GST stands for Goods and Services Tax. It's a value-added tax levied on most goods and services sold for domestic consumption. GST is implemented in many countries around the world as a way to streamline and simplify the taxation process, replacing multiple indirect taxes such as sales tax, VAT, excise duty, etc., with a single tax. It aims to reduce tax evasion, increase tax compliance, and create a common market across the nation.

How GST work?

GST works by taxing the value added at each stage of the supply chain. Here's a simplified explanation of how it works:

1. Registration: Businesses that meet the criteria for GST registration need to register with the tax authorities.
2. Tax Collection: When a registered business sells goods or services, it charges GST to the customer and collects it on behalf of the government.
3. Input Tax Credit (ITC): Businesses can claim credit for the GST they have paid on their purchases, known as Input Tax Credit. This means they can deduct the GST they've paid on inputs from the GST they've collected on sales.
4. Filing Returns: Registered businesses need to file regular GST returns, usually monthly or quarterly, depending on the regulations of the specific country. In these returns, they report their sales, purchases, and the GST collected and paid.
5. Payment: After filing returns, businesses need to pay the net GST liability to the government. If the input tax credit is more than the GST collected, they receive a refund, and if it's less, they pay the balance.
6. Compliance and Enforcement: Tax authorities ensure compliance through audits, inspections, and penalties for non-compliance or tax evasion.

Overall, GST aims to create a transparent and efficient tax system by reducing the cascading effect of taxes, promoting compliance, and enhancing the ease of doing business.