Overview of GST

1. **Explain the 'taxable event' under CGST Act, 2017. Briefly bring out the difference between 'taxable event' under GST and 'taxable event' under the previous indirect tax laws viz., excise service tax and VAT.**

➢ Under GST, ***levy of tax is on the supply of goods and/or services***, which departs from the historically understood concepts of 'Taxable Event' under the State VAT Laws, Excise Laws and Service Tax Laws i.e., sale, manufacture and service.

In the GST regime, the entire value of Supply of goods and/or services will be taxed in an integrated manner, unlike the existing indirect taxes, which are charged independently either on the manufacture or sale of goods, or on the provisions of services.

2. **What do you mean by 'Composite Supplies'? How does it differ from a 'mixed supply'? List the 'composite supplies' that shall be treated as supply of services only.**

➢ Composite supply means a supply made by a taxable person to a recipient and:
- ***Comprises two or more taxable supplies*** of goods or services or both, or any combination thereof.
- ***Are naturally bundled and supplied*** in conjunction with each other, in the ordinary course of business.

➢ Mixed supply means ***two or more individual supplies*** of goods or services, or any combination thereof, made in conjunction with each other by a taxable person ***for a single price*** where such supply does not constitute a composite supply.

The individual supplies are independent of each other and are ***not naturally bundled.***

➢ The following composite supplies shall be treated as supply of services namely,

- ***Works Contract Services***;
- Supply by way of or as part of any other service or in any other manner whatsoever, of goods, being ***food*** or any other article for human consumption or any drink.

3. Explain the term 'Business'.

- As per sec 2(17) of the CGST Act, Business includes any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit and any activity or transaction in connection with or incidental or ancillary to the above activities.

4. List the activities to be treated as Supply even if made without consideration.

- Activities to be treated as supply even if made without consideration:

  i. Permanent transfer or disposal of business assets where input tax credit has been availed on such assets.
  ii. Supply of goods or services or both between related persons or between distinct persons as specified in sec 25, when made in the course or furtherance of business
  iii. Supply of goods— (a) by a principal to his agent where the agent undertakes to supply such goods on behalf of the principal; or (b) by an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
  iv. Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

5. Under GST, why is it important to determine if a transaction amounting to supply is between two related persons or distinct persons. List out the parameters to determine if two persons are related or not.

- Supply of goods or services or both between related persons or between distinct persons as specified in sec 25, will qualify as supply provided it is made in the course or furtherance of business under GST regime.

  Activities which will have an impact:

  - Stock transfers or branch transfers: In view of the above, transaction between different locations (with separate GST Registrations) of same legal entity (e.g., stock transfers or branch transfers) will qualify as 'supply' under GST which contrasts with the existing regime.

  - Supply of goods or services or both between employer and employee: Schedule I provides that gifts not exceeding ₹ 50,000 in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.

Persons shall be deemed to be **“related persons”** if –

i. Such persons are **officers or directors** of one another’s businesses;
ii. Such persons are **legally recognized partners** in business;
iii. Such persons are **employer and employee**;
iv. Any person directly or indirectly owns, controls or **holds 25% or more of the outstanding voting stocks** or shares or both;
v. One of them **directly or indirectly controls** the other;
vi. Both are **directly or indirectly controlled by a third person**;

vii. Together they **directly or indirectly control a third person**; or they are members of the same family;
viii. Persons who are associated in the business of one another in that **one is the sole agent or sole distributor or sole concessionaire**, howsoever described, of the other, shall be deemed to be related.

6. Enumerate the activities or transactions which shall be neither treated as a supply of goods nor a supply of Services.

➢ Activities or transactions which shall be neither treated as supply of goods nor a supply of services:
   (a) Services by an ***employee to an employer*** in the course of or in relation to his employment.
   (b) Services by ***any Court or Tribunal*** established under any law for the time being in force.
   (c)
      1. The functions performed by the ***Members of the Parliament***, ***Members of State Legislature***, Members of Panchayats, Members of Municipalities and Members of other local authorities;
      2. The duties performed by any person who holds ***any post in pursuance of the provisions of the Constitution*** in that capacity; or
      3. The duties performed by any person as a ***chairperson or a Director in a body established by the CG or a SG*** or a local authority and who is not deemed as an employee before the commencement of this clause.
   (d) Services of ***funeral, burial, crematorium or mortuary*** including transportation of the deceased.
   (e) ***Sale of land*** and, subject to clause (b) of paragraph 5 of Schedule II
   (f) **Actionable Claims**, other than lottery, betting and gambling.

7. Explain with the help of an example how GST resolved the double taxation dichotomy under previous indirect tax laws.

- Under GST, the supply by a restaurant shall be treated as composite supply as food and services are naturally bundled in ordinary course of business. Whereas under existing regime both service tax and Vat are levied gets triggered and hence the value to be considered will become a double tax.

Following example illustrates the difference:

Position under existing Laws		**Position under GST**	
Food Value: ₹100		Food Value: ₹100	
Service Charges: ₹10		Service Charges: ₹10	
VAT @14% on food value = ₹14 Service Tax @ 6% on food value = ₹6 Service Tax @15% on service charges = ₹1.5	VAT is charged on full value of food. Service tax at abated rate is charged on food value	GST@18% = ₹19.8	The entire supply would be treated as a single composite supply under GST. The same would be taxable as per supply of service @18% on the entire value of Supply.
Total Taxes paid VAT = ₹14 Service Tax = ₹7.5 Total = ₹21.5	In nutshell, food is taxed twice under VAT laws and service tax laws and service tax is levied on service charges.		

8. Enumerate the deficiencies of the existing indirect taxes which led to the need for ushering the GST regime.

- In the present regime, a manufacturer of excisable goods charges excise duty and value added tax (VAT) on intra-State sale of goods. However, VAT dealer on his subsequent intra-state sale of goods charges VAT on value comprising of (Basic Value + Excise duty charged by manufacturer + Profit by dealer)
- The existing indirect tax framework in India suffer from various shortcomings. Under the existing indirect tax structure, the various indirect taxes being levied are not necessarily mutually exclusive. Hence need for GST ushered.

9. Discuss the dual GST model to be introduced in India.

- India will adopt a dual GST which will be imposed concurrently by the Centre and the States. Centre will have the power to tax intra-state sales and States will be empowered to tax services.
  GST in India will comprise of Central Goods and Service Tax (CGST) – levied and collected by the Central Government and State Goods and Service Tax (SGST) – levied and collected by the State Government along with Union Territories Goods and Service Tax (UTGST) – levied and collected by Union Territories.
  Inter-state supplies of taxable goods and/or services will be subject to Integrated Goods and Service Tax(IGST). IGST will be a sum of CGST and SGST and will be levied by Centre on all inter-state supplies.

10. List the Central and State levies which will be subsumed in GST in India.

- **Central levied to be subsumed:**

1. Central Excise Duty and Additional Duties
2. Service Tax
3. Excise Duty under Medicinal and Toilet Preparation Act
4. CVD and Special CVD
5. Central Sales Tax
6. Surcharges and Cesses in so far as they relate to supply of goods and services

- **State Levies to be subsumed:**

1. State surcharges and cesses in so far as they relate to supply of goods and services
2. Entertainment Tax (Except those levied by Local bodies)
3. Tax on Lottery, betting and gambling
4. Entry Tax (All Forms) and Purchase Tax
5. VAT/Sales tax
6. Luxury Tax
7. Taxes on advertisements