

G.S.T. : A Simplified Tax System

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Abstract

The GST has been introduced in order to overcome the defects of prevailing indirect tax laws. It is connect to treat it as an unprecedented step by the Government when India moved into GST on 1st July, 2017. The GST has impacted the majority of the persons paying indirect taxes. There has been a paradigm shift in the structure and functioning of Indirect Taxes in India. The new system of GST has subsumed most of the Central and State level indirect taxes. In Global perspective, France was the first Country to implement GST in the year 1954. As the GST has the capacity to raise revenue in the most transparent and neutral manner, within 62 years of its advent, more than 160 countries across the world have adopted and implemented GST. In Indian perspective, it has now been more than a decade since the idea of GST was mooted in 2004 by Kelkar task force. The journey of GST in India from has origin in 2004 up to its enactment and implementation in 2017 has gone through many ups and downs.

KEYWORDS : GST, CGST, SGST, Taxes, VAT.

INTRODUCTION :

The earlier system of indirect taxation had a multiplicity of taxes levied by the Centre and States. This had led to complex and conflicting principles in the indirect tax structure, adding to the multiple compliances and administrative costs. There was no uniformity in tax rates and structure across States. There was cascading of taxes due to 'tax-on-tax'. There were too many restrictions on seamless credit available, *i.e.*, the credit of excise duty and service tax paid at the stage of manufacture is not available to the traders while paying the State level sales tax or VAT, and vice-versa. Further, no credit of State taxes paid in one State can be availed in other Stat Goods and Services Tax, which subsumes a large number of Central and State taxes into a single tax is meant to mitigate the cascading effect of taxes provides seamless credit and makes way for a common market. The Indian economy has made its biggest economic reform *i.e.*, implementation of GST from 1st July, 2017. Recent developments like clearance of the State GST Acts by states, finalization of GST Rates for various goods and services and approval of GST Rules by the GST Council indicate governments commitment.

It has now been more than a decade since the idea of national Goods and Services Tax (GST) was mooted by Kelkar Task Force in 2004. The Task Forte strongly recommended fully integrated 'GST' on a national basis. Subsequently, the then Union Finance Minister, Shri P. Chidambaram, while presenting the Central Budget (2007-08), announced that GST would be introduced from April 1, 2010. Since then, GST missed several deadlines and continued to be shrouded by the clouds of uncertainty. The talks of ushering in GST, however, gained momentum in the year 2014 when the Government tabled the Constitution (Amendment Bill) 2014 on GST

in the Parliament and became the Constitution (101st Amendment) Act, 2016, which paved the way for the introduction of GST in India. The Constitution has been amended to introduce the goods and services tax for conferring concurrent taxing powers on the Union as well as the States including union territories to make laws for levying goods & services tax on every transactions of Supply Goods & Services.

Objective of the Study :

1. To explain the concept of Goods and Services Tax.
2. To understand the evolution of GST in India.
3. To examine salient features of Goods and Services Tax.
4. To identify the impact of GST on Indian\ Economy and challenges in implementing GST.

RESEARCH METHODOLOGY :

The research paper is an attempt at exploratory research, based on secondary data sourced from various journals, magazines, articles and media reports. Available secondary data was extensively used for the study. The investigator also procured the required data through secondary survey.

Taxes Subsumed in GST :

The new system of GST has subsumed many of the Central and State level indirect taxes. Although, there are few levies like Customs Duty, Excise Duty on Alcoholic liquor for human consumption, etc. which are still in force even after introduction of GST. The following table shows the list of various Central and State taxes subsumed in GST.

Rationale for GST :

The rationale for introducing GST was to overcome these issues. But, the ultimate positive effects of GST were manifold. All the stakeholders are being benefited including industry, Government and even the consumer. The following are the major benefits which justify the rationale for introducing GST.

(1) Benefits to the Government :

- (a) GST aims to make India a common market with common tax rates and procedures. It will boost foreign Investment and “Make in India” campaign.
- (b) The states will be benefited due to improvement in investment cult in the country.
- (c) The uniform SGST and IGST rates actually reduce the incentive for tax evasion.
- (d) It will bring buoyancy to the Government revenue by widening the tax base and improving the tax payer compliance.

(2) Benefits to Trade and Industry:

- (a) The multiplicity of indirect taxes has been reduced.
- (b) By allowing a set-off of prior-stage taxes for the transactions across the entire value chain, GST leads to mitigation of ill effects of cascading.

- (c) Due to uniformity in tax rates, the common national market has been developed.
- (d) The export has been classified as zero rated supply. It will boost the exports.
- (3) Benefits to customer:**
- (a) It is relatively simple tax system.
- (b) On account of mitigation of cascading effect, there is a reduction in prices of goods and services.
- (c) The pricing structure is uniform through the country.
- (d) The taxation system is more transparent.

Structure of GST :

1. The GST is on supply of goods and: or services
2. There are four types of taxes in GST:
 - (a) Central Tax (i.e. CGST) levied under CGST Act, 2017
 - (b) Integrated Tax (i.e. IGST) levied under IGST Act, 2017
 - (c) State Tax i.e. SGST) levied under SGST Act, 2017
 - (d) Union Territory Tax (i.e. UTGST) levied under UTGST Act, 2017
3. In addition, there is a provision for the levy of GST compensation cess on sin and luxury goods.
4. There are four Acts relating to GST laws namely CGST Act, SGST Act, UTGST Act and IGST Act.
5. There are 29 States in India and accordingly they have their own state GST Acts. Article 366(26B) provides that state included Union Territory with its own legislative. Out of 7, we have two Union territories (Delhi & Puducherry) with their own State legislative. Therefore, these two union territories also levy SGST and not UTGST. It is clear that, in total there are 31 SGST Acts (29 SGST Acts enacted by respective states and 2 SGST Acts enacted by Union Territories namely Delhi and Puducherry).

Need of GST :

The term "GST" stands for "Goods and Services Tax", and is a comprehensive indirect tax levy on manufacture, sales and consumption of good as well as service at the national level. Its main objective is to cover most of the indirect tax levies into a single tax replacing multiple tax levies, overcoming the limitation of current indirect tax structure, and creating efficiencies in the tax administration. Another reason to go to the GST way is to facilitate seamless credit across the entire supply chain and across all States under a common tax base. Therefore, GST is a broad-based and a single comprehensive tax levied on goods and services consumed in an economy.

GST Council :

The Goods and Services Tax Council (GST Council) is a joint forum of the Centre and States to make recommendations to Union and States relating to GST. GST council is the apex constitutional body (authority) to decide policies of GST. The following are the important points as regards GST Council. The Article 279A in

Constitution of India makes provision for Constitutional of GST Council. This Article empowers the President for the same. The provisions relating to GST Council came into force on 12th September, 2016. The President constituted the GST council on 15th September, 2016. The function of the council is to make recommendation the union and the states on important issues like tax rates, exemptions, threshold limits, dispute resolution, etc. The following members included in GST Council are, The Union Finance Minister (Chairperson), The Union Minister of State in Charge of Revenue or Finance Member), The Minister in charge of Finance or taxation or any other Minister nominated by each State Government (Member), and The vice-chairperson of GST Council is elected b GST Council from amongst its members.

The GST Council shall make recommendation to the Union and the states on the following matters : Taxes, Cases and other charges levied by the Union/State/Local bodies which may be subsumed in GST. The exempted Goods and Services. Law, principles of levy, apportionment of GST on inter-State supplies. The threshold limit of turnover below which Goods & Services may be exempted from GST. Special provision with respect to the States of Arunachal Pradesh, Assam, Jammu & Kashmir, Manipur, Meghalaya, Mizoram. Nagaland, Sikkim, Tripura, Himachal Pradesh & Uttarakhand.

Any other matter relating to GST, as ma be decided by council.

GST network :

The Goods and Services Tax Network (or GSTN) is a section 25 company, *i.e.* a non-government, non-profit organization It has been formed with the sole purpose of providing the IT backbone to Government, pertaining to Goods and Services Tax Law. It manages the entire IT system of the GST portal, which is the mother database for everything GST. This portal vill he used by the government to track every financial transaction, and will provide taxpayers with all services-from registration to filling taxes and maintaining all tax details. GSTN helps India fulfill its dream of paperless transactions where the compliances related to GST can be performed digitally with maximum provision of automation. It will establish a uniform interface for the taxpayer and also create a common and shared IT infrastructure between the Centre and States.

The GSTN portal acts as a window for interaction between the GST taxpayers of the country and the Department. This portal facilitates end-to-end compliances regarding GST Tax including registration, receiving Invoice details and Returns, facilitation of payment of taxes by the taxpayers, refunds, etc. It has to support about 3 billion invoices per month and the subsequent return filing for 65 to 70 lakh taxpayers. The functions of the GSTN are as follows : To facilitate the registration of the persons. To forward the returns to Central and State authorities. To compute and settle the JGST among union and states. To facilitate the matching of tax payment details with banking network. To provide various MIS reports to the Central and the State Governments based on the taxpayer return information and Providing analysis of taxpayers' profile; and running the matching engine for matching, reversal and reclaim of input tax credit.

The GSTN has selected certain IT, ITeS and financial technology companies to be called as GST Suvidha Providers (GSPs). The function of GSPs is to develop applications to be used by taxpayers for interacting with the GSTN. The facilitate the tax payers in uploading invoices as well as filing of returns and act as a single stop

shop for GST related services. They customize products that address the needs of different segment of users. GSPs may take the help of Application Service Providers (ASPs) who act as a link between taxpayers and GSPs.

Impact on various sectors :-

In India, food items are generally exempt from central excise duty. But many food items, including food grains and cereals, attract State VAT at 5%. The exemption under the State VAT laws is restricted to unprocessed food, e.g. fresh fruits and vegetables, meat and eggs, and coarse grains. These items if branded are subject to tax in GST at a rate, which is 12% (combined GST rate), which, would certainly make some of these items dearer. Unbranded and packed are exempt from GST.

Under GST law, works contract could be taxed on gross value with ITC on good and services being available. It would be considered as a service. It could be at 18% Credit in respect of steel, cement, electrical items would more than offset the present net tax in the most States.

Importers of goods and services may be affected under the GST regime due to Change in tax rates leading to higher tax incidence when the goods or service are imported into India from outside India. Exports of goods and services shall continue to be zero-rated and eligible' claim refund of input tax credit which could be fast tracked.

There are five specified petroleum products namely Petroleum Crude, Motor Spirit (petrol), High Speed Diesel, Natural Gas and Aviation Turbine Fuel as well electricity shall be outside the ambit of GST. In addition, tobacco would attract other taxes applicable in addition to GST. At present products known as sin goods and luxury items are taxable not at higher rate of tax but also subject to multiple taxes. Under GST these are tax 28% + Ceases.

Conclusion :

Pre GST Structure of Taxes in India was Powered by Article 246 of the constitution according to which exclusive powers were available to Central Government to levy taxes on matters under List - I (union list) and matters under list II were in the exclusive jurisdiction of states. Accordingly Central Government did not have powers to levy tax on sale of goods and State Government did not have powers to levy tax/duty on manufacture of goods or rendering of Services.

To empower the Centre and States both for Levy and Collection of GST on Supply of goods and services simultaneously, it was required to bring appropriate amendment in the Indian Constitution. According process of Constitutional amendment started long back in 2011. GST will improve productivity in multiple perspectives; enabling India to go high on the path of growth, prosperity, and development.

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