

## Introduction to Goods and Services Tax - GST

As we all know change is evitable and very important for an individual as well as society because change leads to development and development leads to civilization. As far as changes are concerned in terms of tax system in India, GST (Goods and Services Tax) is being hailed as a milestone in the history. GST was the outcome of the constitution amendment (101<sup>st</sup> Amendment) Act, 2016. This amendment was passed by the Rajya Sabha on 03.08.2016 and by Lok Sabha on 08.08.2016. The tax came into effect from July 1,2017 though the implementation of the said amendment act by the Indian government. GST is an indirect tax levied on the sale of goods and services on all stages right from manufacture up to final consumption. Each person being the part of this chain has to pay tax with credit of taxes paid at previous stages available as setoff by the next person in the chain. Concisely, it is destination-based tax whose burden is to be borne by the final consumer only. GST is based on the agenda of one nation one tax, which means that the rate of tax will be uniform throughout the territory of India but subject to some reasonable restriction made by the concerned council. Goods and Services Tax are divided into five slabs i.e. 0%, 5%, 12%, 18% and 28%. GST Council is vested with the power to decide the tax slab for all kind of goods and services. India being a federal country in which government is on two levels i.e. Centre as well as State and both the government have been vested with the power to levy and collect taxes through appropriate legislation. Further, it is actually a culmination of three taxes – Central Goods and Service Tax (CGST), Integrated / Interstate Goods and Service Tax (IGST) and State Goods and Service Tax (SGST). Thus, for the smooth working between centre and state Article 246A was inserted which empowers the Centre and the State to levy and collect the GST.

Prior to GST, there were many indirect tax prevailing in India i.e. Service Tax, Excise Tax/Duty, Sales Tax/VAT, Central Sales Tax, Additional Taxes: (Manufacturing Tax, Selling Tax and Service tax) and Custom Act (for import & Export). Thus, by adding all the above takes the Goods and Service Tax evolved. It is based on the agenda of One Nation, One Tax. The said tax will be levy on supply of goods and services. According to J.S. Mill “Indirect taxes are those which are demanded from one person in the expectation that he shall indemnify himself at the expense of another”. These taxes can be shift from one person to another till it is ultimately Consumed.

**For Example: -**

Manufacturer → Distributor → Whole Seller → Retailer → Consumer  
 G.A.+Tax → T.A → T.A → T.A. → T.A

In the above example, Firstly Manufacturer paid the tax on the goods to the government. When the said goods get manufacture, then manufacturer sell it to distributor including the amount of Tax paid by him. Let's say Goods Amount(GA) is =100 and tax paid by manufacturer is = 5 so the amount on which he has sell it to distributor is 105 (T.A.= Total Amount). Further, the said distributor sells it to whole seller and then whole seller sell it to Retailer and finally retailer sell it to the consumer. It is evident by the above example, that the tax is finally paid by the consumer and every other person present in the chain gets the amount on tax back from the preceding person.

**Enactments related to GST: -**

The central government passed four set of Act for the smooth and effective working of GST in India. The said acts are as following:

1. The Central Goods and Services Tax Act, 2017 (The CGST Act) **The CGST Act** makes provisions for levy tax on **intra-state** supply of goods or services or both by the Central Government.
2. The Integrated Goods and Services Tax Act, 2017 (The IGST Act) **IGST Act** makes provisions for levy and collection of tax on **inter-state** supply of goods or services or both by the Central Government.
3. The Union Territory Goods and Services Tax Act, 2017 (The UTGST Act) makes provisions for levy on collection of tax on **intra-UT** supply of goods and services in the Union Territories without legislature. Union Territory GST is akin to States Goods and Services Tax (SGST) which shall be levied and collected by the States/Union Territories on intra-state supply of goods or services or both
4. The Goods and Services Tax (Compensation to the States) Act, 2017 (The Compensation Act) This Act provides for **compensation** to the states for loss of revenue arising on account of implementation of the goods and services tax for a period of **five years** as per section 18 of the Constitution (One Hundred and First Amendment) Act, 2016.