

Chapter 1 GST in India- An Introduction

Question Bank

(Chapter No. is according to the ICAI Study Material)

Q1.	GST is a cure for ills of existing Indirect tax regime. Justify the statement.
	<p>A comprehensive tax structure covering both goods and services viz. Goods and Services Tax (GST) addresses most of the issues of the existing Indirect tax regime. Simultaneous introduction of GST at both Centre and State levels has integrated taxes on goods and services for the purpose of set-off relief and ensures that both the cascading effects of CENVAT and service tax are removed and a continuous chain of set-off from the original producer's point / service providers point upto the retailer's level / consumer's level is established.</p> <p>In the GST Regime, the major indirect taxes have been subsumed in the ambit of GST. The erstwhile concepts of manufacture or sale of goods or rendering of services are no longer applicable since the tax is now levied on "Supply of Goods and/ or services".</p>
Q2.	Explain the legislative framework of GST as introduced in India.
	<p>There is single legislation – CGST Act, 2017 – for levying CGST. Similarly, Union Territories without State legislatures [Andaman and Nicobar Islands, Lakshadweep, Dadra and Nagar Haveli, Daman and Diu and Chandigarh] are governed by UTGST Act, 2017 for levying UTGST. States and Union territories with their own legislatures [Delhi and Puducherry] have their own GST legislation for levying SGST.</p> <p>Though there are multiple SGST legislations, the basic features of law, such as chargeability, definition of taxable event and taxable person, classification and valuation of goods and services, procedure for collection and levy of tax and the like are uniform in all the SGST legislations, as far as feasible. This is necessary to preserve the essence of dual GST.</p>
Q3.	Discuss the leviability of GST or otherwise on Opium, Indian hemp and other narcotic drugs and narcotics.
	<p>Opium, Indian hemp and other narcotic drugs and narcotics are within the purview of GST, i.e GST is leviable on them. However, State Government have also retained the power to levy excise duties on such products manufactured in India. Resultantly, Opium, Indian hemp and other narcotic drugs and narcotics are subject to GST as well as State excise duties.</p>
Q4.	How is tax compliance made easier with the introduction of GST?
	<p>(i) Automated procedures with greater use of IT: There are simplified and automated procedures for various processes such as registration, returns, refunds, tax payments. All interaction is primarily through the common GSTN portal, therefore, less public interface between the taxpayer and the tax administration.</p> <p>(ii) Reduction in compliance costs: The compliance cost is lesser under GST as multiple record-keeping for a variety of taxes is not needed, therefore there is lesser investment of resources and manpower in maintaining records. The uniformity in laws, procedures and tax rates across the country goes a long way in reducing the compliance cost.</p>
Q5.	List the advantages that GST accrues to the economy.
	<p>GST accrues following benefits to the economy</p>

	<p>(i) Creation of unified national market: GST aims to make India a common market with common tax rates and procedures and remove the economic barriers thus paving the way for an integrated economy at the national level.</p> <p>(ii) Boost to 'Make in India' Initiative: GST gives a major boost to the 'Make in India' Initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market. This will create India as a manufacturing hub.</p> <p>(iii) Enhanced investment and employment: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input tax on goods and services and phasing out of Central Sales Tax (CST) reduces the cost of locally manufactured goods and services and increases the competitiveness of Indian goods and services in the international market and thus, gives boost to investments and Indian exports. With a boost in exports and manufacturing activity, more employment will be generated and GDP will increase.</p>
Q6.	<p>Explain the constitution of the GST Council in India.</p> <p>Article 279A of the Constitution empowers the President to constitute a joint forum of the Centre and States namely, Goods and Services Tax Council (GST Council). The Union Finance Minister is Chairman of this Council and Ministers in charge of Finance/ Taxation or any other Minister nominated by each of the States & UTs with legislatures are its members. Besides, the Union Minister of State in charge of Revenue or Finance is also its member.</p>
Q7.	<p>What are the matters on which Goods and Services Tax Council can make recommendations to the Union and the States?</p> <p>As per Article 279A(4) of the Constitution of India , the Goods and Services Tax Council shall make recommendations to the Union and the States on—</p> <ol style="list-style-type: none"> 1. the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax; 2. the goods and services that may be subjected to, or exempted from the goods and services tax; 3. The threshold limit of turnover below which goods and services may be exempted from goods and services tax; 4. the rates including floor rates with bands of goods and services tax; 5. any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster; 6. Special provision with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand; 7. The date on which GST be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas, aviation turbine fuel 8. Any other matter relating to the goods and services tax, as the Council may decide.
Q8.	<p>GST results in seamless flow of credit. Justify the statement.</p> <p>Since GST is a destination based consumption tax, revenue of SGST ordinarily accrues to the consuming States. The inter-state supplier in the exporting State is allowed to set off the available credit against the IGST payable on inter-state supply made by him.</p> <p>The buyer in the importing State is allowed to avail the credit of IGST paid on inter-state purchases made by him . Thus, unlike the earlier scenario where the credit chain used to break in case of inter-state sales on account of non-VATable CST, under GST regime there is a seamless credit flow in case of inter-State supplies too.</p>

	<p>The revenue of inter-state sales does not accrue to the exporting state and the exporting state transfers to the Centre the credit of SGST/UTGST used in payment of IGST. The Centre transfers to the importing State the credit of IGST used in payment of SGST/UTGST.</p>
Q9.	<p>Explain the manner of Levy and collection of GST on inter-State supply</p> <p>Article 269A stipulates that GST on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council.</p> <p>Import of goods or services or both into India will also be deemed to be supply of goods and/ or services in the course of Inter-State trade or Commerce.</p> <p>Parliament is empowered to formulate the principles regarding place of supply and when supply of goods, or of services, or both occurs in inter-State trade or commerce.</p>
Q10.	<p>How are decisions taken by the GST Council?</p> <p>Every decision of the GST Council shall be taken at a meeting, by a majority of not less than 3/4th of the weighted votes of the members present and voting, in accordance with the following principle, namely:-</p> <p>(a) The vote of the Central Government shall have a weightage of 1/3rd of the total votes cast, and</p> <p>(b) The votes of all the State Governments taken together shall have a weightage of 2/3rd of the total votes cast, in that meeting.</p>