

# Benefits of GST

GST is largely technology driven. The interface of the taxpayer with the tax authorities is through the common portal (GSTN). There are simplified and automated procedures for various processes such as registration, returns, refunds, tax payments, etc. All processes, be it of applying for registration, filing of returns, payment of taxes, filing of refund claims etc., are online through GSTN. The input tax credit is verified online. Electronic matching of input tax credit across India makes the process more transparent and accountable. This encourages a culture of compliance. This has greatly reduced the human interface between the taxpayer and the tax administration leading to speedy decisions. The measures like e-Invoice and auto populated returns has eased the compliance for the registered taxable person.

Average tax burden on trade and industry has come down, which has resulted in reduction in prices of goods and services. This has resulted in more consumption, which in turn means more production and thereby boosting the growth of the industries. The removal of cascading of taxes and increased transparency has made the citizens more informed about the taxes they pay while purchasing goods or services. GST has boosted domestic demand, creating more opportunities for domestic business and more job creation. GST might not be the panacea for all the ills of indirect tax system but is also not far from that.

*One Nation, One Tax,  
One Market*



Industry



Government



Citizens

## GST BRINGS BENEFITS FOR ALL

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# GST

GOODS AND SERVICES TAX

## BENEFITS

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GST stands for Goods and Services Tax which is levied on the supply of goods or services or both in India. The GST, which was implemented on 01<sup>st</sup> July, 2017, has subsumed a number of indirect taxes that were levied by the Centre and State Governments including Central Excise duty, Service Tax, VAT, Purchase Tax, Central Sales Tax, Entry Tax, Local Body Taxes, Octroi, Luxury Tax, etc. from that day.

The unifying of all taxes has brought benefits to all the stakeholders viz. the business and commerce including industries, governments and the citizens. It is aimed at lowering the cost of goods and services, boost the economy and make our products and services globally competitive. GST aims to make India a common national market with uniform tax rates and procedures. It removed the economic barriers, thereby paving the way for an integrated economy at the national level. By subsuming most of the Central and State indirect taxes into a single tax and by allowing a set-off of prior-stage taxes for the transactions across the entire value chain, GST mitigates all the ill effects of cascading and thereby improves competitiveness in the markets, in India and across globe .

GST is a destination based consumption tax. It has been designed in such a manner that tax is collected at every stage, with the credit of tax paid at the previous stage available to set off against the tax to be paid at the stage of transaction, thereby eliminating cascading effect of taxes on prices of goods and services. This eradicates **tax on tax** and allows cross utilization of input tax credit which benefit the business and commerce by making the entire supply chain tax neutral.

GST has given a major boost to the **'Make in India'** initiative of the Government by making goods or services produced or provided in India competitive in the national and international markets. Further,

all imported goods are being charged integrated tax (IGST) which is more or less equivalent to Central GST + State GST. This brings parity in taxation on local and imported goods or services.

Under the GST regime, unlike the earlier system, exports are zero rated in entirety where refund of some taxes was not allowed due to fragmented nature of indirect taxes between the Centre and the States. All taxes paid on the goods or services exported or on the inputs or input services used in the supply of such export goods or services are refunded. The principle of exporting only the cost of goods or services and not taxes is followed. This has boosted Indian exports, thereby improving the balance of payments position. Exporters are facilitated by grant of provisional refund of 90% of their claims within seven days of issue of acknowledgement of their application, thereby resulting in the easing of position with respect to cash flows. All refund claims and supporting documents are furnished only online and there is no need for the registered person to visit the office for the above purpose.

GST has brought buoyancy to the Government Revenue by widening the tax base and improving the taxpayer compliance.

GST prevents cascading of taxes by providing a comprehensive input tax credit mechanism across the entire supply chain. Such a seamless availability of Input Tax Credit across goods or services at every stage of supply has enabled streamlining of business operations. The national e-way bill for movement of goods anywhere in India without any barrier has unified the all India supply chain mechanism.

Uniform GST rates for goods and services have reduced the incentive for evasion by eliminating rate arbitrage between neighbouring States and that between intra and inter-State sales.

Harmonization of laws, procedures and rates of tax has made compliance easier and simple. There are common definitions, common forms/ formats, common interface through common portal (GSTN) resulting in efficiencies and synergies across the board. This also has removed instances of multiple taxes on the same transaction and eliminated inter-State disputes like the one on entry tax and e-commerce taxation existed earlier. All this has also helped in reduction in compliance costs, alleviate the need for multiple record keeping for a variety of taxes leading to lesser investment of resources and manpower in maintaining records to the registered person.

Common procedures for registration of taxpayers, refund of taxes, uniform formats of tax return, common tax base, common system of classification of goods or services along with timelines for every activity lend greater certainty to taxation system.

## One tax change bringing in...

