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GOODS AND SERVICE TAX [GST]

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Abstract:

Let's first began with the simple question "What is GST?"

As most of we known that GST is **GOODS and SERVICE TAX**.As a law student we need to get more knowledge about GST. That's why I have chosen this topic.

Let's Start….

First, Evolution and Constitutional Architecture of Indian GST.

The introduction of the Goods and Service tax [GST] on 1st July ,2017, established a unified indirect tax system in India. The reform consolidated a fragment system of federal and state taxes- including central excise duty, service tax, state Value Added Tax (VAT), central sales tax and entry tax -into a single domestic indirect tax law for the entire country. This historical overlap of taxes created a cascading tax structure that inflated production costs and restricted interstate trade.

Under the dual GST framework, both the Union and State government maintain concurrent taxing authority over a unified base. This dual system is governed by 4 primary act : the Central Goods and Service Tax Act, 2017;the State Goods and Service Tax Act, 2017; the Union territory Goods and Service Tax Act,2017; and the Integrated Goods and Service Tax Act,2017.

This system is designed to balance the fiscal autonomy of states with the objective of establishing a single national market.

The allocation of taxing authority under the dual model is determined by the geographical boundaries of each transaction. Intra- state supplies are taxed concurrently, with CGST and SGST/UTGST applied in equal proportions. This structure is illustrated by standard transactional pattern across different states and territories.

- **CGST(Central Goods and Service Tax):** Levied by the Central Government on intra-state supplies of goods and services, with revenue accruing directly to the central treasury.[i]
- **SGST(Union Territory Goods and Services Tax):** Levied by state government on intra state supplies of goods and services, with revenue going directly to the respective state government.[1]
- **UTGST(Union Territory Goods and Services Tax): Levied** on intra-territory supplies in Union Territory without a legislature, with revenue going directly to the Union Territory's administration.
- **IGST(Integrated Goods and Services Tax):** Levied on inter-state transaction, including imports and export, collected by the Central Government and subsequently shared between the Central and State Government based on the destination state.

The destination-based consumption tax design ensure that revenue is allocated to the state where the goods or services are consumed, rather than where they originated or were manufactured. This principle – based collection require clear rules for Union Territories. Those with their own legislature such as Delhi, Puducherry, and Jammu and Kashmir, operate under the SGST framework, while those without legislature, such as Chandigarh, Ladakh, Lakshadweep, and Dagar& Nagar haveli and Daman&Diu, fall under the UTGST system.[ii]

Secondly, Operational Mathematics and Jurisdictional Distinctions:

To illustrate how tax rates apply across different jurisdictions, the following table details the revenue splits for typical intar-state and inter-state transactions.

Transaction Type	Origin State/UT	Base Value (INR)	Total GST Rate	Tax Components And levised Value
Intra-state (State)	Madhya Pradesh	5000	18%	CGST(9%)INR450 SGST(9%)INR450
Intra-state (State)	Gujarat	50000	12%	CGST(6%)INR 3000 SGST(6%) INR 3000

Inter-state(State To UT)	Chandigarh	100000	18%	IGST (18%) INR 18000

The statutory ceiling for intra-state tax rates is defined under Section 8 of the CGST Act, which limits the central levy to a maximum of 14% ,resulting in a total combined intra-state limit of 28% under the basic dual tax system . When a transaction is processed , the destination state is identified to ensure the revenue is credited to the correct consuming state or territory.
For Example, in the inter- state transaction detailed in Table1, because the goods are consumed in dadra and Nagar Haveli & daman and Diu, the Central Government collects the 18% IGST and splits the revenue with that Union Territory administration. In contrast, intra-state transaction spilt revenue equally between the central and the state of origin.

GST 2.0 Structural Rate Rationalization

The GST council, composed of the Union Finance Minister and state finance minister, introduced "GST2.0" during its 56th meeting on September 3,2025. This reform consolidates the five-tier rate model (0%, 5%,12%, 18% and 28%) into a simplified three-tier system: 5%, 18%, and 40%, alongside a NIL schedule.

This structural shift eliminate the 12% and 28% slabs, moving essential goods and healthcare products to the 5% tier, and standardizing industrial and electronic goods at 18%. Luxury and demerit item were moved to the 40% rate.

The revised rate structure, effective September 22, 2025, shows how specific product categories transitioned between the old and new slabs.

Category	Specific Item	Old Rate(%)	New Rate (%)	Primar Policy Rationale
Nil (Exempted)	Individual health & life insurance, 33 specified lifesaving drugs, maps, eraser, pencil	5/12/18	0	Enhanching public health accessibility and lowering educational material costs.

5% (Essential & agri)	Toothpaste, shampoo, hair oil, butter, ghee, cheese, irrigation system.	12/18	5	Reducing the tax burden on daily necessity and supporting agricultural investment.
18% (Standard Industrial)	AC, television, above 32 inches small and mid ranges cars, coal and paper products	12/28	18	Consolidating standard manufacturing, services, and industrial inputs into a single rates.

Specific carveout remain within this rate structure. For Example, gold and silver continue to attract a 3% tax rate, and rough precious and semi-precious stones are taxed at a concessionary rate of 0.25%. Furthermore, petroleum products (crude oil, high-speed diesel,petrol, natural gas, aviation turbine fuel) and alcohol for human consumption remain excluded from the GST framework. These excluded categories are taxed under legacy state VAT and central exercise system.

Stratlowegic Policy Recommendations

- Adopt a Uniform Global Refund Policy: Amend Section 54(3) of the CGST Act to eliminate the artificial distinction between inputs, input services, and capital goods . If a sector faces a structural inversion, the entire accumulated ITC should be cleanly refundable to unlock business cash flow.
- Introduce an "Electronic Credit Ledger Safe Harbour" : To safeguard businesses against sudden supply chain disruption from vendor defaults, the tax network should offer an automated grace window.If a buyer maintain an excellent historical compliance score, they should be permitted a provisional credit runway while the tax authorities pursue the defaulting vendor directly.

Core Research Variable and Analytical Framework

There are three pillar in the core GST research, and here are the overview of each pillar:

1. Pillar 1: *The Cross Cutting Reality of Rate Cuts and Inverted Duty Structures*
2. *Pillar2: Operational Realities Of the Invoice Management System (IMS) and ITC Hard Blocks.*
3. *Plliar3: Structural Milestone Wins and Export Optimization*

Now we learn it in detailed,

- Pillar 1: *The Cross Cutting Reality of Rate Cuts and Inverted Duty Structures*

  While lowering tax brackets on daily consumer products and housing inouts (such as cutting cement from 28% to 18%) reduces household expenses, it trigger a severe corporate finance challenge known as the Inverted Duty Structure.

- *Pillar2: Operational Realities Of the Invoice Management System (IMS) and ITC Hard Blocks.*

  The deployment of the Zero Mismatched Policy represents a massive compliance leap. If a vendor delays filing their GSTR-1, or a typo occur during entry, the platform trigger a rigid ITC Hard Block. This stops the purchasing business from filing its summary return (GSTR-3B) until the mismatched is cleared.

- *Plliar3: Structural Milestone Wins and Export Optimization*

  Previously, Indian service provider serving oversea client were forced to pay an 18% tax because the "place of supply" was legally treated as India. Aligning the place of supply directly with the global recipient's location successfully classifies these transaction as genuine zero-rated exports. This single change allow the domestic IT, ITES, and service export sectors to fully reclaim their input tax credits, drastically boosting global market competitiveness.

Now I come to my topic conclusion,

The implementation of the Goods and Service tax(GST) marks the most significant economic and fiscal reform in modern indirect taxation history. By replacing a complex fragment web of central and state levies, GST fundamentally transformed the economic landscape from a chaotic tax network into a unified national market.

In my article I have explain all the essential elements and consequences in detail. The GST have made life easy of the common people and the government.

Ultimately, GST is not just a tax reform; it is a structural revolution.

It has fulfil the vision of "One Nation, One tax". Before GST, businesses had to navigate a maze of overlapping duties including Central excise, Service Tax, VAT, Entry Tax, and Luxury Tax. GST successfully consolidate these into a streamlined, dual-component system (CGST, SGST, and IGST).

Moving forward, the true success of GST will lie in its next phase of evolution. To maximize its economic potential, the government will need to focus on narrowing down the number of rate tax slabs, reducing the compliance friction for small-scale entrepreneurs, and progressively integrating excluded sectors like petroleum and electricity.

Ultimately, GST has successfully laid down a highly transparent, predictable and resilient foundation that will continue to drive fiscal growth for decades to come.

THANK YOU