AN INSIGHT TOWARDS GST – A PATHWAY TO PROGRESSIVE INDIA

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Abstract: ***Today, we are mirroring to acclimatise ourselves to adapt to the dynamic strategies stretched in our nation. There is a radical change in today's economy with innovative parameters, abridging the existing strategies to rise to the present trend. Heaps of ideas are conceived to address new issues and challenges that the nation is witnessing in the globalised and digitalized market scenario. After a revamp of the nation's policies with reference to post demonetisation, budget, and tax structure, there is a spark leading to micro and macro level market change in the country. India with its sustained advancement and with its intense competent manpower will halsen astonishing feasibilities for development towards a favourable climate scaling with the developed countries. The doors have set for implementing Goods & Services to eradicate the cascading effects on double taxation and is forecasted to have a bountiful flow of goods & services which will lead to more investments, growth and advancements in order to expand a prodigious economic climate for a prosperous nation. India is looking forward to play a prominent role in the world economy in the years to come. As Goods and Services tax (GST) is one of the important tax reform post-demonetisation there is a revamp of taxation in the business field leading to an evolution for the industry. This paper research is conceptual in nature, which is aimed at giving an introspection and exchanging the expertise knowledge on economy initiatives towards GST for constructing a successful economy as a whole.***

Index Terms - Tax Reforms, GST, Economic Growth, the future Progressive India etc.

I. OBJECTIVE OF THE STUDY

- To understand on the strategies formulated in GST for the upliftment of our nation.
- To articulate on promoting the sustainable development policy with reference to GST
- To forecast the future prospect with the current taxing system for a progressive nation.
- To encapsulate the adaptability of the Goods & Service tax with the present scenario.

II. INTRODUCTION OF GOODS & SERVICE TAX IN INDIA

The expectation of GST being introduced is high not only within the country, but also within neighbouring countries and developed economies of the world. The introduction of the Goods and Services Tax will is a progressive step in the field of indirect tax reforms in India. Introduction of GST will also make Indian products competitive in the domestic and international markets. Thus, GST, because of its transparent character, will be easier to administer. This taxation system holds great promise in terms of sustaining growth for the Indian economy amidst economic crisis across the globe, such as the Make in India and Digital India campaigns.

Goods and Services tax (GST) has been identified as one of most important tax reform post-independence. GST is expected to have a far reaching impact, much beyond taxes on business, economy and the society. The introduction of the long-awaited Goods and Service Tax (GST) bill in India was a long-standing idea that has finally seen light of the day. This key fiscal reform introduced by the Indian prime minister has created a lot of buzz in the country. With this move, the Indian Government is on the threshold of major reforms and has taken a significant step in restructuring the country's overall tax regime. From the tax reformation to the recent demonetization policy, all these reforms will have a significant impact on the Indian economy.

The idea of an Indian GST was first officially proposed in the Union Budget 2006–2007 by the United Progressive Alliance (UPA) government. The GST was not ratified, however, until 2016 when the Indian parliament passed the much-awaited Goods and Services Tax (GST) Bill or Constitution (122nd Amendment) Bill, marking an end to the long and tumultuous journey to streamline India's fragmented tax system. The government anticipates rolling out the GST between April and September 2017...Goods and Services Tax (GST), one of the most significant reforms introduced in the history of the Indian fiscal evolution, is likely to come into effect in July 2017. It is a tax trigger, which is expected in leading to business transformation for the industry.

III. REVIEW OF LITERATURE

Goods and Service tax in India: Effect on state government revenue By: Ranjit Singh Deol. India has been trying to implement the Goods and Service Tax (GST) for last few years but due to political and state government autonomy issues the federal government has been unable to make it a law. Intention to implement this was declared in 2008 and it was supposed to be in existence from April 2010

Kavita Rao 2008- Since India is a federal republic so the concurrence of the state governments is required for making laws for the taxes which are source of revenue for states and local self-governments. An empowered committee of state finance ministers was formed in 2007 to develop consensus for GST and also to prepare a road map for its implementation

As per the documents in ministry of Finance website the rate of growth tax revenue doubled after introduction of VAT from the annual rate of growth in pre-VAT five year period. This is linked to the self-enforcing nature of VAT. It gives the benefit of tax on inputs only if the tax payer produces the proof of the earlier paid tax. So this system has built-in check on tax compliance at the federal as well as the state level which resulted in the improvement of transparency and curtailed the tax evasion. This also helped in the curtailment of tax rate war between the states which is considered to be an unhealthy practice for the economy as a whole.

Kavita Rao 2008 -Purchase tax which is a tax on the agriculture produce purchased from the farmers. These states want to exclude the purchase tax from the GST. Purchase tax is same as sales tax but is deposited to the government by the purchaser instead of the seller. Most of this produce is exported to other states. So these states believe that revenue generated from purchase tax is in fact exporting the tax burden on the local population to the other states and so is not regressive for their state. Since the indirect taxes are major source of revenue for state governments so any change in this tax structure can impact the state governments adversely. Some states may have positive impact while others may have negative impact and the impacts will not be uniform. These differential impacts have to be taken care of in the tax structure design.

Piggott & Whalley, 1998 -With GST states will be able to tax not only the goods but the services as well as imports. For this the federal government has planned to do the constitutional amendment to allow the states to have power to levy the VAT on services as well as allow the federal government to levy tax on the sales. This amendment is also supposed to allow the states to levy tax on imports. The broader tax base will be a major plus for states. In Canada GST the objectives of the states were to broaden the tax base, lower tax rates and remove bias against exports.

Broader tax base is pro poor and is welfare worsening as poor people are sellers of informal sector goods while rich are buyer so there will be benefits to poor household while loss to rich household (Piggott & Whalley 1998).

Shoup 1988- Manufacturing sector becomes less attractive as compared to retail sector in cascaded tax structure due to non-credit of sales taxes on the inputs. This will also encourage the vertical integration of the manufacturing sector so that they can avoid the tax on the tax. Because of this some natural monopolies can develop which can be very harmful to consumers and the market.

IV. IMPORTANCE OF GOODS & SERVICE TAX IN INDIA, WITH REFERENCE TO DEVELOPING ECONOMY

➢ Introduction of Goods & Services tax will make India a single market and greatly enhance ease of doing business. It will make the entire economy more efficient and productive by lowering transaction, transport and logistics costs, and can add at least 1 percentage point to the GDP growth rate. The aftermath of GST effectively means that India will transit to a new level in its economic evolution.

➢ GST is implanted to ensure that a simple, effective and efficient tax model is worked out embracing all tax authorities as well as millions of tax-payers – will have a smooth scaling to pay the tax in near future.

➢ India is expected to adopt a dual GST model where the central and state governments will levy GST simultaneously, on a common taxable value, on the supply of goods and services.

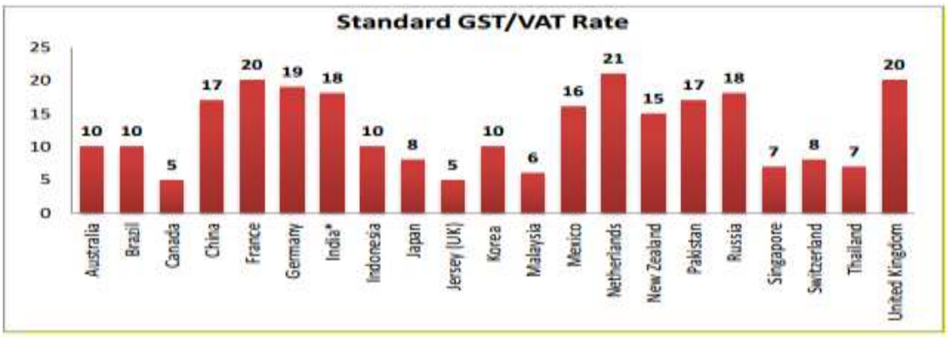
➢ Goods and Services Tax (GST), one of the most significant reforms introduced in the history of the Indian fiscal evolution, is likely to come into effect in July 2017. GST is expected to have a far reaching impact, much beyond taxes on business, economy and the society.

➢ GST has the potential to impact cash flow, pricing, working capital, supply chain and IT systems and hence provides an opportunity to transform the business sector in a progressive and profitable way.

➢ Thus, a well-designed GST structure can foster common market and economic growth. Globally, GST is acknowledged as a progressive tax regime, with inbuilt efficiencies to broaden the tax base decrease cascading effect and reduce revenue leakages. GST in India is expected to bring in uniform tax rates and provisions to simplify the compliance requirements across the country, supported by automated systems and processes.

Comparison of existing GST practices in the other countries

Presently, countries like Australia, Canada, Singapore, New Zealand, Jersey (UK), Malaysia, Indonesia and Pakistan (Currently India) have a GST system while remaining follow a VAT system



*Note: * The GST structure ranges between 5%-28% with majority to commodities falling under 18% bracket.*
Source: OECD (2016) and CBEC

In comparison with emerging market economics (EMEs), India has highest rate of GST at 18% - with major commodities falling under this rate. EMEs like China and Brazil have their most of commodities falling under the tax rate of 17%, 10% respectively. However, some of the developed countries like s like France, Germany and United Kingdom have higher GST rates set between 19 – 20%.
Latest data of Organisation for Economic Co-operation and Development stated that average VAT/GST rate in major OECD countries is between 20-22% higher than the rate proposed for India. The Reserve Bank of India (RBI) in its research report named "GST: A Game Changer" - showcased performance of many countries after implementation of GST.

New Zealand:

GST in New Zealand was introduced in 1986 at a rate of 10%. However the rates were changed twice later – 12.5% in the year 1989 and 15% in 2010 in a move to mobilize higher revenue while removing distortions in the tax structure.

This led to adoption of GST at single rate with food included in the GST base at the full rate. Such broad-based the tax net and also reduced both compliance and administrative costs. At present, the country is highest tax productive nations among OECD countries.

Canada:

Canada introduced GST in the form of a multi-level VAT in 1991 on supplies of goods and services purchased in the country – included almost all products except certain essentials like groceries, residential rent and medical services.
Once implemented, the bill led to new processing operations and techniques to verify the accuracy of the returns submitted by small entrepreneurs. However, Canada imposes their own sales tax besides GST – this has created price distortions in the country.

Singapore:

The country introduced the bill in April 1194 at a tax rate of 3% to make it acceptable to the public and to minimize inflation. The government committed not to raise tax for next 5 years which came in as a important decision in reviving consumer spending.
Also, Singapore introduced a compensation scheme under the GST which provided support to the needy and underprivileged.
However, in initial stage of GST, the country faced uptick in inflation to 3.1% in 1994 from 2.3% in 1993. But after that it moderated below 2% between 1995 – 1996.

Australia:

Though the GST concept was first seeked in the year 1975, it was implemented in Australia after 25 years on July 2000 at a tax rate starting at 10%.
Australia also replaced a range of existing taxes like the wholesale sales tax (WST), debit tax, financial institutions duty, and stamp duty on shares, leases, mortgages and cheques. However, the10% tax rate led to low GST revenue productivity from a tax collection standpoint.

Malaysia:

GST in this country has been imposed in the year 2015, after a 26 years of debate over its potential merits and shortcomings. It was introduced at a standard rate of 6% - which is relatively low compared to VAT rates in other ASEAN countries. After implementation of GST, the cost of doing business in Malaysia reduced as the tax burden was transferred from manufacturers to consumers. Yet, the country has seen low revenue productivity in terms of tax collection.
Thus concept of GST is not new to the world as nearly 160 countries as on 2016, have opted this mode for bringing individually tax rates into a single tax. India has highest rate of GST at 18% compared to emerging market economic. India has two types of GST hence called as duel GST. The GST council has set tax rates for goods and services under five brackets of 0%, 5%, 12% and 28%. In most countries value added tax (VAT) is taken as a substitute for GST.

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Boon to the Indian Economy

- Removal of indirect taxes such as VAT, CST, Service tax, etc.,
- Less tax compliance and a simplified tax policy
- Removal of cascading effect of taxes i.e. removes tax on tax.
- Reduction of manufacturing costs due to lower burden of taxes on the manufacturing sector. Hence prices of consumer goods will be likely to come down.
- Lower the burden on the common man in future i.e. public will have to shed less money to buy the same products that are costly currently.
- Due to reduced costs some products like cars, FMCG etc. Will become cheaper. The low prices will further lead to an increase in the demand/consumption of goods.
- Increased demand and consumption of goods leading to increase supply rising in the production of goods.
- Black money in the market will be buried and ensures all are paying the tax without any avoidance.
- Boost to the Indian economy in the long run.

Impact of Goods & Service Tax in the Economy

- Reduces tax burden on producers which will lead to a upward growth through more production and GST will help the manufactures to provide tax credit and will make their transactions at ease.
- Black money circulation will be evaded in the market.
- There will be a complete transparency for movement of goods from different places, ensuring none are defaulters in paying tax as different tax barriers, such as check posts and toll plazas, lead to wastage of unpreserved items being transported. This penalty

transforms into major costs due to higher needs of buffer stock and warehousing costs. A single taxation system will eliminate this roadblock.

- There will be more transparency in the system as the customers will know exactly how much taxes they are being charged and on what base.
- GST will add to the government revenues by extending the tax base which lead to uplift the growth of our country.
- GST will provide credit for the taxes paid by producers in the goods or services chain. This is expected to encourage producers to buy raw material from different registered dealers and is hoped to bring in more vendors and suppliers under the purview of taxation.
- GST will remove the custom duties applicable on exports. The nation's competitiveness in foreign markets will increase on account of lower costs of transaction.
- In future, GST will reduce the struggle of common man from paying huge tax and will have a stabilised and prosperous economy.
- The increased production will lead to more job opportunities in the long run. But, this can happen only if consumers actually get cheaper goods.
- A single tax policy will lead to less corruption or corruption free country.
- Due to lower burden of taxes on the manufacturing sector, the manufacturing costs will be reduced, hence prices of consumer goods likely to come down. Increased demand will lead to increase supply. Hence, this will ultimately lead to rise in the production of goods.

V. CONCLUSION

Indian taxation system is one of the world's largest taxation systems in terms of its wide application on large number of people and business entities. A significant milestone in the Indian taxation system is the enactment Goods and Services Tax (GST) Act 2017. The basic idea behind the Act is to create one nation, one market and one tax. There is a general perception among the policy makers, industry people and academicians that the implementation of GST would benefit all the stakeholders connected with this system. Further, it is strongly believed that this tax reform process would make India a global manufacturing hub in the years to come which, in turn, would help to attract more amount of foreign direct investment into our economy. Hence, various stakeholders are expected to have proper understanding regarding GST. A close watch over the post-implementation of GST in India clearly shows that the opinion of the experts about GST is of a mixed one. The constructive as well as the destructive criticism from the different stakeholders has been forcing the GST Council and other authorities concerned to make necessary changes not only in the GST rates but also in other rules and regulations regarding GST. No doubt, the implemented Goods and Services Tax is a noteworthy step in the field of indirect tax reforms in India. With the current economic developments in Indian economy in the wake of demonetization, it is important to evaluate the present scenario by the citizens of the country for a better tomorrow. India has posed a beacon of hope with ambitious growth targets in all fields for making a progressive economy. The Goods and Services Tax (GST) is another such undertaking that is likely to provide the much needed stimulant for economic growth in India by transforming the prevailing base of indirect taxation towards the free flow of goods and services. Besides it is also expected to knock out the cascading effect of taxes. It is a tax trigger, which will lead to business evolution for the industry. By merging a large number of Central and State taxes into a single tax, GST is expected to significantly ease double taxation and make taxation overall easy for the industries. Thus, the need of the hour is to explore realistic and practical ideas which can contribute to the growth and gradual development of our economy.

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