

CHAPTER 2

GST Acts :

CGST ACT,

SGST ACT (KARNATAKA STATE)

IGST ACT

Types of GST

CGST

- > • CGST stands for Central GST
- This is applicable on supplies within the State
- Tax collected will be shared to Centre

SGST

- > • SGST stands for State GST
- This is applicable on supplies within the State
- Tax collected will be shared to State

IGST

- > • IGST stands for Integrated GST
- This is applicable on interstate and import transactions
- Tax collected is shared between Centre and State

SALIENT FEATURES OF CGST ACT, 2017

1. A state-wise single registration for a taxpayer for filing returns, paying taxes, and to fulfil other compliance requirements.
2. Most of the compliance requirements would be fulfilled online.
3. A taxpayer has to file one single return state-wise to report all his supplies, whether made within or outside the state or exported out of the country and pay the applicable taxes on them.
4. A business entity with an annual turnover of upto Rs 20 lakh would not be required to take registration in the [GST](#) regime.
5. A business entity with turnover upto Rs 50 lakh can avail the benefit of a composition scheme under which it has to pay a much lower rate of tax
6. The Composition Scheme is available for all traders, select manufacturing sectors and for restaurants in the services sector.

SALIENT FEATURES OF SGST ACT, 2017

- Levied by the States for all the transactions of goods and services made for a consideration.
- State GST would be paid to the accounts of the respective State.
- Exceptions would be exempted goods and services, goods kept out of GST and transactions below prescribed threshold limits.
- Basic features of law such as chargeability, taxable event, measure, valuation, classification would be uniform across the State.

SALIENT FEATURES OF IGST ACT, 2017

- IGST equals to CGST+SGST. IGST model that the centre will levy tax at a rate approximately equal to CGST+SGST on Inter-State supply of goods & services.
- It is a destination based tax and will accrue to importing state.
- It will lower tax burden by taxing Inter-State transaction only once.
- B2B transactions – tax will flow to the State where Purchaser claims Input Tax Credit.
- B2C transactions – tax will flow to the State of Consumer, otherwise tax will remain in the State of Seller.

ADJUDICATING AUTHORITY

- Adjudication is the legal process by which an judge reviews evidence and argumentation, including legal reasoning set forth by opposing parties or litigants to come to a decision which determines rights and obligations between the parties involved.

APPOINTMENT OF ADJUDICATING AUTHORITY

1. Central Government will appoint as many officers as Adjudicating Authorities.
2. Against whom a complaint has been made under sub-section *and* imposing any penalty
3. Adjudicating Authority shall hold an enquiry and complaint in writing made by any officer authorized by a general or special order by the Central Government.
4. The said person may appear either in person or take the assistance of a legal practitioner or a chartered accountant of his choice for presenting his case before the Adjudicating Authority

5. On the date fixed, the Adjudicating Authority shall explain to the person against his legal practitioner or the chartered accountant, as the case committed by such person indicating the provisions of the Act or of rules, regulations, notifications, direction or orders or any condition.
6. The Adjudicating Authority shall, then, given an opportunity to such person to produce such documents or evidence as he may consider relevant to the inquiry.
7. Every Adjudicating Authority shall have the same powers of a civil court.
8. Every Adjudicating Authority shall deal with the compliant under sub-section (2)
9. Adjudicating Authority shall record periodically.

ADJUDICATING AUTHORITIES, COMPOSITION, POWERS

1. The Central Government shall appoint one or more Adjudicating Authorities to exercise jurisdiction, powers.
2. An Adjudicating Authority shall consist of a Chairperson and two other Members: Provided that one Member each shall be a person having experience in the field of law, administration, finance or accountancy.
3. A person shall in the field of law, is qualified for appointment as District Judge;
4. Has been a member of the Indian Legal Service and has held a post in Grade I of that service;
5. In the field of finance, accountancy or administration.

6. The Central Government shall appoint a Member to be the Chairperson of the Adjudicating Authority.
7. Subject to the provisions of this Act,-
8. The jurisdiction of the Adjudicating Authority may be exercised by Benches thereof;
9. a Bench may be constituted by the Chairperson of the Adjudicating Authority with one or two Members as the Chairperson.
10. The Benches of the Adjudicating Authority shall ordinarily sit at New Delhi.
11. Chairperson may transfer a Member from one Bench to another Bench.

12. The Chairperson and every Member shall hold office as for a term of five years from the date on which he enters upon his office: Provided that no Chairperson or other Member shall hold office as such after he has attained the age of sixty-two years.
13. The salary and allowances payable to and the other terms and conditions of service of the Member shall be such as may be prescribed.
14. For reasons other than temporary absence, any vacancy occurs in the office of the Chairperson or any other Member, then, the Central Government shall appoint another person to fill the vacancy.

15. The Chairperson or any other Member shall not be removed from his office except by an order made by the Central Government.
16. If Chairperson by reason of his death, resignation the senior-most Member shall act as the Chairperson of the Adjudicating Authority until the date on which a new Chairperson
17. The senior-most Member shall discharge the functions of the Chairperson of the Adjudicating Authority until the date on which the Chairperson of the Adjudicating Authority resumes his duties.
18. Adjudicating Authority shall have powers to regulate its own procedure.

AGENT

- As per Section 2(5) the term “agent” means a person, including a factor, broker, commission agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another.

BUSINESS

1. any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity.
2. supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;
3. provision by a club, association, society, or any such body of the facilities or benefits to its members;

CAPITAL GOODS

- As per Section 2(19) , the term “capital goods” means goods, the value of which is capitalised in the books of account of the person claiming the input tax credit and which are used or intended to be used in the course business.

CASUAL TAXABLE PERSON

- As per Section 2(20) the term “casual taxable person” means a person who occasionally undertakes transactions involving supply of goods or services or both in the course or furtherance of business, whether as principal, agent or in any other capacity, in a State or a Union territory where he has no fixed place of business.

COMPOSITE SUPPLY

- As per Section 2(30) of the Central Goods and Services Tax (CGST) Act, 2017, the term “composite supply” means a supply made by a taxable person, consisting of two or more taxable supplies of goods and services, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business.

Illustration: Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply.

MIXED SUPPLY

- Section 2(66) defines this term as “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.
- A supply of a package consisting of canned foods, sweets, chocolates, cakes, dry fruits and fruit juices when supplied for a single price is a mixed supply. Each of these items can be supplied separately and is not dependent on any other.

OUTWARD SUPPLY

- “**outward supply**” in relation to a taxable person, means supply of goods or services or both, whether by sale, transfer, exchange, licence, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business;

PRINCIPAL SUPPLY

- **principal supply**” means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary;

SUPPLIER

- “**supplier**” in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied;

TYPES OF SUPPLIERS

- **Manufacturers and Vendors**
- They produce the products and present them for purchase in bulk. The products are purchased by distributors, retailers, wholesalers, resellers, etc. at cheap prices and are sold at a profit.
- **Wholesalers and Distributors**
- They buy in bulk from different manufacturers and vendors; and keep the merchandise in warehouses for reselling these goods to local small distributors, wholesalers and retailers.

- **Affiliate Merchants**
- Affiliate merchants sell their products online through banner ads and website links, which are posted on the web through a chain of affiliates.
- **Franchisors**
- Franchisors are business owners who through an agreement and at a price allow an individual for using their name, trademark, training, business know how, etc. the individual develops his own business with the benefit of already established franchisor's business system.
- **Importers and Exporters**
- Such suppliers either purchase products from manufacturers in a foreign country and import them to their own country; or export products from their country to some other country.

- **Independent Crafts People...**
- They are producers of self-designed or unique products which are manufactured on a small scale. These products are usually sold directly to retailers or individual customers through agents or trade show
- **Drop Shippers**
- Drop shippers are in contact with one or more supply companies and deliver their products directly to the buyer after the purchase has been made.

INPUT SERVICE DISTRIBUTOR

- **“Input Service Distributor”** means an office of the supplier of goods or services or both which receives tax invoices issued under section 31 towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax, State tax, integrated tax or Union territory tax paid on the said services to a supplier of taxable goods or services or both having the same Permanent Account Number as that of the said office.

MANUFACTURER

- **manufacture**” means processing of raw material or inputs in any manner that results in emergence of a new product having a distinct name, character and use and the term “manufacturer” shall be construed accordingly;

INPUT TAX

- “**input tax**” in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him and includes—
 - (a) the integrated goods and services tax charged on import of goods;
 - (b) the tax payable under the provisions of sub-sections.

INPUT TAX CREDIT

- input tax credit is the credit manufacturer's received for paying input taxes towards inputs used in the manufacture of products. Similarly, a dealer is entitled to input tax credit if he has purchased goods for resale.

PERSON

- (a) an individual;
- (b) a Hindu Undivided Family;
- (c) a company;
- (d) a firm;
- (e) a Limited Liability Partnership;
- (f) an association of persons or a body of individuals, whether incorporated or not, in India or outside India;
- (g) Central Government or a State Government;
- (h) trust; and
- (i) every artificial juridical person, not falling within any of the above;

PLACE OF BUSINESS

- a) a place from where the business is ordinarily carried on, and includes a warehouse, a godown or any other place where a taxable person stores his goods, supplies or receives goods or services or both.
(b) a place where a taxable person maintains his books of account;
(c) a place where a taxable person is engaged in business through an agent, by whatever name called;

REVERSE CHARGE

- **reverse charge**” means the liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under sub-section (3).

WORKS CONTRACT

- **works contract**” means a contract for building, construction, completion , installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods.

NON - RESIDENT PERSON / NON-RESIDENT TAXABLE PERSON

- As per Section 2(77) of the Central Goods and Services Tax (CGST) Act, 2017, unless the context otherwise requires, the term “non-resident taxable person” means any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India.

EXPORT OF GOODS

- The term **export** means sending of **goods** or **services** produced in one country to another country. The seller of such **goods and services** is referred to as an exporter; the foreign buyer is referred to as an importer.
- Supplier of service is located in India
- Recipient of service is located outside India.
- The place of supply of service is outside India.

INWARD SUPPLY

- “Inward supply” in relation to a person, shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration;

PLACE OF SUPPLY TYPES

- **location of the recipient of services**
- **location of the supplier of services**

GST IMPACT ON MANUFACTURING SECTOR

- State incentives
- Area based incentives
- Increased working capital
- Free supplies
- Discounts
- Valuation of self – supplies
- MRP valuation – maximum retail price
- Reduction of cascading taxes
- Reduction of classification disputes
- Supply chain restructuring based on economic factors
- Exclusion of petroleum from GST