CHAPTER III

LEVY & COLLECTION OF TAXES

9. Levy and Collection.

PART 1

(1) **Subject to the provisions of sub-section (2),** there shall be levied a tax called the **Central Goods and Services Tax** on all **INTRA-STATE SUPPLIES** of **Goods or Services or Both**, except on the supply of alcoholic liquor for human consumption**, on the value determined under section 15** and at such rates, not exceeding twenty per cent., as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the **TAXABLE PERSON.**

(2) The **Central Tax** on the **SUPPLY** of petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel shall be levied with effect from such date as may be notified by the Government on the recommendations of the Council.

PART 2

(3) The Government may, on the recommendations of the Council, by notification, **specify categories of supply** of goods or services or both, the tax on which shall be paid on **reverse charge basis** by the recipient of such goods or services or both and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

(4) The central tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

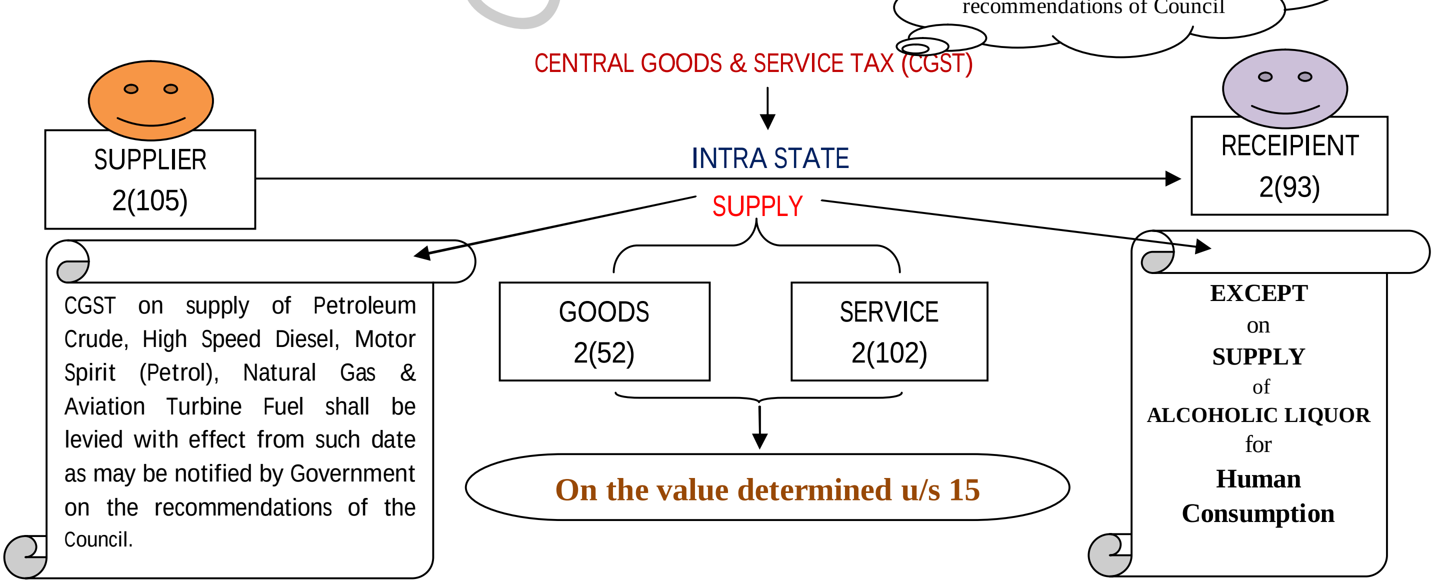
PART 3

(5) The Government may, on the recommendations of the Council, by notification, specify categories of **SERVICES** the tax on intra-State supplies of which shall be paid by the electronic commerce operator if such services are supplied through it, and all the provisions of this Act shall apply to such electronic commerce operator as if he is the supplier liable for paying the tax in relation to the supply of such services:

Provided that where an electronic commerce operator does not have a physical presence in the taxable territory, any person representing such electronic commerce operator for any purpose in the taxable territory shall be liable to pay tax:

Provided further that where an electronic commerce operator does not have a physical presence in the taxable territory and also he does not have a representative in the said territory, such electronic commerce operator shall appoint a person in the taxable territory for the purpose of paying tax and such person shall be liable to pay tax.

PART – 1 (NORMAL CHARGE or FORWARD CHARGE)



AUTHOR COMMENTS ON FIRST PART

1. **Understanding of the words "Subject to the provisions of sub-section (2)"**

   According to Section 9(1) there shall be levied a tax called CGST on **ALL** **inter-state supply** that means **ALL** the goods and **ALL** the services are subject to tax but If you see the Section 9 Subsection (1) starts with the wordings "**Subject to the provisions of sub-section (2)"** and after reading Section 9 Subsection (2) you will get a list of goods i.e. Petroleum Crude, High Speed Diesel, Motor Spirit, Natural Gas & Aviation Turbine Fuel which are also subject to CGST **but on a later date** and this date will be notified by the Govt. on the recommendations of the council. Now you can conclude that there shall be levied a tax called CGST on **ALL** inter-state supply with immediate effect as the Central Goods & Service Tax come in to force but in case of supply of Petroleum Crude, High Speed Diesel, Motor Spirit, Natural Gas & Aviation Turbine Fuel, CGST shall be levied from the date as Govt. will notify in this regard.

2. Understanding of words "**INTRA STATE SUPPLY"** or Why CGST is levied only on "**INTRA STATE SUPPLY"** and not on **"INTERSTATE SUPPLY**"? or Understanding of CGST, SGST/UTGST, IGST.

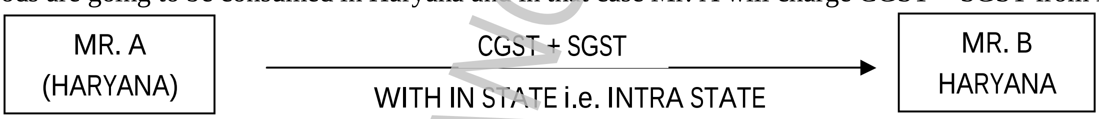
   To understand this concept you have to understand the basic concept of Goods & Services Tax (GST). Let's understand

   Since GST subsumed both indirect taxes of Central Government (excise duty, service tax, custom duty etc) and State Governments (VAT, Luxury tax etc), both of the government now depends on GST for their indirect tax revenue. Initially single tax in the name of Goods & Service Tax (GST) was proposed to be implemented.

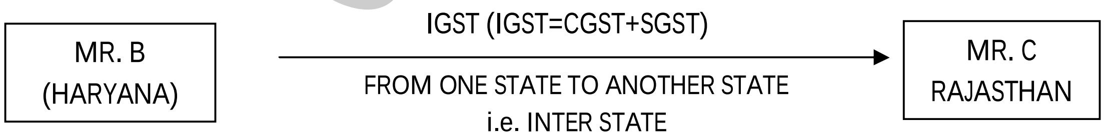
   India is a federal country where both Centre and the States have been assigned the powers to levy andcollect taxes. Both le vels of Government have distinct responsibilities to perform, as per Constitution of India, for which they need to raise resources. And if a single tax in the name of GST implemented, in that case the entire revenue goes to Central Government and now every states will be depended on Central Govt. for their revenue share. To solve this problem a Dual GST was proposed to be implemented. Now GST was to be charged in the name of Central Goods & Service Tax (CGST) and State Goods & Service Tax (SGST), where the revenue of CGST is to be received by Central Govt. and SGST is to be received by respective State Govt. But there was again a problem in this dual GST system, this system is appropriate only in case of supply WITH IN THE SAME STATE i.e. INTRA STATE SUPPLY. Lets understand with an example:

   GST is a consumption based tax i.e. the tax should be received by the state in which the goods or services are consumed and not by the state in which such goods are manufactured.

   For example: Mr. A (in Haryana), supply any Goods to Mr. B (in Haryana), the tax should be received by the Haryana Govt. because Goods are going to be consumed in Haryana and in that case Mr. A will charge CGST + SGST from Mr. B.



   Now suppose Mr. B (in Haryana) sells the Goods to Mr. C (in Rajasthan), in that the tax should be received by the Rajasthan Govt. because Goods are going to be consumed in Rajasthan. But now the problem is if Mr. B charge CGST+SGST from Mr. C, the charged SGST will go to Haryana Govt. and Haryana Govt. will transfer this amount to Rajasthan Govt. as the SGST belongs to Rajasthan Govt. because Goods are going to be consumed in Rajasthan now. It will result in complication because every state has to be connected to each other in case of supply from **ONE STATE TO ANOTHER STATE** i.e. **INTER STATE SUPPLY.** In this a case a tax was levied in the name of **Integrate Goods & Service Tax (IGST)** which is to be charged by the CG and it will be sum of CGST and SGST and CG will share the revenue of SGST with respective State to which it belongs. Now there will be no need to be connected every state to each other.



   I hope friends now you will be cleared on section 9(1) why CGST is levied only on **INTRA STATE SUPPLY** and not on INTER STATE SUPPLY.

3. Understanding of words ", **except on the supply of alcoholic liquor for human consumption**" **-** In layman's terms, Alcohol is the most revenue generating commodity from which most of the states earn maximum revenue. Since GST will make them share these revenues with the central govt, they are reluctant to get this commodity included in the purview. Therefore, Supply of alcoholic liquor for human consumption, is kept out of the purview of the CGST Act, 2017 and the power to levy taxes on supply of alcoholic liquor for human consumption under Entry No. 51 remains with the State Governments.

4. Friends, I am not going to discuss the word "SUPPLY" and "VALUE u/s 15" in this Article. We will cover these two concepts in my upcoming articles "SCOPE OF SUPPLY" and "VALUATION OF SUPPLY" in detail.

AUTHOR COMMENTS

5. Understanding of words "**, at such rates, not exceeding twenty per cent.**" - We all of know GST rates has been announced on various Goods & Services. The maximum rate announced of GST is 28% (i.e. 14% CGST+14% SGST) but it can be increased up to 40% (i.e. 20% CGST + 20% SGST). As the Section 9(1) clearly says that "**at such rates, not exceeding twenty percent**" that means **CGST** Rate can be increased max. up to 20%.

6. Understanding of words "**, collected in such manner as may be prescribed**" - The CGST shall be collected by the CG in the manner as prescribed and the manner is prescribed in **GST – PAMENT OF TAXES RULES, 2017.** we will discuss the same in upcoming articles.

7. Understanding of words "**, shall be paid by the TAXABLE PERSON" - For** payment of CGST, the word is used **TAXABLE PERSON**, not the supplier. It means the tax shall by paid by the taxable person not by the supplier. Friend we will gradually see in the GST there will be many instances where tax is levied on a person other than supplier like in reverse charge the tax shall be paid by the recipient not by the supplier that means taxable person is RECEPIENT in case of reverse charge not the supplier. There can be many examples thats why the words are used TAXABLE PERSON not the supplier.

RELVENET DEFINITION UNDER SECTION 2:

(64) "intra-State supply of goods" shall have the same meaning as assigned to it in section 8 of the Integrated Goods and Services Tax Act i.e. supply of goods where the location of the supplier and the place of supply of goods are in the same State or same Union territory shall be treated as intra-State supply;

(65) "intra-State supply of services" shall have the same meaning as assigned to it in section 8 of the Integrated Goods and Services Tax Act i.e. supply of services where the location of the supplier and the place of supply of services are in the same State or same Union territory shall be treated as intra-State supply;

(52) "goods" means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply;

(75) "money" means the Indian legal tender or any foreign currency, cheque, promissory note, bill of exchange, letter of credit, draft, pay order, traveller cheque, money order, postal or electronic remittance or any other instrument recognised by the Reserve Bank of India when used as a consideration to settle an obligation or exchange with Indian legal tender of another denomination but shall not include any currency that is held for its numismatic value;

(101) "securities" shall have the same meaning as assigned to it in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956;

(102) "services" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged;

(1) "Actionable claim" shall have the same meaning as assigned to it in section 3 of the Transfer of Property Act, 1882;

(53) "Government" means the Central Government;

(36) "Council" means the Goods and Services Tax Council established under article 279A of the Constitution;

(107) "taxable person" means a person who is registered or liable to be registered under sec. 22 or section 24;

(21) "Central tax" means the central goods and services tax levied under section 9;