

Goods and Services Tax

Important Terms

1. Direct Taxes are those that are levied on the income of individuals or organisations. They include income tax and corporate tax.
2. Indirect taxes are those that are paid by consumers or organisations when they buy goods or services or both.
3. A dealer is a person who buys goods/services for re-sale.
4. The price at which a trader buys his goods is termed as cost price (C.P) or basic price.
5. The price marked on the commodity is called marked price (M.P). List price is also known as marked price, printed price, quoted price, etc.
6. In order to sell out the old stock or for some other reason shopkeepers offer certain percentage of the list price as discount. This discount is always calculated on list price.
7. Selling price (S.P) at which a trader sells his goods with discount, if any Selling price is also called sale price. $\text{Selling price} = \text{List price} - \text{Discount} = \text{Discounted price}$
When an article is sold without any discount its selling price = list price
8. $\text{Tax} = \text{Rate of tax} \times \text{Selling price}$

Goods and Services Tax (GST)

- GST is a consumption based tax which is levied when one buys/transfers goods or services or both.
- GST is to be levied at every point of sale/transfer of goods or services or both.
- GST has replaced all former indirect taxes levied by central and state governments.
- GST is applicable throughout India except in the state of Jammu and Kashmir.

Important:

- A consumer (end user) cannot claim the GST paid by him.
- Only a person or an organization registered with GST can charge and collect GST on sale/transfer of goods and services.
- Anyone who charges GST has to mention the GST registration number on the bill.
- GST is applicable on every type of movement of goods/services.
- GST includes of :
 1. Central-GST (CGST) which is collected by the central government for the intra-state transaction or movement of goods and services whereas CGST, the beneficiary is the central government.
 2. State-GST (SGST)/Union territory GST (UGST) which is collected by the state government/union territory for the intra-state/union territory transaction or movement of goods and services. Whereas UGST the beneficiary is the union territory government.
 3. Integrated-GST (IGST) which is levied by the central government for inter-state transaction or movement (including imports) of goods and services.

NOTE:

- In case of intra-state transaction, the seller collects both CGST and SGST from the buyer and deposits the CGST with the central government and the SGST with the state government.
- The tax collected on the intra-state movement of goods and services is to be shared equally by the central government and the state government.
- The rates of GST are 0%, 5%, 12%, 18% and 28% as applicable.
- GST is calculated on sale price obtained after deducting discount, if any from the list price.
- In case of intra-state sale of goods/services or both
If GST rate is 18% then
CGST = 9% of sale price, SGST = 9% of sale price, IGST = 0
- In case of inter-state sale of goods or services or both
If GST rate is 18% then IGST = 18% of sale price
- Discount is never allowed on amount including GST.

Input Tax Credit (ITC)

- Input tax credit means that while paying tax on sale (output) of goods and services you can avail the tax you have already paid on the purchase (input) of the above goods/services and pay only the balance amount as tax.
- Input-tax credit can be availed only on goods/services for business purposes.

NOTE:

1. Input tax includes CGST/SGST/IGST paid on input goods, input services, etc.
2. Only a registered person is entitled to take credit of input tax charged on supply of goods/services.
3. Credit of tax paid on every input used for supply of taxable goods or services or both is allowed under GST.
4. For the purchase of petroleum products, liquor, petrol, diesel, motor spirit, etc input tax credit is not available.
5. In exports of goods/services, GST is not payable, but still input tax credit is available. Such transactions are called zero-rated transactions in GST.