**Concept of GST**

♦ GST is a tax on goods and services with comprehensive and continuous chain of setoff benefits from the Producer’s point and Service provider’s point up to the retailer level.

♦ GST is expected be levied only at the destination point, and not at various points (from manufacturing to retail outlets). It is essentially a tax only on value addition at each stage and a supplier at each stage is permitted to setoff through a tax credit mechanism which would eliminate the burden of all cascading effects, including the burden of CENVAT and service tax.

♦ Under GST structure, all different stages of production and distribution can be interpreted as a mere tax pass through and the tax essentially sticks on final consumption within the taxing jurisdiction.

♦ Currently, a manufacturer needs to pay tax when a finished product moves out from the factory, and it is again taxed at the retail outlet when sold. The taxes are levied at the multiple stages such as CENVAT, Central sales tax, State Sales Tax, Octroi, etc. will be replaced by GST to be introduced at Central and State level.

♦ All goods and services, barring a few exceptions, will be brought into the GST base. There will be no distinction between goods and services.

♦ Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions.

♦ However, the basic features of law such as chargeability, definition of taxable event and taxable person, measure of levy including valuation provisions, basis of classification etc. would be uniform across these statutes as far as practicable.

♦ The existing CST will be discontinued. Instead, a new statute known as IGST will come into place on the inter-state transfer of the Goods and Services.

♦ By removing the cascading effect of taxes (CST, additional customs duty, surcharges, luxury Tax, Entertainment Tax, etc),CGST & SGST will be charged on same price.

* The power to make laws in respect of supplies in the course of inter-State trade or commerce will be vested only in the Union government. States will have the right to levy GST on intra-State transactions including on services.
* Centre will levy IGST on inter-State supply of goods and services. Import of goods will be subject to basic customs duty and IGST.
* GST defined as ***any tax on supply of goods and services other than on alcohol for human consumption.***
* Central taxes like, Central Excise duty, Additional Excise duty, Service tax, Additional Custom duty and Special Additional duty and State level taxes like, VAT or sales tax, Central Sales tax, Entertainment tax, Entry tax, Purchase tax, Luxury tax and Octroi will subsume in GST.
* Petroleum and petroleum products shall be subject to the GST on a date to be notified by the GST Council.
* 1% origin based additional tax to be levied on inter-State supply of goods will be non-creditable in GST chain.
* Provision for removing imposition of entry tax / Octroi across India.
* Entertainment tax, imposed by States on movie, theatre, etc will be subsumed in GST, but taxes on entertainment at panchayat, municipality or district level to continue.
* GST may be levied on the sale of newspapers and advertisements and this would give the government’s access to substantial incremental revenues.
* Stamp duties, typically imposed on legal agreements by the state, will continue to be levied by the States.
* Administration of GST will be the responsibility of the GST Council, which will be the apex policy making body for GST. Members of GST Council comprised of the Central and State ministers in charge of the finance portfolio.