

# GST - Complete info about Goods & Services Tax in India

Goods and Services Tax (GST) is a multi-stage tax system that is comprehensive in nature and applies to the sale of goods and services. The main aim of this taxation system is to curb the cascading effect of other indirect taxes, and it is applicable throughout India.

## What is GST?

GST is a tax that India imposes on the supply of specific products and services. It was implemented to replace a variety of previous indirect taxes, including the value-added tax (VAT), service tax, purchase tax, excise duty among others.

## History of GST (Goods and Services Tax)

On 1 July 2017, the Goods and Services Tax implemented in India. Given below is the history of how GST came into effect:

- In **2000**, [Atal Bihari Vajpayee](#), then Prime Minister of India, set up a committee to draft the GST law.
- In **2004**, a task force concluded that the new tax structure should be put in place to enhance the tax regime at the time.
- In **2006**, Finance Minister proposed the introduction of GST from **1 April 2010** and
- In **2011** the Constitution Amendment Bill was passed to enable the introduction of the GST law.
- In **2012**, the Standing Committee started discussions about GST, and tabled its report on GST a year later.
- In **2014**, the new Finance Minister at the time, [Arun Jaitley](#), reintroduced the [GST bill](#) in Parliament and passed the bill in Lok Sabha in 2015. Yet, the implementation of the law was delayed as it was not passed in Rajya Sabha.
- GST went live in **2016**, and the amended model GST law was passed in both the houses. The President of India also gave assent.

In 2017, 4 supplementary GST Bills in Lok Sabha was passed and the Cabinet approved the same. Rajya Sabha then passed 4 supplementary GST Bills and the new tax regime was implemented on 1 July 2017.

**The following central taxes have been replaced by GST:**

- [Service tax](#)

- Central excise duties
- Additional duties of excise
- Additional duty of customs
- Duties of excise
- Cess and surcharge

The state taxes subsumed by GST are as follows:

- [Entry tax](#)
- Luxury tax
- Central sales tax
- Purchase tax
- State VAT
- Entertainment tax
- State cess and surcharges
- Taxes on advertisements
- Taxes on gambling and lottery

## Different Types of GST

There are four different [components of GST](#) such as **CGST**, **SGST**, **IGST**, and **UTGST**.

1. **CGST**: Central Goods and Services Tax ([CGST](#)) is charged on the intra-state supply of products and services.
2. **SGST**: State Goods and Services Tax ([SGST](#)) like CGST, is charged on the sale of products or services within a state.
3. **IGST**: Integrated Goods and Services Tax ([IGST](#)) is charged on inter-state transactions of products and services.
4. **UTGST**: Union Territory Goods and Services Tax is levied on the supply of products and services in any of the Union Territories in the country, viz. Andaman and Nicobar Islands, Daman and Diu, Dadra and Nagar Haveli, Lakshadweep, and Chandigarh. UTGST is levied along with CGST.

Transaction	Old Tax Regime	New Tax Regime	Revenue
Sales in a particular state	VAT + Excise/Service Tax + Central Excise	State and Central GST	Divided between the
Sales between different states	Excise/Service Tax + Central Sales	Integrated GST	Depending on when the centre splits the revenue

# Advantages of GST

The following are the [advantages of goods and services tax](#) in India:

**Elimination of the Cascading Tax Effect:** The introduction of GST has removed the need for filing several tax returns. This has eliminated the cascading effect. For instance, before the introduction of GST, entities had to file separate returns and comply with regulations for service tax and [VAT](#). This simplified the process for filing input tax credit claims, as only one return is required.

**Regulation of the Unorganised Sector:** The online compliance, payment, and claim processes are all streamlined by the GST bill. Additionally, it benefits the unorganised sector by directly regulating it under rules governing goods and services taxes.

**A Uniform Tax System:** GST has unified the tax system across the nation. It makes it easier for laws, procedures, and tax rates to be consistent throughout India. The GST composition scheme is now available to all small businesses. Small businesses having an annual turnover of up to Rs.1.5 crore (or Rs.75 lakh in special category states) can apply for benefits under this scheme. Businesses can lower their taxes through the GST composition scheme.

**Streamlined GST Online Process:** GSTR filing and registration are among the procedures that can be done online. This has greatly streamlined the procedure and allowed startups to easily register for GST services in one location. In addition to these advantages, the GST bill replaced 17 different indirect taxes with a single, unified tax. Both the central and state governments have received more revenue as a result of the reduced price of goods and increased demand for them.

## Objectives of GST

The following are the key objectives of Goods and Services Tax:

### To fulfil the 'One Nation, One Tax' Ideology

The benefit of a single tax is that each state charges the same amount for a given good or service. The Central Government sets the tax rates and policies, making tax administration simpler. Common laws, like e-way bills for the transportation of goods and e-invoicing for transaction reporting, may be implemented.

Additionally, since taxpayers are not burdened by numerous return forms and deadlines, tax compliance is improved. All things considered; this is a single indirect tax compliance system.

### **To Stop Taxes from having a Cascading Effect**

Eliminating the cascading effect of taxes was one of the main goals of the GST. Taxpayers were previously unable to offset the tax credits from one tax against the other because of different indirect tax laws. For instance, excise duties paid during manufacturing were unable to be set off against the VAT due at the time of sale. Taxes cascaded as a result of this.

Only the net value added at every stage of the supply chain is subject to taxation under the GST. As a result, the cascading effect of taxes has been diminished and input tax credits for both goods and services are now flowing smoothly.

### **To Broaden the Base of Taxpayers**

The GST has aided in expanding India's tax base. There used to be distinct registration thresholds based on turnover for each tax law. The Goods and Services Tax has resulted in a rise in the number of businesses that are registered with the government.

Furthermore, some unorganised sectors have been brought under the tax net because of the more stringent laws related to input tax credits.

### **To Include Most of India's Indirect Taxes**

VAT, Central Excise, service tax, and other former indirect taxes were previously imposed in India at various stages of the supply chain. The central government managed certain taxes while the states headed others. A single, centralised tax on goods and services did not exist and thus, the GST was implemented.

The main indirect taxes were combined into one under the GST. It has made tax administration easier for the government and significantly lessened the burden of compliance for taxpayers.

### **To Stop Tax Evasion**

India's GST laws are far stricter than any of the previous indirect tax laws. Taxpayers are limited to claiming an input tax credit under GST on invoices uploaded by their individual suppliers. In this manner, there is little possibility of claiming input tax

credits on fraudulent invoices. This goal has been strengthened even further with the advent of e-invoicing.

The fact that the GST is a national tax and has a centralised monitoring system also makes the crackdown on non-compliant individuals faster and far more effective. GST has significantly reduced the incidence of tax fraud and reduced tax evasion.

### **To Encourage Competitive Pricing & Boost Consumption**

Revenues from indirect taxes and consumption have increased as a result of the introduction of the GST. The previous regime's cascading effect of taxes resulted in higher costs of goods in India than in international markets.

Consistent GST rates have helped to make prices more competitive both domestically and internationally. As a result, consumption has grown and revenues have increased, achieving yet another significant goal.

### **An Enhanced System for Distribution and Logistics**

Multiple documents are not required for the supply of goods under a single indirect tax system. Among its many advantages, GST reduces cycle times for transportation, enhances supply chains and turnaround times, and encourages warehouse consolidation.

The industry benefits most from the elimination of interstate checkpoints in terms of transit and destination efficiency because of the e-way bill system under the GST. It reduces the expensive costs associated with warehousing and logistics.

### **Online Process to Facilitate Business**

In the past, taxpayers encountered numerous difficulties when interacting with various tax authorities under each tax legislation. Furthermore, the majority of the assessment and refund processes were done offline even though return filing was done online.

These days, practically all GST procedures are completed online from registration to return filing, refunds, and e-way bill generation. This has greatly streamlined taxpayer compliance and facilitated ease in conducting business. In addition, the government intends to launch a centralised portal shortly for all indirect tax compliance, including the filing of GST returns, e-way bills and invoices.

## **How GST Works?**

- **Manufacturer:** The manufacturer will have to pay GST on the raw material that is purchased and the value that has been added to make the product.
- **Service Provider:** In this case, the service provider will be responsible for paying GST on both the product's purchase price and the value added to it.
  - However, the manufacturer's tax payment may be deducted from the total GST that must be paid.
- **Retailer:** It must be paid by the retailer on both the product they bought from the distributor and the margin they added.
  - However, the retailer's tax payment may be deducted from the total amount of GST that must be paid.
- **Consumer:** GST must be paid on the product that has been purchased.

## GST Registration

Any company that is eligible under GST must register itself in the [GST portal](#) created by the Government of India. The registered entities will get a unique registration number called GSTIN.

It is mandatory for all Service providers, buyers, and sellers to register. A business that makes a total income of Rs.20 lakhs and more in a financial year must be required to do [GST registration](#). It takes 2-6 working days to process.

## GST Rates

The GST Council has assigned [GST rates](#) to different goods and services. While some products can be purchased without any GST, there are others that come at 5%, 12%, 18%, and 28% GST.

GST rates for goods and services have been changed a few times since the new tax regime was implemented in July 2017.

Name of Item	Applicable GST Rate
Mobile Phone	18%
Sanitizer	18%
Gold Jewellery	3%
Two wheeler	28%

## GST Payments

Currently, the GST must be paid every month. The GSTR-1 and GSTR-3B must be filed. In the case of refunds, the relevant forms must be submitted as well. GST payments can be made both online and offline. Once the payment has been made, a challan must be generated.

## GST e-Way Bill

An electronic document that is generated to show proof of goods movement is the [e-Way bill](#). You can generate the bill from the GST portal.

## GST Council

Any recommendations that are made to the State and Union Government regarding any issues that are related to Goods and Services Tax are done by the GST Council. The Chairman of the GST Council is the Union Finance Minister of India. The other members of the GST Council are the Union State Minister of Revenue or Finance of all the states.

## Tax Laws Before the Implementation of GST

- The Centre and the State used to collect tax separately. Depending on the state, the tax regimes were different.
- Even though import tax was levied on one individual, the burden was levied on another individual. In the case of [direct tax](#), the taxpayer must pay the tax.
- Prior to the introduction of GST, direct and [indirect taxes](#) were present in India.

## Who Should Register for GST?

The below mentioned entities and individuals must register for Goods and Services Tax:

- E-commerce aggregators
- Individuals who supply through e-commerce aggregators
- Individuals who pay tax as per the reverse charge mechanism
- Agents of input service distributors and suppliers

- Non-Resident individuals who pay tax
- Businesses that have a turnover that is more than the threshold limit
- Individuals who have registered before the GST law was introduced

## GST Registration Certificate

- A GST Certificate is a legal document that the relevant authorities issue to a company that has registered for the GST system.
- Under this system, enterprises having a yearly revenue of at least Rs. 20 lakh and some special businesses must register.
- Form GST REG-06 is used to issue the GST registration certificate. From the official GST Portal, you can download the GST Certificate if you are a registered taxpayer under this system.
- The certificate is not physically handed out. It is only accessible digitally.
- GSTIN, Legal Name, Trade Name, Business Constitution, Address, Date of Liability, Validity Period, Types of Registration, Particulars of Approving Authority, Signature, Specifications of the Approving GST Officer, and Date are all included on the GST Certificate.

## How do I Calculate GST?

Making sure you pay the correct amount towards GST is important since failing to do so could result in you being charged an 18% interest penalty on the shortfall. The [GST Calculator](#) makes it easy for taxpayers to determine how much GST must be paid. You must enter all necessary information for better results.

**Here is an example showing how you can calculate your GST liability:**

Particulars	Amount
Overall value of intrastate sales	Rs.25 lakh
Advance received	Rs.8 lakh
SGST	Rs.25 lakh x 9% = Rs.2.25 lakh
CGST	Rs.25 lakh x 9% = Rs.2.25 lakh
IGST	-



## GST Helpline

Taxpayers who have any confusions or doubts in regard to their GST filing can get in touch with the concerned authority through the Goods and Services Tax Helpline. Earlier, taxpayers could get in touch through the helpdesk email ID - [helpdesk@gst.gov.in](mailto:helpdesk@gst.gov.in). However, it should be noted that this email ID has been discontinued.

## What are the Goods Exempted from GST?

The following are the goods that are exempted from Goods and Services Tax payments:

<b>Tools or Instruments</b>	Tools for differently abled individuals, agricultural tools, etc.
<b>Raw Materials</b>	Handloom fabrics, unprocessed wool, cotton for khadi yarn, raw jute fiber, r
<b>Food Item</b>	Vegetables and fruits, meat, fish, cereals, etc.
<b>Miscellaneous</b>	Books, newspaper, journals, vaccines, map, non-judicial stamps, etc.

## How to know the GSTIN - GST Identification Number

A 15-digit distinctive code that is provided to every taxpayer is the [GSTIN](#). The GSTIN will be provided based on the state you live at and the [PAN](#). Some of the main uses are mentioned below:

- Loans can be availed with the help of the number.
- Refunds can be claimed.
- The verification process is easy.
- Corrections can be made.

Verify GST Number Online by visiting [GST official Page](#). Enter the GSTIN mentioned on the invoice in the search box and followed by captcha, Next, click 'Enter' to view the details.

## GSTN - Goods and Service Tax Network

The GSTN is the Goods and Services Tax Network which is responsible for managing the IT system concerning the GST Portal. It is a non-profit, non-government organization and is the database for the official GST Portal.

**The current structure of the GST Network can be summed up as follows:**

- Central Government - 24.5%
- State Governments and EC - 24.5%
- LIC Housing Finance Ltd - 11%
- ICICI Bank, HDFC, NSE Strategic Investment Co., and HDFC Bank - 10% each.

## **FAQs on GST**

### **1. When was GST implemented in India?**

The midnight of 01 July 2017 GST came into effect after the Goods and Service Tax Act passed in the Parliament.

### **2. Who is eligible to pay GST?**

In general, GST is owed by the provider of the good or service. However, under the reverse charge process, the recipient may be held liable in certain circumstances, such as imports and other registered supply.

### **3. What is the limit imposed on GST?**

The Rs.20 lakh and Rs.40 lakh threshold limits for GST registration for providers of commodities have been established by the Central Government. However, because each State's revenue is also based on the GST, each State Government must make a decision regarding the threshold limit within a week.

### **4. What are the four types of GST in India?**

In India, there are four different types of GST: Integrated Goods and Services Tax (IGST), State Goods and Services Tax (SGST), Central Goods and Services Tax (CGST), and Union Territory Goods and Services Tax (UTGST).

### **5. Is GST charged on goods and services in India?**

GST is the single tax that applied to the supply of goods and services from the manufacturer to the customer. GST is essentially a tax only on value addition at each level because credits of input taxes paid at each stage will be available in the following stage of value addition.

**6. Is it necessary for all traders to register under the GST?**

All traders who earn turnovers in excess of Rs.20 lakh in a financial year will have to register under the Goods and Services Tax.

**7. What is official website to register GST?**

The Indian government's official GST website is [www.gst.gov.in](http://www.gst.gov.in)

**8. What is the main aim of GST?**

The main aim of GST is to simplify taxation process.

**9. What kind of tax is goods and services tax?**

GST is an indirect tax, which has replaced many indirect taxes in India.

**10. Is GST good for the nation?**

GST simplifies the tax system of the country, thereby making it easier for the consumers to pay a single tax and keeping the price of goods or services low.

**11. Are there consequences of not paying GST?**

The consequences of not paying GST are that the firm or an individual will have to pay a penalty amount of minimum Rs.10,000 and maximum of 10% of the unpaid tax amount.

**12. Is it mandatory for businesses to file GST?**

Yes, it is mandatory to file GST return, even if the transaction in a specific period is lower or zero. Filing GST return is essential, and it helps in filing GST return in future without leading to unnecessary penalties.

## Latest News about GST

### Interim Union Budget 2024: GST Eases Compliance Burden on Trade and Industry

The implementation of GST has effectively decreased the compliance burden on trade and industry by streamlining the tax system. A recent survey indicates that 94% of industry leaders perceive the transition to GST as highly favourable.

Additionally, states have also reaped the benefits, according to Finance Minister Nirmala Sitharaman. She highlights that the primary beneficiary is the consumer, as reduced logistics costs and taxes have contributed to lower prices.

The Goods and Services Tax collected in December 2023 is nearly Rs.1.65 lakh crore

The Goods and Services Tax (GST) collections in New Delhi are almost Rs.1.65 lakh crore, which dropped by 1.80% from the November collection. The GST collection in December has increased by 10.30% year-on-year, which is the sixth highest in 77 months since it was rolled out in 2017.

In December, out of the gross GST revenue of Rs.1,64,882 crore collected, Rs.30,443 crore, Rs.37,935 crore, and Rs.84,255 crore were the central GST (CGST), state GST (SGST), and integrated GST (IGST), respectively.