

B.Com

Sem. 6

MJC 12- Goods & Service Tax

INTRODUCTION OF GST (Goods and Services Tax)

GST (Goods and Services Tax) is a **destination-based, consumption tax** levied on the **supply of goods and services** at each stage of the production and distribution chain, with credit available for taxes paid at earlier stages. Only the *value addition* is taxed, and the final consumer bears the tax burden.

It replaced many indirect taxes (like VAT, service tax, excise duty, CST) with a single tax, simplifying the tax system in India.

OBJECTIVES OF GST

The major objectives of GST are:

- To establish “**One Nation, One Tax**” system.
- To **subsumed multiple indirect taxes** into one.
- To **eliminate cascading effect** (tax-on-tax).
- To simplify tax compliance and reduce tax evasion.
- To broaden the tax base and increase government revenue.

FEATURES OF GST

a) Destination-based tax

GST is collected by the state where goods/services are consumed, not where they are produced.

b) Value-Added Tax

Only the value added at each stage of supply is taxed; previous tax credits are adjusted.

c) Uniform National Market

GST creates a unified market across India by eliminating state-wise different taxes.

d) Input Tax Credit (ITC)

Registered taxpayers can claim credit for the GST they've paid on purchases to set off their output GST liability.

TYPES OF GST

Type	Meaning
------	---------

CGST	Central Goods & Services Tax — levied by Central Government on intra-state supply.
-------------	---

SGST	State Goods & Services Tax — levied by State Government on intra-state supply.
-------------	---

Type Meaning

IGST Integrated Goods & Services Tax — levied by Centre on **inter-state supply** of goods/services.

UTGST Union Territory GST — levied in Union Territories where there is no legislature.

Intra-State supply: CGST + SGST are charged.

Inter-State supply: IGST is charged.

BENEFITS OF GST

- Reduces cascading tax effect (tax on tax).
- Simplifies tax structure & compliance.
- Promotes a common market across India.
- Encourages competitiveness and lowers product prices.
- Boosts government revenue through broader tax base.

IMPORTANT TERMS:

- **Supply:** Includes sale, transfer, barter, exchange, license, rental, lease & disposal for consideration in the course of business.
- **Taxable Person:** A person liable to be registered under GST.
- **Place of Supply:** Determines whether supply is intra-state or inter-state.
- **Time of Supply:** Determines when GST becomes payable.
- **Composition Scheme:** Simplified tax scheme for small taxpayers with lower compliance.

Questions

1. Explain the objectives and features of GST.
2. Describe the components of GST (CGST, SGST & IGST).
3. Explain the benefits of GST in India.