

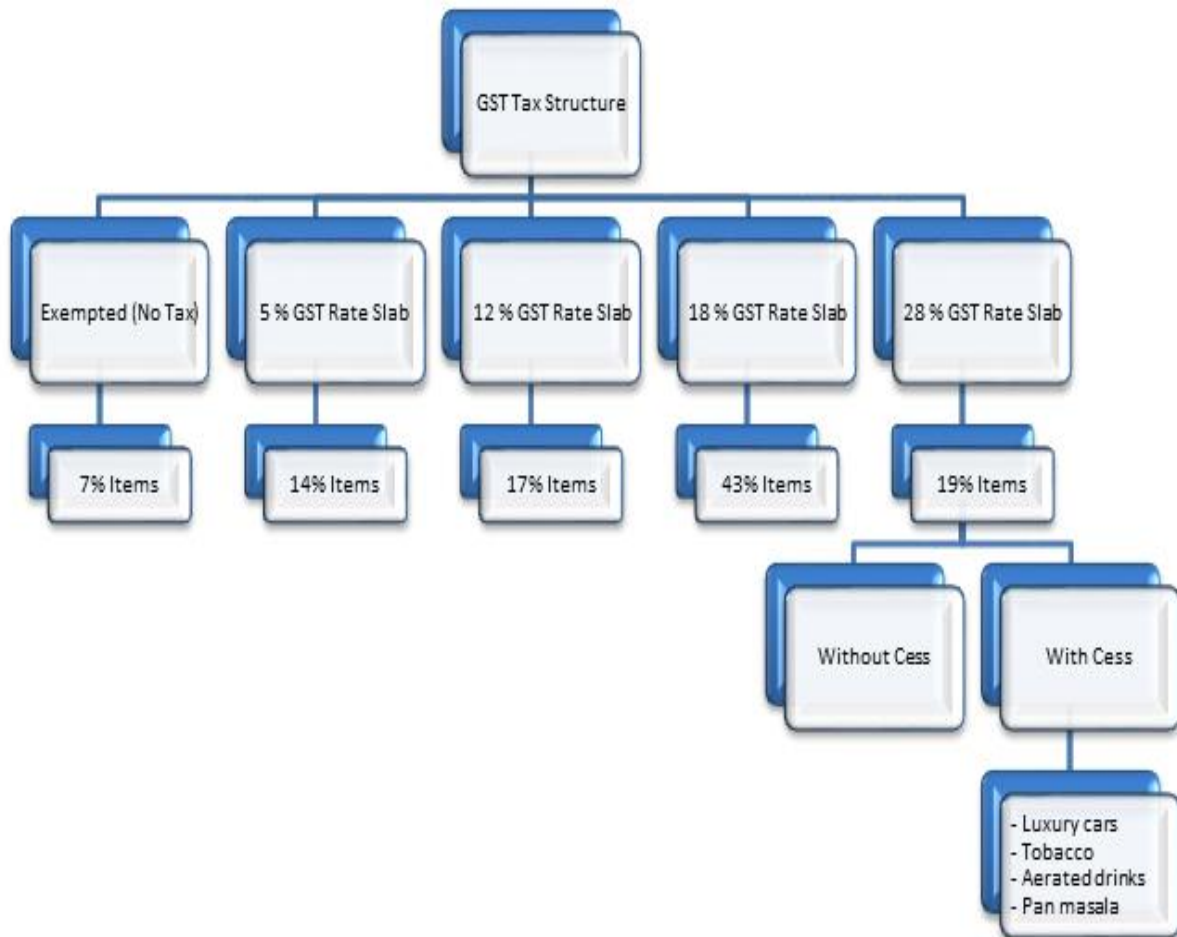
UNIT-5

INCIDENCE OF TAX

Meaning of Incidence of TAX:

The incidence of a tax refers to the extent to which an individual or organisation suffers from the imposition of a tax – it may fall on the consumer, the producer, or both. The incidence is also called the ‘burden’ of taxation.

GST TAX STRUCTURE





RATES OF GST IN INDIA:

In India, nearly all goods and services under the purview of GST have been divided into four GST rates – **5%, 12%, 18%, and 28%**. The GST council revises inclusions under these rates from time to time in order to ensure efficient pricing of different categories of products.

5% GST Rate List

In terms of goods, this tax slab primarily comprises household necessities. The following list shows a few of the items that invite a 5% GST.

- ❖ Edible oil, spices, tea, coffee, and sugar
- ❖ Coal
- ❖ Indian sweets or Mithai
- ❖ Life-saving drugs and medicines, like insulin
- ❖ Numismatic coins
- ❖ Ice and snow
- ❖ Walking sticks
- ❖ Different accessories or carriage parts for differently-abled individuals
- ❖ Fly-ash blocks
- ❖ Biogas
- ❖ Incense sticks and kites
- ❖ Natural cork
- ❖ Appliances for differently-abled individuals, such as Braille paper, Braille watches, hearing aids, etc.
- ❖ Marble rubble
- ❖ Cashew nuts
- ❖ Matting, coir mats, and floor covering
- ❖ Biogas

12% GST Slab Rate:

Frozen food	Other items
Frozen meat	Handmade matches
Fruit juices	Sewing machines
Dairy products, like butter, ghee, and cheese	Diagnostic kits and reagents
Sauces, ketchup, and mustard sauce, excluding salad dressing items, mayonnaise, curry paste, mixed dressings, and mixed condiments	Corrective spectacles, glasses for the same and flint buttons
	Fish knives, ladles, forks, spoons, tongs, cake servers, etc.
	Fixed Speed Diesel Engines
	Notebooks and exercise books
	Jewellery box
	Plastic beads
	Two-way radios or walkie-talkies that personnel in defence, paramilitary forces, and police use

18% GST Rate:

- ❖ Household products, including hair oil, toothpaste, shampoo, etc.
- ❖ Salt-glazed stoneware pipes
- ❖ Dental wax
- ❖ Transformers, industrial electronics
- ❖ Plastic tarpaulin

- ❖ Pencil sticks for Kajal
- ❖ Electrical transformer
- ❖ Headgear and its parts
- ❖ Non-leather school bags and satchels, shopping bags and handbags made of cotton, jute, artificial plastic, and other materials but excluding basket work or wickerwork
- ❖ Sports goods, gaming consoles and other products with HSN code 9504
- ❖ Carriages for babies
- ❖ Staplers, pencil-sharpening devices
- ❖ Rear tractor tyres and tyre tubes

28 GST RATE:

- ❖ Caffeinated beverages
- ❖ Tobacco products, such as cigarettes
- ❖ State-owned and state-authorized lotteries
- ❖ Cars and two-wheelers
- ❖ Washing machines
- ❖ Cement, paint
- ❖ Air conditioners
- ❖ Cars and two-wheelers
- ❖ Dishwashing machines
- ❖ Aerated beverages
- ❖ Yachts
- ❖ Aircrafts

Exemption under one GST Law and the effect on another GST Law

Exemption under CGST Act	Deemed to be exempt under SGST / UTGST Act
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	No auto-application of exemption under IGST Act
Exemption under IGST Act	No auto-application of exemption under CGST Act

EXEMPTED SUPPLY:

Exempted supply means the supply of goods or services or both which attracts nil rate of tax or which are specifically exempt from GST through government notification and includes non-taxable supply. Thus, it is the supply of goods or services or both that do not attract GST. For example, live animals (except horses), cereals, puja samagri etc.

No input tax credit can be claimed with respect to inputs and/or input services used for making exempt supplies.

Comparative Table

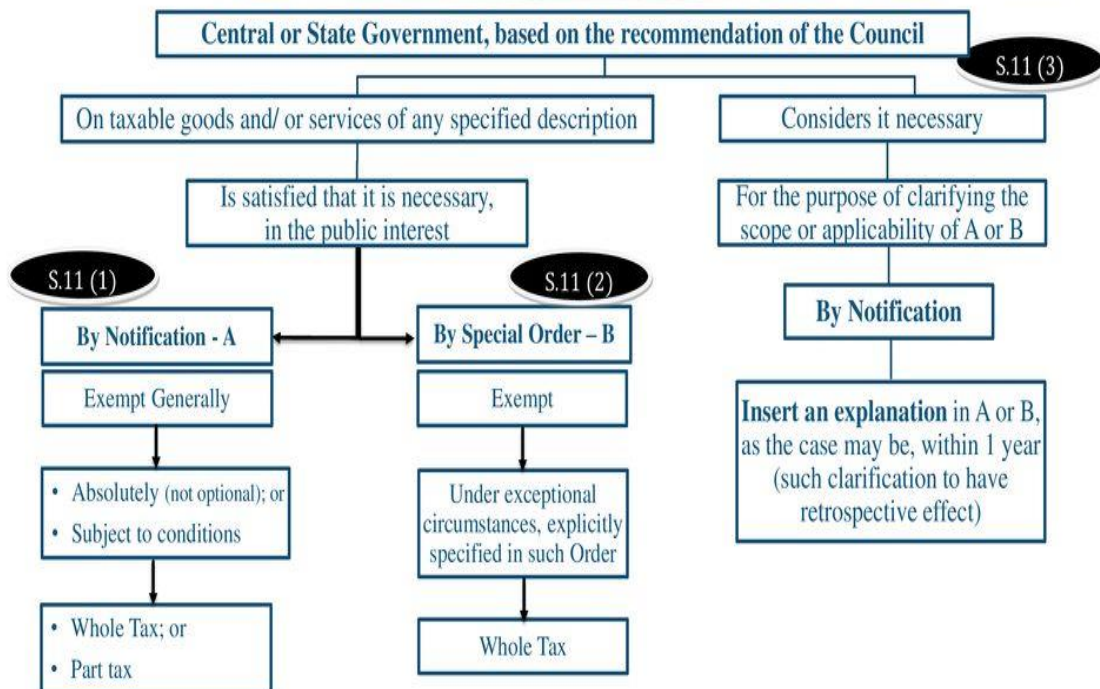
Particulars	Zero-Rated Supplies	Nil-Rated Supply	Non-GST Supply	Exempt Supply
Meaning	Supply which is meant for Export or to Special Economic Zone developer or a Special	Supply which attracts 0% GST rate.	Supply which is outside the purview of GST Act.	Supply which attracts nil rate of tax or which are specifically exempt from GST through government

	Economic Zone unit.			notification and includes non-taxable supply
GST Applicability	(i) Supply good or services without payment of GST using LOU and claim a refund of unutilised GST. (ii) Supply good or services by paying IGST and claim a refund of such IGST paid.	GST is not applicable on supply.	GST is not applicable on supply.	GST is not applicable on supply.
Input Tax Credit Availability	Input tax credit can be claimed.	No input tax credit is available.	No input tax credit is available.	No input tax credit is available.
Cover under GST Ambit	Yes	Yes	No	Yes (for nil rated and exempt supply)

				No (for non-taxable supply)
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POWER TO GRANT EXEMPTION FROM TAX (Sec.11)

Power to grant exemption from tax – Section 11 of CGST Act 28



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INPUT TAX CREDIT

Input Tax Credit means claiming the credit of the GST paid on purchase of Goods and Services which are used for the furtherance of business. The Mechanism of Input Tax Credit is the backbone of GST and is one of the most important reasons for the introduction of GST.



Input Tax Credit of CGST/ SGST/ UTGST/ IGST

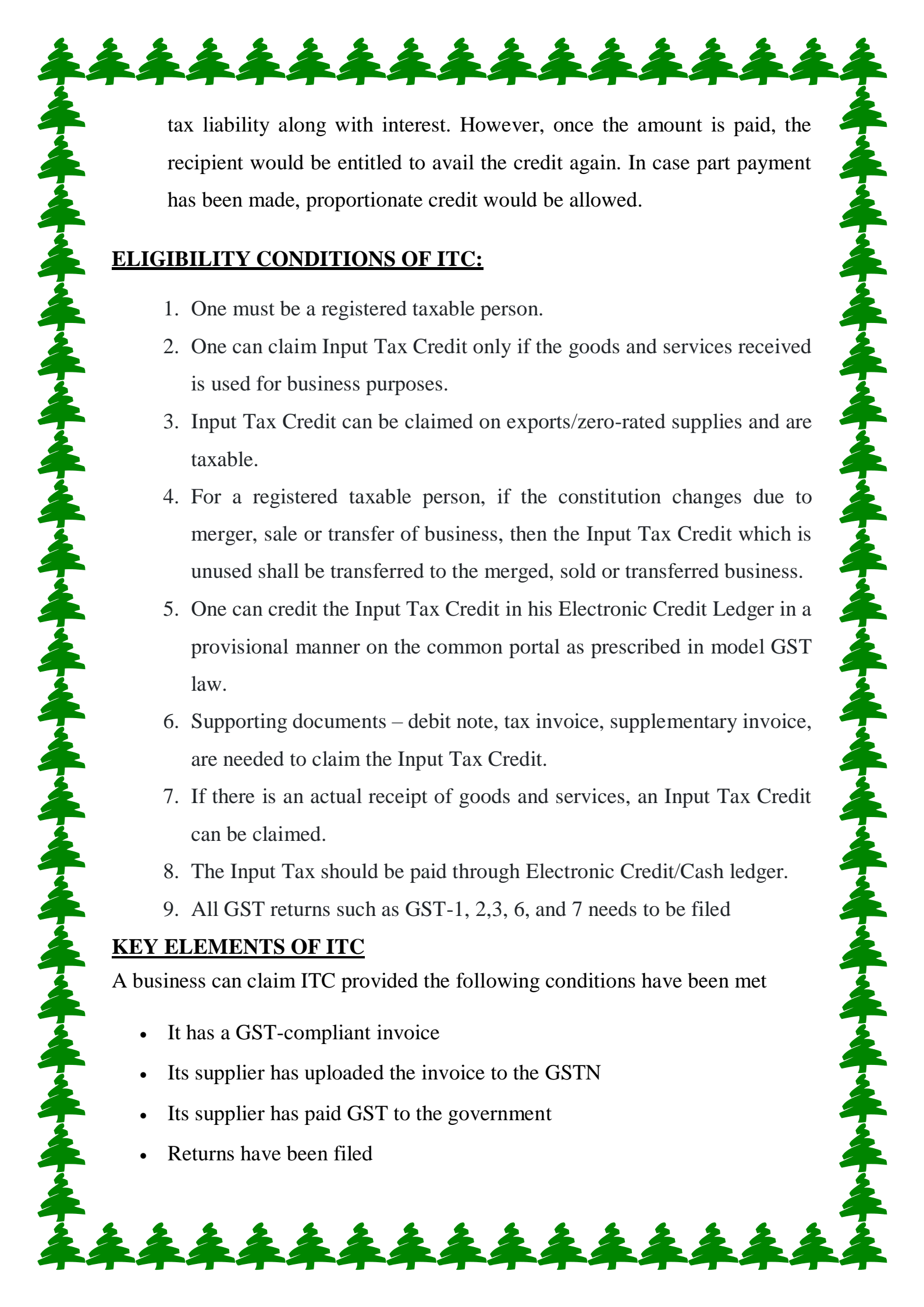
GST comprises of the following levies: -

1. Central Goods and Services Tax (CGST) [also known as Central Tax] which is levied on intra-state or intra-union territory on supply of goods or services or both.
2. State Goods and Services Tax (SGST) [also known as State Tax] which is levied on supply of goods or services or both within the same state.
3. Union Territory Goods and Services Tax (UTGST) [also known as Union Territory Tax] which is levied on supply of goods or services within the same union territory.
4. Integrated Goods & Services Tax (IGST) [also known as Integrated Tax] on inter-state supply of goods or services of both.

Conditions for Claiming Input Tax Credit under GST

Only a Registered Person would be able to claim the benefit of Input Tax Credit of GST. Moreover, a registered person would be eligible to claim input tax credit on fulfilment of the following conditions:

1. He is in possession of Tax Invoice or any other specified tax paid document.
2. He has received the goods or services. “Bill to ship” scenarios also included.
3. Tax is actually paid by the supplier.
4. He has furnished the GST Return.
5. If the inputs are received in lots or instalments, he would be eligible to avail the ITC only when the last lot or instalment is received.
6. The payment should be made within 180 days from the date of issue of invoice. In case the payment is not made within 180 days, failing which the amount of credit availed by the recipient would be added to his output



tax liability along with interest. However, once the amount is paid, the recipient would be entitled to avail the credit again. In case part payment has been made, proportionate credit would be allowed.

ELIGIBILITY CONDITIONS OF ITC:

1. One must be a registered taxable person.
2. One can claim Input Tax Credit only if the goods and services received is used for business purposes.
3. Input Tax Credit can be claimed on exports/zero-rated supplies and are taxable.
4. For a registered taxable person, if the constitution changes due to merger, sale or transfer of business, then the Input Tax Credit which is unused shall be transferred to the merged, sold or transferred business.
5. One can credit the Input Tax Credit in his Electronic Credit Ledger in a provisional manner on the common portal as prescribed in model GST law.
6. Supporting documents – debit note, tax invoice, supplementary invoice, are needed to claim the Input Tax Credit.
7. If there is an actual receipt of goods and services, an Input Tax Credit can be claimed.
8. The Input Tax should be paid through Electronic Credit/Cash ledger.
9. All GST returns such as GST-1, 2,3, 6, and 7 needs to be filed

KEY ELEMENTS OF ITC

A business can claim ITC provided the following conditions have been met

- It has a GST-compliant invoice
- Its supplier has uploaded the invoice to the GSTN
- Its supplier has paid GST to the government
- Returns have been filed

A business under composition scheme cannot avail of the input tax credit. ITC cannot be claimed for personal use or for goods that are exempt.

GOODS EXEMPTED FROM TAX 0% (GST)

The infographic features a central white circle with the text "ITEMS EXEMPTED FROM GST" in purple. Surrounding this circle are 18 items, each with a small circular icon and a label. The items are: Education Services (book and pen), Coloring Books (colorful pages), Kajal (black powder), Health Services (stethoscope), Gur (jaggery), Salt (white powder), Unbranded Natural Honey (honey jar), Egg (eggs), Milk (milk), Phool Bhari Jhadoo (scented stick), Unpacked Foodgrains (grains), Lassi (drink), Unpacked Paneer (cottage cheese), Curd (yogurt), Palmyra Jaggery (jaggery), and Prasad (offerings).

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NATION TAX MARKET

Public Consumption Products Sees Reduced Tax Rates

ITEMS EXEMPTED FROM GST

Education Services

Coloring Books

Kajal

Health Services

Gur

Salt

Unbranded Natural Honey

Egg

Milk

Phool Bhari Jhadoo

Unpacked Foodgrains

Lassi

Unpacked Paneer

Curd

Palmyra Jaggery

Prasad

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