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# TOPIC: LEVY AND COLLECTION OF GST - INTRODUCTION

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## I. Introduction

The GST is a levy on goods & services sold domestically for consumption. The levy is included in the final price and paid by consumers, but it is remitted to the government by the businesses selling the goods and services.

The GST is a common levy used by the majority of countries globally.
The GST is usually taxed as a single rate across the nation.

GST is an indirect levy that is applied the cost of certain goods and services. The business adds the GST to the price of the product, and a customer who buys the product pays the salesprice inclusive of the GST. The GST portion is collected by the business or seller and forwarded to the government. It is also reffered to as VAT.

Most countries with a GST have a single unified GST system, which means that a single tax rate is applied throughout the country. A country with UNIFIED GST plateform merges central taxes (e.g, sales tax excise duty levy, and service tax) with state level tax (e.g entertainment tax, entry tax, transfer tax, sin tax, and luxury tax) and collects them as one single tax.

these countries tax virtually everything at a single rate.

FRANCE was the first country to implement the GST in 1954, since then, an estimated 160 countries have adopted this system in some form or another. Some of the countries with a GST include. Canada, Vietnam, Australia, Singapore, United Kingdom, Monaco, Spain, Nigeria, Brazil, S.Korea, and India.

India established a dual GST structure in 2017, which was the biggest reform in the country's tax structure in decades. The main objective of incorporating the GST was to eliminate tax on tax or double taxation, which cascades from manufacturing level to the consumption level.

India has, since launching the GST on July 1, 2017 implemented the following tax rates -

→ A 0% tax rate applied to certain goods books, newspapers, homespun cotton clothes, and hotel service.

→ A rate of 0.25% applied to cut and semi-polished stones

→ A 5% tax on household necessities.

such as sugar, spices, tea & coffee.

→ A 12% Tax on computers & processed food.

→ A 18% Tax on hair oil, toothpaste, soap, and industrial intermediaries.

→ The final bracket, taxing goods at 28% applies to luxury products, including refrigerators, ceramic tiles, cigarettes, cars & motorcycles.

The previous system with no GST implies that tax is paid on the value of goods and margin at every stage of the production process. This would translate to a higher amount of total taxes paid which is carried down to the end consumer in the form of higher costs for goods & services. The Implementation of GST system in India is, therefore, a measure that is used to reduce inflation in the long run, as prices for goods will be lower.

TYPES : The following types of GST

→ CGST : GST paid on each transaction is divided into two equal part; the part for the centre is termed as CGST. Up to 200 Nautical Miles inside sea is India for the purpose of GST. It levied on Intra-state transactions.

→ SGST : The part of a state's share of GST, when a transaction takes place within the state is called SGST. ( 12NM inside sea)

→ UGST : When a transaction takes place within a union territory(UT) without a legislature, the part of GST that the UT gets is called UGST.

→ IGST : When a transaction takes place between two state / UTs or between a state/UT and any foreign territory, IGST is levied without any bifurcation on the applicable GST rate.

DUAL STRUCTURE ~~OF~~ GST (INDIA)

TAX LEVIED

ON SUPPLY OF GOODS OR SERVICE OR BOTH

- Intra State — within the state/UT
  - Intra State supply → DUAL GST — CGST + SGST.
  - Intra UT supply — CGST + UGST
- Inter State — Between state/UT
  - IGST
    - Two state
    - Two UTs
    - state & UTs

# DEFERENCE BETWEEN CGST, SGST AND IGST

| | CGST | SGST | IGST |
|---|---|---|---|
| 1. Meaning | Central Goods and service tax | State Goods & service tax | Integrated Goods & service tax |
| 2. LEVY | CENTAL GOVT. | STATE GOVT. | CENTRAL GOVT. |
| 3. Collection | CENTRAL GOVT. | State Govt. | Central Govt. |
| 4. Registration | NO | NO | MANDATORY |
| | IF Turnover (TO) Exceed 20 lakh/ 10 Lakh for special Category states → | SAME [TO 20/10 > Reg] | ↓ // |
| 5. Apply. | Intra-state supply | Intra state spply | Inter-state supply |
| | WITHIN THE STATE/UT | | BETWEEN STATE/UT |
| 6. Composition | The dealer can use the benefit upto 1Crore under this scheme → | Same | not apply |

III - With a numerical, A manufacturer from Punjab sold goods to buyer in Punjab. The detail are as follows:

Cost —— ₹100
Profit —— ₹10
Excise duty @12.5% & VAT @12.5%.

**Solution**

(A) As per old regime:

| | ₹ |
|---|---|
| Cost | 100 |
| Profit | 10 |
| | 110 |
| Add: Excise duty @12.5% of 110 | 13.75 |
| | 123.75 |
| Add: VAT @12.5% of 123.75 | 15.47 |
| Total selling Price. | 139.22 |

(B) As per GST Regime

This is Intra state supply, then dual laws shall be levied (CGST+SGST). No other taxes is levied

| | | ₹ |
|---|---|---|
| COST | | 100 |
| PROFIT | | 10 |
| | | 110 |
| Add: @12% (apply) | | |
| CGST | 6.60 | |
| SGST | 6.60 | 13.20 |
| | | 123.20 |

**Benefit of GST**

→ No Cascading effect under GST but clear cut showing the picture of double taxation in old regime.

→ Price of product in GST is ~~ca~~ less in comparison with old regime

→ Tax liability comparatively low

→ Easy to calculate

→ No harassment

→ Boost to Make in India Initiative
→ Elimination of multiple taxes
→ Buoyancy to the government revenue.
→ free flow of trade throughout country.
→ Seamless Flow of Credit.
→ Uniformity in rate
→ It reduce tax evasion
→ Simplfied and Automated procedure
→ Technology backup.
→ Reduction in Price.
→ fair treatment to Indigeneous Industry.
→ Harmonising levy and collection of taxes
→ Self assessment
→ Market is so competitive
→ Relation between State & Centre are so improved.

But some challanges facing GST in Initial stages. They are :
→ Lack of proper awarness
→ Resistance to change
→ Increase burden of Compliance
→ complex return filing & filling procedure.
→ Defferent rate
→ Dual control : So expensive
→ Proble of Input tax credit
→ Inflated cost lead Inflated price
→ failure to log in - (GSTN)