Government on the intra-state supply of goods and services. The revenue collected goes to the concerned State Government.

3. Integrated Goods and Services Tax (IGST): IGST is a tax levied and collected by the Central Government on inter-state supplies of goods and services, as well as certain other supplies treated as inter-state supplies. The revenue is subsequently apportioned between the Centre and the destination State according to the applicable provisions.

4. Union Territory Goods and Services Tax (UTGST): UTGST is a tax levied on the intra-state supply of goods and services in Union Territories without a legislature. It is collected by the respective Union Territory administration along with CGST.

Difference between CGST, SGST, IGST and UTGST

Basis	CGST	SGST	IGST	UTGST
Full form	Central Goods and Services Tax	State Goods and Services Tax	Integrated Goods and Services Tax	Union Territory Goods and Services Tax
Levied by	Central Government	State Government	Central Government	Union Territory administration
Applicability	Intra-state supply	Intra-state supply	Inter-state supply	Intra-UT supply in UTs without legislature
Nature of supply	Within the same state	Within the same state	Between different states/UTs and other specified cases	Within the same eligible Union Territory
Revenue	Goes to Centre	Goes to respective State	Apportioned between Centre and destination State	Goes to respective Union Territory
Applicable with	SGST or UTGST	CGST	Levied independently	CGST

Q. Exempt Supply under GST

Answer: According to Section 2(47) of the CGST Act, 2017, exempt supply means the supply of goods or services or both which attract a nil rate of tax or which may be wholly exempt from GST under Section 11 of the CGST Act or Section 6 of the IGST Act. It also includes non-

taxable supply. In simple words, exempt supply refers to goods or services on which GST is not payable.

Types of Exempt Supply

Exempt supply generally includes the following:

1. Nil-Rated Supply: Goods or services on which GST is applicable at a rate of 0%. Example: Certain essential food items.

2. Wholly Exempt Supply: Goods or services specifically exempted from GST through government notification. Example: Certain healthcare and educational services, subject to prescribed conditions.

3. Non-Taxable Supply: Goods or services that are not leviable to GST under the GST law. Example: Alcoholic liquor for human consumption and specified petroleum products outside the current GST levy.

MCQs

1. When was GST implemented in India? 1 July 2017

2. GST is primarily a: Destination-based indirect tax

3. Which Constitutional Amendment introduced GST in India? 101st Amendment

4. Which Article of the Constitution provides for the GST Council? Article 279A

5. Who is the Chairperson of the GST Council? Union Finance Minister

6. What is the full form of GSTN? Goods and Services Tax Network

7. India follows which model of GST? Dual GST model

8. Which tax is applicable to inter-state supplies? IGST

9. Which taxes are applicable to intra-state supplies in a State? CGST & SGST

10. GST is levied on: Supply of goods and services

11. The GST Council decisions require what proportion of weighted votes of members present and voting? Three-fourths

12. What is the weight of the Central Government's vote in the GST Council? One-third

13. What is the weight of the States' votes taken together? Two-thirds

14. Which is the IT backbone of GST? GSTN

15. What is the full form of ITC? Input Tax Credit

16. Can ITC generally be claimed on personal purchases? No

17. What is the full form of GSTIN? Goods and Services Tax Identification Number

18. Is GST included in aggregate turnover? No

19. The taxable event under GST is: Supply

20. Which document is issued by a registered supplier for taxable supply? Tax invoice

21. The GST Council is constituted by: President of India

22. GST implementation date in India: 1 July 2017