



A compulsory payment, usually a percentage, levied on income, property value, sales price, etc. for the support of a government

# Types of Taxes(Earlier)

## 1. Direct tax

- Income tax

## 2. Indirect tax

- **Excise duty-Imposed on manufacturer**
- **Customs duty-For export and import**
- **Service tax-flight charge,hotels etc**
- **Central sales tax-Inter state sale**
- **Value added tax(VAT)(Earlier sales tax) –For goods**
- Other types-Electricity duties, Central Excise and VAT on petroleum products, Securities Transaction Tax, Stamp duty etc

# Types of Taxes (Now)

## 1. Direct Tax

- Income Tax

## 2 . Indirect Tax

- Goods and service tax(GST)(**central excise duty, services tax, additional customs duty, surcharges, state-level value added tax and Octroi.**)
- Others types-Electricity duties, Central Excise and VAT on petroleum products, Securities Transaction Tax, Stamp duty etc

# Goods and services tax(GST)

Goods & Services Tax Law in India is a **comprehensive, multi-stage, destination-based tax** that will be levied on every **value addition**.

# Multi stage

- Purchase of raw materials
- Production or manufacture
- Warehousing of finished goods
- Sale of the product to the retailer
- Sale to the end consumer

# Value addition

- The manufacturer who **makes** shirts buys yarn. The value of yarn gets increased when the yarn is woven into a shirt.
- The manufacturer then sells the shirt to the warehousing agent who attaches **labels and tags to each shirt**. That is another addition of value after which the warehouse sells it to the retailer.
- The retailer **packages** each shirt separately and invests in the marketing of the shirt thus increasing its value.

# Destination-Based

- Goods & Service Tax (GST) is levied at the point of consumption
- Consider goods manufactured in Rajasthan and are sold to the final consumer in Karnataka. Since Goods & Service Tax (GST) is levied at the point of consumption, in this case Karnataka , the entire tax revenue will go to Karnataka.

# INTRODUCTION TO GST

- Came w.e.f 1- july -2017
- Motto – one nation, one tax, one market
- Aim –
  - a) Abolishing barriers in movement of goods from one state to another
  - b) Mitigate cascading/Double taxation- Increase in price of a product due to tax on tax
- Pre- GST Period-multiple tax rates,complex tax authorities,assessment procedures and modes of payment of tax



# SALES TAX(EARLIER)

ACTIVITY	COST	VALUE ADDITION	10% TAX	TOTAL
BUYS RAW MATERIAL	100	NIL	10	110
MANUFACTURES INTO FG	110	40	$(110+40)=150*10\%$ $=15$	165
WHOLESALE	165	35	$(165+35)=200*10\%$ $=20$	220
RETAILER	220	30	$(220+30)=250*10\%$ $=25$	275

**TAX PAID = 10+15+20+25=70**

# GOODS AND SERVICE TAX

ACTIVITY	COST	VALUE ADDITION	10% TAX	TOTAL
BUYS RAW MATERIAL	100	NIL	10	110
MANUFACTURES INTO FG	100	40	$(100+40)=140*10\%$ $=14$	154
WHOLESALE	140	35	$(140+35)=175*10\%$ $=17.5$	192.5
RETAILER	175	30	$(175+30)=*10\%$ $=20.5$	225.5

$$\text{TAX PAID}=(14-10)+(17.5-14)+(20.5-17.5)=10.5$$