

# INDIRECT TAXES

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Indirect taxes are the charges that are levied on goods and services. Some of the significant indirect taxes include Value Added Tax, Central Sales Tax, Central Excise Duty, Customs Duty, stamp duties and expenditure tax. Unlike Direct Taxes, Indirect Taxes are not levied on individuals, but on goods and services. Customers indirectly pay this tax in the form of higher prices. For example, it can be said that while purchasing goods from a retail shop, the sales tax is actually paid by the customers. The retailer eventually passes this tax to the respective authority. The indirect tax actually raises the price of a good and the customers purchase by paying more for that product.

## 1. GOODS AND SERVICE TAX (GST)

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**Goods and Services Tax (GST)** is system of taxation which will merge many individually applied taxes into a single tax. It was introduced as The Constitution (One Hundred and First Amendment) Act 2016, following the passage of Constitution 101st Amendment Bill. The GST is governed by GST Council and its Chairman is Union Finance Minister of India - Arun Jaitley.

GST is a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India to replace taxes levied by the central and state governments.

GST would be levied and collected at each stage of sale or purchase of goods or services based on the input tax credit method. This method allows GST-registered businesses to claim tax credit to the value of GST they paid on purchase of goods or services as part of their normal commercial activity. Taxable goods and services are not distinguished from one another and are taxed at a single rate in a supply chain till the goods or services reach the consumer. Administrative responsibility would generally rest with a single authority to levy tax on goods and services. Exports would be zero-rated and imports would be levied the same taxes as domestic goods and services adhering to the destination principle.

GST will be divided into three Parts:

1. Central GST (CGST)
2. State GST (SGST)

Both shall be on Intra State supplies of goods or services in India.

3. Integrated GST (IGST)

IGST shall be on Inter State supplies of goods or services in India levied and collected by the Centre. (IGST shall be sum of CSGT and SGST)

### **Destination Based Consumption Tax**

- Destination based consumption tax means that state and central taxes levied at different stages of the supply chain will be totally shifted to the final destination, consumers, and the destination state will get the full SGST paid by its residents
- If credit of IGST levied on interstate movement of goods is set off against state GST by dealers in the consuming states, such credited IGST will be refunded to the consuming states
- Similarly if SGST credit is utilized for payment of IGST, the concerned state which has collected the SGST should remit such credit to IGST account managed by Central Government.

### **Following Central and State Taxes to be subsumed:**

#### **A. Central:**

- i. Central Excise Duty
- ii. Additional Excise Duty
- iii. The Excise Duty levied under the Medicinal and Toiletries Preparation Act
- iv. Service Tax
- v. Additional Customs Duty, commonly known as Countervailing Duty (CVD)
- vi. Special Additional Duty of Customs-4% (SAD)
- vii. Cesses and surcharges in so far as they relate to supply of goods and services.

#### **B. State:**

- i. VAT/Sales Tax
- ii. Central Sales Tax (levied by the Centre and collected by the States)
- iii. Entertainment Tax
- iv. Octroi and Entry Tax (all forms)
- v. Purchase Tax
- vi. Luxury Tax
- vii. Taxes on lottery, betting and gambling
- viii. State cesses and surcharges in so far as they relate to supply of goods and services.

### **Benefits of GST**

#### Government:

- Consolidation of multiple Centre & State taxes
- Increased tax collection on wider tax base

- Improved tax GDP ratio –revenue aligned to the economy
- Better and effective administration

Business:

- Ease of compliance
- Reduction in effective tax rate on goods & services
- Reduction in cascading effect of tax
- Efficient deployment of resources

Consumer:

- Reduction in incidence of tax on goods / services
- Reduce double taxation

**GST Tax Structure**

**No tax (0%)**

**Goods**

No tax will be imposed on items like jute, fresh meat, fish chicken, eggs, milk, butter milk, curd, natural honey, fresh fruits and vegetables, flour, besan, bread, prasad, salt, bindi. Sindoor, stamps, judicial papers, printed books, newspapers, bangles, handloom, Bones and horn cores, bone grist, bone meal, etc.; hoof meal, horn meal, Cereal grains hulled, Palmyra jaggery, Salt - all types, Kajal, Children's' picture, drawing or colouring books, Human hair, Khadi purchased from Khadi and Village Industries stores, Clay idols, brooms, Cotton seed oil cake, Charkha, Guar meal, hop cone, certain dried vegetables, unworked coconut shell and fish, and bangles of lac/shellac.

**Services**

Hotels and lodges with tariff below ₹ 1,000, Grandfathering service has been exempted under GST. Rough precious and semi-precious stones will attract GST rate of 0.25 per cent, admission to "protected monuments",

**5%**

**Goods**

Items such as fish fillet, apparel below Rs 1000, packaged food items, footwear below Rs 500, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee, tea, spices, pizza

bread, rusk, sabudana, kerosene, coal, medicines, stent, lifeboats, Cashew nut, Cashew nut in shell, Raisin, Ice and snow, Bio gas, Insulin, Agarbatti, Kites, Postage or revenue stamps, stamp-post marks, first-day covers, Branded food, walnuts, dried tamarind, roasted gram, Dhoop batti, Corduroy fabric, saree fall, Paper mache items, Oil cakes, Duty Credit Scrips, Cotton quilts (quilts not exceeding Rs 1000 per piece), corals, Rosaries and prayer beads, Hawan samagri, Grass, leaf and reed and fibre products, including mats, pouches, wallets, mangoes sliced dried, Khakra and plain chapati / roti, branded Namkeens, Ayurvedic, Unani, Siddha, Homeopathy medicines; Paper waste or scrap; Real Zari; Plastic waste, parings or scrap; Rubber waste, parings or scrap; Hard Rubber Hard Rubber waste or scrap; Paper waste or scrap; Real Zari; Cullet or other waste or scrap of Glass; E-Waste; Biomass briquettes; Desiccated coconut, Narrow woven fabric including cotton newar [with no refund of unutilised input tax credit; Idli and dosa batter; Finished leather; chamois and composition leather; Coir cordage and ropes, jute twine, coir products; Fishing net and fishing hooks; Worn clothing; Fly ash brick; aircraft tyres, puffed rice chikki, flour of potatoes, chutney powder, fly sulphur recovered in refining crude and fly ash. LPG supply to household domestic consumers by private LPG distributors, Tailoring service, Tamarind Kernel Powder, Mehendi paste in cones, Scientific and technical Basketware and wickerwork, Velvet fabric, Cigarette filter rods

### Services

All restaurants, restaurants of hotels with room tariff of less than ₹ 7,500, Food parcels, Textile job work, Transport services (Railways, air transport); Supply of e-waste

**12%**

### Goods

Apparel above ₹ 1000, frozen meat products, butter, cheese, ghee, dry fruits in packaged form, animal fat, sausage, fruit juices, Bhutia, namkeen, Ayurvedic medicines, tooth powder, agarbatti, colouring books, picture books, umbrella, sewing machine, cellphones, Ketchup & Sauces, All diagnostic kits and reagents, Exercise books and note books, Spoons, forks, ladles, skimmers, cake servers, fish knives, tongs, Spectacles, corrective, Playing cards, chess board, carom board and other board games, like ludo, rubber band, Wood, stone, metals, marble idols, Table and kitchenware, Batters, including idli / dosa batter, Textile caps, sprinklers, Cotton quilts (quilts exceeding Rs 1000 per piece), Statues, statuettes, pedestals, ceramic articles, porcelain items, ornamental articles, bells, gongs, non-electric of base metal, animal carving material, synthetic filament yarn, such as nylon, polyester, acrylic, etc; artificial filament yarn, such as viscose rayon, Cuprammonium; Sewing thread of manmade staple fibres; Yarn of

manmade staple fibres, Condensed milk, Refined sugar and sugar cubes, Pasta, Curry paste, mayonnaise and salad dressings, mixed condiments and mixed seasoning, Diabetic food, Medicinal grade oxygen, Printing ink, Hand bags and shopping bags of jute and cotton, Hats (knitted or crocheted), Parts of specified agricultural, horticultural, forestry, harvesting or threshing machinery, Specified parts of sewing machine, Spectacles frames, Furniture wholly made of bamboo or cane, Sugar boiled confectionery, Drinking water packed in 20 litre bottles, Drip Irrigation system, Fertilizer grade Phosphoric acid, Bio-diesel, Bio-pesticides, Bamboo wood building joinery, Mechanical Sprayer.

### Services

State-run lotteries, Non-AC hotels, business class air ticket, fertilisers, Work contracts

**18%**

### Goods

Most items are under this tax slab which include footwear costing more than ₹ 500, Trademarks, goodwill, software, Bidi Patta, Biscuits (All categories), flavoured refined sugar, pasta, cornflakes, pastries and cakes, preserved vegetables, jams, sauces, soups, ice cream, instant food mixes,, tissues, envelopes, tampons, note books, steel products, printed circuits, camera, speakers, Kajal pencil sticks, Headgear and parts thereof, Aluminium foil, Weighing Machinery [other than electric or electronic weighing machinery], Printers [other than multifunction printers], Electrical Transformer, CCTV, Optical Fiber, Bamboo furniture, Swimming pools and padding pools, Curry paste; mayonnaise and salad dressings; mixed condiments and mixed seasonings, Tractor parts, raincoats, Medical grade disposable gloves, Computer monitors(up to 20 inch),Custard powder,Rice rubber rolls for paddy de-husking machine,Kitchen gas lighters, poster Colour;, Modelling paste for children amusement; Fittings for loose-leaf binders or files, letter clips, letter corners, paper clips, indexing tags and similar office articles, of base metal; staples in strips; aircraft engines, Wire, cables, insulated conductors, electrical insulators, electrical plugs, switches, sockets, fuses, relays, electrical connectors, Electrical boards, panels, consoles, cabinets etc for electric control or distribution Particle/fibre boards and ply wood. Article of wood, wooden frame, paving block Furniture, mattress, bedding and similar furnishing Trunk, suitcase, vanity cases, brief cases, travelling bags and other hand bags, cases Detergents, washing and cleaning preparations Liquid or cream for washing the skin Shampoos; Hair cream, Hair dyes (natural, herbal or synthetic) and similar other goods; henna powder or paste, not mixed with any other ingredient; Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, perfumery, cosmetic or toilet preparations, room deodoriser Perfumes and toilet waters,

Beauty or make-up preparations, Fans, pumps, compressors, Lamp and light fitting, Primary cell and primary batteries, Sanitary ware and parts thereof of all kind, Articles of plastic, floor covering, baths, shower, sinks, washbasins, seats, sanitary ware of plastic, Slabs of marbles and granite, Goods of marble and granite such as tiles, Ceramic tiles of all kinds Miscellaneous articles such as vacuum flasks, lighters, Wrist watches, clocks, watch movement, watch cases, straps, parts, Article of apparel & clothing accessories of leather, guts, furskin, artificial fur and other articles such as saddlery and harness for any animal, Articles of cutlery, stoves, cookers and similar non electric domestic appliances, Razor and razor blades, Multi-functional printers, cartridges, Office or desk equipment, Door, windows and frames of aluminium, Articles of plaster such as board, sheet, Articles of cement or concrete or stone and artificial stone, Articles of asphalt or slate, Articles of mica, Ceramic flooring blocks, pipes, conduit, pipe fitting, Wall paper and wall covering, Glass of all kinds and articles thereof such as mirror, safety glass, sheets, glassware, Electrical, electronic weighing machinery Escalators, Cooling towers, pressure vessels, reactors, Crankshaft for sewing machine, tailor's dummies, bearing housings, gears and gearing; ball or roller screws; gaskets, Electrical apparatus for radio and television broadcasting, Sound recording or reproducing apparatus, Signalling, safety or traffic control equipment for transports, Physical exercise equipment, festival and carnival equipment, swings, shooting galleries, roundabouts, gymnastic and athletic equipment, All musical instruments and their parts, Second-hand medium and large cars and SUVs, Bio-fuels powered buses, The admission to theme parks, water parks etc, Cigarette filter rods.

### Services

Restaurants in hotel premises having room tariff of ₹ 7500 and above, telecom services, IT services, branded garments and financial services, Outdoor catering

**28%**

### Goods

In total 50 luxury and sin products will be taxed at 28% which includes Bidis, molasses, pan masala, aerated water, paint, sunscreen, wallpaper, ceramic tiles, water heater, dishwasher, weighing machine, washing machine, ATM, vending machines, vacuum cleaner, automobiles, motorcycles, aircraft for personal use.

### Services

Private-run lotteries authorised by the states, race club betting, cinema will attract tax 28 per cent tax slab under GST

## GST Registration

Every business carrying out a taxable supply of goods or services and whose turnover exceeds the threshold limit of ₹20 lakhs (₹10 lakhs for North Eastern and hill states) is required to register as a normal taxable person. Businesses registered under any of the pre-GST laws: VAT, Excise/Service Tax have to register under GST by default.

Registration process:

Any business can get registered under GST by applying via the [GST Online Portal](#) or at GST Seva Kendra set up by the Government of India.

1. Fill Part-A of Form GST REG-01. Provide PAN, mobile number, and E-mail ID, and submit the form.
2. The PAN is verified on the GST Portal. Mobile number and E-mail ID are verified with a one-time password (OTP).
3. An application reference number is sent on the registered mobile and via E-mail.
4. Fill Part- B of Form GST REG-01 and the application reference number is to be specified. Attach the other required documents and submit the form. Following is the list of documents to be uploaded –
  - **Photographs:** Photographs of proprietor, partners, managing trustee, committee etc. and authorized signatory
  - **Constitution of taxpayer :** Partnership deed, registration certificate or other proof of constitution
  - **Proof of principal / additional place of business :**
    - **For own premises** – Any document in support of the ownership of the premises like latest property tax receipt or Municipal *Khata* copy or copy of electricity bill.
    - **For rented or leased premises** – copy of rent / lease agreement along with owner's (landlord) documents like latest property tax receipt or Municipal *Khata* copy or copy of electricity bill.
  - **Bank account related proof:** Scanned copy of the first page of bank pass book or bank statement
  - **Authorization forms:** For each authorized signatory, upload authorization copy or a copy of resolution of managing committee or board of directors in the prescribed format.
5. If additional information is required, Form GST REG-03 will be issued to you. You need to respond in Form GST REG-04 with required information within 7 working days from the date of receipt of Form GST REG-03.

6. If you have provided all required information via Form GST REG-01 or Form GST REG-04, a certificate of registration in Form GST REG-06 will be issued within 3 days from date of receipt of Form GST REG-01 or Form GST REG-04.
7. If the details submitted are not satisfactory, the registration application is rejected using Form GSTREG-05.

## GST Returns

A return is a document containing details of income which a taxpayer is required to file with the tax administrative authorities. This is used by tax authorities to calculate tax liability.

Under GST, a registered dealer has to file GST returns that include:

- Purchases
- Sales
- Output GST (On sales)
- Input tax credit (GST paid on purchases)

### Due Dates of GSTR 1 for Financial Year 2018-19 :

**Quarterly Returns (Taxpayers with Annual Turnover upto Rs. 1.5 Crore can opt for quarterly return filing)**

Period (Quarterly)	Due dates
April – June 2018	31st October 2018
July – September 2018	31st October 2018
October – December 2018	31st January 2019
January – March 2019	30th April 2019



**For turnover of more than Rs 1.5 cr**

<b>Period</b>	<b>Dates</b>
April 2018	31st May 2018
May 2018 to March 2019	10th of next month

**Other Returns (Only for information)**

GSTR-2 and GSTR-3

GSTR-2 and GSTR-3

GSTR-3B

GSTR-4

GSTR-5

GSTR-5A

GSTR-6

All these returns are required to be filed digitally online through a common portal to be provided by GSTN, non-government, private limited company promoted by the central and state governments with the specific mandate to build the IT infrastructure and the services required for implementing Goods and Services Tax (GST).

**Late filing**

Return filing is mandatory under GST. Even if there is no transaction, you must file a Nil return.

- You cannot file a return if you don't file previous month/quarter's return.
- Hence, late filing of GST return will have a cascading effect leading to heavy fines and penalty.

**Late fee & Interest**

- Interest is 18% per annum. It has to be calculated by the tax payer on the amount of outstanding tax to be paid. Time period will be from the next day of filing to the date of payment.

- As per GST Act Late fee is Rs. 100 per day per Act. So it is 100 under CGST & 100 under SGST. Total will be Rs. 200/day. Maximum is Rs. 5,000. There is no late fee on IGST.
- Late fees for GSTR-3B of July, Aug and Sept waived. Any late fees paid for these months will be credited back to Electronic Cash Ledger under 'Tax' and can be utilized to make GST payments.
- As per latest update, late fees for GSTR-5A earlier reduced stands withdrawn. So, the Late fee of Rs 200 per day (or Rs. 100 per day in case of NIL return filing) shall apply with effect from 7th March 2018.
- Late Fee for filing GSTR-1, GSTR-3B, GSTR-4, GSTR-5 & GSTR-6 after the due date has been reduced to **Rs. 50 per day** of delay.
- Late fee for filing NIL returns have been reduced to **Rs. 20 per day** of delay for taxpayers(i.e having **Nil tax liability** for the month) for GSTR-1, GSTR-3B and GSTR-4 & GSTR-5.

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## 2 PROFESSION TAX

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Profession Tax is a State Government Tax in India. It is not levied by few states of India. It is a tax which is levied by the State on the income earned by the way of profession, trade, calling or employment. This form of tax was first levied in India in the year 1949 and the power to levy Profession tax has been given to the States by the way of Clause (2) of Article 276 of the Constitution of India.

Any amount paid as Profession Tax to the State Government is allowed as a deduction under section 16 of the Income Tax Act and Income tax on the balance amount is levied as per the Income Tax Slab Rates in force.

In case of Salaried and Wage earners, the profession tax is liable to be deducted by the Employer from the Salary/Wages and the Employer is liable to deposit the same with the State government. In case of other class of individuals, the tax is liable to be paid by the person himself.

Profession tax is collected by some state governments, while in some states which have active Panchayats, the local bodies levy and collect the tax. Every person liable to pay this tax (either for self or on behalf of its employees) shall apply for Profession Tax Registration in the prescribed form.

As the states are empowered to levy and collect this tax, different states levy Profession tax as per different slab rates e.g. In Maharashtra, the profession tax is governed by The Maharashtra State Tax on Professions, Trades, Callings and Employment Act, 1975. The slab rates on Salary and Wages are:

Monthly Salary	Amount Payable in Maharashtra
Less than ₹ 7500	Nil
₹ 7501 to ₹ 10000	₹ 175 pm
₹ 10001 and above	₹ 200 per month except for the month of Feb and ₹ 300 for the month of Feb

For other class of individuals, the Maharashtra State Govt. has prescribed different slab rates and the Individual himself is liable to pay this tax. Profession Tax for most self employed individuals is ₹2,500 p.a.

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### 3 LICENSE UNDER SHOPS AND ESTABLISHMENT ACT

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It's a subject matter of States in India which is to be monitored by the Local Authority.

The Shop and Establishment Act is regulated by the Department of Labor and regulates premises wherein any trade, business or profession is carried out. The act not only regulates the working of commercial establishments, but also societies, charitable trusts, printing establishments, educational institutions run for gain and premises in which banking, insurance, stock or share brokerage is carried on.

The Shop and Establishment Act in India is promulgated by the state and may slightly differ from state to state. However, as per the Act, all shops and commercial establishments operating within each state are covered by the respective Shop & Establishments Act.

Shops are defined as premises where goods are sold either by retail or wholesale or where services are rendered to customers, and include an office, a store-room, godown, warehouse or workhouse or work place. Establishments are defined as shop, a commercial establishment, residential hotel, restaurant, eating-house, theatre or other places of public amusement or entertainment. Further, establishments as defined by the act may also include such other establishments as defined by the Government by notification in the Official Gazette. However, factories are not covered by the shops & establishments act and are regulated by the Factories Act, 1948.

The Shop and Establishment Act regulates a number of aspects relating to the operation of a shop or commercial establishment. Some of the key areas regulated by the shop and establishment act include:

- Hours of work
- Interval for rest and meals
- Prohibition of employment of children
- Employment of young person or women
- Opening and closing hours
- Close days
- Weekly holidays
- Wages for holidays
- Time and conditions of payment of wages
- Deductions from wages
- Leave policy
- Dismissal
- Record keeping

More details relating to the above aspects can be found in the shop and establishment act promulgated by each state government. e.g. Any citizen who wishes to open new shop or a commercial establishment within the jurisdiction of Government of Maharashtra, has to register itself under The Bombay Shops and Commercial Establishment Act, 1948.

There is an annual registration fee under this Act, which is based on the number of employees. This ranges from ₹100 p.a. to ₹4,500 p.a.

