

Concept of GST, Relevant
Definitions under GST law,
Constitutional aspects of GST



Introduction to GST

Goods and Services Tax (GST) is a comprehensive, destination-based indirect tax levied on the supply of goods and services. It replaced multiple indirect taxes previously imposed by the Central and State Governments.

GST was introduced in India on 1st July 2017 with the objective of creating "One Nation, One Tax, One Market."

GST is governed mainly by:

- Central Goods and Services Tax Act, 2017 (CGST)
- State Goods and Services Tax Acts (SGST)
- Integrated Goods and Services Tax Act, 2017 (IGST)
- Union Territory GST Act, 2017 (UTGST)



Meaning of GST

GST is a value-added tax imposed at every stage of supply chain where credit of input tax paid at previous stage is available.

Example:

If a manufacturer pays tax on raw materials, he can claim credit of such tax while paying GST on final product.

This avoids cascading effect of taxes (tax on tax).



Objectives of GST

(i) Elimination of Cascading Effect

- GST removes multiple taxation and allows seamless flow of input tax credit.

(ii) Uniform Tax Structure

- It establishes uniform tax laws throughout India.

(iii) Increase in Compliance

- Digital system and invoice matching improve tax compliance.

(iv) Economic Growth

- GST promotes ease of doing business and creates a common national market.

(v) Reduction in Tax Evasion

- Online registration, return filing and e-way bill reduce tax evasion.



Features of GST

(a) Destination-Based Tax

- Tax revenue goes to the State where goods/services are consumed.

(b) Dual GST Model

- India follows dual GST.
- CGST - collected by Central Government
- SGST - collected by State Government
- IGST - on inter-state supplies

(c) Input Tax Credit Mechanism

- Credit of taxes paid on purchases is allowed against output liability.

(d) Comprehensive Tax

- GST covers both goods and services.

(e) Technology Driven System

- Entire process is online through GST portal.

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RELEVANT DEFINITIONS UNDER GST LAW

Goods [Section 2(52)]

"Goods" means every kind of movable property other than money and securities but includes:

- actionable claims,
- growing crops,
- grass,
- things attached to land agreed to be severed before supply.

Example:

- Furniture, machinery, mobile phones etc.



Services [Section 2(102)]

- "Services" means anything other than goods, money and securities.
- Activities relating to use of money for consideration are also included.

Example:

- Banking, consultancy, transport, insurance.



Supply [Section 7]

Supply includes:

- sale,
- transfer,
- barter,
- exchange,
- licenses,
- rental,
- lease,
- disposal
- made for consideration in course or furtherance of business.
- Supply is the taxable event under GST.

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Business [Section 2(17)]

Business includes:

- trade,
- commerce,
- manufacture,
- profession,
- vocation,
- adventure,
- wager,
- whether or not for pecuniary benefit.



Consideration [Section 2(31)]

Consideration means payment made or to be made for supply of goods/services.

It may be:

- in money or
- otherwise.

⇒ Person included:

Individual

Wife

Company

Firm

LLP

Association of persons

Government bodies

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Taxable Person [Section 2(107)]

A person registered or liable to be registered under GST law.

Input Tax [Section 2(42)]

Tax charged on inward supply of goods/services.

Includes:

- CGST
- SGST
- IGST
- UTGST



Input Tax Credit (ITC) [Section 2(63)]

- Credit of input tax available to registered person.
- Aggregate Turnover [Section 2(6)]
- Aggregate value of:
 - taxable supplies,
 - exempt supplies,
 - exports,
 - inter-state supplies
- Having same PAN on all India basis.



Composite Supply [Section 2(30)]

Supply consisting of two or more naturally bundled supplies.

Example:

- Hotel accommodation with breakfast.
- Tax rate of principal supply applies.

Mixed Supply [Section 2(74)]

Combination of independent supplies offered together for single price.

Example:

Gift hamper containing chocolates, juice and toys.

Highest tax rate applies.



- Reverse Charge [Section 2(98)]
- Liability to pay tax shifts from supplier to recipient.
- Exempt Supply [Section 2(47)]
- Supply attracting nil rate or wholly exempt from tax.



CONSTITUTIONAL ASPECTS OF GST

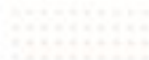
Constitutional Background

Before GST:

- Centre levied excise duty and service tax.
- States levied VAT, entry tax, luxury tax etc.
- This created multiplicity of taxes and cascading effect.

To implement GST, Constitution was amended through:

- Constitution (One Hundred and First Amendment) Act, 2016



Important Constitutional Amendments

Article 246A

Provides simultaneous power to Parliament and State Legislatures to make GST laws.

- Parliament has exclusive power for inter-state trade.*
- Both Centre and States can levy GST on intra-state supply.*
- Article 269A*
- Provides levy and collection of IGST on inter-state supplies.*
- Tax is collected by Centre and apportioned between Centre and States.*



Article 279A

Provides for constitution of:

- GST Council

GST Council recommends:

- tax rates,
- exemptions,
- threshold limits,
- model laws.

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Voting Pattern in GST Council

- *Centre's vote weight = 1/3*
- *States' combined vote weight = 2/3*
- *75% majority required for decisions.*
- *Compensation to States*

Under GST compensation mechanism, States were compensated for revenue loss for five years from implementation.



Constitutional Significance of GST

(i) Fiscal Federalism

- Promotes cooperative federalism between Centre and States.

(ii) Uniform National Market

- Removes barriers in inter-state trade.

(iii) Tax Reforms

- Biggest indirect tax reform in India.