INTRODUCTION

If Value Added Tax (VAT) is considered as 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 Services Tax (GST) will be a further significant improvement – the next logical step-towards a comprehensive indirect tax reforms in the country.

Keeping this perspective in view, an announcement was made by Shri. P. Chidambaram, the then Union Finance Minister in the Central Budget (2008-09) to the effect that GST would be introduced with effect from 01st April, 2010; however the same has now been deferred and likely to be introduced at the earliest after resolving political disputes between the Centre and the State.

The scope of the project covers various issues which will be faced by the Management at the time of implementation of this tax system.

Since the GST will be a further major improvement over the VAT, it is worthwhile to recall the process of introduction of VAT at the Central and the State levels, indicating the significant beneficial effects of VAT and also where precisely the scope of further improvement lies in the spheres of both Central Value Added Tax (CENVAT) and the State Value Added Tax. It is this scope of further improvement that provides the justification for introduction of GST.

At the Central level, GST is justified because it will not only include comprehensively more indirect Central taxes in a unified fold and integrate goods and services taxes for the purposes of set-off relief, but will also lead to revenue gains by capturing value additions in the distributive trade.

The GST at the State level is justified for integrating once again several taxes and services in a compact single fold, providing a comprehensive set-off relief involving goods and services, removing cascading effect of CENVAT and also
according additional power of taxation of services to the States.

*If GST is properly formulated with appropriate calculation of rates, then there may be revenue gains for both the Dealers and the Government Agencies.* If these revenue gains are significant, then there may also be a likelihood of reduction of the overall incidence of tax rates from the existing levels, and yet retention of certain revenue gains and fairness.

In GST, there is thus a remarkable possibility of a **positive-sum game**, with a collective gain for the Centre, the States, trade, industry, agriculture and also the common consumers.