

A FLEETING LOOK AT TAX RATES PRE AND POST GST

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ABSTRACT

GST (Goods and Services Tax) is hailed as one of the biggest tax reforms of the country. It is a destination based tax on supply of goods and services. GST subsumes many indirect taxes which are imposed by center and state such as excise, VAT, service tax etc., it is substituting 17 indirect tax levies. It will tone down the cascading effect and pave the way of growth. It can be proved as an effective tool of fiscal policy. The government is trying to smoothen the road to GST. It is important to take a leaf from global economies that have implemented GST before us.

key words: *Goods and Services Tax, hailed, substituting, cascading effect, subsumes.*

Nation's growth is dependent on a clean tax regime - Prime Minister Narendra Modi

Introduction

GST (Goods and Services Tax) is hailed as one of the biggest tax reforms of the country. It is a destination based tax on supply of goods and services. GST subsumes many indirect taxes which are imposed by center and state such as excise, VAT, service tax etc., it is substituting 17 indirect tax levies. France was the first country to introduce GST in 1954. Worldwide, Almost 150 countries have introduced GST in one or the other form since now. Most of the countries have a unified GST system. Brazil and Canada follow a dual system vis-à-vis India is following now. Under GST goods and services are taxed with rates 0%, 5%, 12%, 18%, 28% at present. The main objective of Goods & Service Tax (GST) would be to eliminate the doubly taxation i.e. cascading effects of taxes on production and distribution cost of goods and services. The exclusion of cascading effects i.e. tax on tax till the level of final consumers will significantly improve the competitiveness of original goods and services in market which leads to beneficial impact to the GDP growth of the country. It is expected to iron out wrinkles of existing indirect tax system and play a vital role in growth of economy.

Research Problem

The concept of GST is the biggest tax reform in decades throughout the world, but India has been taking baby steps to meet its target of rolling out goods and services tax. The researcher intends to focus on understanding concept of pre and post GST and its impact on Indian economy.

Objectives of the study:

The present study highlights

- To understand the concept and frame work of GST.
- Present study has been extensively used to draw conclusions and suggest suitable recommendations for its better administration of GST.

Sources of data

The present paper focuses on extensive study of secondary data collected from various books, national and international journals, government reports, publications, magazines and various websites which focuses on aspects related to Goods and Services Tax.

THE BENEFITS OF GST AS UNDER

- It is a destination based tax on consumption of goods and services which means exports are allowed with 0% taxes and imports are taxed on par with domestic production.
- It would subsume all indirect taxes at the central and the state level.
- A unified tax system removing a bundle of indirect taxes.
- Removes cascading effect of taxes
- Manufacturing costs will be reduced, hence prices of consumer goods likely to come down.
- Lower prices will increase demand/consumption.
- Increased demand will lead to increase supply. Hence, rise in production of goods.
- The increased production will lead to more job opportunities in the long run. But, this can happen only if consumers actually get cheaper goods.
- A unified tax regime will lead to less corruption which will indirectly affect the common man.
- It would not only widen the tax regime by covering goods and services but also make it transparent.
- It would create business-friendly environment and increase tax-GDP ratio.

Fig.1 Models of GST

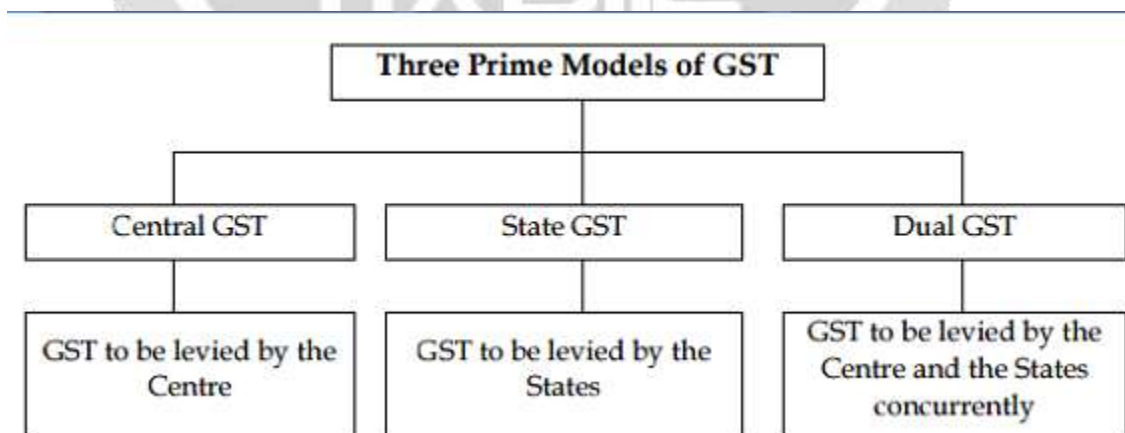
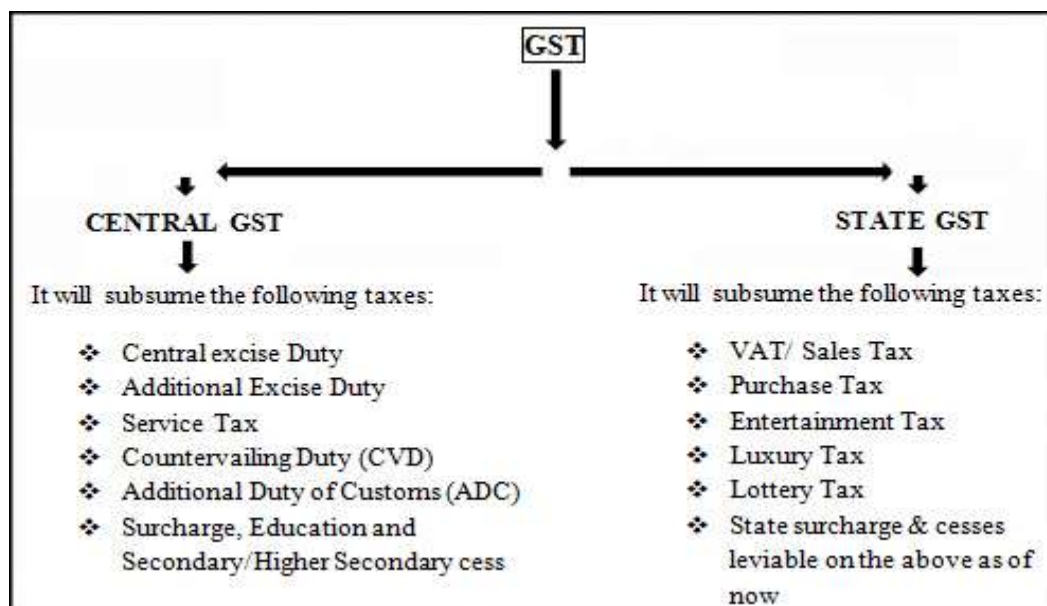


Fig.2 Taxes Subsumed Under GST



A glance at tax rates pre and post GST

Table-1 reveals the rates of taxes before and after implantation of GST. It can be understood that the rates of taxes of goods were increasing and decreasing after implementation of GST. Daily use items like sugar, tea, hair oil have come down. There has been increase for luxury and sin products. Below is a listing of the goods and services that will become cheaper or costlier after the GST comes in to force.

Table.1 Rates of Taxes of Consumer Goods, Lifestyle Products & Kitchen Ware Appliances Pre & Post GST

CONSUMER GOODS	Post GST rate (%)	Pre GST rate (%)	LIFESTYLE & HOME	Post GST rate (%)	Pre GST rate (%)	KITCHEN WARE APPLIANCES	Post GST rate (%)	Pre GST rate (%)
Aluminum oil	18	18.5	Leather bags	28	6	stoves	28	18.5
Agarbatti	5	0	Cell phones	18	6	Electrical hot plates	28	18.5
Preserved vegetables	18	0	Air conditioners	28	26	Aluminium utensils	12	18.5
Butter, Ghee, Cheese	12	6	Storage water heaters	28	26	LPG for domestic supply	5	17

Dry fruits	12	6	Dish washing machines	28	26	Household copper articles	5	18.5
Jams, jellies	12	12	Wrist watches	28	26	Copper utensils	5	18.5
Toothpaste	28	26	Furniture	28	26	Iron steel household articles	5	18.5
Deodorants	28	26	Sports goods	12	18.5	Iron steel kerosene stoves	5	18.5
Pasta, corn flakes, and cakes	18	19.5	Spectacle lens	12	18.5	Pencil sharpeners, knives	12	18.5
Ice cream, instant food mixes, sherbet	18	26	printers	18	26	Broom sticks	5	18

Source: www.thequint.com

PROBLEMS IN IMPLEMENTING GST

- There is no such clear picture about the GST both to the government and to the general public.
- There is no cooperation between the Central government and the state government in implementing GST.
- The State government generally refuses to accept it. As the states levy taxes on the Destination principle, so in order to lose the revenue they were avoiding it.
- Even though the government said that they will pay the loss of revenue to the state government, it will be again imposed on the general people in some other forms.
- It involves massive cost on the training of the staff of the Taxation department.

SUGGESTIONS AND RECOMMENDATIONS

- To provide literacy and awareness about the GST.
- Effective spending on efficient Tax administration staff.
- Well maintenance and frequent follow ups of GSTN (Goods and Service Tax Network) portal for better relationship with various stakeholders.
- The Central and the State government should be in proper understanding and cooperative with each other for the successful implementation of GST.
- The loss of Tax revenue should be managed and compensated properly through proper diversification of funds without burden to anyone.

STEPS AHEAD

There is some concern that the revenues from GST in the past few months are somewhat below expectations. Things could improve as the new changes bring in stability and technology platform stabilizes. Hopefully the implementation of GST may help in augmenting income tax as well. Strong political commitment, to implementing the reform, thorough advance preparation, adequate investment in tax administration and taxpayer services, extensive public education programme, support from business community and good timing of reform are the important pre-requisites for successful implementation of the GST. It is also important to note that problems of transition to a major tax reform are unavoidable and most countries go through this. In this regard, the approach of the GST Council must be commended for being receptive to the concerns of businesses and in dealing with the glitches in technology. Some of the noise heard is also due to the fact that all traders, in one way or the other, are brought into the formal sector. That hurts some. The GST Council has recognised that it needs to carefully calibrate the reform until the desired goal of a Good and Simple Tax is realised. Hopefully the GST Council will keep the goals clear and consider the reform effort as a work in progress.

CONCLUSION

Change is definitely never easy. The introduction of GST is a historical reform in Indian taxation system. It consolidates comprehensive central and state taxes and allows set off of prior stage taxes. It will tone down the cascading effect and pave the way of growth. It can be proved as an effective tool of fiscal policy. The government is trying to smoothen the road to GST. It is important to take a leaf from global economies that have implemented GST before us, and who overcame the teething troubles to experience the advantages of having a unified tax system and easy input credits.

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