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Internal Assessment Test - I

Sub:	InDirect Taxation						Code:	18MBAFM303	
Date:	7/5/2021	Duration:	90 mins	Max Marks:	50	Sem:	4	Branch:	MBA

	Marks	OBE	
		CO	RBT
<b>Part A - Answer Any Two Full Questions ( 2* 20 = 40 marks)</b>			
1 (a) Contrast between inter-state and intra-state supply	[03]	CO1	L2
(b) Explain salient features of GST	[07]	CO1	L2
(c) What is GST council? Outline its constitution, functions and powers	[10]	CO1	L4
2 (a) Define taxable event?	[03]	CO1	L1
(b) What is GST compensation cess? Explain in detail why it is levied	[07]	CO1	L2
(c) Distinguish between Nil-Rated, Zero-Rated and Non-GST Supply with examples	[10]	CO1	L2
3 (a) Mention three important conditions for levy of GST	[03]	CO1	L1
(b) What are the objectives of GST? Categories different types of GST	[07]	CO1	L4
(c) Illustrate composite and mixed supply with examples	[10]	CO1	L3
<b>Part B - Compulsory (01*10=10 marks)</b>			
4 What is composition scheme? Explain the scheme in detail with procedure of application, threshold limits and merits & demerits		CO1	L2

Course Outcomes		P01	P02	P03	P04	P05
CO1:	Have clarity about GST system in India	1 a, b, c 2a, b, c 3 a, b, c 4				
CO2:	Understanding of levy and collection of GST in India					
CO3:	Have an overview of customs duty in India					
CO4:	Understanding of valuations for customs duty					

Cognitive level	KEYWORDS
L1	list, define, tell, describe, recite, recall, identify, show, label, tabulate, quote, name, who, when, where, etc.
L2	describe, explain, paraphrase, restate, associate, contrast, summarize, differentiate interpret, discuss
L3	calculate, predict, apply, solve, illustrate, use, demonstrate, determine, model, experiment, show, examine, modify
L4	classify, outline, break down, categorize, analyze, diagram, illustrate, infer, select
L5	grade, test, measure, defend, recommend, convince, select, judge, support, conclude, argue, justify, compare, summarize, evaluate
L6	design, formulate, build, invent, create, compose, generate, derive, modify, develop, integrate

**PO1–Theoretical Knowledge; PO2–Effective Communication Skills; PO3–Leadership Qualities; PO4 –Sustained Research Orientation; PO5 –Self-Sustaining Entrepreneurship**

CCI

HOD

**Scheme Of Evaluation  
Internal Assessment Test 1– May 2021**

**Sub:** **INDIRECT TAXATION**

Max

Date: 7/5/2021 Duration: 90mins Marks: 50 **Sem:** **IV**

**Code:** **18MBAFM403**

**Branch:** **MBA**

**Note:** Part A - Answer Any Two Full Questions (20\*02=40 Marks)

Part B - Compulsory (01\*10= 10marks)

Part	Question #	Description	Marks Distribution	Max Marks
A	1	<p>a <b>Inter-state and Intra-state Supply:</b> When <b>location of supplier</b> and <b>place of supply</b> of goods/services are in the <b>same State/UT</b>, it is <b>intra-State supply</b>. When <b>location of supplier</b> and <b>place of supply</b> of goods/services are in <b>two different States or two different UTs or a State and a UT</b>, it is <b>inter-State supply</b>.</p>	3	20 M
	b	<p><b>Salient Features of GST</b></p> <ul style="list-style-type: none"> <li>• GST is a simple system of indirect taxation merging most of the existing taxes into single system of taxation.</li> <li>• Concept of <b>'supply'</b> instead of <b>'sale'</b> and <b>removal of distinction</b> between goods and services are game changers.</li> <li>• GST is a <b>destination/consumption based tax</b>.</li> <li>• It is a <b>dual system</b>:</li> <li>• <b>Single taxable event-'Supply'</b>:</li> <li>• <b>Common threshold limit across the country</b>:</li> <li>• <b>Continuity of tax credit across the supply chain till it reaches the consumer</b>:</li> <li>• <b>Eliminates cascading effect of tax in the supply chain</b>:</li> <li>• <b>PAN Based Registration</b>:</li> <li>• <b>Transaction Value is valuation method</b>:</li> <li>• <b>Branch transfers taxable and credit eligibility</b>:</li> </ul>	7	
	c	<p><b>GST COUNCIL:</b> GST Council is created as per Article 279A of the amended Constitution. It is a constitutional body for making recommendations to the Union &amp; State Govt. on GST. It is a joint forum of the Centre and the States. Currently it has 33 members, out of which 2 from centre and 31 from state/UTs. GST Council has secretariat with its office situated at New Delhi and one additional secretary &amp; 4 commissioners.</p> <p><b>Membership of GST Council:</b> Union Finance Minister [Chairperson], Union Minister of State in charge of Revenue/Finance and Minister in charge of Finance/Taxation/any other minister of each State/UT and The Central Board of Excise and Customs (CBEC) is a chairperson and a permanent, non-voting invitee for all the meetings of the GST Council</p> <p><b>Functions:</b></p> <ul style="list-style-type: none"> <li>• Recommends goods/services subjected to or exempted from GST</li> <li>• Recommends model GST laws</li> <li>• Recommends Principles that govern Place of Supply</li> <li>• Recommends threshold limits</li> <li>• Recommends GST rates including the floor rates with</li> </ul>	10	

		<p>bands, special rates for raising additional resources during natural calamities/disasters</p> <ul style="list-style-type: none"> <li>● Recommends special provisions for certain States etc.</li> </ul>			
2	a	<p><b>Taxable event in old regime:</b> <i>The event</i> happening of which attracts liability to tax is known as taxable event. <b>Manufacture, sale, rendering of service, purchase, entry</b> into a territory of state etc. were taxable events in old tax regime. Taxes were charged independently either on the manufacture or sale of goods, or on the provisions of services. <b>Taxable event in GST:</b> Under GST system ‘<b>supply</b>’ of goods or services is taxable event. The entire value of supply of goods/services is taxed in an integrated manner.</p>		3	20 M
	b	<p><b>GST Compensation Cess:</b> GST Compensation Cess is levied at specified rate under the GST (Compensation to States) Cess Act, 2017. It is to compensate the states for the loss of revenue arising on account of shift from origin based to destination based indirect tax structure (GST). It is levied on the specified luxury and demerit or sin goods (The goods whose consumption is considered unhealthy/degrading/socially undesirable), like <b>pan masala, tobacco, aerated waters, motor cars</b> etc. Computed on taxable value of supply in addition to GST. Levied on both intra-state and inter-State supplies. It will be levied only for the first 5 years-1/7/2017-1/7/2022.</p>		7	
	c	<p><b>Nil-Rated Supply (Exempted Supply):</b> Supply of goods/services which is subject to <b>nil rate</b> or <b>0%</b>. Schedule-1 of the Act contains nil-rated supply. <b>No input tax credit</b> is available on the inputs/input services. <b>Examples:</b> Regular public consumption of goods such as unbranded atta, maida, besan, unpacked food grains, cereals etc.</p> <p><b>Zero-Rated Supply: Export of goods/services</b> and supply of goods/services to <b>SEZ developer/unit</b> is called as zero rated supply. There is <b>no prescribed list of goods/services</b>, because these goods/services are taxed if sold within the country &amp; sold other than to SEZ developer/unit.</p> <p><b>Non-Taxable Supply (Non-GST Supply):</b> Supply of goods/services which is not leviable to tax under CGST &amp; IGST Act is known as non-taxable supply. Such goods/services are kept <b>outside the purview of GST</b> (excluded from chargeable section) as they are subject to some local taxes. The list of items is notified u/s 11(1) of the CGST Act, 2017 and 6(1) of the IGST Act, 2017. The non-GST supply are: <b>Alcoholic liquor for human consumption</b> (state excise &amp; sales tax/VAT), <b>Five petroleum products—crude oil, diesel, petrol, natural gas and ATF</b> [Subject to central excise for mfg., sales tax/VAT/CST for intra-state/inter-state sale] and <b>Entertainment</b></p>		10	
3	a	<p><b>Conditions for levy of GST:</b> 1) Supply of Goods/services by a <b>taxable person</b></p> <p>2) Supply to be in course of business of supplier and not of recipient 3) Supply must be a <b>taxable supply</b>.</p>		3	20 M
	b	<p><b>Objectives of GST:</b> To eliminate multiple <b>indirect taxes</b> with <b>different tax rates</b> at central and state level, To have a uniform system of levying tax across India, To avoid multiple taxable events, To eliminate cascading effect of tax , To avoid complexity in compliance existing in earlier laws, To have a simpler tax structure and To have a technology driven system</p> <p><b>Types of GST:</b></p> <p><b>CGST:</b> It is levied on intra-state supply of goods &amp; services under CGST Act, 2017. It applies to whole of India including J&amp;K. It is the main Act and covers all important provisions relating to GST [Tax liability, ITC, taxable value of supply, procedures, appeals, penalties, offences etc.]. Most of the provisions of CGST apply to IGST. CGST &amp; IGST rates will be same across India (it will</p>		7	

		<p>not differ state wise)</p> <p><b>IGST:</b> It is levied on imports (equivalent CVD) and inter-state supply of goods &amp; services under IGST Act, 2017. It applies to whole of India including <b>J&amp;K</b>. The revenue from IGST will be apportioned between centre and state through ITC.</p> <p><b>SGST:</b> It is levied on intra-state supply of goods &amp; services under SGST Act, 2017. It applies to respective state/UT with legislature (Delhi &amp; Puducherry). SGST Act is passed by each state. It is virtually a copy of CGST (in terms of sections &amp; sub-sections). Rules &amp; notifications are identical. Notifications, circulars are simultaneously issued.</p> <p><b>UTGST:</b> It is levied on supply of goods &amp; services within UT under UTGST Act, 2017. It applies to UTs which do not have state legislature. UTGST Act is passed by <b>Parliament</b>. [1)Andaman and Nicobar Islands, 2) Lakshadweep, 3) Dadra and Nagar Haveli, 4) Daman and Diu, 5) Chandigarh and 6) Other territory (Exclusive Economic Zone, 12-200 nautical miles inside the sea. 1nm=1852 meters)]</p>																								
	c	<p><b>Composite Vs Mixed Supply:</b> Composite Supply consist of two or more goods/services naturally bundled, in the ordinary course of business, in conjunction with each other one of which is principal supply others are ancillary. Mixed supply consists of two or more goods/services not naturally bundled. E.g. Charger supplied along with mobile phones is composite supply. A gift pack comprising of chocolates, candies, sweets and balloons is mixed supply.</p>		10																						
B	4	<p><b>Composition Scheme:</b> It is an alternative method of levy of tax (<b>GST on Turnover</b>) for <b>small taxpayers</b>. Objective is to bring simplicity, reduce <b>compliance cost</b> and get rid of <b>tedious GST formalities</b> for the small taxpayers.</p> <p><b>Threshold Limit</b> Taxpayers with the following aggregate turnover in a preceding financial year are eligible</p> <table border="1"> <tr> <td><b>Upto Rs.75 lakh</b></td> <td>Arunachal Pradesh, Uttarakhand, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh (<b>North-Eastern states</b>)</td> </tr> <tr> <td><b>Upto Rs.1.5 cr</b></td> <td>Other states</td> </tr> <tr> <td><b>Rs. 50 lakh</b></td> <td><b>For service providers</b></td> </tr> </table> <table border="1"> <thead> <tr> <th colspan="3"><b>TAX RATES</b></th> </tr> <tr> <th>Sl.No.</th> <th>Category of registered persons</th> <th>Tax Rate</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Manufacturers &amp; Traders [Except ice cream, pan masala and tobacco manufacturers/traders]</td> <td>1% of the turnover in the State [½ % CGST + ½ % SGST/UTGST]</td> </tr> <tr> <td>2</td> <td>Restaurant service (Not serving alcohol)]</td> <td>5% of the turnover in the State [2½ % CGST + 2½ % SGST/UTGST]</td> </tr> <tr> <td>3</td> <td>Service providers</td> <td>6 % of the turnover in the State [3 % CGST + 3 % SGST/UTGST]</td> </tr> </tbody> </table> <p><b>APPLICATION &amp; INTIMATION OF OPTION FOR</b></p>	<b>Upto Rs.75 lakh</b>	Arunachal Pradesh, Uttarakhand, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh ( <b>North-Eastern states</b> )	<b>Upto Rs.1.5 cr</b>	Other states	<b>Rs. 50 lakh</b>	<b>For service providers</b>	<b>TAX RATES</b>			Sl.No.	Category of registered persons	Tax Rate	1	Manufacturers & Traders [Except ice cream, pan masala and tobacco manufacturers/traders]	1% of the turnover in the State [½ % CGST + ½ % SGST/UTGST]	2	Restaurant service (Not serving alcohol)]	5% of the turnover in the State [2½ % CGST + 2½ % SGST/UTGST]	3	Service providers	6 % of the turnover in the State [3 % CGST + 3 % SGST/UTGST]		10	10 M
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## COMPOSITION SCHEME

### Intimation by Un-Registered persons

- Apply for registration in **part-B** of FORM 'GST REG-01'
- Composition option will be effective from the date of registration

### Intimation by Registered persons

- Apply online in common portal **before** commencement of FY for which option is exercised
- A statement in prescribed form to be furnished within **60 days** from the commencement of relevant FY
- Composition option will be effective from the beginning of relevant FY

### Conditions

- The person is neither a **casual taxable person** (having no fixed place of business) nor a **non-resident taxable person**
- Goods are not purchased (inward supply) from an **unregistered supplier** and if purchased, tax under reverse charge is paid u/s 9(4)
- The person is not engaged in the manufacture of goods as notified u/s 10(2)(e), during the preceding FY. [Ice cream, other edible ice, whether or not containing cocoa, Pan masala, Tobacco and manufactured tobacco substitutes]
- The person cannot supply the **goods not taxable under GST** (E.g. alcohol)
- He/she has to mention "**composition taxable person, not eligible to collect tax on supplies**" at the top of the bill of supply issued by him
- He/she has to mention "**composition taxable person**" on every notice
- or signboard displayed at a prominent place at his principal place of business and at every additional place(s) of business.
- The scheme applies uniformly to all the registered persons having the same PAN. E.g. if a dealer has two offices in Karnataka and opts for the scheme, the scheme applies to both the offices.
- Composition scheme supplier **cannot collect GST [u/s 10(4)]** [cannot issue a tax invoice.]
- Composition scheme supplier **cannot enter into credit chain [u/s 10(4)]** [cannot avail credit of input tax]

**Merits:** Less compliance, Limited tax liability, High liquidity because of lower tax. **Demerits:** The person cannot undertake inter-state transactions, No ITC benefit, The person cannot supply non-taxable goods under GST.

