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**CENTRE FOR DISTANCE AND ONLINE EDUCATION**

**M. Com. Part-II**

**Semester-III :**

**Advanced Accountancy Paper-XII (DSC-12) (MMA-XII)**

**Introduction to GST**

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## Preface

I am pleased to place the book on Introduction to GST to the students of M.Com. Part II Semester III. The Goods and Services Tax (GST) represents one of the most significant reforms in tax system in recent years. By simplifying the indirect tax structure and integrating the complex web of taxes into a single unified system, GST has transformed the way businesses and governments approach taxation, with a profound impact on the economy. Whether you are a business owner, tax professional, or student, understanding the intricacies of GST is crucial for navigating the modern tax landscape.

This book is designed to provide readers, an introduction to Goods and Services Tax system, covering its core principles, practical applications, and evolving legal framework. GST has replaced a multiplicity of indirect taxes, including sales tax, excise duty, and service tax, into a single, comprehensive system. While the overarching goal of GST is to streamline the tax process, its implementation has brought with it a host of challenges. This book examines mainly the theoretical foundations of GST.

The chapters are structured to provide a gradual, step-by-step approach to understanding GST. Starting with foundational concepts such as the definition and scope of GST and going into the details of complex topics such as GST for different sectors, types of duty, levy and collection, etc.

I am sure that this book will serve as a valuable resource for students of accountancy and taxation in particular and anyone seeking to understand, implement, or teach GST in general. The authors have tried to incorporate practical, comprehensive, and accessible approach to the world of Goods and Services Tax to the readers of the book. I am thankful to the author as well as office bearers of the Centre for Distance and Online Education, Shivaji University, for bringing out this book in time. I expect that this book is well received by the students as well as teachers in the domain of taxation.

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**Introduction to GST**  
**M. Com. II**

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**M. Com Part-II**  
**Semester III**  
**INTRODUCTION TO GST**

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Each Unit begins with the section 'Objectives' -

Objectives are directive and indicative of :

1. What has been presented in the Unit and
2. What is expected from you
3. What you are expected to know pertaining to the specific Unit once you have completed working on the Unit.

The self check exercises with possible answers will help you to understand the Unit in the right perspective. Go through the possible answer only after you write your answers. These exercises are not to be submitted to us for evaluation. These are provided to you as Study Tools to help keep you in the right track as you study the Unit.



## Unit-1

### Introduction to GST

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#### **Unit Structure**

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Presentation of Subject Matter
  - 1.2.1 Concepts of GST
  - 1.2.2 Need of GST in India
  - 1.2.3 Framework of GST in India
  - 1.2.4 Benefits of GST
  - 1.2.5 Constitutional Provision
- 1.3 Answers to Check Your Progress
- 1.4 Multiple Choice Questions

#### **1.0 Objectives :**

- To give the basic understanding of GST
- To give an understanding of the calculation of value of supply under GST
- To make students aware about the process of registration under GST
- To make students aware about the GST return filing process, rules and regulations.

#### **1.1 Introduction :**

Under Article 366 of the Constitution, Goods and services tax (GST) means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption. You have already studied Income Tax which is a direct tax (i.e. tax is paid and borne by the same person who earns income). You will now be studying GST which is an indirect tax (i.e. tax is paid by the supplier but ultimately borne by the consumer). Following are some of the distinctions between direct and Indirect taxes:

<b>Direct Taxes</b>	<b>Indirect Taxes</b>
Tax on Income, wealth, profession etc. of persons.	Tax on consumption of goods and services.
Taxpayer pays taxes directly to government.	Taxpayer pays taxes indirectly through intermediaries like importers, suppliers etc.
Direct taxes become payable after the income reaches the taxpayer.	Indirect taxes are payable even before the goods/services reach the taxpayer.
Income tax is the major direct tax.	GST & Customs are major indirect taxes in India.
The direct tax rate is not flat. The rates are progressive-higher the income, higher the rate.	Indirect tax rates are flat or fixed. Hence, they are called regressive- the poor & the rich pay the same tax.

## **1.2 Presentation of Subject Matter**

### **1.2.1 Concepts of GST :**

#### **(1) Tax on Consumption**

GST is a tax on consumption of goods & services i.e. tax is borne by the consumer in the State where goods & / or services are finally consumed.

#### **(2) GST is a destination-based tax**

GST, being a destination-based tax is levied where goods/services are consumed. In destination-based tax, zero tax is applicable on exports and imports are taxed at the same rate as on domestic products. SGST will accrue to the state where goods/services are ultimately consumed. The earlier taxes e.g. excise or services tax were Origin based taxes levied on the supplier in the state where goods/services were products. Earlier Central Sales Tax (CST) accrued to the State where goods were first sold (not where goods were finally consumed)

#### **(3) Value Added Tax**

Goods and services Tax (GST) is in nature a value added tax (VAT) i.e. a tax that is collected step by step based on the value added at each stage of production or

distribution. The businessman pays GST on the price of the product minus the GST previously paid on goods and services.

#### **(4) Continuous Flow of Credit**

GST aims to eliminate the cascading effect of taxes (tax on tax) in the supply chain between producer/manufacturer and end consumer. A continuous chain of set off earlier taxes from the original producer service provider's point up to the retailer's level established so that burden of only the net tax is passed on to end consumer. This is achieved through the mechanism of Input Tax credit.

#### **(5) Tax On Supply**

GST is a tax on supply not on manufacture or sale. Hence stock transfers/branch transfers/free gifts too can be taxed.

#### **Test yourself – 1**

##### **Attempt MCQs**

- 1) Goods and services tax (GST) means any tax on-----
  - a) supply of goods, or services
  - b) Sale of Goods and Services
  - c) Gifting of goods and services
- 2) GST, being a -----based tax is levied where goods/services are consumed
  - a) Supply                      b) Destination      c) Demand
- 3) GST is a type of ----- tax
  - a) Direct Tax                      b) Indirect tax      c) Gift tax

#### **FEATURES OF GST:**

##### **a) Single Indirect Tax**

GST is single, unified tax reform. It consolidated numerous existing indirect central and state taxes such as the Central Value Added Tax, Special Additional Duty of Customs, Service Tax, and VAT. The abolition of these indirect taxes has made many goods and services more inexpensive compared to consumers as well as made tax compliance easier for businesses.

**b) Input Tax Credit System**

The input tax credit is a popular GST feature in India. A manufacturer or service provider can deduct input tax paid on purchases from their total output tax liability. To claim the tax credit, the input and output invoices must match. This removes the traditional 'tax-on-tax' effect. It also reduces tax evasion.

**c) GST Composition Scheme**

A voluntary composition scheme is available to SMEs in certain states with a turnover of up to Rs. 1.5 crore and in the case of North-Eastern states and Himachal Pradesh, the limit is now Rs 75 lakh. Businesses can pay a fixed GST rate of 1%, 5%, 6% based on their business and their turnover under this scheme. However, they cannot claim the input tax credit. A company must choose between the composition scheme and the input tax credit feature.

**d) Four-tier Tax Structure**

GST has four tiers of taxation: 5%, 12%, 18%, and 28%. This tax structure applies to all goods and services. Many essential commodities, such as food, are exempt from GST. This 4-tier structure offers improved transparency and lower costs for goods and services.

**1.2.2 Need of GST in India :**

As we discussed, the old indirect tax regime had many drawbacks and limitations. GST was able to cover, reduce, and nullify most of the shortcomings by offering its advantages. Here are few points that explain why India needs GST:

**a) Seamless Flow of Credit:**

As GST is a destination tax, the revenue of SGST ordinary accrues to the consuming states. The interstate supplier in the exporting State can set off the available credit of CGST, SGST/UTGST and IGST against the IGST payable on an inter-state supply made by him. The importing state buying is allowed to avail the credit of IGST paid on interstate purchases made by him. Thus, unlike the earlier scenario where the credit chain used to break in case of interstate sales on account of non-VATable CST, under the GST regime, there is a seamless credit flow in case of interstate supplies.

The centre transfers to the importing State the credit of IGST used in payment of UTGST/SGST. The revenue of interstate sales does not accrue to the exporting State,

and the exporting State transfers to the centre the credit of UTGST/SGST used in payment of IGST. Thus, the IGST needed a robust settlement mechanism between the centre and the State. A central agency is needed that can act as a clearing house to verify the claims and inform respective governments to transfer the funds. This is possible only with the help of a robust IT infra.

**b) Boosts in Exports:**

Suppose the Indian marketplace is competitive in terms of pricing. In that case, more and more foreign players will try to enter, which will result in more numbers of exporters and ultimately benefit the nation.

**c) Competitive Prices:**

GST eliminates all other taxes of an indirect nature, and this will effectively mean that the tax amount paid by end consumers will be reduced. As we study economics, the lower the prices, the more will be demand for that product, which will result in more consumption and will benefit the entities.

**d) Increase in Revenue:**

One reason behind the need for GST was also to boost the revenue from the indirect taxes in the nation. GST is easy to understand, and a simple tax structure will bring more taxpayers and in return, it will increase the revenue for the Indian government.

**e) Easy and Straightforward Tax Structure:**

Before GST, taxpayers needed to pay a lot of taxes, but with GST, a single tax system, only one tax needs to be paid, which is comparatively easy and convenient to understand. For accounting, business complexities will reduce and result in less paperwork, saving both money and time.

### **1.2.3 Framework of GST in India :**

Dual GST: India has adopted a Dual GST model in view of the federal structure of the country. Consequently, Centre and States simultaneously levy GST on taxable supply of goods or services or both which, takes place within a State or Union Territory. Thus, tax is imposed concurrently by the Centre and States, i.e. Centre and States simultaneously tax goods and services. Now, the Centre also has the power to tax intra-State sales & States are also empowered to tax services. GST extends to whole of India including the State of Jammu and Kashmir.

## **CGST/SGST/UTGST/IGST:**

GST is a destination-based tax applicable on all transactions involving supply of goods and services for a consideration subject to exceptions thereof. GST in India comprises of Central Goods and Services Tax (CGST) – levied and collected by Central Government, State Goods and Services Tax (SGST) – levied and collected by State Governments/Union Territories with State Legislatures and Union Territory Goods and Services Tax (UTGST) – levied and collected by Union Territories without State Legislatures, on intra-State supplies of taxable goods and/or services.

Inter-State supplies of taxable goods and/or services are subject to Integrated Goods and Services Tax (IGST). IGST is approximately the sum total of CGST and SGST/UTGST and is levied by Centre on all inter-State supplies.

### **Legislative Framework:**

There is single legislation – CGST Act, 2017 – for levying CGST. Similarly, Union Territories without State legislatures [Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu and Chandigarh] are governed by UTGST Act, 2017 for levying UTGST. States and Union territories with their own legislatures [Delhi and Puducherry] have their own GST legislation for levying SGST.

Though there are multiple SGST legislations, the basic features of law, such as chargeability, definition of taxable event and taxable person, classification and valuation of goods and services, procedure for collection and levy of tax and the like are uniform in all the SGST legislations, as far as feasible. This is necessary to preserve the essence of dual GST.

### **Classification of goods and services:**

HSN (Harmonised System of Nomenclature) code is used for classifying the goods under the GST. A new Scheme of Classification of Services has been devised wherein the services of various descriptions have been classified under various sections, headings and groups. Each group consists of various Service Codes (Tariff). Chapters referred are the Chapters of the First Schedule to the Customs Tariff Act, 1975.

### **Composition Scheme:**

In GST regime, tax (i.e. CGST and SGST/UTGST for intra-State supplies and IGST for inter-State supplies) is payable by every taxable person and in this regard,

provisions have been prescribed in the law. However, for providing relief to small businesses making intra-State supplies, a simpler method of paying taxes and accounting thereof is also prescribed, known as Composition Levy.

#### **Manner of utilization of ITC:**

Input Tax Credit (ITC) of CGST and SGST/UTGST is available throughout the supply chain, but cross utilization of credit of CGST and SGST/UTGST is not possible, i.e. CGST credit cannot be utilized for payment of SGST/UTGST and SGST/UTGST credit cannot be utilized for payment of CGST.

However, cross utilization is allowed between CGST/SGST/UTGST and IGST, i.e. credit of IGST can be utilized for the payment of CGST/SGST/UTGST and vice versa.

#### **GST Common Portal:**

Resultantly, Common GST Electronic Portal – [www.gst.gov.in](http://www.gst.gov.in) – a website managed by Goods and Services Network (GSTN) [a company incorporated under the provisions of section 8 of the Companies Act, 2013] has been set by the Government to establish a uniform interface for the taxpayer and a common and shared IT infrastructure between the Centre and States.

A common GST system provides linkage to all State/ UT Commercial Tax Departments, Central Tax authorities, Taxpayers, Banks and other stakeholders. The eco-system consists of all stakeholders starting from taxpayer to tax professional to tax officials to GST portal to Banks to accounting authorities.

Primarily, GSTN provides three front end services to the taxpayers namely registration, payment and return through GST Common Portal.

The functions of the GSTN include facilitating registration; forwarding the returns to Central and State authorities; computation and settlement of IGST; matching of tax payment details with banking network; providing various MIS reports to the Central and the State Governments based on the taxpayer return information; providing analysis of taxpayers' profile; and running the matching engine for matching, reversal and reclaim of input tax credit.

#### **Compensation Cess:**

A GST Compensation Cess at specified rate has been imposed under the Goods and Services Tax (Compensation to States) Cess Act, 2017 on the specified luxury

items or demerit goods, like pan masala, tobacco, aerated waters, motor cars etc., computed on value of taxable supply. Compensation cess is leviable on intra-State supplies and inter-State supplies with a view to provide for compensation to the States for the loss of revenue arising on account of implementation of the GST.

### **Coverage of GST:**

GST is levied on all goods and services, except alcoholic liquor for human consumption and petroleum crude, diesel, petrol, ATF and natural gas.

Alcoholic liquor for human consumption is outside the realm of GST. The manufacture/production of alcoholic liquor continues to be subjected to State excise duty and inter-State/intra-State sale of the same is subject to CST/ VAT respectively.

Petroleum crude, diesel, petrol, ATF and natural gas: As regards petroleum crude, diesel, petrol, ATF and natural gas are concerned, they are not presently leviable to GST. GST will be levied on these products from a date to be notified on the recommendations of the GST Council. Till such date, central excise duty continues to be levied on manufacture/production of petroleum crude, diesel, petrol, ATF and natural gas and inter-State/intra-State sale of the same is subject to CST/VAT respectively.

Tobacco: Tobacco is within the purview of GST, i.e. GST is leviable on tobacco. However, Union Government has also retained the power to levy excise duties on tobacco and tobacco products manufactured in India. Resultantly, tobacco is subject to GST as well as central excise duty.

Further, real estate sector has been kept out of ambit of GST, i.e. GST will not be levied on sale/purchase of immovable property provided builder has received completion certificate before the agreement.

### **Test yourself – 2**

State if true or false

- 1) Input tax credit means credit of GST paid on purchase of goods and services.
- 2) Person opting for composition scheme can avail the benefit of Input tax credit.
- 3) GST has four tiers of taxation: 5%, 12%, 18%, and 28%.
- 4) The revenue of SGST ordinary accrues to the consuming states.
- 5) India has adopted a Dual GST model in view of the federal structure of the



country.

- 6) GST is a supply-based tax applicable on all transactions involving supply of goods and services.
- 7) Union Government has also retained the power to levy excise duties on tobacco and tobacco products manufactured in India.

#### **1.2.4 Benefits of GST :**

For Businesses and Industry:

- The GST regime in India will be built on a solid IT infrastructure
- Online services for taxpayers include registration, returns, and payments
- A simple and clear way to comply
- GST would ensure uniform indirect tax rates and structures across Canada
- It would boost business certainty and ease. In other words, a GST would make doing business in the country tax neutral, regardless of location
- A continuous flow of tax credits across the value chain and across state lines would ensure minimum tax cascading
- This would cut business costs
- A reduction in corporate transaction costs would eventually increase trade and industry competitiveness
- Tax consolidation, complete and thorough set-off of tax paid on goods and services, and phase-out of CST would reduce locally created goods and services
- This would improve Indian exports and increase the competitiveness of Indian goods and services globally

**For Central and State governments:**

- GST replaces multiple central/state indirect taxes
- GST would be simpler and easier to administer if it had a comprehensive IT infrastructure
- A robust IT infrastructure will result in greater tax compliance
- The seamless transfer of input tax credits from one step to another in the value chain is included in the GST system to encourage tax compliance by dealers

- GST is projected to reduce the government's tax collection costs and hence increase revenue efficiency

For Consumers:

- Most goods and services in the country were taxed numerous times by the central and state governments, with incomplete or no ITC provided at various levels of value addition
- There would be simply one tax from maker to consumer, leading to tax clarity
- The overall tax burden on most commodities will be reduced due to efficiency gains and leakage prevention, benefiting consumers

### **1.2.5 Constitutional Provisions :**

To implement GST, Constitutional (122nd Amendment) Bill (CAB for short) was introduced in the Parliament and passed by Rajya Sabha on 03rd August 2016 and Lok Sabha on 08th August 2016. The CAB was passed by more than 15 states and thereafter Hon'ble President gave assent to "The Constitution (One Hundred and First Amendment) Act, 2016" on 8th of September 2016. Since then, the GST council has been notified bringing into existence the Constitutional body to decide issues relating to GST.

On September 16, 2016, Government of India issued notifications bringing into effect all the sections of CAB setting firmly into motion the rolling out of GST. This notification sets out an outer limit of time of one year, that is till 15-9-2017 for bringing into effect GST.

### **GST COUNCIL**

As per Article 279A (1) of the amended Constitution, the GST Council must be constituted by the President within 60 days of the commencement of Article 279A. The notification for bringing into force Article 279A with effect from 12th September 2016 was issued on 10th September 2016.

As per Article 279A of the amended Constitution, the GST Council which will be a joint forum of the Centre and the States, shall consist of the following members:

- a) Union Finance Minister - Chairperson
- b) The Union Minister of State, in-charge of Revenue or finance - Member
- c) The Minister In-charge of finance or taxation or any other Minister nominated

by each State Government - Members

As per Article 279A (4), the Council will make recommendations to the Union and the States on important issues related to GST, like the goods and services that may be subjected or exempted from GST, model GST Laws, principles that govern Place of Supply, threshold limits, GST rates including the floor rates with bands, special rates for raising additional resources during natural calamities/disasters, special provisions for certain States, etc.

The Union Cabinet under the Chairmanship of Prime Minister Shri Narendra Modi approved setting up of GST Council on 12th September 2016 and setting up its Secretariat as per the following details:

- a) Creation of the GST Council as per Article 279A of the amended Constitution.
- b) Creation of the GST Council Secretariat, with its office at New Delhi.
- c) Appointment of the Secretary (Revenue) as the Ex-officio Secretary to the GST Council.
- d) Inclusion of the Chairperson, Central Board of Excise and Customs (CBEC), as a permanent invitee (non-voting) to all proceedings of the GST Council.
- e) Create one post of Additional Secretary to the GST Council in the GST Council Secretariat (at the level of Additional Secretary to the Government of India), and four posts of Commissioner in the GST Council Secretariat (at the level of Joint Secretary to the Government of India). The Cabinet also decided to provide for adequate funds for meeting the recurring and non-recurring expenses of the GST Council Secretariat, the entire cost for which shall be borne by the Central Government. The GST Council Secretariat shall be manned by officers taken on deputation from both the Central and State Governments.

### **GST Council Meetings**

The GST Council is a constitutional body responsible for making recommendations on issues related to the implementation of the Goods and Services Tax (GST) in India. The first meeting of the GST Council was held on September 22-23, 2016, and since then, the Council meets periodically to deliberate and decide on various issues related to GST.

The Council has been instrumental in deciding key issues related to the GST such as tax rates, exemptions, thresholds, and administrative procedures. During its

meetings, the GST Council takes decisions through a consensus-based approach every decision of the GST Council shall be taken by a majority of not less than three-fourths of the weighted votes of the members present and voting with a weightage of one-third of the total votes cast to the Centre and a weightage of two-thirds of the total votes cast to the States, promoting the spirit of the co-operative federalism.

The decisions of the Council have had a significant impact on the GST implementation. Some important decisions taken in the GST Council meeting are:-

1. For encouraging the self-reporting businesses, the GST Council in its 24<sup>th</sup> Meeting introduced new e-way bill mechanism.
2. The GST Council in its 35<sup>th</sup> Meeting approved the roll out of e-invoicing system in GST, a digital mechanism for generating and reporting invoices in a standardized format under the GST regime in India. The e-invoicing threshold has been further reduced and it is made mandatory for small firms with annual turnover of ₹5 crore or more to issue e-invoices for business-to-business supplies from August 1, 2023.
3. Under the special scheme introduced for real estate Sector, the Council in its 33<sup>rd</sup> and 34<sup>th</sup> meetings, the Council reduced the effective rate from 12% to 5% on non-affordable and from 8% to 1% on affordable housing scheme applicable under construction properties.
4. For promoting green energy initiatives, the GST Council in its 36<sup>th</sup> Meeting reduced the GST rates on all the electric vehicles from 12% to 5% and Electric buses having occupancy capacity of more than 12 people exempted from GST.
5. The GST Council in its 42<sup>nd</sup> Meeting approved the Enhancement in the features of Return filing process and QRMP scheme was rolled out for small scale business.
6. As a relief measure during COVID-19 pandemic, the Council in its 43<sup>rd</sup> and 44<sup>th</sup> Meeting approved the rationalization of duty on specified COVID related goods.
7. The GST Council in its 47<sup>th</sup> Meeting approved certain trade facilitation measures by way of amendment in CGST Rules like change in formula for calculation of refund in inverted duty cases, further waiver of late fees for delay in filing of GSTR-4, additional modes for payment of tax, etc.

8. The Council in its 49th meeting has approved the creation of National Bench of the Goods and Services Tax Appellate Tribunal (GSTAT) in principle. The National Bench of the Appellate Tribunal shall be situated at New Delhi. GSTAT shall be presided over by its President and shall consist of one Technical Member (Centre) and one Technical Member (State).
9. All GST anti-profiteering complaints are now dealt by the Competition Commission of India (CCI) from December 1, 2022. Prior, the National Anti-profiteering Authority (NAA) was set up in November 2017 to check unfair profiteering activities by registered suppliers and ensure that commensurate benefits of reduction in GST rates on goods and services and of the input tax credit are passed on to consumers by way of reduction in prices. Initially, it was set up for two years till 2019, but was later extended further.
10. Simplification and auto-population of GST Returns, making compliance easier for taxpayers.
11. Integrating e-invoices with the e-way bill system and GST returns, promoting ease of doing business.
12. Introduction of the dynamic QR code on invoices to facilitate digital payment.
13. Rate Rationalization: 226 Items under 28% GST slab reduced to 37 items till now.

## **Answers**

### **Test Yourself-1**

- a) supply of goods, or services
- b) Destination
- c) Indirect tax

### **Test Yourself-2**

- 1) True   2) False                      3) True   4) True   5) True   6) False   7) True

## **1.4 Multiple Choice Questions**

- 1) GST Stands for
  - a) Goods and supply Tax
  - b) Government sales Tax
  - c) **Goods and Services Tax**
  - d) Good and Simple Tax

- 2) GST is levied in India based on ..... principle.  
 a) Origin                      b) **Destination**                      c) Either a or b                      d) Both a or b
- 3) The main objectives of GST implementation is .....:  
 a) To Consolidate multiple Indirect tax levies into single tax.  
 b) Overcoming limitation of Existing indirect tax structure.  
 c) **Creating efficiencies in tax administration.**  
 d) All above.
- 4) Which of the following is not a bill passed by parliament for the implementation of GST in India:  
 a) The Central GST Act, 2017.                      b) **The State GST Act, 2017.**  
 c) The Integrated GST Act, 2017.                      c) None of the above.
- 5) ..... Petroleum products have temporarily been kept out of GST.  
 a) One                      b) Two                      c) Three                      d) **Five**
- 6) In India, GST structure is ..... In nature.  
 a) Single                      b) **Dual**                      c) Triple                      d) (a) & (b) both
- 7) GST is not levied on which of the following:  
 a) Alcoholic Liquor for Human Consumption  
 b) Five Petroleum Products  
 c) Immovable Property  
 d) **All above**
- 8) What is the different type of supplies covered under the scope of supply?  
 a) Supplies made with Consideration                      b) Supplies made without Consideration  
 c) **Both the above**                      d) None of the above
- 9) The activities to be treated as supply of goods or supply of services as referred to in ..... of CGST Act, 2017.  
 a) Schedule I of CGST Act                      b) **Schedule II of CGST Act**  
 c) Schedule III of CGST Act                      d) Section 7

- 10) Which of the following taxes will be levied on Imports?  
a) CGST                      b) SGST                      c) **IGST**                      d) None of the above
- 11) Which Of the following is not a supply as per section 7 of the CGST Act?  
a) **Management consultancy services not in course or furtherance of business**  
b) Import of service for consideration not in course or furtherance of business  
c) Both (a) and (b)                      d) None of the above
- 12) ..... Specifies the activities to be treated as supply even if made without Consideration.  
a) **Schedule I of CGST Act**                      b) Schedule II of CGST Act  
c) Schedule III of CGST Act                      d) All of the above
- 13) Which of the following activity is outside the scope of supply and bot taxable under GST?  
a) Services by an employee to the employer in the course of or in relation to his employment.  
b) Service of funeral  
c) Actionable claims, other than lottery, betting and gambling.  
d) **All of the above**
- 14) Which of the following activities is a supply of services?  
a) **Transfer or right in goods/undivided share in goods without transfer of title in goods**  
b) Transfer of little in goods.  
c) Transfer of title in goods under an agreement which stipulates that property shall pass at a future date.  
d) All of the above.
- 15) Supply includes import of services for a consideration .....  
a) Only if in the course or furtherance of business  
b) Only if not in the course or furtherance of business

- c) **Whether or not in the course or furtherance of business**
- d) None of the above
- 16) ..... Specifies the activities which are neither to be treated as supply of goods nor a supply of services.
- a) Schedule I of CGST Act                      b) Schedule II of CGST Act
- c) **Schedule III of CGST Act**                      d) All of the above
- 17) Activities or transactions undertaken by the Central Government, a state Government or any local authority in which they are engaged as public authorities, as may be notified by the Government on the recommendations of the Council, shall treated as .....
- a) Supply of goods                                      b) Supply of services
- c) **Neither as a supply of goods nor a supply of services**
- d) Either as a supply of goods nor a supply of services
- 18) Transfer of the title in goods shall be considered as .....
- a) **Supply of goods**                                      b) Supply of services
- c) Neither as a supply of goods nor a supply of services
- d) Either as a supply of goods nor a supply of services
- 19) What are the taxes levied on an intra State supply?
- a) CGST                      b) SGST                      c) **CGST & SGST**                      d) IGST
- 20) What is the maximum rate prescribed under CGST Act?
- a) 12%                      b) 28%                      c) **20%**                      d) 18%
- 21) Who will notify the rate of tax to be levied under CGST Act?
- a) Central Government suo moto                      b) State Government suo moto
- c) GST Council suo moto
- d) **Central Government as per the recommendations of the GST Council**
- 22) Which of the following taxes will be levied on Imports?
- a) CGST                      b) SGST                      c) **IGST**                      d) CGST & SGST
- 23) What is the maximum rate prescribed under UTGST Act?



- a) 14%                      b) 28%                      c) **20%**                      d) 30%
- 24) ..... Supply shall attract IGST?  
a) Intra-State              b) **Inter State**              c) Both
- 25) Is there any ceiling limit prescribed on the rate under IGST?  
a) 14%                      b) **40%**                      c) 26%                      d) 30%
- 26) What if an e-commerce operator having no physical presence in the taxable territory, does not have a representative in the taxable territory?  
a) He will have to discharge his tax liability in foreign currency  
b) He will not be liable to tax  
c) **He has to appoint a person in the taxable territory for the purpose of paying tax on his behalf**  
d) None of the above
- 27) Which of the following can opt for composition scheme?  
a) Person making any supply of goods which are not leviable to tax under this Act  
b) Person making any interstate outward supplies of goods & services (except restaurant services)  
c) Person effecting supply of goods through an e-commerce operator liable to collect tax at source  
d) **Person providing restaurant services**
- 28) What is the threshold limit of turnover in the preceding financial year for opting to pay tax under composition scheme for states other than special category states?  
a) Rs. 20 lacs              b) Rs. 10 lacs              c) Rs. 50 lacs              d) **Rs. 1.5 crore**
- 29) What is the threshold limit of turnover in the preceding financial year for opting to pay tax under composition scheme for special category states?  
a) Rs. 25 lacs              b) Rs. 50 lacs              c) **Rs. 75 lacs**              d) Rs. 1 crore



## Unit-2

### Charges of GST

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#### Unit Structure

##### 2.0 Objectives

##### 2.1 Introduction

##### 2.2 Presentation of Subject Matter

2.2.1 Extent and Commencement of CGST, SGST, UTGST and IGST Acts

2.2.2 Levy and collection as per CGST and IGST

2.2.3 Composition Levy

##### 2.3 Summary

##### 2.4 Exercises

##### 2.5 References

#### 2.0 Objectives

After studying this unit, students would be able to :

1. Understand the extent and commencement of CGST Act, SGST Act, UTGST Act, IGST Act
2. Understand the mechanism of levy and collection of CGST and IGST

#### 2.1 Introduction

Goods and Services Tax (GST) has been identified as one of the most important tax reforms in post-independence. GST is a path breaking indirect tax reform which expects to create a common national market by removing inter-state trade barriers. GST has subsumed (absorbed or include) multiple indirect taxes imposed by central and state governments.

Power to levy any tax is derived from the Constitution of India. As per article 265 of The Constitution of India no tax shall be imposed or collected except by the authority of any Law. The charging section is the must in any Taxing Law for levy (impose) and collection (payment) of taxes. The very basic for the charge of tax in any taxing statute is taxable event, i.e. the point of time when tax will be imposed.

Under pre GST regime, each indirect taxes have separate taxable event (such as manufacture in case of Excise Duty, provision of services in case of Service Tax, sale of goods in case of VAT/ CST, etc. Constitution (101st amendment) Act, 2016 was enacted on 8.09.2016 for the following significant amendments.

- (a) Concurrent (simultaneously) power on Parliament and State legislatures to make laws for imposing taxes on goods and services.
- (b) GST will be levied on all supply of goods and services except alcoholic liquor for human consumption.
- (c) Parliament has exclusive power to make laws with respect to goods and services tax of inter-state (from one state to another state) supply.
- (d) Parliament shall decide principles for determining the place of supply and when supply takes place in course of inter-State trade and commerce.
- (e) The explanation to Article 269A of Constitution of India provides that the import of goods and services will be deemed as a supply takes place in course of inter- State trade and commerce.
- (f) For the following items Central Excise duty will be imposed on their production and respective States will impose Sales tax the on their sales.
  - i) Petroleum crude
  - ii) High speed diesel
  - iii) Motor spirit (commonly known as petrol)
  - iv) Natural gas
  - v) Aviation turbine fuel
  - vi) Tobacco and tobacco products
- (g) Article 279A of the Constitution of India empowers the president of India to constitute Goods and Service Tax Council (GST Council) under the chairmanship of the Union Finance Minister to recommend about (Article 279A):
  - i) the GST rate
  - ii) Valuation and other fundamental rules
  - iii) Exemption

- iv) Future changes
- v) Return
- vi) Registration

There are total 35 GST Acts in India:

- 1- The Central Goods and Service Tax Act, 2017 for imposing CGST on intra-State supply of goods and services.
  - 31- State Goods and Service Tax Act, 2017 for imposing SGST by respective state on intra-State supply of goods and services.
  - 1 – The Union Territory Goods and Services Tax Act, 2017 for levying UTGST in 6 union Territories without State Legislatures on intra-Territory supply of goods and services. (Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu, Chandigarh and Ladakh)
  - 1 – The Integrated Goods and Service Tax Act, 2017 for levying IGST and
  - 1 – The Goods and services Tax (Compensation to states) Act, 2017 for levying GST Compensation Cess.
1. GST is levied on supply of goods and services across India (including Jammu and Kashmir). It is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Under GST credit of taxes paid at previous stages is available as set-off from the output tax.
  2. GST is destination based consumption tax. Benefit of tax (STCG/ UTGST) will accrue to the consuming state.
  3. Centre and states will impose tax on goods and services simultaneously. Centre now can impose tax on sale of goods within State and States can impose tax on services.

**(a) Intra-State supply of goods and services**

- CGST-Payable to Central Government
- SGST/ UTGST-Payable to State Government/ Union Territory (as applicable) where they are consumed

**(b) Inter-States Supply of goods and services**

- IGST - Payable to Central Government

4. Centre will levy and administer CGST and IGST while respective States/ UTs will levy and administer SGST/UTGST.
5. Import will be treated as inter-States supply and IGST will be chargeable along with basic Customs duty.
6. However, in GST Export will be treated as Zero rated supplies and no IGST is payable.
7. The rates of GST are 0.5%, 3%, 5%, 12%, 18% and 28%. In addition , compensation cess will be payable on pan masala, coal, aerated water and motor cars (Sin cess). There is no education cess or Swach Bharat cess or Krishi Kalyan cess on GST.
8. GST will be calculated on value of supply of goods and services, which is transaction value. (subject to some exceptions)
9. Under GST, every supplier who have made taxable supply shall require to get himself registered under GST Law.
10. A registered person is entitled to take credit (deduction) of input tax paid from the output tax (if any) subject to following restriction:
  - (a) **Utilisation of IGST** : first utilized for the payment of IGST then the balance may be utilized towards payment of CGST and SGST/UTGST
  - (b) **Utilisation of CGST**: first utilized for the payment of CGST then the balance may be utilized towards payment of IGST.
  - (c) **Utilisation of SGST/UTGST**: first utilized for the payment of SGST/UTGST then the balance may be utilized towards payment of IGST.
11. Under GST regime there is a seamless (without any obstruction) credit flow in case of inter-state supplies, which was not possible in pre GST period. No credit was available for CST paid by the buyer. Under GST regime the seamless credit will flow asfollows:
  - (a) The inter-state supplier in exporting state is allowed to set off the available credit in IGST, CGST and SGST/UTGST against the IGST payable on inter-state supply made by him.
  - (b) The buyer of importing state in inter-state supply can avail the credit of IGST paid on purchase from the output tax payable.
  - (c) The exporting state transfers to the centre the credit of SGST/ UTGST

utilised for the payment of IGST.

- (d) The Centre transfers to the importing state the credit of IGST used in payment of SGST/UTGST.

12. A common portal or platform is needed which could act as a clearing house and verify the claims and inform the respective government to transfer the funds. This is possible with the help of a strong IT infrastructure. Accordingly, Government has established common GST Electronic Portal ([www.gst.gov.in](http://www.gst.gov.in)), a website managed by Goods and Services Network (GSTN) for the tax payer and common IT infrastructure for Central and States. Primarily, GSTN provides three services to taxpayers.

- (a) Facilitating Registration.
- (b) Forwarding the returns to Central and States authorities.
- (c) Computation and settlement of IGST.
- (d) Matching of tax payment details with banking network.
- (e) Providing analysis of taxpayers' profile.

### **2.2.1 Extent of CGST Act/ SGST Act/ UTGST Act/ IGST Act**

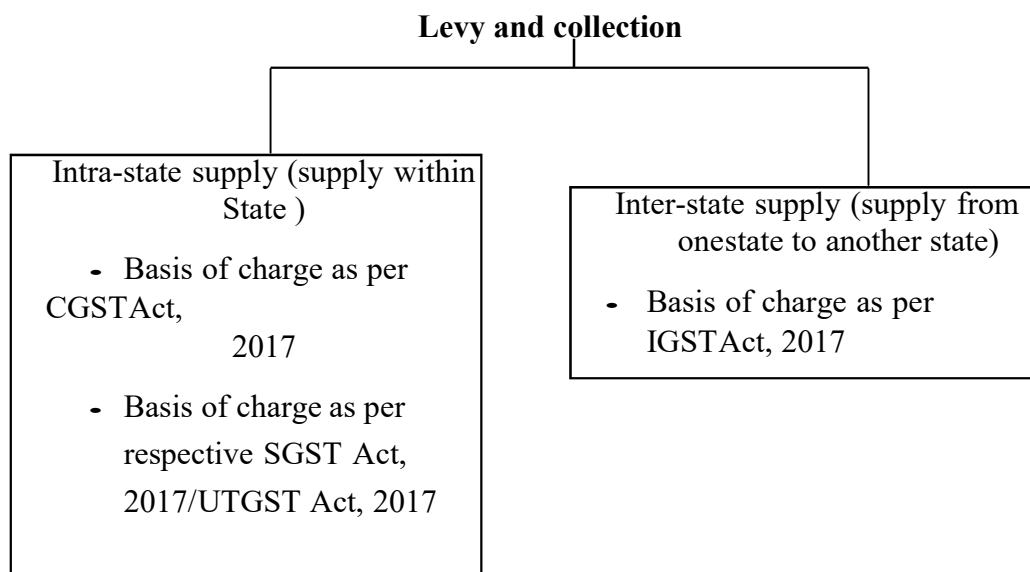
- The Central Goods and Service Tax Act, 2017 for imposing CGST on intra-state supply of goods and services, extends whole of India including Jammu and Kashmir.
- Respective State Goods and Service Tax Act, 2017 for imposing SGST by respective state on intra-state supply of goods and services, extends whole of that state/ Union territory having state legislature (Delhi and Puducherry).
- The Union Territory Goods and Services Tax Act, 2017 for levying UTGST in 6 Union Territories without State Legislatures on intra-Territory supply of goods and services. (Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu, Chandigarh and Ladakh)
- The Integrated Goods and Service Tax Act, 2017 for levying IGST and whole of India including Jammu and Kashmir.

India means

- Territory of India (i.e. entire landmass of India including states and union territory)

- Indian territorial waters, seabed and sub-soil underlying such waters, continental shelf, excluding Special Economic Zone (SEZ) and any other notified maritime zone.
- The air space above its territory and territorial waters.

### Levy and Collection



### Levy and collection as per CGST Act, 2017

- (a) U/s 9(1) of CGST Act, 2017 there shall be levied a tax –
- Called the Central Goods and Services Tax (CGST);
  - On all the intra-state supplies of goods or services or both, except on supply of alcoholic liquor for human consumption;
  - On the value determined u/s 15; and
  - At such a rate (maximum 20%,) as notified by the Central Government on recommendation of GST Council; and
  - Collected in such a manner as may be prescribed; and
  - Shall be paid by the taxable person.
- (b) U/s 9(2) of CGST Act 2017, the CGST of following supply shall be levied with the effect from such date as notified by the Central Government on recommendation of GST Council-

- Petroleum crude
  - High speed diesel
  - Motor spirit (commonly known as petrol)
  - Natural gas
  - Aviation turbine fuel
- (c) U/s 9(3), CGST is to be paid on reverse charge basis by the recipient on notified goods/ services or both (liability to pay tax by the recipient of supply of goods / services rather than supplier of goods/ services under forward charge)
- (d) U/s 9(4), CGST on taxable supply of goods/ services to registered supplier from unregistered supplier is to be paid on reverse charge basis by the recipient.
- (e) U/s 9(5), E-Commerce operator is liable to pay CGST on notified intra-state supplies.

### **2.2.2 Levy and collection as per IGST Act, 2017**

- (f) U/s 5(1) of IGST Act, 2017 there shall be levied a tax –
- Called the Integrated Goods and Services Tax (IGST);
  - On all the inter-state supplies of goods or services or both, except on supply of alcoholic liquor for human consumption;
  - On the value determined u/s 15 of CGST Act, 2017; and
  - At such a rate (maximum 40%,) as notified by the Central Government on recommendation of GST Council; and
  - Collected in such a manner as may be prescribed; and
  - Shall be paid by the taxable person.

Provided further that IGST will be imposed on goods/ services imported into India.

- (g) U/s 5(2) of IGST Act, 2017, the CGST of following supply shall be levied with the effect from such date as notified by the Central Government on recommendation of GST Council-
- Petroleum crude
  - High speed diesel



- Motor spirit (commonly known as petrol)
  - Natural gas
  - Aviation turbine fuel
- (h) U/s 5(3), IGST is to be paid on reverse charge basis by the recipient on notified goods/ services or both (liability to pay tax by the recipient of supply of goods/ services rather than supplier of goods/ services under forward charge).
- (i) U/s 5(4), IGST on taxable inter-state supply of goods/ services to registered supplier from unregistered supplier (agriculturist) is to be paid on reverse charge basis by the recipient.
- (j) U/s 5(5), E-Commerce operator is liable to pay CGST on notified inter-state supplies.

### **2.2.3 Composition Levy GST**

If a small taxpayer is tired of the complex and tedious GST formalities and the endless forms, then one can opt for the composition levy under GST to simplify the GST Return filing process. In this part of the unit, an overview of the composition scheme under GST, corresponding eligibility, and applicable rates has been taken.

The composition levy under GST is an alternative method of GST Return filing for small taxpayers with an annual turnover of less than Rs. 1.5 crore (75 Lakh in the case of some states) in the previous financial year. This scheme was introduced to simplify the taxation process for small taxpayers and reduce their compliance burden.

The composition scheme is optional, whereby the eligible taxpayers have the option to file annual returns along with quarterly payment of taxes.

#### **Advantages and disadvantages of the composition levy**

Eligible taxpayers have the option to opt for the composition scheme or continue tax payments at the normal rates. Let us discuss the advantages and disadvantages of the composition levy to better understand which one should you choose,

#### **Advantages**

The major advantages of the composition levy are listed below,

1. Simplified Compliance: Taxpayers under the composition scheme of GST have

lesser compliance formalities to follow.

2. Easier Return Filing: Registered taxpayers need to file an annual return instead of multiple monthly/quarterly returns.

### **Disadvantages**

The major disadvantages of the composition levy are as follows,

1. Limited Territory: Taxpayers under the composition scheme cannot make inter-state supplies, limiting the territory for business, except in some specified cases.
2. No ITC: Input Tax Credit cannot be availed under the GST Composition Scheme.
3. Eligibility: Only certain taxpayers can opt for the composition scheme under GST. Moreover, for multiple businesses under a single PAN, the taxpayer will have to opt for the composition scheme for all businesses.

### **Eligibility for the composition scheme:**

Registered taxpayers with an annual turnover of less than 1.5 crores are eligible for the composition levy under GST. This limit is reduced to 75 Lakh for the following states,

- Arunachal Pradesh
- Assam
- Manipur
- Meghalaya
- Mizoram
- Nagaland
- Sikkim
- Tripura
- Himachal Pradesh

It must be noted that the turnover of all businesses under the same PAN has to be added up to calculate the turnover for the purpose of the composition scheme.

### **Who cannot opt for the composition levy**

Listed below are the taxpayers who cannot opt for the composition levy under GST,

- a. Casual taxable persons or non-resident taxable persons.
- b. Suppliers with an aggregate turnover in the preceding financial year exceeding Rs. 1.5 Cr (or 75 Lakh in the case of North-Eastern States and Himachal Pradesh).
- c. Suppliers who have purchased any goods or services from an unregistered supplier unless he has paid GST on such goods or services on a reverse charge basis.
- d. Supplier of services, other than restaurant service.
- e. Persons supplying goods that are not taxable under GST law.
- f. Persons making any Inter-State outward supplies of goods.
- g. Suppliers making any supply of goods through an electronic commerce operator who is required to collect tax at source under section 52.
- h. A manufacturer of the following goods:
  - Ice cream and other edible ice, whether or not containing cocoa
  - Pan masala
  - Tobacco and manufactured tobacco substitutes

### **Rules for the composition scheme**

The requisites and conditions that need to be satisfied to opt for the composition levy are as follows

1. Input Tax Credit (ITC) cannot be claimed by the composition dealer.
2. Taxpayers under the composition scheme cannot supply goods and services that are not taxable under GST.
3. Normal GST rates shall be applicable for transactions under the Reverse Charge Mechanism (RCM).
4. If the taxpayer has multiple businesses under the same PAN, then all such businesses are required to be registered under the scheme collectively.

5. The word “Composition Taxable Person” must be mentioned on every notice, signboard, and bill of supply issued by the business.
6. As per the CGST (Amendment) Act, 2018, a supply of services up to an extent of 10% of the turnover, or Rs 5 Lakhs, whichever is higher, can now be made by the manufacturer or trader w.e.f. 1st Feb 2019.

#### **GST Rates for the composition scheme**

<b>Category of Registered Person</b>	<b>Rate of Tax</b>
Manufacturers, other than manufacturers of such goods as may be notified by the Government (ice cream, pan masala, tobacco products, etc.)	1% (0.5% CGST + 0.5% SGST/UTGST)
Restaurant Services, not serving alcohol	5% (2.5% CGST + 2.5% SGST/UTGST)
Eligible service providers (or goods and service suppliers)	6% (3% CGST + 3% SGST / UTGST)
Traders or any other supplier eligible for composition levy	1% (0.5% CGST + 0.5% SGST/UTGST)

#### **How to opt for the composition scheme**

The registered taxpayers who are eligible can opt for the composition levy scheme by submitting Form CMP-02 on the common portal. New taxpayers who are not registered under GST are required to submit Form GST REG-01 to opt for the composition scheme.

#### **What are the applicable returns and forms under the composition levy**

- A composition dealer is required to pay taxes in the CMP-08 quarterly by the 18th of the month after the end of the quarter.
- Form GSTR-4 is required to be filed by the composition taxpayer annually.

### **2.3 Summary :**

This unit has covered extent, commencement and charge of GST. It has also discussed about the composition scheme as well as levy and collection of GST. As this refers to the major reform in Indian taxation since independence, it also has some constitutional provisions which are also discussed in this unit. In order to implement

this act effectively, some concessions are also given which give boos for implementation of GST countrywide. This has helped effective implementation and spread of GST throughout the country.

## **2.4 Exercises**

1. Briefly describe the structure of GST in India.
2. How does the seamless Credit flow under GST?
3. How the GST is levied and collected?
4. Briefly describe the provisions of levy and collection of taxes under CGST Act 2017.
5. Briefly describe the provisions of levy and collection of taxes under IGST Act. 2017.

## **Multiple Choice Questions (MCQ)**

1. Authority to levy and collect taxes in India is given to the Central and State Government by
  - a) Article 246 of Constitution of India
  - b) Article 265 of Constitution of India
  - c) Article 269 of Constitution of India
  - d) Article 279A of Constitution of India
2. The exclusive right to make laws for matters containing in List-I of Schedule VII of the Constitution of India has been given to
  - a) State Governments
  - b) Central Government
  - c) Both Centre and State Governments
  - d) None of the above
3. The exclusive right to make laws for matters containing in List-II of Schedule VII of the Constitution of India has been given to
  - a) State Governments
  - b) Central Government
  - c) Both Centre and State Governments
  - d) None of the above
4. The exclusive right to make laws for matters containing in List-III of Schedule VII of the Constitution of India has been given to
  - a) State Governments
  - b) Central Government
  - c) Both Centre and State Governments
  - d) None of the above
5. Power to make laws with respect to goods and service tax has been given by the

a) Article 279A      b) Article 246A    c) Article 246      d) Article 366

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### **Solution to multiple choice Questions**

- |        |        |        |        |         |        |
|--------|--------|--------|--------|---------|--------|
| 1. (b) | 2. (b) | 3.(b)  | 4. (c) | 5. (b)  | 6. (d) |
| 7. (a) | 8. (c) | 9. (d) | 10.(c) | 11. (a) |        |

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