

## Frequently Asked Questions on GST – An Overview of GST

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### **Abstract:**

The GST that was introduced in July 2017 is an indirect tax that subsumed various indirect taxes, since then common people have a lot of questions about the GST, how it is levied, legal formalities involved, governing bodies, what benefits we will drive from its introduction, etc. The research paper is aimed at answering all these questions in an easy way to help a layman understand the GST basics. It gives an overview of the GST by answering frequently asked questions on GST, explains the concept of GST, its benefit to the Indian economy from the perspective of the business and consumers; it also explains the different concepts associated in the new law that is IGST, CGST, SGST, Input tax credit, etc.

**Keywords:** Goods and Services Tax (GST), GST Overview, GST FAQ's

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### **I. Introduction:**

On 29 March 2017, the Goods and Services Tax Act was passed in Parliament. The Act came into force on July 1, 2017; India's Goods & Services Tax Law is a complex, multi-stage, destination-based tax imposed on an added value. GST is an indirect tax that has replaced many of India's Indirect taxes.

Multi-stage as it is, the GST is levied on all stages of the production process but is supposed to be reimbursed to all parties at different stages of production other than the final consumer and as a destination-based tax is collected from the point of sale and not from the point of origin like previous taxes. Goods and services are divided into five different tax slabs-0%, 5%, 12%, 18% and 28%-for tax collection. Petroleum products, alcoholic drinks and energy, however, are not paid under GST and are levied separately by the governments of the individual states as per the previous tax regime.

France was the first country to introduce the GST in 1954 and since then, in some form or other, an estimated 160 countries have implemented this tax system. Some of the nations to adopt GST are Canada, Vietnam, Australia, Singapore, Monaco, Spain, Italy, Nigeria, Brazil, South Korea, and India.

The GST to be levied by the Centre for intra-State supply of goods and/or services would be called the Central GST (CGST), and it would be called the State GST (SGST) to be levied by the States.

GST would help India to better negotiate its terms in international trade forums. GST aimed at increasing the taxpayer base by bringing compliance of Small and medium enterprises and the unorganized sector. That will make the Indian economy more competitive than before and Indian companies can compete with foreign firms.

The implementation of GST is seen as an important step in India's reform of indirect taxation. The amalgamation of various central and state taxes into a single tax would help mitigate double taxation, cascading, multiplicity of taxes, classification problems, taxable incidents, and so on, and would lead to a shared national market.

#### OBJECTIVES OF GST:

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- To simplify the taxation process in India.
  - To promote healthy competition amongst the states.
  - To remove the cascading effect of taxes.
  - To Curb black money practices.
  - To boost the Indian economy by reducing tax evasion.

#### II. Literature Review

**The Finance Minister (2010)** Specified at one of the GST council meetings that GST would offer a range of benefits to the central and state governments as well as to small businesses, large corporations and ordinary people as it would introduce accountability, help curb the flow of black money resulting in increased revenues and GDP.

**The IMF (2012)** Considers the concept of the GST as a bit of a complicated duet to include both the centre and the state government in one transaction.

**Kumar (2014)** According to this report, GST was proposed to help eliminate economic inequalities and promote parallel tax structures that are free of bias and discrimination at different locations in India.

**Shrawat&Dhandha(2015)** Sherawat and Dhandha in 2015 concluded that GST would ensure a world-class tax structure in India that is bias-free and beneficial for the Indian economy. We discussed the advantages and future drawbacks of its implementation.

**Garg (2014)** According to Garg's 2014 study, he concluded that GST would improve the Indian tax system, and it would be a logical tax reform to be introduced in India. He also highlighted the major goals, potential challenges in implementing GST and the opportunities GST brings with it.

### **OBJECTIVE OF THE STUDY:**

- To understand the concept of Goods & Service tax.
- To understand various components of GST.
- To explain the concept of GST with the help of FAQ (Frequently Asked Questions) on GST.
- To understand the basic process of GST.

### **Below are some of the FAQ's on GST:**

#### **1. What is GST?**

GST is an indirect tax for the country as a whole which would make India one national unified economy. GST is a single tax on the supply of goods and services, directly from the producer to the consumer. Input tax credits paid at each stage will be available in the subsequent value added phase, which essentially makes GST a value added tax only at each stage. The final consumer will be the ultimate bearer of the tax.

#### **2. Which type of GST is implemented in India?**

India has levied a dual GST. As India is a federal country where both central and state government levy and collect taxes. The transactions taking place intra-state (within the boundaries of the state) will attract CGST (Levied by Centre) and SGST (levied by state). And central government will collect IGST (Integrated GST) on the inter-state supply of goods and services.

#### **3. Who will be authorized to levy and administer GST?**

CGST and IGST will be levied and administered by the central government and SGST will be levied and administered by the state government of respective states.

#### **4. What are benefits of GST?**

The introduction of GST has led to a several benefits for different sectors which are as follows:

##### **For Business**

- Easy and transparent compliance as all the taxpayer details like returns, registrations, tax payment details, etc. is available online.
- It has made the tax structure and tax rates uniform across the country.
- It has removed the cascading effect of taxes.
- Reducing the transaction costs of doing business would inevitably lead to increased competitiveness for the industry and trade.

- Subsuming major central and state taxes in GST, full and systematic set-off of input goods and services, and phasing out Central Sales Tax (CST) will minimize the cost of goods and services produced locally. This will promote local business and trade.

### **For Central and State Governments**

- Different indirect taxes are being replaced by GST at the central and state levels. Backed by a comprehensive end-to-end IT network, GST would be simpler and easier to implement than any Centre and State indirect taxes imposed up to now.
- GST will add efficiency to the government's system as it makes the revenue collection easier.

### **For Customers**

- It is a single tax that avoids multiplicity of taxes for the customers and makes it transparent for the customers.
- Overall tax on commodities come down due to the increased efficiency over all.

### ***5. Which taxes are subsumed into GST?***

Following taxes are subsumed in GST:

#### **Central Taxes:**

- Service Tax
- Central Excise Duty
- Additional Excise Duty
- Customs Duty

#### **State Taxes:**

- Sales Tax
- Entertainment Tax
- Central Sales Tax, this is the tax levied by centre and collected by state
- Luxury Tax
- Octroi Tax
- Purchase Tax
- Taxes on lottery, betting and gambling

### **6. What are commodities that are kept outside the purview of GST?**

Following products are kept outside the GST:

- Petroleum Products that is petroleum crude, motor spirit (petrol)
- High speed diesel
- Natural gas
- Alcohol for human consumption
- Aviation turbine fuel
- Electricity

### **7. How will imports be treated under GST?**

Imports are treated as inter-state supplies and IGST will be levied on such imports into the country and SGST will accrue to the state where such imports are consumed.

### **8. How will exports be treated under GST?**

No tax is levied on the exports of goods and services. Exports are treated as zero rated supplies under GST.

### **9. What is GSTN?**

GSTN stands for Goods and Service Tax Network. It is a special purpose vehicle that has provided IT infrastructure to the government both centre and state and it also provides services to the tax payers and stakeholders for implementing the GST. It is a common portal that stores all the information related to the registration, tax payers profiles, returns filing status, and payments.

## **III. Conclusion:**

In conclusion, we may conclude that GST is a new tax reform that has made an attempt to subsume indirect taxes as one of its main goals is to have a uniform national tax structure. The article aims at understanding the basics of GST through a question and answers format. It is important to understand the basics of GST and this research paper aims at understanding what does it mean, how it will be implemented, its regulating authorities, items excluded under the GST regime, etc.

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