

GST : PRE AND POST GST TAX STRUCTURES IN INDIA

BHAGIRATH
Assistant Professor in Commerce
Pt. J.L.N. Govt. College Faridabad

❖ ABSTRACT:

Goods and Service Tax or GST as it is known is all set to be a game changer for the Indian economy. GST has replaced many Indirect Taxes in India. The concept of VAT is applying a tax only on the value added by each person at each stage; by allowing the person input credit of taxes paid upto his stage of procurement. Thus the tax is expected to reduce the concept of 'tax on tax', increase the gross domestic product of the economy and reduce prices. Overall it is known to be beneficial to both the consumer, business and the Government. In India, there are different indirect taxes applied on goods and services by central and state government. GST is intended to include all these taxes into one tax with seamless ITC and charged on both goods and services. Thus excise duty, special additional duty, service tax, VAT to name a few got repealed and added into GST. For this, GST have 3 parts – CGST, SGST and IGST. The central taxes like excise duty is subsumed into CGST and state taxes like VAT into SGST. For the introduction of GST in the above form, the Government needed to get the Constitution Amendment Bill passed so that the proposed objective of subsuming all taxes and allowing states to tax subjects in Union list and vice versa is achieved. Without these powers it was not legally possible to move towards GST. Thus going forward on all transactions of both goods and services, only one tax is applied which is GST comprising of CGST and SGST. IGST is applied instead of SGST for interstate transactions. Input credit of all these taxes is available against all the respective outputs. Conceptually GST is expected to have numerous benefits like reduction in compliances in the long run since multiple taxes are replaced with one tax. It is expected to bring down prices and hence the inflation since it will remove the impact of tax on tax and enable seamless credit. Thus the Constitution Amended Bill is passed the much awaited GST has introduced. Finally The Goods and Service Tax Act was passed in the Parliament on **29th March 2017**. **The Act came into effect on 1st July 2017.**

❖ Keywords:

Direct and Indirect Tax, GST Components, Tax Slab.

❖ Introduction

1. What is GST ?

“GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set of benefits from the producer's / service provider's point up to the retailers level where only the final consumer should bear the tax.”

It is a path breaking **indirect tax** reform which will create a common national market by dismantling inter-State trade barriers. GST has subsumed multiple indirect taxes like excise duty, service tax, VAT, CST, luxury tax, entertainment tax, entry tax, etc.

In India, the Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017.

2. Direct Tax and Indirect Tax

<i>Direct Tax</i>	<i>Indirect Tax:</i>
<p>Direct tax is a type of tax where the incidence and impact of taxation fall on the same entity.</p> <p>In the case of direct tax, the burden can't be shifted by the taxpayer to someone else. These are largely taxes on income or wealth. Income tax, corporation tax, property tax, inheritance tax and gift tax are examples of direct tax</p>	<p>An indirect tax is a tax that is paid to the government by one entity in the supply chain, but it is passed on to the consumer as part of the price of a good or service. The consumer is ultimately paying the tax by paying more for the product. An indirect tax is shifted from one <u>taxpayer</u> to another.</p>

❖ Objectives Of Study:-

1. To focus on Tax and it's types in India.
2. To highlight different types of GST Classes in India.
3. To Show pre and post structure of GST in India.

❖ Research Methodology:-

The paper process required a lot of attention to be paid. Research methodology is descriptive in nature. A vast amount of information collected and analyzed from research articles and meaningful information sourced from various secondary data sources such as, journals, newspapers, news channels, magazines, Government publications, reports, and internet websites.

Various GST Tax Slabs in India

No Tax / GST Slab of 0%

- Goods - No taxes will be levied on goods like milk, fruits, vegetables, bread, salt, bindi, curd, sindoor, natural honey, bangles, handloom, besan, flour, eggs, stamps, printed books, judicial papers, and newspapers.
- Services - All hotels and lodges who carry a tariff below ₹ 1,000 are exempted from taxes under GST.

GST Tax Slab of 5%

- Goods - The goods which will attract a taxation of 5% under GST include skimmed milk powder, fish fillet, frozen vegetables, coffee, coal, fertilizers, tea, spices, pizza bread, kerosene, ayurvedic medicines, agarbatti, sliced dry mango, insulin, cashew nuts, unbranded namkeen, lifeboats etc,
- Services - Small restaurants along with transport services like railways and airways, Standalone ACs non-ACs Restaurants and those which serve liquor, Takeaway Food, Restaurants in hotels with a room tariff less than ₹7,500 (no input credit for these restaurants), will come under this category.

GST Tax Slab of 12%

- Goods - Items coming are the tax slab of 12% include frozen meat products, butter, cheese, ghee, pickles, sausage, fruit juices, namkeen, tooth powder, medicine, umbrella, instant food mix, cell phones, sewing machine, man-made yarn, etc.
- Services - Business class air tickets will attract a tax of 12% under GST.

GST Tax Slab of 18%

- Goods - As mentioned above, most of the items are part of this tax slab. Some of the items are flavored refined sugar, cornflakes, pasta, pastries and cakes, detergents, washing and cleaning preparations, safety glass, mirror, glassware, sheets, pumps, compressors, fans, light fitting, chocolate, preserved vegetables, tractors, ice cream, sauces, soups, mineral water, deodorants, suitcase, brief case, vanity case, oil powder,

chewing gum, hair shampoo, preparation for facial make-up, shaving and after-shave items, washing powder, detergent, stones used in flooring, marble & granite, sanitaryware, leather clothing, wrist watches, cookers, stoves, cutlery, telescope, goggles, binoculars, oil powder, cocoa butter, fat, artificial fruits, artificial flowers, physical exercise equipment, musical instruments and their parts, stationery items like clips, some diesel engine parts, some parts of pumps, electrical boards, panels, wires, razor and razor blades, furniture, mattress, cartridges, multi-functional printers, door, windows, aluminum frames, .

- Services - Restaurants located inside hotels with tariffs of ₹7,500 and above, outdoor catering (input tax credit to be available), IT and Telecom services and financial services along with branded garments will be part of this tax slab.

GST Tax Slab of 28%

- Goods - Over 200 goods will be taxed at a rate of 28%. The goods which will be part of this category under GST are sunscreen, pan masala, dishwasher, weighing machine, paint, cement, vacuum cleaner. Other items include automobiles, hair clippers, motorcycles.
- Services - As mentioned above, five-star hotels, racing, movie tickets and betting on casinos and racing will come under this category

❖ Components of GST?

There are 3 taxes applicable under GST: **CGST, SGST & IGST.**

- **CGST:** Collected by the Central Government on an intra-state sale (Eg: Within Maharashtra)
- **SGST:** Collected by the State Government on an intra-state sale (Eg: Within Maharashtra)
- **IGST:** Collected by the Central Government for inter-state sale (Eg: Maharashtra to Tamil Nadu)

In most cases, the tax structure under the new regime will be as follows:

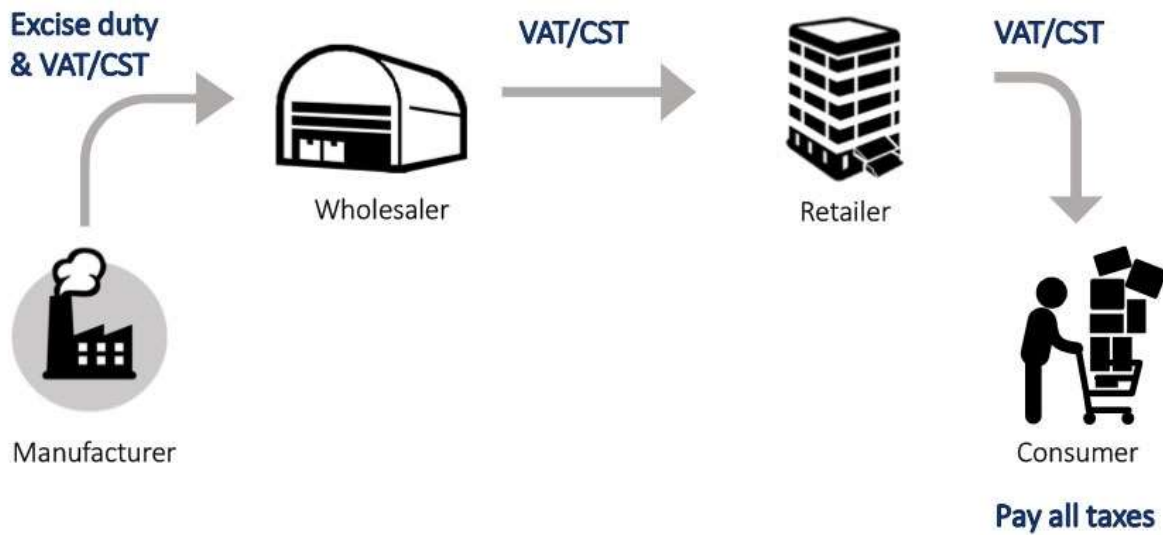
Transaction	New Regime	Old Regime	
Sale within the State	CGST + SGST	VAT + Central Excise/Service tax	Revenue will be shared equally between the Centre and the State
Sale to another State	IGST	Central Sales Tax + Excise/Service Tax	There will only be one type of tax (central) in case of inter-state sales. The Center will then share the IGST revenue based on the destination of goods.

❖ Objectives of GST

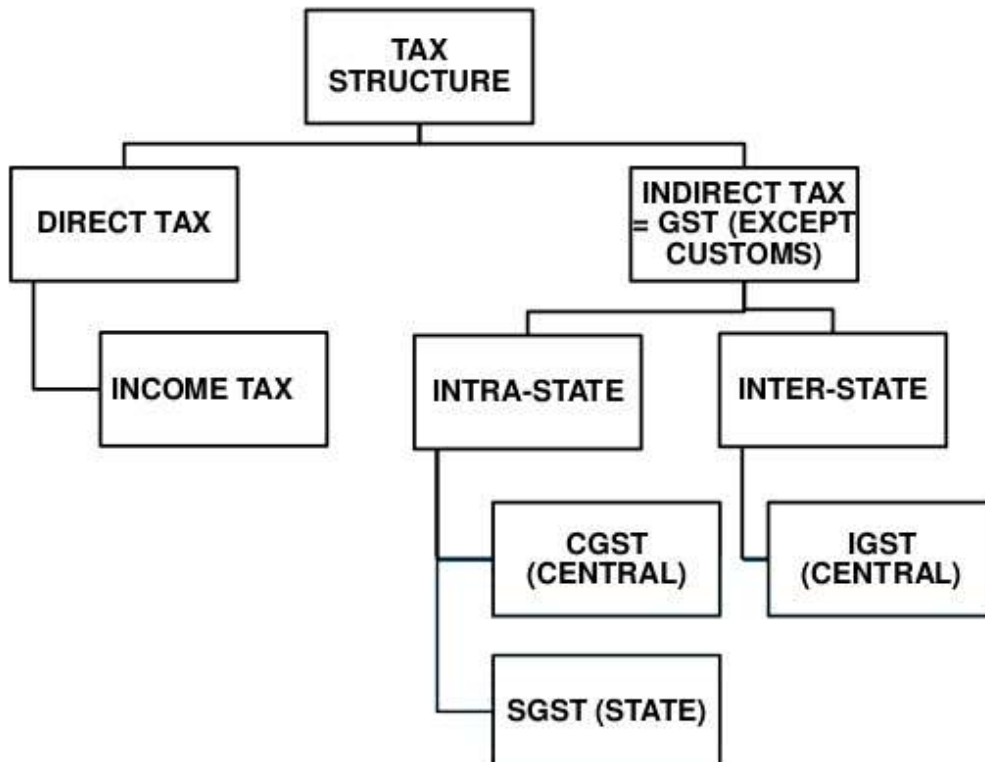
1. One Country – One Tax.
2. Consumption based tax instead of Manufacturing.
3. Uniform GST Registration, payment and Input tax Credit.
4. To eliminate the cascading effect of Indirect taxes on single transaction.
5. Subsume all indirect taxes at Centre and State Level under.
6. Reduce tax evasion and corruption.
7. Increase productivity.

- 8. Increase Tax to GDP Ratio and revenue surplus.
- 9. Increase Compliance.
- 10. Reducing economic distortions.

PRE-GST TAX STRUCTURE



PROPOSED GST TAXATION SYSTEM



❖ **Conclusion**

In view of above description we conclude that GST will plays master role in shaping taxation system easy. It is a revolutionary movement to boost up economic growth reducing tax burden and making smooth process. It will eventually meet the objectives of “One Nation One Tax” and clean India. In close future it will provide nation’s development with more GDP-more development projects-more strengths, Thus the tax is expected to reduce the concept of ‘tax on tax’, increase the gross domestic product of the economy and reduce prices. Overall it is known to be beneficial to both the consumer, business and the Government.

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