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INTERNAL TRADE

Class 11

BUSINESS STUDIES

WHOLESALE TRADE

INTERNAL TRADE

MEANING

- Trade refers to buying and selling of goods and services for earning profit. When buying and selling of goods and services takes place within the geographical limits of a country, it is known as Internal Trade.
- Internal trade is also known as Home Trade or Inland Trade.



INTERNAL TRADE

- **In internal trade, Within the country, goods can be sold anywhere. Manufacturers or traders have to pay no customs/import duty as goods are part of domestic production and these are meant for consumption within the country.**



INTERNAL TRADE

MAIN FEATURES OF INTERNAL TRADE

1. The buying and selling of goods and services takes place within a country.
2. The payments are made and received in the home currency only.
3. There are no or very few formalities to be completed by the traders.
4. Various local modes of transport can be used for transfer of goods and services.



INTERNAL TRADE

TYPES OF INTERNAL TRADE

INTERNAL TRADE

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graph TD; A[INTERNAL TRADE] --> B[Wholesale Trade]; A --> C[Retail Trade];
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Wholesale Trade

Retail Trade



INTERNAL TRADE

Wholesale Trade

- **Wholesale Trade** refers to the trade in which goods are sold in large quantities. The person who carries on wholesale trade is known as wholesaler.
- Wholesaler buys the goods directly from the manufacturer in bulk and sells them in small lots to the retailer. A wholesaler acts as a middleman between the manufacturer and the retailer.



INTERNAL TRADE

FEATURES OF WHOLESAL TRADE

1. **Wholesaler acts as a link between producer and retailer.**
2. **Wholesaler deals with large quantities of goods.**
3. **Wholesaler is generally specialised in one line of product. For example, stationery, food grains etc.**



INTERNAL TRADE

4. Wholesaler invests large amounts of capital in maintaining stock of goods.
5. Wholesaler generally sells goods in small lots to retailers and generally does not sell to the ultimate consumer.
6. Generally the margin of profit of wholesaler is low.



INTERNAL TRADE

SERVICES OF THE WHOLESALERS

A wholesaler provides many valuable services to the manufacturer as well as the retailer.

Services to Manufacturer :

Wholesaler renders the following services to the manufacturer:

1. **Facilitate large scale Production and Economies of scale.**

Economies of scale refers to benefits of operating at a large scale. Wholesalers help the manufacturers to avail the benefits of large-scale operations as they buy goods in large quantity.



INTERNAL TRADE

They buy in bulk which enables the manufacturers also to produce in bulk and avail benefits of large-scale production.

2. Helps in marketing functions.

Wholesalers employ a sales force to reach retailers located in far corners of the country. The salespersons of wholesalers perform the task of persuading the retailers to display and sell the goods at their retail outlets.



INTERNAL TRADE

3. Expert advice.

- The wholesaler provides information regarding the preferences and expectations of the customers to the manufacturer.
- He also collects information regarding the products of competitors, price of their product etc. Wholesalers make suggestions about the types and quality of goods required by the consumers.
- Such information helps the producer to regulate production according to the changing requirements of the consumers.



INTERNAL TRADE

4. Storage.

- Wholesalers provide facility of storage of goods by buying the goods in bulk.
- They relieve the manufacturer from maintaining the stock of goods. Wholesalers take the complete responsibility of storage of goods and bear the risk of theft or spoilage etc.



5. Bearing Risks

The whole seller deal in goods in their own name, take delivery of the goods and keep the goods in large lots in their warehouses in this process they bear variety of risks such as the risk of fall in prices, theft, spoilage, fire, etc.



INTERNAL TRADE

6. Facilitate Production Continuity

The Wholesalers facilitate continuity of production actively throughout the year by purchasing the goods as and when they are produced and storing them, till the time these are demanded by retailer or customers in the market.



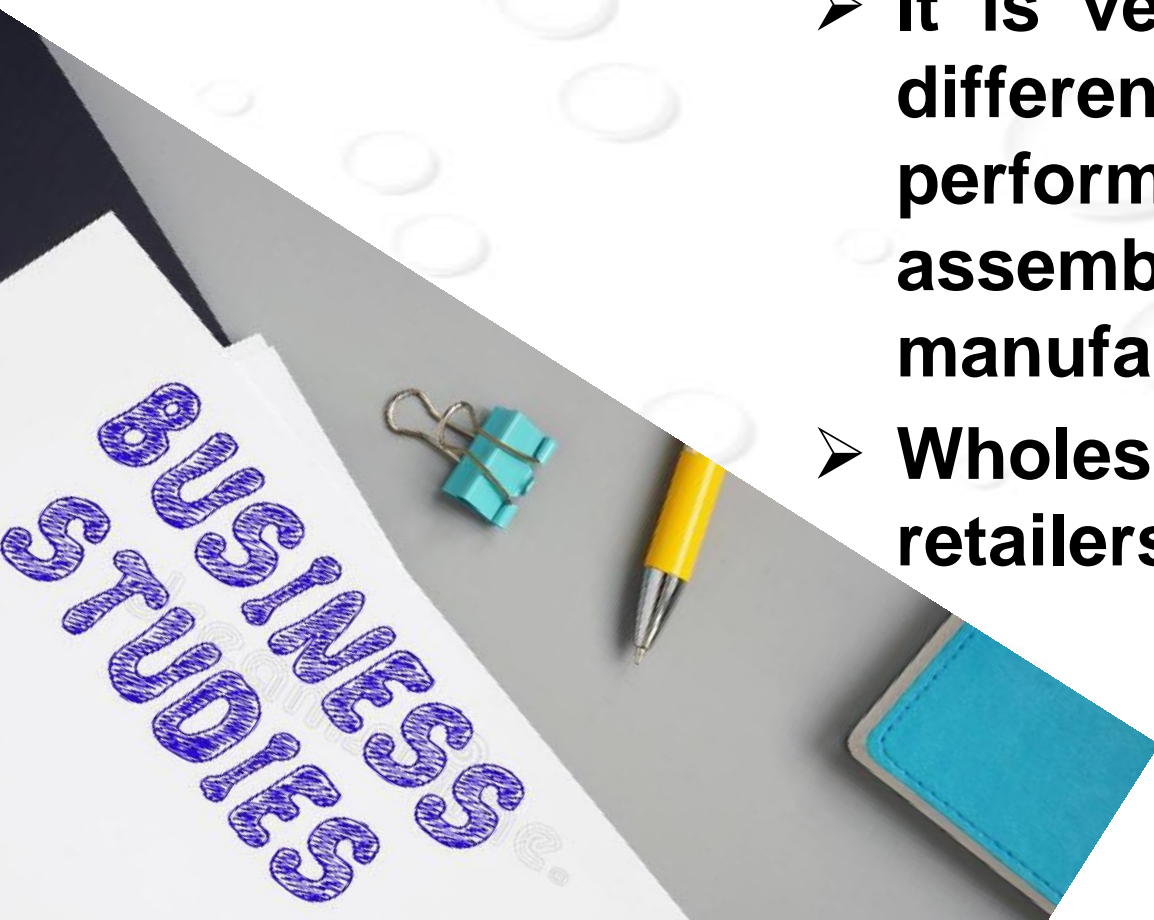
INTERNAL TRADE

Services to Retailers

Wholesaler renders the following services to retailers:

1. Availability of goods.

- Retailers need to keep wide variety of goods to meet the requirements of various customers. Wholesalers provide them a wide variety of goods in one line of products.
- It is very difficult for a retailer to approach different manufacturers directly. Wholesalers perform the task of sorting out and assembling goods from several manufacturers.
- Wholesaler acts as the warehouse keeper of retailers.



INTERNAL TRADE

2. Grant of Credit.

- Wholesaler sells goods to retailers on credit. Therefore retailers need not maintain large working capital. They can make payment after receiving the payment from the customers.

3. Risk Sharing.

- Wholesaler bears the risk of change in demand, risk of damage in transit, risk of theft or spoilage in warehouse etc.
- Retailers are relieved from all such risks as wholesaler bears these risks for retailers. Retailer is saved from the risk associated with transport or storage of goods.



INTERNAL TRADE

4. Specialised knowledge.

- **Wholesaler** has direct link with the manufacturers so he comes to know about the latest technology used by the manufacturer and also about the new products produced.
- Therefore he informs the retailers about the new techniques, new products and their use to the retailer. A wholesaler keeps updating the knowledge of the retailers.



INTERNAL TRADE

5. **Publicity.**

- **Wholesalers advertise the brands and goods kept with them. Such publicity helps the retailer also to increase his sales. Generally wholesalers do publicity by distributing pamphlets, banners or by painting their transport vehicles etc.**



INTERNAL TRADE

6. Economies of Scale.

- Wholesaler buys the goods in large quantity so he gets a big discount from manufacturer.
- They share this discount with retailers by supplying the goods with low profit margin. Retailer buys the goods in small lots, so directly they cannot get more discount from the manufacturer.



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INTERNAL TRADE

Class 11

BUSINESS STUDIES

RETAIL TRADE

INTERNAL TRADE

Retail Trade

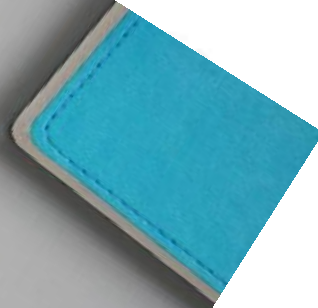
- **Retail trade is the last link in the distribution chain. Retail trade refers to sale of goods in small lots to the final consumers. A retailer buys goods from a wholesaler and sells them to the consumers.**



INTERNAL TRADE

- **A retailer buys goods from a wholesaler and sells them to the consumer. So he acts as a link between the wholesaler and the ultimate consumer. Retailing need not necessarily be carried on in a shop or store. Retailing includes selling goods door to door, on television, on telephone, on Internet etc.**
- **A retailer may be defined as a dealer in goods and services who purchases from a manufacturer or wholesaler and sells to the ultimate consumers. The person who carries on retail trade is called a retailer.**

Business

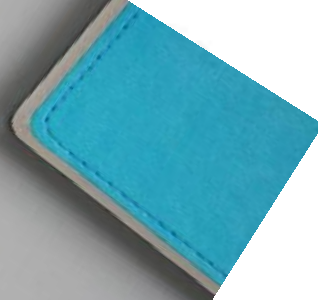


INTERNAL TRADE

FEATURES OF RETAIL TRADE

1. **Retailer is the last link in the distribution chain.**
2. **Retailer sells the goods or services directly to consumers.**
3. **Retailer deals with a variety of products.**
4. **Retailer buys and sells a small quantity of goods.**
5. **Retailer is generally located in residential areas.**
6. **Retailer maintains personal relations with the customers.**

Small Business



INTERNAL TRADE

SERVICES OF RETAILERS

- Retailers provide important services to consumers and wholesalers as they act as middlemen between them.

SERVICES TO CONSUMERS

Retailers provide the following services to consumers:

1. Regular availability of Products.

A retailer makes available to the customers all types of commodities. Consumers can conveniently buy the required products at one place. Consumers are assured of continuous supply of goods and they need not store the goods in large quantities.



INTERNAL TRADE

2. Wide Selection.

A retailer offers a wide variety of different types of products only under one roof. He also provides different brands of the same product so that consumers can buy the product of their choice.

3. New Products information.

A retailer assists consumers in selecting the goods. In many large retail showrooms, salesmen are appointed who guide the customers in selection by explaining the features and use of different products.



INTERNAL TRADE

4. Demonstration and After Sale Services.

Retailers demonstrate the working of products to satisfy the customers. Retailers also offer after sale services to customers if needed in the case of consumer durable products such as TV, washing machine etc.



INTERNAL TRADE

5. Home Delivery.

Some retailers make arrangement for supply of goods at the customer's doorstep without any extra charges.

6. Convenience in buying.

Retail stores are located in residential areas as well as in the main market. The customer can easily approach a retail showroom for buying the goods.



INTERNAL TRADE

SERVICES TO WHOLESALER AND MANUFACTURER

A retailer provides the following services to wholesalers and manufacturers:

1. Helps in Distribution of Goods.

Retailers relieve the wholesalers and manufacturers from the burden of collecting and supplying small orders to widely scattered customers. Retailers help in distribution of goods to distant parts of the country.



INTERNAL TRADE

2. Personal Selling.

By undertaking personal selling efforts, the retailer relieves producers or wholesalers of this activity and help them greatly in the proven of sale.

3. Enabling Large Scale Production.

The presence of Retailer make manufacturer and wholesalers free from the trouble of making individual sales to consumer in Small quantities.



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INTERNAL TRADE

Class 11

BUSINESS STUDIES

**TYPES OF RETAIL TRADE –
ITINERANTS**

INTERNAL TRADE

RETAIL TRADE

Itinerants

Hawkers and Pedlars

Periodic Market Traders

Street Traders

Cheap Jacks

Fixed Shop Retailers

Small-scale Shops

General Stores

Single Line Stores

Speciality Stores

Street Shops

Second hand Goods Shop

Second Shops

Large-scale Shops

Departmental Stores

Chain Stores

Mail Order Retailing

Automatic Vending Machine

INTERNAL TRADE

ITINERANTS

- Itinerants refers to retailers who have no fixed place of sale. They move from one place to another in search of customers. They are also known as mobile vendors.
- Itinerants deal in low price, non-standard items. They deal in daily use items and require a small investment.



INTERNAL TRADE

TYPES OF ITINERANTS.

Itinerants can further be classified into the following categories:

1. HAWKERS AND PEDLARS

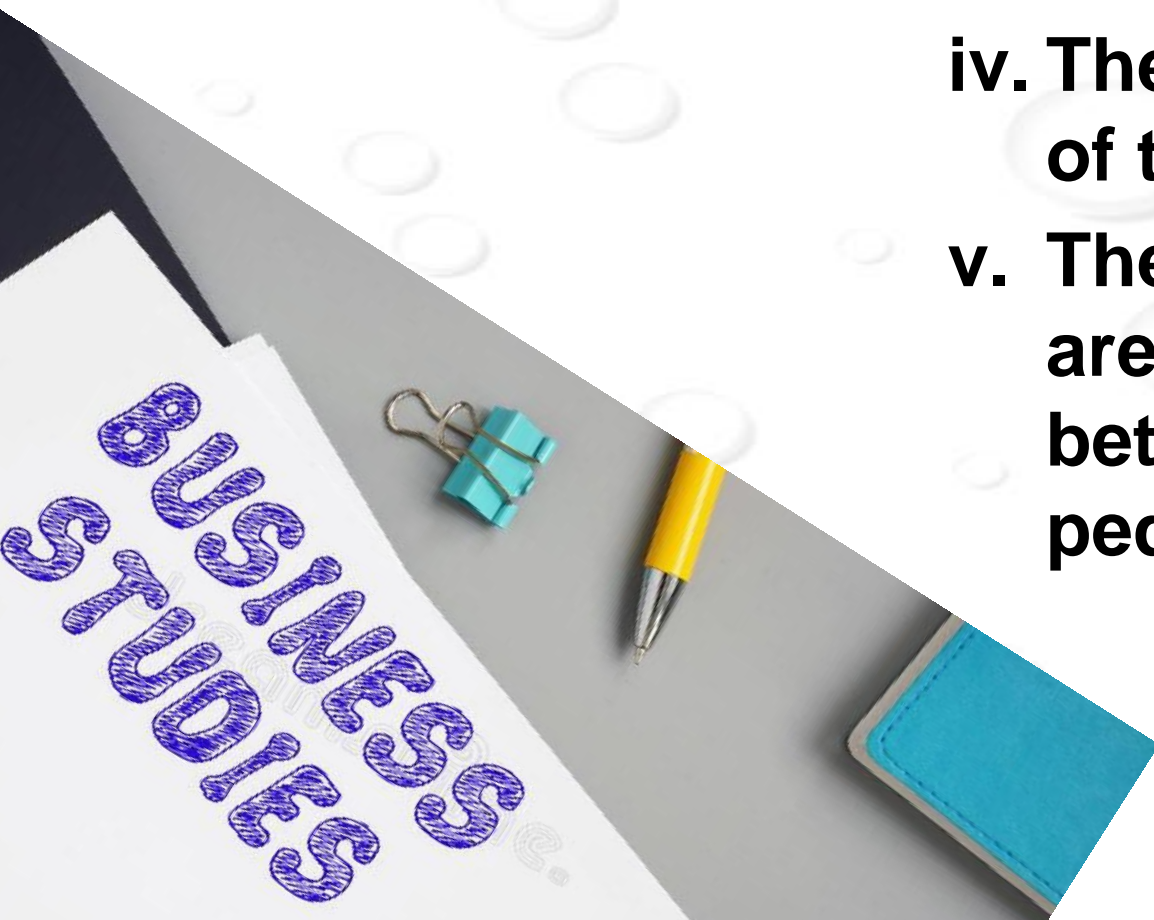
Hawkers and pedlars move from street to street in search of customers. A hawker carries the goods on wheeled carts or on the back of animals and a pedlar carries the goods on his own head or back.



INTERNAL TRADE

Main features :

- i. They move from street to street, in buses, trains etc. in search of customers.
- ii. They sell a variety of goods such as fruits, vegetables, toys, bangles etc.
- iii. They deal with non-branded and local items.
- iv. They supply the goods at the doorstep of the customer.
- v. They have no fixed prices. The prices are fixed according to the bargaining between customer and hawkers or pedlars.



INTERNAL TRADE

2. PERIODIC MARKET TRADERS

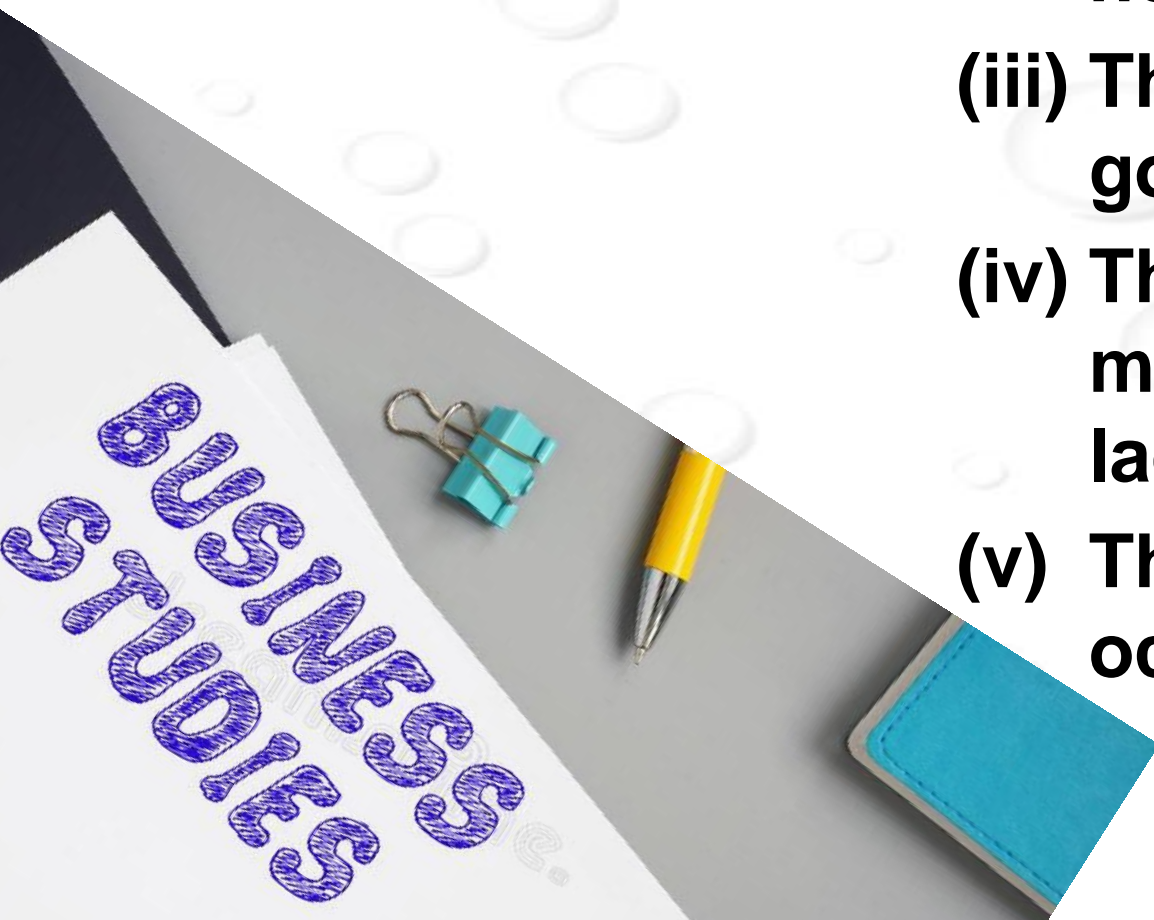
These traders sell their goods on fixed days in different market places. Their weekly markets are fixed. For example, Monday Market in Karol Bagh, Thursday Market in Kingsway Camp, Wednesday Market in Rohini etc. in some Delhi areas.



INTERNAL TRADE

Main features:

- (i) They sell their goods in the weekly markets or monthly bazaars or annual fairs.
- (ii) Generally they display their goods on temporary structures made outside the shops which are closed for a weekly holiday.
- (iii) They deal in low price and low quality goods.
- (iv) They sell a large variety of goods which may include plastic products, utensils, ladies bags, shoes etc.
- (v) These traders also set up shops on the occasion of Diwali, Christmas etc.



3. STREET TRADERS

- These retailers display their articles on busy street corners, pavements, bus-stands etc.

Main features:

- i. They generally operate near public places such as railway stations, cinema halls, bus-stands, temples etc.
- ii. They deal in a variety of goods such as towels, handkerchiefs, things of daily use, mirrors etc.



INTERNAL TRADE

- iii. They deal in low - priced products of common use.
- iv. They are very popular. People find it convenient to pick up items on their way back from work.



INTERNAL TRADE

4. CHEAP JACKS

- They display their goods in hired shops or in tents for a temporary period in different localities.

Main features:

- i. They hire small shops or display goods in tents in residential colonies.
- ii. They shift from locality to locality depending upon the prospects of business.



INTERNAL TRADE

- iii. They deal in low-priced, household articles.
- iv. They remain in one locality for a temporary period only.



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Class 11

BUSINESS STUDIES

**TYPES OF RETAIL TRADE –
FIXED SHOPS RETAILER :
SMALL-SCALE SHOPS**

FIXED SHOPS RETAILER

- The retailers having a fixed place of sale are known as fixed shop retailers. These retailers have shops in the market place or residential localities. They do not move from one place to another in search of customers. Customers come to their shops in search of products.
- Fixed shop retailers can be further classified into two categories:
 1. Small-scale Fixed Retail Shops
 2. Large-scale Fixed Retail Shops.



INTERNAL TRADE

1. SMALL- SCALE FIXED RETAIL SHOPS

- **Small - scale retailers are the most common form of retailers. These shops are found in every corner of most cities. They are mostly situated in localities to fulfil the needs of people residing in local areas. Small -scale fixed shops are of the following types:**



INTERNAL TRADE

a) General Stores. General stores are small shops located in residential areas.

Main features of general stores are:

- i. These stores deal in items of daily use like groceries, confectionery, stationery, soft drinks etc.**
- ii. They have a large variety in each line of product.**



INTERNAL TRADE

- iii. They provide free home delivery, credit facility and other services to their regular customers.
- iv. They create personal relationship with the customers and keep them happy and satisfied.
- v. General stores located in posh areas also keep popular brands of products.



INTERNAL TRADE

b) Speciality Stores. Single line stores are small shops which deal with one line of products.

The main features of single line stores are:

- i. These stores deal with one line of products. Examples, garments line, stationery line, textiles, medicines, shoes etc.



INTERNAL TRADE

- ii. **These stores deal in a variety of goods in that line of product. For example, stores dealing in garments have ladies garments, children garments, gents garments, garments of all sizes, brands etc.**
- iii. **They are generally situated in market places.**
- iv. **They provide customer services which vary from store to store depending upon the type of product.**



INTERNAL TRADE

c) Street Shops. These shops are situated at street crossings or on main roads or on corners of colonies. They are also known as street stalls.

Main features of street shops are:

- i. These are temporary platforms used to display the goods for sale.
- ii. These shops have a limited space.
- iii. They deal in a wide variety of low - priced articles such as hosiery items, toys, magazines etc.



INTERNAL TRADE

- iv. These retailers display their goods on tables, stands etc.
- v. Recently, there is a trend of keeping better quality products on these corners. For example, they sell imported cosmetics, garments, watches etc.



INTERNAL TRADE

d) Second-hand Goods Shops. These shops deal with second-hand goods or used articles such as books, utensils, furniture etc.

Main features of second-hand goods shop:

- i. These shops sell used goods.
- ii. The goods are generally priced low because these are used goods.
- iii. They buy goods from private and public auctions.



INTERNAL TRADE

- iv. **These shops are mainly for the poor people, who cannot afford to buy new goods.**
- v. **Sometimes people from high income group also visit these shops in search of antique items, rare books etc.**



INTERNAL TRADE

e) Second Shops. There are the shops to sell goods which are not produced according to the required specifications. These goods always have some defects in them.



INTERNAL TRADE

Main features of seconds shops are:

- (i) These shops deal in the products which have some manufacturing defect.**
- (ii) Goods sold in these shops are not used or second-hand. They are new defective goods.**
- (iii) Goods are sold at a heavily discounted price.**



INTERNAL TRADE

- (iv) The price of the goods depends upon their defect. In some goods, the defects are not easily visible.**
- (v) Many manufacturers have their own seconds shop to clear their defective stocks.**
- (vi) Sometimes these shops are set up temporarily by taking premises, halls, banquets on hire.**



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BUSINESS STUDIES

**TYPES OF RETAIL TRADE –
FIXED SHOPS RETAILER :
LARGE-SCALE SHOPS**

INTERNAL TRADE

LARGE - SCALE FIXED RETAIL SHOPS

Large-scale retailers deal in a large stock of goods and purchases goods in bulk.

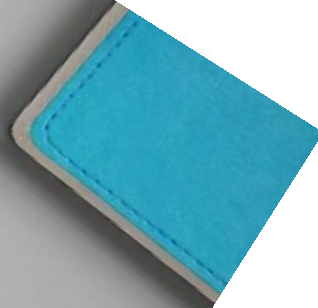


INTERNAL TRADE

FEATURES OF LARGE-SCALE RETAILERS

- i. They require a huge investment.**
- ii. They have large size showrooms to sell goods.**
- iii. They are generally located at a central place or in shopping centres.**
- iv. A large number of customers visit these showrooms.**

Businesses



INTERNAL TRADE

- **The most common forms or types of large-scale retailers are:**
 - (a) Departmental Stores**
 - (b) Multiple Shops or Chain Stores**
 - (c) Mail Order Retailing**



INTERNAL TRADE

a) Departmental Stores

- A departmental store is a large retail showroom having a number of departments under one roof, each department specializing in one line of product. Each of the departments is like a separate shop with centralized purchasing, selling and accounting.
- Administrative activities of the departmental stores are managed by a General Manager. The General Manager appoints departmental managers for each department.



INTERNAL TRADE

Main Features of Departmental Stores

1. Large Size.

A departmental store is a large retail showroom requiring a large capital investment.

2. Wide Range.

A departmental store deals with a wide range of products from low priced to very expensive goods. Different varieties of goods are available in different departments.



INTERNAL TRADE

3. Departmentally Organised.

The store is departmentally organized. Goods offered for sale are classified and each department specialises in one line of product.

4. Central Purchases.

Purchases of all the departments are made centrally. The departmental managers give a list of their requirements to the general manager who makes purchases for all the departments.



INTERNAL TRADE

5. Central Location.

A departmental store is located at a central place or in shopping centres so that people from different parts of the city can easily reach there.

6. Services.

Departmental stores provide a number of services and facilities to the customers like post office, telephone booth, restaurant, packing, free home delivery etc.



INTERNAL TRADE

b) Chain Stores

- **Multiple shops refer to a number of identical retail shops located in different parts of the city. These shops are owned and controlled by a single organisation.**
- **These chain stores may be established by manufactures or traders. In USA, these shops are known as chain stores but these are popular as multiple shops in Europe.**
- **Examples: Bata stores, DCM stores, etc.**

Businesses

INTERNAL TRADE

Features of Chain Stores/Multiple Shops

1. Large Size.

Chain stores operate on a large scale. A huge investment is required to set up identical shops in different parts of the city.

2. Specialised in One Line.

Generally chain stores specialise in one line of product and variety of that line only is available at all the shops located in different areas. For example, Bata specialises in shoes, DCM in cloth etc.



INTERNAL TRADE

3. Uniform Prices.

The prices of products charges by chain stores located in different parts of the city are the same and they sell the goods at a fixed price.

4. Cash Sales.

In chain stores, no credit is given. Goods are sold on cash basis only.



INTERNAL TRADE

5. Centralised Purchasing.

The goods for all the chain stores are purchased by the head office to maintain the uniformity in products sold at different retail showrooms.

6. Decentralized Sale.

Each chain store has its independent sales as these stores are located in different parts of the city and country.



INTERNAL TRADE

c) Mail Order Retailing

- In mail order retailing sellers contact the potential buyers through advertisements and mail publicity, i.e. by sending circulars, catalogues, price lists, samples, booklets etc. The customers are required to place their orders by post.
- This type of arrangement is called shopping by post by customers and selling by post by sellers.



INTERNAL TRADE

Main Features of Mail Order Houses

1. A detailed mailing list containing names and addresses of the potential customers is maintained by the mail order house.
2. The seller sends circulars, catalogues etc. to customers by post.
3. The customers also place order by selecting the goods from the catalogue by post.



INTERNAL TRADE

4. Generally only standardised items are bought and sold through mail order houses as inspection of goods is not possible.
5. Payment is received through V.P.P. or registered post.



INTERNAL TRADE

Trading procedure of Mail order Retailing.

1. **Advertisement to provide information about the products.**
2. **Order Receiving and Processing.**
3. **Receiving payments.**



INTERNAL TRADE

Type of Goods Suitable for Mail Order Business.

Only the following types of goods can be traded through mail order retailing:

1. Goods should not be perishable in nature.
2. Goods should be standardised.
3. Goods should not be bulky.
4. Goods should be easy to handle.
5. Goods should be easily explained through pictures and descriptions.



INTERNAL TRADE

d) Automatic Vending Machine

- A vending machine is a new form of direct retailing. It is a machine operated by coins or tokens. The buyer inserts a coin or token in the machine and receives a specific quantity of product from the machine.
- Large-scale retailing is possible through vending machines by placing the machine at a convenient location such as petrol pumps, railway stations, airports etc.



INTERNAL TRADE

- This method of retail selling is very popular in Western countries. Now these are becoming popular in India also.
- In Delhi, now vending machines are installed at petrol pumps, railway stations for selling cold drinks etc. Mother Dairy is selling milk through vending machine ATM card machines are also very popular.



INTERNAL TRADE

Merits/Benefits of Vending Machine

1. **Buying round the clock is possible.**
2. **The customer gets fresh supply of goods with uniform weight and quality.**
3. **No requirement of salesmen.**



Drawbacks of Vending Machine

1. **Initial investment to install the machine is quite high.**
2. **Machine requires regular repair and maintenance.**
3. **Coins of exact shape and size are required to operate the machine.**
In India, vending machines are not very popular due to a large number of small retail stores.

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INTERNAL TRADE

Class 11

BUSINESS STUDIES

**CLASSIFICATION OF
RETAILERS**

INTERNAL TRADE

CLASSIFICATION OF RETAILERS

Retailers can be classified on the following basis:

1. Size.

Retailers differ in size from small stores to big departmental store. Some customers prefer to visit large retail houses to get a wide variety under one roof whereas some prefer small shops in their local area.



INTERNAL TRADE

2. Product Mix.

Another criterion for the classification of a retail store is the types and variety of products kept at retail showroom. The stores keeping a wide range of different lines of products are called general stores or departmental stores whereas stores dealing with one line of products are known as single line or speciality stores.



INTERNAL TRADE

3. Pricing.

- **Generally retailers add their profit margin and fix the prices of products. Some retailers sell goods at fixed price, some permit bargaining.**
- **Some stores located in the market charge a high price as they add a big profit margin to cover the cost of maintaining showroom whereas some stores located in residential areas charge a very nominal price.**



INTERNAL TRADE

4. Service Level.

There are many retail stores which offer additional services such as assistance to customers, free home delivery, credit facility etc. whereas some stores go for self-service and no assistance is available.



INTERNAL TRADE

5. Form of Ownership.

- **Some retail shops operate as sole proprietorship firm, some as partnership firm. The large departmental stores or multiple shops prefer to operate as a company form of business.**
- **Another common type of ownership is cooperative. Many consumer cooperatives operate to provide goods at reasonable prices to their members.**



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INTERNAL TRADE

Class 11

BUSINESS STUDIES

**GOODS AND SERVICES TAX
(GST)**

INTERNAL TRADE

Goods and Service Tax (GST)

- **GST was introduced in India with effect from July 2017, Under the earlier taxation system for indirect taxers, various types of taxes were levied such as service tax, VAT, excise duty, etc. GST merged these taxes into one.**



INTERNAL TRADE

- **GST is a tax on supply of goods and services. Under GST no distinction is made between goods and services for levying of tax. It will mostly substitute all indirect taxes levied on goods and services by the Central and State governments in India.**



INTERNAL TRADE

- **GST is a single tax at a national level to be levied at all stages right from manufacture up to final consumption.**
- **Under GST every person is liable to pay tax on his output and is entitled to get input tax credit (ITC) on the tax paid on its inputs.**
- **Therefore it is a tax on value addition only. Ultimately the final consumer shall bear the burden of tax under GST.**

Business
Business
Business

INTERNAL TRADE



Business Studies

INTERNAL TRADE

Features of GST

- 1. The territorial spread of GST in whole country.**
- 2. GST is applicable on the supply of goods or services as against the present concept of tax on the manufacture or sale of goods or on the provision of services.**
- 3. It is based on the principle of destination based consumption tax against the present principles of origin based taxation.**



INTERNAL TRADE

- 4. Import of goods and services is treated as interstate supplies and would be subject to IGST in addition to the applicable custom duties.**
- 5. CGST (Central GST), SGST (State GST) and IGST (Interstate GST) are levied at rates mutually agreed upon by the centre and states under the guidance of GST council.**

Business
Studies

INTERNAL TRADE

GST Council - Constitution

- 1. Chairperson - Finance Minister**
- 2. Vice chairperson - is to be chosen amongst the minister of state government.**
- 3. Members - MOS (Finance) and all ministers of finance / taxation of each state.**
- 4. Quorum is 50% of total members.**
- 5. State has two third weightage and centre has one third weightage.**
- 6. Decisions are taken by 75% of majority.**
- 7. The council shall make recommendations or every thing related to GST including rules, rates etc.**

**Business
Trainers**