

Overview of the igst act

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Abstract: The CBEC has issued a compilation of frequently asked questions (FAQs) on various issues relating to GST (2nd Edition 31st March, 2017). In this Chapter various FAQs relating to the IGST Act –Integrated Goods and Services Tax have been answered by the CBEC. IGST stands for Integrated Goods and Services Tax which is charged on the supply of commodities and services from one state to another state. For example, if the supply of goods and services occurs between Gujarat and Maharashtra, IGST will be applicable.

In India, there are different indirect taxes applied on goods and services by central and state government. GST is intended to include all these taxes into one tax with seamless ITC and charged on both goods and services. Thus excise duty, special additional duty, service tax, VAT to name a few will get repealed and will be added into GST. For this, GST will have 3 parts – CGST, SGST and IGST. The central taxes like excise duty will be subsumed into CGST and state taxes like VAT into SGST.

Keywords: GST, VAT, GDP, CGST, SGST.

Introduction

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.

IGST shall be levied and collected by Centre on inter-state supplies. IGST would be broadly CGST plus SGST and shall be levied on all inter-State taxable supplies of goods and services. The inter-State seller will pay IGST on value addition after adjusting available credit of IGST, CGST, and SGST on his purchases.

The Exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The Importing dealer will claim credit of IGST while discharging his output tax liability in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST. The relevant information is also submitted to the Central Agency which will act as a clearing house mechanism, verify the claims and inform the respective governments to transfer the funds.

IGST-Meaning

–Integrated Goods and Services Tax (IGST) means tax levied under the IGST Act on the supply of any goods and / or services in the course of inter-State trade or commerce.

Inter -state supplies of IGST

A supply of goods and / or services in the course of inter-State trade or commerce means any supply where the location of the supplier and the place of supply are in different States under Section 3(1) and 3(2) of the IGST Act.

Inter-State supplies of Goods and Services be taxed under GST

IGST shall be levied and collected by Centre on Inter-State supplies. IGST would be broadly CGST plus SGST and shall be levied on all inter-State taxable supplies of goods and services. The inter-State seller will pay IGST on value addition after adjusting available credit of IGST, CGST and SGST on his purchases. The Exporting State will transfer to the Centre the Credit of SGST used in payment of IGST. The Importing dealer will claim credit of IGST used in payment of SGST. The relevant information is also submitted to the Central Agency which will act as a clearing house mechanism, verify the claims and inform the respective governments to transfer the funds.

Features of IGST

Some of the main features of **IGST** are as follows:

- A state-wise single registration for a taxpayer for filing returns, paying taxes, and to fulfill other compliance requirements. Most of the compliance requirements would be fulfilled online, thus leaving very little room for physical interface between the taxpayer and the tax official.
- A taxpayer has to file one single return state-wise to report all his supplies, whether made within or outside the state or exported out of the country and pay the applicable taxes on them. Such taxes can be Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), Union Territory Goods and Services Tax (UTGST) and Integrated Goods and Services Tax (IGST).
- In order to prevent cascading of taxes, ITC would be admissible on all goods and services used in the course or furtherance of business, except on a few items listed in the Law.
- To prevent lock-in of capital of exporters, a provision has been made to refund, within seven days of filing the application for refund by an exporter, 90 per cent of the claimed amount on a provisional basis.
- In order to ensure a single administrative interface for taxpayers, a provision has been made to authorize officers of the tax administrations of the Centre and the states to exercise the powers conferred under all Acts.
- An agriculturist, to the extent of supply of produce out of cultivation of land, would not be liable to take registration in the GST regime.
- To provide certainty in tax matters, a provision has been made for an Advance Ruling Authority.
- Exhaustive provisions for Appellate mechanism have been made.
- Detailed transitional provisions have been provided to ensure migration of existing taxpayers and seamless transfer of unutilized ITC in the GST regime.
- An anti-profiteering provision has been incorporated to ensure that the reduction of tax incidence is passed on to the consumers.
- In order to mitigate any financial hardship being suffered by a taxpayer, Commissioner has been empowered to allow payment of taxes in installments.

Advantages of IGST

1. Maintenance of uninterrupted ITC chain on inter-State transaction.
2. No upfront payment of tax or substantial blockage of funds for the inter-State seller or buyer.
3. No refund claim in exporting State, as ITC is used up while paying the tax.
4. Self-monitoring model.

5. Ensures tax neutrality while keeping the tax regime simple.
6. Simple accounting with no additional compliance burden on the taxpayer.
7. Would facilitate in ensuring high level of compliance and thus higher collection efficiency. Model can handle –Business to Business as well as Business to Consumer transactions.

Payment of IGST

The IGST payment can be done utilizing ITC or by cash. However, the use of ITC for payment of IGST will be done using the following hierarchy:

1. First available ITC of IGST shall be used for payment of IGST.
2. Once ITC of IGST is exhausted, the ITC of CGST shall be used for payment of IGST.

3. If both ITC of IGST and ITC of CGST are exhausted, then only the dealer would be permitted to use ITC of SGST for payment of IGST.

Remaining IGST liability, if any, shall be discharged using payment in cash. GST system will ensure maintenance of this hierarchy for payment of IGST using the credit.

There should be settlement of account between the centre and the states on two counts, which are as follows:

1. Centre and the exporting State: The exporting state shall pay the amount equal to the ITC of SGST used by the supplier in the exporting state to the Centre.
2. Centre and the importing state: the centre shall pay the amount equal to the ITC of IGST used by a dealer for payment of SGST on intra-state supplies.

The settlement would be on cumulative basis for a state taking into account the details furnished by all the dealers in the settlement period. Similar settlement of amount would also be undertaken between CGST and IGST account.

IGST Exemption List

In the GST Council Meeting held on 18th and 19th May, 2017, the IGST exemption list was decided. Under GST regime Custom duty would prevail & CVD, SAD, CESS etc. shall be replaced by IGST which would be fully refundable. In this article, we look at goods, which are fully exempt from IGST.

Imports/ Exports be taxed under GST

All imports/exports will be deemed as inter-state supplies for the purposes of levy of GST (IGST). The incidence of tax will follow the destination principle and the tax revenue in case of SGST will accrue to the State where the imported goods and services are consumed. Full and complete set-off will be available as ITC of the IGST paid on import on goods and services. (Section 2(c) of the IGST Act).

How will the settlement between Centre, exporting state and importing state be done

There would be settlement of account between the Centre and the states on two counts, which are as follows-

- Centre and the exporting state: The exporting state shall pay the amount equal to the ITC of SGST used by the supplier in the exporting state to the Centre.
- Centre and the importing state: The Centre shall pay the amount equal to the ITC of IGST used by a dealer for payment of SGST on intra- state supplies.

The settlement would be on cumulative basis for a state taking into account the details furnished by the entire dealer in the settlement period. Similar settlement of amount would also be undertaken between CGST and IGST account.

Difference between IGST&CGST

CGST and IGST are part of GST, Goods and Service Tax.

CGST expands as Central Goods and Service Tax and IGST is the short form of Integrated Goods and Service Tax.

Different indirect taxes of Central Excise Duty, Central Sales Tax CST, Service Tax, Additional excise duties, excise duty levied under the medical and toiletries preparation Act, CVD (Additional Customs duty – Countervailing Duty), SAD (Special Additional Duty of customs) surcharges and cesses are merged with CGST. Under IGST, the taxes for movement of goods and services from one state to another are collected.

Major share of tax revenue under CGST is meant for central government where as IGST tax revenue is shared between State government and Central government as per the rate fixed by the authorities.

Recent Developments in IGST

As a recent development in the Goods and Services Tax (GST) regime, the Lok Sabha, on 29th March 2017, has passed four key GST Bills, i.e. Central GST (CGST) Bill, Integrated GST (IGST) Bill, Compensation GST Bill and Union Territory GST (UTGST) Bill, by negating the amendments recommended by the Opposition Party. Now, for rolling out the new tax system the State GST laws have to be enacted by each state within 3 months.

The IGST Bill provides for levy and collection of tax, a maximum of 40 per cent, on the inter-state supply of goods and services.

The Compensation GST Bill will provide for compensation to the states for the loss of revenue they may incur due to the implementation of the GST law.

The UTGST Bill will enable levy and collection of tax, a maximum of 20 per cent, on intra-state supply of goods and services or both by union territories.

Therefore, the new tax regime is expected to benefit the entire nation including the common people as they will have to pay only one tax, instead of multiple taxes, for the purchase and sale of any type of goods and services.

CONCLUSION

GST will surely boost the country's economic growth and ease of doing business in overall industrial sectors. The significant types- CGST, SGST, IGST and UTGST will provide a smooth mechanism of tax collection for the respective central, state and union territory governments of India. It will begin a new phase in India's economy by providing logistics and supply chain efficiency and state-based parity that the country requires the most.

The Model GST law was issued on the 14th June, 2016 by the Ministry of finance comprising not only the Integrated Goods and Services Tax (IGST) and the state/Central Goods and Services Tax(CGST/SGST) but also the valuation of the GST. A revised draft of the GST released on the 26th November, 2016 comprises of the compensation law stating compensation to the states on the loss of the revenue on the implementation of the GST would be provided. It also consists of the Integrated Goods and Services Tax (IGST) and the Central/ State Goods and Services Tax (CGST/SGST).

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