

CA SUDHIR HALAKHANDI

GST BY CA SUDHIR HALAKHANDI

(English Version)



GOODS AND SERVICE TAX- FOR TAX PAYERS

(SMALL TRADERS AND MSMEs EDITION)

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(USE ONLY FOR WhatsApp)

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PART -2

IGST – INTEGRATED GOODS AND SERVICE TAX

IGST MODEL TO MONITOR INTERSTATE TRANSACTIONS

A new model is developed under proposed GST to monitor the interstate trade of Goods and Services and this is called IGST. Let me clear first thing it will not replace the existing CST and there will be long awaited goodbye to Central Sales Tax in the GST regime.

Now it should also be noted that IGST will not be a Tax burden on Taxpayers and Consumers in addition to the SGST and CGST so one should not be presumed that IGST is a third tax on the consumers. It is only a mechanism to monitor the interstate trade of Goods and services and further to ensure that the ultimate SGST is gone to the consumer state since the GST is a destination based tax. It is called “Integrated Goods and Service Tax”.

Let us try to understand this IGST mechanism step by step:-

1. Dealer of the selling state will collect IGST from the purchaser on Interstate Transaction and the rate of IGST will be the combined rate of SGST and CGST, Say if the rate of SGST is 8% and CGST is 10% then the rate of IGST will be 18%.

2. While depositing the IGST the seller will take credit of SGST and CGST paid by him on purchase of such Goods or services within the state.

3. The selling state will transfer the amount of input credit of SGST taken by the selling dealer against the IGST to the centre. This will ensure that selling state will not get any revenue out of this transaction.

4. The interstate buyer shall take credit of IGST against his liability of IGST/CGST/SGST.

5. **Now come** to the mechanism of transferring the SGST to the consumer state in which the central agency will transfer the amount of input credit of IGST used by selling dealer of consumer state while paying his liability of SGST.

This whole mechanism will be known as a system of monitoring the interstate trade of Goods and services and will be called IGST. It is interstate Goods and service tax and also mentioned as integrated Goods and service tax in the discussion paper issued by the Empowered committee of the state Finance Ministers.

Since the concept of Taxation is changed from the sales to Supply of Goods and Services under the GST hence Branch and stock transfer will also be governed with this model. So it will be a goodbye to F-forms.

The IGST will not increase the taxation cost since it is only a Mechanism to monitor the Interstate movement of Goods but certainly it will increase the compliance cost of the dealers.

Let us have a comprehensive illustration of IGST on imaginary figures:-

BASIC ILLUSTRATION OF IGST

Though practically how IGST will actually work can only be understood properly when it is implemented but whatever information is available at present from the basics which has been mentioned in the Draft law we can understand the IGST with the help of this very simple example:-

TRANSACTIONS OF SALES

X of Mumbai sold Goods worth **Rs. 10.00** Lakhs to **Y** of Mumbai and **Y** of Mumbai sold the same goods to **Z** of Rajasthan at **Rs. 10.50** Lakhs.

Now at second stage **Z** of Rajasthan sold the same goods to a consumer in Rajasthan at Rs.11.00 Lakhs. Suppose the rate of SGST is 8% and rate of CGST is 10%.

Now this is the transaction of sale of Goods from one state to other state and now we are trying to analyze how **IGST** will work here.

Please note that in the example given above we have not followed the exact situation which has been mentioned in the draft of “**Integrated Goods and Service Act**” with respect of transfer of fund to and from the **IGST** to **CGST** and **SGST** because it seems to be very complicated and need some simplification of narration but what is given in this study will give you the insight of proposed working of the **IGST**.

RATE OF TAXES PRESUMED

S.NO.	DESCRITOPN	RATE OF TAX
1.	SGST	8%
2.	CGST	10%
3.	IGST (SGST+CGST)	18%

TAX LIABILITY OF VARIOUS DEALERS

S.N	DESCRIPTION	SGST (8%)	CGST (10%)	IGST (18%)	REMARK
1.	X of Mumbai sold Goods worth Rs. 10.00 Lakhs to Y of Mumbai.	80000.00	100000.00	NA	It is an Intra-state Sales hence SGST and CGST are Payable.
	Less:- Input Credit	NIL	NIL	NA	
	Tax Deposited by X	80000.00	100000.00	NA	
2.	Y of Mumbai sold the same goods to Z of Rajasthan at Rs. 10.50 Lakhs	NA	NA	189000.00	It is Inter-state sale hence IGST is Payable.
	Less:- Input Credit	NA	NA	180000.00 (SGST 80000.00 + CGST 100000.00)	In IGST the input credit of SGST and CGST paid on the goods which is sold in interstate sale is available.
	Tax Deposited by Y	NA	NA	9000.00	
3.	Z of Rajasthan sold the same goods to a consumer in Rajasthan at Rs.11.00 Lakhs.	88000.00	110000.00	NA	It is intra-state sale in the state of Rajasthan hence SGST and CGST is

					applicable.	
	Less:- Credit	Input	79000.00	110000.00	NA	The total Input credit of IGST is Rs.189000.00 and it can be set of against IGST, CGST and SGST in that order of priority.
	Tax Deposited by Z		9000.00	NIL	NA	

**TRANSFER OF REVENUE FROM STATE TO CENTRE
AND VICE VERSA**

S.NO.	DESCRIPTION	AMOUNT
1.	The selling state will transfer the amount of SGST to the centre which has been taken as input credit while discharging the liability of IGST.	80000.00
2.	The centre will transfer the amount of IGST to the Consumer state which has been taken as input credit while discharging the liability of SGST.	79000.00

**EFFECT OF IGST ON REVENUE OF VERIOUS
CONSTITUENTS**

S.NO.	DESCRIPTION OF CONSTITUENTS OF IGST
1.	The selling State
2.	The Purchasing State
3.	The Centre

THE SELLING STATE

S.NO.	DESCRIPTION	SGST	REMARK
1.	The amount of SGST deposited by the First seller	80000.00	CGST and IGST are not part of state revenue hence not considered here.
2.	Less: - The selling state will transfer the amount of SGST to the centre which has been taken as input credit while discharging the liability of IGST.	80000.00	NA
3.	Revenue of the Selling State	NIL	NA

Note- The GST is destination based tax hence the selling state will get NIL tax on inter-state transaction where goods are consumed in other state. The above calculation is supporting the same concept.

THE CONSUMER

STATE

S.NO.	DESCRIPTION	SGST	REMARK
1.	The amount of SGST deposited by the seller in the Consumer state.	9000.00	CGST and IGST are not part of state revenue hence not considered here.
	Add-The centre will transfer the amount of IGST to the Consumer state which has been taken as input credit while discharging the liability of SGST.	79000.00	NA
	Revenue of the Consumer State	88000.00	NA

Note: - The sale price at consumer state is Rs.11.00 Lakhs @ 8% hence the revenue calculated at Rs.88000.00 is cross tallied and supported the same concept.

THE CENTRE

S.NO.	DESCRIPTION	CGST	IGST	TOTAL
1.	The amount of CGST deposited by the First seller in the Selling state.	100000.00	NIL	100000.00
2.	The amount of IGST deposited	NIL	9000.00	9000.00

	by the Second seller in the Selling state.			
	Total	100000.00	9000.00	109000.00
3.	Add:- The selling state will transfer the amount of SGST to the centre which has been taken as input credit while discharging the liability of IGST.	NA	NA	80000.00
	Total	NA	NA	189000.00
	Less - The centre will transfer the amount of IGST to the Consumer state which has been taken as input credit while discharging the liability of SGST.	NA	NA	79000.00
	Result-Revenue of the Centre	NA	NA	110000.00

Note: - The sale price at consumer state is Rs.11.00 Lakhs @ 10% hence the revenue calculated at Rs.110000.00 is cross tallied and supported this concept.

This will complete the full circle of IGST.

Note

The material has been prepared keeping in mind the requirement of Small Traders and MSME Industries. Please submit your comment and suggestions to 9828067256 through WhatsApp.

-Ca Sudhir Halakhandi

sudhirhalakhandi@gmail.com

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