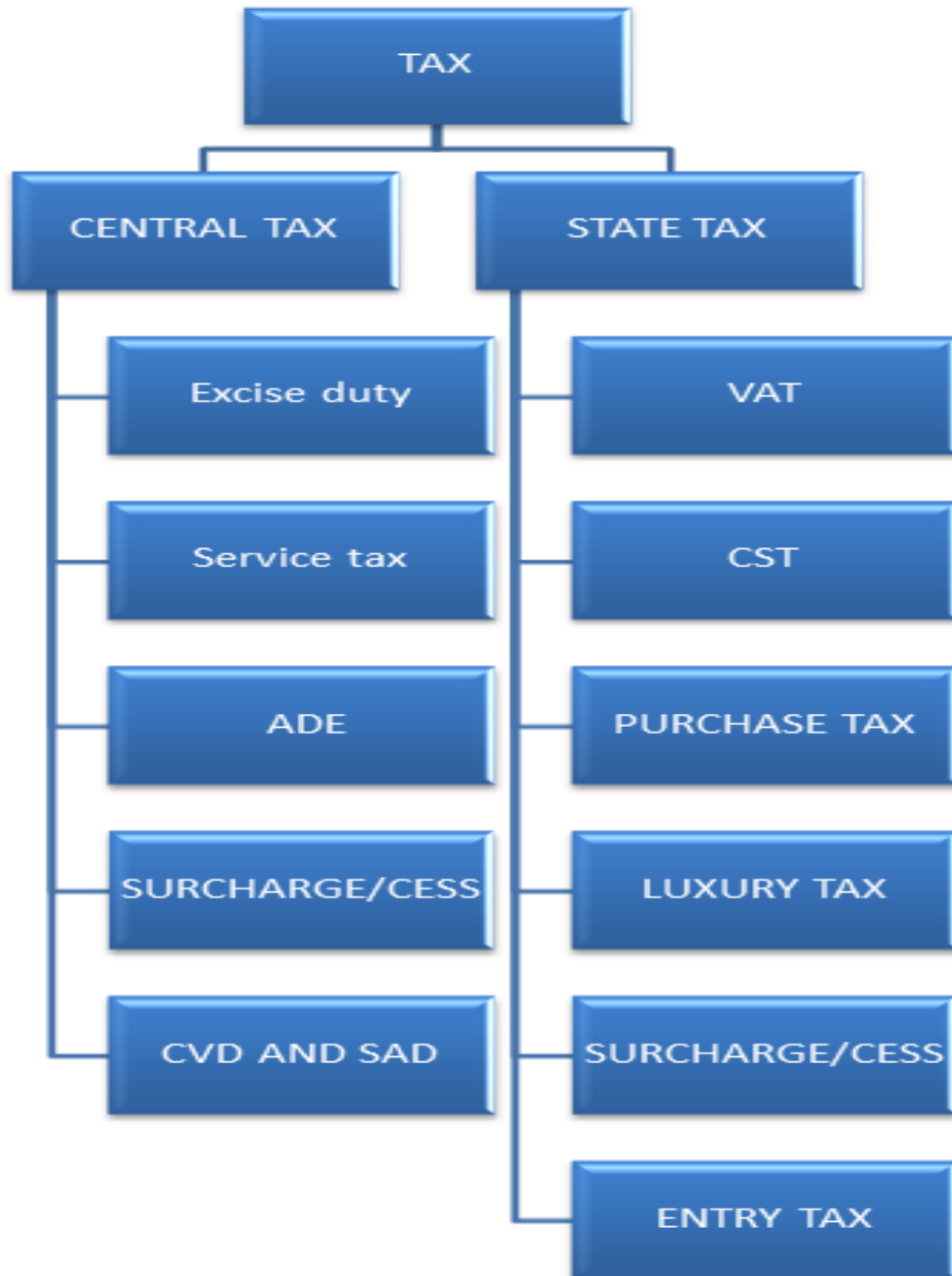
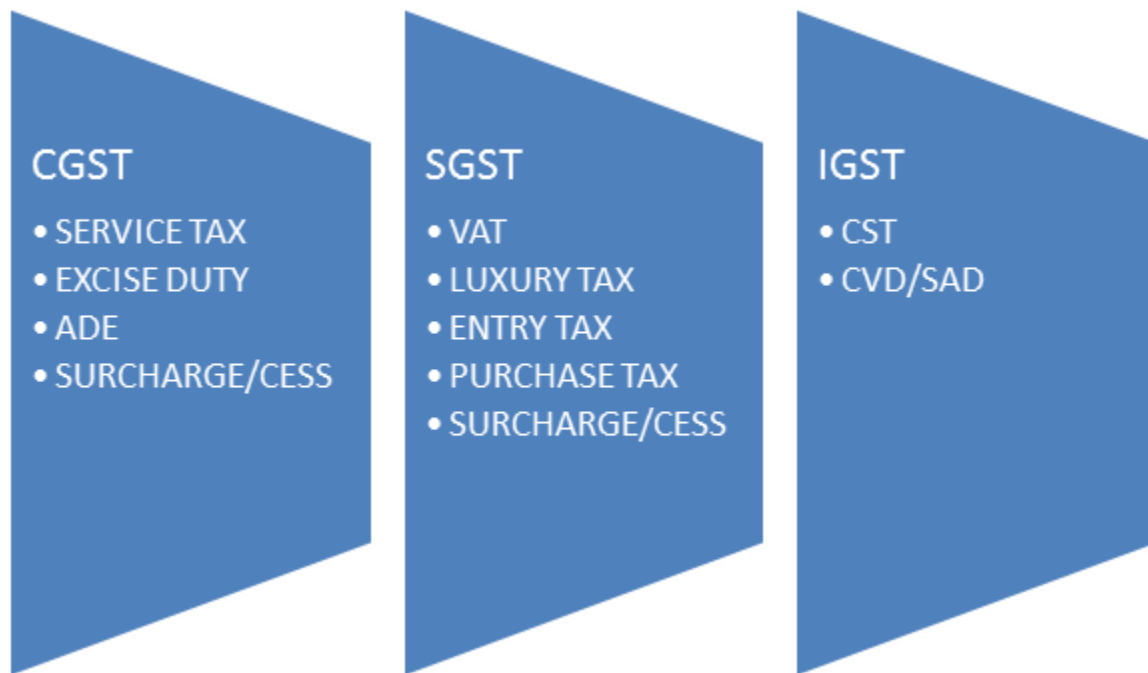


## FORMER TAX STRUCURE



## NEW TAX STRUCTURE



### **Indirect Tax:**

Indirect taxes are [taxes which are indirectly levied](#) on the public through goods and services. The sellers of the goods and services collect the tax which is then collected by the government bodies.

- **Value Added Tax (VAT)**– A sales tax levied on goods sold in the state. The rate depends on the government.
- **Octroi Tax**– Levied on goods which move from one state to another. The rates depend on the state governments.
- **Service Tax**– Government levies the tax on service providers.
- **Customs Duty**– It is a tax levied on anything which is imported into India from a foreign nation.

### *Tax Collection Bodies:*

The three bodies which collect the **taxes in India** have clearly defined the rules on what type of taxes they are permitted to collect.

- **The Central Government:** income tax, custom duties, central excise duty.
- **The State Governments:** tax on agricultural income, professional tax, value-added tax, state excise duty, stamp duty.
- **Local Bodies:** property tax, water tax, other taxes on drainage and small services.

### *GST:*

In India, the three government bodies collected **direct and indirect taxes** until 1 July 2017 when the Goods and Services Act (GST) was implemented. GST incorporates many of the indirect taxes levied by states and the central government. What does the [GST mean for your money?](#)

Some of the taxes GST replaced include:

- **Sales Tax**
- **Central Excise Duty**
- **Entertainment Tax**
- **Octroi**
- **Service Tax**
- **Purchase Tax**

It is a multi-stage destination-based tax. Multi-stage because it is levied on each stage of the supply chain right from purchase of raw material to the sale of the finished product to the end consumer whenever there is value addition and each transfer of ownership.

Destination-based because the final purchase is the place whose government can collect GST. If a fridge is manufactured in Delhi but sold in Mumbai, the Maharashtra government collects GST.

A major benefit is the simplification of **taxation in India** for government bodies.

GST has three components:

- **CGST**-Stands for **Central Goods and Services Act**. The central government collects this tax on an intrastate supply of goods or services. (Within Maharashtra)
- **SGST**:Stands for **State Goods and Services Tax**. The state government collects this tax on an intrastate supply of goods or services. (Within Maharashtra)
- **IGST**:Stands for **Integrated Goods and Services Tax**. The central government collects this for inter-state sale of goods or services.

(Maharashtra to Karnataka)

### ***Other Government Bodies:***

For a smooth implementation of the **Indian tax system**, there are bodies dedicated to it. Popularly known as the revenue authorities.

- **CBDT:**The Central Board of Direct Taxes is a part of the revenue department under the Ministry of Finance. It has a two-fold role. One, it provides important ideas and inputs for planning and policy with regard to direct tax in India. Second, it assists the Income Tax department in the administration of direct taxes.
- **CBEC:**The Central Board of Excise and Customs deals with policy formulation with regard to levy and collection of customs and central excise duties and service tax.
- **CBIC:** Post GST implementation, the CBEC has been renamed as the Central Board of Indirect Taxes & Customs (CBIC). The main role of CBIC is assisting the government in policy-making matters related to GST.

### ***Benefits of Taxes:***

While paying taxes may not be a pleasant feeling, however, it is prudent to understand that tax paid by every single individual contributes towards the country's administration and resources required for its economic progress.

- It promotes savings as well as investments. If an individual makes certain set of investments, a part amount of the same would be tax exempted, thereby enabling him or her to pay reduced amount of taxes.
- Paying tax also works as a proof that you are not only disciplined in filing your tax returns but also helps at the time of loan application. This is because at the time of purchasing a home loan, the bank requires proof of whether the applicant has filed his or her taxes regularly.

### **Difference between Direct and Indirect Taxes:**

<b>Context</b>	<b>Direct Tax</b>	<b>Indirect Tax</b>
1. Imposed on	Income and profits	All the goods and services
2. Who pays	Individuals and businesses	End-consumers
3. How much	Depends on income and profits	Same for everyone
4. Transferability	Not transferable	Transferable
5. Tax Evasion	Possible	Not possible
6. Nature	Progressive	Regressive
7. Collections	Complex	Convenient
8. Common examples	Income tax and securities transaction tax	GST, excise duty, and VAT

## What goods are covered under compensation cess?

The various goods and their respective cess rates are prescribed under the GST (compensation to states) Act 2017 and are listed below:

Goods	GST Compensation Cess
Pan masala	60%
Unmanufactured tobacco (with lime tube) – featuring a brand name	65%
Unmanufactured tobacco (without lime tube) – with a brand name	71%
Branded tobacco refuse	61%
Cheroots and Cigar	21% or 4170 per thousand, whichever higher
Cigarillos	21% or 4170 per thousand, whichever higher
Cigarettes containing tobacco excluding filter cigarettes, of length not more than 65mm	5% + 2076 per thousand
Cigarettes containing tobacco apart from filter cigarettes, of length more than 65mm and up to 75mm	5% + 3668 per thousand
Branded ‘hookah’ or ‘gudaku’ tobacco	72%
Chewing tobacco (without lime tube)	160%
Chewing tobacco (with lime tube)	142%

Pan masala (gutkha) containing tobacco	204%
All goods, excluding pan masala containing tobacco 'gutkha', with the brand name	96%
All goods, excluding pan masala containing tobacco 'gutkha', not bearing a brand name	89%
Coal, ovoids, briquettes, and similar solid fuels manufactured from lignite, coal, whether or not agglomerated, excluding jet, peat (including peat litter), whether or not agglomerated	400 per tonne
Aerated waters	12%
Motor cars and other motor vehicles (including station wagons and racing cars) principally designed for the transport of persons (excluding motor vehicles for the transport of 10 or more persons, including the driver)	15%
Petrol, liquefied petroleum gas (LPG) or compressed natural gas (CNG) driven motor vehicles of engine capacity not exceeding 1200cc and of length not exceeding 4000mm.	1%
Diesel driven motor vehicles of engine capacity not exceeding 1500cc and of length not exceeding 4000mm.	3%
Motor vehicles of engine capacity not exceeding 1500 cc	17%
Motor vehicles of engine capacity over 1500cc, popularly known as Sports Utility Vehicles (SUVs) including utility vehicles.	22%