

Dear Taxpayer:

In this series, we will understand concepts of GST, coverage thereof, types of levy and adjustment of set off.

### **What is GST (Goods and Service Tax)?**

GST is a tax on supply of goods and services. It is proposed to be levied at all stages, right from manufacture or import (as the case may be) up to final stage of consumption i.e. on final consumer of goods and services. So briefly, it is tax on value addition and final consumer will bear burden of full tax.

GST is a destination based tax on consumption – destination based tax means tax would accrue to the taxing authority/State which has jurisdiction over the place of consumption which is also termed as place of supply.

GST will be implemented by **subsuming** following indirect taxes currently levied by the Central and the State Government:

#### I. Taxes currently levied by Centre, to be subsumed:

1. Central excise duty
2. Excise duty on medicinal and toilet preparation
3. Additional duties of excise on Goods of special importance
4. Additional duties of excise on Textile and Textile products
5. Additional duties of custom (CVD)
6. Special additional duty of Custom (SAD)
7. Service Tax
8. Central surcharges and cesses relating to goods and services

#### II. Taxes currently levied by State, to be subsumed:

1. VAT
2. Central Sales tax
3. Luxury tax
4. Entry tax
5. Entertainment & Amusement tax (except levied by local body)
6. Taxes on Advertisement
7. Purchase tax
8. Taxes on lottery, betting and gambling
9. State surcharges and cesses relating to goods and services

Following major taxes will continue:

1. Basic custom duty
2. Stamp duty
3. Vehicle tax
4. Electricity duty
5. State excise and VAT / CST on Alcohol for human consumption.

Following Commodities are proposed to be out of purview of GST:

Alcohol for human consumption, petroleum products (viz petroleum crude, petrol, high speed diesel, natural gas and aviation turbine fuel) and electricity. (petroleum products and electricity duty to be brought in GST net at a later date).

Dual tax regime:

GST will be a dual tax regime.

INTRASTATE supply of goods and services will be subjected to State GST (SGST) and Central GST (CGST).

INTERSTATE supply of goods and services will be subjected to integrated GST (IGST).

Example:

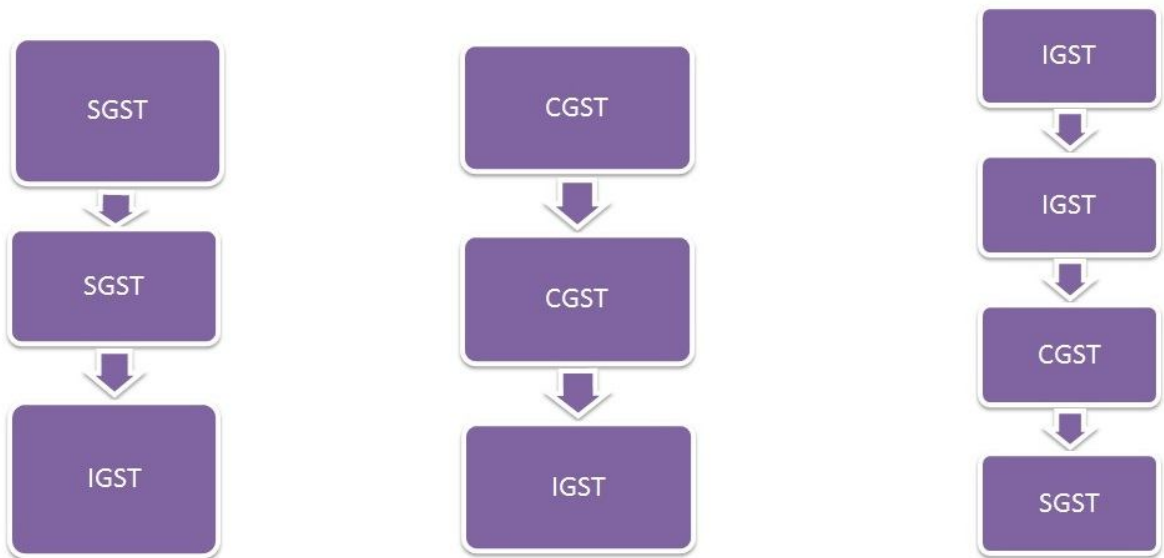
Description	INTRASTATE Supply (i.e. Supply within State)	Description	INTERSTATE Supply (i.e. Supply to another State)
Net Price	1000	Net Price	1000
GST rate say 18%		GST rate say 18%	
So SGST 9%	90	So IGST 18%	180
CGST 9%	90		
<b>Total Price</b>	<b>1,180</b>		<b>1,180</b>

### Input tax credit (ITC):

Supplier of goods and services will be permitted to set off SGST, CGST, & IGST paid on input against GST due on output.

### **Priorities of set off:**

Set-off shall be adjusted in the following manner:



*Note: Credit of CGST & SGST cannot be cross utilised.*

In our subsequent emails, we will deal with important aspects of GST, for better understanding from a business angle.

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