

## TEST 1: INTRODUCTION TO GST

### Illustration 1

Explain concept & principle of GST?

### Solution

- GST is a Broad - Based Value Added Tax
- GST is technically paid by supplier but it is actually borne by consumers.
- GST is collected at multiple stage of production and distribution of goods and services in which taxes paid on inputs are allowed as set off against taxes payable on output.
- GST is a tax on the consumption of products from business sources, and not on personal or hobby activities.
- Under GST, input tax credit is provided throughout the value chain for creditable acquisition.

### Illustration 2

List the taxes to be subsumed in GST? (MTP - ICAI)

### Solution

Central levies to be subsumed	State levies to subsumed
<ul style="list-style-type: none"> <li>• Central Excise duty and additional excise duties</li> </ul>	<ul style="list-style-type: none"> <li>• State surcharges and cesses in so far as they relate to supply of goods and services</li> </ul>
<ul style="list-style-type: none"> <li>• Service tax</li> </ul>	<ul style="list-style-type: none"> <li>• Entertainment tax (except those levied by local bodies)</li> </ul>
<ul style="list-style-type: none"> <li>• Excise duty under medicinal and toilet preparation Act</li> </ul>	<ul style="list-style-type: none"> <li>• Tax on lottery, betting and gambling</li> </ul>
<ul style="list-style-type: none"> <li>• CVD &amp; Special CVD</li> </ul>	<ul style="list-style-type: none"> <li>• Entry tax (All Forms) &amp; Purchase tax</li> </ul>
<ul style="list-style-type: none"> <li>• Surcharge and Cesses in so far as they relate to supply of goods and services</li> </ul>	<ul style="list-style-type: none"> <li>• VAT / Sales tax</li> </ul>
	<ul style="list-style-type: none"> <li>• Luxury tax</li> </ul>
	<ul style="list-style-type: none"> <li>• Taxes on advertisements</li> </ul>

### Illustration 3

Write a short note on Goods and Services Tax Council (RTP - ICAI)

### Solution

Article 279A of the Constitution empowers the President to constitute a joint forum of the Centre and State namely, Goods and Services Tax Council (GST Council).

- The provisions relating to GST Council came into force on 12<sup>th</sup> September, 2016. President constituted the GST Council on 15<sup>th</sup> September, 2016.
- The Union Finance Minister is the Chairman of this Council and Ministers in charge of Finance / Taxation or any other Minister nominated by each of the State & UTs with Legislatures are its members. Besides, the Union Ministers of State in charge of Revenue or Finance is also its member.
- The function of the Council is to make recommendations to the Union and the States on important issues like tax rates, exemptions, threshold limits, dispute resolution etc. The GST Council has decided the threshold exemption, composition threshold GST rates, GST legislations including rules and notifications.

#### **Illustration 4**

What are the functions performed by the GSTN?

#### **Solution**

The functions of GSTN are as follows:

- Facilitating registration
- Forwarding the returns to Central & State authorities
- Computation and settlement of IGST
- Matching of tax payment details with banking network
- Providing various MIS reports to the Central and the State Governments based on the taxpayer return information
- Providing analysis of taxpayers profile
- Running the matching engine for matching, reversal and reclaim of input tax credit

#### **Illustration 5**

Write a short note on various list provided under Seventh Schedule to the Constitution of India. (ICAI Method)

#### **Solution**

It contains three lists which enumerate the matters under which the Union and the State government have the authority to make laws.

<b>List I</b>	<b>List II</b>	<b>List III</b>
<b>Union list</b>	<b>State list</b>	<b>Concurrent list</b>
It contains the matters in respect of which the Parliament (Central Government) has the exclusive right to make laws.	It contains the matters in respect of which the State Government has the exclusive right to make laws	It contains the matters in respect of which both the Central & State Governments have power to make laws.

**Illustration 6**

Mr. Chandulal of Gujarat supplied goods for Rs.35,000 to Mr. Kamlesh of Ahmedabad. Mr. Chandulal purchased goods of Rs.59,000 (inclusive of IGST @ 18%) and of Rs.47,200 (inclusive of CGST & SGST @ 9% each) from Mr. Patil of Maharashtra and Mr. Shah of Surat respectively. CGST and SGST rate on supply of goods by Mr. Chandulal is 9% each. Find the net liability of GST.

**Solution**

As per Section 8 of IGST Act, 2017 supply of goods where location of the supplier and place of supply of goods are in the same state shall be treated as intra state supply. Therefore, CGST and SGST will be leviable on such intra - state supply of goods.

Particulars	Liability
Sale price	35,000
CGST @ 9%	3,150
SGST @	3,150
Total price	41,300

## Calculation of Net GST Liability

Particulars	CGST @ 9%	SGST @ 9%
Tax on outward supply	3,150	3,150
<b>Less: ITC - IGST (WN. 1)</b>	3,150	3,150
Net Tax Payable		

**Working notes:**

## 1. Calculation of IGST on purchase of goods from Mr. Patil

$$\text{IGST} = 59,000 \times 18 / 118$$

$$= \text{Rs.}9,000$$

## 2. Calculation of CGST and SGST on purchase of goods from Mr. Shah

$$\text{CGST} = 47,200 \times 9 / 118$$

$$= \text{Rs.}3,600$$

$$\text{SGST} = 47,200 \times 9 / 118$$

$$= \text{Rs.}3,600$$