

GST A Game Changer

Sanchita Datta

Assistant Professor Royal College of Arts, Science and Commerce, Thane, MS, India

Abstract

In the process of reform of tax administration in India, GST will be playing a major role provided its enactment and implementation is done with absolute sincerity. Though the governments of States and Center acknowledge the need of modern tax regime which is effective, transparent and assessee friendly, there is still no consensus among the states on its modalities and implementation. First of all, the urge of states to retain their 'constitutional state sovereignty' over taxation matters may derail the process and only few states taxes may be subsumed in GST leaving many taxes outside its purview. It is needless to say that more state taxes are to be subsumed in GST to bring the intended objectives into a reality.

Secondly, the rate of tax would be another major bone of contention among states and centers. States may stress upon imposing different tax rates to different kinds of goods; essentially trying to retain the tax rate prevalent under local sales tax/VAT that has been presently imposed. This is one area where if states succeed, will certainly dilute the positive effects and impacts that GST would bring in future.

The issue of compensation of taxes may also delay the implementation of GST. Mostly, the states which have road tax, octroi in State of Maharashtra, purchase tax on agricultural produce in State of Punjab and states having low threshold limits for VAT wish to have assurance from the Union that there will be compensation for any loss of tax by subsuming the various states taxes. However, mostly the states which have octroi and purchase tax are not willing to subsume these taxes in GST. Therefore, there is a need to have a broader consensus and reasons why such states should retain these taxes when majority of state taxes are being subsumed as proposed by First Report.

Therefore, in conclusion, we can say that a vibrant economy can be created only if major indirect tax reformations in India through GST is implemented at the earliest with no or minimum such flaws so that it can have a life of longer duration and can also contribute to the Indian economy reducing cascading effects across all the supply chain. To

KEYWORDS: GST, India, Tax, Indirect Tax, Goods and Service Tax, Consumption Tax, Reform, Implementation

INTRODUCTION:-

Taxation is one of the important components for development of every country. revenue generated from taxation is used to finance public goods and services for eg (infrastructure, transportation, sanitation) and all other amenities which are provided by the government. tax is considered as a penalty and a compulsory transfer of money. tax collected by government help to provide better social well-being removing poverty and inequality from the society.

there are two types of taxes prevail in India one is the direct tax which directly levied on an individual's income in the form of income tax and the second one is an indirect tax that is indirectly paid by the final consumer who purchases the goods or for enjoying services.

Constitution of India is power and foundation to legislate all laws in India .power to allocate tax levy between the central government and state government. In the previous tax regime central government power to levy the tax on the manufacture of goods while state government had the power to levy the tax on the sale of goods. In case of inter-state sales central government had the power to levy a tax ie the central sales tax but the tax collected and retained entirely by the states as for services it was the central alone that was empowered to levy service tax.

Introduction of VAT was considered to be a major step and important breakthrough in the sphere of indirect tax reforms in India. VAT, there are certain shortcomings in the structure of VAT .the reasons for such shortcoming was the form of a mosaic of taxes being levied on goods and services such as luxury tax and entertainment tax etc. not subsumed in the VAT thereby marginalizing the benefits of the comprehensive tax credit mechanism. The previous tax regime has remained fully inefficient in removing the loophole of taxes structure. besides, there were several other taxes which both the central and state government levied on production, manufacture and distributive trade where no set-off was available in the form of input credit. These taxes added to the cost of goods and services through "tax on tax" which the final consumer had to bear.

Goods and Service Tax is a comprehensive tax levy on all manufacture, sale, and consumption of goods and service. at a national level under which no distinction is made between a goods and services for levying of the tax, It will mostly substitute all indirect taxes levied on goods and services by the Central and State governments in India. Goods and Service Tax (GST) is a value-added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but revenue keeps remitted to the government by the businesses selling the goods and services. In effect, GST provides revenue for the government.

GST is a tax on goods and services under which person is liable to pay tax on his output and is entitled to get input tax credit (ITC) on the tax paid on its inputs(therefore a tax on value addition only) and ultimately the final consumer shall bear the tax burden.

The main objective of GST is would be to eliminate the double taxation i.e. cascading effects of taxes on production and distribution cost of goods and services, the exclusion of cascading effects and making tax collection/payment easy for everyone.

I. Reduction in prices: Manufacturers or traders would not have to include taxes as a part of their cost of production, which would lead to a reduction in prices.

II. Simplicity at its Best – Goods and Service Tax (GST) will replace the existing form of indirect tax in the nation. It will a substitute for the 17 indirect laws pertaining to the nation and will subsidize it with the new GST Tax. That shall come across as a simpler term to envision.

III. Boosting of Revenue – GST in the nation there won't be more of an evasion as what is happening with the current tax laws. Such simpler term of taxation will make more suppliers in a mood to pay the tax amount which in turn marks the boost in revenue levels.

IV. Lift for the Lesser Developed States – The normal rules stay put as the 2% interstate-levy with the major chunk of production kept within the state itself. However, with the change in rules, the tax amount can be dispersed across the nation to offer a greater lift for the lesser-developed

V. Transparency and reduced Corruption – GST will also lead to less corruption and there will be a significant reduction in corruption as all the money spent needs to be reported for the taxation purpose. Moreover, the retailer, would not be able to make sales without the bill hence the cases of income tax evasion will also reduce a lot.

VI. It helps in Standardization – Many countries follow a GST Tax regime and the new tax will make it easy for everyone to understand the bill. People have already started verifying the bills at restaurants and other retail outlets for the right tax. There were many cases of people being charged inappropriately and this has ended with GST.

VII. Cheaper cars and Phones – This advantage is totally for the consumers who are planning to buy cars or phones. The overall rate of tax has been reduced by at least 2 percent and the car price of most of the cars have been reduced. Another impact is on phones and Apple recently reduced the phone of the price by as much as 7.5%.

VIII. Uniformity in tax rates: The introduction of GST will help in making sure that common traits of indirect taxes and structures are applicable throughout the nation, which will increase certainty and also the simplicity of doing business in the country. In other words, it can be said that GST will help in doing business in the country tax neutral, regardless of the choice of the place where the business is being done.

IX. Simple Compliance process: A widespread IT system will provide the basis for the GST administration in India. As a result, all the taxpayer services like registrations, payments, returns etc. will be available online and as a result, compliance will become simple and apparent.

X. Removal of cascading effects: GST will also help in ensuring minimal cascading of taxes, as it will provide a scheme of flawless tax credits across the value sequence and cross the boundaries of different states of India. This will help in reducing the hidden costs that are associated with doing the trade.

AREA OF STUDY:-

GST is one of the biggest taxation reforms in India aiming to integrate state economies and boost growth by creating a single unified Indian market to make the economy stronger. its main objective is to consolidate multiple indirect tax levies into a single tax thus subsuming an array of tax levies overcoming the limitation of existing indirect tax structure and creating efficiencies in the administration

GST is a consumption or destination based tax levied on the basis of the "destination principle" GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. 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.

Multiple taxes at the Central and State levels are being replaced by GST Backed with a robust, end-to-end IT system GST, would be simpler and easier to administer than all

other indirect taxes of the Centre and State levied so far. GST will result in better tax compliance due to a robust IT infrastructure. Due to the transfer of input tax credit from one stage to another in the chain of value addition, there is an inbuilt mechanism in the design of GST that would incentivize tax compliance by traders.

GST is a well-designed VAT on all goods and services. Is the most elegant method to eliminate distortion and to tax consumption?

GST reduced the cost of collection of tax revenues of the Government, and will, therefore, lead to higher revenue efficiency.

DIFFERENT CHARACTERISTICS OF GST

along with the amendment to the constitution to empower the central and state government to levy and collect the GST four legislations were given assent by the president which is

Since is a destination based tax and an end user consuming any goods or services is liable to pay the Goods and Services Tax. The taxes are received by the State in which the goods or services are consumed and not by the state in which such goods are manufactured. In cases were of export, the seller of the goods or services is exempted from paying the tax.

GST removes the cascading effect of the tax, i.e., tax on tax multiple taxes and this is where the concepts of CGST, SGST, and IGST comes into.

To determine whether Central Goods & Services Tax (CGST), State Goods & Services Tax (SGST) or Integrated Goods & Services Tax (IGST) will be applicable in a taxable transaction, it is very important to first know if the transaction is an Intra State or an Inter-State supply.

-State supply of goods or services is when the location of the supplier and the place of supply i.e. location of the buyer are in the same state. In Intra-State transactions and a seller has to collect both CGST and SGST from the buyer. The CGST gets, deposited with Central Government and SGST gets deposited with State Government.

-State supply of goods or services is when the location of the supplier and the place of supply are in different states. Also in cases of export or import of goods or services or when the supply of goods or services is made to or by a SEZ unit the transaction is assumed to be Inter-State. In an Inter-State transaction, the seller has to collect IGST from the buyer.

CGST (CENTRAL GOODS AND SERVICE TAX):-

CGST means Central Goods and Service Tax. It's a part of goods and service tax and is covered under Central Goods and Service Tax Act 2016. The Taxes collected under Central Goods and Service tax will be the revenue for central Government. Central taxes is like Central excise duty, Additional Excise duty, Special Excise Duty, Central Sales Tax, Service Tax etc. will be subsumed under Central Goods and Service Tax.

Under CGST is a tax levied on Intra State supplies of both goods and well as services by the Central Government and will be governed by the CGST Act. SGST is also be levied on the same Intra State supply but will be governed by the State Government.

This implies that both the Central and the State governments will agree on combining their levies with an appropriate proportion for revenue sharing between them. , it is mentioned in Section 8 of the GST Act that the taxes be levied on all Intra-State supplies of goods and/or services but the rate of tax shall not be exceeding 14%, each.

SGST (STATE GOODS AND SERVICE TAX):-

SGST means State Goods and Service collection of SGST will be the revenue for State Government. After the introduction of SGST all the state taxes like Value Added Tax, Entertainment Tax, Luxury Tax, and Entry Tax etc. will be merged under SGST. For example, if goods are sold or services are provided within the State then SGST will be levied on such transaction. Under GST, SGST is a tax levied on Intra State supplies of both goods and services by the State Government and will be governed by the SGST Act. As explained above its CGST will also be levied on the same Intra State supply but will be governed by the Central Government.

OBJECTIVE

- 1) To study importance of gst.
- 2) To understand the concept of goods and service tax.
- 3) To know the benefits of gst on economy /business/ industry/consumer.
- 4) To study the challenges faced by government while implementing of gst.
- 5) To understand and examine feature of gst.
- 6) To examine and understand structure of gst.
- 7) To study the effect of gst on different area.
- 8) To understand the level of tax structure in india.
- 9) To understand the effect of gst on level of transparency.
- 10) To compare and understand gst rates in india and in other countries.
- 11) To find if any other policy would have helped instead of gst.

HYPOTHESIS

Hypothesis plays an important role in research. Testing your hypothesis properly will help in understanding whether the objective of my research is successfully achieved or not. For testing whether the GST is actually a game changer for the Indian economy.

H1:- GST has played the favorable positive impact on Indian economy.

Let see how GST have a positive impact on Indian economy

- o Removal of a double taxation system from the country
- o Better transparency in the economy
- o Improving corruption from the economy
- o Providing better infrastructure
- o Easy and online filing of return
- o Input tax credit facility
- o Composition schemes providing to the goods and service provider

H0:- GST has no impact on Indian economy

Let see why GST is failing to provide any positive impact to the Indian economy

- o No new tax schemes (an a old wine in new bottle)
- o No proper guideline
- o Limits under the GST schemes do not have a proper review or impact on small-scale business
- o U/s 180 act composition schemes confusion among every whole seller and retailer
- o Why petrol and diesel kept out of the GST regimes
- o The new tax system in the middle of the year
- o Less time and proper GST filling return due date

FINDINGS

- 1) economy 73.8% people say that they are affected due to new tax reform while on the Another hand 26.2% people say that GST has no effect on them thus we come to the conclusion that GST has no effect on people.
- 2) the effect of GST on monthly budget 54.8% people say that it has the negative impact on the another hand only 19% people say that GST has the positive impact on their monthly budget while 26.2% has no impact on their monthly house budget thus we come to the conclusion that GST has negative impact on monthly budget of people in India.
- 3) due to GST implementation it has equal impact on the level of expenditure made by people some people have been reduced their expenses while some do not change their consumption level thus GST had equal impact on the level of expenditure made by people.
- 4) According to the number of data collected 71%, people are agreed that it will be going to improve the level of transparency in the economy while 28% people assume that it will have no impact on the level of transparency prevail in the economy.
- 5) petrol and diesel are kept outside from GST 60% of people have an opinion that it should come under the preview of GST while 40% had opposite view thus we come to the conclusion that petrol and diesel should also come under GST reforms.
- 6) Revenue earned by the government from GST 87% people have a cleared and strong opinion that it going increase the government revenue while 13% people feel that government revenue will not be going to changed thus GST will increase revenue earned by the government.
- 7) tax evasion due to GST 63% people says that it will be reduced tax evasion by people and number of people will pay the tax on time while 37% feel that after implementing GST also people will not pay their tax on time. Thus GST will helps the government to fight with tax evasion.
- 8) 23% people feel that GST will not be going to affect the working of E-commerce industry while according to 77% people GST had going to the working of the E-COMMERCE industry. Thus GST had an impact on E-COMMERCE industry.
- 9) Impact on education sector 73% people had an opinion that it has the negative impact while 27% people say that it will help to improve the education sector thus we come to the conclusion that GST had a negative impact on the education sector.
- 10) prevailing competition among the competitor's people assume find it difficult to find real picture 54% says that maybe GST will affect the competition while 16% feel that it will not have any impact on the level of competitions. Thus to know the real impact of GST on the level of competition we still need to wait for more now.

CONCLUSION

Overall impact of GST tax in India

- According to the prediction the economic growth of at 2% is expected once GST is implemented
- It will widen the tax regime by covering goods and services and increase its transparency
- It will subsume all the indirect taxes at the center and state level
- It will free the manufacturing sector from cascading effects of taxes and leading to the improvement of cost competitiveness of goods and services
- The prices of goods and services will go down thus increasing the tax GDP ratio
- Doing business in India will be much easier as the rules and structure will be made much simpler
- Taxes on manufactured goods will come down to 24- 25 percent to 20- 21 percent
- Taxes on retail will go up from present 12.5% to 20%
- Local taxes (counter vailing duty) on imported items would go up by around from present 16% to 20%
- Manufacturers and service providers will have to register separately in each state
- There will be a dual control on the GST where state and central authorities will
- All the invoices will be captured online by GSTN
- Only three accounts will have to be maintained CGST, SGST, and IGST. This will simply all the tax system that we currently have.
- GST is beneficial for both economy and corporations as it will reduce several burdens on production cost and making exporters more competitive.
- It will reduce corruption as it will help in building a transparent and corruption free tax administration. There will also be a reduction of departments which will reduce corruption
- The entire country market will be unified market which will make every cost lower for doing business in other states and importing or exporting.

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