**GST First Internal Answer Scheme Sept 2018**

**Section A**

1. Integrated Goods and Services Tax is the tax imposed on inter-state trade or commerce and on imports from outside the country by the Central Govt.
2. Supply of goods and services or both within the same state or between two persons who are in the same state.
3. HSN- Harmonized System of Nomenclature. It is a multipurpose international product nomenclature developed by the World Customs Organization.
4. Revenue Neutral Rate – As a single tax is replacing multiple taxes, the government fixes the GST rate in such a way that the gross revenue of the government, even after it levies the GST, remains the same. The GST rate fixed by the government with an aim of keeping the gross revenue of the government same is called RNR.
5. Goods and Service Tax Identification Number is the unique number each taxpayer will receive once they have registered on the common portal. It is based on taxpayer’s PAN.
6. Composite supply means a supply consisting of two or more goods and/or services, which are naturally bundled and provided together, one being a principal supply.
7. Input tax credit is the credit received by a registered tax payer out of the output tax collected by him from his sales for the input tax already paid by him on his purchases.

**Section B**

1. Types of Supply
2. Based on location: Intra-state supply, Territorial waters, Inter-state supply.
3. Based on combination: Composite supply, mixed supply, continuous supply.
4. Based on recipient: Inward supply, outward supply.
5. Based on tax treatment: Exempt supply, zero rated supply, non-taxable supply taxable supply.
6. Composition scheme is a convenient way for small taxpayers in order to escape from too many GST formalities and pay the tax at a fixed rate based on their business turnover. It is an alternative method of levy of tax designed for small taxpayers whose aggregate turnover in the preceding financial year did not cross Rs.75 lakhs. In the case of states like Arunachal Pradesh, Assam etc, the limit of turnover is Rs.50 lakhs.

Rates for Composition Scheme:

1. Manufacturers etc – 2%
2. Restaurant services – 5%
3. Traders or any other supplier eligible – 1%
4. List of goods and services taxed under various GST slabs:
5. Exempted – Farm products, live animals, live chicken, live fish, eggs, honey, puja articles, hearing aids etc.
6. Taxable at the rate of 0.25% - Diamonds, non-industrial un worked precious stones and semi precious stones, un worked, synthetic or reconstructed precious or semi precious stones, etc
7. Taxable at the rate of 3 % - Base metals, gold, silver, articles of jewellery, imitation jewellery, coin, waste and scrap of precious metals, etc.
8. Taxable at 5% - Fish frozen or dried, fours, meals and pellets of fish, ultra high temperature milk and cream, concentrated vegetables, frozen grapes, raisins, nuts, spices branded rice etc.
9. Taxable at the rate of 12 % - Fruit pulp or fruit juice based drinks, marble and travertine blocks, granite blocks, etc
10. Taxable at the rate of 18% - majority of the supplies are taxable at the rate of 18%.
11. TDS 1%
12. TDS 2%
13. Composite tax 1%, 2% and 3%.
14. Value of supply of goods or services where the consideration is not wholly in money.
15. Be the open market value of such supply
16. If open market value is not available, be the sum total of consideration in money and any such further amount in money as is equivalent to the consideration not in money if such amount is known at the time of supply.
17. If the value of supply is not determinable under clause (a) or clause (b), be the value of supply of goods or services or both of like kind and quality.
18. If the value is not determinable under clause a, b or c, be the sum total of consideration in money and such further amount in money that is equivalent to consideration not in money as determined by application of rule 4 or rule 5 in that order.
19. Only those persons who fulfills all the following are eligible to apply for compensation scheme:
20. Deals only in the intra state supply of goods
21. Does not supply goods not leviable to tax
22. Have an annual turnover below Rs.75 lakhs in preceding financial year.
23. He shall pay tax at normal rates in case he is liable under reverse charge mechanism.
24. Not supplying through e-commerce operator
25. Not a manufacturer of - ice cream pan masala or tobacco.
26. Cases where reverse charge is applicable:
27. Supply from an unregistered dealer to a registered dealer.
28. Service through and e-commerce operator
29. Supply of goods or services in non-taxable territory
30. Tax is levied under reverse charge mechanism on an unorganized sector.
31. Supply of goods or services specified by the government
33. Supply of goods or services or both.
34. Supply should be made for a consideration
35. Supply should be made in the course or furtherance of business
36. Supply should be made by a taxable person
37. Supply should be a taxable supply
38. Supply should be made within the taxable territory.

**Section C**

1. **GST Council**

GST council was constituted w.e.f.12 – 09 – 2016. The GST council consists of :

* 1. The Union Finance Minister ( as Chairman)
  2. The Union Minister of State in Charge of Revenue and Finance
  3. Minister in Charge of Finance and Taxation or any other Minister nominated by each state government.

**Functions**

The council will make recommendations to the Union and the States on important issues related to GST, like:

1. Taxes, cesses and surcharges to be subsumed under the GST
2. Goods and services which may be subject to or exempt from GST
3. The threshold limit of turnover for application of GST
4. Rates of GST
5. Model GST laws, principles of levy, apportionment of IGST and principles related to place of supply
6. Special provisions with respect to the eight north eastern states
7. Other related matters

**Nature**

The GST council will be qausi-legislative-cum-administration body because it functions both legislative as well as administrative duties as assigned by the Parliament to it.

**Decision of GST council**

The constitution(101st Amendment) Act 2016 provides that 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 member present and voting.

**Voting:**

1. The vote of the Central government shall have a weightage of 1/3rd of the votes cast
2. Votes of all the State governments taken together shall have a weightage of 2/3rd of the total votes cast in that meeting.

**Quorm**

One half of the total number of members of the GST council.

1. GST or Goods and Sevice Tax is a comprehensive multi-stage, destination-based tax that is levied on every value addition.

Benefits for Citizens

* 1. Simpler tax system
  2. Reduction in prices
  3. Transparency
  4. Increase in employment opportunities
  5. Uniform prices

Benefits for industry

1. Reduction on multiplicity of taxes
2. Mitigation of cascading
3. More efficient neutralization of taxes
4. Development of common national market
5. Simpler tax regime

Benefits for government

1. Unified common market to boost foreign investment
2. Boost to export/manufacturing activity
3. Improving overall investment climate
4. Uniform sgst & cgst rates to reduce tax invasion
5. Reduction in compliance costs

Negative aspects of GST

1. A dual tax in reality
2. Central excise and GST
3. Majority of dealers are not covered with central excise
4. Calculation of RNR is difficult
5. Tax system that can make a revolution is the rarest of the rare thing.