

UNIT – 4: INDIRECT TAX (GST)

What is Indirect Tax?

- Indirect tax means tax on goods and services.
 - The person who pays it first can **shift the burden** to another person.
 - Finally, the **consumer** bears the tax.
 - Example: When you buy something, GST is included in the price.
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What is GST (Goods and Services Tax)?

- GST is a **comprehensive, multi-stage, destination-based** indirect tax.
 - It was introduced in **India on 1st July 2017**.
 - It replaced many taxes like **VAT, Service Tax, Excise Duty, etc.**
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Key Features of GST

Feature	Meaning
Indirect Tax	Collected indirectly from intermediaries (like shopkeepers).
Destination-Based	Tax goes to the place where goods/services are used (not produced).
Comprehensive	Applies to almost all goods and services.
Multi-Stage	Collected at each stage of production and distribution.
Value Addition Tax	Tax applies only on the value added at each stage.
Dual Model	Both CGST + SGST/UTGST (for within state) and IGST (for between states).
GSTIN	Every business has a unique GST Identification Number.
Input Tax Credit (ITC)	Credit for tax already paid on purchases (inputs).

Feature	Meaning
GSTN	GST Network for online registration and return filing.

How GST Works (Example)

1. Manufacturer buys raw materials worth ₹100 + ₹10 GST.
2. He sells goods to wholesaler for ₹150 + ₹15 GST.
→ Pays ₹5 (₹15 – ₹10) to government.
3. Wholesaler sells to retailer for ₹200 + ₹20 GST.
→ Pays ₹5 (₹20 – ₹15).
4. Retailer sells to consumer for ₹250 + ₹25 GST.
→ Pays ₹5 (₹25 – ₹20).

- ✓ Finally, government receives total ₹25 tax.
 - ✓ Each dealer pays only on **value added**.
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Types of GST

1. **CGST** – Central Goods & Services Tax (within a state).
 2. **SGST/UTGST** – State/Union Territory GST (within a state).
 3. **IGST** – Integrated GST (between states).
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Inter-State vs Intra-State Supply

- **Intra-State:** Seller and buyer in the **same state** → **CGST + SGST** apply.
 - **Inter-State:** Seller and buyer in **different states** → **IGST** applies.
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Taxes Abolished After GST

Central Taxes Abolished:

- Excise Duty, Service Tax, CVD, Special CVD, CST, etc.

State Taxes Abolished:

- VAT, Entry Tax, Purchase Tax, Luxury Tax, Entertainment Tax (by state), etc.
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Items Not Covered under GST

- **Alcohol for human consumption**
 - **Five Petroleum products** (diesel, petrol, crude oil, natural gas, ATF)
 - **Electricity**
 - **Entertainment tax** (by local bodies)
 - **Tobacco** (still under excise duty)
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Registration under GST

- Legal identity of a taxpayer.
 - Based on **PAN** (Permanent Account Number).
 - Compulsory for businesses supplying taxable goods/services.
 - Must register in every **state** where business operates.
 - Apply within **30 days** of becoming liable at www.gst.gov.in using **Form GST REG-01**.
 - Non-residents can also register.
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Supply under GST

Meaning:

Any sale, transfer, exchange, rental, lease, or disposal of goods/services for consideration in business.

Non-Supplies (Not Treated as Supply):

- Services by employee to employer.
- Services by courts or tribunals.
- Duties by President, PM, Governors, CJI, etc.

- Services of funeral, burial, cremation.
 - Sale of land.
 - Grant of liquor license.
 - Movement of conveyance between states (like trucks, vessels, aircrafts).
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Composite & Mixed Supplies

- **Composite Supply:** Two or more goods/services naturally bundled together (e.g. laptop with charger).
 - **Mixed Supply:** Two or more independent goods/services sold together (e.g. gift hamper).
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Charge of GST

- GST is **levied and collected** on every taxable supply.
 - For **reverse charge**, recipient pays tax (not supplier).
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Input Tax Credit (ITC)

- ITC means claiming credit for the tax paid on purchases.
 - Available on **inputs, capital goods, and services** used for business.
 - Used to pay tax on output supply.
 - No need for one-to-one link between input and output.
 - ITC shown in **electronic credit ledger**.
 - **✗** Cross-utilization between CGST and SGST is **not allowed**.
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Place of Supply

Helps decide whether **CGST+SGST** or **IGST** will apply.

Type

Place of Supply

Involves movement Location where goods reach the buyer

No movement Location where goods are available/delivered

Unregistered buyer Address on invoice or supplier's location

Time of Supply

For Goods:

Earliest of:

1. Date of issue of invoice
2. Date of receiving payment

For Services:

Earliest of:

1. Date of invoice or payment
 2. Date of providing service
 3. Date when receiver records the service in books
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Examples

- If goods move on **2nd March**, invoice can be issued on or before **2nd March** (even 1st March).
 - For **gift vouchers**, if the item isn't decided at purchase time → Time of supply is **when the voucher is used**.
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Tax Invoice

No fixed format, but must include:

- Supplier and receiver name, address, GSTIN
- Invoice number and date
- Description, quantity, value, rate of tax

- HSN/SAC code
 - Place of supply and delivery address
 - Signature or digital signature
 - **QR Code** if e-invoice (for B2B transactions)
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Bill of Supply

Issued when:

- Supplying **exempted goods/services**
 - Or under **composition scheme**
(No tax charged, so no rate of tax mentioned)
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GST Returns

Meaning:

Return is a statement of all income, sales, tax collected, and paid to government.

Purpose:

- Declare tax liability
 - Ensure compliance and verification
 - Provide data for audit and policy decisions
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Types of Returns & Due Dates

Return	Purpose	Due Date
GSTR-1	Details of outward supplies	11th of next month / 13th if quarterly
GSTR-3B	Summary return (tax payment)	20th of next month
GSTR-9	Annual return	Year-end summary

Return	Purpose	Due Date
GSTR-9C	Audit return if turnover > ₹5 crore	After financial year

✓ Even if no transaction → **Nil Return** must be filed.

How to File GSTR-3B Online

1. Go to gst.gov.in
2. Login → Services → Returns → Dashboard
3. Choose Financial Year & Return Period
4. Select **GSTR-3B → Prepare Online**
5. Fill required details → Save → Verify
6. Submit using **DSC or EVC**

Reconciliation

- Match **GSTR-2B (ITC)** with **GSTR-3B** to:
 - Avoid penalties and wrong ITC claims.
 - Ensure suppliers upload your invoices.
 - Stay compliant.