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## **One Nation, One Tax - GST: An Overview**

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### ***Abstract***

Introduction of Value Added Tax (VAT) at the Central and State level has been considered to be a major step—an important breakthrough in the sphere of indirect tax reforms in India. If the VAT is a major improvement over the pre-existing central excise duty at the national level and the sales tax system at the state level, then the Goods and Service Tax (GST) will indeed be a further significant improvement – the next logical step towards a comprehensive indirect tax reforms in our country. GST is a tax on goods and services which benefits the producers and service providers up to the retailers' level. It is essentially a tax levied only on value addition at each stage and a supplier at each stage is permitted to set-off through a tax credit mechanism (TCM). The GST paid on purchase of goods and services are available for set-off on the GST to be paid on supply of goods and services. Thus, the final consumer will bear only the GST charged by the last dealer in the supply chain. So it is a destination based Tax. After a long struggle, it has been introduced in India on and from 1<sup>st</sup> July 2017 all over the country. In this paper an attempt has been made to analyze the concept of GST, how GST is working and also discusses the justification of GST in India.

**Keywords:** VAT, Tax Reforms, Supply Chain, TCM.

### **Introduction**

Tax Policies Plays an important role on any economy as it is one of the main source of revenue of any Government. Broadly, taxes are classified into direct tax and indirect tax. A direct tax is imposed directly on the tax-payer. It is directly paid to the government by the person on whom it is imposed. It cannot be transferred or shifted on to others, e.g., Income Tax. Direct tax is generally progressive in nature because the rate of income tax is higher for higher income group. Indirect tax, on the other hand, is a tax which can be shifted to another person, e.g., Sales Tax. In this case, tax incidence is passed on at every stage till the commodity finally reaches the consumer. Indirect tax is generally regressive in nature because persons consuming goods will have to bear equal burden regardless of their capacity to bear tax.