

# Learn GST Practically

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## **BASICS ABOUT TAXES**

- (a) Indirect Taxes
- (b) Direct Taxes

Indirect Taxes State Govt	Indirect Taxes Central Govt	Direct Taxes Central Govt
Local Sales Tax (LST)	Central Sales Tax (CST)	Income Tax
VAT	Excise	Wealth Tax
	Service Tax	

### **Local Sales Tax:-**

Sales tax is collected from manufacturer itself and nobody else like distributor or retailer collects tax.

	<b>A</b>	<b>B</b>	<b>C</b>
<b>Particulars</b>	<b>Manufacturer</b>	<b>Distributor</b>	<b>Retailer</b>
Sales	100	150	180
Tax	18	0	0

No sales tax on distributor and retailer, Whole taxes have to be paid by Manufacturer Only



## VAT

Haryana Govt was first to adopt first in April 2003 and UP was last in 2008

	A	B	C
Particulars	Manufacturer	Distributor	Retailer
Sales	100	150	180
VAT	10	15	C

Haryana Government will receive 18 Rs as Taxes in both the cases

**(a) LST:-** Whole 18 Rs to be paid by A and No Taxes to be paid by B and C

**(b) VAT:-** Taxes to be paid on Value Addition

A will pay 10 Rs

B Will Pay  $15 - 10 = 5$  Rs

C Will Pay  $18 - 15 = 3$  Rs,

### ITC (Input Tax Credit)

**A Zero**

**B 10 Rs**

**C 15 Rs**



## LST and CST

Particulars	A Delhi Manufacturer	B Haryana Distributor	C Haryana Retailer
Sales	100	150	180
CST	10	0	0
VAT	0	15	18

Since Goods moved from one state to another **Central Govt** will receive 10 Rs from A Manufacturer

Haryana Govt **will not give** any Input Tax Credit since taxes have been deposited with Central Govt.

(a) Haryana Govt will Receive 15 Rs from B

(b) Haryana Govt will Receive  $18 - 15 = 3$  Rs from C, Since B has sold within the state so input tax credit will be allowed to C for taxes paid by B.

So in Nutshell

(a) CG will receive 10 Rs as LST

(b) SG will receive 18 Rs from B and C

**This 10 Rs taxes paid in interstate transactions for which input tax credit is not allowed is also known as cascading effect on taxes or tax on taxes.**

### Question 1:-

Particulars	A Delhi	B Delhi	C Delhi
Sales	500	1000	2000
VAT	50	100	200
<b>Total</b>	<b>550</b>	<b>1100</b>	<b>2200</b>
Delhi Govt	??	??	??





Input Tax Credit	??	??	??
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## **WHAT WAS C FORM AND F FORM:-**

### **C Form**

With the usage of C Form interstate movements was allowed with 2% CST Rates provided that receiver will not be end user and has purchased them for resale

	<b>A Delhi Manufacturer</b>	<b>B Haryana Distributor</b>	<b>C Haryana Retailer</b>
Sales	100	150	180
CST	2	0	0
VAT	0	15	18

B will provide C Form from his Haryana VAT Dept and will provide to A in Delhi, which will be deposited by A in their sales tax department.

### **F Form:-**

F Form was used for Stock Transfer between branches in 2 states, No CST was leviable in F Form Transactions but 2% Input VAT was to be reversed provided that receiver will not be end user and has purchased them for resale

	<b>A Delhi Manufacturer</b>	<b>B Delhi Company</b>	<b>C Haryana Company Branch</b>
Sales	100	150	180



CST	0	0	0
VAT	10	0	18

B will reverse 2% Input Tax which has been taken by B from A.

In Nutshell 2% was leviable as expenses in interstate transactions.

## **WHAT WAS EXCISE:-**

Excise was again a headache for Business man.

Particulars	B	C	D
<b>Basic</b>	100	200	300
<b>Excise 10%</b>	10	0	0
<b>Total</b>	110	200	300
<b>VAT 10%</b>	11	20	30
<b>Total</b>	121	220	330
<b>Cost</b>	NA	110	200
<b>Input Tax Credit</b>	0	11	20
<b>Tax Paid</b>	10+11	20-11	30-20

This 10 Rs Excise is also making cascading Effect of Taxes.



## **What was Service Tax:-**

Service Tax was levied on services in 1994 with 4 services, After that numerous services had been added and a lot of problems existed with combined reading of all taxes

A Business man was required to comply with compliances of:-

- (a) Sales Tax
- (b) Excise
- (c) Service Tax

Which was very cumbersome.

Due to which a Common System was required to make Indian Business grow.

This has given rise to GST which has crossed state barriers with a single taxation.

## **PROBLEM PROBLEM PROBLEM :-**





If there was a service provider he cant take input of Goods

If there was a Trader he cant take input of services.

Excise and Service Tax can be used with each other because these both taxes are Of Central Govt,

VAT Cant be used with any of the Excise and Service Tax because it is of state govt.

**Regards**

**CA Rahul Gupta**