

### **Indirect Tax vs Goods and Services Tax (GST)**

#### **Meaning**

##### **Indirect Tax:**

Taxes levied on goods and services where the **burden can be shifted** to another person (consumer). Examples: Excise Duty, VAT, Service Tax, CST.

##### **GST:**

A **single, comprehensive indirect tax** levied on the **supply of goods and services**, introduced to replace multiple indirect taxes.

---

#### **Difference between Indirect Tax and GST**

<b>Basis</b>	<b>Indirect Tax (Earlier System)</b>	<b>GST</b>
Number of taxes	Multiple taxes	Single tax system
Tax structure	Complex & fragmented	Simple & uniform
Cascading effect	Present (tax on tax)	Eliminated
Tax credit	Limited credit	Seamless Input Tax Credit
Nature	Origin-based	Destination-based
Coverage	Goods and services taxed separately	Goods and services taxed together
Compliance	Multiple authorities & returns	Single online portal
Market	Fragmented	Unified national market

---

#### **Key Advantages of GST over Indirect Taxes**

- Removes cascading effect of tax
- Ensures better tax compliance
- Promotes “One Nation, One Tax”
- Creates a common national market
- Simplifies tax administration