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Goods and Services Tax in India

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Introduction

Goods and Services Tax in India (**GST**) replaced multiple indirect taxes that were levied on different goods and services. The Central Board of Indirect Taxes and Customs (CBIC) is the regulatory body governing all changes and amendments regarding this tax. Goods and Services Tax was first introduced in the Budget Speech presented on 28th February 2006. It laid the foundation for a complete reform in India's indirect tax system. Finally implemented on 1st July 2017 as Goods and Services Tax Act, the indirect taxation system thus went through a chain of amendments since its inception. Goods and Services Tax (GST) is among the big tax reforms introduced in the history of the Indian fiscal evolution. In addition to the exceptional impact GST has on the economic growth of the country and the way business is done in India.

What Are the Goods and Services Tax (GST)?

The goods and services tax (GST) are a value-added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services. Goods and Services Tax is a destination-based, multi-stage, comprehensive tax levied at each stage of value addition. Having replaced multiple indirect taxes in the country, it has successfully helped the Indian Government achieve its 'One Nation One Tax' agenda. The **GST** rates on different goods and services are uniformly applied across the country. Goods and services have, however, been categorised under different slab rates for tax payment. While luxury and comfort goods are categorised under higher slabs, necessities have been included in lower

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and nil slab rates. The main aim of this classification is to ensure uniform distribution of wealth among residents of India.

Goods and services taxed by both the governments-

In the earlier regime where services were taxed by the central government, sale of goods was taxed exclusively by the states and the manufacturer was taxed only by the central government, GST allows equal opportunity to the centre and the state to tax all supplies of goods and services at the same time. This demonstrates the true federal.

The Components of Goods and Services Tax

Goods and Services Tax comprises three components applicable, basis the centre, the state and integrated levy-

- CGST – Central Goods and Services Tax is collected by the central government on sales conducted intra-state.
- SGST – State Goods and Services Tax is collected by the state government on the sale of goods and services within a particular state as well.
- IGST – The central government collects Integrated Goods and Services Tax on sales affected inter-state.

List of indirect taxes imposed by the central government that were subsumed by Goods and Service Tax-

- Central Sales Tax
- Service Tax
- Central Excise Duty
- Excise Duty (Additional)
- Countervailing Duty or Additional Customs Duty
- Special Additional Customs Duties

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List of indirect taxes imposed by the State government that were subsumed by Goods and Service Tax-

- State VAT
- Entry Tax and Octroi Duty
- Luxury Tax
- Amusement and Entertainment Tax
- Taxes on Advertisements
- Goods and services related to cess and surcharges
- Purchase Tax
- Tax on betting, lottery and gambling.

Conclusion-

The previous system with no GST implies that tax is paid on the value of goods and margin at every stage of the production process. This would translate to a higher amount of total taxes paid, which is carried down to the end consumer in the form of higher costs for goods and services. The implementation of the GST system in Indiais, therefore, a measure that is used to reduce inflation in the long run, as prices for goods will be lower.The main objective of incorporating the GST was to eliminate tax on tax or double taxation. which cascades from the manufacturing level to the consumption level.

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