

GST : A NEW FACE TO INDIAN TAX SYSTEM

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ABSTRACT

GST which is known as Goods and Services tax is considered to be one of the most crucial reforms in India. It was came into force in 1st July 2017. It is an indirect tax structure designed to support and enhance the economic growth of a country. More than 150 countries have implemented GST so far. It is a comprehensive tax system that will bring all indirect taxes of states and central governments and unified economy into a seamless national market. This paper presents an overview of GST Concept, explains its prospects and challenges faced by India in execution.

Keywords: *Indirect taxes, Unified economy, Goods and Services tax (GST).*

1. INTRODUCTION

India is a federal country where Indirect Tax is levied by Federal and State Government. Value Added Tax is levied by State Governments. Every State has authority to decide the Tax rate and to control the Tax system as per their convenient. But now, from 1st July 2017 onwards the Indian government implemented a new tax system known GST (Goods and Service Tax). As per GST all the Indirect Taxes will be subsumed under an umbrella. It is a form of tax which will replace the multiple taxes which is levied by the central and state governments. GST will unify all the indirect taxes and it will help for the smooth functioning. Experts reveals that GST will help the economy to grow efficiently by improving the tax collection effectively with out any ambiguity. France was the first country which introduced GST , which was in 1954 after all Brazil, Canada etc. were also followed the same.

1.1 OBJECTIVES OF THE STUDY

The objectives of the study are:

- 1) To know about the concept of GST
- 2) To study about the features of GST
- 3) To evaluate the problems and prospects of GST

1.2 RESEARCH METHODOLOGY

The Researchers used an exploratory research technique based on past literature from respective journals, annual reports, newspapers and magazines covering wide collection of academic literature on Goods and Service Tax. According to the objectives of the study, the research design is of descriptive in nature. Available secondary data was extensively used for the study.

2. GST IN INDIA

GST is an indirect tax which will unify all the indirect taxes of central govt. and state govt. under a single a roof. As the name suggests it will be levied on both goods and services at all the stages of value addition. It has dual model including central goods and service tax (CGST) and states goods and service tax (SGST). CGST will subsume central indirect taxes like central excise duty, central sales tax, service tax, special additional duty on customs, counter veiling duties whereas indirect taxes of state governments like state vat, purchase tax, luxury tax, octroi, tax on lottery and gambling will be replaced by SGST. Integrated goods and service tax (IGST) also called interstate goods and service tax is also a component of GST. It is not an additional tax but it is a system to examine the interstate transactions of goods and services and to further assure that the tax should be received by the importer state as GST is a destination based tax.

Table 1: Taxes At The Centre And State Level Are Being Subsumed Into GST.

Sl no.	At the centre	At state level
1	Central excise duty	a. Subsuming of State Value Added Tax/Sales Tax,
2	Additional excise duty	b. Entertainment Tax (other than the tax levied by the local bodies), Central Sales Tax (levied by the Centre and collected by the States),
3	Service tax	c. Octroi and Entry tax
4	Additional Customs Duty commonly known as Countervailing Duty, and	d. purchase tax
5	Special Additional Duty of Customs.	e. luxury tax

The above table shows list of taxes centre and state level are being subsumed into GST Keeping in mind the federal structure of India, there will be two components of GST – Central GST (CGST) and State GST (SGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

Date and proceedings in the introduction of Goods and Services Tax in India

Sl. No.	Date	Events or Procedure
1	28th Feb. 2006	FM announces GST in India from 01.04.2010
2	10th May 2007	Joint Working Group set up by Empowered Committee of State Finance Ministers
3	19th Nov. 2007	Joint Working Group submitted Report to Empowered Committee
4	28th Nov.2007	Report of Joint Working Group discussed by Empowered Committee and some changes made.
5	12th Dec. 2008	Comments received by Empowered Committee from Government of India.
6	16th Dec. 2008	Comments of Government of India considered by Empowered Committee and Committee were constituted to consider these comments.
7	21st Jan. 2009	Views received by Empowered Committee and principally accepted by Empowered Committee, a Working Group was formed by State/ Central Government Officers to submit recommendations of the structure of Goods and Services Tax Commission
8	19th Oct. 2009	Interaction between Finance Minister and Empowered Committee for

		compensation for loss of Revenue to the State for phase out of the Central Sales Tax.
9	15th Dec. 2009	Report of the Task Force on Goods and Services Tax constituted by the 13th Finance.
10	1st Apr. 2012	Federal Government was going to introduce GST, but due to some management and infrastructure problems it was not introduced.
11	26th Dec. 2014	The Government introduced 122nd Constitutional Amendment Bill to the introduction of GST.

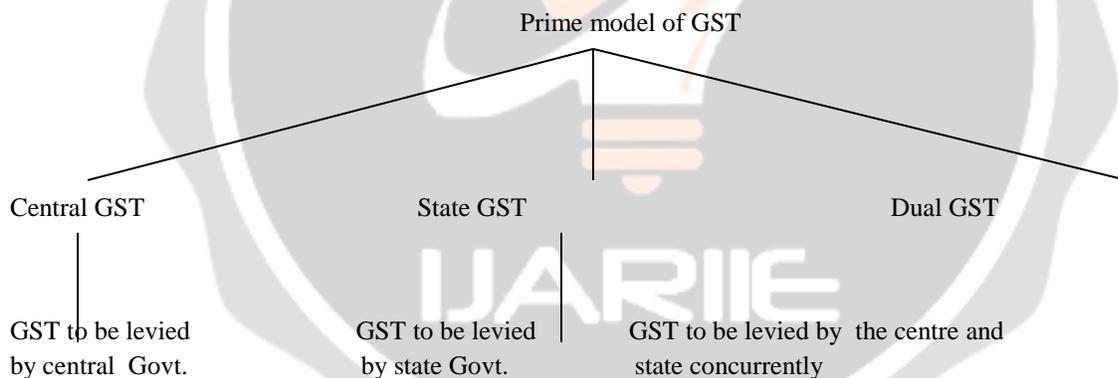
Source:<http://files.artoffinance.webnode.in>

2.1 FEATURES OF GST

“First time the discussion on GST in India” exhibits in detail the basic features of its structure and implementation aspect. Of course, some of the details are already known to us and a few others will help to clarify some details of the proposed design. Some of the important features of the proposed GST reform are:

- a) This dual GST model would be implemented through a certain number of legal provisions. The GST shall have two mechanisms: one levied by the Centre (CGST), and the other levied by the States (SGST).
- b) In the First Discussion Paper on GST released by Empowered Committee has given its recommendations that the Central Taxes and State Government Taxes should be subsumed under the GST.

MODEL OF GST



2.2 PROBLEMS WITH GST

- **Amendment in the Constitution :** Implementation of GST is necessary to perform the Constitutional Amendments for State to levy Service Tax as well as Central Government has the power to enhance revenue from dealers and retailers transaction. Number Of modified measures have been undertaken by both the Governments before implementing the GST .
- **Administration issue :** GST is subsumed of various types Indirect Taxes where revenue will be divided between the Central and State Government. But there may occur various problems in this case regarding the matter of authority- who will control the system? Who will decide the Tax rate and how will the administration work? On the basis of the discussion of the first paper we can suppose that there will be separate Tax management both for the Centre and each State level. The administration of the State GST will be under the control of State while Central GST will be under the Central Government.

- **Tax Awareness among the stakeholders:** India is a developing country and more than 60% people lives in rural areas. The (Central and State Government) have to spend a large amount of money for the awareness of people on the matter of GST.
- **Inflation :** Australia has implemented GST on 1st July 2000. Critics have argued that it is a regressive Tax; means a person with higher income will pay lower Tax compared to those are earning the lower income. Before implementation of GST, the consumer has purchased goods in bulk and stored. When GST Tax came into effect, consumer consumption and economic growth declined in the first fiscal quarter of 2001. First time in last decade, Australian economy recorded negative economic growth. The Government was also criticized by small-scale industry due to the excess of administrative responsibilities. This study has focused on the problems associated with GST which may arise here also.

2.3 PROSPECTS OF GST

- **India and GST** :India has federal structure. Union Government has planned for a dual GST model where Central Goods and Services Tax (CGST) and a State Goods and Services Tax (SGST) will be levied on the Taxable value of goods plus services.
- **Benefit to industry** :The GST is expected to be complimentary to the user of the supply chain of goods and services which include from beginning to ending the whole industry, Agriculture and trade via a comprehensive Tax regime. This is expected to generate the higher amount of revenue for the industry as well as business prospects as Tax burden goes down.
- **Benefit to exports** : The cost of manufactured goods and services will decrease with the comprehensive reduction of input cost of major Central and State Taxes in GST. This will create a competitive environment of goods and services of India, in the international market.

3. CONCLUSION

In the light of the above discussion, the authors have recommended that GST system is more beneficial for the Government as well as stakeholders from the management and analysis point of view. We believe that CGST must have the authority to collecting Tax and SGST should be given the power to take the decision regarding Tax rate. In case, if there is any change in the Tax rate it should be decided through democratic consent so that there are minimum chances of political interference. GST is also helpful in avoiding Tax evasion, improved Tax collection and compliances. It reduces the cost of goods and services to some extent and creates a supportive environment for the facilitation of international trade, thereby helping in revenue generation leading to the increase in the GDP of the country. Similarly, it will also be helpful in lowering the Tax burden on the various segments of the economy. Industries, dealers, retailers and the agriculture sector as a whole will benefit from GST.

It is found that in countries where GST has been implemented had positive impact on their economies. It can be looked as simplification of Taxes in country and avoiding unnecessary complexities. Researcher's observation is in support of GST system, experience of other countries strengthen the belief that it will be a milestone in the development of Taxation in India.

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