Path of GST from CST To I-GST

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Abstract

Kelkar's Task Force report (2004) recommended the introduction of taxes on goods and services (GST) to replace India's domestic indirect taxes. Implementing GST in federal countries such as India is difficult. Currently, central sales tax (CST) is levied for the sale of goods between countries. The competent committee recommended that Integrated-GST (IGST) be established for taxing transactions between countries and for goods and services. We have decided to phase out CST in phases. The CST tariff therefore decreased from 4% to 3% from 1 April 2007 and decreased to 2% in 2008. This white paper examined the relative importance of CST in other states and assessed it. The paper also discussed issues related to the implementation of IGST in countries such as India.

Introduction

Due to the federal structure, it is difficult to reconcile the implementation of goods and services tax (GST) in countries such as India. GST is essentially VAT on goods and services with a 'chain of continuous cancellation' from the producer's perspective and from the point of view of the service provider to the level of the retailer.1 GST is based on two components: and SGST (imposed by the United States). Both CGST and SGST are subject to the same tax standard. The majority of the central and state indirect taxes are included in CGST and SGST respectively. There will be a two-level structure with a lower ratio of essential items to the primary good and generally a standard rate for the goods 2. Taxes paid to CGST must be recognized as an ITC for the CGST's output tax. a. The same principles apply to SGST. Use of ITC throughout the country is not permitted except for cross-border transactions of goods and services.

The Minister of Finance recommended the implementation of Integrated-GST (IGST) for the taxation of transactions between taxpaying countries. The central sales tax (CST) is currently imposed on the sale of goods between countries by the state at the rates set by the central government. CST is a origin-based tax because it is paid in the country where the movement of the raw material begins (ie the producing or exporting country). The CST cannot be compensated by the country of destination because tax revenues take place in the country of origin. As a result, tax increases and prices are rising. Therefore, CST is not compatible with VAT systems. In addition to the input tax paid by the seller, the seller can compensate the tax paid on the previous purchase while the seller sells his or her output. It was therefore decided in India that CST will be replaced by GST by IGST. The Center will charge IGST for taxable goods and services transactions with appropriate provisions for the dispatch or stock transfer of goods and services. The IGST speed is equal to the sum of the CGST and SGST speeds. Interstate vendors pay VG to IGST after adjusting the available credits from IGST, CGST and SGST at the time of purchase. The exporting country transfers the SGST credits used for IGST payments to the center. The import dealer calculates IGST credits and waives the tax liability for their output in their state. The Center will transfer the credit from the IGST used for the SGST payment to the importing country or country of consumption. Establish claims agencies to confirm claims and transfer funds to governments. That is why IGST, consumption or destination loads replace CST, a withholding tax. IGST eliminates the cascading effect by ensuring smooth transactions where producers and service providers can benefit from continued compensation.

The central government and the competent committee agreed to gradually phase out CST. As a result, CST dropped to 3% of 4% on 1 April 2007. The CST rate was again reduced to 2% in 2008. As a result, we have decided to compensate for the lost profits. Revenues from the CST collection amounted to Rs 23,000 for 2009-10, so some countries do not agree with the removal of Central Time. In this context, it would be interesting to analyze the relative importance of CST in other states and to examine the impact of the tax rate on CST revenues, which is constantly being reduced.

Relative importance of CST

This analysis is based on country data collected at www.indiastat.com and the State Finance issued by the Reserve Bank of India.

The correlation coefficient between the gross domestic product per capita (GDP) and CST per capita for the population in general was 0.64 between 2006 and 2006 and the grade correlation was 0.76. Five high-income countries with a share of 19% of the population and a GSDP share of 31% generate 36% of the total CST income. On the other hand, seven low-income countries account for 22% of CST revenue, with a 44% share of the population and a 27% share in the GSDP. The goods flows mainly go from rich countries to poor countries. The rich producer countries collect CST income from people in poor countries. The origination tax system has caused tax problems from rich countries to poor countries.

CST interest rate reduction impact

The phased withdrawal of CST began with a discount of 1% in 2007-08 and a lower tax rate in 2008-9. The impact of tax rate reductions on changes in CST revenues in countries of the general category is shown in Table 2. It can be seen that in most states the CST revenues have decreased during this period. A week, Uttar Pradesh, experienced an increase in CST revenues for a million years. Uttar Pradesh can remember that on 1 January 2008 the VAT was introduced. On the other hand, most countries paid the VAT on 1 April 2005. The US tax rate for VAT is 4% for the basic product and the standard tax rate.

12. 5% on remaining items. As a result, dealers in VAT countries were able to import products with a lower sales tax rate than VAT into Uttar Pradesh.

Table 3 shows that in the period 2006-2009, such as Jharkhand, Haryana and Chhattisgarh, CST contributes significantly to sales tax. Low-income countries such as Jharkhand and Chhattisgarh have generated CST revenues from cross-border sales of coal, iron and other minerals, mainly used as intermediaries in the industrial sector. Haryana collected mainly CST revenues from cross-border sales of agricultural products. The share of CST in sales tax is the lowest in Bihar. In all states except Uttar Pradesh, the share of CST in the sales tax decreased between 2006-07 and 2008-09. Implementing IGST to replace CST may not be beneficial for low-income countries such as Jharkhand and Chhattisgarh. Once the IGST has been implemented, however, another poor state, Bihar, will benefit because consumption takes place or revenue is generated in the country of destination.

Conclusion

IGST is a destination-based consumption type tax on transactions between taxable goods and services, so there are no disadvantages of CST such as taxes and tax exports. We will maintain an uninterrupted tax credit chain for weekly transactions across the country. Because importers use IGST credits for SGST payments, national income or consumption of money transfers benefit from the center. However, IGST is a targeted tax, but may not be profitable for low-income countries such as Jharkhand and Chhattisgarh. In all states except Uttar Pradesh, revenues declined for the second consecutive year due to a tax cut of 1%. Countries therefore require more compensation from the central government for lost income. They also request an increase in CST rates to the original level of 4% until GST is implemented.

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