

GST - An Introduction

1. Taxation System in India :

- Purpose of Taxation :

To fund public expenditure & fulfill socio-economic objectives.

- Types of Taxes in India :

Tax Type	Definition	Examples
Direct Tax	Paid directly by taxpayers to the government	Income tax
Indirect Tax	Levied on goods/services, collected by intermediaries	GST, Custom Duty

- Taxation Before GST :

India had multiple indirect taxes at both Central & state levels.

Examples :

- Central level : Excise Duty, Service Tax, CVD, Special CVD
- State level : VAT, CST, Entry Tax, Luxury Tax, Entertainment Tax

• Why GST?

- To eliminate the cascading effect of taxes.
- To create a unified national market by replacing multiple taxes.

2. Genesis of GST in India:

Year	Event
2000	GST concept proposed; Committee formed.
2006	Announced in Union Budget for implementation by 2010.
2014	Constitution (122 nd Amendment) Bill tabled in Parliament.
2016	Constitution (101 st Amendment) Act, 2016 enacted.
2017	GST laws passed; implemented on 1 st July 2017.

Legislations Passed:

Law	Purpose
CGST Act, 2017	Central GST
SGST Act, 2017	State GST
UTGST Act, 2017	Union Territory GST
IGST Act, 2017	Inter-state GST
Compensation Cess Act	Compensation to states for revenue loss

3. Concept of GST :

• Key features :

- i) GST = Value Added Tax on supply (G&S)
- ii) No Cascading Effect (Tax on Tax eliminated)
- iii) Destination - Based Tax (Tax collected where G/s are consumed).
- iv) Comprehensive ITC (Input Tax Credit) mechanism.

Example

Calculation	State	Value	IGST	IGST paid to Govt	Tax paid to Govt
Manufacturer → Dist	10000	10000	18000	-	18000
Dist → Retailer	11200	11200	20016	18000	2016
Retailer → C	135840	135840	24451	20016	6435
				Total tax paid	24451

Example : GST Calculation

Stage	Value	GST (18%)	ITC	Tax paid to Govt
Manufacturer → Distributor	1,00,000	18,000	-	18,000
Distributor → Retailer	111,200	20,016	18,000	20,16
Retailer → Consumer	135840	24451	20016	4435
Total Tax Paid				24451

4. Need for GST in India :

- Problems in Pre-GST Regime :

Issues	Example
Double Taxation	Software taxed as Goods Separately.
Cascading of Taxes	Excise Duty & VAT charged on the same value.

No Cross Utilization
of ITC

Excise credit couldn't
be set off against
VAT.

Multiple Taxes

Entry Tax, Luxury Tax,
Entertainment Tax, etc.

• How GST Solves These Issues?

- Removes Multiple Taxes : Merges 17 indirect taxes.
- Eliminates Cascading : ITC available across supply chain.
- Streamlined Compliance : Single Registration, Return & Payment.



5. Framework of GST in India :

I Dual GST Model :

Type of GST	Levy & Collection By	Application On
CGST	Central Govt	Intra-state Supply

SGST / UTGST	State / UT Government	Intra-state Supply
IGST	Central Government	Inter-state Supply

II Legislative Structure :

- CGST Act : One single law for the Centre.
- SGST Act : Separate for each state.
- IGST Act : Applicable to Inter-state supply.

III. GST Registration Threshold

North East & special Category state	- ₹ 10 lakh
Other states (Services & Mixed Supply)	- ₹ 20 lakh
Other states (Goods only)	- ₹ 40 lakh

IV. Composition Scheme (for Small Taxpayers) :

- Eligibility : T/O upto ₹ 1.5 cr (₹ 75 lakh for North-Eastern states).
- Tax Rates :
 - Manufacturers : 1%.
 - Traders : 1%.
 - Restaurants : 5%.
- Benefits :
 - Simplified return filing & reduced compliance burden.

6. GST Common Portal :

- www.gst.gov.in → Single portal for :
 - i) Regⁿ
 - ii) Return filing
 - iii) Tax Payment
- E-way Bill Portal →
 - www.ewaybillgst.gov.in (for movement of goods)
- Invoice Registration Portal (IRP) → for e-invoices

7. Constitutional Provisions :

Key Articles Related to GST

Article	Provision
Article 265	No tax without authority of tax.
Article 246 A	Centre & States have power to levy GST.
Article 269 A	IGST on inter-state trade
Article 279 A	formation of GST Council.

8. GST Council :

Members	Role
Union finance Minister	Chairperson
State finance Ministers	Members
Minister of State for Revenue	Member

Functions :

Decides tax rates, exemptions & compliance procedures.

9. Benefits of GST :

Category	Benefit
for Economy	Unified market, boosts 'Make in India'.
for Business	Simplified compliance, no multiple taxes.
for Consumers	Lower prices due to reduced tax burden.
for Government	Highest tax compliance & revenue collection

★ Conclusion :

- GST is India's biggest tax reform aimed at "One Nation, One Tax".
- Removes inefficiencies of the previous tax system.