

QB365 Question Bank Software Study Materials

Indirect Taxation Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

11th Standard

Commerce

Total Marks : 75

2 Marks

11 x 2 = 22

1) What do you mean by Indirect tax

Answer : Indirect Tax is levied on the goods and services. It is collected from the buyers by the sellers and paid by the sellers to the Government. Since, it is indirectly imposed on the buyers, it is called indirect tax.

E.g. GST -Goods and Services Tax, Excise Duty, etc.

2) Give any two examples for indirect taxes levied in India.

Answer : GST, Excise Duty, CGST, SGST, VAT

3) What do you mean by Goods and Services Tax?

Answer : (i) Goods and Services Tax (GST) is the tax imposed on the supply (consumption) of goods and services.

(ii) It is a destination based consumption tax and collected on those value-added at each stage of the supply chain.

4) What is CGST?

Answer : CGST-Central Goods and Services Tax-imposed and collected by the Central Government on all supply of goods within a state (intra-state) under CGST Act 2017.

5) What do you mean by UGST?

Answer : Union Territory Goods and Services Tax which is formed to impose and collect tax from the five union territory administrations in India under UGST Act 2017.

6) What are the list of indirect taxes before GST regions?

Answer : **The list of indirect taxes before GST regions are:**

(i) Central Excise duty

(ii) Additional Duties of Excise

(iii) Purchase Tax

(iv) Central Sales Tax

(v) Entry Tax

(vi) Entertainment Tax

(vii) Taxes on Advertisement

7) What are the benefits of GST to consumers?

Answer : 1. Input tax credit allowed will lower the prices to the consumers.

2. All small retailers will get exemption and purchases from them will cost less for the consumers.

8) Write any two objectives of GST

Answer : 1. The foremost objective is to create a common market with uniform tax rate in India

2. To provide online facilities for payment of taxes and submission of forms.

9) Give any two benefits of GST to the society and country.

Answer : 1. Unified common national market will attract more foreign investment

2. Creation of more employment opportunities which will result in poverty eradication.

10) write any two benefits of GST to business community.

Answer : 1. Simpler tax system with fewer exemptions.

2. Input tax credit will reduce cascading effect of taxes.

11) Write the kind of GST.

Answer : GST is of three kinds : CGST, SGST/UGST and IGST.

3 Marks

11 x 3 = 33

12) What are the objectives of GST? (any 3)

Answer : 1. The foremost objective of GST is to create a common market with uniform tax rate in India. (One Nation, One Tax, One Market)
2. To eliminate the cascading effect of taxes, GST allows set-off of prior taxes for the same transactions as input tax credit.
3. To boost Indian exports, the GST already collected on the inputs will be refunded and thus there will be no tax on all exports.

13) Write any three demerits of GST?

Answer : (i) Several Economists says that GST in India would impact negatively on the real estate market. It would add upto 8 percent to the cost of new homes and reduce demand by about 12 percent.
(ii) Another criticism is that CGST, SGST are nothing but new names for Central Excise/Service Tax, VAT, and CST. Hence, there is no major reduction in the number of taxpayers.
(iii) A number of retail products currently have only four percent tax on them. After GST garments and clothes could become more expensive.

14) Write any two differences between direct taxes and indirect taxes.

Answer :

Sl.No	Basis	Direct Taxes	Indirect Taxes
1	Meaning	If a tax is levied on the income or wealth of a person is paid by that person (or his office) directly to the Government is called direct tax.	If tax is levied on the goods or services of a person is collected from the buyers by another person (seller) and paid by him to the government is called 'indirect tax.
2	Incidence and impact	Incidence and impact falls on the same person. Imposed on the income a person and paid by the same person.	Incidence and impact falls on different persons. Imposed on the sellers but collected from the consumers and paid by selles.

15) Briefly explain the functions of GST council?

Answer : The GST Council will oversee the implementation of the GST. But the Central Board of Excise and Customs is responsible for administration of the CGST and IGST Acts. The Council makes recommendations on rate of GST, apportionment of IGST, exemptions, model GST laws, etc..

16) Explain IGST.

Answer : 1. Inter-State Goods and Services Tax - imposed and collected by the Central Government and the revenue shared with States under IGST Act 2017.
2. All exports are treated as Inter-State supply under GST.
3. Since exports are zero rated, GST is not imposed on all goods and services exported from India.
4. Any input credit paid already on exports will be refunded

17) Write a note on GST Council.

Answer : The GST Council will oversee the implementation of the GST. But the Central Board of Excise and Customs is responsible for administration of the CGST and IGST Acts. The Council makes recommendations on rate of GST, apportionment of IGST, exemptions, model GST laws, etc. The Chairman of the Council is the Union Finance Minister. The Minister of State in the Finance Ministry and all Finance Ministers of the State Governments shall be its members. The Central Government shall have 1/3rd voting power and all State Governments shall have 2/3rd voting powers. All decisions of the Council can be passed only with 75%th of the total votes. Each state has one vote, irrespective of its size or population. Twenty four council meetings were held until 2017.

18) Who are all the officials involved in GST Secretariat?

Answer : The following are the officials involved in GST officials:

1. The Secretary (Revenue) will be appointed as the Ex-officials Secretary to the GST Council.
2. The Chairperson, Central Board of Excise and Customs (CBEC), will be a permanent invitee (non-voting).
3. One post of Additional Secretary to the GST, and
4. Four posts of Commissioner in the GST Council Secretariat will also be created.

19) What are all the limitations of GST?

Answer : The limitations/disadvantages of GST are stated below:

- 1) Several Economists says that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
- 2) Another criticism is that CGST, SGST are nothing but new names for Central Excise/ Service Tax, VAT and CST. Hence, there is no major reduction in the number of tax layers.
- 3) A number of retail products currently have only four percent tax on them. After GST, garments and clothes could become more expensive,
- 4) The aviation industry would be affected. Service taxes on airfares currently range from six to nine percent. With GST, this rate will surpass fifteen percent and effectively double the tax rate.
- 5) Adoption and migration to the new GST system would involve teething troubles and learning for the entire ecosystem.

20) Write any three demerits of GST?

- Answer :**
- 1) Several Economists says that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
 - 2) Another criticism is that CGST, SGST are nothing but new names for Central Excise/ Service Tax, VAT and CST. Hence, there is no major reduction in the number of tax layers.
 - 3) A number of retail products currently have only four percent tax on them. After GST, garments and clothes could become more expensive,
 - 4) The aviation industry would be affected. Service taxes on airfares currently range from six to nine percent. With GST, this rate will surpass fifteen percent and effectively double the tax rate.

21) What are the disadvantages of GST?

- Answer :**
- 1) Several Economists says that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
 - 2) Another criticism is that CGST, SGST are nothing but new names for Central Excise/ Service Tax, VAT and CST. Hence, there is no major reduction in the number of tax layers.
 - 3) A number of retail products currently have only four percent tax on them. After GST, garments and clothes could become more expensive,
 - 4) The aviation industry would be affected. Service taxes on airfares currently range from six to nine percent. With GST, this rate will surpass fifteen percent and effectively double the tax rate.

22) Explain about GST secretariat officials.

Answer : Apart from the GST Council, GST Secretariat was formed with the following officials

1. The Secretary (Revenue) will be appointed as the Ex-officials Secretary to the GST Council.
2. The Chairperson, Central Board of Excise and Customs (CBEC), will be a permanent invitee (non-voting).
3. One post of Additional Secretary to the GST, and
4. Four posts of Commissioner in the GST Council Secretariat will also be created.

5 Marks

4 x 5 = 20

23) Distinguish between direct taxes and indirect taxes. (any 5)

Answer :

Sl .No	Basis	Direct Taxes	Indirect Taxes
1	Meaning	If a tax levied on the income or wealth of a person is paid by that person (or his office) directly to the Government, it is called a direct tax.	If tax is levied on the goods or services of a person is collected from the buyers by another person (seller) and paid by him to the government is called indirect tax.
2	Incidence and impact	Falls on the same person. Imposed on the income of a person and paid by the same person.	Falls on different persons. Imposed on the sellers but collected from the consumers and paid by seller.
3	Burden	More income attracts more tax. Tax burden is progressive	Rate of tax is flat on all individuals. Therefore more income individuals pay less and lesser portion of their income as tax. The tax burden is regressive.
4	Evasion	Tax evasion is possible	Tax evasion is more difficult
5	Inflation	Direct tax helps in reducing inflation	Indirect tax contributes to inflation
6	Shiftability	cannot be shifted to others	can be shifted to others.
7	Examples	Income Tax, Wealth Tax, Capital gain Tax, Perquisites Tax,	GST, Excise Duty, Customs Duty.

24) Discuss the different kinds of GST.

Answer : GST of three kinds :

- (i) CGST
- (ii) SGST
- (iii) UGST
- (iv) IGST

a) CGST

Central Goods and Services Tax imposed and collected by Central Government on all supply of goods within the State (intrastate) under CGST ACT 2017.

b) SGST

State Goods and Services Tax imposed and collected by the State Governments under State GST Act. (Tamil Nadu GST Act 2017 passed by Tamil Nadu Government)

c) UGST

Union Territory Goods and Services Tax - imposed and collected by five Union Territory Administrations in India under UGST Act, 2017.

d) IGST

1. Inter-State Goods and Services Tax - imposed and collected by the Central Government and the revenue shared with states under IGST Act 2017.
2. IGST On exports - All exports are treated as inter-state supply under GST.
3. Since exports are zero-rated. GST is not imposed on all goods and services exported from India.
4. Any input credit is paid already on exports will be refunded.

25) Elucidate the merits of GST.

Answer : (i) To the Society and Country :

1. Unified common national market will attract more foreign investment.
2. GST has integrated the economy of all states and union territories.
3. It brings parity in taxation among imported goods and Indian manufactured goods.
4. All imported goods will be charged with IGST which will be more or less equivalent to the total of CGST and SGST levied on manufactured goods.
5. Removal of several taxes will make the price of Indian products more competitive at world market
6. It will boost manufacturing, export, and GDP leading to economic growth through increase in economic activity
7. Creation of more employment opportunities which will result in poverty eradication.
8. It will bring more tax compliance (more taxpayers) and increase revenue to the Government.
9. It is transparent and will improve India's ranking in the 'Ease of Doing Business' in the world.
10. Uniform rates of tax will reduce tax evasion and rare arbitrage between States.

(ii) To the business community:

1. Simpler tax system with fewer exemptions 17 taxes were abolished and one tax exists today.
2. Input tax credit will reduce cascading effect of taxes. Reduction in average tax burden will encourage manufacturers and help "make in India" campaign and make India as a manufacturing hub.
3. Common procedures, common classification of goods and services and timeline will lend greater certainty to the taxation system.
4. GSTN facility will reduce multiple record keeping, lesser investment in manpower and resources and improve efficiency.
5. All interactions will be through common GSTN portal and will ensure corruption free administration
6. Uniform prices throughout the country Expansion of business to all states is made easy.

(iii) To the consumers:

- (1) Input tax credit allowed will lower the prices to the consumers.
- (2) All small retailers will get exemption and purchases from them will cost less for the consumers.

26) Compare CGST, SGST and IGST.

Answer :

Sl.No	Basis	CGST	SGST	IGST
1	Meaning	CGST means central goods and service tax to replace the existing tax like Service Tax, Excise, .etc. It is levied by Central Government.	SGST means State goods and Service Tax. Intreplaced the existing tax like Sales Tax, Luxury Tax, Entry Tax etc. It is levied by the State Government.	IGST refers to the integrated goods and Service Tax. It is a combined form of CGST and SGST. It is levied by the Central Government.
2	Collection of Tax	Central Government	State Government	Central Government
3	Applicability	Intra-State supply	Intra-State supply	Inter-State supply
4	Registration	No registration till the turnover crosses Rs. 20 Lakhs	No registration till the turnover crosses Rs. 20 Lakhs	registration is mandatory
5	Composition	The dealer can use the benefit up to Rs. 75 Lakhs under the composition scheme.	The dealer can use the benefit up to Rs. 75 Lakhs under the composition scheme.	The composition scheme is not applicable.