**GOODS AND SERVICE TAX**

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**INTRODUCTION**

There is number of taxes being levied on very same transaction by Central Government, State Government or local authority. The taxable event in each case is different. However, the major sources of income of Government from taxation are from excise duty levied on manufacture of goods, customs duty levied on importation of goods, service on rendering of service and VAT levied on sale of goods.

The Central Government did not have power to levy tax on sale of goods and the State Governments did not have power to levy duty / tax on manufactures of goods or rendering of service. Therefore, Constitution of India has been amended to provide powers to both Central Government and State Governments to levy tax on goods and services on activities.

To address all these and other issues, the Constitution (122nd Amendment) Bill was introduced in the 16th Lok Sabha on 19.12.2014. The Bill provides for a levy of GST on supply of all goods or services except for Alcohol for human consumption. The tax shall be levied as Dual GST separately but concurrently by the Union (central tax – CGST) and the states (including Union) Territories with legislatures) (State tax – SGST) / Union territories without legislatures (Union territory tax – UTGST). The Parliament would have exclusive power to levy GST (integrated tax – IGST) on inter- State trade or commerce (including imports) in goods and services. The Central Government will have the power to levy excise duty in addition to the GST on tobacco and tobacco products. The tax on supply of five specified petroleum products namely crude, high speed diesel, petrol, ATF and natural gas would be levied from a later date on the recommendation of GST Council.

**CONSTITUTIONAL AMENDMENT**

The assignment of concurrent jurisdiction to the Centre and the States for the levy of GST would require a unique institutional mechanism that would ensure that decisions about the structure, design and operation of GST are taken jointly by the two. For it to be effective, such a mechanism also needs to have Constitutional force. Constitution (One Hundred and First) Amendment Act, 2016: The Constitution Amendment Bill was passed by the Lok Sabha and Rajya Sabha in August, 2016. Further the bill had been ratified by required number of States and received assent of the President on 8th September, 2016 and has since been enacted as Constitution (101st Amendment) Act, 2016 w.e.f. 16th September, 2016.

**ACTS AND RULES**

For smooth functioning of GST the Central Government has passed CGST & IGST Acts. Similarly respective states & Union territories have passed SGST/UTGST Acts. CGST enables Centre to collects tax which is the Centres share and SGST enables states to collect which is the States share. IGST is on interstate movement of goods/ services.

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| Parliament has enacted following four Acts:   1. CGST Act, 2017 2. IGST Act, 2017 3. Union Territory GST Act, 2017 4. Goods and Service Tax compensation to state Act, 2017 and SGST Act, 2017 shall be enacted by state legislature. |

**SALIENT FEATURES OF GST:**

1. GST would be applicable on “supply” of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.
2. GST would be based on the principal of destination based consumption taxation as against the present principal of origin based taxation.
3. It would be a dual GST with the Centre and the States simultaneously levying it on a common base. The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by the States [including Union Territories with legislature] would be called State GST (SGST). Union territories without legislature would levy Union territory GST (UTGST)
4. An Integrated GST (IGST) would be levied on inter- State (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted.
5. Imports of goods would be treated as inter- State supplies and would be subject to IGST in addition to the applicable customs duties.
6. Import of services would be treated as inter- State supplies and would be subject to IGST.
7. CGST, SGST / UTGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States under the aegis of the GSTC.
8. GST would replace the following taxes currently levied and collected by the Centre:
9. Central Excise Duty;
10. Duties of Excise (Medicinal and Toilet Preparations);
11. Additional Duties of Excise (Goods of Special Importance);
12. Additional Duties of Excise (Textiles and Textile Products)Additional Duties of Customs (commonly known as CVD);
13. Special Additional Duty of Customs (SAD);
14. Service Tax;
15. Cesses and surcharges insofar as they relate to supply of goods or services.
16. State taxes that would be subsumed within the GST are:
17. State VAT;
18. Central Sales Tax
19. Purchase tax;
20. Luxury Tax;
21. Entry Tax (All forms);
22. Entertainment Tax (except those levied by the local bodies);
23. Taxes on advertisements;
24. Taxes on lotteries, betting and gambling;
25. State cesses and surcharges insofar as they relate to supply of goods and sevices.
26. GST would apply to all goods and services except Alcohol for human consumption.
27. GST on five specified petroleum products (Crude, Petrol, Diesel, ATF & Natural gas) would be applicable from a date to be recommended by the GSTC.
28. Tobacco and tobacco products would be subject to GST. In addition, the Centre would continue to levy Central Excise Duty.
29. The list of exempted goods and services would be kept to a minimum and it would be harmonized for the Centre and the State as well as across States as far as possible.
30. Exports would be zero-rated.
31. Various modes of payment of tax available to the taxpayer including internet banking, debit / credit card and National Electronic Funds Transfer (NEFT) / Real Time Gross Settlement (RTGS).
32. An anti-profiteering clause has been provided in order to ensure that business passes on the benefit of reduced tax incidence on goods or services or both to the consumers.

**RATE OF GST**

Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122nd Amendment Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the 0%, 5%, 12%, 18% and 28% rates. There is a special rate of 0.25% on rough precious and semi- precious stones and 3% on gold. In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country’s 2 trillion dollar economy.

**GST ADMINISTRATION IN INDIA**

Keeping in mind the federal structure of India, there are three components of GST- Central GST (CGST), State GST (SGST)/ (UTGST) and Integrated GST (IGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST) and States / Union Territory would levy and collect the State Goods and Services Tax (SGST) / (UTGST) on all transactions within a State / Union Territory. Similarly, Integrated GST (IGST) will be levied and administered by Centre on every inter- state supply of goods and services, which is the aggregate of CGST and the SGST of the destination state. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST / UTGST paid on inputs would be allowed for paying the SGST / UTGST on output. No cross utilization of credit would be permitted.

**BENEFITS OF GST**

* **For business and industry**

1. Easy compliance: A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.
2. Uniformity of tax rates and structures: GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business.
3. Removal of cascading: A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.
4. Improved competitiveness: Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.
5. Gain to manufacturers and exporters: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

* **For Central and State Governments**

1. Simple and easy to administer: Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.
2. Better controls of leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.
3. Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.

* **For the consumer**

1. Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.
2. Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.