TAXATION LAW

UNIT – III
Indirect Tax Regime
Goods and Services Tax

Expanded 20+ Slides Edition

ROADMAP

UNIT-III Full Coverage

1. Need for GST
2. Concept of GST
3. 101st Amendment
4. Art 246A 269A 279A
5. Dual GST Model
6. CGST SGST IGST
7. GST Council
8. Taxable Event – Supply
9. Time of Supply
10. Place of Supply
11. Value of Supply
12. Registration
13. Tax Invoice
14. Input Tax Credit
15. GSTN & Returns
16. Composition Scheme
17. Exemptions
18. Benefits & Impact
19. Key Takeaways

01 • NEED FOR GST

Problems of Pre-GST Regime

Cascading of Taxes

Tax on tax – VAT on excise-paid value, etc. Increased cost of goods.

Multiple Taxes

Excise, Service Tax, VAT, Entry Tax, Luxury Tax, Entertainment Tax – complexity.

Inter-State Barriers

Check-posts, entry taxes delayed movement of goods and increased logistics cost.

No Credit Across Taxes

Central and State taxes operated in silos. Credit chain was broken.

Classification Disputes

Goods vs Services disputes, rate wars between States.

Goal of GST

One Nation One Tax – common market, seamless credit, reduced cascading.

Destination-Based Value-Added Tax

GST is a comprehensive, multi-stage, destination-based tax on value addition. It is levied at every stage of the supply chain with credit for tax paid on inputs available against output liability.

Destination Based

Tax accrues to the State where goods/services are consumed.

Value Added

Only the value added at each stage is taxed. Credit prevents cascading.

Comprehensive

Covers both goods and services under one framework.

Dual Structure

Centre and States simultaneously levy on intra-State supplies.

03 • CONSTITUTIONAL BASIS

101st Amendment Act, 2016

Art. 246A

Concurrent power of Parliament and State Legislatures to make laws with respect to GST.

Art. 269A

Levy and collection of GST on inter-State supplies. Apportionment between Centre and States.

Art. 279A

GST Council – constitutional body for recommendations on rates, exemptions, model laws.

Compensation

Parliament empowered to provide compensation to States for loss of revenue.

Special Feature

Unique example of co-operative federalism in taxation.

Earlier Position

Centre could not tax sales; States could not tax services – major constitutional hurdle.

04 • DUAL GST MODEL

CGST + SGST / IGST

Intra-State Supply

- Location of supplier and place of supply in same State/UT
- CGST (Centre) + SGST (State) or UTGST
- Both levied on same transaction value
- Credit of CGST and SGST available within the State

Inter-State Supply

- Location of supplier and place of supply in different States
- IGST levied by Centre
- Also covers imports into India
- Export is zero-rated
- Credit flows across States

05 • GST COUNCIL

Article 279A

GST Council is a constitutional body that recommends tax rates, exemptions, model laws, special provisions and principles of dispute resolution. It is the institutional expression of co-operative federalism in GST.

Composition

Union FM (Chairperson), MoS Revenue, State Finance Ministers.

Voting Weight

Centre 1/3rd; all States together 2/3rd. Decision requires 3/4th majority of weighted votes cast.

Recommendations

Rates, thresholds, exemptions, model GST laws, special schemes for certain States.

Significance

Both Centre and States have real voice. Decisions are political consensus-based.

06 • SUPPLY – TAXABLE EVENT

Section 7 CGST Act

Meaning of Supply

Sale, transfer, barter, exchange, licence, rental, lease, disposal made for consideration in course or furtherance of business.

Supply without Consideration

Schedule I – permanent transfer of business assets, supplies between related persons, etc.

Composite Supply

Naturally bundled supplies – taxed at rate of principal supply.

Mixed Supply

Two or more independent supplies – taxed at the highest rate applicable.

Schedule II

Activities treated as supply of goods or supply of services (declaratory).

Schedule III

Activities that are neither supply of goods nor supply of services (e.g. employee services).

Determination of Liability

Time of Supply

When liability to pay tax arises. Different rules for goods and services (invoice date, payment date, etc.).

Place of Supply – Goods

Generally location where goods are delivered. Special rules for bill-to-ship-to, installation, etc.

Place of Supply – Services

Default is location of recipient. Special rules for specific services (immovable property, transport, etc.).

Value of Supply

Transaction value – price actually paid or payable. Valuation rules when price is not sole consideration.

Related Party

Open market value or value of like kind and quality may be applied.

Exam Focus

Place of supply determines whether supply is inter-State or intra-State – critical for IGST vs CGST+SGST.

Compliance Basics

Threshold

Mandatory registration above prescribed turnover. Lower threshold for special category States.

Compulsory Registration

Inter-State supply, e-commerce operators, casual taxable persons, etc. – irrespective of turnover.

Tax Invoice

Document that triggers ITC. Must contain prescribed particulars (Sec 31 + Rules).

Debit / Credit Note

Issued for upward / downward adjustment in value or tax. Linked to original invoice.

E-Way Bill

Required for movement of goods above threshold. Generated on portal.

Exam Tip

Registration thresholds and compulsory cases are frequently asked.

Heart of GST

ITC is the credit of GST paid on inputs, input services and capital goods that can be used to pay output tax. It is the mechanism that makes GST a value-added tax and prevents cascading.

Conditions (Sec 16)

Possession of invoice, receipt of goods/services, tax actually paid to Government, return filed.

Blocked Credits (Sec 17(5))

Motor vehicles (with exceptions), food, outdoor catering, membership, works contract (certain cases), etc.

Utilisation Order

IGST credit first against IGST, then CGST/SGST. CGST against CGST then IGST. SGST against SGST then IGST.

Matching

Invoice-level matching (with evolving rules) to ensure credit is allowed only when supplier has paid tax.

Compliance Framework

GSTN

Goods and Services Tax Network – IT backbone for registration, returns, payment, invoice matching.

GSTR-1

Details of outward supplies. Filed monthly/quarterly.

GSTR-3B

Summary return with tax payment. Monthly.

Composition Scheme

Small taxpayers pay tax at low flat rate without ITC. Threshold and restrictions apply.

Advantages of Composition

Simple compliance, lower rate, no detailed invoice-level returns.

Restrictions

Cannot make inter-State outward supplies, cannot supply through e-commerce (certain cases), no ITC.

11 • BENEFITS & IMPACT

Why GST Matters

Removal of Cascading

Seamless ITC across goods and services reduces cost.

Common Market

India as one market – removal of check-posts improved logistics efficiency.

Transparency

Digital compliance and invoice trail reduce evasion.

Ease of Doing Business

Uniform structure, online processes, fewer tax interfaces.

Formalisation

Incentives to deal with registered suppliers bring more businesses into the tax net.

Revenue & Inflation

Broader base; short-term transition effects on inflation; medium-term efficiency gains.

KEY TAKEAWAYS

UNIT-III GST

01 **Destination-Based VAT**
Tax follows consumption. Credit prevents cascading.

02 **101st Amendment**
Art. 246A, 269A, 279A created the constitutional architecture.

03 **Dual Model**
Intra-State = CGST+SGST; Inter-State = IGST.

04 **Supply is Taxable Event**
Broad definition. Time, place, value determine liability.

05 **ITC is the Heart**
Invoice + receipt + tax paid + return = credit.

06 **GST Council**
Constitutional body – co-operative federalism in tax policy.

End of UNIT – III

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