GST AN OVERVIEW

Introduction

The most awaited Tax reform in our country since the financial year 2006-07 is GST (ie.*Goods and Service Tax),* when it was first mooted by the then Union Finance Minister in his budget speech, was brought into reality by the present government after so many struggles and conflicting interest. This great indirect tax reform will bring all large state and central tax into one single bucket, which would mitigate cascading and double taxation to a larger extent.

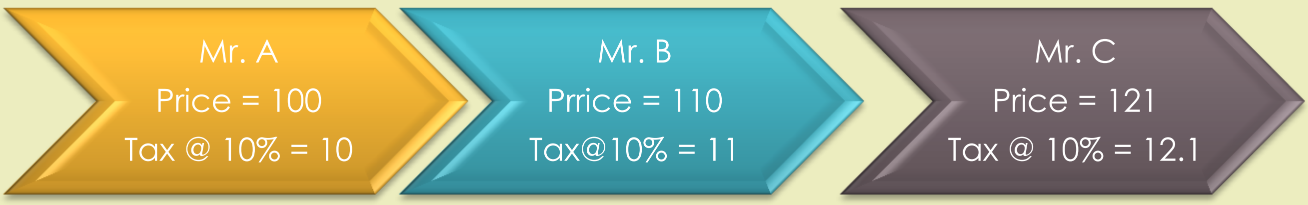
What do you mean by GST?

The abbreviation for GST is Goods and Service Tax, which mean tax on supply of good and service for the purpose of consumption, which is the main principle against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.

How GST is different from current indirect tax structure?

Presently we are following VAT (*Value added tax)* system in indirect tax, which to some extent resolved the problem of cascading and double taxation, after introduction of GST in full-fledged manner we will be able to resolve double taxation to huge extent.

<u>Explanation how GST will overcome VAT demerits</u>



Suppose Mr. A sells goods to Mr. B and charges sales tax, and then Mr. B re-sells those goods to Mr. C after charging sales tax. While Mr. B was computing his tax liability on tax paid by him for purchase also, which is tax on tax issue has been resolved by introducing VAT whereby every next stage person gets credit of the tax paid at earlier stage. Similar concept came in Excise Duty and Service Tax also, which is called CENVAT credit scheme.

However, there are still problems with the system that have not been solved till date which are as follows.

- The credit of Input VAT is available against Output VAT only. The credit of input excise/service tax is available against output excise/service tax only. *However, the credit of VAT is not available against excise and vice versa.*

- VAT is computed on a value which includes excise duty. This shows that there is still a tax on tax!

GST will subsume all indirect taxes, except Custom Duty that will be continue to be charged even after the introduction of GST. India will adopt dual GST Model to tackle the above deficiency of existing indirect tax model.

Dual GST Model

Particular	**GST Model**	**Existing Model**
Sale within the state	SGST and CGST	VAT & Excise/ Service Tax
Sale outside the state	IGST	CST & Excise / Service Tax

After adopting dual GST Model availment of input credit will not be a problem through which we can bring down the cascading effect even to nil.

Advantages of GST Model

- ✓ Due to full and seamless credit on input is available which will bring down the product price.
- ✓ Increase in Government Revenue.
- ✓ Less compliance and procedural cost.

Conclusion

GST is a very good type of indirect tax system, which will certainly bring down the inflation of our economy and also government will generate more revenue to meet our fiscal deficit.

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