E-Resources on the topic of
"Computerised Accounting System and E-Filing of Tax Return"

For Students of 6th Semester,
B.Com. CBCS (HONOURS+GENERAL),
SEC 6.1 Chg
The University of Calcutta

by

Prof. Santosh Das

Assistant Professor
Department of Commerce
Harimohan Ghose College
Garden Reach, Kolkata - 700024

Study Material on Introduction to GST in India

Introduction to GST in India

Goods and Services Tax (GST) is a comprehensive, multi-stage, destination-based tax that is levied on every value addition to goods and services. It was introduced in India to replace a complex structure of indirect taxes and bring uniformity and simplicity to the taxation system. The aim of GST is to improve the ease of doing business and increase tax compliance, while simultaneously eliminating tax cascading (tax on tax).

Definition: Goods and Services Tax (GST) is a single tax on the supply of goods and services, which aims to simplify the indirect tax structure and reduce the overall tax burden.

Historical Background of GST in India

Before the introduction of GST, India had a complex system of indirect taxes levied by both the Central and State governments. Some of these taxes included:

- **Central Taxes:** Excise Duty, Service Tax, Customs Duty, etc.
- **State Taxes:** Value Added Tax (VAT), Sales Tax, Luxury Tax, Entertainment Tax, etc.

This resulted in a cascading effect, where taxes were levied on taxes, making the system inefficient and burdensome for businesses and consumers.

The idea of implementing a Goods and Services Tax was first discussed in the **1990s** by the then Finance Minister, **Dr. Manmohan Singh**, as part of economic reforms. The Goods and Services Tax Bill was introduced in Parliament in **2014** and passed by both houses in **2017**, paving the way for the implementation of GST on **1st July 2017**.

Key Features of GST

1. **One Nation, One Tax:**
   GST aims to create a unified national market by replacing a plethora of taxes with a single tax across India. This removes the barriers between states and simplifies the tax structure.
2. **Multi-Stage Taxation:**
   GST is a multi-stage tax levied at each stage of the production and distribution

process, with tax credit for taxes paid at earlier stages. This ensures that tax is paid only on the value addition at each stage.

3. **Destination-Based Tax:**
   The tax is collected at the point of consumption (destination), not at the point of origin (production). This means that the final consumer bears the tax burden.
4. **Comprehensive Coverage:**
   GST is applicable to both goods and services, ensuring that all aspects of consumption are taxed under the same regime.
5. **Tax Credit System:**
   GST allows businesses to claim input tax credit (ITC) for taxes paid on inputs (goods or services) used to manufacture or provide other goods and services. This ensures that tax is levied only on the value addition.

Types of GST in India

There are three main types of GST in India, based on the level of government that collects the tax:

1. **CGST (Central Goods and Services Tax):**
   This is the tax levied by the Central Government on intrastate (within a state) transactions. For example, if goods are sold within the state, both the state and central governments will collect taxes on the transaction.
2. **SGST (State Goods and Services Tax):**
   This is the tax levied by the State Government on intrastate transactions. It is paired with CGST in intrastate transactions to ensure that both levels of government receive tax revenue.
3. **IGST (Integrated Goods and Services Tax):**
   IGST is applicable on interstate transactions, i.e., transactions between two states or between a state and a union territory. It is collected by the central government but is later divided between the central and state governments.

GST Rates in India

GST in India follows a **rate structure** with different rates applied to different categories of goods and services. The tax rates are categorized as follows:

1. **0% Rate:**
   This rate is applicable to essential items such as grains, vegetables, and some services like healthcare and education.
2. **5% Rate:**
   This rate applies to common consumer goods like tea, coffee, edible oil, etc.
3. **12% Rate:**
   This rate applies to products like processed foods, consumer electronics, etc.
4. **18% Rate:**
   Products such as mobile phones, motor vehicles, and certain services fall under this category.

5. **28% Rate:**
   Luxury goods and services, such as high-end cars, tobacco, and aerated drinks, are taxed at this rate.

Note: Certain items may have **exemptions** or **special rates** depending on their usage, classification, and importance.

Advantages of GST in India

1. **Reduction in Tax Cascading:**
   By replacing multiple indirect taxes with a single tax, GST eliminates the cascading effect, reducing the overall tax burden on goods and services.
2. **Uniform Tax System:**
   GST brings uniformity in the tax system across India, making it easier for businesses to operate across states and reducing the complexity of tax compliance.
3. **Boost to Economic Growth:**
   By streamlining the tax system, GST is expected to enhance business efficiency, increase the ease of doing business, and contribute to economic growth.
4. **Improved Tax Compliance:**
   The implementation of GST has led to the introduction of a robust IT infrastructure for filing returns, making it easier to track transactions and improve tax collection.
5. **Input Tax Credit (ITC):**
   Businesses can claim a tax credit for taxes paid on inputs, which helps in reducing the overall cost of goods and services.
6. **Increased Transparency:**
   GST ensures that the flow of goods and services is tracked at every stage of the supply chain, improving transparency and accountability.

Challenges of GST Implementation

1. **Complex Compliance:**
   The process of registering, filing returns, and adhering to different tax rates for different goods and services can be challenging, especially for small and medium businesses.
2. **High Tax Rates on Some Goods and Services:**
   Some essential items, such as healthcare and education, are exempt, but several other goods and services still face higher tax rates, which may increase the price for consumers.
3. **Impact on Small Businesses:**
   Smaller businesses often face difficulties in complying with the GST regulations, including maintaining proper documentation and filing returns on time.
4. **Transition Issues:**
   The shift from the old tax system to GST has created some initial challenges, including issues with technology infrastructure, training, and understanding the new processes.

GST Registration and Compliance

GST Registration: Businesses with a turnover above a specified threshold are required to register for GST. Registration is also mandatory for businesses that engage in interstate supply of goods or services.

GST Return Filing: GST returns are to be filed electronically on the GST portal. Businesses must file monthly, quarterly, and annual returns based on their turnover. There are different types of returns, such as **GSTR-1** (outward supplies), **GSTR-2** (inward supplies), **GSTR-3B** (summary return), and **GSTR-9** (annual return).

GSTIN (GST Identification Number): Once registered, each business is assigned a unique GSTIN, which is used to track transactions and tax payments.

Conclusion

The implementation of **Goods and Services Tax (GST)** in India is a landmark reform aimed at simplifying the tax structure, boosting economic growth, and reducing the complexities of indirect taxation. While it has brought significant benefits, such as eliminating tax cascading, providing input tax credits, and increasing transparency, there are still challenges in terms of compliance and understanding the intricate details of the tax system.

For businesses, it is crucial to stay updated on the evolving GST regulations and processes. Understanding GST and its impact on the business environment is essential for companies, entrepreneurs, and students who wish to grasp the dynamics of the Indian taxation system.

Key Takeaways:

- **GST** is a unified tax system that simplifies India's indirect tax structure.
- There are three types of GST: **CGST, SGST, and IGST**.
- GST aims to reduce **tax cascading**, **promote ease of doing business**, and ensure **transparency** in taxation.
- **GST Rates** are categorized into multiple slabs: 0%, 5%, 12%, 18%, and 28%.
- Despite its advantages, GST implementation presents challenges like compliance issues and the impact on small businesses.
- Businesses need to comply with **GST registration** and **filing of returns**.