

Frequently Asked Questions (FAQs) on Goods and Services Tax (GST)

Following are the answers to the various frequently asked questions relating to GST:

Question 1. What is GST? How does it work?

Answer: GST is one indirect tax for the whole nation, which will make India one unified common market.

GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

Question 2. Which taxes at the Centre and State level are being subsumed into GST?

Answer:

At the **Central** level, the following taxes are being subsumed:

- a. Central Excise Duty,
- b. Additional Excise Duty,
- c. Service Tax,
- d. Additional Customs Duty commonly known as Countervailing Duty, and
- e. Special Additional Duty of Customs.

At the **State** level, the following taxes are being subsumed:

- a. Subsuming of State Value Added Tax/Sales Tax,
- b. Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States),
- c. Octroi and Entry tax,
- d. Purchase Tax,
- e. Luxury tax, and
- f. Taxes on lottery, betting and gambling.

Question 3. How is GST structured in India?

Answer: Keeping in mind the federal structure of India, there will be two components of GST – Central GST (CGST) and State GST (SGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

Question 4. How would a particular transaction of goods and services be taxed simultaneously under Central GST (CGST) and State GST (SGST)?

Answer: The Central GST and the State GST would be levied simultaneously on every transaction of supply of goods and services except on exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. Further, both would be levied on the same price or value unlike State VAT which is levied on the value of the goods inclusive of Central Excise.

Question 5. How will be Inter-State Transactions of Goods and Services be taxed under GST in terms of IGST method?

Answer: In case of inter-State transactions, the Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supplies of goods and services. The importing dealer will claim credit of IGST while discharging his output tax liability (both CGST and SGST) in his own State.

Question 6. How will IT be used for the implementation of GST?

Answer: For the implementation of GST in the country, the Central and State Governments have jointly registered Goods and Services Tax Network (GSTN) as a not-for-profit, non-Government Company to provide shared IT infrastructure and services to Central and State Governments, tax payers and other stakeholders. The key objectives of GSTN are to provide a standard and uniform interface to the taxpayers, and shared infrastructure and services to Central and State/UT governments.

GSTN is the common GST portal providing frontend services of registration, returns and payments to all taxpayers, as well as the backend IT modules for certain States that include processing of returns, registrations, audits, assessments, appeals, etc. All States, accounting authorities, RBI and banks, are also preparing their IT infrastructure for the administration of GST.

There would no manual filing of returns. All taxes can also be paid online. All mis-matched returns would be auto-generated, and there would be no need for manual interventions. Most returns would be self-assessed.

Question 7. How will imports be taxed under GST?

Answer: IGST will be levied on all imports into the territory of India. The Additional Duty of Excise or CVD and the Special Additional Duty or SAD presently being levied on imports will be subsumed under GST.

Question 8. What are the major features of the registration procedures under GST?

Answer: The major features of the proposed registration procedures under GST are as follows:

- i. **Existing dealers:** Existing VAT/Central excise/Service Tax payers need not to apply afresh for registration under GST.
- ii. **New dealers:** Single application to be filed online for registration under GST.
- iii. The registration number is PAN based and serves the purpose for Centre and State.
- iv. Unified application to both tax authorities.
- v. Each dealer to be given unique ID GSTIN.
- vi. Deemed approval within three days.
- vii. Post registration verification in risk based cases only.

Question 9. What details will be required by MDL from vendors?

Answer: Vendors has to furnish details like GSTIN and HSN/SAC No. of the items under procurement / order.

Question 10. What other actions would be required from vendors?

Answer: Vendors has to punctually raise invoices, file monthly/quarterly and yearly returns as per GST Law to avail ITC benefits.

Question 11. What is MDL's GSTIN?

Answer: MDL's GSTIN is 27AAACM8029J1ZA

Question 12. What is GST rate for MDL products?

Answer: HSN code of warships (MDL products) is 8906 and rate of GST applicable is 5%.