

B.Com

Sem 6

MJC 12- GST

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

Basis	Indirect Tax (Earlier System)	GST
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