

Goods and Service Tax Fundamentals – I

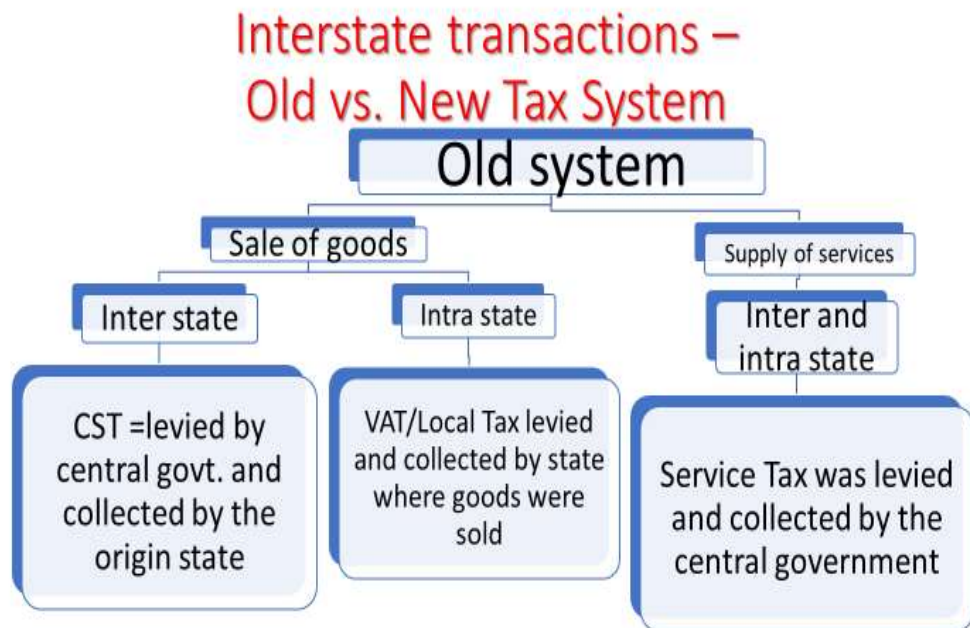
(B.Com G & CA Sem-5)

Unit - IV

Inter-State Goods and Service Tax

Topic: Objectives and Features of IGST

- **Interstate transactions – Old vs. New Tax System**



- **New system in GST**

GST levies tax on both Inter state supply of goods as well as services.

- > One state to another state; or
- > One UT to another UT; or
- > One state to another UT; or
- > One UT to another state

The tax levied on Inter state supply of goods and services is termed as IGST.

- **Reasons or objectives of IGST Act**

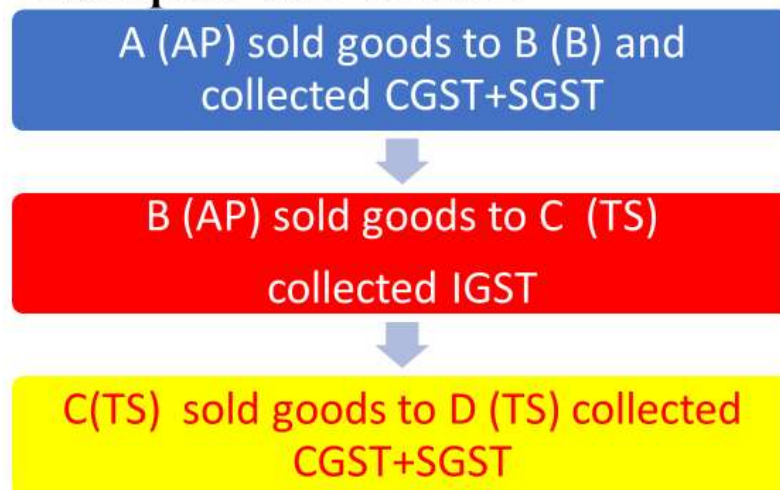
1. To remove deficiencies of CST levied under the previous tax regime.
2. Rate of CST different from VAT.
3. Reduction in cost of production
4. IGST for inter state/UT trade.
5. Boost growth of economy

- **Features of IGST model in India**

1. The selling dealer in the exporting state would charge IGST on all inter-state transactions.

2. Input tax credit

2. Input tax credit



3. Utilisation of SGST for the payment of IGST at the origin point and IGST for the payment of SGST at the destination point

4. Every registered inter-state seller/buyer of goods has to furnish his periodical return with details of tax

5. The Central government would pay, to the importing (destination) state, the input IGST used for the payment of the SGST in the importing state on subsequent supplies in that state

6. The buyer in the importing state can claim the ITC of the IGST paid while discharging his tax liability in his state while filing his return on the basis of the invoices.

7. The IGST administration will be with the CGST authority.

8. The order of ITC set off

CGST -- CGST, IGST

SGST -- SGST, IGST

IGST -- IGST, CGST and SGST

(This cross utilisation allowed only in cases of inter-state transactions)

Web links;

1. <https://tallysolutions.com/gst/igst/>
2. <https://www.caclubindia.com/articles/meaning-features-and-advantages-of-igst-model-37729.asp>
3. <https://taxguru.in/goods-and-service-tax/all-about-integrated-goods-service-tax-igst-act.html>
4. <https://www.gstindia.com/inter-state-gst-igst-inter-state-transactions/>

Topic: Advantages of IGST model

Major advantages of IGST model

1. Advantages of Input Tax Credit

2. No tax arbitrage:

No difference between

IGST and

SGST/UTGST+CGST

3. IGST works on destination principle (old system was origin principle)

4. The model has a simple transition from existing regime

5. The model will help in easy tax administration with comparatively low administrative cost

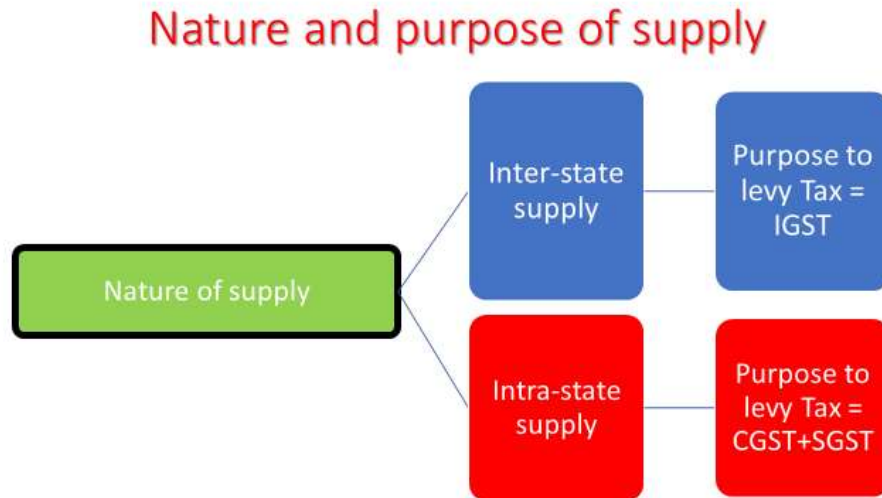
6. This model provides similar compliance requirement for SGST and CGST with relatively low compliance cost
7. This model leads to identical tax burden on inter-state and intra-state supplies of goods
8. Help in preserving Input Tax Credit (ITC) chain
9. Avoiding zero rating to the extent possible and keeping refund cases to a bare minimum like the export out of country
10. Comprehensive coverage of supplies of both goods and services
11. No upfront payment of tax, blockage of funds for the inter-state seller or buyer
12. No refund claim in exporting state as ITC is used up while payment of tax
13. Level of computerisation is limited to inter-state dealers, Centre and State Governments only
14. Governments may take time to computerise their processes
15. All inter-state dealers will be e-registered and correspondence with them will be by e-mail, the compliance level will improve substantially
16. Addressing the issues relating to the cross border inter-unit transfer of stock as well as input tax credit
17. Necessitate a minimum level of automation in the beginning

Web links;

1. <https://gstaim.com/what-are-the-advantages-of-igst-model/>
2. <https://blog.saginfotech.com/igst-model-under-gst>
3. <https://www.gstzen.in/a/overview-of-the-igst-act.html>
4. <https://www.taxdose.com/the-major-advantages-of-igst-model/>

Topic : Determination of Nature of Supply

- **Nature and purpose of supply**



- **Key factors to determine whether supply is Inter State or intra State**

1. Place of supply (POS)

- Determination of the place of supply where the goods or services are consumed holds utmost importance in GST

2. Location of supplier (LOS)

- Registered place of business or fixed establishment; of the supplier; from where the supply is made

*** Determination of Nature of Supply (as per IGST Model)**

Determination of Nature of Supply
(as per IGST Model)



I. Inter state transactions under GST (Sec.7, IGST ACT)

1. Inter-state supply of goods
2. Import of goods
3. Inter-state supply of services
4. Import of services
5. Inter-state supply of goods or services or both
 - a. export of goods or services shall be treated to be inter-state supply
 - b. supply to and by SEZ developer or SEZ unit shall be treated to be inter-state supply

II. Intra-state transactions under GST (Sec.8, IGST ACT)

1. Intra state supply of goods: Supply of goods within the state or UT
2. Intra state supply of services: Supply of services within the state or UT.

III. Supplies in Territorial Water

Territorial water extends upto 12 nautical miles from the base line on the coast of India and includes any bay, gulf, harbour, creek or tidal river. (1 nautical mile = 1.1515 miles = 1.853 Kms). Sovereignty of India extends to the territorial waters and to the sea-bed and subsoil underlying and the air space over the waters.

1. When location of supplier is in Territorial waters:

When the location of the supplies is in territorial waters, then the location of supplier shall be deemed to be in the coastal state or UT where the nearest point of the appropriate baseline is located.

2. When place of supply is in territorial waters:

Where the place of supply falls in the territorial waters, then the location of the place of supply shall be deemed to be in the coastal state or UT where the nearest point of the appropriate baseline is located.

Web links;

1. <https://taxguru.in/goods-and-service-tax/nature-supply-gst.html><https://taxguru.in/goods-and-service-tax/nature-supply-gst.html>

2. <https://taxguru.in/goods-and-service-tax/determination-nature-supply-place-supply-services-gst.html>
3. <https://howtoexportimport.com/Concept-and-nature-of-Supply-under-GST-8499.aspx>
4. https://www.cbic.gov.in/resources//htdocs-cbec/gst/The_Meaning_and_Scope_of_Supply_new.pdf;jsessionid=086210B63FCFA9B97644FA56EF452477