

Goods and Service Tax Fundamentals – I

(B.Com G & CA Sem-5)

Unit – II - GST

Topic: Principles/Features/Scope of GST

Principles/Scope/ Features of GST

1. GST is a consumption based tax
2. Concurrent dual GST
3. Components of GST
 - CGST
 - SGST
 - IGST
 - UTGST
4. Legislative framework of GST
5. GST rate structure
6. Taxes to be subsumed under GST structure
7. IGST for interstate transactions
8. Input tax credit chain
9. Utilisation of credit of ITC
10. Taxable event in GST
11. Common Portal
12. Seamless flow of credit
13. Goods outside GST purview
14. Threshold limit for registration
15. Electronic returns
16. Various modes of payment of tax
17. TDS. TCS

18. Self assessment
19. Anti profiteering authority
20. Meaning of supply
21. Tax rates in GST
22. Composition scheme under GST
23. Classification of goods and services

Web links;

1. <https://unacademy.com/lesson/lesson-1-principles-of-gst/IILZ52QN>
2. <https://andreyev.com.au/2016/05/26/the-5-principles-of-gst/>
3. <https://vikaspedia.in/social-welfare/financial-inclusion/faqs-on-gst-1/faqs-on-gst>
4. <https://howtoexportimport.com/Term-Principle-of-supply-under-GST-9328.aspx>

Topic: Australian Model of GST

Australian model of GST

France was one of the first countries to implement GST in 1954, followed by Germany in 1968 and the United Kingdom in 1973.

Australia implemented GST on July 1, 2000 under the aegis of the Howard Government.

Features of Australian Model

1. GST is levied on supply of goods or services in Australia.
2. GST is levied on imports of goods or services into Australia
3. GST is not levied on exports of goods or services from Australia
4. Rate of GST is 10 per cent only.
5. GST is administered by the Tax office on behalf of the Australian Government.

6. Revenue generated from GST is appropriated to the states and union Territories by the Australian Government
7. Every person the turnover of whom exceeds A \$ 75,000 is liable for registration under GST.
8. In case of default, 1/11th of the income and some form of penalty is paid to the government.
9. The provision of credit back (i.e., adjustment of input tax out of output tax) is allowed under GST.
10. The records have to be maintained for at least a period of 5 years for the purpose of GST.

Effect of GST on Australian Economy

The macro economic indicators reveals that there was improvement in;

1. GDP growth rate
2. Fiscal balance
3. Current account balance
4. Tax /GDP ratio
5. Tax revenues generated

Web links;

1. [https://en.wikipedia.org/wiki/Goods_and_services_tax_\(Australia\)](https://en.wikipedia.org/wiki/Goods_and_services_tax_(Australia))
2. <http://www.gstindiaexpert.com/Home/AboutGST/Australia>
3. <https://pubhelp.rakutenmarketing.com/hc/en-us/articles/201058487-What-is-the-Goods-and-Services-Tax-GST-in-Australia->
4. <https://www.avalara.com/vatlive/en/country-guides/oceania/australia/australian-gst-electronic-services.html>

Topic: Canadian Model of GST

Canadian Model of GST

In Canada, GST Came into force in 1991 by Prime Minister Brian Mulroney and Finance Minister Michael Wilson though there was strong opposition.

Features

1. In Canada Dual GST is levied.
2. GST is levied on supplies of goods or services purchased in Canada except items that are either “exempt” or “zero rated”.
3. There are two rates, GST and HST (Harmoonised Sales Tax).
4. GST is imposed at 5% (effective from January 1, 2008)
5. Businesses that purchase goods or services that are consumed, used or supplied in the course of their business activities can claim Input Tax Credit (i.e., tax paid while purchasing inputs used).
6. When a supplier makes a zero rated supply, he is eligible to recover any GST paid on purchases (i.e., Input Tax Credit is allowed)
7. When a supplier makes supply of exempt goods, he is not eligible to recover any GST paid on purchases (i.e., no Input Tax Credit is allowed).
8. GST does not apply to products called as exempt supplies like, groceries, residential rent, medial services and services such as financial services.
9. Imports are subject to GST except non-taxable imports.
10. Zero rated supplies are not levied with GST.
11. A person whose business activities exceeds C \$ 30,000 is liable to get himself registered under GST.

Effect of GST on Canadian Economy

Following factors have improved drastically;

1. Improvement in overall growth of the economy
2. Improvement in Government finance

3. Improvement in Tax revenues
4. Price stability

Web links;

1. <https://www.chargebee.com/docs/canadian-gst-hst.html>
2. [https://en.wikipedia.org/wiki/Goods_and_services_tax_\(Canada\)](https://en.wikipedia.org/wiki/Goods_and_services_tax_(Canada))
3. <https://www.avalara.com/vatlive/en/country-guides/north-america/canada.html>
4. <http://www.gstindiaexpert.com/Home/AboutGST/Canada>

Topic: Kelkar-Shah Model of GST

Kelkar Shah Model

The concept of Goods and Services Tax or GST was mooted by Dr. Vijay Kelkar, former Finance Secretary in 2004.

Kelkar Shah Model of GST is a unified GST model which is based on a grand bargain to merge the central excise, service tax and state VAT to make it a common base for GST. As per this model, two different rates of tax are to be levied by the Centre and the States. This is like the HST (Harmonised Sales Tax) model in Canada.

The Kelkar Shah model suggested implementation of GST in four stages in India

Stage I

Establishing Information Technology Systems

Stage II

Building the Central GST

Stage III

Political Effort of Agreeing on “Grand Bargain”

Stage IV

Interaction with the state

Features of Kelkar-Shah Model

1. This model intended to merge Central Excise (Cenvat), Service Tax and State VAT into one common base.
2. Three ad-valorem rates proposed (in addition to zero rate)
 - at centre - 6%, 12%, and 20%
 - at States – 4%, 8% and 14%
3. This model is similar to the HST model in Canada
4. GST to be levied both by the Centre and the States
5. The model also proposed that the centre shall collect tax revenue from the big industries and the states will collect from the smaller industries
6. This model did not consider the provisions of the Constitution (as it proposed centre and states to collect tax revenues on the basis of size of industries), hence was not considered appropriate.
7. Imports to be liable to both central GST and State GST.

Web links;

1. <https://www.rediff.com/money/2007/feb/24guest3.htm>
2. <https://www.thehindu.com/business/Economy/Kelkar-for-Isquoflawlessrsquo-GST-implementation/article16886301.ece>
3. <https://www.newindianexpress.com/business/2019/dec/09/vijay-kelkar-suggests-single-gst-rate-of-10--as-the-ideal-reform-of-the-indirect-tax-structure-2073747.html>
4. https://www.researchgate.net/publication/323007997_A_Comprehensive_Analysis_of_Goods_and_Services_Tax_GST_in_India

Topic: The Bagchi Poddar Model

The Bagchi Poddar Model

This model like Kelkar-Shah model, proposed to combine central excise, service tax and state VAT to make a common base of GST. This model also proposed that the GST shall be levied by both centre and the states separately. By abolishing the central excise, service tax and state VAT, the

taxable event under this model shall be the act of sale of goods or services or both. The model clearly envisages that a constitutional amendment shall be necessary to bring the taxing powers on goods and services under the concurrent list and also to abolish the present division of taxing powers between the centre and the states.

Features of the model

1. Combination of central excise, service tax and VAT as a common base for GST
2. Levied by both Centre and the States separated
3. Single RNR (Revenue Neutral Rate) of 6 per cent.
4. If more than one rate, then two rate system to be adopted comprising Standard rate and lower rate (lower rate for basic necessities).
5. Envisages constitutional amendment by bringing the taxing powers on goods and services under the concurrent list.
6. Envisages national harmonisation agreement.

Web links;

1. http://www.assamstat.com/SOCIO_PDF/63/fulltext.pdf
2. <https://www.rediff.com/money/2007/feb/24guest3.htm>
3. <https://www.caclubindia.com/articles/a-study-on-gst--3935.asp>
4. https://www.researchgate.net/publication/323007997_A_Comprehensive_Analysis_of_Goods_and_Services_Tax_GST_in_India

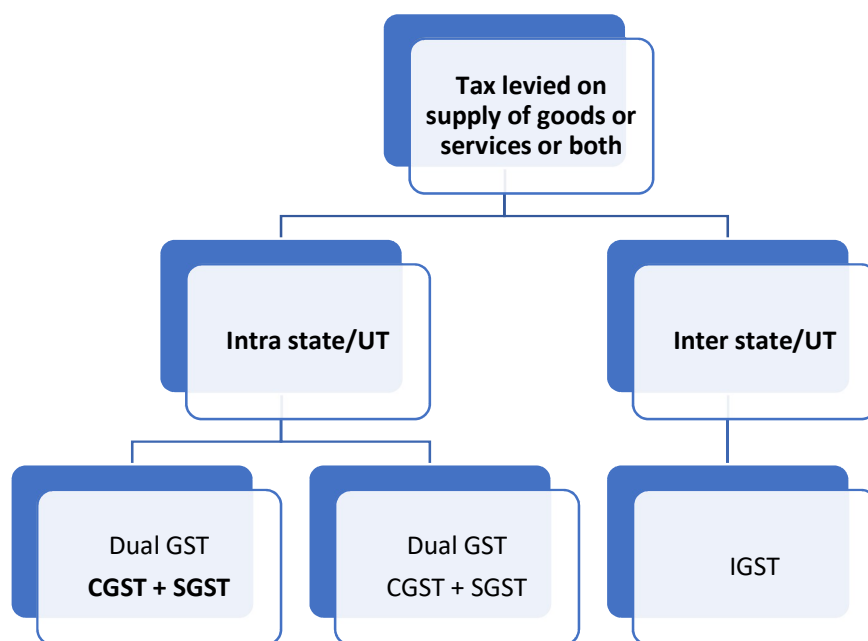
Topic: Comprehensive structure of GST in India

Structure of GST in world

Model	Description	Country
1. Single GST a. National or Central GST	Tax is levied by Centre with sharing of revenue with the States	Australia, China

b. State GST	Tax is levied by the States and retained by the States themselves.	United States of America (USA)
2. Dual GST a. Non Concurrent Dual GST	Centre levies GST on Services and States levies GST on Goods or vice versa	-
b. Concurrent Dual GST	Tax levied by Centre and State on both Goods and Services	Brazil, Canada, India

Comprehensive structure of GST in India



Difference between CGST, SGST and IGST

S.No.	Particulars	CGST	SGST	IGST
1.	Meaning	CGST means Central goods and service tax to replace the existing tax like service tax, excise, etc. It is levied by Central Government.	SGST means state goods and service tax, which replaces the existing tax like sales tax, luxury tax, entry tax,, etc. and it is levied by the state government.	IGST refers to the integrated goods and services tax and it is a combined form of CGST and SGST and it is levied by Central Government.
2.	Collection	Central govt.	State govt.	Central govt.
3.	Applicability	Intra-state supply	Intra-state supply	Inter-state supply
4.	Registration	No registration till the turnover crosses 20 lakh (10 lakh for SCS)	No registration till the turnover crosses 20 lakh (10 lakh for SCS)	Registration is mandatory
5.	Composition	The dealer can use the benefit upto Rs. 1 crore under the composition scheme	The dealer can use the benefit upto Rs. 1 crore under the composition scheme	The composition scheme is not applicable in inter state supply.

Web links;

1. https://www.researchgate.net/publication/323007997_A_Comprehensive_Analysis_of_Goods_and_Services_Tax_GST_in_India
2. <https://gst.caknowledge.com/gst-model-india/>
3. <https://cleartax.in/s/gst-law-goods-and-services-tax>
4. [https://en.wikipedia.org/wiki/Goods_and_Services_Tax_\(India\)](https://en.wikipedia.org/wiki/Goods_and_Services_Tax_(India))

Topic: What is meaning of Goods or Services under GST

- Taxable event in GST is supply of goods or services or both

What are the goods under GST

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 (separated) before supply or under a contract of supply;

- i. Goods must be movable goods
- ii. Intangibles are goods, like sale of copyrights, trademarks, etc.
- iii. All actionable claims are debts for which action is necessary to realise are not taxable but lottery, gambling and betting are not considered as supply of goods or services.
- iv. Supply of goods at future date – hire purchase and financial lease
- v. Securities is neither goods nor services excluded from definition of ‘goods’ and services’.
- vi. Supply of money is neither goods nor services, but service of conversion of foreign exchange into Rupees and vice versa is subject to GST.
- vii. Interest, dividend, loans, borrowings, profit distribution among partners are not services and not taxable under GST.
- viii. Refrain from Act or tolerating an Act is supply of service. Ex.
 - demurrage charges for not clearing goods within prescribed period.
 - cancellation charges charged by hotels, airlines, builders, contractors etc
 - late delivery charges
 - non-compete fees payable for agreeing not to compete for particular period.
 - forfeiture of deposit or advance as penalty
 - agreeing not to appear for opposite party in court.
 - penalty for breach of contract.

ix. Works contract service – work contract is a contract for work, where supply of material is incidental to the contract for work.

What is service under GST

Services means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

Basically, service is economic activity resulting in value addition, which can be perceived but cannot be seen as it is intangible. Another feature of service is that it is perishable instantly, and it cannot be stored.

Web links;

1. <https://taxguru.in/goods-and-service-tax/meaning-goods-services-gst.html>
2. <https://www.jiogst.com/gst-faqs/-/gst/chargeability/how-is-goods-defined-in-gst>
3. <https://www.avalara.com/in/en/learn/whitepapers/gst-glossary-defining-important-terms.html>
4. <https://www.investopedia.com/terms/g/gst.asp>

Topic: What is supply under GST

What is supply?

Under section 7, the term supply includes:

- a. All forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;
- b. Import of services for a consideration whether or not in the course or furtherance of business;
- c. The activities specified in schedule I, made or agreed to be made without a consideration; and

- d. The activities to be treated as supply of goods or supply of services as referred to in schedule II.

What is not supply?

Notwithstanding anything contained in sub-section (1);

- a. Activities or transactions specified in schedule III; or
- b. Such 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 be treated neither as supply of goods nor a supply of services.

Deemed supply

Subject to the provisions of sub-sections (1) and (2), the government may, on the recommendations of the GST council, specify, by notification, the transactions that are to be treated as –

- a. A supply of goods and not as supply of services; or
- b. A supply of services and not as a supply of goods.

Essential features of supply

1. Supply can be of goods or services or both.
2. Supply must be for consideration.
3. Supply must be for furtherance of business.
4. Supply must be made in the taxable territory.
5. Supply must be made by a taxable person.
6. Supply must be taxable supply.

Web links;

1. <https://cleartax.in/s/supply-under-gst-scope>
2. <https://cleartax.in/s/time-place-and-value-of-supply-in-gst>
3. [https://www.taxmann.com/bookstore/bookshop/bookfiles/GST%20\(%20CA-Intermediate%20\)chapter2.pdf](https://www.taxmann.com/bookstore/bookshop/bookfiles/GST%20(%20CA-Intermediate%20)chapter2.pdf)
4. <https://taxguru.in/goods-and-service-tax/supply-gst-detailed-analysis.html>