

The Centre of Excellence for GST



Basic Concepts of GST

Course on GST – WIRC, ICAI

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ICAI Tower, BKC

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Agenda

- Need for GST
- Benefits of GST
- Tax Structure
- Important definitions
- Point of Taxation

A low-angle shot of a modern glass skyscraper. The building's facade is composed of blue-tinted glass panels. On the left side, the Indian national flag (saffron, white, and green with a navy blue border) is visible. In the center, there is a circular logo of the Institute of Cost Accountants of India (ICAI), featuring a stylized figure holding a scale and a sword, surrounded by a decorative border. The sky is clear and blue.

Chartered Accountants are partners in Nation Building. For us, GST represents

Opportunity
As well as
Responsibility



Need for GST

- Uniform tax across the country
- Reduce cascading effect of taxation
- Simplified & Unified Tax System
- More transparency & Better Compliance
- Drastic improvement in Information Technology
- Strict regulations with focus on tax maximization
- Reduce interface with different departments
- Principles of consumption based tax

Benefits of GST



- GST will bring more transparency and better compliance
- In the long run, the lower tax burden could translate into lower prices on goods for consumers.
- The tax structure will be made lean and simple
- Ease of doing business
- Increase in GDP
- Reduction in tax evasion
- More competitive product
- Increase in Revenue
- Simplify collection system



GST : Key Features

- Dual GST comprising of State GST & Central GST; Integrated GST on inter-state supplies
- Integration of prevailing indirect taxes to ensure uniformity (*Basic Customs duty to continue*)
- Simplified compliances; Single taxable event and valuation base
- Preventing cascading of taxes; abolition of non-creditable tax costs i.e. CST
- Credit available across goods & services; including for inter-state procurements leading to higher credits
- Standardized classification of goods/services should result in reducing litigation
- GST leviable on transaction value
- Harmonization of Centre and State taxes to achieve common market



GST : Key Features

- GST will cover whole of India, excluding the State of J&K.
- Reverse charge of existing provisions extended to goods as well.
- Definition of services defined to mean other than goods; actionable claims regarded as service
- Registrations will be automatic migration to PAN based registration; option to obtain registration business vertical-wise
- Extensive provisions including distribution of credits to business verticals with same PAN.
- Certain supplies deemed to be services like Intangibles, transfer of right to use and actionable claims.
- Supply to include free supplies.
- Taxability of activities between branch and HO.

Existing Tax Structure in India

Tax Structure

Direct Tax

Income Tax

Indirect Tax

Central Taxes

- Basic Customs duty
- Central Excise Duty
- Additional customs duties (CVD)
- Service Tax (Levied by Centre)
- Special Additional Duty of Customs (SAD)
- The Excise Duty levied under the Medicinal and Toiletries Preparations (Excise Duties) Act 1955
- Central Sales Tax (Levied by Centre and collected by States)
- Various auxiliary levies (such as R&D Cess)
- Surcharges and Cesses levied by Centre

State Taxes

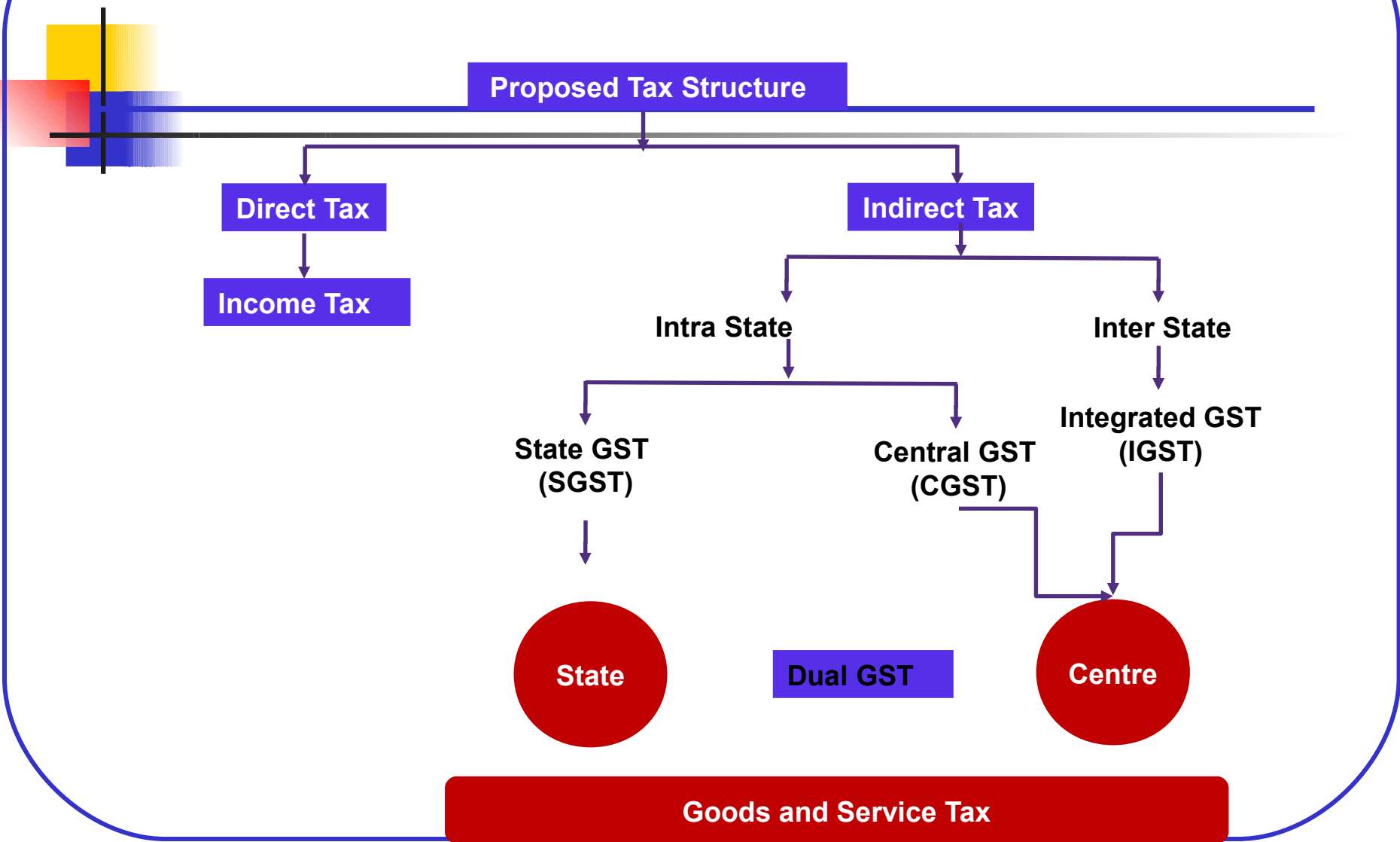
- State-VAT
- Central Sales Tax (Levied by Centre and collected by States)
- Entry Tax
- Luxury Tax
- Entertainment tax (unless it is levied by the local bodies)
- Purchase Tax
- Taxes on Lotteries and Gambling
- Stamp duty and property tax
- Municipal levies
- Electricity duty
- State Cesses and Surcharges in so far as they relate to supply of goods and services

Proposed Tax Structure

Taxes proposed to be subsumed within GST are as follows:

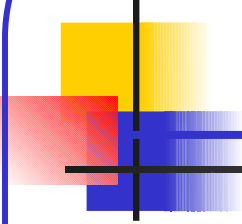
Status	At Central level	At State level
What is covered	<ul style="list-style-type: none"> Central Excise duty Duties of Excise (Medicinal and Toilet Preparations) Additional Duties of Excise Additional Duties of Excise (Textiles & Textile Products) Additional Duties of Customs (commonly known as CVD) Special Additional Duty of Customs (SAD) Service Tax (Levied on services by Centre) Central Surcharges and Cesses so far as they relate to supply of goods and services 	<ul style="list-style-type: none"> State Value Added Tax (VAT) Central Sales Tax (CST) Luxury Tax Octroi Entertainment and Amusement Tax (except when levied by the local bodies) Taxes on advertisements Entry Tax/Local Body Tax (LBT) (all forms) Purchase Tax Taxes on lotteries, betting and gambling State Surcharges and Cesses so far as they relate to supply of goods
What is not covered	<ul style="list-style-type: none"> Basic Customs duty 	<ul style="list-style-type: none"> Stamp duty and property tax Any municipal levy through delegated legislation Electricity duty Other specified levies such as road tax & passenger tax & labour cess , Excise on Alcohol for human consumption

GST: Proposed Tax Structure

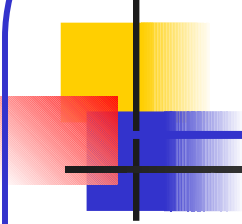


Concepts of CGST, SGST, UGST & IGST

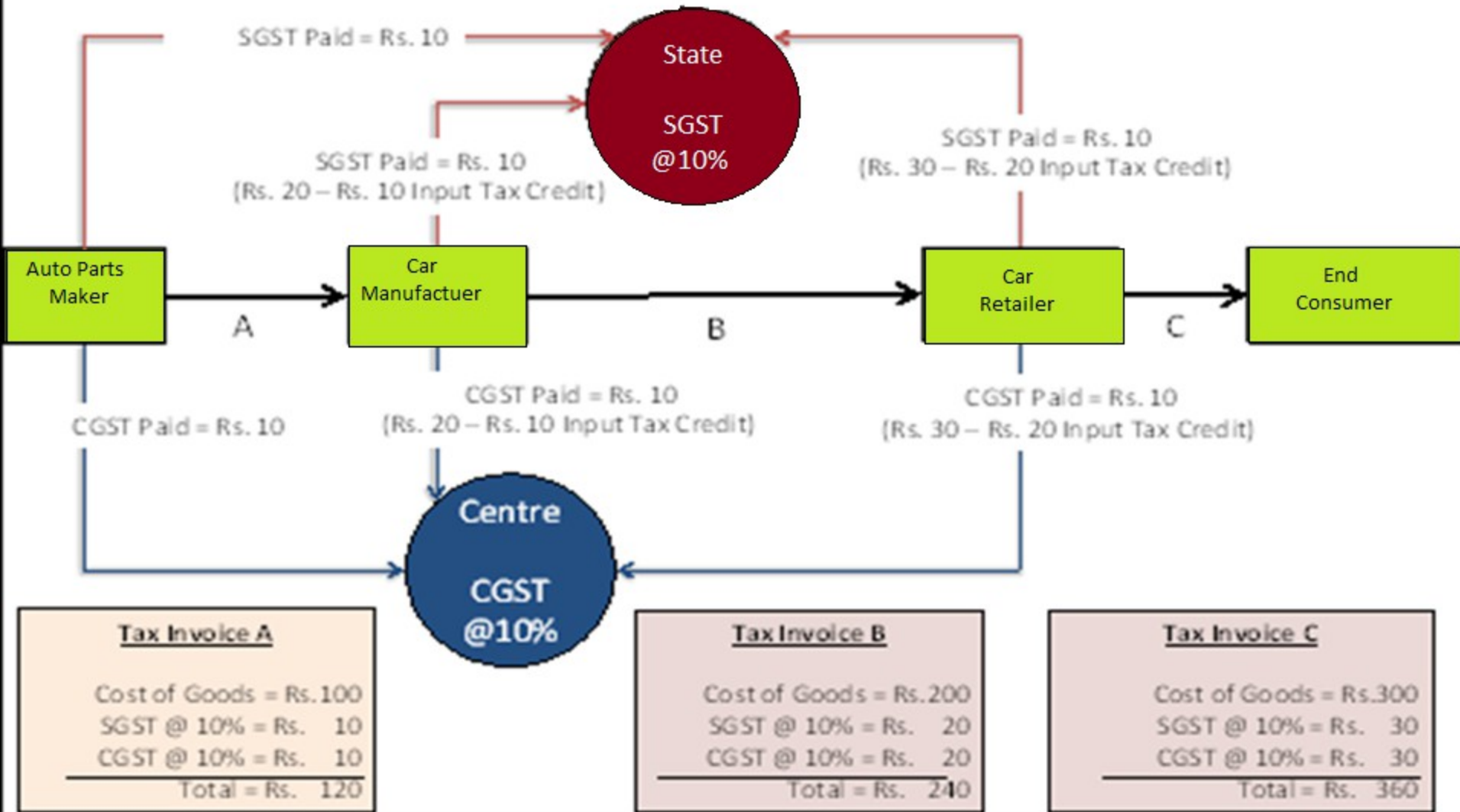
Destination Based Taxation

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- Destination Based Taxation as the name suggests is the taxation based on destination or consumption of the goods or services.
 - This principle seeks to tax the goods and services where their consumption takes place rather than the point where their origin takes place i.e. production and the entire revenue relating to the goods or services should accrue in the jurisdiction where they are being ultimately consumed.
 - **For Example.** If A in M.P. produces the goods and sells the goods to B in Gujarat, then in such case the tax should be levied and collected and should accrue on the goods in the State of Gujarat and not in the State of M.P. The revenue in the case of destination based taxation belongs to the place, where the goods are finally consumed and not to the State where the goods are produced.

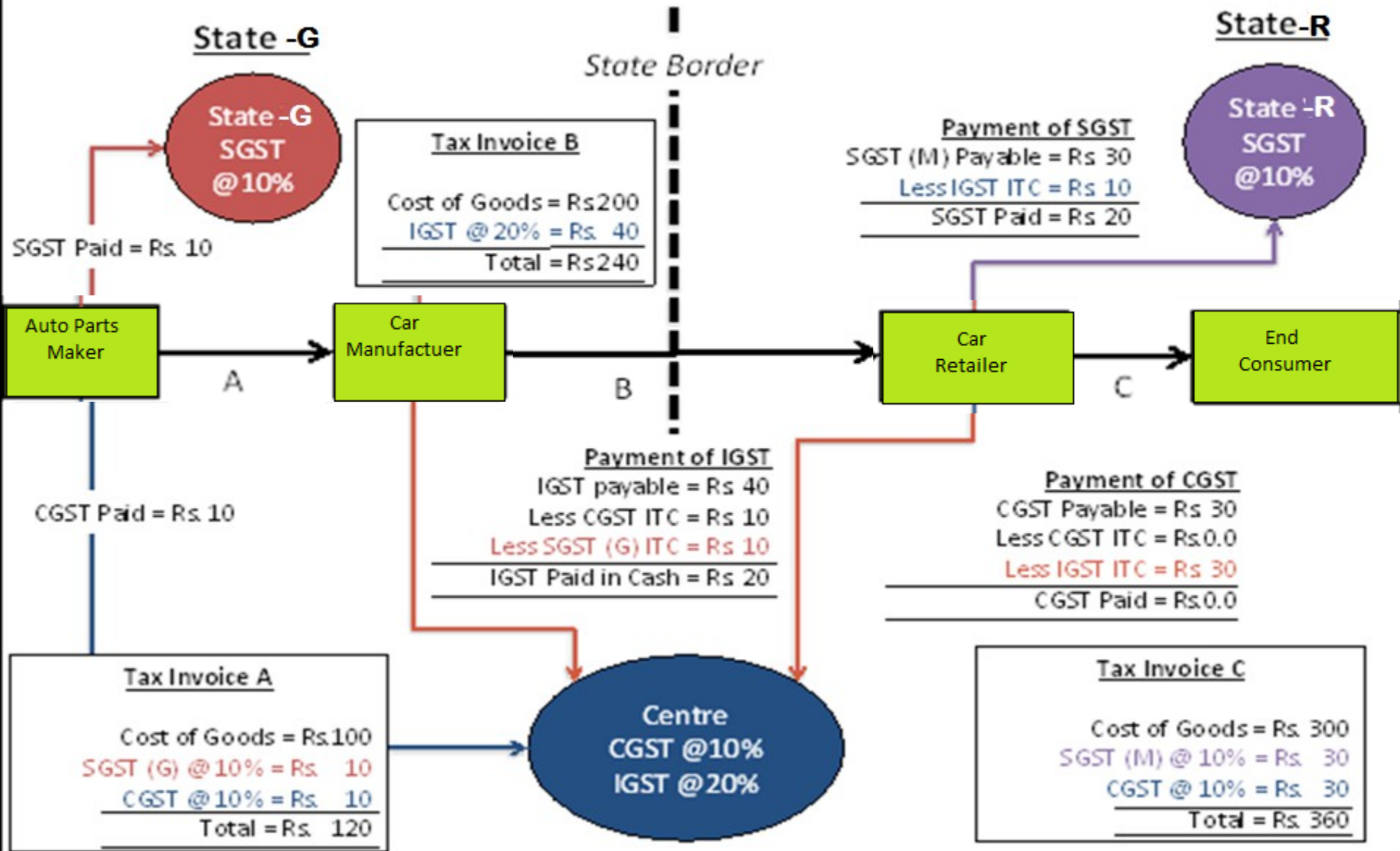
Origin Based Taxation:

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- Origin Based Taxation as the name proposes is the taxation based on origin or source where the goods and services are produced.
 - This principle seeks to tax the goods and services where their production or origination takes place rather than where their consumption takes place. Therefore, in case of origin based taxation, the revenue accrues to the jurisdiction where goods and services are produced.
 - **For Example** If A in Tamilnadu produces the goods and sells the goods to B in Delhi, then in such case the tax should be levied and collected in the State of Tamilnadu and not in the State of Delhi. The revenue in the case of origin based taxation should accrue to the place, where the goods or services are produced and not to the State where they are consumed.
 - The basic difference between the two lies in the fact that origin based taxation seeks to levy and collect tax on the basis of location of production and destination based taxation seeks to levy and collect tax on the basis of location of consumption.

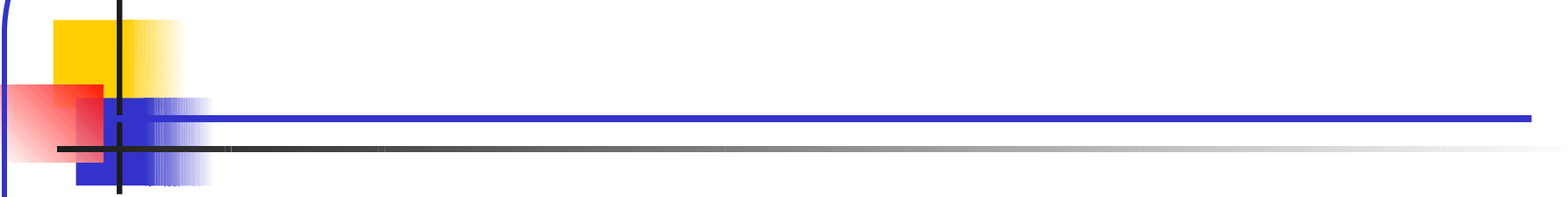
Dual GST within State



IGST Model



Impact of GST



GST
Impact

Point of taxation under current regime



Important Definitions



Meaning of Taxable Person

(1) Every supplier shall be liable to be registered under this Act in the State or Union territory, other than special category States, from where he makes a taxable supply of goods or services or both, **if his aggregate turnover in a financial year exceeds twenty lakh rupees:**

Provided that where such person makes taxable supplies of goods or services or both from any of the special category States, he shall be liable to be registered if his aggregate turnover in a financial year exceeds ten lakh rupees.

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



Meaning of Taxable Person Cont.

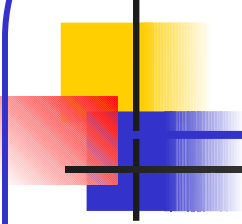
(2) Every person who, on the day immediately preceding the appointed day, is registered or holds a license under an existing law, shall be liable to be registered under this Act with effect from the appointed day.

(3) Where a business carried on by a taxable person registered under this Act is transferred, whether on account of succession or otherwise, to another person as a going concern, the transferee or the successor, as the case may be, shall be liable to be registered with effect from the date of such transfer or succession.

(4) Notwithstanding anything contained in sub-sections (1) and (3), in a case of transfer pursuant to sanction of a scheme or an arrangement for amalgamation or, as the case may be, de-merger of two or more companies pursuant to an order of a High Court, Tribunal or otherwise, the transferee shall be liable to be registered, with effect from the date on which the Registrar of Companies issues a certificate of incorporation giving effect to such order of the High Court or Tribunal.

Agent

Sec 2(5) of CGST Act



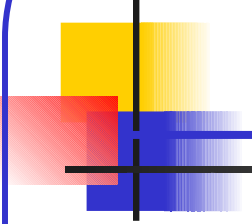
“agent” means a person, including a factor, broker, commission agent, arhatia, del credere agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another

Note :

- This list is illustrative list not exhaustive list
- Under the revised law the term “intermediary” has been deleted from the new definition as well as the words “ whether of the same description as hereinafter mentioned or not” As a result the intermediaries will not be treated as agents.

Business

Sec 2(17) of CGST Act



Business

Sec 2(17) of CGST Act



Business vertical

Sec 2 (18) of CGST Act

“business vertical” means a distinguishable component of an enterprise that is engaged in the supply of individual goods or services or a group of related goods or services which is subject **to risks and returns that are different from those of the other business verticals.**

Factors that should be considered in determining whether goods or services are related include—

the nature of the goods or services

the nature of the production processes;

the type or class of the nature of the goods or services customers for the goods or services;

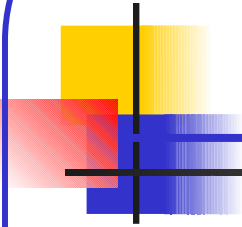
the methods used to distribute the goods or supply of services

the nature of regulatory environment (wherever applicable), including banking, insurance, or public utilities

For Example :- X Ltd is a diversified company having divisions in textiles, cement, chemicals etc. then each such divisions/business verticals may be registered separately.

Capital goods

Sec 2(19) of CGST Act



“capital goods” means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course or furtherance of business

Example:

- Plant and machinery capitalized in the books of accounts could be considered as capital goods for claiming credit of tax paid.

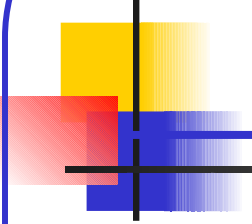
Casual taxable person Sec 2(20) of CGST Act

“casual taxable person” means a person who occasionally undertakes transactions involving 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 a Union territory where he has no fixed place of business

Notes:-

- Compulsory Registration of Casual Taxable Person under GST irrespective of the threshold
- GST Registration form for Casual Taxable Person
- Application for extension of GST registration period by Casual / Non-Resident taxable person.
- Validity period of the Registration certificate issued to a Casual Taxable Person and non Resident Taxable person
- Advance tax to be paid by a Casual Taxable Person and Non-resident Taxable Person at the time of obtaining Registration under this Special Category

Fixed Establishment Sec 2(50) of CGST Act



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

Consideration

Sec 2(31) of CGST ACT

“**consideration**” in relation to the supply of goods or services or both includes—

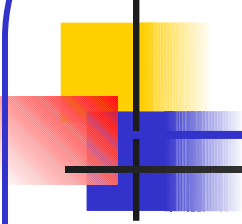
(a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for **the inducement of, the supply of goods or services or both**, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;

(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 such deposit as consideration for the said supply;

Goods

Sec 2(52) of CGST ACT



“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;

Excludes :- Money & Securities

Article 366(12) of the Constitution of India gives an inclusive definition of ‘goods’ which says that ‘Goods’ includes all materials, commodities and articles;

Under existing laws, certain transactions are classified as goods and services. Under GST, a transaction would strictly be classified as goods or services

Inputs Sec 2(59) of CGST Act



“Input” means any goods other than capital goods used or intended to be used by a supplier in the course or furtherance of business”.

Input service Sec 2(60) of CGST Act



“input service” means any service used or intended to be used by a supplier in the course or furtherance of business

Input service Distributor Sec 2(61) of CGST Act

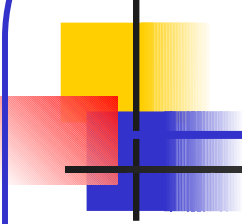
“Input Service Distributor” means an office of the supplier of goods or services or both which receives tax invoices issued under section 31 towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax, State tax, integrated tax or Union territory tax paid on the said services to a supplier of taxable goods or services or both having the same Permanent Account Number as that of the said office;

An ISD is required to obtain a separate registration even though it may be separately registered.

The threshold limit of registration is not applicable to ISD.

The common credit used by all the recipients can be distributed by ISD on pro rata basis i.e. based on the turnover of each recipient to the aggregate turnover of all the recipients to which credit is distributed

Job Work Sec 2(68) of CGST Act



“job work” means any treatment or process undertaken by a person on goods belonging to another registered person and the expression “job worker” shall be construed accordingly

Job work means any person who undertakes any activity or carried on any process on goods belonging to another person. Such other person necessarily be a registered taxable person. If the person is unregistered one then the job work relation could not be established under GST law. Further, goods sent for job work should be taxable goods as duty liability will arise only when goods under consideration are taxable

Manufacture Sec 2(72) of CGST Act




“manufacture” means processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character and use and the term “manufacturer” shall be construed accordingly

Person Sec 2(72) of CGST Act

“person” includes—

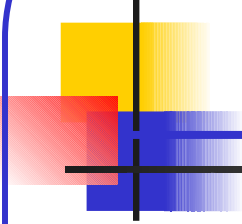
- (a) an individual;
- (b) a Hindu Undivided Family;
- (c) a company;
- (d) a firm;
- (e) a Limited Liability Partnership;
- (f) an association of persons or a body of individuals, whether incorporated or not, in India or outside India;
- (g) any corporation established by or under any Central Act, State Act or Provincial Act or a Government company as defined in clause (45) of section 2 of the Companies Act, 2013;

Person Sec 2(72) of CGST Act

- 
-
- (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 co-operative 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;

Reverse Charge

Sec 2(98) of CGST Act

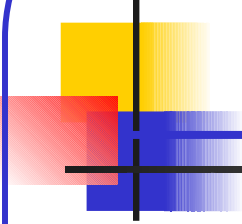


“reverse charge” means the liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under sub-section (3) or sub-section (4) of section 9, or under sub-section (3) or subsection (4) of section 5 of the Integrated Goods and Services Tax Act

Notes :-

- Reverse charge means the liability to pay tax is by the recipient of goods/services instead of the supplier the purpose of this charge is to increase tax compliance and tax revenues
- Reverse charge may be applicable for both services as well as goods.
- Categories of supplies applicable for reverse charge will be notified by the Centre or State Government.

Output tax Sec 2(60) of CGST Act



“output tax” in relation to a taxable person, means the 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

Output tax is GST charged and collected on sales/supplies of goods and services.

Outward supply Sec 2(83) of CGST Act



“outward supply” in relation to a taxable person, means supply of goods or services or both, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business;

Exports Sec 2(5) of IGST Act

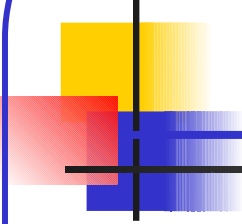


“export of goods” with its grammatical variations and cognate expressions, means taking goods out of India to a place outside India

Under GST regime, exports are proposed to be Zero rated which means that the export goods would not suffer any actual tax liability although the inputs for them would be tax paid which would be subsequently neutralized by refund made to the exporter.

This would serve two objectives simultaneously. On the one hand, the ITC chain through the various dealers will not be broken and on the other hand, the exporter of the finished goods will get the refund of the GST paid on the inputs or on finished goods thereby making the exports actually free from the burden of taxes.

Export of Services Sec 2(6) of IGST Act



“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;
- (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;

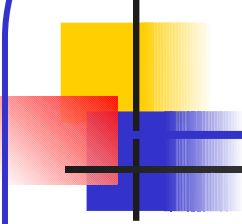
Recipient Sec 2(93) of CGST Act



“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;

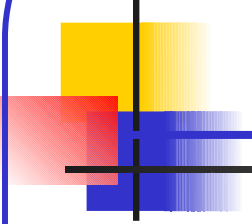
Input Tax Sec 2(62) of CGST Act



“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;
 - (b) 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 Integrated Goods and Services Tax 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

Input Tax Credit Mechanism



“input tax credit” means the credit of input tax

- Credit of SGST can't be use for CGST & Vice Versa.

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Thank You

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