Understanding Goods & Services Tax of India

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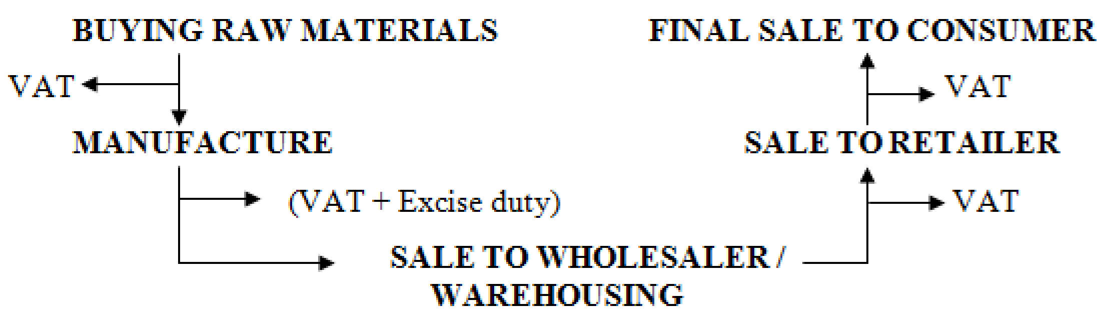
ABSTRACT

Implementation of Goods and services tax in india was one of the greatest reform in Indian taxation. GST works under five different slabs i.e., 0%, 5%, 12%, 18% and 28% to collect tax on goods and services. GST makes business easy and brings uniformity in the system. Application of information technology in GST process makes the tax proceedings easy. GST council takes initiatives on revision of GST rates.

KEYWORDS: *GST; taxation; uniformity; information technology; GST council*

INTRODUCTION:

Before implementation of GST[1,2], there were various problems in existing tax system like multiplicity of state and central indirect taxes, no integration between goods and services tax, no comprehensive input tax system, and cascading of tax by levy of VAT on excise duty, and service tax etc. GST is perhaps the biggest tax-related reform in India since Independence bringing uniformity in the taxation. The GST Council meets from time to time to revise the GST rates for various products. Goods and Services Tax (GST) is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017; Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. In simple words, Goods and Service Tax (GST)[3] is an indirect tax levied on the supply of goods and services. This law has replaced many indirect tax laws that previously existed in India. GST is one indirect tax for the entire country. GST Tax Slab of 0%, GST Tax Slab of 5%, GST Tax Slab of 12%, GST Tax Slab of 18%, GST Tax Slab of 28%. Before Goods and Service Tax, the pattern of tax levy was as follows:



Under the GST regime, the tax is levied at every point of sale. In the case of intra-state sales, Central GST and State GST are charged. Inter-state sales are chargeable to Integrated GST. Now let us try to understand the definition of Goods and Service Tax – "GST is a comprehensive, multi-stage, destination-based tax that is levied on every value addition." There are multiple change-of-hands an item goes through along its supply chain: from manufacture to final sale to the consumer.

JOURNEY OF GST IN INDIA

The GST journey began[4,5,6] in the year 2000 when a committee was set up to draft law. It took 17 years from then for the Law to evolve. In 2017 the GST Bill was passed in the Lok Sabha and Rajya Sabha. On 1st July 2017 the GST Law came into force.

- 2000: Prime minister A V Vajpayee setup a committee to draft GST law
- 2004: A task form concluded GST must be implemented to improve current tax structure
- 2006: Finance minister proposes the GST introduction from April 1, 2010
- 2007: CST to be phased out. Rate reduced from 4% to 3%.
- 2008: EC finalizes dual GST structure to have separate levy, legislation
- 2010: GST implementation postponed but
  A project to computerize commercial taxes launched.
- 2011: Constitution amendment bill to enable GST law introduced
- 2012: Standing committee begins discussion on GST but stalled it over clause 279B
- 2013: Standing committee tables its report on GST
- 2014: GST bill reintroduced in parliament by finance minister
- 2015: GST bill passed in Loksabh but not in Rajyasabha
- 2016: GSTN (The Goods and Service Tax Network) goes live
  Amended model GST law passed in both houses. President gives assent.
- 2017: Four supplementary GST bills passed in Lok shabha and approved by cabinet
  Final GST to implement on July 1, 2017
  GST launched on July 1, 2017.

GST has mainly removed the Cascading effect on the sale of goods and services. Removal of cascading effect has impacted the cost of goods. Since the GST regime eliminates the tax on tax, the cost of goods decreases. GST is also mainly technologically driven. All activities like registration, return filing, application for refund and response to notice needs to be done online on the GST Portal; this accelerates the processes.

What are the components of GST?

There are 3 taxes applicable under this system: CGST, SGST & IGST

- CGST: Collected by the Central Government on an intra-state sale
- SGST: Collected by the State Government on an intra-state sale
- IGST: Collected by the Central Government for inter-state sale

In most cases, the tax structure under the new regime will be as follows:

Transaction	Old Regime	New Regime	Remark
Sale within the State	VAT + Central Excise/Service tax	CGST + SGST	Revenue will be shared equally between the Centre and the State
Sale to another State	Central Sales Tax + Excise/Service Tax	IGST	There will only be one type of tax (central) in case of inter-state sales. The Centre will then share the IGST revenue based on the destination of goods.

GOODS AND SERVICES TAX LAW

GST law comprising following points:

1. Central Goods and Services Tax (Extension to Jammu and Kashmir) Act, 2017,

2. State Goods and Services Tax Act, 2017 as notified by respective States,
3. Union Territory Goods and Services Tax Act, 2017
4. Integrated Goods and Services Tax Act, 2017 including Integrated Goods and Services Tax (Extension to Jammu and Kashmir Act, 2017)
5. Goods and Services Tax (Compensation to States) Act, 2017 (hereinafter referred as CGST, SGST, UTGST, IGST and CESS respectively at the GST portal) and
6. Rules, Notifications, Amendments and Circulars issued under the respective acts.

Tax Laws before GST

In the earlier indirect tax regime, there were many indirect taxes levied by both state and centre. States mainly collected taxes in the form of Value Added Tax (VAT). Every state had a different set of rules and regulations. Interstate sale of goods was taxed by the Centre. CST (Central State Tax) was applicable in case of interstate sale of goods. Other than above there were many indirect taxes like entertainment tax, octroi and local tax that was levied by state and centre. This led to a lot of overlapping of taxes levied by both state and centre. For example, when goods were manufactured and sold, excise duty was charged by the centre. Over and above Excise Duty, VAT was also charged by the State. This lead to a tax on tax also known as the cascading effect of taxes. There are different type of indirect taxes in the pre-GST regime like -Central Excise Duty, Duties of Excise, Additional Duties of Excise, Additional Duties of Customs, Special Additional Duty of Customs, Cess, State VAT, Central Sales Tax, Purchase Tax, Luxury Tax, Entertainment Tax, Entry Tax, Taxes on advertisements, and Taxes on lotteries, betting, and gambling etc.

Taxes currently levied and collected by the Centre	**State taxes that would be subsumed under the GST**
● Central Excise duty ● Duties of Excise (Medicinal and Toilet Preparations) ● Additional Duties of Excise (Goods of Special Importance) ● Additional Duties of Excise (Textiles and Textile Products) ● Additional Duties of Customs (commonly known as CVD) ● Special Additional Duty of Customs (SAD) ● Service Tax ● Central Surcharges and Cesses so far as they relate to supply of goods and services	● State VAT ● Central Sales Tax ● Luxury Tax ● Entry Tax (all forms) ● Entertainment and Amusement Tax (except whenlevied by the local bodies) ● Taxes on advertisements ● Purchase Tax ● Taxes on lotteries, betting and gambling ● State Surcharges and Cesses so far as they relate to ● supply of goods and services

Conclusion:

Goods and services tax bring positive reforms in taxation process of India. Decrease in inflation, ease of doing business, decrease in black transactions, more informed consumers are the benefits of GST. GST regime also brings a centralized system of waybills by the introduction of “E-way bills”. This system was launched on 1st April 2018 for Inter-state movement of goods and on 15th April 2018 for intra-state movement of goods in a staggered manner. Under the e-way bill system, manufacturers, traders & transporters are now able to generate e-way bills for the goods transported from the place of its origin to its destination on a common portal with ease.

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