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Research Paper

GOODS AND SERVICES TAX IN INDIA: AN OVERVIEW

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ABSTRACT

GST is the one of the biggest indirect tax reform after India's independence. It was introduced in India on 1st July 2017. It is destination based consumption tax of goods and services. This paper presents an overview of GST concept, historical background and its structure. This paper is also discussed various advantages and disadvantages of GST in different angle. This paper is descriptive in nature and completely based on the data and information available from secondary sources. GST simplifies tax structure and helps in the development of the general national market. It is expected that all sectors of the economy will be equally affected by the introduction of GST.

KEY WORDS: GST, GST council, Cascading effect, Input tax credit, VAT, Service tax.

I. INTRODUCTION

A good taxation policy plays an important role in promoting economic growth through its simplicity, implying the absence of unnecessary and avoidable complexities. India is federal country where the authority to levy tax is derived from the Constitution of India which allocates the power to levy various taxes between Central and State Governments. There are two type of taxation system in India i.e. direct tax and indirect tax. The indirect tax is in the domain of Central Government and State Governments. Since independence India has followed complicated indirect tax system with multiple types and rates of taxes levied by Central and State Governments separately. Due to this multiplicity of taxes there was a high cost of compliance for both assesses as well as Governments. So, here is the need for a single tax structure. Goods and Services Tax (GST) was introduced in India on 1st July, 2017 and applicable through the country. After independence, it is one of the most important indirect tax reforms which unify almost all the indirect taxes of Central and State Governments. It is a comprehensive tax regime with single tax levied on manufacturing, sales and consumption of goods and services. Goods and services Tax Laws is not a new and unique to the Indian economy. France became the first country to launch GST in 1954. Now, around 160 countries adopting some form of GST i.e. Independent GST at Centre and State, National level GST and Dual GST. Most of the countries followed the unified GST system while some other countries like Canada, Brazil followed a dual GST system. India has also adopted dual GST system, one of which is levied by Centre Government (CGST) and the other

is levied by State Government (SGST) and Union Territories (UTGST).

II. LITERATURE REVIEW

Kumar, R. (2016), in his paper 'Comparison between Goods and Services Tax and Current Taxation System – A Brief Study' differentiate the GST framework and previous taxation system and highlighted the impact of GST on Indian economy.

Khurana, A. And Sharma, A. (2016), in their paper 'Goods and Services Tax in India – A Positive Reform for Indirect Tax' highlighted the objectives of GST and reforms in indirect taxation system in India. And conclude after implementation of GST, manufacturer, wholesaler and retailer can be easily recovered input taxes in form of tax credit.

Mujalde, S. and Vani, A. (2017), in their research paper on 'Goods and Services Tax (GST) and its outcomes in India' focused on the features of GST, impact of GST on Indian economy and discussed possible advantages and challenges of GST.

Nath, B. (2017), in his paper on 'Goods and Services Tax: A Mile Stone in Indian Economy' discussed benefit and impact of GST on Indian economy and also conclude that GST has a positive impact on various sectors and industries.

III. OBJECTIVES OF THE STUDY

The objectives of the study are:

1. To study the historical scenario of GST
2. To understand the concept and structure of GST
3. To evaluate the advantages and disadvantages of GST



IV. RESEARCH METHODOLOGY

The paper is descriptive in nature based on secondary data collected from various journals, articles, news

papers, magazines and websites as well as conceptual understanding.

V. HISTORY OF GST

2006:	The Union Finance Minister proposed GST will be introduced in India from 1 st April, 2010, in the historical Budget Speech of 28 th February 2006.
2007 :	Joint Working Group was formed on 10 th May, 2007, by Empowered Committee of State Finance Ministers and this group was submitted its report on 19 th November, 2007.
2008 :	Empowered Committee was sent a view entitled "A model and roadmap for Goods and Services Tax (GST) in India" to the Government of India (GOI) in 30 th April, 2008 and the comments of GOI were received in 12 th December, 2008 and committee were constituted to consider these comments.
2009 :	First discussion paper on GST was released on 10 th November and Task Force of Finance Ministers has submitted their report on structure of GST in India.
2010 :	Empowered Committee considered the three drafts of Constitutional Amendment Bills. Finance Minister suggests the problem of GST rate and announced that GST will be implemented from April, 2011.
2011 :	The 115 th Constitution Amendment Bill was introduced for the levy of GST in Parliament. The Bill suggested to creation of Goods and Services Tax Council and Goods and Services Tax dispute Settlement Authority.
2012 :	A 'Committee on GST Design' was constituted, consisting of the officials of the Central Government of India, State Governments and standing Committee.
2013 :	A not for profit, non-Government, private limited company was incorporated on 28 th March, 2013 in the name of Goods and Services tax Network (GSTN). And the Parliamentary Standing Committee submitted its report on the Constitution (115 th Amendment) Bill, 2011 on 7 th August, 2013.
2014 :	The 115 th Amendment Bill laps due to completion of Parliamentary terms. The government was reintroduced in 122 nd Constitution Amendment Bill to the introduction of GST.
2015 :	GST Bill passed in Lok Sabha on 6 th May, 2015 but Bill is pending in Rajya Sabha.
2016 :	Ministry of Finance released draft model law on GST in public domain for views and suggestions. GST Bill passed in Rajya Sabha with some amendments on 3 rd August, 2016. President gives assent on 8 th September, 2016 and the Constitutional 101 st Amendment Act come into force.
2017 :	Government introduced four GST related Bills which becomes Acts by the giving Presidents assent. GST Council finalizing the GST Rules and GST Rates and finally GST launched on 1 st July, 2017.

VI. CONCEPT OF GST

Goods and Services Tax (GST) is a comprehensive, multistage, destination-based tax which is very significant in the field of indirect tax reforms in India. It is levied on value added at each stage of sales and purchases in the supply chain throughout the country. GST will mitigate the cascading effect and reduction the overall tax burden on goods and services. With the introduction of GST, the 'one country one tax' system has been introduced in India.

VII. STRUCTURE OF GST IN INDIA

As per the Constitution (One Hundred and First Amendment) Act, 2016, the GST Council was formed to recommend some important issues like model of GST Laws, threshold limits, GST rates, etc. It is a recommendatory body, Union Finance Minister as Chairperson, Union minister in charge of finance or revenue as member of GST Council. And also the minister in charge of finance or taxation or any other minister nominated by each state government as members of

GST Council, One of them is chosen as Vice Chairman. The whole GST system is backed by a strong IT system to provide a uniform interface for tax payers and other stakeholders and shared IT infrastructure between the Centre and State Governments. In this regard, Goods and Services Tax Network (GSTN) has been set up by the Government.

In India GST is a dual in nature whereby GST is levied by both the Central and State Governments/Union Territories. There are four models of GST Law i.e. CGST, SGST, IGST and UTGST.

The Central GST (CGST) to be levied and collected by the Central Government which subsume of central indirect taxes like service tax, central sales tax, central excise duty, custom duty, counter veiling duties, where as the State GST (SGST) to be levied and collected by the State Governments which consists of entertainment tax, octroi and luxury tax, entry tax, sales tax or VAT, tax on lottery, betting and gambling. The CGST/SGST is payable on all intra-State supply of goods

and/or services. In these models GST within a state (Intra State) is CGST+SGST. The model of CGST/SGST legislation contains 174 sections spread over 21 Chapters and 3 Schedules. And it deals with the various administrative and procedural aspect of levy, such as, registration, assessment, payment of tax, filing of returns, maintenance of accounts, refund, audit, offences and penalties.

The Integrated GST (IGST) to be levied and collected directly by the Central Government when the supply of goods and services between two or more States or more Union Territories or between State and Union Territories take place (Inter-State/inter-UT). In this model imported goods or services are considered inter-States supplies and the IGST is imposed on it. The model of IGST legislation contains 25 Sections divided into 9 Chapters. It is also deals with certain provisions of the CGST Act such as registration, valuation, time of supply, exemption, ITC, audit, assessment, demands, adjudication, refund, search, seizure and arrest, prosecution and appeals.

The Union Territories GST (UTGST) to be levied and collected on intra-state supply of goods or services or both by the Centre and Union Territories. In these models GST within a Union Territory (Intra-UT) is CGST+UTGST. The model of UTGST legislation contains 26 Sections divided into 9 Chapters.

VIII. ADVANTAGES OF GST

The Goods and Services Tax have many advantages and it creates many opportunities on various stakeholders like business, industries, government and citizens. The advantages are divided into three broad categories that are discussed below.

A. For Business and Industries:

- (i) Single tax system: Introduction of GST reduced the accounting complexities in business and industries throughout the country as it subsumes almost all indirect tax.
- (ii) Remove of cascading effect: In the earlier taxation system, there exists cascading effect of tax or tax on tax. But now with the implementation of GST the cascading effect of taxation is reduced.
- (iii) Easy to compliance: No multiple records are required for a multiplicity of taxes as GST harmonised tax structure make uniform administration across the country. So it reduced the compliance cost and procedural cost.
- (iv) Improve competition: Uniformity of tax rates across the country creates a national market and the cost of manufactured goods and services is decrease with the reduction of tax burden which help to create a competitive environment of goods and services in India.
- (v) Export with zero rates: Under GST scheme there is no tax on export because input credit of exporter is not affected and the exporter can use these input credit in future. It makes our products competitive in the domestic and international markets.
- (vi) Easy to doing business: Under GST system process of registration, return, refund, tax payments are very simple and automated through the common GSTN portal and across India it makes the process more transparent and accountable.

B. For Government:

- (i) Simple and easy to administration: As multiple indirect taxes of State and Central Governments on goods

and services are replaced by a single tax so the tax structure is much simpler. And it is easy for governments to administrate the tax structure and to levy and collect tax.

- (ii) Increase revenue efficiency: The GST will increased government's revenue through improved tax collection and administration. Studies indicate that GDP growth may be of additional 1% to 2% as the introduction of GST.
- (iii) Promote 'Make in India' campaign: GST will attract foreign investors to invest in this country due to simplified harmonisation of laws, procedures and rates of tax. This will promote 'Make in India' campaign.
- (iv) Boost to export and manufacturing: Domestic goods will be more competitive in the international market because there is no tax on export and it will encourage manufacturing activity. It will help in increasing exports which in turn the fulfilment of objectives of 3.5% shares of India in world exports by 2020.
- (v) Better control of leakage: GST will play an important role in freeing our tax authorities from corruption and bribery, as there is lower scope of corruption through simplification of tax procedures. GST is also helped to build a transparent and corruption free tax administration.

C. For Citizen:

- (i) Reduction of price: Under GST system, there are a uniform tax rate and no cascading effect. Also manufacturers or traders do not have included taxes as a part of their cost of production. As a result, the prices of goods are reduced.
- (ii) Reduction of tax burden: The GST structure is transparent and reasonable and the tax that consumers carry is defined and specific so consumers benefited from the burden of taxes on goods and services. It is estimated that, 25% to 35% of overall tax burden will be reduced.
- (iii) Uniform price throughout the country: As the rate of GST is same in all over India and there exist no cascading effect so it is expected that all products and services are provided at similar prices in all the states.
- (iv) Employment opportunities: GST creates a large number of new employment opportunities in the formal sector such as automobiles, logistics, e-commerce and cement, including in specialised areas like taxation, accounting and data analysis.

IX. DISADVANTAGES OF GST

Disadvantages are also classified into three broad heads which are given below.

A. In respect of business and industries:

- (i) GST will increase the burden of taxes for small and medium size entrepreneurs. Beside, due to lowering the GST threshold limit to Rs.20 lakh, the manufacturing business will be affected.
- (ii) Traders are facing several problems to submit tax return file due to tax administration and infrastructure are under developed.
- (iii) In the GST system, GST compliance, return filing and payments are all done through online. This

system has to fill a large number of return filing. This is the cause of anxiety of traders.

- (iv) Most of the business used accounting software or ERP to submit a return on the previous taxation system. To change their ERP for GST; software upgrades or new GST-compliant software will be purchased and for this employee training is important. This will increase the cost.

B. In respect of Government:

- (i) As GST is destination based consumption tax, so it is very difficult to identify where the products are going or where a services is being provided.
- (ii) GSTN is facing challenge for tackling tax structure across the country. If tax management and infrastructure do not improve, government revenue will face the problem.
- (iii) Although GST council fixed the tax rates, yet a State cannot want to shift a particular commodity to a lower or higher bracket or in the exempt category. It results in loss of states' freedom and autonomy.
- (iv) Political issues can prevent the normal works of the GST council. As a result, tax rates and tax structure will be difficult to fix.

C. In respect of citizen:

- (i) Although the price of certain essential commodities have decline, yet people are worried due to the price of some other necessary item like gas, cloth etc.
- (ii) Due to lack of awareness of GST, people are afraid and worried.
- (iii) Due to the increase in service costs, the people may suffer financially.

X. CONCLUSION

GST has started in India by passing a long way. Most of the countries now in the world are under this system. Again, there was a need for a new one-country tax system to free India from many taxes and rate system. GST will greatly help overcome economic confusion caused by the complex tax structure and help in the development of general national markets. It is expected that all sectors of economy such as industry, business, government departments and services sectors have to bear its positive impact.

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