



PILLAR #2A2: BUDGET: TAXATION: Indirect Taxes & GST

Table of Contents

| | | |
|---------|--|-----|
| 22 | 💼 BUDGET → ⏳ REVENUE PART → 📁 RECEIPTS → 💼 TAX → 📈 Indirect Taxes..... | 286 |
| 22.1 | 🟡 🛍️ Indirect Taxes: types (अप्रत्यक्ष करों के प्रकार) | 287 |
| 22.2 | 🟡 🛍️ Indirect Taxes: merits and demerits (लाभ व् नुकसान) | 287 |
| 22.3 | 🟡 🛍️ 🎉 (Concept) Pigouvian Tax (पिगोवियन कर) | 287 |
| 22.3.1 | Customs Duty in 🍑 Budget-2023..... | 288 |
| 22.3.2 | 🟡 🛍️ 🚧 Cess and Surcharges on Excise & Customs | 288 |
| 22.3.3 | 🟡 🛍️ 🚫 Indirect Tax → 🚫 Petrol & Diesel price high because..... | 289 |
| 22.3.4 | 🟡 🛍️ 🚫 Indirect Tax → additional differential excise duty on Unblended Petrol..... | 289 |
| 22.3.5 | ⛽️ 📈 Windfall Tax on export of petrol/diesel/ATF fuel (2022)..... | 289 |
| 22.3.6 | 🟡 🛍️ 🚫 : GST on Petrol Diesel Electricity: NITI Aayog 6 year roadmap | 290 |
| 22.3.7 | ⛽️ Petrol-Diesel: Dynamic Fuel Pricing System & oil bond repayment..... | 290 |
| 22.4 | 🟡 🛍️ 🚧 🚧 Cascading Effect of Indirect Taxes..... | 291 |
| 22.5 | 🟡 🛍️ 🕒 📈 : Indirect Taxes: A Timeline of Reforms | 293 |
| 22.6 | 🟡 🛍️ 🕒 Indirect Taxes → GST: Timeline (समयरेखा) | 294 |
| 22.7 | 🟡 🛍️ 📜 GST: 101st Constitutional Amendment Act, 2016 | 294 |
| 22.8 | 🟡 🛍️ : 🤷‍♂️ 🤷‍♀️ 🤵 GST Council: Composition ? जीएसटी परिषद | 295 |
| 22.8.1 | 🤷‍♂️ 🤷‍♀️ 🤵 GST Council: Functions ? They'll decide following- | 295 |
| 22.8.2 | GST Council Decision not binding on States | 297 |
| 22.9 | 🟡 🛍️ 💰GST Input Tax Credit (ITC: इनपुट कर प्रत्यय)..... | 297 |
| 22.9.1 | 🟡 🛍️ 💸 Inverted Duty Structure Problem in GST on Textile | 298 |
| 22.9.2 | 👤 GST: Exempt vs ZERO RATED | 299 |
| 22.9.3 | 💉 Vaccine GST can't be 0% ZERO RATED or "EXEMPTED" because | 300 |
| 22.10 | 🟡 🛍️ 🤷‍♂️ 💸 Centre's Indirect Taxes subsumed in CGST..... | 300 |
| 22.10.1 | 📈 GST Revenue Collection Figures: जीएसटी राजस्व प्राप्ति के आंकड़े | 302 |
| 22.11 | 🟡 🛍️ (🤷‍♂️ 🤵) 💸 States' Indirect Taxes subsumed in SGST | 303 |
| 22.12 | 🟡 🛍️ 🎩 GST Rates on Services =0%: सेवाओं पर जीएसटी की दर | 304 |
| 22.13 | 🟡 🛍️ 🟡 GST Rates on Goods : 0%: सामान पर जीएसटी की 0% दरें | 306 |
| 22.13.1 | 🟡 🛍️ 🟡 GST Rates on Goods : 0% removed | 307 |
| 22.13.2 | 🟡 🛍️ Indirect Tax → 💊 GST Rate ✅ on Corona Related Items (2021-Jun) | 307 |
| 22.14 | 🟡 🛍️ 🕒 📈 GST Composition Scheme (जीएसटी संरचना योजना) | 308 |
| 22.14.1 | 🟡 🛍️ 🕒 📈 GST Mechanism: Quarterly Returns and Monthly Payment of Tax (QRMP) | 308 |
| 22.14.2 | 🟡 🛍️ 💰 (🐱) 1% GST deposit in cash for controlling fake ITC claims | 308 |
| 22.15 | 🟡 🛍️ 💸 Reverse Charge Mechanism (विपरीत प्रभार की व्यवस्था) | 308 |
| 22.16 | 韨 E-way Bill System (ई-वे बिल प्रणाली) from 2018 onwards..... | 308 |
| 22.17 | 👷 → 💰 (🤷‍♂️ 🤷‍♀️ 🤵) Compensation to States: WHY? | 309 |



| | | |
|---------|--|-----|
| 22.17.1 | 👉 → 💰 (👤 👤) Compensation to States: HOW? | 309 |
| 22.18 | 🚫 😷 : 🚨 → 💰 (👤 👤) GST Compensation & Back2Back Loans | 310 |
| 22.18.1 | 🚫 😷 🛡️ [🚨 → 🛡️ (👤 👤) GST compensation: "back to back" loans ₹1.10 lcr | 311 |
| 22.18.2 | 🚫 😷 🛡️ [🚨 → 🛡️ (👤 👤) Back to Back loans: Beneficiary States | 311 |
| 22.18.3 | 🚫 😷 🛡️ : ⚖️ GST Back to Back Loans & Fiscal Deficit / FRBM for States | 311 |
| 22.19 | 🟡 🛒 🎓 GST Related Organizations (संस्थाए) | 312 |
| 22.19.1 | 🎩 👤 👤 Group of Ministers (GoM: मंत्रियों का समूह) | 312 |
| 22.19.2 | ⚖️ 🎓 💳 National Anti-Profiteering Authority (NAA/NAPA) | 312 |
| 22.19.3 | 🎩 💰 Authority for Advance Ruling (AAR-अग्रिम फैसलों के लिए प्राधिकरण) | 312 |
| 22.19.4 | 🎩 🎓 🎓 GST tribunal (GSTAT) (2023) | 313 |
| 22.19.5 | 🎩 GST Fitment Committee (जीएसटी फिटमेंट समिति) | 313 |
| 22.19.6 | 🎩 💻 GSTN Network (Not for Profit Company- मुनाफ़ा रहित कंपनी) | 313 |
| 22.19.7 | 📱 💻 Project Saksham: Digital integration (2016) | 314 |
| 22.19.8 | 🔢 💰 HSN and SAC Codes..... | 314 |
| 22.20 | 🔢 💳 💰 PAN vs GSTIN vs Aadhar | 314 |
| 22.20.1 | 🔢 💳 💰 PAN/GSTIN vs UID (=Aadhar Card)..... | 315 |
| 22.21 | 🟡 🛒 💰 GST: Benefits (लाभ) | 316 |
| 22.21.1 | 🟡 🛒 💰 : 🛢️ GST Benefit: Zero Rated Exports (शून्य रेटेड निर्यात) | 317 |
| 22.22 | ▢GST Ease of Doing Biz (EoD): decriminalisation of certain offences | 318 |
| 22.22.1 | ▢ GST-EoD: criminal prosecution threshold | 318 |
| 22.22.2 | ▢ GST-EoD: obstructing officers..... | 318 |
| 22.23 | 🟡 🛒 😞 GST: Challenges for Mains (चुनौतियां) | 318 |

22 BUDGET→ REVENUE PART→ RECEIPTS→ TAX→ INDIRECT TAXES

बजट→ राजस्व भाग→ प्राप्तियां→ कर→ अप्रत्यक्ष कर

- 💳 Tax incidence (करापात)= @Person from whom govt collects the tax. (e.g. shopkeeper)
- 😞 Tax impact (कराघात/कर का प्रभाव) = @Person who finally bears the tax & can't pass its burden on further. (e.g. Consumer)
- In the indirect taxes, tax incidence and tax impact does not fall on the same person. E.g. Customs Duty on import and export, Excise duty on manufacturing of goods, Service tax on services, Sales Tax, Value Added Tax (VAT), and Goods and Services tax (GST).
- Indirect taxes fall under the Ambit of FinMin→ Department of Revenue (राजस्व विभाग)→ Central Board of Excise and Customs (CBEC): (केंद्रीय उत्पाद एवं सीमा शुल्क बोर्ड) → Budget-2018 renamed it as Central Board of Indirect Taxes and Customs (CBIC): (केंद्रीय अप्रत्यक्ष कर और सीमा शुल्क बोर्ड)



22.1 INDIRECT TAXES: TYPES (अप्रत्यक्ष करों के प्रकार)

| Ad- Valorem tax (यथामूल्य कर) | Specific Tax per unit (विशिष्ट कर प्रति यूनिट) |
|--|--|
| Taxes based on the value of something. E.g. 35% Customs Duty on import of orange juice. So, if juice priced at ₹1000 imported, then ₹350 as tax. | Tax based on quantity of items. E.g. ₹ 260 Excise duty on production of every 1000 cigarettes of 65-70mm length. Here we're taxing them irrespective of their manufacturing price or selling price. |
| Easier to administer. [इसे क्रियान्वित करना ज्यादा आसान है] | Difficult to administer, leads to inspector-raj & litigation. But, if slight increase in this tax, then greater burden passed on to the consumer so it helps reducing harmful consumption. (How exactly? Ans: microeconomics graph is not imp) |

22.2 INDIRECT TAXES: MERITS AND DEMERITS (लाभ व् नुकसान)

| Merits लाभ | Demerits नुकसान |
|--|--|
| <ul style="list-style-type: none"> → Convenient (सुगम) to collect because the traders act as honorary (=unpaid) tax collectors. Wider base because everyone covered e.g. 18% GST on Biscuit. → Elastic (लचीला): small brings large revenue, because everyone is affected. Although they're "relatively" less elastic than Direct taxes. (Poor cost benefit interpreting its Microeconomics graph) → Can harmful consumption by imposing higher taxes on cigar, alcohol, soft drinks & fast food. (हानिकारक पदार्थों का उपभोग कम करवा सकते हैं) | <ul style="list-style-type: none"> → Regressive (प्रतिगामी) in nature, both poor and rich taxed equally for the same item then poor people end up paying more portion of their income in indirect taxes. → This tax is hidden in the price. Customers do not always feel the pinch of paying indirect tax so it promotes less civic consciousness than direct taxes.[नागरिक चेतना नहीं जगाता] → Indirect taxes → product becomes expensive → demand so uncertainty involved in how much ₹ ₹ will Govt actually earn?[वास्तव में कितनी आमदानी होगी निश्चितता नहीं] → High level of corruption, evasion, cascading effect if input credit is not given e.g. erstwhile sales tax system.[भ्रष्टाचार, कर चोरी के अवसर] |

22.3 (CONCEPT) PIGOUVIAN TAX (पिगोवियन कर)

- An externality (बाह्यता) is a positive or negative consequence of an economic activity experienced by unrelated third parties. E.g. Cement company (related parties: labourers & consumers benefit); whereas unrelated third parties (local community, flora and fauna) are harmed by cement company's air-pollution. [गैरसंबंधित तीसरे पक्ष पर सकारात्मक या नकारात्मक असर]
- English economist Arthur C. Pigou proposed taxing the companies that create such negative externalities: e.g. polluting industries, cigarettes (passive smoking), alcohol (social disharmony).
- We HAVE high level of indirect taxes on petroleum, tobacco and alcoholic products.



- We HAD “Clean environment cess” on Rs 400 per tonne of coal (but abolished in GST)
- **Sin tax?** Similar concept- imposing tax on immoral things like alcohol, tobacco. Difference between Sin Tax vs Pigouvian tax = that pedantism/hairsplittery NOT IMP 🧐 🤪

22.3.1 Customs Duty in Budget-2023



💡 Budget-2023- some notable announcements:

- reduced customs duty on import of various components / parts required to mfg Electric vehicle batteries, mobile phones, TV, lab grown diamonds, etc.
- increased customs duty on imported kitchen chimney, imported gold & platinum jewellery, etc.

22.3.2 Cess and Surcharges on Excise & Customs

| Cess / Surcharge | Description |
|--|--|
| Social Welfare Surcharge (SWS) On Customs (समाज कल्याण अधिभार) | <ul style="list-style-type: none"> - Budget-2018 It also introduced 10% SWS on Customs Duty on imported goods. - Budget-2021- SWS will no longer be applicable on the gold and silver. (Because additional burden of Agriculture Infrastructure and Development Cess (AIDC) on gold-silver. So, if SWF also levied = too much tax burden on people= Which may encourage more smuggling and black money, so govt exempted these goods from SWS) |
| Health Cess On Customs (स्वास्थ्य उपकर) | <ul style="list-style-type: none"> - Budget-2020 Introduced 5% Health Cess on the (customs duty +Surcharge) on imported medical devices (आयातित चिकित्सा उपकरण). - This Cess ₹₹ will be used for building (Ayushman Bharat scheme ke) hospitals (to treat PM-JAY ₹5lakh health insurance-walle poor patients) in Aspirational Districts (आकांशी-ज़िले=backward districts identified by NITI Aayog.) |
| Agriculture Infrastructure and Development Cess | <ul style="list-style-type: none"> - Budget-2021 introduced this (कृषि अवसंरचना और विकास उपकर) - This cess will be applicable on the Excise duty on petrol (cess@₹2.5/litre) and diesel (cess@₹4/litre) |



| Cess / Surcharge | Description |
|-----------------------|---|
| On Customs And Excise | - This cess will be applicable on Customs Duty on Gold silver, alcoholic beverages, certain types of edible oils, certain fruits, certain Pulses, Cotton, Urea/fertilizer. (Cess varies from 1.5-100% depending on item) |

22.3.3 Indirect Tax → Petrol & Diesel price high because

| | PETROL (Approx taxes in middle of 2021) | DIESEL |
|------------------------|--|--|
| A) Union Tax | Basic excise ₹1.40 + Special additional excise ₹11 + ₹18 Road Infrastructure cess + ₹2.50 Agriculture infrastructure and development cess (AIDC) | Basic excise ₹1.80 + Special additional excise ₹18 + ₹18 Road Infra cess + ₹4 AIDC |
| B) State Tax | State VAT ₹20 per litre. | State VAT ₹15 per litre. |
| Total in India =A+B | 135% taxes on base price | 116% taxes on base price |
| elsewhere | Taxes on fuel: EU (45-60%), Canada 15-30%, USA (15%) | |

- ⇒ If above fuels are replaced with highest GST slab (28%) → hardly ₹5-6 per litre each for Union and State = Loss of over 4 lakh cr on petrol and diesel taxes in GST system compared to present (Excise VAT) regime.
- ⇒ So, cheap petrol-diesel is not possible, unless Union and State govt are willing to take deep cuts in their revenue. Corona= direct tax collection , so govt can't afford to reduce tax% on fuel.

22.3.4 Indirect Tax → additional differential excise duty on Unblended Petrol

Govt targets 20% ethanol blending with petrol by 2025 to GHG emission. Budget-2022 announced one MORE TAX to force the oil refineries to accomplish this target in a timely fashion:

| Fuel | Ethanol Blended Petrol | Unblended petrol |
|--|---|------------------|
| Basic excise + Special additional excise + Road Infrastructure cess + Agriculture infrastructure and development cess (AIDC) → | Yes these tax and cess applicable on both type of fuel. | |
| Additional Differential Excise Duty → Announced in Budget-2022 | Rs. ₹0/ litre | Rs. 2/litre |

इथेनॉल मिश्रित पेट्रोल पर अतिरिक्त विभेदक उत्पाद शुल्क नहीं लगाया जाएगा जबकि इथेनॉल-अ-मिश्रित-पेट्रोल पर ₹2 प्रति लीटर के दर पर यह टैक्स लगेगा।

22.3.5 Windfall Tax on export of petrol/diesel/ATF fuel (2022)

- ⇒ Windfall Tax is a nickname given to a tax when it is levied on an unforeseen / unexpectedly large profit (अप्रत्याशित मुनाफे की स्थिति में यदि कोई टैक्स लगाया जाए तो उसे विंडफ़ोल टैक्स की संज्ञा दी जाती.)
- ⇒ 2022: Fuel prices increased sharply in global market. So when Indian refineries export petrol/diesel → They will make a lot more profit compared to previous years. (विश्व बाज़ार में ईंधन के



बढ़ी कीमतों के चलते भारत के ईंधन निर्यातकर्ताओं को अप्रत्याशित मुनाफ़ा हो रहा था)

- ⇒ 2022-Jul: government imposed Special Additional Excise Duty (SAED) on export of Petrol (₹6/litre) and Diesel (₹12/litre) and Aviation Turbine Fuel (₹6/litre).
- ⇒ Newspapers nicknamed this as “windfall tax”.
- ⇒ 2022-Aug: fuel prices started to fall in the global market. So now Indian government gradually deleting / reducing this tax. Then ball by ball cricket commentary notIMP 🎙️ 📺 🎵 🙌 (अभी धीरे धीरे इसमें कटौती की जा रही है.)



► ⚡ FAQ: can windfall tax be imposed only on indirect taxes / petrol diesel?

Ans. If government is imposing any direct or indirect tax because of some unforeseen profits to a party, then journalist may label as Windfall Tax.

► ⚡ FAQ: then can't we say bitcoin profit pe Capital Gains Tax is also windfall tax?

Ans. Journalists/Newspaper/Govt/Chief Economic Advisor/NITI etc have not used this word yet. So I would not use it.

22.3.6 💡 📈 : 📈GST on Petrol Diesel Electricity: NITI Aayog 6 year roadmap

2021-Aug: NITI Aayog proposed following formula:

- ⇒ 28% GST on petrol and Diesel. + Compensation Cess for States (this compensation will be given to states for a period of six years)
- ⇒ 18% GST on Electricity.

💡 However this is a proposal stage. Separately a case is going on at Kerala High Court. We'll update when/if something big happens. (अभी यह सब प्रस्तावित है. असल में लागू होना बाकी है. जब कुछ बड़ा होगा, तो देखेंगे)

Related topic: OPEC Cartel, crude prices? Ans. (📘 Ref: HDT-Pillar#3A: BoP)

22.3.7 📈 Petrol-Diesel: Dynamic Fuel Pricing System & oil bond repayment

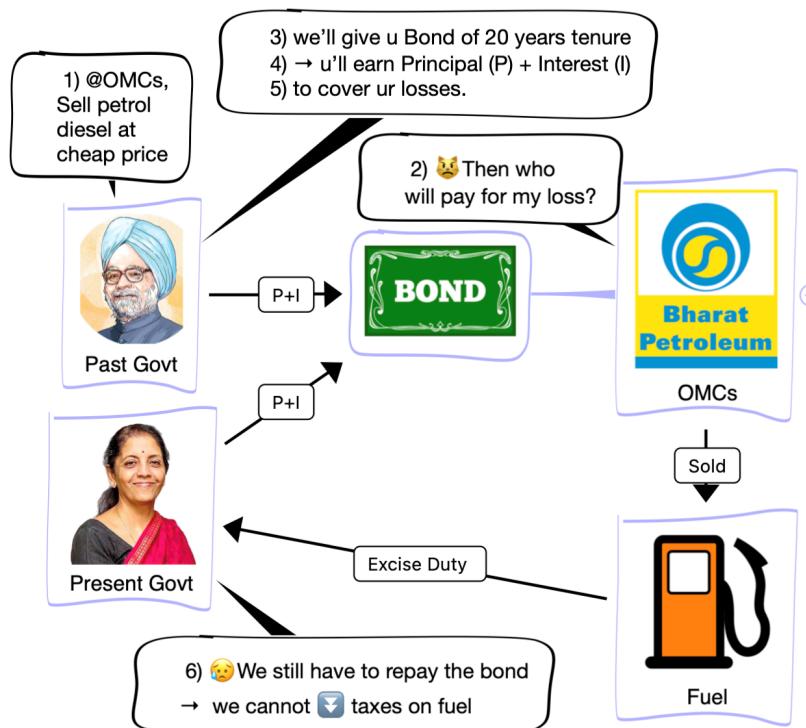
- ⇒ 1970s to 2002: Administered Price Mechanism (APM: प्रशासित/नियंत्रित मूल्य तंत्र): Wherein the government fixed the prices of petroleum fuels and paid subsidy to the oil marketing companies (OMC: तेल विपणन कंपनियाँ) for their losses by issuing Oil Bonds to them.



- ⇒ 2002-2014: Govt gradually began decontrolling fuel prices, its own subsidy burden.
- ⇒ Present system= Dynamic Fuel Pricing System (ईंधन की गतिशील रूप से बदलने वाली मूल्य प्रणाली): wherein OMCs decide the prices of petrol and diesel on DAILY basis, based on the movement in international prices. Associated keyword/formula/methodology is “Trade parity price (TPP)”.

What is means, how it works? = Poor cost benefit chasing that.

- ⇒ **Benefit of dynamic pricing?** In theory, If the oil prices lowered in the international market, petrol diesel should become cheaper in India. विश्व बाजार में दाम गिरने पर इंजन के दाम भारत में भी कम होने चाहिए. But, Union and State govt keep taxes on it so it remains expensive for common people.



- 2021-Aug: FM Sitharaman says we cannot reduce excise duty on petrol and diesel, because we have to repay principal + interest on the oil bonds issued by the previous UPA-II government to subsidise fuel prices in 2012-13. (मोदी सरकार ने कहा पेट्रोल डीजल पे उत्पाद शुल्क नहीं कट सकते क्योंकि कांग्रेस सरकार ने जो पेट्रोल डीजल पर सब्सिडी देने के लिए ऑयल मार्केटिंग कंपनियों को ओईल-बॉण्ड जारी किए थे उसका बकाया पैसा चुकाना है)
- 2021-Nov: First time in last 3 years, Modi govt cuts Petrol excise duty down by Rs 5/litre, diesel by Rs 10/litre. Possible Reasons ? 1) GST collection improved so Excise could be without hurting poverty welfare schemes 2) UP Election 3) farmers require diesel for irrigation pumpsets in Rabi/winter season. (उत्तर प्रदेश चुनाव से पहले केंद्र सरकार ने पेट्रोल डीजल के उत्पाद शुल्क में की कटौती)

22.4 CASCADING EFFECT OF INDIRECT TAXES

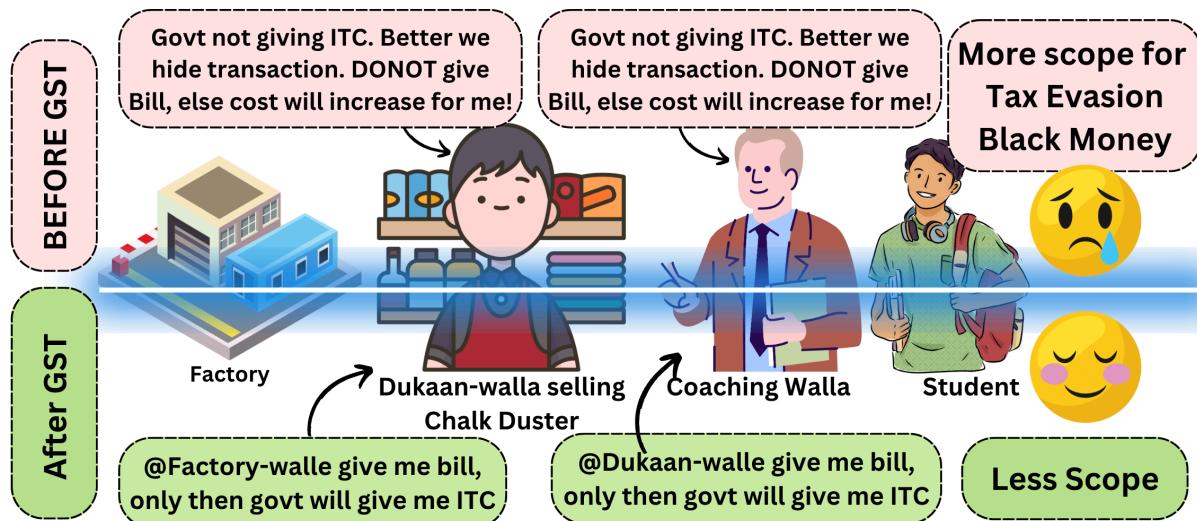
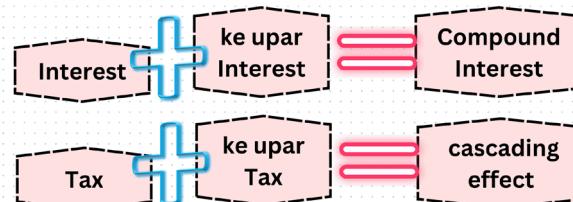
- ⇒ If a government levies 10% indirect tax every time an item is sold, but doesn't provide input tax credit (ITC) to the businessman, for the taxes he paid in previous stage, then final-customer will



have to pay tax on tax.

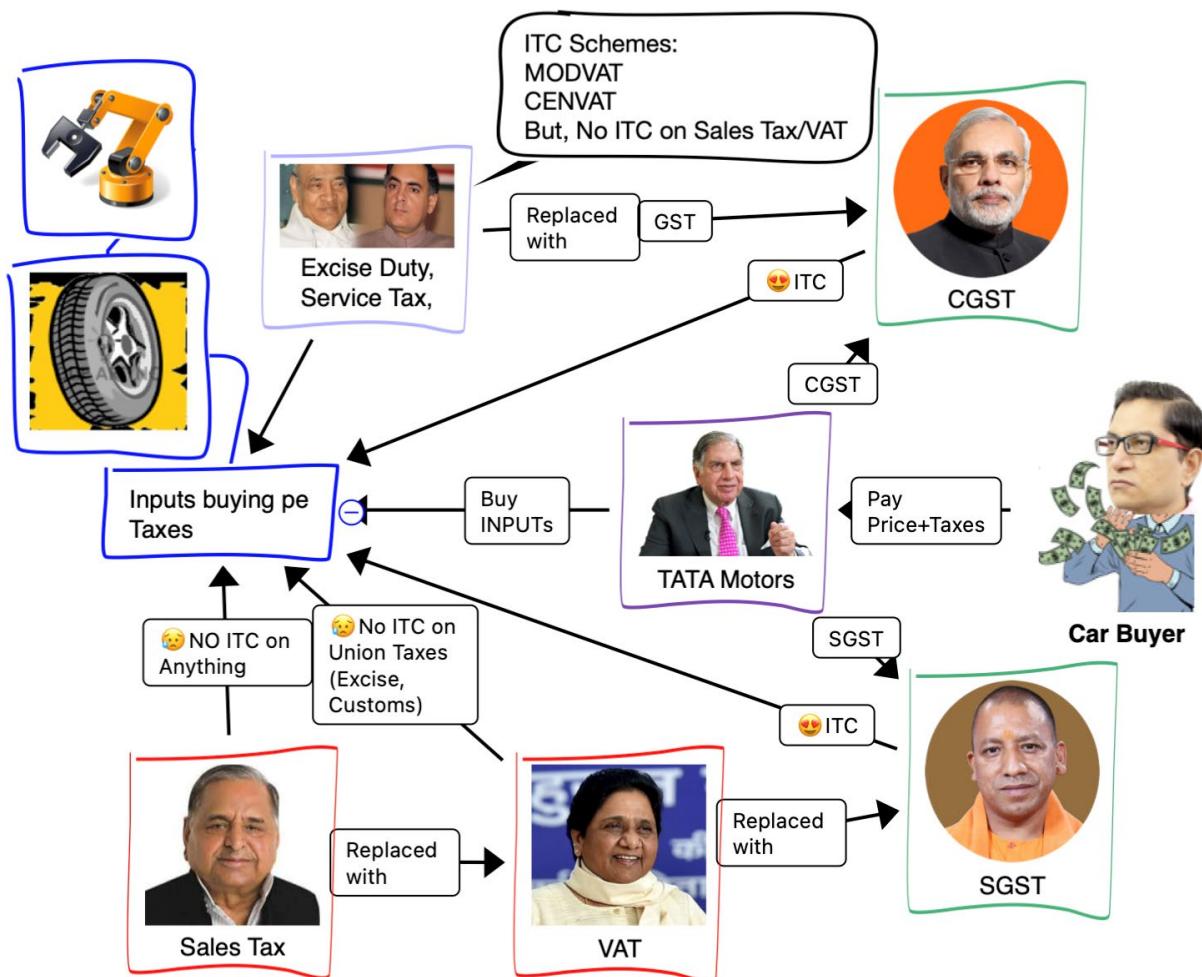
⇒ This 'cascading effect' of indirect taxes raises the price of final product. (अप्रत्यक्ष करों का सोपानी प्रभाव)

| Sr. | Item | Excise-Sales Tax system | GST |
|-----|--------------------------------------|---|---|
| 1 | Coaching walla buys Chalk, Duster | 1000 | 1000 |
| 2 | Coaching walla pay 10% Tax to seller | 100 as Excise & Sales Tax | Rs.100 as GST but, he'll get refund/ITC so effectively Rs.0 |
| 3 | Coaching-walla wants Profit | 400 | 400 |
| 4 | Selling Price (Coaching Fees) | $1000 + 100 + 400 = 1500$ | $1000 + 0 + 400 = 1400$ |
| 5 | Coaching Fees per 10% tax | $1500 * 10\% = 150$ | $1400 * 10\% = 140$ |
| 6 | Student has to pay (5+6) | $1500 \text{ fees} + 150 \text{ tax} = 1650$ | $1400 \text{ fees} + 140 \text{ tax} = 1540$ |
| | Difference in final fees | $1650 \text{ minus } 1540 = 110$ | |
| | Reason for Difference | Cell B2 (100) was counted in cost price, uspe tax added in Cell B5 → so extra burden of Rs.110 = CASCADING EFFECT | |





22.5 🛒 💳 💼 : INDIRECT TAXES: A TIMELINE OF REFORMS



| Boss? | System | Provided ITC on Union's Taxes | Provided ITC on States' Taxes |
|---|--------------------|---|-------------------------------|
| Union | MODVAT (1986-2004) | Yes on excise paid by bizman | No |
| Union | CENVAT (2004-2017) | Yes on excise & services tax paid by bizman | No |
| State | VAT (2005-2017) | No | Yes on VAT paid by Bizman |
| Union & State combined (GST Council) | GST (2017) | Yes | Yes |

Q ? MCQ-UPSC-Pre-2014. The sales tax you pay while purchasing a toothpaste is a:

- tax imposed by the Central Government
- tax imposed by the Central Government but collected by the State Government
- tax imposed by the State Government but collected by the Central Government
- tax imposed and collected by the State Government



Q ? MCQ-UPSC-CDS-2013-I. Which of the following are direct tax in India?

1. Corporation tax 2. Tax on income 3. Wealth tax 4. Customs duty 5. Excise duty

Ans. Codes: (a) 1, 2 and 3 (b) 1, 2, 4 and 5 (c) 2 and 3 (d) 1, 3, 4 and 5

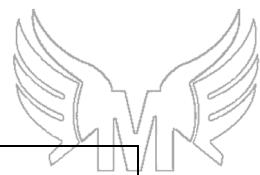
22.6 INDIRECT TAXES → GST: TIMELINE (समयरेखा)

| | |
|----------------|--|
| 2004 | Vijay Kelkar Task Force on Fiscal Responsibility and Budget Management (FRBM) recommends GST. [विजय केलकर समिति ने GST लागू करने की सिफारिश की] |
| 2006 | In Budget speech, P.Chidambaram announces the launch of GST from 2010 |
| 2011 | UPA government introduces 115 th Amendment Bill 2011 to implement GST lapsed with the dissolution of 15th Lok Sabha. (लोकसभा विघटन चलते ये विधेयक पास नहीं हो पाया) |
| 2014-16 | <p>Modi govt. introduces 122nd Constitutional Amendment Bill 2014 in 16th Lok Sabha. Since GST aimed to change federal financial relations, so under Art.368, this constitutional bill required:</p> <ul style="list-style-type: none"> - @Union Parliament Lok Sabha and Rajya Sabha each: _50% majority of the total membership, and 2/3rd majority of all members present and voting. - @State Vidhan Sabha: approval by majority of state assemblies (i.e. 15 Vidhan-sabhas of India at that time) <p>Ultimately, it passed & became</p> <ul style="list-style-type: none"> - 101st Constitutional Amendment Act, 2016 (संवैधानिक संशोधन अधिनियम/ क्रान्ति) <p><u>SIDE NOTE: other imp amendments Acts</u></p> <ul style="list-style-type: none"> - 102nd, 2018: Constitutional status to National Commission for Backward Classes (NCTC को संवैधानिक दर्जा दिया जाए) - 103rd, 2019: 10% EWS reservation (आर्थिक रूप से पिछड़े वर्ग के लिए आरक्षण) - 104th, 2020: Anglo Indian reservation removed in LS & Vidhan shaba but SC/ST continued till January 25, 2030. (एंगलो भारतीय समुदाय का आरक्षण हटाया) - 105th, 2021: To restore states' power to make their own OBC lists- After SC judgement (राज्य सरकार अपनी OBC सूची बना सके) |

22.7 GST: 101ST CONSTITUTIONAL AMENDMENT ACT, 2016

101 वां संवैधानिक संशोधन अधिनियम, 2016 amended following articles in our Constitution.

| | |
|--------------|---|
| 246-A | <ul style="list-style-type: none"> - States given power to tax goods and services. (previously, they couldn't tax services.) - But only UNION will have the power to tax inter-state supply of goods and services in the form of "IGST" (एक राज्य से दूसरे राज्य में वस्तु और सेवा की आपूर्ति पर केवल केंद्र सरकार टैक्स माँग सकता है जिसे IGST कहा जाएगा) |
| 268-A | Previously, this article empowered Union to levy Service Tax. But, since tax on services has been brought under GST, this article was deleted. (सेवा कर को हटाया गया) |
| 269-A | IGST (on inter-state trade) will be distributed between Union and states, as per the formula by the GST Council (जीएसटी परिषद) |
| 270 | CGST (=new indirect tax of Union, which replaced Excise Duty & Service Tax)..this CGST will be distributed between union and states as per the formula by the Finance |



| | |
|-------|---|
| | Commission (वित्त आयोग सिफारिशों के अनुसार CGST को केंद्र और राज्यों में बाँटा जाएगा) |
| 279-A | President of India to appoint a constitutional body, "GST Council headed by Finance Minister." (जीएसटी परिषद कि नियुक्ति राष्ट्रपति करेंगे, और वित्त मंत्री इस परिषद का अध्यक्ष होगा) |
| 366 | ☞ Alcoholic liquor for human consumption (मदिरा) is kept out of GST. (i.e. State govt continue to levy State Excise on its production and State VAT on its sale.) |

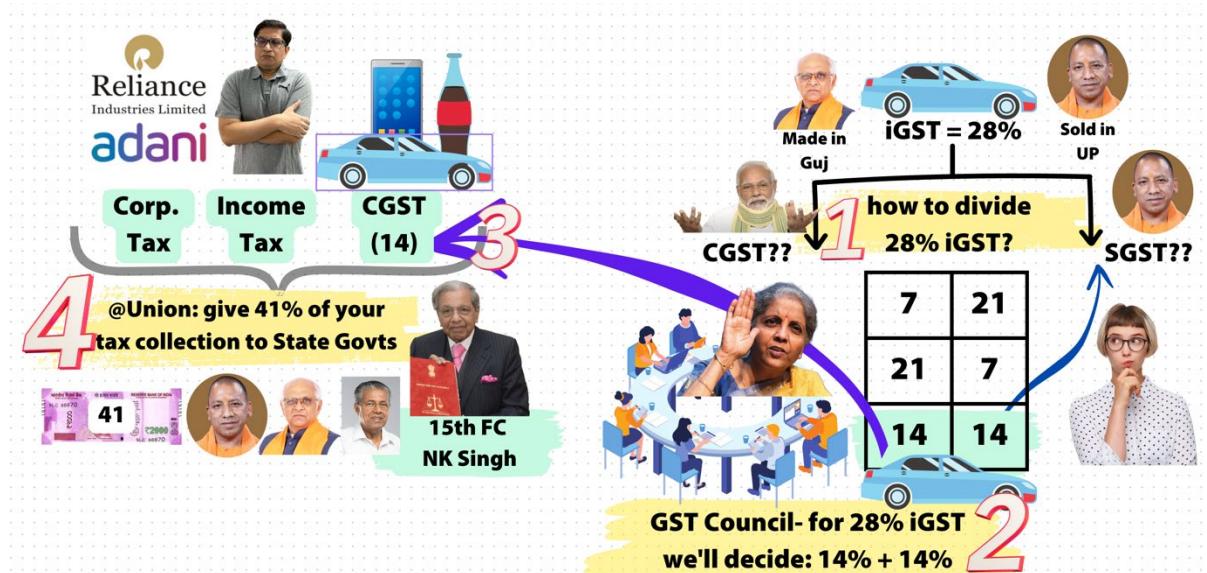
From 1st July, 2017: **Goods and Services Tax (GST: वस्तु एवं सेवा कर)** became effective. Here, supplier gets input tax credit for indirect taxes of Union & States (CGST,SGST) that he paid in the previous stage. [GST प्रणाली में पिछले चरण में चुकाए गए परोक्ष करों के ऊपर माफ़ी/टैक्स क्रेडिट मिलता है]

22.8 ☰ 📈: 💬 💬 💬 💬 GST COUNCIL: COMPOSITION? जीएसटी परिषद

| 👤 Union representatives (2 प्रतिनिधि) | 👤 31 States' representatives (31) |
|---|--|
| <ol style="list-style-type: none"> 1. Finance Minister as the Chairman 2. Union Minister of State for finance or revenue. (वित्त या राजस्व के केंद्रीय राज्य मंत्री) | <ul style="list-style-type: none"> - Each state government (including UT with legislature: J&K, Delhi & Puducherry) can nominate 1 minister to GST council- it may be their minister of finance or Dy.CM or any other minister as per their wish. - One of them will be selected as the Vice-Chairman of GST council. |
| 🗳️ Voting power: 1/3 rd (एक तिहाई) | 🗳️ Voting power: 2/3 rd |

- ✓ If all members don't no unanimously agree over a proposal (यदि किसी प्रस्ताव पर सर्वसम्मति नहीं, तो वोटिंग होगा) → it'll be put for voting → then minimum 3/4th votes required to pass the proposal.
- ✓ Council Meetings to proceed only with **quorum of 50%** of total membership.(अनिवार्य न्यूनतम हाजिरी)

22.8.1 💬 💬 💬 💬 GST Council: Functions? They'll decide following-





1. List of indirect taxes, cess, surcharge of the union and states to be subsumed under GST-regime.
(पुराने करों को जीएसटी-व्यवस्था में सम्मिलित/ विलीन करना)
2. Decide the date from which Crude oil, Petrol, Diesel, Aviation Turbine Fuel and Natural Gas will be put under GST regime. (Until then excise-VAT on these five hydrocarbon fuel products, will be unilaterally decided by Union and individual States). [कौन सी तारीख से इन पाँच चीज़ों पर GST लगाना है]
3. Decide Standard rates (सामान्य दर) for GST (i.e. CGST, SGST and UTGST). $IGST = \{CGST + (SGST \text{ or } UTGST \text{ depending on destination})\}$
4. Decide **Special rates** (विशिष्ट दर) for GST, during natural disaster / calamity if required.
 - a. E.g. 2019-Jan, GST-Council also allowed Kerala to levy a **1% calamity cess** (आपदा उपकर) on intra-state trade for next two years, for the rehabilitation of 2018's flood-victims.
5. **Integrated GST (IGST)** system during interstate commerce, and its tax-sharing.]
6. Norms related to **GST registration of businessmen**. If a goods selling Bizman has turnover above “x” lakhs, he must register @GSTN online portal, he must collect GST from consumers and deposit it there. Originally the “x” was ₹20 lakhs for ordinary states; ₹10 lakhs for Sp.cat states & Telengana. However, in 2019-Jan the GST council doubled this limit to ₹40l & ₹20l respectively. Within this, some technical relaxation given to merchants selling products on E-commerce website. (Turnover limits for service seller bizmen in Manipur, Mizoram etc separate but hairsplittery not REQ, not here for C.A. Exam). [व्यापारी/उद्योगपति/आपूर्तिकर्ता के पंजीकरण के लिए नियम बनाएगा]
7. Protecting the **interests of the special category states** (खास श्रेणी के राज्य) i.e. 8 North Eastern states and Himalayan states (Himachal and Uttarakhand.) e.g. 2021-Sikkim proposed to levy Covid Cess on pharmaceutical companies and electricity companies to collect money for Corona wave 2.0. But, GST Council's group of ministers (GoM) committee rejected Covid Cess proposal. However GoM committee recommended Union Govt to give ₹250 crore grant/compensation to Sikkim for fighting Covid Wave 2.0. (कोरोना की दूसरी लहर से लड़ने के लिए सिक्किम को मुआवजा/अनुदान)
8. **Compensation** to the states for their revenue loss in switching from VAT to GST regime (through Cess mechanism: राज्यों को उपकर द्वारा मुआवजा)
9. **Dispute settlement** between Union vs state(s), state(s) vs state(s). (विवाद निपटान)

So, Constitutional Amendment → set up GST council → GST council's meeting → laws passed by Parliament and Vidhan Sabhas, to implement the GST related mechanisms.

1. 🗂️ Parliament has passed:
 - ✓ Central Goods & Services Tax Act (CGST: केंद्रीय वस्तु एवं सेवा कर अधिनियम)
 - ✓ Integrated Goods & Services Tax Act (IGST: एकीकृत माल और सेवा कर अधिनियम)
 - ✓ Union Territory Goods & Services Tax Act (UTGST: केंद्र शासित प्रदेश माल और सेवा कर अधिनियम): Finance Act 2020 → amends UTGST Act to update list of UTs:



- i. (new) Ladakh without legislature.
 - ii. (merged) 1) Dadra and Nagar Haveli + 2) Daman and Diu = treated as single UT (because Govt merged them in 2019).
- ✓ Goods and Services Tax (**Compensation to States**) Amendment Act. माल और सेवा कर (राज्यों को मुआवजा) संशोधन अधिनियम
- ✓ Parliament originally passed them 2017, later amended in 2018 As per the recommendations of the GST Council.
2. 🗿 ₹ State Legislatures have passed State Goods and Services Tax Acts. (SGST)
 3. 🗿 🇮🇳 Jammu & Kashmir passed SGST Act on 8th July, 2017 → then GST system became effective there as well. JAMMU AND KASHMIR REORGANISATION ACT, 2019 has not abolished this SGST act. Present status is:
 - ✓ SGST applicable on J&K (UT with Legislature: विधायिका युक्त केंद्रशासित प्रदेश)
 - ✓ UTGST on Ladakh (UT without Legi: विधायिका-हीन केंद्रशासित प्रदेश)

🗿 ₹ 🗿 🇮🇳 Stereotyping icons for faster revision. Take no offense.

22.8.2 🔒 GST Council Decision not binding on States

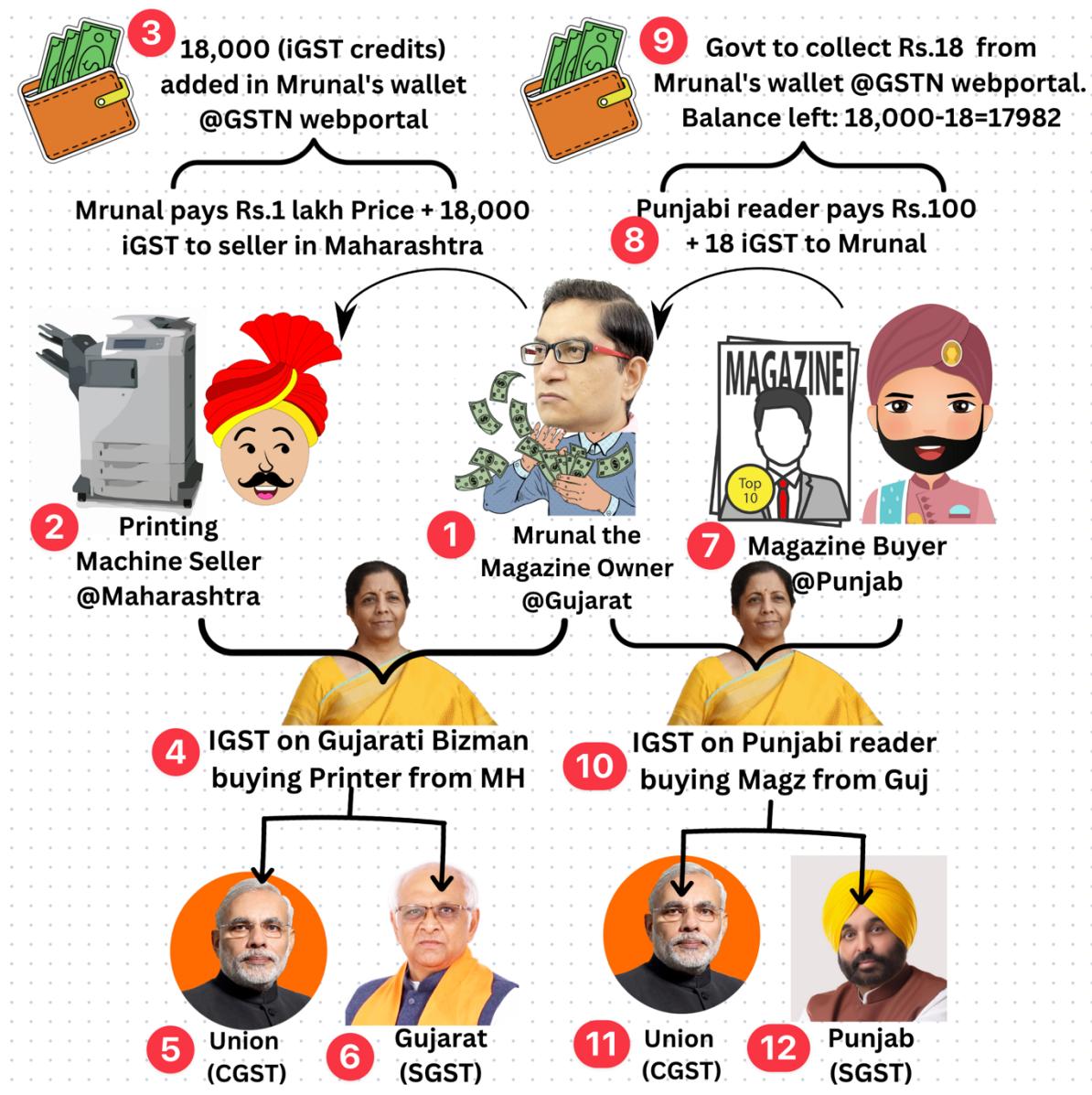
- ⇒ 2022- Supreme Court observed that GST Council's decisions are not binding on the states.
- ⇒ This may create challenges in the future, if (non-BJP) states do not comply with the GST council decisions. (सुप्रीम कोर्ट ने पाया कि GST परिषद के आदेशों को मानना- राज्य सरकारों के लिए अनिवार्य/बाध्य नहीं है.)

22.9 💳 ₹ 🗿 GST INPUT TAX CREDIT (ITC: इनपुट कर प्रत्यय)

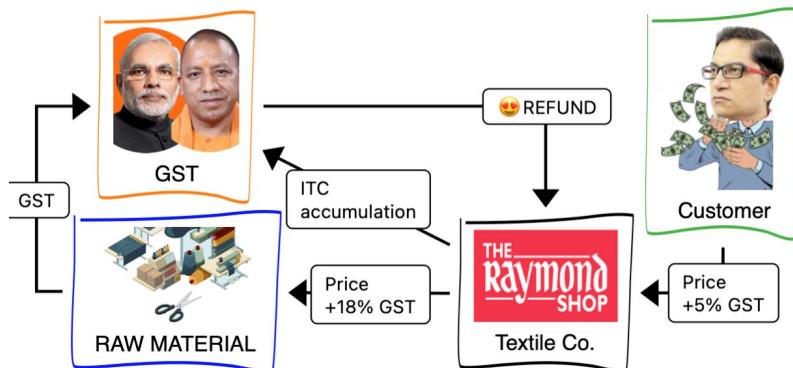


| in same the State (or UT without legislature) = Intra-state supply (अंतःराज्य) | 🗿 (₹) ₹ → ₹ ₹ | in another State (or UT w/o LSR) = Inter-state supply (अंतरराज्यीय) | 🗿 (₹) ₹ → ₹ ₹ |
|--|-----------------|---|-----------------|
| 1. 🗿 Union levies → CGST 2. 🗿 ₹ State levies → SGST 3. UT without legislature levies → UTGST | | 1. 🗿 Union levies IGST = CGST + (SGST or UTGST depending on destination). 2. From this IGST → CGST goes to Union, and the other portion goes to the 🗿 🇮🇳 Destination State/UT without legislature. | |

- ⇒ GST is a 'destination based' indirect tax on consumption of goods & services. (GST उपभोग पर लगने वाला 'स्थान-आधारित' अप्रत्यक्ष कर है)
- ⇒ GST is applicable on supply of goods or services. (वस्तुओं और सेवाओं की आपूर्ति पर लगता है)



22.9.1 Inverted Duty Structure Problem in GST on Textile



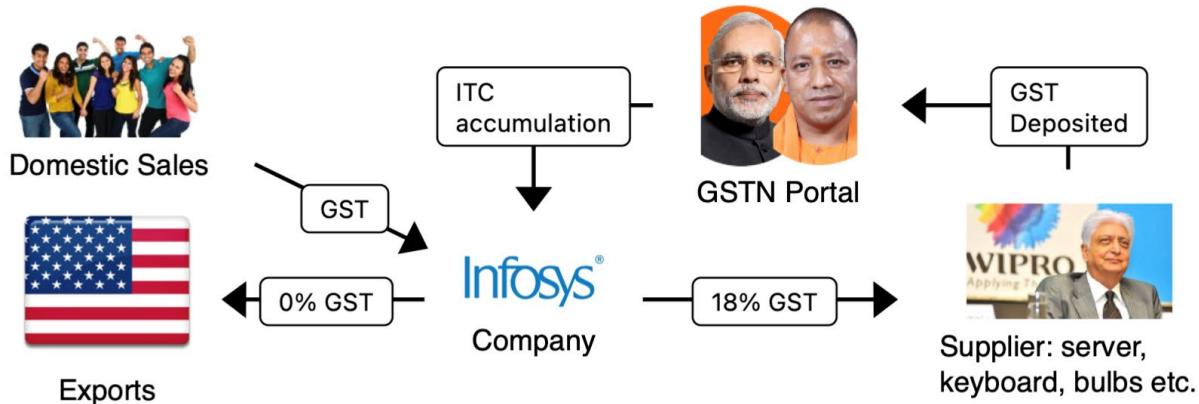
An inverted duty structure in GST arises when the taxes on output or final product is lower than the taxes on inputs, creating an inverse accumulation of input tax credit- then government has to refund the GST to the business man. = administrative & accounting inconvenience for the govt.



| Input Raw material | Output Final Product | Implication |
|---------------------|---|--|
| Fiber (रसा) 18% GST | Apparel shirt/pants etc. = 5% GST (वस्त्र) | Trader will accumulate 13% GST credit. Govt will have to refund. |

AFTER Reform: GST council imposed Uniform 12% GST on manmade fibre (MMF), yarn, fabrics and apparels, footwear. However, after the protests from textile industry, this decision was postponed. (जीएसटी में एक उल्टा शुल्क संरचना: यदि कच्चे माल जेसे के कपड़ा खरीद पर उधयोगपति ने 18 पर्सेंट जीएसटी टैक्स देना पड़े और उसमें से तैयार किए गए शर्ट-पतलून की बिक्री पर 5% GST लगता हो तो, तो असल में सरकार ने उस उधयोगपति को 13% GST refund देना होगा। इस हिसाब-किताब और रिफंड की माथापच्ची से बचने के लिए कपड़ा-जूते के कच्चे माल और अंतिम उत्पाद पर एक समान 12% जीएसटी लगाया जाएगा। हालाँकि कपड़ा व्यापारीओं के विरोध के चलते इस निर्णय को टाल दिया गया है।)

22.9.2 GST: Exempt vs ZERO RATED



| GST ZERO RATED (0%) | GST EXEMPT/NIL RATED | NON-GST Supply |
|--|--|--|
| <p>IF Govt levies 0% GST on the Goods/Services & <input checked="" type="checkbox"/> ALLOWS bizman to claim ITC. For example:</p> <ul style="list-style-type: none"> ⇒ 18% GST on laptop bought by Infosys Company (Input) ⇒ 0% GST on EXPORT of Software Services (Output). ⇒ Here, Indian software company will accumulate / gain 18% GST. ## | <p>IF Govt levies 0% GST, & DOESNOT allow Bizman to claim ITC. E.g. Jaggery (गन्धे का गुड़).</p> <ul style="list-style-type: none"> ⇒ So if Bizman bought a machine for crushing sugarcane → he'll not get ITC ⇒ So, then. to recover the cost+tax on input, Bizman may charge more selling price of jaggery on customer. | <p>These goods/services are NOT subjected to GST. They are subjected to other taxes. E.g.</p> <ul style="list-style-type: none"> ⇒ Petrol, Diesel etc 5 hydrocarbon products = Excise & VAT. ⇒ Alcohol for human consumption = State Excise & VAT |
| GST-ITC Given = YES | GST-ITC Given = NO | GST-ITC Given = NO |

- In Software EXPORT case, Infosys Company gained ITC. So, A) Govt will REFUND and/or B) Infosys can use this ITC for adjusting/offsetting future sales within India.



- In both case A and B case, ultimately govt will not be able to earn GST from Infosys, however government benefits from the increased exports → jobs, GDP. Besides, more profit for Infosys in export = more Corporation Tax for Govt. 😊

22.9.3 ✎ Vaccine GST can't be 0% ZERO RATED or "EXEMPTED" because

| Present situation | ✖ Export of Vaccine | ⬇ Domestic Sale of Vaccine |
|-------------------|---------------------|----------------------------|
| Vaccine → | 0% GST (Zero Rated) | 5% GST |

- ⇒ If Vaccines domestic sales pe 0% GST (ZERO RATED) = Businessman will accumulate large amount of ITC. Govt will have to refund. = Less tax collection for Govt. 😞
- ⇒ If Vaccines' domestic sales pe GST EXEMPT/NIL RATED = Businessman will NOT get any ITC on raw material /machines → he'll ⚡ price of vaccine on patient. 😞 (similar to Sugarcane machine-Jaggery case).

वैक्सीन को GST दायरे से बाहर नहीं किया गया क्योंकि ऐसा करने पर फार्मास्यूटिकल कंपनी को कच्चे माल की खरीदारी पर अदा किया गया GST माफ़ी भी नहीं मिलेगा तो ग्राहक पर कीमतों का बोझ बढ़ता है.

⌚ MORAL Outrage: Isn't there an inconsistency in logic/will there not be inverted duty structure problem in Vaccine mfg similar to Textile? Ans. GST council decides rates based on variety of factors like what are the tax rates on the inputs and how much GST-losses for the government versus the benefit to the ordinary patients etc. If you get selected in IRS they will teach it to you there. सरकार अपना दिमाग़ लगाकर रेट निर्धारित करती है, अपने को झंडा लेके पीएचडी करने की ज़रूरत नहि।

22.10 ⚡ OUTSIDE GST CENTRE'S INDIRECT TAXES SUBSUMED IN CGST

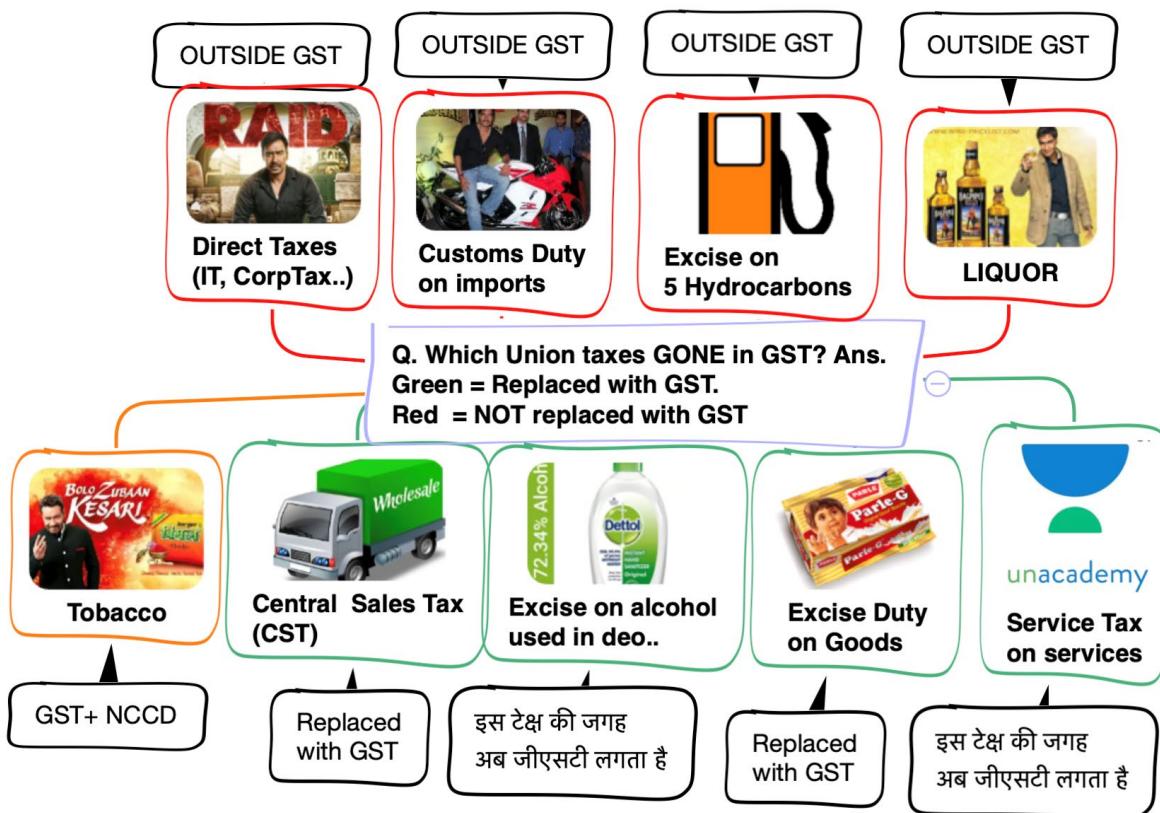




Table 1: केंद्र के अप्रत्यक्ष कर जो केंद्रीय वस्तु एवं सेवा कर (सीजीएसटी) में विलीन हो गए

| Indirect Tax of Union | Whether replaced by CGST? |
|--|--|
| ⚓ For import-export: Basic Customs Duty, cess / surcharge on it. सीमा शुल्क और विभिन्न उपकर / अधिभार Related Act: Customs Act 1962 | <ul style="list-style-type: none"> - No, Customs Duty is NOT replaced with GST. It's separate from GST-regime. So, imported goods are subjected to Customs duty + IGST. - Previously, imported goods were subject to Customs Duty + education cess (शिक्षा उपकर) but Budget 2018 replaced it with Customs Duty + 10% Social Welfare Surcharge (समाज कल्याण अधिभार). - Budget-2020: 5% Health CESS (स्वास्थ्य उपकर) on imported medical devices (चिकित्सा उपकरण) for hospitals construction in Aspirational (=backward) Districts. |
| ⚓ On imports: Special Additional Customs Duty (SAD), Countervailing Duty (CVD), Anti-Dumping Duty (ADD) | They're not 'replaced' with CGST. More about them in (More in Pillar#3B: World Trade Organization) |
| Central Sales Tax (CST-केंद्रीय बिक्री कर) | CST was the Union tax levied on sale of items in inter-state trade, and it was assigned to the 'Origin state'. It's replaced with IGST (= CGST + SGST) एक राज्य से दूसरे राज्य में माल सामान बेचने पर ये कर लगता था हालांकि उद्धम राज्य को केंद्र सरकार यह रकम देता था |
| On providing services: Service tax (सेवा कर) and Krishi Kalyan Cess and Swatchh Bharat Cess | <ul style="list-style-type: none"> - 1994: FM Manmohan Singh introduces 5% Service Tax (सेवा कर) on telephone bills, non-life insurance and stock-brokers [शेयर बाज़ार के दलाल]. - Over the years, more services were subjected to Service Tax. This service tax was NOT applicable on some services e.g. Postal service, School fees etc. - Ultimately, Service Tax+Cess = total 15%. Abolished after GST. [GST आने पर ये सारी चीज़ ख़त्म हो चुकी है] |
| On manufacturing/production of goods: Excise duty and various Cess / surcharges on it. (उत्पाद शुल्क और विभिन्न उपकर / अधिभार) Related Act: Central Excise Act 1944 | <ul style="list-style-type: none"> - Yes, completely replaced by CGST (except 5 hydrocarbon fuels: petrol, diesel etc.) - Excise on manufacturing medicinal & toiletry preparations containing alcohol (e.g. Cough syrups, deodorants and perfumes) also replaced by CGST. - Alcoholic Liquor for human consumption- falls in States' purview so Union Excise / CGST not applicable on it. |
| Excise duty on Tobacco products [तंबाकू उत्पादों पर उत्पाद शुल्क] | <ul style="list-style-type: none"> - It's replaced with 14% CGST. Further, Union also levies + GST Compensation Cess + National Calamity Contingency Duty** (NCCD:-राष्ट्रीय आपदा आकस्मिकता ड्यूटी) |



| Indirect Tax of Union | Whether replaced by CGST? |
|--|---|
| | <p>on them.</p> <ul style="list-style-type: none"> - ** 101st Constitutional Amendment allows Union to tax tobacco products separately. - NCCD money goes to Public Account → National Disaster Response Fund set up under Disaster Management Act, 2005. - ● Budget-2023: increased NCCD (National Calamity Contingent Duty) on cigarettes |
| ❑ Excise duty on production/refining of Crude oil, Petrol (Motor Spirit), Diesel, Aviation Turbine Fuel and natural gas: कच्चे तेल, पेट्रोल (मोटर स्पिरिट), डीजल, विमानन टरबाइन ईंधन और प्राकृतिक गैस पर उत्पाद शुल्क | <ul style="list-style-type: none"> - Once GST council decides the date they'll be brought under GST-regime. अभी जीएसटी नहीं लगता. भविष्य में जीएसटी परिषद तय करेगी उसके बाद लगेगा. - Until then refineries / oil-drilling companies have to pay excise duty+cess/surcharges to Union for production / manufacturing of these items. (and petrol pump owner, etc will have to pay VAT to states on their sale.) - Presently, Petrol & Diesel are also subjected to Union's Road and Infrastructure Cess (सड़क और बुनियादी ढांचा उपकर) its ₹₹ goes into Public Account→ Central Road & Infrastructure Fund under Central Road Fund Act 2000. |
| ₹ 📊 Corporation Tax, Income Tax, Capital Gains Tax etc [निगम कर, आयकर और पूँजीगत लाभ कर] | <p>⇒ 嚄 Arre Bhai, they're ₹ 📊 DIRECT Taxes of Union, so they are not replaced by GST. ये सब प्रत्यक्ष कर हैं.</p> <p>⇒ The GST is meant to replace ₹ 📊 📊 INDIRECT Taxes only. जीएसटी केवल परोक्ष करों के साथ जुड़ा है</p> |

22.10.1 GST Revenue Collection Figures: जीएसटी राजस्व प्राप्ति के आंकड़े

GST registered suppliers have to deposit the GST at the GSTN portal on monthly basis. In monthly collection of GST, there are ups and downs based on seasonality.

| Year/Month | 2021-May | 2022-May | 2022-Dec |
|----------------|------------|--------------|--------------|
| GST collection | ₹97,000 cr | ₹1,40,885 cr | ₹1,49,507 cr |

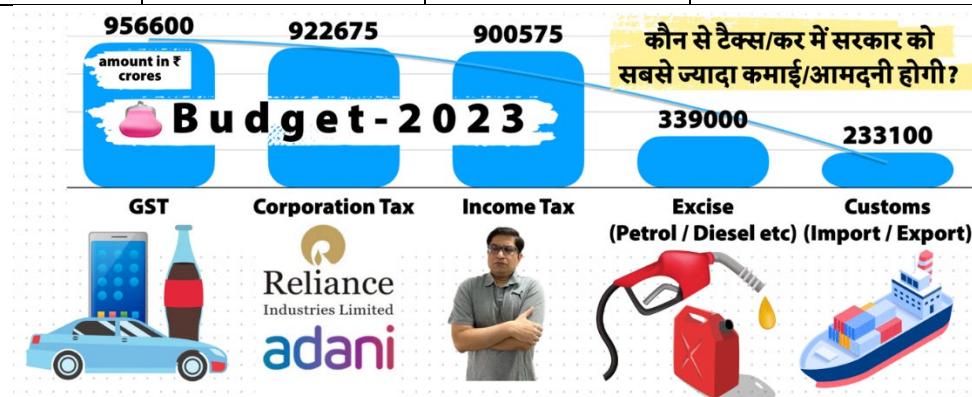




Table 2: कौनसे करो में सबसे ज्यादा आमदनी होगी सबसे ज्यादा आमदनी होगी

| | |
|-------------------------------|---|
| Budget-2023 | GST > Corporation > IT > Excise > Customs |
| Budget-2022 | Same as above. |
| Budgets from 2019, 2020, 2021 | Sometimes Corporation tax was #2, sometimes income tax was #2 but poor cost benefit memorizing all that so I am deleting. |
| Budgets Before 2019 | Corporation > GST > IT > Excise > Customs |

22.11 (3) STATES' INDIRECT TAXES SUBSUMED IN SGST

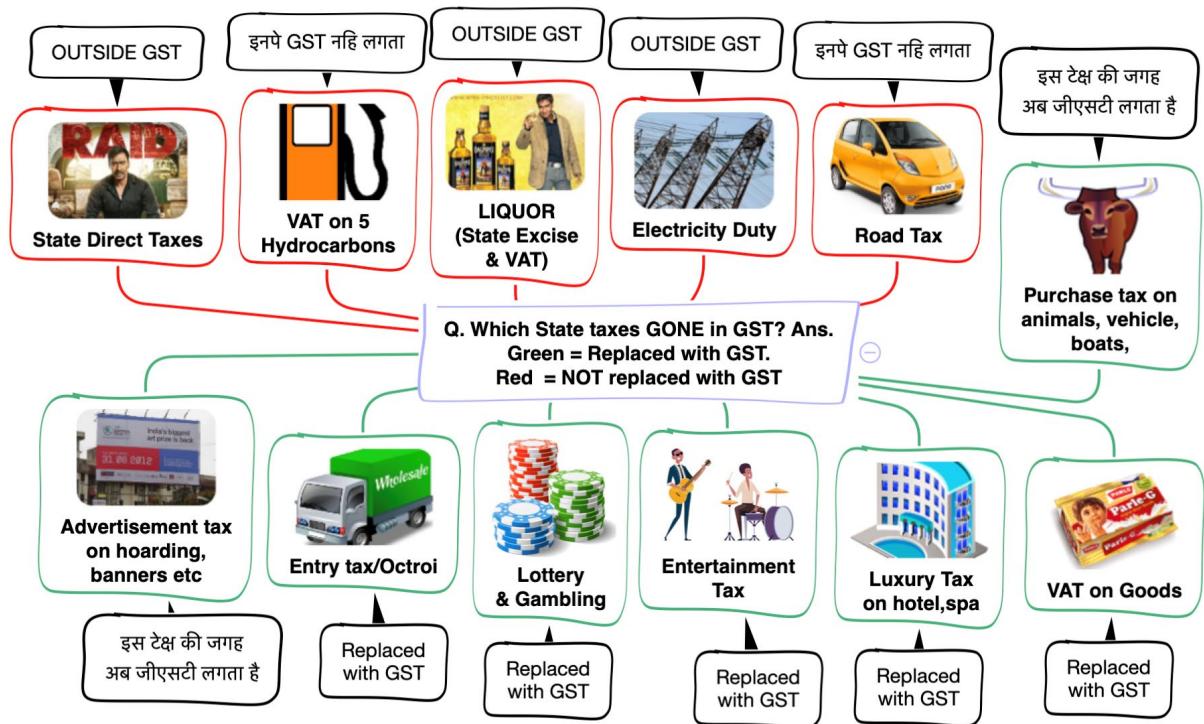


Table 3: राज्यों के अप्रत्यक्ष कर जो राज्य वस्तु एवं सेवा कर (एसजीएसटी) में विलीन हो गए

| : Indirect Tax of State Govt. → | whether replaced by SGST? |
|--|---|
| On sale of goods: State Value Added Tax (VAT) (In some states called "Commercial tax" वाणिज्यिक कर) | <input checked="" type="checkbox"/> Yes, By default VAT is replaced by SGST, but read below: |
| State VAT on selling of Crude oil, Petrol (Motor Spirit), Diesel, Aviation Turbine Fuel and natural gas [ईंधन बिक्री पर राज्य सरकार की वेट कर] | Once GST council decides the date, these'll be brought under GST-regime. Until then, petrol pump owners, LPG gas distributors etc. will have to collect VAT (+ any cess / surcharges) from the customers and deposit to the state government. |
| - State Excise on production of liquor for human consumption (मानव उपभोग के लिए बनी शराब के उत्पादन पर राज्य उत्पाद शुल्क) | No, they're completely kept out of GST. [unlike above petro items where GST council will implement it after "x" date]. Since inception of our Constitution, the power to tax liquor was with |



| | |
|---|--|
| - State VAT on sale of liquor for human consumption. (मानव उपभोग के लिए बनी शराब/ मदिरा की बिक्री पर राज्य दैट) | <input type="checkbox"/> : States, & it constituted a major source of revenue for them, so States were unwilling to hand it over in GST regime. Had Modi govt tried to bring liquor in GST-regime, then majority of the Vidhan-Sabhas may not have passed this Constitutional Amendment Bill. |
| Electricity Duty बिजली शुल्क | <input type="checkbox"/> No, it's not replaced by SGST |
| Road Tax on vehicles. | <input type="checkbox"/> No, it's not replaced by SGST. Its status as direct/indirect tax is vague because in some states/ vehicle categories: buyer himself deposits while in some cases, seller required to collect & deposit. |
| Purchase tax on vehicle, boats, and animals-खरीद कर | <input checked="" type="checkbox"/> Yes replaced by SGST |
| Advertisement tax on hoarding, banners etc.- विज्ञापन कर | <input checked="" type="checkbox"/> Yes replaced by SGST |
| Luxury tax at Hotels, Spas, Resorts etc.- अस्थासी-विलासिता कर | <input checked="" type="checkbox"/> Yes replaced by SGST |
| Entry tax/Octroi for entry of goods in an area -प्रवेश के लिए कर , ऑक्ट्रोई | <input checked="" type="checkbox"/> Yes replaced by SGST |
| Taxes on Lottery, horse race betting, gambling etc. लॉटरी, घोड़े की दौड़ सटेबाजी, जुआ | <input checked="" type="checkbox"/> Yes replaced by SGST. Since they're 'sinful/demerit goods', they're subjected to highest slab : 14% SGST + 14% CGST = 28% |
| Entertainment Tax on Cinema, Live Performance shows etc.- मनोरंजन कर | <input checked="" type="checkbox"/> Yes, replaced by SGST unless levied by a local body. e.g. Kerala local bodies 10% on movie tickets. |
| Income tax on Agriculture, Professional tax, Property tax, Stamp Duty, Land revenue [कृषि आय कर, व्यावसायिक कर इत्यादि] | <input type="checkbox"/> Arre Bhai, they're DIRECT Taxes of State so not replaced by GST. The GST is meant to replace INDIRECT Taxes only. |

22.12 GST RATES ON SERVICES =0%: सेवाओं पर जीएसटी की दर

Which of following is ZERO Rated & which one is NIL Rated/EXEMPT? Ans. Poor cost:benefit.

- Services provided by union government, state government, local bodies, constitutional bodies, department of post (except premium services like speed post), Railways (except premium services like first class AC ticket)
- Services by Reserve Bank of India and other financial regulators.
- Services by Banks/NBFCs in connection with Government sponsored banking, insurance and pension schemes. (Refer to financial inclusion handout)
- ESIC, EPFO services to the subscribers, Group insurance schemes for paramilitary forces



5. Religious, charitable activities, cooperative societies, Public libraries, Public toilets, Crematorium, Burial grounds.
6. Rent on residential accommodation (किराए पर लिया गया रिहायशी मकान)
7. Aviation Services in North-eastern States (उत्तर पूर्व में उड़ान सेवा)
8. Transport services to milk, (physical/paperbased) newspaper, defence equipment, disaster relief material
9. Doctors, para-medics, Ambulance, Blood bank.
10. Agriculture warehouse, cold storage, renting of Agro machinery, Contractor who is supplying farm labourers, APMC (Agricultural produce market committee)
11. Agriculture pre-processing of food e.g. ripening, waxing, retail packing, labelling of fruits and vegetables which do not change essential characteristics of the said fruits or vegetables.
12. Veterinary doctor, Animal husbandry related services except racehorses
13. Educational services by Educational Institutes (like schools colleges universities Vocational institutes. NOT COACHING Institutes)
14. Entrance Exam fee collected by Union or state government orgs.
15. Private training partners in government skill development schemes
16. Sports training and events by recognised sports body
17. Sports, Art, Culture etc. clubs with member-fees less than “X” rupees.
18. Circus, dance, drama or ballet, award function, concert, pageant, musical performance or any sporting event where admission fees is less than “X” rupees.
19. Admission to a museum, national park, wildlife sanctuary, tiger reserve, zoo, ASI-recognized Heritage sites.
20. **2020-Oct decision:** satellite launch services supplied by ISRO, Antrix Corporation Ltd. and NSIL would be exempted. (More about these organizations in (More in Pillar#5: communication infrastructure)
21. Any service EXPORTED outside India (THEY ARE “ZERO RATED Export”)

In the Pre-GST era, most of above services were having 0% Service Tax. वर्तमान में उक्त पर 0% जीएसटी लगता, उसी प्रकार भूतकाल में जब ‘सेवा-कर’ था तो वो भी इनमें से ज्यादातर सेवाओं पर 0% था.

If a given service is not in the above list, then it will be subjected to GST: <see next table>

| Example of services (कुछ उदाहरण सेवाओं के जिन पर GST लगता है) | iGST Rate |
|--|-----------|
| Plumbing, carpentering, Ads in print media, Ebooks | 5% |
| - Accommodation in hotels, inns, guest houses with daily charges upto ₹7500/- - Movie tickets, Engineering related services | 12% |
| - Coaching Services, E-Books, e-newspaper, e-music, | 18% |



| | |
|---|-----|
| - WebSeries/OTT platforms-AmazonPrime, Hotstar etc. - Ads in digital media, Legal and accounting services - DTH/TV channels, Movie tickets above Rs.“x”, 5 star Hotel rooms | |
| ❖ Gambling, Horse Race club, Casino, online gaming | 28% |

For more, you may refer to: <https://cbec-gst.gov.in/gst-goods-services-rates.html>

22.13 ❁ ❁ ❁ GST RATES ON GOODS : 0%: सामान पर जीएसटी की 0% दरें

Which of following is ZERO Rated & which one is NIL Rated/EXEMPT/0%? Ans. Poor cost:benefit.

1. Fresh milk, Pasteurized Milk
 2. Live animals (except race horses), poultry, pigs, shrimps, fishes, insects etc
 3. FRESH, “UNBRANDED” and not ‘Prepacked’ animal products eggs, meat, honey, rawsilk etc.
 4. FRESH, “UNBRANDED” and not ‘Prepacked’ flowers, leaves, fruits vegetables, unroasted coffee beans & tea leaves, Salt.
 5. Bread (* * except when served in Restaurant/ pizza)
 6. Prasadam supplied by religious places. (धार्मिक स्थानों द्वारा दिया जाने वाला प्रसाद)
 7. Deities made of stone, marble or wood; Puja Samagri like Rudraksha, Panchamrit
 8. Rakhi, Kumkum, Bindu, Sindur, Plastic / glass bangles without precious metal.
 9. Human blood, contraceptives, sanitary napkins, tampons, hearing aid
 10. Tocilizumab (Corona Drug), Amphotericin B (Black Fungus Drug) (From 2021-Jun)
 11. Electricity, Firewood (बिजली और जलाने की लकड़ी)
 12. Judicial / Non-judicial stamp papers, Court fee stamps, ordinary post cards etc.
 13. Printed Books; physical edition of Newspapers, journals, periodicals irrespective of whether they have advertisement or not.
 14. Khadi sold by Khadi and Village Industries Commission(KVIC) certified outlets
 15. Gandhi topi, Charkha, national flag, Earthen pot, clay idols
 16. Agricultural hand tools like spade, axes, sickle.
 17. When a constitutional / public authority auctions the gifts received by him.
 18. Spacecraft, satellites and their launch vehicles.
 19. Import of specified defense goods not manufactured in India
 20. Free sample or gift given. E.g. “Offer: Toothpaste pe toothbrush FREE” then only Toothpaste subjected to GST. No gst on that free-toothbrush. (ग्राहक को लुभाने के लिए मुफ्त में दिया जाने वाला सैंपल)
 21. Any Goods EXPORTED outside India (technically called “ZERO RATED Export”)
- If a given goods is not in the above 0% list (and not kept out the GST-regime like *Petrol-Diesel-Daaru*), then it will be subjected to GST: such as following



22.13.1 📈💻GST Rates on Goods : 0% removed

| BEFORE-2022 | From 2022 |
|--|---|
| 0% GST on cereals (wheat rice etc), flour (aata), pulses (daal), curd, Lassi, puffed rice (poha) | 5% GST if they're ☑ PREPACKED and ☑ Labelled and ☑ packet size is smaller than 25KG or 25 litres |
| 0% Maps and Bank's Chequebooks | 18% GST |

FAQ: Apart from above items, which other XYZ food item pe above rule applicable or not?

Ans. Newspapers did not bother to highlight but you can satisfy curiosity by doing self-PHD on this list: <https://cbic-gst.gov.in/gst-goods-services-rates.html>

| SOME Example of Goods | iGST |
|--|-------|
| Semi-precious stones like agate, amber, topaz, lapis lazuli etc. | 0.25% |
| Diamonds cut and polished (this new slab created in 2022-Jul) | 1.50% |
| Jewellery, Pearls, Gold, platinum, silver etc. | 3% |
| Milk powder, Baby food, Pizza bread, Mineral ores, liquid jaggery (raab), Ethyl Alcohol used in blending with petrol. Certain medicines ⌚ Corona related drugs/devices: 💉 Vaccines, Remdesivir, Oxygen Concentrator, Ventilator, Covid Testing Kits, Pulse Oximeters, 📈 Temperature check equipment, 🧴 Hand Sanitizer, crematorium furnaces, Ethanol meant for blending with petrol | 5% |
| Fruit Jams, Butter, Cheese, Canned Fish, Sugar cubes, Textile, certain medicines & surgical items, Railway wagon, electric car & its chargers 🚑 Ambulances, 🏠 Bricks | 12% |
| ➤ Ice cream, cakes, biscuits; Millet based health products ➤ Soap, perfume, paint; Electronics, Computer & Mobile accessories ➤ Certain medicines, Alcohol based hand sanitizers ➤ Paint, Polish, Wax and similar petroleum products | 18% |
| Luxury goods, Sin Goods, Demerit goods (विलासिता /पाप/ अवगृण सामान): ➤ Caffeinated Beverages e.g. Red bull, 🚬 Tobacco products, Pan Masala ➤ Cement, Granite, Marble, Air Conditioners, TVs of “x” size ➤ Motor vehicles, Aircrafts, Yacht, Guns, Lottery ticket, online games | 28% |

22.13.2 📈💻 Indirect Tax → 💊GST Rate ↘ on Corona Related Items (2021-Jun)

Outdated for 2023/2024 exam cycles. Deleting from Handout.



Q ? MCQ. Consider the following items:(Asked in UPSC-Pre-2018)

- | | |
|------------------------------|---|
| 1) Cereal grains hulled | 2) Chicken eggs cooked |
| 3) Fish processed and canned | 4) Newspapers containing advertising material |

Which of the above items is/are exempted under GST (Good and Services Tax)?

- | | | | |
|------------|------------------|---------------------|-------------------|
| (a) 1 only | (b) 2 and 3 only | (c) 1, 2 and 4 only | (d) 1, 2, 3 and 4 |
|------------|------------------|---------------------|-------------------|

22.14 GST COMPOSITION SCHEME (जीएसटी संरचना योजना)



A relief given to small traders. Instead of depositing GST money to Govt on monthly basis, they may deposit it 3-3 months. (It has more technical rules. But we'll NOT WASTE TIME in CA-giri).

22.14.1 GST Mechanism: Quarterly Returns and Monthly Payment of Tax (QRMP)

Faded/outdated. Deleting this topic for Prelims-RAFTAAR

22.14.2 1% GST deposit in cash for controlling fake ITC claims

Faded/outdated. Deleting this topic for Prelims-RAFTAAR

22.15 REVERSE CHARGE MECHANISM (विपरीत प्रभार की व्यवस्था)



कुछ खास मामले जहाँ विक्रेता नहीं बल्कि ग्राहक ने खुद सरकार को GST जमा करना पड़ेगा

- Normally, a seller must collect the GST tax from buyer & deposit to the govt.
- However, in selected cases when seller is not registered with GST number, while buyer is registered with GST number, then buyer will have to deposit the tax to government.
- How / when / why = NOT IMP, EXCEPT the MCQ word Association that 'Reverse Charge Mechanism' is associated with GST, just like 'E-way bill' mechanism is associated with GST.

22.16 E-WAY BILL SYSTEM (ई-वे बिल प्रणाली) FROM 2018 ONWARDS



Figure 1: checkpost पे उत्तीर्णन कम होगा



- When goods worth ₹50,000/> are moved within a state (intrastate) or from one state to another (inter-state), then the truck/transport/cargo/shipping/aeroplane company must generate E-way Bill from GSTN Portal / App / SMS.
- E-way bill's self-declaration (*that our truck is carrying "x" type of goods worth "y" value*) reduces the scope of bribery, delay, red-tape, harassment at the check post, thereby ensuring a hassle-free rapid movement for transporters throughout the country.
- E-way bill system became effective from 2018.
- **Related topic:** GST council announced E-invoice (=bill generation through govt's online portal) from January-2020 on pilot basis, then E-way bill will not have to be generated separately.
- This will provide relief to businessman, will improve the tax-surveillance and fight against false ITC-credit claims through fake invoices.
- As such E-invoice was to become compulsory from 1/April/2020. However, because of Corona, deadlines have been deferred. Deadlines keep changing, notIMP. (स्थगित किया, बाद में लागू करेंगे)

22.17 🏴 → 💳 (🎭) COMPENSATION TO STATES: WHY ?

Recall Definition: GST is a destination based indirect tax on consumption of goods and services.

(जीएसटी वस्तुओं और सेवाओं के खपत-स्थान पर आधारित अप्रत्यक्ष कर है।)

- ✓ For the Union govt, largest source of tax collection were corporate tax and personal income tax. Both are direct taxes and therefore kept out of the GST regime.
- ✓ For the state governments, VAT was largest source of tax income, but it is to be subsumed under GST, along with other indirect taxes, cess and surcharges levied by the states. Therefore, states were afraid their revenue income will ↓ . [राज्यों की आमदनी का मुख्य साधन "वैट" हटा दिया इसलिए वे चिंतित थे]
- ✓ Secondly, GST is a destination-based tax, therefore industrialized states are not happy with it. Consider a Nano car manufactured in Tata's Plant in Gujarat and sold in Uttar Pradesh. (Destination) UP gets SGST, While (Source) Gujarat gets nothing. Although reverse is also true- UP's bicycle sold in Gujarat, then Gujarat will earn SGST and UP will get nothing.
- ✓ But the industrialized states such as Gujarat, Maharashtra, Tamil Nadu, Haryana feared they'd get less SGST revenue in absolute terms compared to erstwhile VAT regime.

| Notable States that witnessed revenue 📈 in SGST (In 2019, compared to VAT in 2019) | Notable States that witnessed revenue 📉 in SGST (In 2019, compared to VAT) |
|--|---|
| Andhra Pradesh and some NE states -- Mizoram, Manipur, Sikkim, Nagaland | Punjab, Himachal, Chhattisgarh, Uttarakhand, J&K, Odisha, Goa, Bihar, Gujarat and Delhi and others. |

22.17.1 🏴 → 💳 (🎭) Compensation to States: HOW ?





Parliament enacted GST Compensation to States Act 2017 (राज्यों को मुआवजा अधिनियम)

- ✓ Under its provisions, GST council recommended Union Govt to impose “GST Compensation Cess” (जीएसटी क्षतिपूर्ति उपकर) on specified luxury & demerit goods, like
 - pan masala (60%), tobacco products (cess varies as per product),
 - aerated water & Caffeinated Beverages (12%), coal / lignite (₹400 per tonne),
 - motor vehicles-aircraft-yacht (3-22% depending on type of vehicle).

The cess thus collected is used for compensating States for their revenue losses during the first five years since inception of GST. i.e. 1st July 2017 to 30th June 2022

Table 4: GST Compensation to States Act 2017 (राज्यों को मुआवजा अधिनियम)

| | |
|-----------|---|
| Section-7 | ⇒ It contains formula for compensation: State's Projected Revenue = 14% annual compound growth rate than its 2015's VAT collection (base year). If current year SGST collection is less than Projected Revenue → Union to pay compensation ⇒ (राज्य का "अनुमानित राजस्व" उसके 2015 के बेट अनुपात की 14% वार्षिक वृद्धि के साथ की गिना गया। यदि राज्य को एसजीएसटी में उससे कम आमदनी हुई तो उस राज्य को, पहले 5 वर्षों के लिए, केंद्र मुआवजा देगा- जनता पर जीएसटी क्षतिपूर्ति उपकर लागू करके।) |
| Section-8 | ⇒ GST Council can recommend extending GST compensation cess beyond the period of five years. (5 साल से के पश्चात भी उपकर जारी रखने की सिफारिश कर सकता है।) |

- ✓ Compensation available only for SGST. It is not given to The Union Territory Without Legislature (because they've UTGST e.g. Ladakh)
- ✓ State Liquor Taxes are outside GST, so Bihar / Gujarat / Nagaland / Lakshadweep / Parts of Manipur can't ask more ₹ for compensation from GST for having liquor prohibition (मद्य-निषेध).

| Year → | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|--|---------|---------|---|---------------|--------------|--------------|
| GST Compensation Cess प्रतिपूर्ति उपकर | 95k cr | 98k cr | 1.10 Lakh Cr expected but in reality hardly 85,000cr earned | 1.05 Lakh cr. | 1.30 lakh cr | 1.45 Lakh cr |

Controversy?

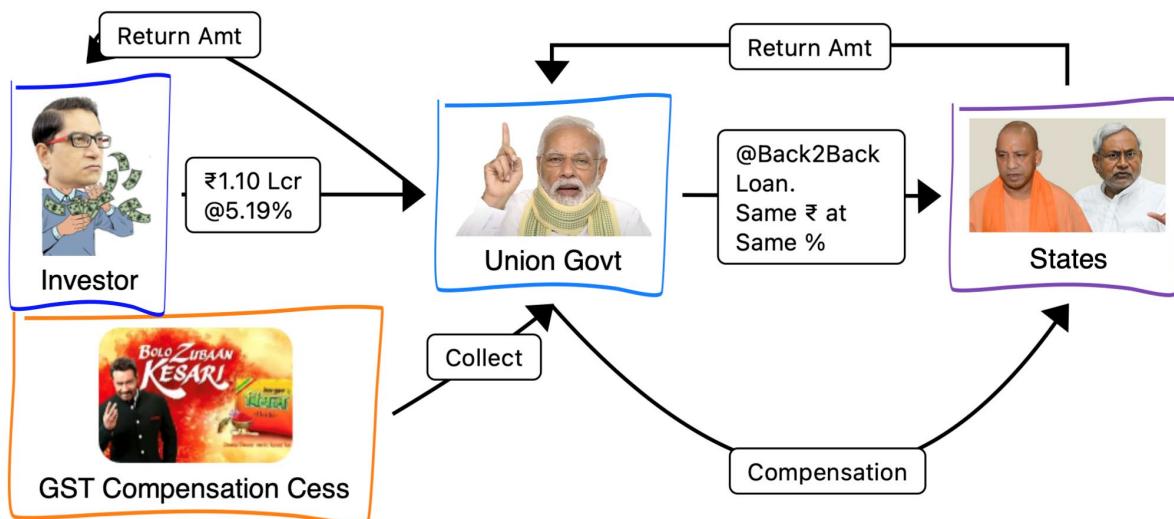
- Before Corona: since 2019-August onwards payment pending. Also known as “GST Arrears problems” (मुआवजे की रकम बकाया है) . 2019-Dec: only partial compensation released. FM Nirmala. S says, “Sales are ↓, so we have not collected enough ₹₹ to release the cess.”
- Non-BJP states first complained to GST council, but it did not help much. So some State Govts even threatened of going to Supreme Court, which hints cooperative federalism is in danger. (सहकारी संघवाद खतरे में)
- During Corona: given below →

22.18 🎤:GST COMPENSATION & BACK2BACK LOANS

- ⇒ 2020: Due to Corona lockdown, State government and very little amount in SGST.
- ⇒ So, States started demanding ₹2.35 lakh crore in GST compensation from Union.

- ⇒ Union govt's initial reaction was, "Under the GST compensation Act, we are not legally obliged to pay this large amount (₹2.35lcr) because of unexpected circumstances / 'Act of God' / 'Force Majure' like Corona. We can only pay the originally estimated amount (₹97kcr)."
- ⇒ However the Attorney General opined that GST Compensation Act does not provide such exceptions; Union ought to pay the entire loss amount ₹2.35lcr. (अटॉर्नी-जनरल का मानना है कि केंद्र ने पूरी रकम देनी चाहिए क्योंकि जीएसटी मुआवजे के कानून में कोरोनावायरस जैसी आपातकालीन चीजों में केंद्र कोई माफी /अपवाद नहीं)
- ⇒ But, corona → sales ↘ → GST compensation cess collection ↘ . So, the union offered two options to borrow money for the compensation (क्योंकि जीएसटी में आमदनी वैसे भी कम है, इसलिए केंद्र ने राज्यों को पैसा उधार लेकर मुआवजे चुकाने के विकल्प दिए.....)
- ⇒ We will NOT study the difference between those TWO options because it is technical/obsolete. Just memorize that States accepted 'modified' version of Option#1. (उन दो विकल्पों में क्या मुद्दे/भिन्नताए थे वो हम पढ़ने नहीं बैठेंगे। बस रट्टा मार लो कि राज्यों ने मुआवजे के लिए विकल्प#1 का एक संशोधित स्वरूप पसंद किया था।)

22.18.1 📊 💳 💸 [💡] → 💸 (💡 💳) GST compensation: "back to back" loans ₹1.10 lcr



What / Why / How? Refer to the Lecture Video.

22.18.2 📊 💳 💸 [💡] → 💸 (💡 💳) Back to Back loans: Beneficiary States

| States/ UT with Legislature | List |
|-----------------------------|---|
| 💡 Will not get | Some North Eastern State don't have any SGST-shortfall → So they will not get any compensation / back to back loans as per Section-7 formula. |
| 💡 Will get | Remaining States & 3 UT (with legislature) who have opted for option#1 → they will get the money e.g. Andhra, Assam, Bihar, Goa, Gujarat, Haryana, Kerala etc and Union territories of Delhi, Jammu and Kashmir, Puducherry |

22.18.3 📊 💳 💸 : 💳 GST Back to Back Loans & Fiscal Deficit / FRBM for States

Outdated / Faded Topic. Deleting it.



22.19 ⚒️ 🏛️ 🏛️ GST RELATED ORGANIZATIONS (संस्थाएं)

We already learnt about the GST council in the previous pages of handout. Apart from that...

22.19.1 🏛️ 🏛️ Group of Ministers (GoM: मंत्रियों का समूह)

These committees are set up by GST Council to look into specific issues from time to time. Example

| Some examples of GoM headed by __ | Objective ↓ (for example) |
|-----------------------------------|--|
| 2021: Conrad Sangma, Meghalaya CM | Sangma to examine GST rates of Covid vaccine, drugs and related items. |

22.19.2 🏛️ 🏛️ 🎤 National Anti-Profiteering Authority (NAA/NAPA)

राष्ट्रीय मुनाफाखोरी निरोधक प्राधिकरण

- ⇒ GST provides input credit for most of the indirect taxes of the Union and State Govt. So, entrepreneur's cost of production should \downarrow , then he should also \downarrow prices for consumers, yet many companies had not reduced their prices e.g. Dominos Pizza, Nestle, Hindustan Unilever toothpaste & detergents etc. [टैक्स क्रेडिट मिलने पर उत्पादन की लागत कम होती है तो वस्तु सस्ती होनी चाहिए. हालाँकि कुछ मुनाफाखोर कंपनियां चीज़ों के दाम सस्ते नहीं कर रही थीं तो फिर उन्हें सबक सिखाने के लिए ये संस्था बनायी गई]
- ⇒ So, Union govt set up NAA under Central Goods & Services Tax Act, 2017 to penalize them.
- ⇒ This Authority shall cease to exist after 2 years from birth ($2017+2=2019$), unless GST council renews it. (हालाँकि जन्म के दो साल में ही इस संस्था को अपने आप बंद हो जाना था, सिवाय कि GST परिषद् आयु बढ़ा दें)
- ⇒ GST council extended it till 2022-Nov (कार्यकाल बढ़ाया)
- ⇒ 2022-Dec: NAA stops working. Now matters related to GST antiprofiteering will be looked after by the Competition Commission of India. CCI is a statutory body under Ministry of corporate Affairs, setup under Competition Act, 2002 (Ref: Pillar#1C) (भारतीय प्रतिस्पर्धा आयोग)

22.19.3 🏛️ 🎤 Authority for Advance Ruling (AAR-अग्रिम फैसलों के लिए प्राधिकरण)

- ⇒ Diabetic foods supplements are subjected to 12% GST whereas pasteurized milk is subject to 0% GST. If Amul plans to launch 'Amul Camel Milk' with bottle label: "Camel milk is easy to digest, high in an insulin-like protein, hence beneficial for diabetic person."
- ⇒ So, whether Amul's product be subjected to 0% GST or 12% GST? An entrepreneur would like to such have **clarification** from Tax authorities before starting the production, lest he gets tangled in **raids and litigations** afterwards. (छापेमारी और मुकदमेबाजी द्वारा उत्पीड़न किया जाना)
- ⇒ So, CGST Act, 2017 provides for a **statutory body** called Authority for Advance Ruling (AAR), where entrepreneur can seek such advance clarification.
- ⇒ **Higher appeal?** Appellate Authority for Advance Ruling (AAAR: अग्रिम फैसलों के लिए अपील प्राधिकरण).
- ⇒ **Benefit?** Reduces scope/opportunity for litigation/harassment/bribe demand → Ease of doing business (व्यापार करने में आसानी) → helps attract Foreign Direct Investment (FDI: प्रत्यक्ष विदेशी निवेश).



22.19.4 📄 📄 📄 GST tribunal (GSTAT) (2023)

GST related cases are heard in the following sequence:

| LEVEL | DESCRIPTION |
|--|---|
| 1. Adjudicating Authority | Additional/Joint/ Assistant Commissioner/ Superintendent/ (Depending on the case/amount) |
| 2. First Appellate Authority | Commissioner/Higher rank officer |
| 3. Goods and Services Tax Appellate Tribunals (GSTATs). Announced in 2023 | ⇒ GSTATs will be setup at Union and State levels. ⇒ based on report of Dushyant Chautala committee. ⇒ This will help reducing the case pendency at HC/SC. |
| 4) HC and 5) SC | Self-explanatory. (स्वयं स्पष्ट है) |

22.19.5 📄 GST Fitment Committee (जीएसटी फिटमेंट समिति)

- ⇒ Fitment committee contains revenue officials from both Union and states.
- ⇒ They examine the demands / proposals related to changing GST on particular item. (किसी वस्तु या सेवा पर जीएसटी दरों में बदलाव के प्रस्ताव पर समीक्षा करते हैं)
- ⇒ They submit the report to GST Council and then GST Council will take final decision. (फिर ये अपनी राय जीएसटी परिषद को देते हैं। और जीएसटी परिषद अंतिम निर्णय लेगी)
- ⇒ e.g. (2023) proposal to reduce GST on millet based health products (18%)? → fitment committee suggested “don’t change.” → GST council didn’t change rate. (बाजरा आधारित स्वास्थ्य उत्पाद पर जीएसटी कम करने की मांग को खारिज किया)

22.19.6 📄 GSTN Network (Not for Profit Company- मुनाफ़ा रहित कंपनी)

2013: Goods and Services Tax Network (GSTN) “Not for Profit” Private ltd. company was set up under the Companies Act.

| Original Partners | Ownership from 2013-18 | Ownership in future** |
|---|---------------------------|--------------------------|
| Union govt | 24.5% | 50% |
| All states of India (incl. Delhi & Puducherry) | 24.5% | 50% |
| Non-Government Financial Institutions such as HDFC Bank (20%), ICICI Bank (10%), NSE (10%), LIC Housing Finance (10%) | 51% | 0% |

**2018-May: GST Council approved acquisition of entire 51% equity held by non-Governmental institutions & distribute it equally between Centre and the State Governments.

- ⇒ This company runs the GSTN online portal, where the suppliers register themselves, pay their GST, claim input tax credits, generate e-way bills etc. [Infosys ltd. helped develop the webportal.]
- ⇒ GSTN Network ltd. also provides the IT infrastructure and software services to GST officials for monitoring the tax compliance, issuing notices, data mining etc.



- ⇒ In future, such data could also be shared with the RBI's Public Credit Registry (PCR: ऋण की सार्वजनिक रजिस्ट्री) so the lenders can have a complete picture of the borrower's business.
- ⇒ **GST Suvidha Providers (GSPs):** These are selected private IT/Fintech companies that develop apps / software to help the taxpayers interact with GSTN portal. E.g. Zoho Accounting Software

22.19.7 Project Saksham: Digital integration (2016)

CBEC/CBIC launched, "Project Saksham" for data-coordination among following 3 portals

| Name of Tax | Excise Duty | Customs duty | GST |
|-----------------------|-------------|--------------|------|
| Associated Web portal | ACES | SWIFT | GSTN |

- [इन विभिन्न वेब पोर्टल के बीच डेटा का समन्वय करने के लिए प्रोजेक्ट सक्षम]
 - **Separately, 2018:** Indian Railways also launched Project Saksham but with different objective of employees' training and skill-upgradation for doing railway related work.
 - CBIC has **Antarang portal** for internal communication among CBIC officers.
 - CBIC also launched portals such as i) ECTS (Electronic Cargo Tracking System), ii) Risk Management System (RMS), iii) Indian Customs Compliance Information Portal (CIP) etc.
- What is their objective? how do they work? Ans. not important.

22.19.8 HSN and SAC Codes

- Service Accounting Code (SAC) are used for classifying services for GST rates. e.g. coaching services = SAC Code 999293 = 18% GST.
- Harmonized System of Nomenclature (HSN) developed by the World Customs Organization (WCO) is used for classifying goods for GST rates. e.g. Jarda scented tobacco = HAC code 24039930 = 28% GST.
- **Benefit?** HSN-SAC coding helps in computerised accounting, billing, digitization, surveillance & big data analytics by Tax authorities.

22.20 PAN vs GSTIN vs AADHAR



Table 5: don't lose too much sleep over it unless preparing for State Tax Dept Exams

| Difference | PAN: स्थायी लेखा संख्याक | GSTIN: वस्तु एवं सेवा कर पहचान संख्याक |
|------------|--|---|
| Full form | Permanent Account Number issued by the Income Tax Department | Goods and Services Tax Identification Number issued by the Central Board of Indirect Taxes & Customs (CBIC) |



| Difference | PAN: स्थायी लेखा संख्याक | GSTIN: वस्तु एवं सेवा कर पहचान संख्याक |
|--|--|--|
| example | Suzlon Energy ltd: AADCS0472N | Suzlon Energy ltd: 24AADCS0472N1Z8 |
| Format | 10 digit alphanumeric number (=containing both alphabets and numbers) | 2 digit state code+ 10 digits PAN number + 3 characters = total 15 characters (=containing both alphabets and numbers) |
| Who has to get it? | Every income tax assessee-individual, HUF, firm, company, trust (internal different not imp.) | <ul style="list-style-type: none"> - IF Individuals / firms registered under the Pre-GST law (i.e., Excise, VAT, Service Tax etc.) OR - IF your biz. turnover is above a threshold limit of “x” lakhs for ordinary states or “y” lakhs in Sp.cat. States. OR - Merchants who sell through e-commerce aggregators like Amazon. |
| Do all taxpayers have it? | Every PAN card holder is not REQUIRED to have GSTIN. (e.g. a salaried employee) | Every GSTIN holder is required to have PAN card number. (Because its format is like that, observe “format” row above). |
| How many numbers / cards can one have? | <ul style="list-style-type: none"> - Only 1 PAN number allowed per individual. - Only 1 PAN number allowed per company. - Subsidiary firms will have to get separate PAN numbers. | <ul style="list-style-type: none"> - If firm operates from more than one state, then a separate GST registration is required for each state. - If a firm has multiple subsidiaries, they have to get GST number for each e.g. “Faith Hospitality Chain ltd→ Sam’s Pizza restaurant, Sankalp Dosa restaurant, Saffron Punjabi restaurant” |
| Objective | Prevent evasion of direct taxes. | Prevent evasion of GST, and help the entrepreneurs claim their input credits. |

- PAN number is required for various activities like opening of bank account, opening of demat accounts (for trading in securities), obtaining registration for GST, VAT-Excise registration (for Petrol-Liquor dealers) etc.
- So, PAN is slowly becoming a Common Business Identification Number (CBIN) or simply **Business Identification Number (BIN: सामान्य व्यवसाय पहचान संख्याक)**- because if a Department knows your PAN number they can dig all information about you, know whether you’re eligible to fill up a particular tender or contract or a scheme application form or not?

22.20.1 PAN/GSTIN vs UID (=Aadhar Card)

Table 6: don't lose too much sleep over it unless preparing for State Tax Dept Exams

| PAN and GSTIN | UID (=Aadhar Card) |
|--|--|
| Issued by the direct and indirect tax authorities that function under Ministry of Finance. | Issued by a Statutory body- Unique Identification Authority of India (UIDAI: भारतीय विशिष्ट पहचान प्राधिकरण) that functions under Ministry of |



| [12] [AB] PAN and GSTIN | [12] UID (=Aadhar Card) |
|---|---|
| | Electronics and Information Technology (MeitY). |
| These Tax authorities derive powers from: <ul style="list-style-type: none"> - Income Tax Act 1961 - Goods & Service Tax Acts in 2017. | Aadhaar Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (“आधार एक्ट 2016”) |
| Primary objective of these id-numbers is to reduce tax evasion by tracking the transactions. | Primary objective is to eliminate bogus beneficiaries in government schemes & reduce subsidy leakage. Auxiliary benefits: Identifying dead bodies, tracking criminals, mobile number ownership, tax evasion etc. |
| [12] [AB] Their format contains both numbers and alphabets. | [12] Unique Identification number (UID) or Aadhaar is a 12 digit number. No alphabets. |
| Issued for individual humans, HUF/firms/companies/trusts**. | Only for living resident HUMANS of India. Not given for companies. Resident is defined as person who lived in India for 182 days/> in last 12 months. ✉ Full-Budget-2019: we'll consider giving immediate Aadhar card to NRIs with Indian Passport so they don't have to wait till ~180 days. It'll help them get through KYC bank/share market transaction. |
| One HUMAN → one PAN number only. No age limit. Minors can also join. | same (एक इंसान का सिर्फ एक आधार कार्ड निकल सकता है) |
| <ul style="list-style-type: none"> - ~₹110 Fees to get PAN card. - No fees to get GSTIN | No fees to get Aadhar. मुफ्त में मिलता है. |
| Compulsory to enroll (अनिवार्य है), if your income or turnover is beyond “x” rupees**. | Voluntary to enroll. आधार कार्ड बनवाना स्वैच्छिक है. अनिवार्य / बाध्यकर नहीं है.** |
| They contain <ul style="list-style-type: none"> - Name - Photograph & Date of Birth (in case of “Human”) - Address. | Demographic info: <ul style="list-style-type: none"> - Name, Date of Birth, Gender, Address. - Mobile & Email (optional) Biometric info: <ul style="list-style-type: none"> - Ten Fingerprints, Two Iris Scans, and Facial Photograph. |

- Compulsory to link Aadhar card with PAN card by 31/3/2023.

22.21 ₹ 📊 😊 GST: BENEFITS (लाभ)

- ✓ GST covers both goods and services, with standard rates, minimal number of cess/surcharges.
(सामान्य दर, बहुत कम चीजों पर उपकर/अधिभार लगता है।)



- ✓ GST online portal and e-way bill system reduces the interface between tax-officials and the assesses, thereby reducing the scope of harassment, bribery and Inspector Raj. (=Ease of doing business) (उत्पीड़न, रिश्वतखोरी में कमी → व्यापार में सुगमता बढ़ी).
- ✓ GST provides input credits to suppliers thereby incentivizing them to sell with invoice at every stage. Thus, GST will expand our tax collection, and deter tax evasion. (इनपुट क्रेडिट के लिए बिल बनाना जरूरी, इसलिए करचोरी मुश्किल)
- ✓ GST Input credit system the cascading effect of taxes, ↓ cost of manufacturing & selling, while its anti profiteering authority ensures that such benefits are passed on to the customers in the form of reduced MRP. (मुनाफाखोरी पर लगाम)
- ✓ Federal nations such as Canada and Australia shifted from VAT to GST regime. It helped boosting their revenue, GDP and exports. (कर राजस्व, जीडीपी, निर्यात में बढ़ोतरी)
- ✓ GST rates are uniform across the States so it reduces the scope for ‘rate arbitrage’ (दर अपवंचन) i.e. buying from another state for profiteering, even if same item available in home state. (HOW? Watch Video)
- ✓ GST’s ITC helps Ancillaryisation, Subcontracting and Outsourcing. This helps in more job creation (How? Watch Video) (अनुषंगीकरण, उपठेका और आउटसोर्सिंग)
- ✓ Both CGST and SGST are computed on the same base (₹10,000), therefore tax burden on final consumer is less in GST regime, than in Excise-VAT regime. (How? Watch Video) (एक आधार पर केंद्र और राज्य के जीएसटी की गिनती से उपभोक्ता पर बोज कम होता है)
- ✓ Thus, GST will help to create a unified common national market for India, & catalyse “Make in India”, and Assemble in India(More in Pillar#4B)

22.21.1 GST Benefit: Zero Rated Exports (शून्य रेटेड निर्यात)

- When company buys raw material or intermediate goods it will have to pay GST but if final product is exported outside India, it'll be subjected to 0% IGST.
- So, whatever GST the company had paid on the inputs, all of that will become its “Input Tax Credit” (and company can use this ITC to pay for the taxes on the purchase of raw material and intermediate goods in the next time), thus reducing its cost of production. (उत्पाद खर्च में कमी)
- This will improve price competitiveness of Indian products in foreign markets. (विदेशी बाजार में भारत का सामान किफायती बनता है)
- Australia and other GST countries also follow similar “zero rated export” regime.

? MCQ. Most likely advantages of implementing GST? (Asked in UPSC-Pre-2017)

1. It will replace multiple taxes collected by multiple authorities thus create a single market in India.
2. It will drastically reduce ‘Current Account Deficit’ of India and will enable it to increase its foreign exchange reserves.
3. It will enormously increase the growth and size of Indian economy of India & will enable it to overtake China in the near future.



Codes: (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3

22.22 📣 🕵️ GST EASE OF DOING BIZ (EoD): DECRIMINALISATION OF CERTAIN OFFENCES

Note: following decisions were taken in the GST Council meeting in 2022 December. Then in 2023 budget, FM announced “we’ve done this for giving ease of doing business to the traders”. (व्यापार में सुगमता के लिए हमने कुछ अपराधों को फौजदारी कार्यवाही की श्रेणी से बाहर किया है)

22.22.1 📣 🕵️ GST-EoD: criminal prosecution threshold

| MINIMUM AMOUNT OF TAX EVADED | belum BEFORE | 😊 AFTER |
|---|------------------------|------------------------|
| Sr.1) Generating fake invoices to claim ITC | Rs.1 crore tax evasion | Rs.1 crore tax evasion |
| Sr.2) offences other than Sr.1 | Rs.1 crore tax evasion | Rs.2 crore tax evasion |

If the tax evasion amount is less than above limits → no criminal prosecution / jail. Simply penalty only. (करचोरी उक्त मात्रा से कम है, तो आपराधिक मुकदमा नहीं चलेगा। जेल नहीं होगी। सिर्फ जुर्माना लगेगा।)

22.22.2 📣 🕵️ GST-EoD: obstructing officers

| belum BEFORE | 😊 AFTER |
|---|--|
| obstructing or preventing any officer in discharge of his duties, tempering evidence and failure to supply information = criminal offense. | it is decriminalised = No jail. Only penalty. |

(जीएसटी के अफसरों के कार्य में बाधा डालना, सबूतों से छेड़छाड़ करना, जानकारी ना देना इत्यादि मामलों में जेल नहीं। मात्र जुर्माना)

22.23 ⚙️ 💀 GST: CHALLENGES FOR MAINS (चुनौतियां)

- Too many slabs (5-12-18-28% etc), GST causing inconvenience to small traders, GST Project failed Malaysia, State governments complaining loss in income etc.
- More details, Mains model questions, Mains PYQ etc are shifted to Mains handout.

Handout: [2A] Direct & Indirect Taxes [2B] Black Money, 15th Finance Commission
[2C] Subsidies to Disinvestment [2D] Fiscal Deficit, FRBM, Budgeting & scheme types