

TAXATION

BY

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INDIRECT TAX

Chapter 1 :

Basic Concepts

Tax

Source of Revenue for Govt. (Article 246)

DIRECT TAX

Burden of tax cannot be shifted to other person

Eg. Income tax, Profession tax etc.

INDIRECT TAX

Burden of tax is shifted to other person

Eg. GST, Custom Duty etc.

INTRODUCTION TO GST

NOTE 1: Introduction (Why GST in India?)

a) Manufacturer

$$\begin{array}{rccccccccc} \text{Value of goods} & + & \text{Excise duty} & = & \text{Total} & + & \text{VAT/CST@10\%} & = & \text{Total price} \\ \text{₹1000} & & \text{₹100} & & \text{₹1100} & & \text{₹110} & & \text{₹1210} \\ & & & & \swarrow & \searrow & & & \swarrow & \searrow \\ & & & & 1000 & 100 & & & \text{Goods} & \text{Tax} \\ & & & & \text{Goods} & \text{Tax} & & & 1000 & 210 \end{array}$$

b) Trader

$$\begin{array}{rcccc} \text{Value of goods} & + & \text{VAT/CST @10\%} & = & \text{Total Price} \\ \text{₹1000} & & \text{₹100} & & \text{₹1100} \end{array}$$

c) Service Provider

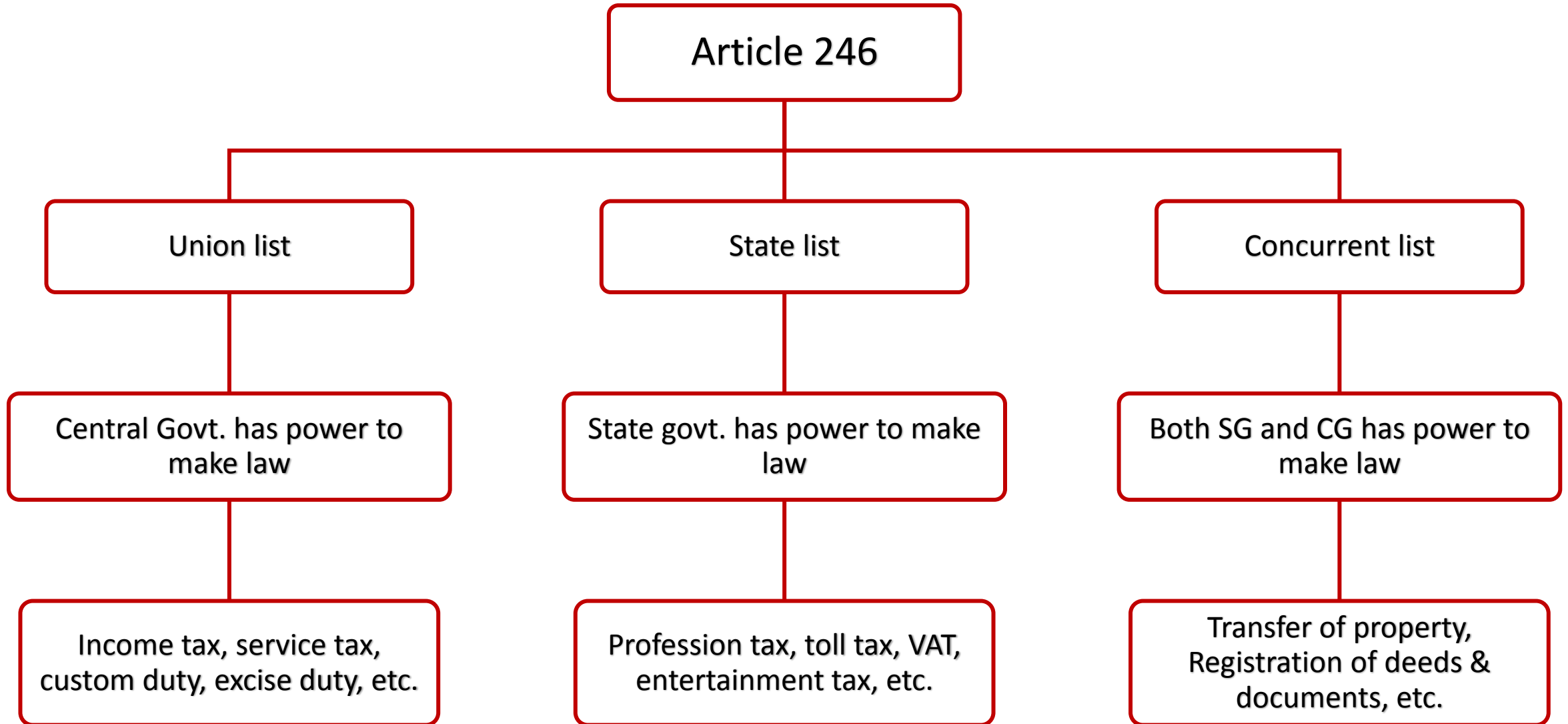
$$\begin{array}{rcccc} \text{Value of Service} & + & \text{ST@10\%} & = & \text{Total Price} \\ \text{₹1000} & & \text{₹100} & & \text{₹1100} \end{array}$$

NOTE 2: Pre GST V/s Post GST

Point of Difference	Before	After
Multiple tax	Excise duty, VAT/CST, Service tax, etc.	GST (One Nation, One Tax)
Multiple Procedure	Separate procedure for registration, return, accounts, audit, etc. under each law.	Single Procedure for registration, return, accounts, audit, etc. under GST law only
Multiple taxable event	Manufacturing, sale, entry into other state, etc.	Only one taxable event - SUPPLY
Double taxation	YES	Almost NO
Cascading Effect	YES	Almost No

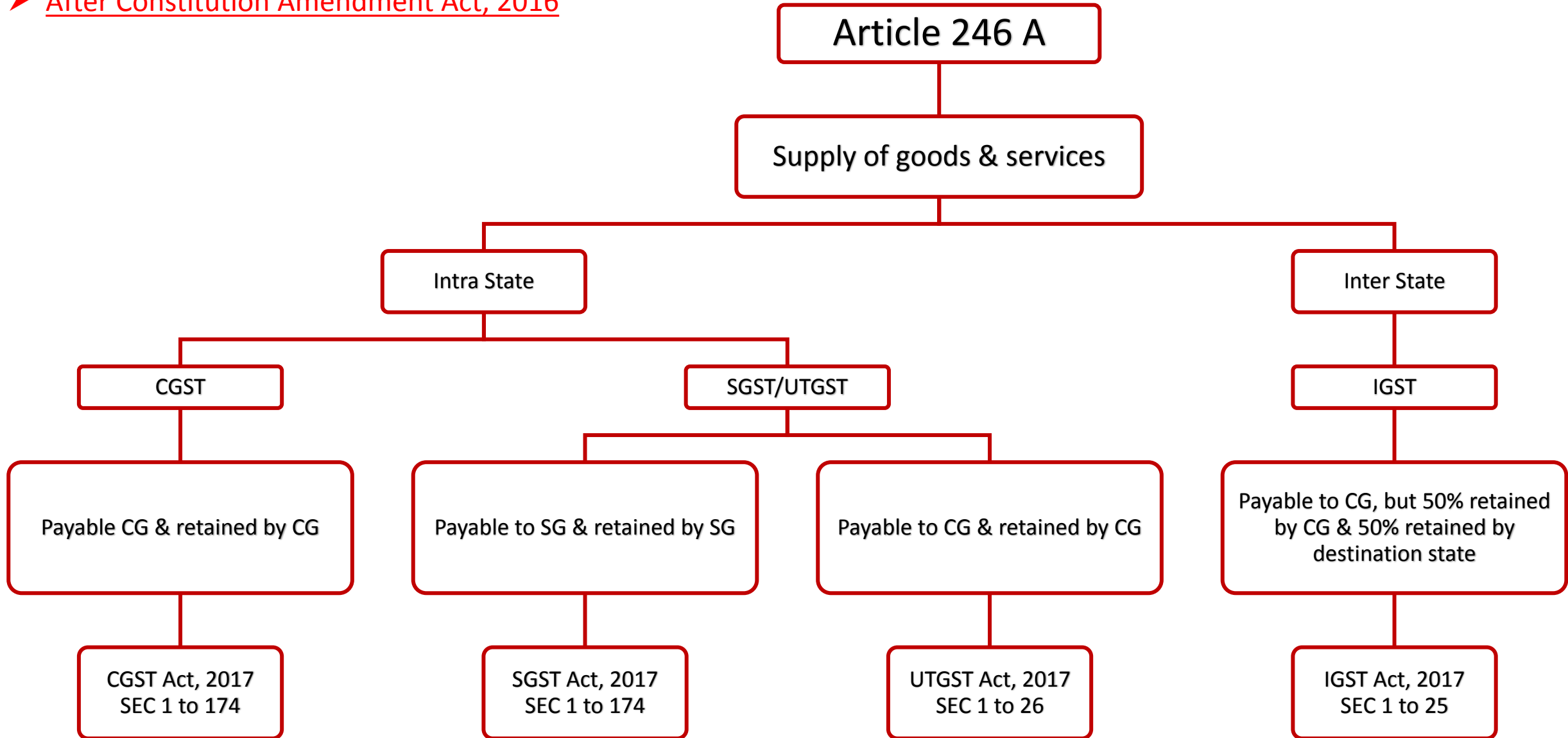
NOTE 3.1: GST Law (Legal background)

➤ Before Constitution Amendment Act, 2016



NOTE 3.2: GST Law (Legal background)

➤ After Constitution Amendment Act, 2016



NOTE 4: When I am liable to pay GST (Ans 5 Q.)



NOTE 5: What is goods and service?

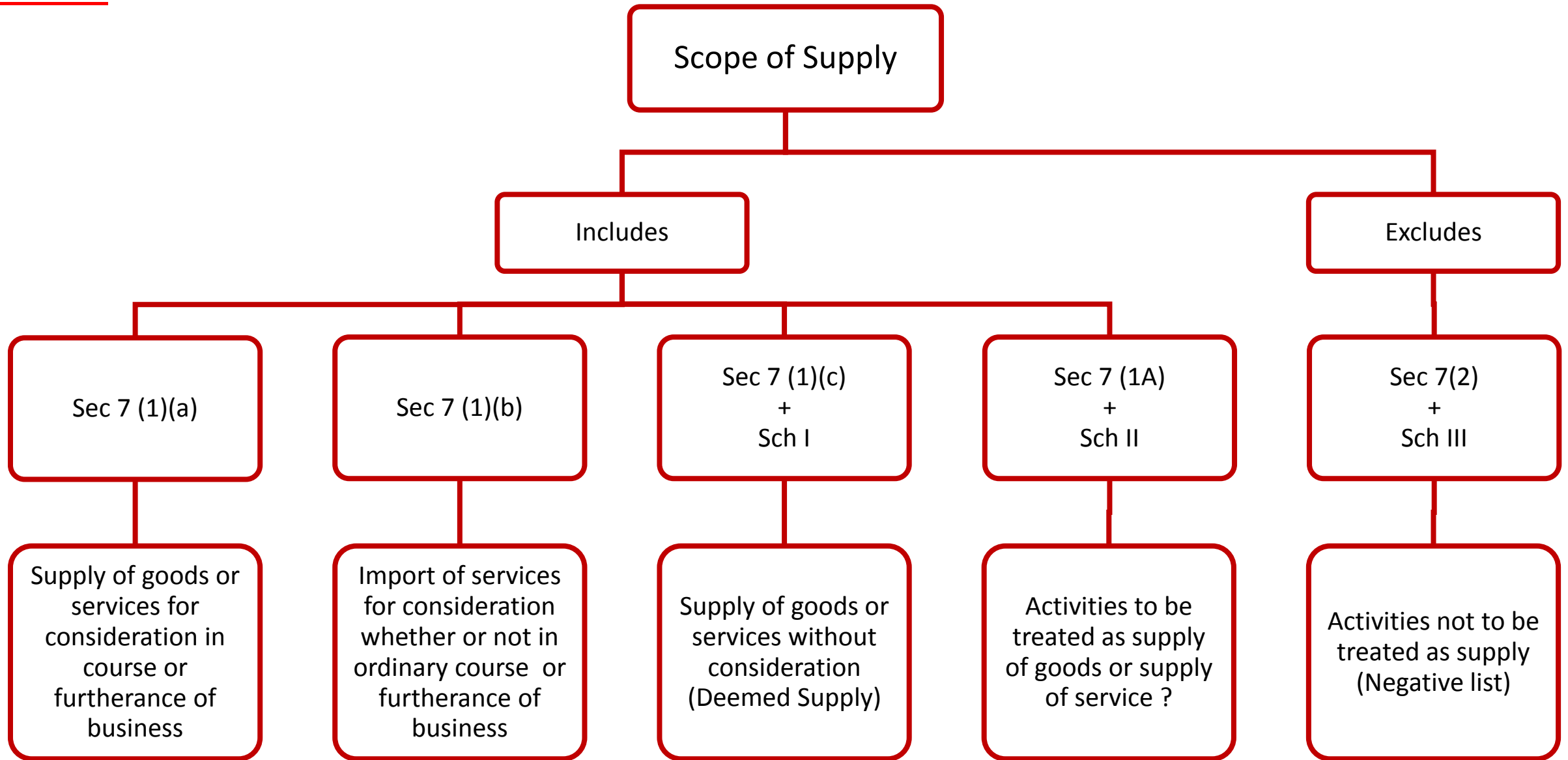
Goods means-

- a) Every kind of movable property
- b) Other than money and securities
- c) But includes actionable claims, growing crops, grass and things attached to or forming part of land which are agreed to be severed before supply or under contract of supply.

Service means-

- a) Anything other than goods, money & securities.
- b) But includes activities related to the use of money or its conversion for which separate consideration is charged.

NOTE 6:



Sec 7 (1)(a)



Supply of G/S

+

Consideration

+

In COB/FOB



SELL-D-BTR

Sec 7 (1)(b)



Import of Service

+

Consideration

+

Whether or not in
COB/FOB

Sec 7 (1)(c)



Supply of G/S

+

Without
Consideration



Deemed
Supply



(Schedule I)

Sec 7 (1A)



Activities to be
treated in
supply of goods
or supply of
services



(Schedule II)

Sec 7(2)



Activities not to
be treated in
supply of
goods/services



Negative List



(Schedule III)

NOTE 7: Deemed supply (Schedule I)

1. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
2. Supply of goods and services or both between related persons or between deemed distinct person as specified in section 25, when made in the course or furtherance of business provided that gifts not exceeding ₹50,000 in value in a FY by an employer to an employee shall not be treated as supply of goods or service or both.
3. Supply of goods by a principal to his agent or by an agent to his principal.
4. Import of services by a person from a related person or any of his other establishments outside India, in course or furtherance of business

NOTE 8: Supply of goods or service ? (Schedule II)

Sr. No	Headings	Activities	Goods or Service
1	Transfer	a) Transfer of title in goods	Goods
		b) Transfer of goods without transfer of title	Service
		c) Transfer of title under forward contract	Goods
2	Land & Building	Any lease/licensing/letting out	Service
3	Job work	Treatment of Process	Service

4	Transfer of business asset	a) Permanent transfer or disposal of business asset	Goods
		b) Business goods put to non business use	Service
		c) Treatment of business goods when a person ceases to be a taxable person	Goods
5	Supply of services	a) Renting of immovable property	Service
		b) Construction of complex	Service
		c) Temporary transfer of intellectual property rights (IPR)	Service
		d) Design/Development of I.T. Software, etc.	Service
		e) Agreeing to do or not to do an act.	Service
		f) Transfer of rights to use any goods	Service
6	Composite supply	a) Work contract	Service
		b) Restaurant service	Service
7	Supply of goods	By any unincorporated association to its members	Goods

NOTE 9: Supply is neither goods nor service(Negative supply - Schedule III)

1. Service by an Employee to Employer in the course of or in relation to his employment.
2. Service by any court or tribunal established under any law for the time being in force.
3. a) functions performed by **MP/MLA** etc.
b) Duties performed by any person who holds any constitutional post.
c) Duties person by any person as a chairperson/member/director in any body established by CG/SG/LA
4. Service of funeral/burial/crematorium/mortuary including transportation of the **deceased**.
5. Sale of **land** and sale of **building**
6. **Actionable** claim **other than** lottery, betting & gambling.
7. Supply of goods from a place in **NTT** to another place in **NTT** without such goods entering in India.
8. a) supply of warehoused goods to any person before clearance of home consumption.
b) Supply of goods by the consignee to any other person by endorsement of document of title to goods, after the goods have been dispatched from the port of origin located outside India but before clearance of home consumption

NOTE 10: Composite Supply V/S Mixed Supply

Points	Composite Supply	Mixed Supply
1	Sec 2(30) of CGST Act	Sec 2(74) of CGST Act
2	It means supply made by a taxable person which comprises of two or more taxable supply	It means two or more Individual supplies of goods or services or both
3	Naturally bundled, supplies are dependent on each other, one of which is principal supply	Artificially bundled, supplies are not dependent on each other, only they are supplied together
4	Price may be charged separately	A single price is charged
5	Taxed at rate of principle supply	Taxed at rate, supply having highest rate of tax.
6	E.g. Charger supplied with mobile phone	E.g. Gift pack of chocolates & sweets.

CHAPTER : 3 TIME ,PLACE AND VALUE OF SUPPLY

NOTE : 1 Due Date of Invoice

GOODS

1. Movement of goods required → Date of removal
2. Movement of goods not required → Date of goods available
3. Continuous supply → Date of statements / payment
4. Sale on return basic → 6 months from the date of removal

SERVICE

1. Due date of payment is fixed → Due date of payment
2. Due date of payment is not fixed → Date of payment
3. Service completed → Date of completion
4. Other cases → Within 30/45 days → Bank/ Insurance

NOTE : 2 Time of Supply

CASES	GOODS	SERVICE
1. FCM/NCM Forward charge mechanism Normal charge mechanism	a. Due date of Invoice OR b. Actual date of Invoice	Invoice OR Payment Date Service OR Payment Date
2. RCM Reverse charge mechanism	a. Date of receipt of goods b. Date of payment c. 31 st day from the date of invoice	a. -- b. Date of payment c. 61 st day from the date of invoice
3. VOUCHER	a. Date of issue b. Date of redemption	a. Date of issue b. Date of redemption
4. IPL Interest /penalty / late fees	Date of receipt	Date of receipt
5. REMAINING CASES	a. Due date of return b. Date of payment	a. Due date of return b. Date of payment

NOTE : 3 TIME OF SUPPLY IN CASE OF CHANGE IN RATE OF GST

A. SUPPLY IS BEFORE

CASES		TIME OF SUPPLY	RATE
I.	Invoice = before Payment = after	Date of invoice	Old
II.	Invoice = after Payment = before	Date of payment	Old
III.	Invoice = after Payment = after	Date of invoice Date of payment ↓	New

B. SUPPLY IS AFTER

CASES		TIME OF SUPPLY	RATE
I.	Invoice = after Payment = before	Date of invoice	New
II.	Invoice = before Payment = after	Date of payment	New
III.	Invoice = before Payment = before	Date of invoice Date of payment ↓	Old

PLACE OF SUPPLY

NOTE : 1 PLACE OF SUPPLY OF GOODS (DOMESTIC TRANSCATION)

SECTION	NATURE OF SUPPLY	PLACE OF SUPPLY
10 (1) (a)	Movement of goods required	Place where movement terminated
(b)	Bill to Ship to Model	Place to third party (who makes payment)
(c)	Movement of goods not required	Location where goods made available
(d)	Goods required assembly or installation	Place of assembly or installation
(e)	Goods supplied on board	Place where goods taken on board
10(2)	If place of supply is not determined as per section 10(1)	Place of supply will be as per prescribed manner

NOTE : 2 PLACE OF SUPPLY OF GOODS (INTERNATIONAL TRANSCATION)

SECTION	NATURE OF SUPPLY	PLACE OF SUPPLY
11(1)	Import of goods	Location of recipient
11(2)	Export of goods	Location outside India

NOTE : 3 PLACE OF SUPPLY OF SERVICE (DOMESTIC TRANSACTION)

SECTION	NATURE OF SUPPLY	PLACE OF SUPPLY
12(1)	Applicability of section 12	LOS & LOR both are in India
12(2)	Residual / Default rule	RP = LORP, URP = AOR, AOR(X) = LOS
12(3)	Service in relation to IMP/boat/vessel	Location of IMP/boat/vessel
12(4)	Performance based service (RCB PFH)	Place of actual performance
12(5)	Training & Performance appraisal	RP → LORP URP → POP
12(6)	Admission to an event/park etc	Place of event held /park

12(7)	Organising an event/ancillary service	RP → LORP URP → Location of event
12(8)	Transportation of goods including mail & courier	RP → LORP URP → Place of handover
12(9)	Transportation of passenger	RP → LORP URP → Place of embarking
12(10)	On board service	First schedule point of departure
12(11)	Tele communication service	Location of fixed line/billing address/ Agent address
12(12)	Banking , financial , stock , broking services	AOR , AOR → LOS
12(13)	Insurance service	RP → LORP URP → AOR
12(14)	Advertising service to government	Each State/ UT

VALUE OF SUPPLY

VALUE OF SUPPLY

When money is the sole consideration & Parties are **NOT** related

Otherwise apply valuation rule

Transaction value

Particular	Amount
Price (paid or payable)	XX
Add: ISTR	
I : Incidental charges	XX
S : Subsidy other than government	XX
T : Taxes other than GST	XX
R : Recipient paid on behalf of supplier	XX
I : Interest/ late fee/penalty	XX
	XXX
Less: Discount (known at the time of supply)	XX
Value of Supply	XXX

RULE	27	28	29	30	31
Availability	Consideration in kind	Transaction between related party	Transaction through agent	Cost based method	Residential method
OMV	1	1	1	}	}
Money + FMV	2	X	X		
Like kind & quality	3	2	X	} Cost x 110%	} Best judgement
110% of cost	4	3	2		
Best judgement	5	4	3		

CHAPTER : 4 PAYMENT OF TAX AND INPUT TAX CREDIT (ITC)

NOTE 1 : Calculation of output tax liabilities (Tax on outward supply)

Particulars	IGST	CGST	SGST
a) Interstate supply of goods or services (Value x Rate of GST)	XX	----	----
b) Intrastate supply of goods or services (Value x Rate of GST)	----	XX	XX
TOTAL	XXX	XXX	XXX

NOTE 2 : Calculation of Input Tax Credit (Tax on inward supply)

Particulars	IGST	CGST	SGST
a) Interstate purchase of goods or services (Value x Rate of GST)	XX	----	----
b) Intrastate purchase of goods or services (Value x Rate of GST)	----	XX	XX
c) Opening balance of ITC	XX	XX	XX
TOTAL	XXX	XXX	XXX

NOTE 3 : Calculation of Net GAT Liability

Particulars	IGST	CGST	SGST
Tax on outward supply (Total of Note 1)	XX	XX	XX
Less : Input Tax Credit (Total of Note 2)	XX	XX	XX
BALANCE	XXX	XXX	XXX
Adjustment if required	(XXX)	XXX	XXX
Net GST Liability	XXX	XXX	XXX

CHAPTER 5 : REGISTRATION UNDER GST

Section 22: Person liable for registration

Section 23: Person not liable for registration

Section 24: Compulsory registration

Section 25: Procedure for registration

Section 26: Deemed registration under CGST Act

Section 27: Special procedure for CTP/NRTP

Section 28: Amendment of registration

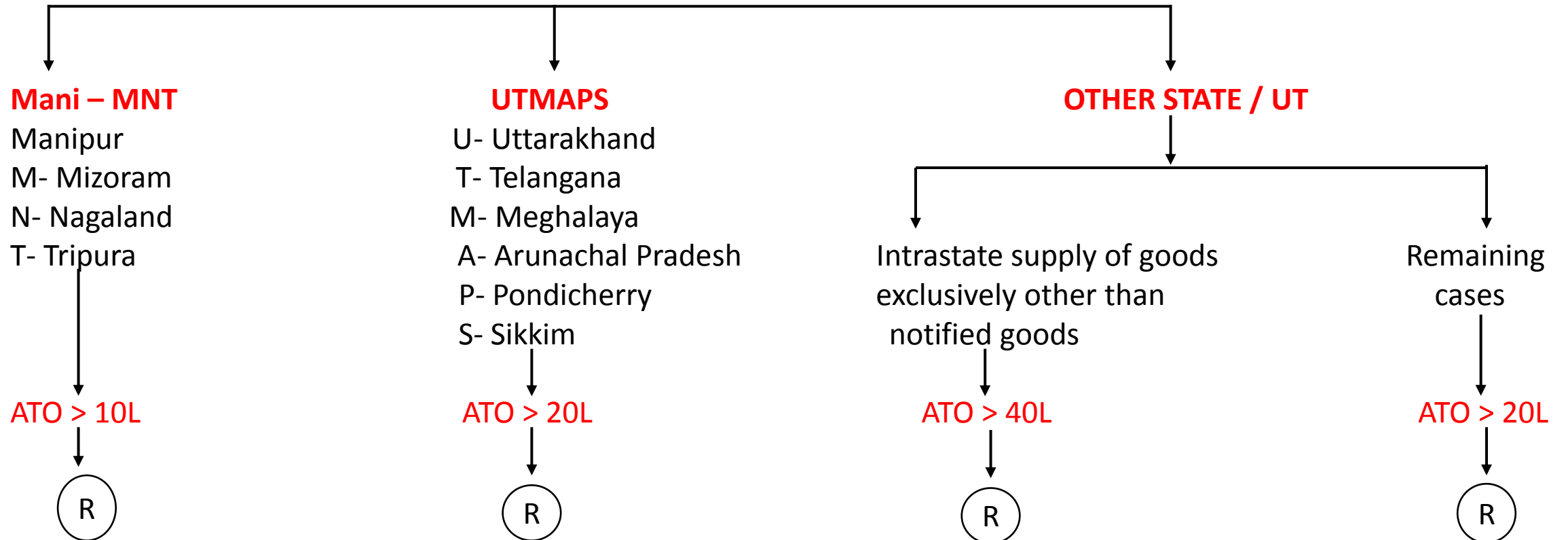
Section 29: Cancellation/Suspension of registration

Section 30: Revocation of cancellation

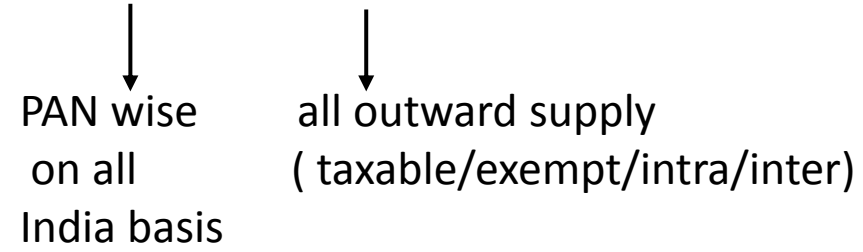
NOTE 1: Person liable for registration under GST

Person liable for registration under GST

Check from where you are making taxable supply?



ATO = Aggregate Turnover



Notified Goods

1. Pan masala
2. Tobacco
3. Ice cream
4. Bricks/tiles

NOTE 2 : **Person not liable for registration under GST**

- a. Person engaged in exclusively exempt supply
- b. Agriculturist (Hindu Undivided Family & Individual) to the extent of supply of produce out of cultivation of land

NOTE 3 : **Compulsory Registration**

- a. Causal taxable person
- b. Person required to pay tax under reverse charge mechanism
- c. E-commerce operator
- d. Agent supplying goods on behalf of Principal
- e. Aggregator
- f. TDS Deductor
- g. TCS Collector
- h. Interstate taxable supply
- i. Input service distributor
- j. Etc.