FREQUENTLY ASKED QUESTIONS ON GOODS AND SERVICES TAX

Goods and Services Tax (GST)was introduced in India with effect from 1 July 2017. GST is an indirect tax and has replaced a plethora of erstwhile duties, taxes, cesses and levies. The objective of GST introduction is to achieve a One Nation-One Tax regime as well as eliminate the erstwhile complex system of indirect taxation and cascading of levies.

This primer deals with the fundamental structure of GST in India.

1. What is GST?

GST is a destination-based tax on consumption of goods and services. It is proposed to be levied at all stages, right from manufacture up to final consumption with credit of taxes paid at previous stages available as set off. In summary, only value addition will be taxed at each stage of the supply chain and burden of tax is to be borne by the final consumer.

2. What is the meaning of destination-based consumption tax?

This implies that GST would accrue to the jurisdiction where consumption of goods or services takes place, as against the erstwhile principle where tax would accrue to the jurisdiction where the transaction originates. This principle has led to the concept of 'place of supply' in the GST legislation.

3. Which duties, taxes, cesses and levies have been subsumed by GST?

The following key Central and State taxes have been subsumed by GST:

Central Taxes	State Taxes
(i) Central Excise Duty	(i) State VAT
(ii) Additional Excise Duties	(ii) Purchase Tax
(iii) Excise Duty levied under the Medicinal and Toiletries Preparation Act	(iii) Entertainment Tax (other than those levied by local bodies)
(iv) Service Tax	(iv) Luxury Tax
(v) Central Sales Tax	(v) Taxes on lottery, betting and gambling
(vi) Additional Customs Duty	(vi) Taxes on Advertisements
(vii) Special Additional Duty of Customs	(vii) Entry Tax
(viii) Central surcharges and cesses	(viii) State surcharges and cesses

4. Which goods or services have been kept outside the purview of GST?

Alcohol for human consumption, petroleum products (viz. petroleum crude, motor spirit (petrol), high speed diesel, natural gas, aviation turbine fuel) and electricity are outside the purview of GST.

5. What is the GST structure in India?

India adopted a dual GST model ie the taxation is administered by both the Central and State governments, and both the Central and State governments levy GST on a common tax base. On an intra-state transaction, GST levied by the Centre is called the Central GST (CGST) and that levied by the State is call the State GST (SGST). On an inter-state transaction, the GST levy is called the Integrated GST (IGST), to be administered by Centre but shared with the States.

6. Which are the principal legislations governing GST in India?

The following five (5) Acts have been introduced which govern the GST framework:

(i) Integrated Good and Services Tax Act, 2017 (IGST);

(ii) Central Goods and Services Tax Act, 2017 (CGST);

(iii) State Goods and Services Tax Act, 2017 (SGST);

(iv) Union Territory Goods and Services Tax Act 2017 (UTGST); and

(v) Goods and Services Tax (Compensation to States) Act 2017.

7. What is the GST rate structure?

The GST Council has announced the following tax slabs for levy of GST:

(i) 0% for essential goods and services;

(ii) 0.25% and 3% for precious stones, gold, etc.;

(iii) 5% and 12% for common use goods and services;

(iv) 18% as the standard rate; and

(v) 28% for luxury and sin goods.

In addition, compensation cess is levied on few products falling under the 28% rate slab.

8. How is GST levied on a tax invoice for supply of goods having GST rate of 18%?

(i) Intra-state supply - CGST (9%) + SGST or UTGST (9%); and

(ii) Inter-state supply - IGST (18%).

Compensation cess (if applicable) will be levied separately.

9. How is a transaction categorized as 'inter-state' of 'intra-state'?

GST legislation has provisions relating to 'place of supply', to formulate principles for determining whether a supply of goods or services qualify as an inter-state or intra-state transaction. Various scenarios and conditions have been prescribed under the IGST Act for such determination, basis which the tax invoice should either levy (i) CGST + SGST or (ii) IGST.

10. What is the taxable event under GST?

Under GST, a 'supply' of goods or services is the taxable event. The term 'supply' as explained under Section 7 of the CGST Act includes:

(i) all forms of supply of goods and services for a consideration and in the course of furtherance of business;

(ii) all import of services for a consideration, whether or not in the course of furtherance of business; and

(iii) activities specified in Schedule I, even without a consideration.

Activities specified in Schedule III shall not be considered as supply of goods or services.

11. What is threshold limit for obtaining registration under GST?

(i) Exclusively engaged in supply of goods - INR 4 million; and

(ii) Others - INR 2 million.

A reduced threshold limit has been prescribed for few special category states. Also, different threshold limit shave been prescribed under the composition scheme, as applicable to small business

12. What is the 'composition scheme' under GST?

A supplier of goods having a pan-India turnover of less than INR 15 million can opt for the composition scheme and deposit GST at a flat rate of 1% and avail the benefit of simpler GST compliances. Certain categories of taxpayers are not eligible for the composition scheme, such as persons involved in inter-state supplies, supply of goods through e-commerce operator, etc. Under the composition scheme, the taxpayer is denied credits of any input taxes on purchases, as well as prohibited from collecting GST from customers.

13. Who is required to obtain compulsory registration under GST?

The following categories of persons are required to obtain GST registration, irrespective of their turnover:

(i) Persons involved in inter-state supply of goods;

(ii) Casual taxable persons;

(iii) Non-resident taxable persons;

(iv) Electronic commerce operators;

(v) Persons required to pay GST under the reverse charge mechanism;

(vi) Persons undertaking taxable supply of goods or services as an agent;

(vii) Input service distributor;

(viii) Persons who are required to deduct tax;

(ix) Persons involved in supply of 'online information and database access or retrieval services' from a place outside India to an unregistered person in India; and

(x) Any other persons as may be notified.

14. What is the time limit to obtain a GST registration?

GST registration is required to be obtained within 30 days of being liable to the GST provisions. Different time lines have been prescribed for other classes of persons such as casual taxable persons, non-resident taxable persons, etc.

15. How many GST registrations are required to be obtained if business operations are spread across multiple Indian States?

Separate GST registration is required to be obtained in each Indian State or Union Territory where the taxpayer has business operations and is liable to pay GST. This determination is required to be made under Section 22 of the CGST Act. There is no concept of a 'centralized registration' under GST. Even within each State, the taxpayer can opt for different GST registrations for each of its business verticals.

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