

Goods & Services Tax

Educational Series

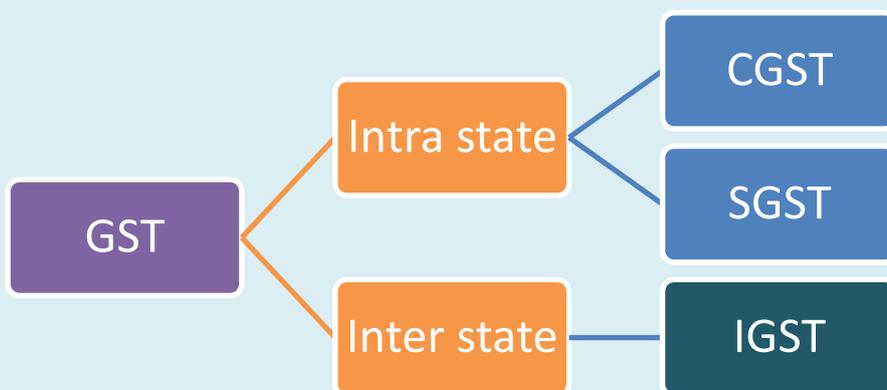
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Levy and Classification

Under the existing indirect tax regime, there is a clear demarcation on the levy of taxes. The Centre has the power to levy taxes on manufacture of goods (except few items like alcoholic liquor for human consumption, opium, narcotics etc) which is referred to as “Central Excise Duty”, while the States have the power to levy taxes on sale of goods under Value Added Tax. In case of interstate sales, the Centre has the power to levy tax, called the Central Sales Tax, but this tax is collected and retained by the originating states. With the introduction of GST, an amendment in the Constitution was made to empower both Centre and State to levy and collect tax.

Under GST regime, the tax shall be levied as Dual GST separately but concurrently by the Union (CGST) as well as the States (including Union Territories with legislatures) (SGST) and Union territories without legislatures (UTGST). The Parliament would have exclusive power to levy GST integrated GST (IGST) on inter-State trade or commerce (including imports) on goods or services or both.



Alcohol for human consumption is kept out of the purview of GST. Also, GST on specified petroleum products (crude, high speed diesel, petrol, ATF and natural gas) would be levied from a later date on the recommendation of the GST Council.

Classification

Goods under GST regime, will be classified under, Harmonised System of Nomenclature (HSN) code whereas services will be classified as per the Services Accounting code (SAC). HSN is an internationally standardized system of names and numbers to classify traded products. At present, HSN code is used to classify goods under Value added tax.