

Basics of GST: (Goods and Service Tax)

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Abstract: Before the implementation of GST in India, there are several indirect taxes applied on goods and services by central and state government. GST includes all these taxes in to one common structure. Which implementing GST, there are several socialist cries from all over India; this is the major issue with regard to GST. Majority of the people are unaware of this concept. Its meaning, background, how it differs from old taxation system, all are given in this paper.

Keywords: Central & State taxes, History of taxes, Component of taxes, Exempted items, Rate of commonly used items

1. Introduction

Tax is a mandatory in charge imposed upon an individual/entity by government in order to finance various public expenditure. Taxes are the main income of each & every Govt.

GST is an indirect tax which makes India a unified common market. It is implemented in India on 1st July 2017. Taxes paid at each stage of trade will be available in subsequent stages of value addition as input credit off. That means final consumer will bear only the GST charged by the last dealer in the supply chain. It has replaced various indirect taxes.

Central Taxes	State Taxes
Central Excise Duty.	VAT.
Additional Duties of Customs.	Sales Tax.
Special Duties of Customs.	Entertainment & Amusement Tax.
Service Tax.	Tax on Lotteries.
	Luxury Tax.
	Octroi.

2. History

GST is being introduced in our country after 13 years, since it was first discussed in Kelkar Task Force on indirect taxes.

- It is recommended by Kelkar Committee in the FY 2003-14.
- A proposal was introduced in central budget on 2007-2008.
- Assigned this report to Empowered committee of state finance minister (EC).
- NDA Government tabled the bill in parliament on 19th Dec 2014.
- Loksabha passed the bill on 3rd Aug 2016.
- It is implemented from 1st July 2017.

3. Components of GST

In India central & state Government have the power to levy & collect taxes. GST includes 3 elements,

- CGST (Central)-To be charged by the central government.
- SGST (State) - To be charged by the state government.
- IGST (Integrated)-It is to be charged & levied by central government and given to purchasing state.

Objectives of GST

- 1) To reduce tax on tax or cascading effect of tax.

- 2) To reduce competition.
- 3) To ensure input credit across value chain.
- 4) To reduce complication in tax.
- 5) To provide a unified law for tax administration.

4. Benefits of GST

- a) **To the consumer/Industry.**
 - It ensures transparent dealings.
 - Uniformity in tax structure.
 - It helps to reduce hidden cost of doing business.
 - It ensures healthy competition.
- b) **To the Government.**
 - Easy & simple to administer.
 - Better control of leakages.

5. Lists of exempted items

- Bread
- Butter milk
- Curd
- Gandhi Topi
- Eggs
- Firewood
- Contraceptives
- Hearing aids
- Blood
- Hand operated agricultural equipments, etc...

Rates under GST

The recommence GST rates are generally grouped in to 5%,12%,18% & 28%

Items comes under,

- 3% = Gold ornaments.
- 5% = Mahanadi, Pvt LPG for domestic uses, Hotel food.
- 12% = Used motor vehicles, Drinking water, Bio diesel.
- 18% = Buses for public transportation.
- 28% = Luxury items, Car.

Problems of GST

- 1) The cost of GST is vague in all sector. This is the main limitation of GST.
- 2) Increased cost.
- 3) There is no clear mechanism to control tax evasion.
- 4) Lack of adaptation and trained staff.

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5) SME have to bear high tax burden.

6. Conclusion

GST is a new reform, so limitations are general, if time passes, all those hindrances will disappear.

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