GST – A STEPPING STONE IN INDIAN TAX REFORM

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ABSTRACT

GST is considered as one of the most important tax reforms in India. Although it was supposed to be implemented in April 2010, it is still pending due to political issues and conflicts of interests of various stakeholders. This is a comprehensive tax system that will include all state and central government indirect taxes and the integrated economy as a seamless national market. It is expected to eliminate the wrinkles of the existing indirect tax system and play an important role in the growth of India. This white paper provides an overview of the GST concepts and explains their features along with implementation schedules in India. This paper focuses more on the benefits of GST and on the challenges facing India in action.

Keyword: - *Tax, Indirect tax, Goods and Service Tax (GST), India.*

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1 INTRODUCTION

The proposed GST seems to change the entire scenario of the current indirect tax system. Nowadays, in India, complex indirect taxation systems are followed by taxes levied separately by the union and the state. GST will unify all indirect taxes under the umbrella and create a seamless national market. Experts say the GST will help the economy grow more efficiently by improving tax collection. It confuses national tax barriers and consolidates the country at a single tax rate. The GST was first introduced in France in 1954 and is now followed by 140 countries. Most countries follow a unified GST, but in some countries, such as Brazil and Canada, they follow a dual GST system where both central and provincial taxes are levied. In India, GST dual systems including CGST and SGST are proposed.

2 LITERATURE REVIEW

Agogo Mawuli (May 2014) 1) After studying "Goods and Services Taxes-Emotions", we found that GST is not good for low-income countries and does not provide broad-based growth for poor countries. If these countries still want to implement GST, the GST rate should be less than 10% for growth.

Dr. R. Vasanthagopal (2011) 2 concluded that studying the "India's GST: a big leap in the indirect tax system" and moving from India's current complex indirect tax system to a smooth GST would be a positive step for India's economic boom. The success of GST will be accepted by more than 130 countries in the world and will favor new forms of indirect taxation in Asia.

Ehtisham Ahmed and Satya Poddar (2009) studied "India's Goods and Services Tax Reform and Intergovernmental Considerations" to find out that the introduction of GST will provide a simpler and more transparent tax system with increased output and productivity in the Indian economy. found. However, the benefits of GST rely heavily on GST's rational design.

Nitin Kumar (2014) 6 expects to study the "goods and services tax - the road ahead" and implement GST in India to eliminate the economic distortions caused by the current indirect tax system and encourage a biased tax structure that is indifferent to geographical location I concluded.

Pinki, Supriya Kamma and Richa Verma (July 2014) 7) studied "Goods and services tax on the Indian indirect tax system - Panacea" and concluded that the new NDA government in India is positive for GST implementation and favorable for the central government I fell. , A strong IT infrastructure is supported by long-term implementations not only by the state but also by consumers.

3 OBJECTIVE OF STUDY

The study has following objectives:

1) To cognize the concept of GST
2) To study the features of GST
3) To evaluate the advantages and challenges of GST
4) To furnish information for further research work on GST

4 RESEARCH METHODOLGY

It is based on the secondary data of journals, articles, newspapers and magazines because it is a research study. Descriptive research designs that take into account research objectives have been adopted for the accuracy and rigorous analysis of research studies. Accessible secondary data is used intensively in research.

GST is an indirect tax that includes almost all of the indirect taxes of central and provincial governments as an integrated tax. As the name implies, goods and services are charged at every stage of value added creation. It has dual models including the Central Goods and Services Tax (CGST) and the Main Goods and Services Tax (SGST). CGST will include central indirect taxes such as centralized sales tax, central sales tax, service tax, special duty tax, and tax collection duty, but the state indirect tax such as provincial VAT, purchase tax, luxury tax, lottery, lottery and gambling Will be replaced. An integrated goods and services tax (IGST), also called interstate commodity and service tax, is also a component of GST. Although not an additional tax, we review weekly transactions of goods and services and are confident that the GST is a destination-based tax and that the importing country is the system by which the tax must be collected.

Timeline of GST in India: In 2000, the Nim government established a committee authorized to design the GST model under the chairmanship of Asim Das Gupta. P.Chidambaram of the Electricity Finance Minister P.Chidambaram declared the implementation of the GST in April 2010 and budgeted for 2007 and formed a committee of the State Finance Ministers to work with the Center. Therefore, a joint working group of the National Finance Ministers Committee, which submitted the report on May 10, 2007 and November 2007, was formed. First, a detailed discussion report on the GST structure was presented for discussion purposes by the Commission in November 2009. Opinions are gained from all stakeholders. We proposed a dual GST module with the GST Council and in March 2011 the 115th amendment was introduced to enact a law to enforce GST. This includes:

1) Establish a GST meeting of the president within 60 days of passing the bill. The council will be chaired by the union finance minister, which includes MoS for revenue and finance ministers. GST rates, exemptions, etc.

2) Establish a GST Dispute Resolution Body composed of three members to resolve weekly disputes and take action against the state.

3) The Gend Amendment Bill was referred to the Parliamentary Committee on Finance for evaluation.

In August 2013, the Standing Committee recommended that it submit a report, remove the proposed dispute resolution authority and give the mechanism to the GST Committee itself. The GST Board also recommended that voting be decided rather than consensus. The representative of the GST committee should be 1/3 from the center and the remaining 2/3 from the state. The decision of the council must be passed with at least three voters present. The quorum of the council shall be increased from one third to half as proposed by the Standing Committee.

The NDA government redefined the 122nd Constitutional Amendment in the 16th Lok Sabha on December 19, 2014, with minor amendments to the GST Act. It was passed by the House of Representatives in June 2015. At present, 122 constitutional amendments are firmly established in Rajya Sabha, and two-thirds of the constitutional amendments are required to be passed on April 1, 2016.

5 FEATURES OF PROPOSED GST

This applies to all goods and services subject to taxation except for goods and services that are exempted, and transactions below the limit. Exempt goods and services include human consumption, electricity, customs, and liquor for real estate. [Crude oil, HSD (high speed diesel), motor spirit (gasoline), natural gas, ATF (aviation turbine fuel)] are initially exempt from GST until the GST Council announces their inclusion date. Tabaco products are included in the GST with a central consumption tax.

Imposition and Collection of GST

- The power of making law on taxation of goods and services lies with both union and state legislative assemblies. A law made by union on GST will not overrule a state GST law.(proposed article 246A)

- GST has two components CGST and SGST as discussed above. CGST will be collected by central government whereas states governments will collect SGST.

- IGST is levied on supplies in the course of interstate trade including imports which is collected by central government exclusively and distributed to imported states as GST is destination based tax. The proportion of distribution between center and states is decided on recommendation of GST Council.(proposed article 269A).

6 ADVANAGES OF GST

In the current indirect tax system, the Central Sales Tax (CST) is paid to the weekly commerce of the goods. A 2% CST standard fee will be charged and will be distributed to the exporting country because it is the origin tax. Input Credits in CST can only offset CST debt. CST is only paid for weekly commerce of the goods and is not paid for the supply (shipment) of the goods. Therefore, to avoid this tax, large corporations build their own new cities in different states and transport goods between states without paying CST, eventually reducing product costs. Because large companies avoid this tax through warehousing, SMEs can not survive in the market because it is difficult to grow. However, in the proposed GST tax regime, IGST is imposed on weekly commerce and supply (both) of goods and services. This will lead to an effective logistics system that prevents tax refunds through large warehouses. This will protect SMEs from harmful competition from large corporations.

In the current indirect tax regime, every conglomerate tries to produce everything in-house only to reduce the CST and the cascading effects of taxes. However, the proposed GST system lacks CST and cascading effects that lead to outsourcing, subcontracting and labor sharing. This characterization will reduce future production costs. At a reduced price, domestic products will be more competitive in the international market, which will help increase exports and reduce the current account deficit.

GST will not affect the input credits to the exporter and will not be subject to exportation as these input credits can be used in the future. In the absence of graded exports, domestic commodities will be more competitive in the international market and will help increase exports, which will reach 3.5% share of India in world exports by 2020. If the service is replaced by a single tax, the tax structure is much simpler and easier to interpret. Reducing the accounting complexity of the business will improve the competitiveness of the business sector and improve the economy by 1-2%.

7 CHALLENGES OF GST

RNR is the rate of neutralizing the effects of state and central government revenues due to changes in the tax system, and GST ratios are known to provide the same level of tax revenues that state and central governments currently receive as indirect taxes. 13 The RNR per financial committee should be 12%, while the state requires 26.68%. The federal government thinks the rate band should be very high 15% -20% compared to other counties. Hungary introduced GST at a 7% interest rate from the first quarter of 2011.

Currently, VAT is the highest contributor to the state tax revenue. However, after the GST reforms, they will be included in the GST with an additional fee. Certain state governments will surely incur revenue losses, and will rely more on financial fees (currently 42%) for tax transfer. In order to neutralize the loss of their income, the state is demanding compensation from the union government. The fee commission combination for each of the 14 financial committees must compensate the state for up to five years. During the first three years, 100% coverage decreased to 75% and 50% for four and five years, respectively. This trade union reward can lead to financial burdens and may not meet the 3% fiscal deficit target by the end of March 2017, announced by the Treasury Secretary in the 2015 budget. This financial goal must be achieved in order to achieve rapid economic growth in the future and complete conversion of capital account. An industrialized country will be lost in the GST regime due to its target-based functions. It will stimulate more income to demotivate manufacturing and increase tax revenue. It is not good for India as well as the manufacturing industry because the burgeoning manufacturing industry is the main driving force of our economic growth in the future. For temporary relief to industrialized countries, GST proposes an additional 1% tax for two weeks of weekly sales and supplies. If 1% additional tax is imposed, the main purpose of GST to minimize the tax cut effect is disappearing. To minimize cascading effects, this additional tax should not be imposed at least on weekly commodity supply.

7 CONCLUSION

Because of the incomplete environment of the Indian economy, it takes time to implement the GST. Consumption and production of goods and services are increasingly undoubtedly increasing, and the complexity of current tax administration has also accelerated compliance costs. Therefore, we need a simple, user-friendly and transparent tax system that can be implemented with the implementation of GST. Its implementation implies a consistent tax system that fuels most of the current indirect taxes, and in the long run will lead to higher output, more employment opportunities, and GDP growth of 1 to 1.5 percent. It can also be used as an effective tool for managing fiscal policy if it is successfully implemented at the same national rate. It will also lower the cost of doing business, which can increase the competitiveness of domestic products in domestic and international markets. There is no doubt that GST will provide India with a world class tax system to grab other treatments in manufacturing and service sectors. But all of this depends on reasonable design and timely implementation. As mentioned above, the GST implementation has various problems. They need more analytical research to address the interests of diverse stakeholders and to achieve their commitment to the fundamental reform of the tax structure in India.

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