

Intermediate Course

Study Material

(Modules 1 to 2)

PAPER 4

Taxation

Section – B: Indirect Taxes

**(Relevant for May, 2020 and
November, 2020 examinations)**

MODULE – 1



BOARD OF STUDIES

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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BEFORE WE BEGIN ...

The traditional role of a chartered accountant restricted to accounting and auditing, has now changed substantially and there has been a marked shift towards strategic decision making and entrepreneurial roles that add value beyond traditional financial reporting. The primary factors responsible for the change are the increasing business complexities on account of plethora of laws, borderless economies consequent to giant leap in e-commerce, emergence of new financial instruments, emphasis on corporate social responsibility, significant developments in information technology, to name a few. These factors necessitate an increase in the competence level of chartered accountants to take up the role of not merely an accountant or auditor, but a global solution provider. Towards this end, the scheme of education and training is being continuously reviewed so that it is in sync with the requisites of the dynamic global business environment; the competence requirements are being continuously reviewed to enable aspiring chartered accountants to acquire the requisite professional competence to take on new roles.

Skill requirements at Intermediate Level

Under the Revised Scheme of Education and Training, at the Intermediate Level, you are expected to not only acquire professional knowledge but also the ability to apply such knowledge in problem solving. The process of learning should also help you inculcate the requisite professional skills, i.e., the intellectual skills and communication skills, necessary for achieving the desired level of professional competence.

Goods and Services Tax: The game changer indirect tax

Taxation is one of the core competence areas of chartered accountants. The subject of "Taxation" at the Intermediate level is divided into two sections, namely, Section A: Income-tax law and Section B: Indirect Taxes. Indirect Taxes, at the Intermediate level, cover goods and services tax (GST), the path breaking indirect tax introduced in India from July 1, 2017.

With GST, there has been a paradigm shift in the indirect tax landscape of the country. GST aims to make India a common market with common tax rates and procedures and remove the economic barriers thus, paving the way for an integrated economy at the national level. By subsuming most of the Central (excise duty, service tax, central sales tax) and State taxes (State-Level VAT) into a

single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, it would mitigate the ill effects of cascading and improve competitiveness. It follows a multi-stage collection mechanism where tax is collected at every stage and the credit of tax paid at the previous stage is available as a set off at the next stage of transaction.

GST, at the Intermediate level, involves understanding and application of the select provisions of the GST laws. The nitty-gritties of this new tax law coupled with its inherent dynamism, makes the learning, understanding and application of the provisions of this law in problem solving very interesting and challenging.

Know your Syllabus – Read the same along with Study Guidelines

The syllabus of Section B: Indirect Taxes covers select provisions of the Central Goods and Services Tax Act, 2017 and Integrated Goods and Services Act, 2017. Further, a concept of Study Guidelines has been introduced in the Revised Scheme of Education and Training in this subject, in line with the international best practices, to specify topic-wise exclusions from the syllabus. The Study Guidelines for an examination is issued after the expiry of cut-off date for amendments relevant for that examination. The Study Guidelines for this subject are also applicable for the corresponding paper in the Old Course.

For understanding the coverage of syllabus, it is important to read the Study Material as the content therein has been developed keeping in mind the extent of coverage of various topics as envisaged in the syllabus. Therefore, the provisions which do not form part of the syllabus are not discussed or explained in the Study Material. However, while discussing the relevant applicable provisions, a reference may have been made to some of these excluded provisions at certain places, which has been highlighted either by way of a footnote or otherwise.

Further, the Study Material should also be read along with the Study Guidelines. It may be noted that the Study Material is issued prior to the issuance of Study Guidelines. Therefore, the Study Material may have discussion on certain provisions which, post issuance of Study Material, get excluded from the syllabus by way of Study Guidelines. Such provisions will, therefore, be not relevant from the examination point of view.

Know your Study Material

This Study Material on Indirect Taxes is based on the provisions of the Central Goods and Services Tax Act, 2017 and Integrated Goods and Services Act, 2017 as amended upto 30.04.2019. Thus, it includes the amendments made by the CGST (Amendment) Act, 2018 and IGST (Amendment) Act, 2018 made effective from 01.02.2019, and significant notifications and circulars issued upto 30.04.2019. The

Study Material is, therefore, relevant for May 2020 and November 2020 examinations. The amendments made by the Amendment Acts and latest notifications/circulars are indicated in ***bold italics*** in the Study Material.

Further, the Finance (No. 2) Act, 2019 has come into force from 01.08.2019 after receiving the assent of the President of India. However, the amendments made in the CGST Act and IGST Act vide the Finance (No. 2) Act, 2019 have not become effective till the time this Study Material is being released for printing. Therefore, the applicability or otherwise of the amendments made by the Finance (No. 2) Act, 2019 for May 2020 and/or November 2020 examinations shall be announced by the ICAI only after the same become effective.

In the Study Material the existing provisions¹ are compared with the provisions as amended by the Finance (No. 2) Act, 2019 at the end of each chapter, wherever relevant. Once the announcement for applicability of such amendments for examination(s) is made by the ICAI, students should read the amended provisions in place of the related provisions discussed in the Chapter.

Efforts have been made to present the complex law of GST in a lucid manner. Care has been taken to present the chapters in a logical sequence to facilitate easy understanding by the students. The Study Material has been divided into two modules for ease of handling by students. Module 1 covers Chapters 1-5 and Module 2 covers Chapters 6-10.

The various chapters/units of this subject have been structured uniformly and comprise of the following components:

	Components of each Chapter	About the component
1.	Learning Outcomes	Learning outcomes which you need to demonstrate after learning each topic have been detailed in the first page of each chapter/unit. Demonstration of these learning outcomes will help you to achieve the desired level of technical competence
2.	Chapter Overview	As the name suggests, the flow chart/table/diagram given at the beginning of each chapter will give a broad outline

¹ Provisions existing as on the date when the Study Material was released for printing

		of the contents covered in the chapter
3.	Content	<p>The GST law has been explained by following a systematic approach of first extracting the statutory provisions followed by their analysis. Going through the statutory provisions will develop a legal aptitude in you which is a pre-requisite to study any law. The analysis of the statutory provisions given thereafter will give you an idea as to how the law is interpreted to arrive at meaningful conclusions and find answers to problems. You should read statutory provisions and analysis conjointly to have a holistic and complete understanding of the provisions.</p> <p>The concepts and provisions of GST laws are explained in student-friendly manner with the aid of examples/illustrations/ diagrams/flow charts. Diagrams and flow charts will help you understand and retain the concept/provision learnt in a better manner. Examples and illustrations will help you understand the application of concepts/provisions. These value additions will, thus, help you develop conceptual clarity and get a good grasp of the topic.</p>
4.	Let Us Recapitulate	<p>A summary of the chapter, in the form of tables/diagrams/flow charts, is given at the end to help you revise what you have learnt. It will especially facilitate quick revision of the chapter the day before the examination. However, please note that such summaries are not a substitute for in-depth study. You should read the summaries only after you have finished reading the discussions in the chapter.</p>
5.	Test Your Knowledge	<p>This section comprises of variety of questions which will help you to apply what you have learnt in problem solving, and, thus, sharpen your application skills. In effect, it will test your understanding of concepts/ provisions as well as your ability to apply the concepts/provisions learnt in solving problems and addressing issues. Multiple choice questions in this section will test the breadth and depth of your understanding of the topic.</p>

6. Answers

After you work out the problems/questions given under the section "Test Your Knowledge", you can verify your answers with the answers given under this section. This way you can self-assess your level of understanding of the provisions or concepts of a chapter.

Students may make note of the following while reading the Study Material:

- ❑ For the sake of brevity, the " Goods and Services Tax", "Central Goods and Services Tax", "State Goods and Services Tax", "Union Territory Goods and Services Tax", "Integrated Goods and Services Tax", "Central Goods and Services Act, 2017", "Integrated Goods and Services Act, 2017" and "Union Territory Goods and Services Act, 2017", "Central Goods and Services Tax Rules, 2017" have been referred to as "GST", "CGST", "SGST", "UTGST", "IGST", "CGST Act", "IGST Act", "UTGST Act" and "CGST Rules" respectively in this Study Material.
- ❑ Unless otherwise specified, the section numbers and rules referred to in the chapters pertain to CGST Act and CGST Rules respectively.
- ❑ The illustrations, examples, questions and answers given under 'Test Your Knowledge' are solved/answered on the basis of the position of law as existing on 30.04.2019. The reference to years/months subsequent to such date in the examples, illustrations, questions and answers is only for the purpose of explaining the concepts and provisions as the position of law may change subsequently.

Though all efforts have been taken in developing this Study Material, the possibilities of errors/omissions cannot be ruled out. You may bring such errors/omissions, if any, to our notice so that the necessary corrective action can be taken.

We hope that the new student-friendly features in the Study Material makes your learning process more enjoyable, enriches your knowledge and sharpens your application skills.

Since the entire syllabus of subject of indirect taxes forming part of paper on Taxation is same for both New and Old Course, this Study Material is also relevant for IIPCC (Old) Paper 4 Taxation Section B: Indirect Taxes.

Happy Reading and Best Wishes!

SYLLABUS

PAPER – 4 : TAXATION

(One paper – Three hours – 100 Marks)

Objective:

To develop an understanding of the provisions of income-tax law and goods and services tax law and to acquire the ability to apply such knowledge to make computations and address application oriented issues.

SECTION A: INCOME TAX LAW (60 MARKS)

Contents:

1. Basic Concepts

- (i) Income-tax law: An introduction
- (ii) Important definitions in the Income-tax Act, 1961
- (iii) Concept of previous year and assessment year
- (iv) Basis of Charge and Rates of Tax

2. Residential status and scope of total income

- (i) Residential status
- (ii) Scope of total income

3. Incomes which do not form part of total income (other than charitable trusts and institutions, political parties and electoral trusts)

- (i) Incomes not included in total income
- (ii) Tax holiday for newly established units in Special Economic Zones

4. Heads of income and the provisions governing computation of income under different heads

- (i) Salaries
- (ii) Income from house property

- (iii) Profits and gains of business or profession
- (iv) Capital gains
- (v) Income from other sources

5. Income of other persons included in assessee's total income

- (i) Clubbing of income: An introduction
- (ii) Transfer of income without transfer of assets
- (iii) Income arising from revocable transfer of assets
- (iv) Clubbing of income of income arising to spouse, minor child and son's wife in certain cases
- (v) Conversion of self-acquired property into property of HUF

6. Aggregation of income; Set-off, or carry forward and set-off of losses

- (i) Aggregation of income
- (ii) Concept of set-off and carry forward and set-off of losses
- (iii) Provisions governing set-off and carry forward and set-off of losses under different heads of income
- (iv) Order of set-off of losses

7. Deductions from gross total income

- (i) General provisions
- (ii) Deductions in respect of certain payments
- (iii) Specific deductions in respect of certain income
- (iv) Deductions in respect of other income
- (v) Other deductions

8. Computation of total income and tax liability of individuals

- (i) Income to be considered while computing total income of individuals
- (ii) Procedure for computation of total income and tax liability of individuals

9. Advance tax, tax deduction at source and introduction to tax collection at source

- (i) Introduction
- (ii) Direct Payment
- (iii) Provisions concerning deduction of tax at source
- (iv) Advance payment of tax
- (v) Interest for defaults in payment of advance tax and deferment of advance tax
- (vi) Tax collection at source – Basic concept
- (vii) Tax deduction and collection account number

10. Provisions for filing return of income and self-assessment

- (i) Return of Income
- (ii) Compulsory filing of return of income
- (iii) Fee and Interest for default in furnishing return of income
- (iv) Return of loss
- (v) Provisions relating to belated return, revised return etc.
- (vi) Permanent account number
- (vii) Persons authorized to verify return of income
- (viii) Self-assessment

SECTION B – INDIRECT TAXES (40 MARKS)**Contents:****1. Concept of indirect taxes**

- (i) Concept and features of indirect taxes
- (ii) Principal indirect taxes

2. Goods and Services Tax (GST) Laws

- (i) GST Laws: An introduction including Constitutional aspects
- (ii) Levy and collection of CGST and IGST

- a) Application of CGST/IGST law
 - b) Concept of supply including composite and mixed supplies
 - c) Charge of tax including reverse charge
 - d) Exemption from tax
 - e) Composition levy
- (iii) Basic concepts of time and value of supply
 - (iv) Input tax credit
 - (v) Computation of GST liability
 - (vi) Registration
 - (vii) Tax invoice; Credit and Debit Notes; Electronic way bill
 - (viii) Returns
 - (ix) Payment of tax

Note – If any new legislation(s) is enacted in place of an existing legislation(s), the syllabus will accordingly include the corresponding provisions of such new legislation(s) in place of the existing legislation(s) with effect from the date to be notified by the Institute. Similarly, if any existing legislation ceases to have effect, the syllabus will accordingly exclude such legislation with effect from the date to be notified by the Institute. Students shall not be examined with reference to any particular State GST Law.

Consequential/corresponding amendments made in the provisions of the Income-tax law and Goods and Services Tax laws covered in the syllabus of this paper which arise out of the amendments made in the provisions not covered in the syllabus will not form part of the syllabus. Further, the specific inclusions/exclusions in the various topics covered in the syllabus will be effected every year by way of Study Guidelines. The specific inclusions/exclusions may also arise due to additions/deletions every year by the annual Finance Act.

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