“Good and Service Tax: An Analysis”

Prepared & Submitted by

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Abstract:

The Goods and Services Tax Bill or GST Bill, officially known as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, proposes a national Value added Tax to be implemented in India from June 2016. "Goods and Services Tax" would be a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India, to replace taxes levied by the Central and State governments. Goods and services tax would be levied and collected at each stage of sale or purchase of goods or services based on the input tax credit method. This method allows GST-registered businesses to claim tax credit to the value of GST they paid on purchase of goods or services as part of their normal commercial activity.

Introduction

Goods and service tax is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set-of benefits from the producer's service provider's point up to the retailer's level where only the final consumer should bear the tax.

The GST is a tax on goods and services with comprehensive and continuous chain of set-off benefitsfrom the producer's point and service provider's point up to the retailer's level. It is essentially a tax only on value addition at each stage, and a supplier at each stage is permitted to set-off, through a tax credit mechanism, the GST paid on the purchase of goods and services as available for set-off on the GST to be paid on the supply of goods and services. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

A Dual GST system has been proposed where 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.

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The salient features of the proposed model are as follows:

(i) Consistent with the federal structure of the country, the GST will have two components: one levied by the Centre (hereinafter referred to as Central GST), and the other levied by the States (hereinafter referred to as State GST).

(ii)The CentralGST and the State GST would be applicable to all transactions of goods and services except the exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits.

(iii) The Central GST and State GST are to be paid to the accounts of the Centre and the States separately.

(iv) Since the Central GST and State GST are to be treated separately, in general, taxes paid against the Central GST shall be allowed to be taken as input tax credit (ITC) for the Central GST and could be utilized only against the payment of Central GST. The same principle will be applicable for the State GST.

(v) Cross utilization of ITC between the Central GST and the State GST would, in general, not be allowed.

(vi) The administration of the Central GST would be with the Centre and for State GST with the States.

(vii) The taxpayer would need to submit periodical returns to both the Central GST authority and to the concerned State GST authorities.

(viii) Each taxpayer would be allotted a PAN-linked taxpayer identification number with a total of 13/15 digits. This would bring the GST PAN-linked system in line with the prevailing PAN-based system for Income tax facilitating data exchange and taxpayer compliance. The exact design would be worked out in consultation with the Income-Tax Department.

Objectives of Study

The research study aims to comparative analysis on Model of Indian GST with others countries i.e. comparative of model, structure, collection of tax, valuation, chargeability etc.

Accordingly the research objectives for this study are:

Objective 1: To examine the applicability of GST in India and outside India

Objective 2: Observe the relationship between tax structure of Indian GST and GST of others countries.

Objective 3: Observe the effectof GST on Economy of India and other countries.

Objective 4: Observe the effect of GST onchargeability in India and outside India

Rationale of study:

- **(I)** Relevance for Corporate Community
- **(II)** Relevance for Investment Community
- **(III)** Relevance for Academicians and Researchers
- **(IV)** Relevance for Government
- **(V)** Relevance forIndustry

Research Methodology

Data collection The data are collected from many sources like government reports, newspapers, magazines and websites. The data are secondary and collected on the basis of convenient types of research. The data collected and shorted started from the year 2000 to the year 2015.

Research design There are many of variability found in-between the data collected from the year 2000 to 2015. There are direct variable and indirect variable affect the result of the study.

Direct variable The direct variables are basically the indirect taxes like sales tax, service tax, VAT tax, and excise duty are going to directly affected by the GST.

Indirect Variable In this study the constitution of India, GDP of India and planning commission are term as indirect variables. The constitutional amendment is required for the government to pass the GST bill in India. For the constitutional amendment it is necessary for the government to at least get the two thirst support from both of the houses.

Review of Literature:

Dr. R. Vasanthagopal (2011) The author has studied,"GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

Ehtisham Ahmed and Satya Poddar (2009 The author has studied, "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Nitin Kumar (2014 The author has studied, “Goods and Service Tax- A Way Forward” and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Pinki, Supriya Kamma and Richa Verma (July 2014) ,The author has studied “Goods and Service Tax- Panacea For Indirect Tax System in India” and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government , state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Garg (2014) The author has studied impact of GST (Goods and Services tax) with a brief description ofthe historical scenario of Indian taxation and its tax structure and discussed the possible challenges,threats and opportunities that GST brings to strengthen our free market economy.

Shah (2014) The author has studiedthe objectives of proposed GST and discussed the possible challenges, threats and opportunities that GST bring before is to strengthen our force marked economy.

Saravanan Venkadasalam (2014 The author has studied the post effect of the goods and service tax (GST) on the national growth on ASEAN States using Least Squares Dummy Variable Model (LSDVM) in his research paper. He stated that seven of the ten ASEAN nations are already implementing the GST. He also suggested that the household final consumption expenditure and general government consumption expenditure are positively significantly related to the gross domestic product as required and support the economic theories. But the effect of the post GST differs in countries. Philippines and Thailand show significant negative relationship with their nation’s development. Meanwhile, Singapore shows a significant positive relationship.

Conclusion

In our point of view, we conclude that GST should be implemented in such a way that both the people and the Government must be benefitted. As GST replaces all indirect taxes, the revenue which the government earns from these will reduce. And the burden of the people reduces to a great extent. But, when the Government’s revenue decreases, it tends to increase the rates of other taxes(i.e., direct taxes such as income tax, wealth tax, property tax etc.,) and even the prices of other goods which in turn will increase the burden of the people. So there must be a tax rate which is beneficial to both(i.e., people and the Government).The procedures are also simple and easy to understand for everyone so that the tax evasion will reduce. So, according to us, GST must be implemented in India.

The introduction of Goods and Services Tax (GST) would be a significant step in the reform of indirect taxation in India. Amalgamating several Central and State taxes into a single tax would mitigate cascading or double taxation, facilitating a common national market. The simplicity of the tax should lead to easier administration and enforcement. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 15%-30%.As India is a federal republic GST would be implemented concurrently by the central government and by state governments

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