

# Goods and Services Tax (GST) - Difference between Previous Tax Structure and GST

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**Abstract :** This study has been undertaken to investigate the determinants of GST and Difference between Previous Tax Structure and GST.

**GST- CGST- SGST- IGST- UTGST- Green GST**

## 1. Introduction

### What is Goods and Services Tax (GST)?

GST stands for “Goods and Services Tax”, and is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. Its main objective is to consolidate all indirect tax levies into a single tax, except customs (excluding SAD) replacing multiple tax levies, overcoming the limitations of existing indirect tax structure, and creating efficiencies in tax administration.

Simply put, goods and services tax is a tax levied on goods and services imposed at each point of sale or rendering of service. Such GST could be on entire goods and services or there could be some exempted class of goods or services or a negative list of goods and services on which GST is not levied. GST is an indirect tax in lieu of tax on goods (excise) and tax on service (service tax). The GST is just like State level VAT which is levied as tax on sale of goods. GST will be a national level value added tax applicable on goods and services.

A major change in administering GST will be that the tax incidence is at the point of sale as against the present system of point of origin. According to the Task Force under the 13th Finance Commission, GST, as a well designed value added tax on all goods and services, is the most elegant method to eliminate distortions and to tax consumption.

One of the reasons to go the GST way is to facilitate seamless credit across the entire supply chain and across all States under a common tax base. It is a tax on goods and services, which will be levied at each point of sale or provision of service, in which at the time of sale of goods or providing the services the seller or service provider can claim the input credit of tax which he has paid while purchasing the goods or procuring the service. This is because they include GST in the price of the goods and services they sell and can claim credits for the most GST included in the price of goods and services they buy. The cost of GST is borne by the final consumer, who can't claim GST credits, i.e. input credit of the tax paid.

**Example:** A product whose base price is ₹ 100 and after levying excise duty @ 12% value of the product is ₹ 112. On sale of such goods VAT is levied @ 12.5% and value to the ultimate consumer is ₹ 126. In the proposed GST system on base price of ₹ 100 CGST and SGST both will be charged, say @ 8% each, and then the value to the ultimate consumer is ₹ 116. So, in such a case the industry can better compete in global environment.

## 2. TYPES OF GST

Indian economy is highly diverse due to numerous industries operating in different sectors having the different location, supply chain and target consumers. To understand the detailed impact of GST, let's discuss its types-

### 1. Central Goods & Service Tax (CGST)

As per the Central Goods & Services Tax Act 2016, CGST is the centralized part of GST that subsumes the present central taxations and levies- Central Sales Tax, Central Excise Duty, Services Tax, Excise Duty under Medical & Toiletries Preparation Act, Additional Excise Duties Countervailing Duty (CVD), Additional Custom Duty and other centralized taxations.

CGST is applicable on the supply of goods and services of standard services and commodities which can be amended periodically by a specialized body under the central government. The revenue collected under CGST belongs to the central government. The input tax is given to the state governments which they can utilize only against the payment of CGST.

### 2. State Goods & Services Tax (SGST)

SGST is an important part of GST. It stands for State Goods & Services Tax as per the 2016 GST bill. Various taxations and levies under the state authority are subsumed by SGST as one uniform taxation. It includes the amalgamation of State Sales Tax, Luxury Tax, Entertainment Tax, Levies on Lottery, Entry Tax, Octroi and other taxations related to the movement of commodities and services under state authority through one uniform taxation- SGST.

Revenue collected under SGST belongs to the State Government. However, the mainstream framework of the state governing body will be supervised by the central government. Each state will be having their own State Authority to collect SGST.

### 3. Integrated Goods & Services Tax (IGST)

GST focuses on the concept of one tax, one nation. IGST stands for Integrated Goods and Services Tax which is charged on the supply of commodities and services from one state to another state. For example, if the supply of goods and services occurs between Gujarat and Maharashtra, IGST will be applicable.

Under Article 269A of the Indian Constitution, the inter-state trade and commerce activities that involve the movement of commodities and services shall be levied with an integrated tax (IGST) under the GST regime. The Government of India will collect the revenue under IGST. Further changes can be made by the Goods and Services Tax Council of India.

#### 4. Union Territory Goods & Services Tax (UTGST)

As we have already learned about CGST and SGST which are intra-state taxations and IGST which is inter-state, the union territories in India are accounted under a specialized taxation called Union Territory Goods and Services Tax as per the GST regime 2016. It will subsume the various taxations, levies and duties with one uniform taxation in Union Territories as well.

Delhi (India's Capital Territory), Chandigarh, Dadra & Nagar Haveli, Andaman & Nicobar Islands, Daman & Diu, Lakshadweep and Puducherry are the prominent union territories in India. UTGST will account for all the taxations under these union territories in India. The parliament is looking forward to implement a separate act to impose and supervise GST in Union Territories under the name of UTGST act. The bill will be presented in respective union territories for further changes in the implementation of GST.

#### 3. Difference between Previous Tax Structure and GST



With an aim of simplifying tax structure in India, GST proposes to remove the geographical obstacles for trading, and transforming the entire nation to 'One Common Market Place.' While it is believed that the 'One Nation-One Tax' regime is paving path towards a better economy of our country, questions related to how is this reform going to be any better than the earlier tax transformations India has seen over the past years (VAT-Service Tax-Excise), is a matter of concern. How is the new tax structure going to effect the consumer and the impact it will have on various sectors?

#### 4. We de-code this myth by listing down key differences between GST and the previous tax structure.

##### 1. Broad scheme

Previously, there were separate laws for separate levy. For instance, Central Excise Act, 1944, respective State VAT laws etc. With GST regime, there will only be one such law, as GST will subsume various indirect taxes.

Subsumed in GST	Not subsumed in GST
Service Tax	Electricity Duty
VAT/ Sales Tax	Basic Customs Duty
Central Tax	Toll Tax
Entertainment Tax	Alcohol for human consumption
Tax on Lottery	Property Tax
Luxury Tax	
Purchase Tax	
Entry Tax	

##### 2. Tax Rates

The previous tax regime had separate rates, such as, Excise @ 12.36 % and Service Tax @ 14%. With GST, there is only one CGST rate and a uniform rate of SGST across all states.

##### 3. Cascading Effect

Credit of CST and various other indirect taxes isn't allowed in the previous tax structure, whereas under GST the entire concept of CST has been eliminated with introduction of IGST.

##### 4. Tax burden on Tax Payer

Previously the tax burden on tax payer was considerably high. With GST on board, tax burden has reduced significantly since all taxes are integrated, and the burden is split equitably between manufacturing and services.

## 5. Cost Burden on Consumers

Certain taxes became part of cost due to presence of cascading effect. But, with the simple mechanism of GST, cost burden has reduced by removing such effect and providing credit.

## 6. Concurrent Power

Pre-GST, there was no such power to both Centre and State on same subject tax matter. With GST on board, both Centre and State are vested with the concurrent power to make laws with respect to goods and services tax, as proposed in Article 246A of the Constitution. The intra-state trade now comes under the jurisdiction of both centre and state; while inter-state trade and commerce is “exclusively” under central government jurisdiction.

## 7. Compliance

Previously, tax compliance was complicated owing to the multiplicity of laws and their provisions to be followed. With GST, tax compliance would be much easier, as only one law subsuming other taxes would need to be followed.

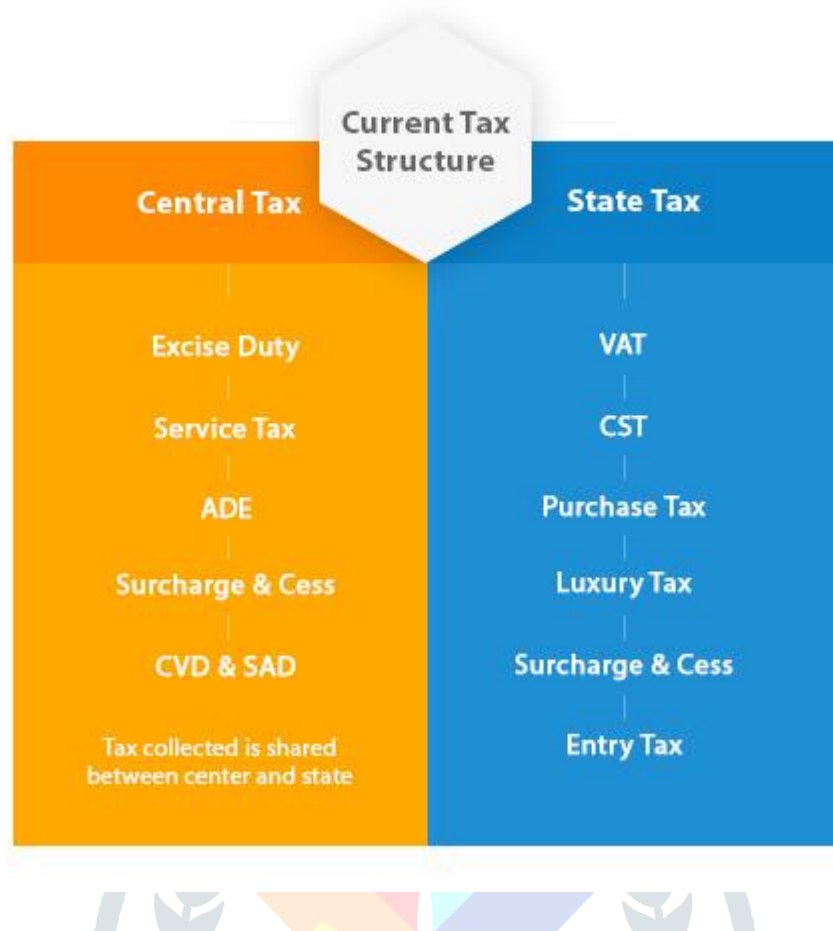
## 8. Transparent Tax Administration

Previously, tax was levied at two stages in broad manner production and consumption, i.e., when product moves out of factory. and also at retail outlet. GST is to be levied only at final destination of consumption and not at various points. This brings more transparency and corruption free tax administration.

Take a look at the graphic mentioned below. It highlights the fundamentals of GST, a dual concept tax system. Under this system, tax is administered, collected, and shared by both the Centre and the State governments, based on the nature of transaction (within the state or interstate).



## 5. The Indirect Tax Structure pre-GST:-



All the above mentioned indirect taxes have been subsumed to bring about a new tax reform – Goods and Services Tax (GST). Whether you are a Buyer or supplier, GreenGST helps you file and reconcile taxes with absolute ease.

# GST

**One Tax. One Nation.**



**Fastest & Simplest  
GST filing solutions**

## 6. What is Green GST?

It is one of the best GST-ready accounting software that you will find in the market. While it meets all the above mentioned characteristics of an ideal GST software, it also ensures 100% accuracy in your business' inventory management, supply chain management, accounting and finance management work. Green GST is a cloud-based software, that is armed with a team of experts from Moglix – a hub of supply chain and operations. Together we are here to serve businesses, devoted to manage all your tax work and make your lives very serene, very green.

## 7. CONCLUSION

GST will surely boost the country's economic growth and ease of doing business in overall industrial sectors. The significant types- CGST, SGST, IGST and UTGST will provide a smooth mechanism of tax collection for the respective central, state and union territory governments of India. It will begin a new phase in India's economy by providing logistics and supply chain efficiency and state-based parity that the country requires the most.

If any person want to further study than study about **Green GST..... and comparison about that it.....**

### References;

- 1] <https://www.greengst.com>
- 2] <https://www.bankbazaar.com>
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