KAMARAJ IAS ACADEMY
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October GST collection stands at Rs 1.52 lakh crore, second-highest since implementation.

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Why in News?

Goods and Services Tax (GST) collection had touched a record high of nearly Rs 1.68 lakh crore in April. In September, it was Rs 1.48 lakh crore.

What is GST?

- GST is one indirect tax for the whole nation, which will make India one unified common market.
- GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer.
- Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage.
- The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

What are all the benefits of GST? Which taxes at the Centre and State level are being subsumed into GST?

The introduction of the Goods and Services Tax (GST) is a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, GST will mitigate ill effects of cascading or double taxation in a major way and pave the way for a common national market. From the consumers point of view, the biggest advantage would be in terms of reduction in the overall tax burden on goods, which is currently estimated to be around 25%-30%. It would also imply that the actual burden of indirect taxes on goods and services would be much more transparent to the consumer. Introduction of GST would also make Indian products competitive in the domestic and international markets owing to the full neutralization of input taxes across the value chain of production and distribution.

At the Central level, the following taxes are being subsumed:

- Central Excise Duty,
- Additional Excise Duty,
- Service Tax,
- Additional Customs Duty commonly known as Countervailing Duty, and
- Special Additional Duty of Customs.

At the State level, the following taxes are being subsumed:

- Subsuming of State Value Added Tax/Sales Tax,
- Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States),
- Octroi and Entry tax,
- Purchase Tax,
- Luxury tax, and

- Taxes on lottery, betting and gambling.
- **How would GST be administered in India?**

Keeping in mind the federal structure of India, there will be two components of GST – Central GST (CGST) and State GST (SGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

Reason for the Rise of GST

The Sharp increase has came after several anti-evasion measures, "especially action against fake billers", and a pick-up in economic activity.

1. Rate Rationalization measures undertaken by the GST Council to correct 'inverted duty structure'where the Rate of Tax on inputs is higher than the Rate of Tax on output supplies or finished goods.

2. Economic Recovery and increased domestic consumption which is very explicit from the number of e-way bills generated since Feburary 2022.