Goods And Services Tax
GST

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GST

GST is the most ambitious and remarkable indirect tax reform in India's post-Independence history.
Its objective is to levy a single national uniform tax across India on all goods and services.
GST has replaced a number of Central and State taxes, made India more of a national integrated market, and brought more producers into the tax net.
GST is a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level.
GST is an indirect tax for the whole of India to make it one unified common market.

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Salient Features of GST in India

1. **Supply as the base:** GST would be applicable on "supply" of goods or services as against the erstwhile concept of tax on the manufacture of goods or on sale of goods or on provision of services.
2. **Destination-based tax:** As opposed to the previous principle of origin-based taxation, GST would be based on the principle of destination-based consumption taxation.
3. **Dual GST:** The Centre and the States would simultaneously levy tax on a common base.
4. **Exports:** All exports and supplies to Special Economic Zones (SEZs) and SEZ units would be zero-rated

5. **Central taxes subsumed:** Central excise duty; Additional duties of excise; Additional duties of customs (commonly known as countervailing duty); special additional duty of customs (SAD); service tax; and cesses and surcharges insofar as they relate to supply of goods or services.
6. **State taxes subsumed:** State VAT; Central Sales Tax; purchase tax; luxury tax; entry tax; entertainment tax (except those levied by the local bodies); taxes on advertisements; taxes on lotteries, betting and gambling; and State cesses and surcharges insofar as they relate to supply of goods or services.
7. **Exports:** All exports and supplies to Special Economic Zones (SEZs) and SEZ units would be zero-rated.

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8. **Input tax credit:** Credit of CGST paid on inputs may be used only for paying CGST on the output and the credit of SGST/UTGST paid on inputs may be used only for paying SGST/ UTGST.
9. **Electronic filing of returns:** Various modes of payment of tax available to the taxpayer including internet banking, debit/credit card and National Electronic Funds Transfer (NEFT)/Real Time Gross Settlement (RTGS).
10. **Refund:** Refund of tax can be sought by taxpayer or by any other person who has borne the incidence of tax within two years from the relevant date

Benefits of GST

1. Elimination of cascading effect
2. Efficiency
3. Reduced compliance costs
4. Reduction in tax evasion
5. Improved collection efficiency
6. Revenue generation
7. Improved efficiency of logistics
8. Regulation of the unorganized sector
9. Higher threshold for registration
10. Composition scheme for small businesses
11. Benefits to consumers

Limitations of GST

1. Compliance related issues
2. Increased costs due to software purchase
3. Lack of skilled resources and re-skilling existing workforce
4. Multiple rate structure

Types of GST

Inter-State transactions

It is a transaction that takes place between two states.

For instance, a supplier supplies iron ore from Jharkhand to a consumer in West Bengal. The GST, thus collected, is divided between the Central government and the West Bengal government (State of consumption).

Types of GST

Intra-State transactions

When a transaction is carried out within a State, it is an intra-state transaction.

For example, a business in Jharkhand supplies 1 tonne of iron-ore to a consumer within the State. The GST then diverts to the Centre government and the Jharkhand government.

Structure of GST

1. Central Goods and Services Tax (CGST).
2. State Goods and Services Tax (SGST).
3. Union Territory Goods and Services Tax (UTGST).
4. Integrated Goods and Services Tax (IGST).

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State Goods and Services Tax (SGST)

A State government levies SGST on the intra-state transactions of goods and services. The revenue collected is earned by the state government wherein this transaction takes place.
SGST subsumes earlier taxes like purchase tax, luxury tax, VAT, Octroi, etc.

For union territories like Chandigarh, Puducherry and Andaman and Nicobar Islands, a Union Territory Goods and Services Tax or UGST replaces SGST.

Central Goods and Services Tax (CGST)

GST levied by the Centre on intra-State supply of goods or services or both is called CGST.

It is levied under Central Goods and Services Tax (CGST) Act, 2017 which makes provisions for the levy and collection of tax on intra-State supply of goods or services or both by the Central Government.

Integrated Goods and Services Tax (IGST)

When a transaction of goods and services is inter-state in nature, an IGST is levied on them. It is applicable to imports and exports as well.

Revenues generated through this tax are shared between the state and the central governments.

GST Council - Constitution

Consists of Finance Minister, the MOS (Finance) and the Minister of Finance / Taxation of each State

- Chairperson – Union FM
- Vice Chairperson - to be chosen amongst the Ministers of State Government
- Quorum is 50% of total members
- Decision by 75% majority
- Council to make recommendations on everything related to GST including laws, rules and rates etc.

GST Exemption

GST exemption refers to the exclusion of certain goods and services from the levy of Goods and Services Tax (GST), meaning no GST is charged on their supply. This helps reduce the tax burden on essential items such as basic food products, healthcare, and educational services.

It's important to note that these exemptions are subject to change based on government policies and regulatory updates. Both the Central and State Governments are empowered to grant GST exemptions.

Types of GST Exemptions

Supplier-Based Exemption

This exemption applies to specific suppliers regardless of what they are supplying. It is usually granted to entities involved in public welfare or nonprofit activities.

Example: Services provided by charitable organizations are exempt from GST, irrespective of the type of service.

Supply-Based Exemption

Certain goods and services are exempt from GST due to their essential nature. This exemption applies regardless of the supplier, focusing solely on the type of supply.

Example: Healthcare services, educational services, and public utility services such as water supply are exempt from GST.

Product-Based Exemption

Certain goods and services are exempt from GST due to their essential nature. This exemption applies regardless of the supplier, focusing solely on the type of supply.
Example: Healthcare services, educational services, and public utility services such as water supply are exempt from GST.

Absolute Exemption

This is an unconditional exemption, where the supply is fully exempt from GST without any terms or conditions.
Example: Transmission or distribution of electricity by an electricity utility company is entirely exempt from GST.

Conditional or Partial Exemption

These exemptions are granted with specific conditions or limitations. They may apply fully or partially depending on the fulfillment of certain criteria, such as threshold limits or usage specifics.

Example: Room charges in hospitals are exempt from GST if they do not exceed ₹5,000 per day (excluding ICUs). Similarly, intra-state supplies from unregistered persons are exempt under reverse charge if the total value does not exceed ₹5,000 per day.

Goods Exempted from GST

Category	Products
Animal Products	Live animals: Asses, cows, sheep, goats, poultry
	Meat: Fresh and frozen meat from sheep, cows, goats, pigs, horses
	Fish: Fresh or frozen fish
Natural and Agricultural Products	Natural products: Honey, fresh and pasteurized milk, cheese, eggs
	Live trees and plants: Bulbs, roots, flowers, foliage
	Vegetables: Tomatoes, potatoes, onions, carrots
	Fruits: Bananas, grapes, apples, oranges
	Dry fruits: Cashew nuts, walnuts, almonds
	Grains: Wheat, rice, oats, barley
	Products of the milling industry: Various types of flour
	Seeds: Flower seeds, oil seeds, cereal husks

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Beverages and Spices	Tea, coffee, and spices: Coffee beans, tea leaves, turmeric, ginger, black pepper
	Water: Mineral water, tender coconut water, packaged drinking water
Processed and Baked Goods	Sugar products: Sugar, jaggery
	Baked goods: Bread, pizza base, puffed rice, pastries
Energy and Industrial Goods	Fossil fuels: Electrical energy
	Fertilizers: Goods and organic manure
Health and Personal Care Products	Drugs and pharmaceuticals: Human blood, contraceptives, vaccines
	Beauty products: Bindi, kajal, kumkum, herbal cosmetics

Waste and Recycling	Waste: Sewage sludge, municipal waste, recyclable waste
Accessories and Printed Items	Ornaments: Plastic and glass bangles
	Newsprint: Judicial stamp paper, envelopes, rupee notes
	Printed items: Printed books, newspapers, maps
Textiles and Handicrafts	Fabrics: Raw silk, silkworm cocoon, khadi, cotton, wool, synthetic fabrics
	Hand tools: Spade, hammer, gardening tools
	Pottery: Earthen pots, clay lamps

Services Exempted from GST

1. Agricultural Services

Includes all agricultural-related services except horse breeding.

GST exemption on agricultural services covers:

Cultivation and harvesting.
Farm labor supply.
Fumigation and packaging.
Renting or leasing agricultural machinery.
Warehouse operations.
Sale or purchase services by Agricultural Produce Marketing Committees or Boards.

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2. Transportation Services

GST exemption on transportation services include:

Road or bridge transportation upon toll payment.

Goods transportation by road (excluding courier agencies).

Inland waterway goods transportation.

Transportation of agricultural produce, milk, salt, newspapers, or wood grains.

Goods transport with a gross charge under INR 1500.

Hiring services for state transport undertakings for vehicles carrying over 12 passengers.

3. Government and Diplomatic Services
GST is exempted on Government Services provided by:
Foreign diplomatic missions in India.
The Reserve Bank of India.

4. Judicial Services
GST exemption on judicial services include:

Services by arbitral tribunals to non-business entities.
Legal services by partnership firms and senior advocates to non-business or small business entities.

5. Educational Services

GST exemption on educational services covers various services, including:

Transportation and mid-day meal catering.

Admissions and examinations.

Security and housekeeping for educational institutions.

Services by Indian Institutes of Management (excluding Executive Development Programmes).

Coaching under the central sector scheme for ‘Scholarships for Students with Disabilities.’

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6. Medical and Healthcare Services

GST exemption on medical and healthcare services Includes:

Veterinary clinic services.

Healthcare by clinics or paramedics.

Ambulance services.

Charitable medical services.

Services related to religious pilgrimage facilitation.

7. Organizational and Event Coordination

Exempt services include:

Services by exhibition organizers for international business exhibitions.

Tour operator services for foreign tourists conducted entirely outside India.

GST Exemption from Registration

In the context of GST, certain individuals and entities are exempt from the requirement to register based on their turnover and the nature of their activities.

Individuals whose annual turnover does not exceed:

INR 40 lakhs for goods

INR 20 lakhs for services

INR 10 lakhs for specific categories in special category states

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GST Rates and GST Rate structure in India

The primary GST slabs for any regular taxpayers are presently pegged at 0% (nil-rated), 5%, 12%, 18% & 28%. There are a few lesser-used GST rates such as 3% and 0.25%.

Also, the composition taxable persons must pay GST at lower or nominal rates such as 1.5% or 5% or 6% on their turnover. There is a concept of TDS and TCS under GST as well, whose rates are 2% and 0.5% respectively (prior to 9th July 2024, it was 1%).

Exempt	Those supplies that are not charged GST. No ITC can be claimed in these cases. For example: essential supplies like milk or vegetables fall under this category
Nil Rated	Those supplies that are specifically taxed at 0% GST are called Nil Rates supplies
Zero Rated	Zero Rated supplies are similar to Nil Rated supplies but are specifically intended for the export of goods and services, including supplies made to Special Economic Zones (SEZs) or SEZ developers
Non-GST	Supplies that do not come under the purview of GST. For example, petroleum.

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