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GOODS AND SERVICES TAX: ONE TAX IN INDIA

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Abstract:

Goods And Services Tax(GST) is a simple, translucent and efficient system of indirect tax, implemented to more than 140 countries across the world. It was first introduced in France in 1954. It is an all-inclusive tax method that will consider all indirect taxes of states (like VAT or sales tax, Central Sales tax, Entertainment tax, Entry tax, Purchase tax, Luxury tax and Octroi) and central governments (like Central indirect taxes, including Central Excise Duty, Countervailing Duty, Service Tax, Additional Excise duty, Service tax, Additional Customduty and Special Additional duty) to overcome the shortcomings of the existing indirect tax system.

Goods And Services Tax(GST) has an inestimable effect on all sectors such as Food and Industry, Housing and Construction Industry, FMCG, Transport Sector, Financial Services, Information Technology, MSME. It can also be used as an operative tool for fiscal policy management if implemented magnificently due to nation-wide same tax rate. Itsimplementation will result in lesser cost of conducting business that will make the native products more competitive in local and international market.

This research paper makes an effort to study get an insight into the Goods and Service Tax concept, advantages, disadvantages and international scenario.

Key Words: *GST, Central Government, State Government, VAT, Taxes*

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INTRODUCTION

Goods And Services Tax (GST) is an indirect tax which will subsume approximately all the indirect taxes of central government and states governments into a unified tax. 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.

Review of Literature:

Jothi Muthu, V. et. Al. (2017)[1] highlighted impacts of GST and problem associated with the implementation of GST in India. GST is a long-term strategy planned by the Government and its positive impact shall be seen in the long run only. GST will be beneficial to the Centre, states, industrialists, manufacturers, the common man and the country at large; since it will bring more transparency, better compliance, an increase in GDP growth and revenue collections. FMCG, Cement, Logistics, Consumer Durables, Automobiles, Mobile Phones, Luxury Cars, Utilities, Branded Jewellery, Restaurants, Pharmaceutical, Oil & Gas sector are few areas which will win or lose by implementing GST.

Kumar, Dr. Mohan &Kumar Y.(2017)[2] studied impact of GST on FMCG industry which comprises more than 50 percent of the food and beverage industry and another 30 percent from personal and household care, thereby spanning the entire rural and urban parts of the country. They found that implementation of GST would result in simplification of tax compliances on FMCG industry, provide tax range varies from 5% to 28% for various category and make them more focused towards supply chain management.

1 Jothi muthu, V. et. Al., "A Conceptual Study On One Nation, One Tax And One Market", SSRG International Journal of Economics and Management Studies, ISSN No. : 2393 – 9125 PP. No. 26-33, 2017

2 Kumar, Dr. Mohan &Kumar Y., " GST & its Probable Impact on the FMCG Industry in India", International Journal of Research in Finance and Marketing (IJRFM), Vol. 7 Issue 4, April - 2017, pp. 66~76 ISSN: 2231-5985

Lourdunathan F and Xavier P (2017)[3] focused on background, Prospectus and challenges in Implementation of Goods and services Tax (GST) in India in his paper. The authors 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. Demonetization of high value Currency, current indirect tax structure, political issues, and unorganized / unregistered firms considered as the major challenges in implementation of GST.

Khurana Akanksha & Sharma Astha(2016)[4] discussed background, objectives of the proposed GST and the impact of GST in the present tax scenario in India. Removal of Cascading, Improved Competitiveness, Simple and easy to administer, Better controls on leakage, Consolidation of Tax base, Higher Revenue Efficiency and Reduction of Prices are the benefits through GST implementation. For successful implementation of GST, Central Government should organize tax payer education or public awareness campaign, proper monitoring system for monitoring the dummy registrations and refunds problems and state government should figure out their revenue neutral rates, revenue implications as well as compensation packages.

Narula Alka (2016)[5] stated salient features along with the need of GST in India along with advantages of GST and challenges faced by India in execution. GST will benefit the end users by removing the tax barriers between states and bring transparency as all taxes will be collected at the point of consumption.

Sehrawat, Monika & Dhanda Upasana (2015)[6] focused on advantages of GST and challenges faced by India in execution in their paper. They emphasized on implementation GST implementation in India earlier to seek out the problems of current tax regime administration complexities and compliance cost is also accelerating. They also stated GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector and it is a kind of consistent tax system which will colligate most of current indirect taxes and in long term and lead to higher output.

OBJECTIVES OF THE STUDY

1. To study the milestones covered to implement Goods and Services Tax (GST) in India.

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[3] Lourdunathan F and Xavier P, "A study on implementation of goods and services tax (GST) in India: Prospectus and challenges" International Journal of Applied Research 2017; 3(1): 626-629, 2016

[4] Khurana Akanksha & Sharma Astha(2016), " Goods And Services Tax In India - A Positive Reform For Indirect Tax System", International Journal of Advanced Research, ISSN 2320-5407 Volume 4, Issue 3, 500-505

[5] Narula, Alka, " GST-A Milestone in Indian Tax Regime", International Journal in Multidisciplinary and Academic Research (SSIJMAR), Vol. 5, No. 6, December 2016 (ISSN 2278 – 5973)PP :2-8

[6] Sehrawat, Monika & Dhanda Upasana, "GST IN INDIA: A KEY TAX REFORM", International Journal of Research-GRANTHAALAYAH" ISSN- 2394-3629, Vol.3, 2015 Pp: 133-141

2. To study about the advantages and challenges of Introduction of Goods and Service Tax (GST in India).
3. To Study on Prospects in Implementation of Goods and services Tax (GST) in India

RESEARCH METHODOLOGY

This study is an explanatory study and entirely based on secondary data of journals, published research paper, newspapers and magazines. Keeping in mind the objectives of study descriptive type research design is adopted to have more accurateness and thorough analysis of research study. The available secondary data is mostly used for research work.

MAIN BODY

The word 'Tax' is derived from Latin word 'Taxare' which means 'To Estimate'. A tax is an enforced contribution, exacted pursuant to legislative authority. Taxation System in India includes both Direct and Indirect Tax. Goods and Services Tax (GST) is an indirect tax reform which seeks to remove interstate tax barriers and create a single market. From the consumer point of view, the biggest advantage of implementing GST would be in terms of a reduction in the overall tax burden on goods, which is currently estimated to be around 25%-30%. Introduction of GST would also make Indian products competitive in the domestic and international markets.

For this purpose the constitution first needs to be amended so that the different layers of government's power to levy tax are to be removed. After this step is initiated, the interstate and intra state tax barriers will vanish.

MileStones to implementing GST[7]:

GST is being introduced in the country following a 13 year long passage since it was first initiated in the report of the Kelkar Task Force on indirect taxes. Concise chronology delineation the major milestones on the proposal for introduction of GST in India are as follows:

- GST was first mooted by Dr Manmohan Singh in the mid-1990s.
- Kelkar Task Force on indirect tax had suggested a Comprehensive Goods and Services Tax (GST) based on VAT principle in 2003. A proposal to introduce a National level Goods and Services Tax (GST) by April 1, 2010 was first discussed in the Budget Speech for the financial year 2006-07.

[7] http://www.dailyexcelsior.com/all-about-gst/

- Since the proposal involved reform of not only indirect taxes levied by the Centre but States too, the responsibility of preparing a Design and Road Map for the implementation of GST was assigned to the Empowered Committee of State Finance Ministers (EC).
- On the basis of inputs from Government of India and States, the Empowered Committee released its First Discussion Paper on GST in India in November, 2009 and to take the GST related work further, a Joint Working Group of officers from Central as well as State Government was constituted in September, 2009.
- In order to amend the Constitution to enable introduction of GST, the Constitution (115th Amendment) bill was introduced in the Lok Sabha in March 2011. As per the set procedure, the bill was referred to the Standing Committee on Finance of the Parliament for assessment and report.
- For the time being, in pursuance of the decision taken in a meeting between the Union Finance Minister and the Empowered Committee of the State Finance Ministers on 8th November, 2012, a 'Committee on GST Design', consisting of the officials of the Government of India, State Governments and the Empowered Committee was constituted.
- This Committee did a detailed discussion on GST design including the Constitution (115th) Amendment Bill and submitted its report in January, 2013. Based on this Report, the EC recommended certain changes in the Constitution Amendment bill in their meeting in January, 2013 at Bhubaneswar.
- The Empowered Committee in the Bhubaneswar meeting also decided to constitute three committees of officers to discuss and report on various aspects of GST as follows:-
  a) Committee on place of Supply and Revenue Neutral Rates;
  b) Committee on dual control, threshold and exemption;
  c) Committee on IGST and GST on imports.
- The Parliamentary Standing Committee submitted its Report in August, 2013 to the Lok Sabha. The recommendations of the Empowered Committee and the recommendations of the Parliamentary Standing Committee were examined in the Ministry in consultation with the Legislative Department. Most of the Parliamentary Standing Committee were accepted and the draft Amendment Bill was suitably revised. The final draft Constitutional Amendment Bill incorporating the above stated changes was sent to the Empowered Committee for consideration in September, 2013.
- The EC once again made certain recommendations on the Bill after its meeting in Shillong in November 2013. Certain recommendations of the Empowered Committee

were incorporated in the draft Constitution (115th Amendment) Bill. The revised draft was sent for consideration of the Empowered Committee in March, 2014.

- The 115th Constitutional (Amendment) Bill, 2011 for the introduction of GST introduced in the Lok Sabha in March, 2011 lapsed with the dissolution of the 15th Lok Sabha.
- In June 2014, the draft Constitution Amendment Bill was sent to the Empowered Committee after approval of the new Government.
- Based on a broad consensus reached with the Empowered Committee on the contours of the Bill, the Cabinet on 17.12.2014 approved the proposal for introduction of a Bill in the Parliament for amending the Constitution of India to facilitate the introduction of Goods and Services Tax (GST) in the country. The bill was introduced in the Lok Sabha on 19.12.2014, and was passed by the Lok Sabha on 06.05.2015. It was then referred to the select Committee of Rajya Sabha, which submitted its report on 22.07.2015.
- After long political negotiations, the Constitutional Amendment bill was passed in both houses of the Parliament in July 2016 with certain amendments. GST vis-a-vis J&K State. Goods & Services Tax (GST) is a biggest reform to bring about a uniform indirect tax regime in the country allowing the free movement of goods. The following state taxes will subsume by GST:

- State Tax
- State VAT
- Central Sales Tax
- Purchase Tax
- Luxury Tax
- Entry Tax
- Entertainment Tax
- State cases and surcharges
- Works contract Tax
- Service Tax

International Scenario:

In the 1954, France became the first country to adopt the GST. Maurice Lauré, Joint Director of the French Tax Authority, the Direction générale des impôts, was the first to introduce VAT on April 10, 1954. Initially directed at large businesses, it was extended over time to include all business sectors.

More than 150 countries have introduced GST/National VAT in some form. It has been a part of the tax system in Europe for the past 50 years and is the preferred form of the indirect tax in the Asia-Pacific region. There are different models of GST currently in force, each with its own peculiarities.

While country such as Singapore virtually taxes everything at a single rate, some countries have more than one rate (a zero rate, certain exemptions and higher and lower rates). Brazil and Canada follow a dual system where both Union and State Governments levy GST. In some countries it is recoverable only on goods used in the production process and specified service. GST in China is applicable only to goods and the provision of repairs, replacement and processing services. In Scandinavian countries (north Europe) where social security coverage is higher, it ranges between 22-25 percent. The standard GST rates in most of the countries ranges between 15-20%.

TABLE 1: List of Asian Countries Implementing VAT/ GST

No.	Country	GDP Per Capita (World Bank, 2011, USD)	Year of Implementation	Current Rate (%)
1	Bangladesh	743	1991	15.0
2	China	5,445	1994	17.0
3	India	1,509	2005	12.5
4	Iran	NA	2008	5.0
5	Japan	45,903	1989	5.0
6	Jordan	4,666	2001	16.0
7	Kazakhstan	11,357	1991	12.0
8	Kyrgyzstan	1,124	1999	20.0
9	Lebanon	9,413	2002	10.0
10	Mongolia	3,129	1998	10.0
11	Nepal	619	1997	13.0
12	Pakistan	1,189	1990	16.0
13	Papua New Guinea	1,845	2004	10.0
14	South Korea	22,424	1977	10.0
15	Sri Lanka	2,835	2002	12.0
16	Taiwan	NA	1986	5.0
17	Tajikistan	935	2007	20.0
18	Turkmenistan	5,497	1993	15.0
19	Uzbekistan	1,546	1992	20.0

Advantages of GST:

1. GST is structured to simplify the current indirect system by removing cascading effects of taxes. It creates India as a single market.

2. It brings efficiency in the indirect tax mechanism as the rate of tax on goods and services are at the same rates so many disputes are eliminated on tax matter.

3. GST will be levied only at the final destination of consumption based on VAT principle and not at various points (from manufacturing to retail outlets). This will help in removing economic distortions and bring about development of a common national market.

4. It would reduce transaction costs and unnecessary wastage to both government and individuals. The procedural cost is reduced due to uniform accounting namely CGST, SGST, IGST have to be maintained for all types of taxes.

5. The reduced tax burden on companies will reduce production cost making exporters more competitive at national and international level. It also helps in the reduction of prices of the goods and services to the end-consumer.

6. More business entities including unorganized will come under the tax system thus widening the tax base. This may lead to better and more tax revenue collections.

7. Many businesses create depots and go downs in different states simply because there is a difference in tax rates. Now that GST will come, this difference between states will vanish. It would help to remove the tax difference as a bias, thereby helping businesses.

Challenges of GST:

1. There will be dual control on every business by Central and State Government. So compliance cost will go up.

2. All credit will be available on from online connectivity with GST Network. It requires strong IT infrastructure which is not highly developed in India. Hence, small businesses may find it difficult to use the system.

3. VAT and service tax on some products may become higher than the current levels.

4. States may lose autonomy to change their tax rates.

5. Manufacturing states would lose big revenue. Retail business may oppose because their taxes will go up and they will also have to deal with Central Government now in addition to States.

6. Service sector may oppose because they have to register in every state with central and state government. So every business at all India level will have around 60 registrations while they are having just one today. Moreover their rates will also go up.

7. Goods and service tax network (GSTN) may not work optimally for quite some time. Since the dual GST is considerably different from the present indirect tax regime, a massive training initiative would be required at both federal and State levels to familiarize the respective administrations with the concepts and procedures of the dual GST.

CONCLUSION:

It is the requirement of current scenario to implement GST for the overall growth of India and it will prove the landmark in Indian tax regime. Efficient formulation of GST will lead to resource and revenue gain for both Centre and States majorly through widening of tax base and improvement in tax compliance. GST serves a numerous benefits not only for the industry and consumer but also for Government. It is found that in countries where GST has been implemented had affirmative impact on their economy. It can be seen as simplification of Taxes in nation and avoiding unnecessary complexities. A growing economy will always helpful in the financial growth of the middle class man. Let us hope this 'One Nation - One Tax' proves to be a game changer in an optimistic way and prove to be helpful not only to the middle class man but for the whole country.

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