

**Q 1. What is GST (Goods and Service Tax)?**

Ans. GST is a levy of tax on the value addition on every transaction of supply of Goods and / or Services up to final consumption with availability of set-off credit of taxes paid at previous stages. It is a compressive indirect tax to be levied concurrently by Central and State/ Union Territory Govt. It will replace all indirect taxes levied on goods and services by the Central and State governments.

In summary, the end consumer will borne the tax amount only once resulting in to avoidance of tax on tax (cascading effect).

Q 2. What type of GST is implemented in India?

Ans. In India, there would be a dual GST with the Centre and States simultaneously levying it on a common tax base. The GST to be levied by the Centre on intra-State supply of goods and /or services would be called the Central GST (CGST) and that to be levied by the States would be called the State GST (SGST). Similarly Integrated GST (IGST) will be levied and administered by Centre on every inter-state supply of goods and services.

Q 3. Why is Dual GST required?

Ans. India is a federal country where both the levels of Government (Central and States) have distinct responsibilities to perform according to the division of powers prescribed in the Constitution for which they need to raise resources for which both Centre as well as States have been assigned the powers to levy and collect taxes through appropriate legislation. A dual GST will, therefore, be in keeping with the Constitutional requirement of fiscal federalism.

Q 4. What is the concept of Destination Based Tax or Consumption Based Tax?

Ans. The tax paid on supply of Goods / Services would accrue to the final state / union territory taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

Q 5. What are inter-state supplies and intra-state supplies?

Ans. Inter-state and intra-state supplies have specifically been defined in Section 7 & 8 of IGST Act respectively. Broadly, where the location of the supplier and the place of supply are in same state it will be intra-state and where it is in different states it will be inter-state supplies.

Q 6. What are CGST and SGST?

Ans. CGST stands for Central GST which will be applicable on supplies within state. Tax collected will be shared to centre while SGST stands for State GST which will be applicable on supplies within state. Tax collected will be shared to State.

Q 7. What is IGST?

Ans. IGST stands for Integrated GST. It will be applicable on Interstate & Import transactions. Tax collected will be shared between centre & State.

Q 8. What is GST Compensation Cess?

Ans. GST Compensation Cess is a levy in addition to CGST, SGST & IGST which will be levied on taxable supplies of such goods & services as may be prescribed. The purpose of GST Compensation Cess is to provide compensation to the States for loss of revenue arising on account of implementation of the GST for a period of five years.

Q 9. How intra-state transactions will be taxed under GST?

Ans. The Central GST (CGST) & State GST (SGST) will be levied simultaneously on every transaction of taxable supply of goods & services on intra-state basis. Further, both would be levied on the same price or value computed as per sec 15 of CGST Law.

Q 10. How Inter-state transactions will be taxed?

Ans. The Integrated GST (IGST) will be levied on every transaction of taxable supply of goods & services on inter-state basis. Further, it would be levied on the same price or value computed as per sec 15 of CGST Law.

Q 11. Which of the existing Central taxes are subsumed under GST?

Ans. The following Central Taxes are subsumed under GST:

- i. Central Excise duty
- ii. Duties of Excise (Medicinal and Toilet Preparations)
- iii. Additional Duties of Excise (Goods of Special Importance)
- iv. Additional Duties of Excise (Textiles and Textile Products)
- v. Additional Duties of Customs (commonly known as CVD)
- vi. Special Additional Duty of Customs (SAD)
- vii. Service Tax
- viii. Central Surcharges and Cesses so far as they relate to supply of goods and services

The GST Council shall make recommendations to the Union and States on the taxes, cesses and surcharges levied by the Centre, the States and the local bodies which may be subsumed in the GST.

Q 12. Which of the existing State taxes are subsumed under GST?

Ans. The following State Taxes are subsumed under GST:

- i. State VAT
- ii. Central Sales Tax
- iii. Luxury Tax
- iv. Entry Tax (all forms)
- v. Entertainment and Amusement Tax (except when levied by the local bodies)
- vi. Taxes on advertisements
- vii. Purchase Tax
- viii. Taxes on lotteries, betting and gambling
- ix. State Surcharges and Cesses so far as they relate to supply of goods and services

The GST Council shall make recommendations to the Union and States on the taxes, cesses and surcharges levied by the Centre, the States and the local bodies which may be subsumed in the GST.

Q 13. What will be applicable GST rate on Goods & Services?

Ans. GST rates will be notified based on recommendation of GST council. As of now GST council has finalised GST rate structure to be a four tier (except on diamonds & jewellery). Tax rates will be 5%, 12%, 18% & 28%. In addition to this, on demerit goods such as aerated drinks, luxury cars, tobacco & PAN Masala, a cess will be levied over & above 28%.

Q 14. What is GSTN & its role in GST implementation?

Ans. GSTN stands for Goods & Service Tax Network. GSTN will provide an IT infrastructure which will be used for functioning of various phase of GST regime namely:

- i. Registration
- ii. Filing of Returns
- iii. Matching of Input Credit
- iv. Payment of Taxes
- v. Assessments
- vi. Refunds etc.

Q 15. Which are the commodities kept outside the purview of GST?

Ans. As of now, the following commodities are kept out of the purview of GST:

- i. Petroleum Products viz. Petroleum Crude, Motor Spirit (Petrol), High Speed Diesel, Natural Gas And Aviation Turbine Fuel
- ii. Alcohol for human consumption
- iii. Electricity

Q 16. How the excluded commodities will be taxed after introduction of GST?

Ans. The existing taxation system (Central Excise, State VAT/ CST etc) will continue to be levied on such excluded commodities.

Q 17. What are the reasons for amendment in the Constitution of India in the context of GST?

Ans. Under the Constitution of India, the fiscal powers between the Centre and the States are clearly demarcated in the Constitution in respective domains wherein the Centre has the powers to levy tax (Excise Duty) on the manufacturing of goods and Service Tax on provision of services while the States have the powers to levy tax (Sales Tax etc) on the sale of goods. In the case of inter-State sales, the Centre has the power to levy a tax (Central Sales Tax) but the tax is collected and retained entirely by the States. As for services, it is the Centre alone that is empowered to levy service tax.

In view of the above, there was requirement for necessary amendment in the Constitution of India empowering the Centre and the States to simultaneously levy and collect taxes. The Constitution of India has been amended by the Constitution (One Hundred and First Amendment) Act, 2016 recently for this purpose. Accordingly, Article 246A of the Constitution empowers the Centre and the States to levy and collect the GST.