

An overview of the integrated goods and services tax act in india

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ABSTRACT

GST focuses on the concept of one tax, one nation. IGST stands for Integrated Goods and Services Tax which is charged on the supply of commodities and services from one state to another state. Under Article 269A of the Indian Constitution, the inter-state trade and commerce activities that involve the movement of commodities and services shall be levied with an integrated tax (IGST) under the GST regime. The Government of India will collect the revenue under IGST. Further changes can be made by the Goods and Services Tax Council of India. This paper presents an overview of IGST concept, along with levy and collection of integrated goods and services tax.

Key words: Integrated goods and services tax, levy and collection, supply of goods and services.

INTRODUCTION

The GST levied on the intra-State supply of goods or services by the Centre is Central GST (CGST) and that by the States is State GST (SGST). On inter-state supply of goods and services, Integrated GST (IGST) is collected by Centre. IGST is also applicable on imports. GST is a consumption based tax i.e. the tax is received by the state in which the goods or services are consumed and not by the state in which such goods are manufactured. IGST is designed to ensure seamless flow of input tax credit from one state to another. Every state has to deal only with the Central government to settle the tax amounts and not with every other state, thus making the process easier. Therefore, if inter-state sales (i.e., sale from one state to another state) is made then the seller will charge IGST in place of CGST + SGST.

LEVY AND COLLECTION OF IGST SEC (5)

Sec 5 (1) of IGST

- IGST will be levied on Imported Good
- Levy of IGST
- All Inter State Supply
- Value determined as per Sec 15 of CGST
- Rate Notified by CG, SG Not Exceeding 40%
- Collected in Manner Prescribed (Sec 12 & 13)
- IGST will be levied on Imported Goods

Sec 5(3) of IGST Levy of IGST RCM

- CG & SG on Recommendations of GST Council
- Specify Goods & Services
- Tax on which Payable under Reverse Charge

- Tax shall be paid by Recipient
- All provisions apply as if he is Supplier of such Goods or Services

Sec 5(4) of IGST Levy of IGST URS

- Supply of taxable Goods & Services
- By a Supplier, who is not registered under GST
- Tax on which Payable under Reverse Charge
- Tax shall be paid by Recipient
- All provisions apply as if he is Supplier of such Goods or Services

Sec 5(5) of IGST Levy of IGST E-Commerce

- CG & SG on Recommendations of GST Council
- Specify category of Services
- Tax on which shall be paid by E-Commerce Operator
- If such services are supplied through them
- All provisions apply as if he is Supplier of such Goods or Services.

NATURE OF SUPPLY

It is very important to determine the nature of supply – whether it is inter-State or intra-State, as the kind of tax to be paid (IGST or CGST+SGST) depends on that.

(i) Inter-State Supply:

Subject to the place of supply provisions, where the location of the supplier and the place of supply are in:

- (a) Two different States;
- (b) Two different Union territories; or
- (c) A State and a Union Territory.

Such supplies shall be treated as the supply of goods or services in the course of inter-State trade or commerce. Any supply of goods or services in the taxable territory, not being an intra-State supply, shall be deemed to be a supply of goods or services in the course of inter-State trade or commerce. Supplies to or by SEZs are defined as inter-State supply. Further, the supply of goods imported into the territory of India till they cross the customs frontiers of India or the supply of services imported into the territory of India shall be treated as supplies in the course of inter-State trade or commerce. Also, the supplies to international tourists are to be treated as inter-State supplies.

(ii) Intra-State supply:

It has been defined as any supply where the location of the supplier and the place of supply are in the same State or Union Territory.

- Supply of goods within the State or Union Territory.
- Supply of services within the State or Union Territory

Thus, the nature of the supply depends on the location of the supplier and the place of supply. Both these terms have been defined in the IGST Act.

PLACE OF SUPPLY OF GOODS AND SERVICES

The Bill provides separate rules for goods and services to determine the place (state) of their supply. In cases where a good has been physically moved, the place of supply will be the final destination of the good. In other cases, the place of supply will be where the good is received by the recipient.

Provisions with respect to determining the place of supply of services vary depending upon the nature of services. For example, place of supply for immovable property (such as architects designing a building), will be the location of the immovable property. Specific provisions have also been made for supply of services such as catering, sporting events, transportation of goods, advertisement, telecommunications, among others.

TAX RATES

IGST will be levied at a rate recommended by the GST Council. The tax rate will be capped at 40%.

ZERO RATED SUPPLY

Exports and supplies to SEZs are considered as ‘zero rated supply’ on which no tax is payable. However, ITC is allowed, subject to such conditions, safeguards and procedure as may be prescribed, and refunds in respect of such supplies may be claimed by following either of these options:

- (i) Supply made without the payment of IGST under Bond and claim refund of unutilized ITC or
- (ii) Supply made on payment of IGST and claim refund of the same

CROSS-UTILISATION OF CREDIT

It requires the transfer of funds between respective accounts. The utilisation of credit of CGST & SGST for payment of IGST by -BII would require the transfer of funds to IGST accounts. Similarly, the utilisation of IGST credit for payment of CGST & SGST by -CII would necessitate the transfer of funds from IGST account. As a result, CGST account and SGST (of, say, Rajasthan) would have Rs. 1300/- each, whereas, there will not be any amount left in IGST and SGST (of, say, Maharashtra) after the transfer of ITC.

REFUND OF INTEGRATED TAX TO INTERNATIONAL TOURIST

The integrated tax paid by tourist leaving India on any supply of goods taken out of India by him shall be refunded in such manner and subject to such conditions and safeguards as may be prescribed.

THE MECHANISM OF IGST APPORTIONMENT BETWEEN CENTRE AND STATE

The IGST paid on supplies (local or imports) made to:

- (a) An unregistered person
- (b) Composition dealer
- (c) Taxable Person who is not eligible for Apportionment of Tax and Settlement of Funds
- (d) Taxable Person who does not avail credit within specified period will be apportioned to the Central Government based on the rate of CGST on similar intra -State supply and the balance will be apportioned to the State Government where such supply takes place. ‘Appropriate State’ will be determined based on Sections 7 to 10 of the IGST Act which provides for Place of Supply of Goods / Services.

ADVANTAGES OF IGST MODEL

The major advantages of IGST Model are:

- Maintenance of uninterrupted ITC chain on inter-State transactions.

- No upfront payment of tax or substantial blockage of funds for the inter-State seller or buyer.
- No refund claim in exporting State, as ITC is used up while paying the tax.
- Self-monitoring model.
- Level of computerization is limited to inter-State dealers and Central and State Governments should be able to computerize their processes expeditiously.
- As all inter-State dealers will be e-registered and correspondence with them will be by e-mail, the compliance level will improve substantially.
- Model can take Business to Business as well as Business to Consumer transactions into account.

DISADVANTAGES OF IGST MODEL

- Taxes on services would go up from 15% to 18%.
- Tax on retail would be almost double.
- Imported goods would be taxed at higher rate by around 6%
- Double control on every business (i.e.) central and state government.
- Dual control can give harassment to business.
- Any supply (stock transfer, job work) would be taxable (although fully credible) leading to cash flow being blocked.
- Input credit is subject to matching of invoice.
- Number of exemptions would be removed.
- NSDL-15 Digit common identification number which will be called GSTIN (goods and service tax identification number)

CONCLUSION

GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. GST is leviable on all supply of goods and provision of services as well combination thereof. the exporters can seek refund of the tax paid, according to a Customs circular on export procedure in the GST regime. IGST is levied on the supply of any goods and services in the course of inter-state trade or commerce. As per the IGST Act, export and import of goods and services are deemed to be a supply in the course of inter-state trade or commerce.—Supplies of goods and services for exports have been categorised as Zero Rated Supply implying that goods could be exported under bond or Letter of Undertaking without payment of integrated tax followed by claim of refund of unutilized input tax credit or on payment of integrated tax with provision for refund of the tax paid.

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