

IGST LEVY

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Out line

- What is intra-state supply?
- What is an inter-state supply?
- Who can tax inter-state supply – Center / State?
- Who will get the tax in inter-state supply?
- How tax is apportioned & settlement of funds made?

Origin Vs. Destination Tax

- India is a Federation of States.
- Goods & Services are sold within the State and between the States.
- When goods are sold between States, tax was levied in the State from which goods moved out – Origin based tax – CST.
- This principle was fallout of struggle among States (Bengal Immunity Case).

Origin Vs. Destination Tax

- Under CST tax was levied by the States where the goods originated.
- This gave undue advantage to industrialised States.
- Therefore, under GST the destination State will get the tax.
- Is the destination State taxing purchaser to realised this tax?

Inter-state Supply

- When purchaser & seller are in different State it is inter-state supply.
- The State in which purchaser is located is called as place of supply.
- The State in which the seller is located is called as location of supplier.
- The Center levies IGST on inter-state supplies & transfers the tax to the State where with place of supply.

Advantages of IGST

- Revenue comes to consuming State.
- Unlike CST the businessman in consuming State also gets input tax credit – no cascading effect.

Comparison of Sale of Goods & Supply in the course of Inter-State Trade

	CST	IGST
Cost to Manufacturer A (Delhi)	100.00	100.00
Margin of A	10.00	10.00
A's Price	110.00	110.00
Excise Duty (12.5% of Rs.110)	13.75	NIL
	123.75	
CST (2% on Rs.123.75)	2.475	NIL
IGST (12% of Rs.110)	NIL	13.2
Cost of Purchase for B (In Hyderabad)	126.225	123.20

Inter-state Trade or Commerce

- Interstate trade or commerce will include :
 - ✓ Supplies made in the course of Inter-state trade or commerce
 - ✓ Import into Indian territory (deemed to be inter-state)
 - ✓ Export (deemed to be inter-state)

Contd...

- IGST on goods imported will be levied and collected;
- IGST on import of goods to be collected at points when custom duties are levied;
- Reverse Charge Mechanism under IGST.

Contd...

- Center will specify categories of services on which tax will be paid by e-commerce operators;
- Integrated tax to be paid by e-commerce operator even if e-commerce operator has no physical presence in India.
- This exception is carved out only in respect of supply of services through an e-commerce operator and will not be applicable to supply of any goods through an e-commerce operator.

Exemption from tax

- The Government, on recommendations of the council has the power to **exempt**
 - **GENERALLY** from whole or any part of tax leviable:
 - Absolutely **or** subject to conditions
 - *Here the registered person shall not collect tax.*
 - **BY SPECIAL ORDER**, under circumstances of *exceptional nature (to be stated in the order)*. from payment of tax any goods or services or both on which tax is leviable.

Export / Import

- Custom frontiers of India
The limits of a customs area as defined in section 2 of the Customs Act, 1962 (52 of 1962).

Export /Import of goods- IGST Act

Export of goods with its grammatical variations and cognate expressions, means taking goods out of India to a place outside India.

Section 2(5)

Import of goods with its grammatical variations and cognate expressions, means bringing goods into India from a place outside India;

Section 2(10)

Export of Services

The supply of any service when

- (a) The supplier of service is located in India,
- (b) The recipient of service is located outside India,
- (c) The place of supply of service is outside India,
- (d) The payment for such service has been received by the supplier of service in convertible foreign exchange, and
- (e) The supplier of service and recipient of service are not merely establishments of a distinct person in accordance with explanation 1 of section 5;

Sec. 2(6)

Import of service

The supply of any service, where

(a) The supplier of service is located outside India,

(b) The recipient of service is located in India, and

(c) The place of supply of service is in India;

Sec. 2(11)

Intermediary

- *Means a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both, **or securities.***
- *Securities are neither goods nor services; Brokers of securities subjected to GST*

Section 2(13)

Location of the Recipient of Services

- (i) Where a supply is received at a place of business for which the registration has been obtained, the location of such place of business;
- (ii) Where a supply is received at a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere), the location of such fixed establishment;
- (iii) Where a supply is received at more than one establishment, whether the place of business or fixed establishment, the location of the establishment most directly concerned with the receipt of the supply; and

- (iv) In absence of such places, the location of the usual place of residence of the recipient.
- Usual place of residence, in case of an individual means, the place where the person ordinarily resides. In other cases it means the place where the person is incorporated or otherwise legally constituted.

location of supplier of services

- (i) Where a supply is made from a place of business for which the registration has been obtained, the location of such place of business;
- (ii) Where a supply is made from a place other than the place of business for which registration has been obtained (a fixed establishment elsewhere), the location of such fixed establishment;
- (iii) Where a supply is made from more than one establishment, whether the place of business or fixed establishment, the location of the establishment most directly concerned with the receipt of the supply; and
- (iv) In absence of such places, the location of the usual place of residence of the supplier.

Section 2(15)

Non taxable online recipient

- Any Government, local authority, governmental authority, an individual or any other person not registered under the Act
- And such person receiving online information and database access or retrieval services in relation to any purpose other than commerce, industry or any other business or profession, located in taxable territory.

OIDAR Services

- Online Information Database Access and Retrieval services

OIDAR as services whose delivery is mediated by information technology over the internet or an electronic network and the nature of which renders their supply essentially automated involving minimal human intervention.

Section 2(17)

These include electronic services such as:

- (i) Advertising on the internet
- (ii) Providing cloud services
- (iii) Provision of e-books, movie, music, software and other intangibles through telecommunication networks or internet
- (iv) Providing data or information, retrievable or otherwise, to any person in electronic form through a computer network
- (v) Online supplies of digital content (movies, television shows, music and the like)
- (vi) Digital data storage
- (vii) Online gaming



- SPECIAL
ECONOMIC
ZONE



- Domestic
Tariff Area

- As per Section 2(19) of IGST Act, Special Economic Zone shall have the same meaning as assigned to it in clause (za) of Section 2 of the Special Economic Zones Act, 2005.

- It is pertinent to refer clause (i) of Section 2 which defines that “Domestic Tariff Area” means the whole of India but does not include the areas of the Special Economic Zones.

SEZ Under GST

- Under [GST Law](#) only for the purpose of levying GST, SEZ Units are not to be considered as a part of India which means:
 - **a. IGST Exemption:**
 - Any supply to SEZ Unit has been made exempt vide Notification No. 64/2017 – Customs dated 5th July, 2017.
 - **b. Import:**
 - Any supply from SEZ Unit to DTA shall be treated as Imports and would be taxable under [Reverse Charge Basis](#) at the end of the recipient.

- Therefore, suppliers of goods or services or both to any recipient in the SEZ can avail the following:
 - Make supply under bond or LUT without payment of IGST and claim credit of ITC; or
 - Make supply on payment of IGST and claim refund of taxes paid.

Supply Name	Description
Zero Rated	Exports Supplies made to SEZ or SEZ Developers.
Nil Rated	Supplies that have a declared rate of 0% GST. Example: Salt, grains, jaggery etc.
Exempt	Supplies are taxable but do not attract GST and for which ITC cannot be claimed. Example: Fresh milk, Fresh fruits, Curd, Bread etc.
Non-GST	These supplies do not come under the purview of GST law. Example: Alcohol for human consumption, Petrol etc.

Supplies in territorial waters

- Section 9- Supplies in territorial waters
- *where the location of the supplier is in the territorial waters, the location of such supplier; or*
- *where the place of supply is in the territorial waters, the place of supply, shall, for the purposes of this Act,*
- *be deemed to be in the coastal State or Union territory where the nearest point of the appropriate baseline is located.*

Refund to tourists

- Section 15: Refund of integrated tax paid on supply of goods(Not services) to tourist leaving India
- *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.*

Apportionment of Tax and Settlement of Funds.

- Section 17(1)- Apportionment of tax and settlement of funds.
- Out of integrated tax paid to the Central Govt
- Supplies to unregistered persons
- Supplies to person registered but opting for composition scheme
- Supplies to registered person who is not eligible for ITC/ do not avail ITC
- Imports by unregistered person

QUICK EVALUATION

1. IGST levied on supply of goods & services in the course of inter-state trade or commerce. (True/False)
2. IGST to be paid on RCM basis with respect to supplied received by un-registered person. (True/False)
3. In import of services, supplier of service is located in India. (True/False)
4. Amazon Services can be classified as OIDAR Services. (True/False)
5. Supply of goods from Domestic tariff area to SEZ can be treated as Zero-rated Supply. (True/False)

6. If location of supplier and place of supply are in two different states can be called as inter state supply (True/False).
7. Which of the following shall not be intra-state supply.
 - a) Supply from SEZ
 - b) Goods imported till they cross Custom Frontiers of India.
 - c) Supplies of goods made to a Foreign Tourist.
 - d) All of the above
8. ITC is available in the following supply.
 - a) Zero rated
 - b) NIL rated
 - c) wholly Exempt supply
 - d) Non-GST
- 9 A person can claim input tax credit in case of Export of Exempted goods. (True/False)
10. Services provided by Fair Price Shops exempted under GST. Is it wholly exempted or conditional exemption.

THANK YOU