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Goods And Services Tax



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Goods and services tax

(The major tax reform since independence)

OVERVIEW OF GST: This is one of the major taxation reforms in Indian taxation system. GST is set to integrate all state economies and increase the overall growth of the country. GST will create unified market and boost the Indian economy. The goods and service tax (GST) is a value added tax to be implemented in India the decision on which is pending.

How GST works: It is a comprehensive tax levy on manufacturing, sale and consumption of goods and rendering of services at national level. The centre would levy and collect central goods and services tax (CGST). The state would levy and collect state goods and services (SGST). The centre would also levy and collect the integrated goods and services tax (IGST).

This works something like that tax is collected on valued-added in goods and services at each stage of sale or purchase in the supply chain. The system allows set-off of taxes paid at earlier stage in the supply chain. However the ultimate burden of tax falls on final users of

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goods and services. Because every seller of goods and services recovers the tax from the buyer. But the ultimate users are not in a position to resell the goods and services and recover the tax.

WHY GST:

1. The present taxation system is like that there is no credit mechanism in between taxes levied by state and the centre.
2. Administration mechanism of the centre and states in some states are different.
3. Sum of multiple taxes like VAT, CST, entertainment tax etc.

Tax rate under GST:

The GST rate is still not decided. Probably the rate will be around 20%. In addition the proposed: Tax rate on necessary goods is kept low. Tax rate on general segment goods is kept medium. And higher tax will be charged on premium segment goods.

Taxes and duties which will merged under GST:

Following duties and taxes are merged under GST:

1. Value added tax.
2. Central sales tax.
3. Entertainment tax.
4. Excise duty.
5. Service tax.
6. Additional custom duty (CVD).
7. Special additional custom duty (SAD).
8. And some other taxes.

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Benefits of GST:

1. More transparency in the taxation system.
2. Lower working capital.
3. Return file for less number of times.
4. Increase the growth of country.
5. Lower tax on necessary goods.

Comparison between pre and past GST scenarios:

In the present taxation system various taxes are levied on goods and credit one tax paid is not allowed as set-off for other. But on the application of GST all these taxes will be merged in a single tax called Goods and Services Tax. And taxes paid at one stage are allowed as set-off on other stage.

Conclusion: All goods and services, except alcoholic liquor for human consumption, will be brought under under the purview of GST. However, it has also been provided that petroleum products shall not subject to the levy of GST. It a transparent tax as business premises can show can show the tax imposed in the sales invoice while consumers will know exactly how much tax he or she is paying on the "goods bought and services rendered".

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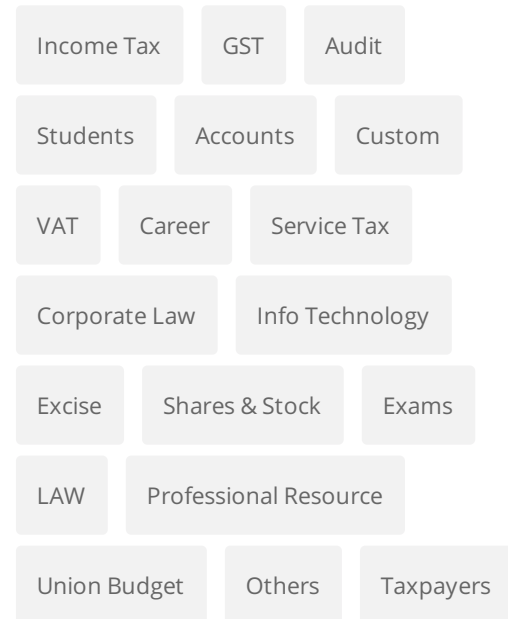
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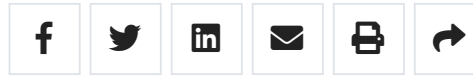





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