

Gst: Its Types and Advantages

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ABSTRACT

GST is widely regarded as the most significant reform to the Indian tax system. Due to political issues and the conflicting interests of various stakeholders, it was not implemented by the ruling party in 2010, a highly likely reason that was rejected by the majority of parliament members. It was a comprehensive system that not only subsumed all indirect taxes of the central and state governments but also unified the economy. This paper presents an overview of the GST concept, its importance, and its merits for the economy.

Keywords: GST, council, implementation, stakeholders

INTRODUCTION

GST was introduced in India on July 1, 2017 by the government of India, when the ruling party was the Bhartiya Janta Party and the prime minister was Sri Narendra Modi. There are several reasons why it was implemented; one of them is a reduction in the influx of black money or the prevention of hoarding of goods in the market. This paper focuses mainly on components of GST.

GST COUNCIL

It is a constitutional body established under Article 279A (1) that makes recommendations on issues related to the implementation of GST in India. The first meeting of this council was held on September 22–23, 2016. There are 33 members in this; out of those, 2 are from the federal government, and 31 from the 28 states and 3 union territories have passed legislation.

GST NUMBER

It is a unique, 15-digit identification number that is assigned to every taxpayer registered under GST. In this number, the first two digits represent the state code, and the next 10 digits are the PAN of the business entity or person.

RATE APPLICABLE UNDER GST

- NO TAX: Essential items such as sanitary napkins, handloom, bangles, judicial papers, newspapers, curd, salt, bread, vegetables, eggs, etc.
- 5%: food items such as fish fillet, coffee, skimmed milk powder, frozen vegetables, tea, etc.
- 18%: food items such as pasta, ice cream, mineral water, and soups. Non-food items such as washing machines, detergents, safety glass, pumps, mirrors, light fittings, and so on
- 28%: items such as dish washer, sunscreen, dye, tobacco, bidi, aircraft for personal use, racing, gambling, and so.

COMPONENTS OF GST

Mainly, there are four different types of GST, as explained below.

- State Goods and Services Tax (SGST)
- Integrated Goods and Services Tax (IGST)
- Central Goods and Services Tax (CGST)
- Union Territory Goods and Services Tax (UTGST)

STATE GOODS AND SERVICES TAX (SGST)

State GST is levied by the state government on the purchase or sale of goods or services within the state. It is governed by the SGST Act, and revenue earned through this is solely claimed by the respective state government.

(If a trader from Gujarat has sold goods to a customer in Gujarat for Rs. 4000, in this case, partly CGST and partly SGST are applicable. If the rate of GST charged is 12%, it will be divided equally in the form of 6% SGST and 6% CGST. Out of the revenue earned from GST under the head of SGST, Rs. 240 will go to the Gujarat state government.)

INTEGRATED GOODS AND SERVICES TAX (IGST)

This tax is applied to the interstate (between two states) supply of goods and services as well as imports and exports. It is governed by the IGST Act; the body responsible for collecting the taxes is the Central Government. After collection, it was further divided among the respective states by the central government.

(If a trader from Gujarat has sold goods to a customer in Punjab for Rs. 5,000, then the IGST is applicable to the transaction.) If the rate of GST charged is 18%, the IGST collected is Rs. 900.)

CENTRAL GOODS AND SERVICES TAX (CGST)

Central GST is levied by the central government on the purchase or sale of goods or services within the state. It is governed by the CGST Act, and revenue earned through this is claimed by the central government.

(If a trader from Punjab has sold goods to a customer in Punjab for Rs. 4000, then the GST applicable on the transaction will be partly CGST and partly SGST. If the rate of GST charged is 12%, it will be divided equally in the form of 6% SGST and 6% CGST. Out of the revenue earned from GST under the head of SGST, Rs. 240 will go to the Gujarat state government.)

UNION TERRITORY GOODS AND SERVICES TAX (UTGST)

UTGST is the counterpart of SGST, which is levied on the supply of goods or services in the Union Territories of India. The UTGST is applicable to the supply of goods or services in Daman Diu, Dadra, Nagar Haveli, and Lakshadweep. Andaman and Nicobar Islands, Chandigarh.

MERITS OF GST

- The most prominent merit is that it eliminates the cascading effect of tax.
- Composition scheme for small businesses.
- Simple and easy online procedure.
- Improved efficiency in logistics

DEMERITS OF GST

- Increased costs due to software purchases
- Small businesses have a higher tax burden.
- GST brought a rise in operational costs.

CONCLUSION

Despite some pitfalls in this taxation system, there are many positives to the implementation of GST in India. The adaptation of a totally different tax structure is a very difficult and seems challenging task, but it might bring marvellous benefits to the Indian economy.

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