

GST- A BIGGEST TAX REFORM IN INDIA

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Abstract: The Indian economy is one of the fast-growing economies and is witnessing yet another reform in the field of Indirect Taxation. That biggest taxation reform in India is GST. After implementation of GST, all other indirect taxes are ceased to exist. GST is expected to create a business-friendly environment, as price level and hence inflation rates would come down overtime as a uniform tax rate is applied. It is alone indirect tax which influences the whole economy directly. This paper describes a brief introduction of post and pre GST indirect tax structure in India, what are its amendments and what can be the opportunities of GST in India.

Keywords: GST, CGST, SGST, IGST, VAT, GDP

INTRODUCTION: GST (Goods and Services Tax) is the biggest Indirect reform of India. France was the first country who introduced GST in the year 1954. After that about 160 countries across the world have adopted GST because of its transparency and has the capacity to raise the revenue of the country. In India, it has come into force from 1st July 2017 and extends to the whole of India including Jammu and Kashmir. It is a destination-based tax which means that the tax is collected by the state where goods are consumed. It replaced taxes levied by the Central and State Government and bring a whole nation under one market. It is also called "One Nation, One Tax". The GST is governed by a GST council and Chairman of this council is the Finance Minister of India. Under this system, Goods and Services are taxed at the rate of 0%, 5%, 12%, 18% and 28% and on few luxury items like Pan Masala, Luxury Cars, Tobacco Products etc. at the rates + cesses. Most of services, except those in the negative list of essential services such as Healthcare and Education will also come under GST. India has adopted the Dual GST Model in which both states and Central levies tax on goods or services or both.

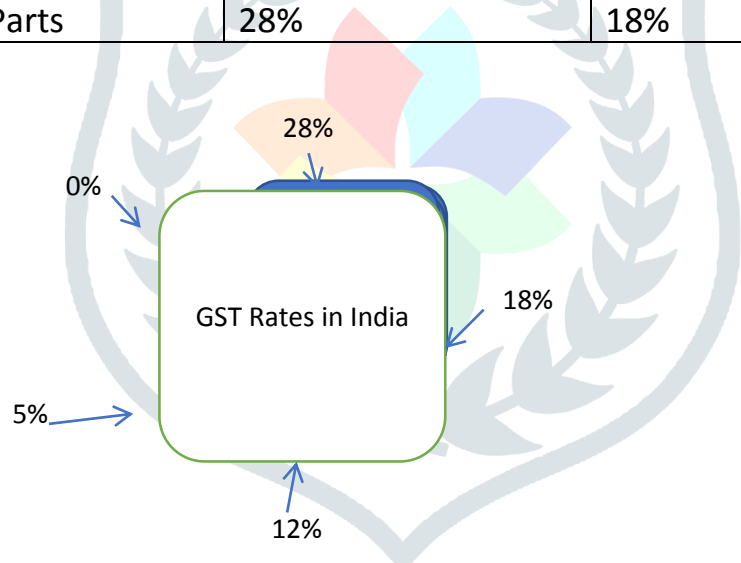
There are four taxes applicable under this system:

- SGST (State GST) - It is collected by the state government, e.g. Transaction happening within Punjab.
- CGST (Central GST) – It is collected by the central government, e.g. Transaction happening within Punjab.
- IGST (Integrated GST) – It is collected by the central government on inter-state transactions, e.g. Transaction happening Punjab to Haryana.
- UGST (Union Territory GST) – It is collected by the Union Territory government, e.g. Transaction happening in Union Territories of India like Chandigarh, Dadra and Nagar Haveli, Delhi, Andaman and Nicobar Islands, Daman and Diu, Lakshadweep and Puducherry.

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GST Rate Slabs

Product/ Services	Previous	Now*(Proposed by GST Council)
Children’s Colouring books	12%	0%
Jobwork for textiles, leather etc.	18%	5%
Cashew nuts	12%	5%
Agarbatti	12%	5%
Insulin	12%	5%
Pickles, Chutney	18%	12%
School Bags	28%	18%
Computer Printer	28%	18%
Cinema Tickets upto Rs.100	28%	18%
Tractor Parts	28%	18%



5% Slab
 Tea, Coffee, Kerosene, Namkeens, Cooking Oil, Branded Food, Homeopathy Medicine etc.

Except
 Fish Seeds, Atta, Besan, Maida, Vegetable Oil, Blindi, Sindoor, Printed Books, Newspaper, Egg, Common Salt, Curd, Unpacked Paneer.

12% Slabs
 Medicines, Cotton dresses, Dry Fruit in packaged form, Playing kitchenware, and Sauces etc.

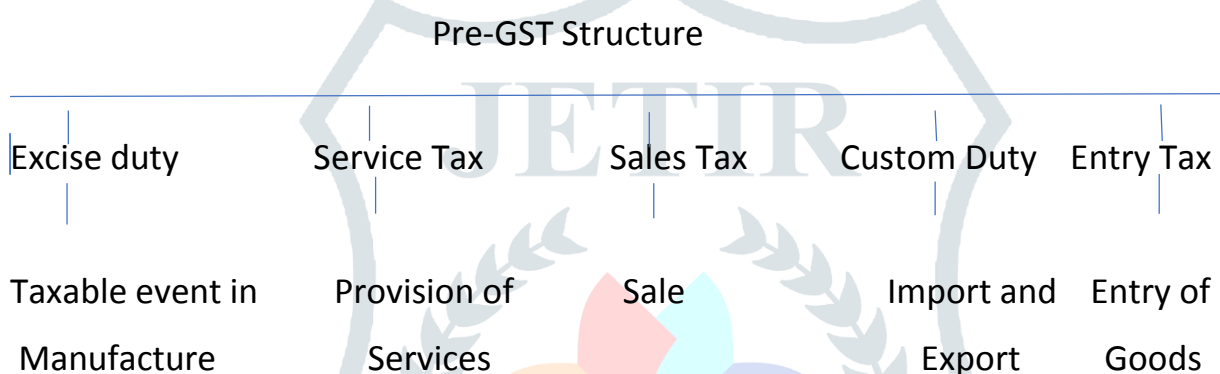
18% Slab

Fertilizers, Computer, Iron, Phone, Steel, Hair Oil, Soap, Toothpaste, Hair Cream, Fan, Lamp and Light Fitting etc.

28% Slab

Motor Car, AC's, TV's, Washing Machines, Pan Masala, Aircraft for personal use, Makeup, Cement etc.

Indirect Taxation- Pre GST Structure :- Indirect Tax is a tax that is levied on one person and collected from another person. It is collected when the purchase or sale of goods or services are rendered. The earlier system of Taxation (Indirect) is characterised by multiplicity of taxes on goods and services such as VAT, Entry Tax, Purchase Tax, Stamp duty, Luxury duty etc. Such multiplicity of taxes distorts the tax structure and bring complexities.



India has the maximum population is of the Middle and Lower middle class where people either belong to service class or they depend on agriculture for their living. After GST, there is a single tax provision in the supply chain where each person is able to take tax benefits. For the general public, the actual impact of any economy is when the prices of their necessity become affected. There is general rule that when price of a commodity become low consumer consume more things and if the inflation rate is higher, then the public gets unsatisfied. According to some sources, there is a slight impact on the consumers after the GST. Now we discuss about common areas where general public deals every day.

- Household Expenses, Real Estate, Taxi Services, Fuel, Banking & Insurance, Hotel, Air Travels, Restaurant.

1. Household Expenses: Let us take a look at the overall impact of GST on some household expenditure.

Groceries: Some Groceries items like milk, bread, flour, fruits, vegetables, tea, coffee etc. have been left outside the ambit of GST while other items like packaged curd, paneer, biscuits, shampoos, face creams have become cheaper on the other hand packaged chicken, bhujia, butter etc. have become expensive.

2. Lifestyle Expenses: - Entertainment expenses have come down as the tax has been reduced to 28% from 30%.
3. Airfares: - The economy class airfare too has come down as the tax has been reduced to 5% from 7%.
4. Telecommunication Service: - DTH and Cable TV charges have become dearer(costly) because these services will charge 18% GST instead of 15% Services Tax.
5. Luxury Spending: - Stay in 5 Star Hotels, Restaurant Bills etc. have gone up with the implementation of GST. Luxury Expenses are now taxed at 28%.
6. Car Prices: - Now Car Purchases are taxed at 28% GST with an additional cess between 1% and 15%. Small car with petrol will import with 1% cess and Big Car will be imported with 15% cess in addition to 28% GST. Electric Vehicles have been kept at 12%.

GST Revenue Collection: - India's monthly goods and services tax collections crossed Rs. 1 lakh crore for the first time in April 2018. The gross GST revenue collected in the month of May 2018 is Rs.94016 crore of which CGST is Rs.15,866 crores, SGST is Rs.21,691 crores, IGST is Rs.49,120 crores. Total revenue collected by Central Government and the State Governments after settlement in the month of May 2018 is Rs. 28,797 crores for CGST and Rs. 34,020 crores for SGST. Haryana has topped in July 2018 then other states in per capita revenue collection under GST and is also the fourth highest generation of e-way bills in the country. The revenue collection figures under GST, CGST, SGST, including other taxes subsumed later under GST are Rs.21,546.98 crores in 2015-16, Rs. 24,301.61 crores in 2016-17 and Rs. 29,941.43 crores in 2017-18. GST revenue in August 2018 were 93,690 crores and it rose to 94,442 crores in September. In the first six months of 2018-19 monthly GST collections averaged Rs. 96,283 crores.

STATE	MONTHLY COLLECTIONS	PER CAPITA REVENUE
Haryana	Rs. 4758 crores	Rs. 1876.97
Uttarakhand	Rs. 1449 crores	Rs. 1436.21
Maharashtra	Rs. 13,101 crores	Rs. 1165.85
Karnataka	Rs. 5984 crores	Rs. 979.52
Gujarat	Rs. 5623 crores	Rs. 930.38
Punjab	Rs. 1266 crores	Rs. 456.40

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As per data released by government, the total collection of GST was reported to be Rs. 1.02 lakh crores in July,2019. Out of the total GST collection in July, CGST is Rs. 17912 crores, SGST is Rs. 25008 crores, IGST is Rs. 50612 crores and Cess is Rs. 8551 crores.

GST is an Indirect Tax that replace the entire taxes levy at Central and State levels and it unified into one national market across India. Following are the duties and taxes, which merge under GST (at central level).

- 1 Central Excise Duty: - It is imposed on manufacturing of gross in India and collection of this duty is done by CBEC. The tax rate 12.5% with input tax credit is being imposed on Jewellers (except silver ornaments).
- 2 Service Tax: - It is imposed by Government on the services provided and it is bear by the customer service tax rate is 15% of value of services provided, education cess and secondary education cess is 2%.
- 3 Additional Customs Duty: - It is also known as countervailing duty which is imposed on manufacturing. It is calculated on value basis of goods.
- 4 Special Additional Duty of Customs: - It is payable 4% on goods imported and this is instead of VAT/Sales Tax.
- 5 Central Surcharges and Cess: - Surcharge is a charge on tax and it is an additional charge. It is basically on personal income tax and on corporate income tax. Cess is levied by Central Government, which is levied for specific purpose.

Following are duties and taxes, which merge under GST at State Level: -

- 1 VAT: - It is an indirect tax on the goods and services imposed by the State. It is imposed at each stage in the chain of distribution and production from the raw material till the valuation of the product and it is borne by the end users in distribution channel.
- 2 Central Sales Tax: - It is imposed on sales which is affected interstate trade. It is centrally imposed on consumers and administered by the concerned state where the sales originated.
- 3 Octroi and Entry Tax: - Octroi is charged by local authorities like Municipality and Entry Tax is charged by the State.
- 4 Purchase Tax: - It is imposed on the Purchase of goods by the state government and it is applied to wide range of goods.
- 5 Luxury Tax: - It is levy on those things which are either expensive or optional.
- 6 Entertainment Tax: - It is levied by the Government on things related to entertainment like movie tickets, commercial shows etc.

GST Bill – Changes and Updates

Even since the inception of GST in 2017, a number of changes have been implemented. These updates or changes are decided at the GST council meetings and these are implemented by passing GST Bills. According to new bill, services will not be taxed over 18% and 5% tax will be levied on mass consumed products such as packaged salt and spices although food grains and other agricultural products are

not to be taxed. Items generally used by the common man such as Toothpaste, Oil, Soap and other will be taxed between 12% to 18% as opposed to current rate which is over 20%. Other products such as Washing Machines, A.C will be taxed at 28% as against the current rate of 30%-31% thus making them cheaper. Luxury products such as luxury cars, drinks and tobacco products would also attract tax slab of 28%.

SWOT Analysis of GST- The SWOT Analysis is very important and useful tool to use in any business applications. SWOT Analysis is a word form of strengths, weakness, opportunities and threats and it is a method that evaluate those four elements of an organisation, project or business venture. It involves scanning of the internal and external environment for strategic planning process. By the implementation of GST in India, the Government is hoping to create a common Indian market and thereby to reduce the cascading effect of tax on the cost of goods and services.

Strengths of GST: -

- 1 Uniform Tax compliance standards.
- 2 Applicable on all goods and services.
- 3 Online submission of details result in less paper work.
- 4 More Tax revenue.
- 5 Dual Taxation System thereby eliminating loss of revenue of State and Central Government.
- 6 Reduction in inflection of energy, octroi taxes.
- 7 Few number of rates.
- 8 Time saving due to call.
- 9 Easy flow of resources across the country.

Weakness of GST

- Dual Model of GST results in complicating billing.
- Totally technology driven but India is a developing country where people are not habitual of technology.
- GST is a merge of various states and central taxes but many more are left at the discretion of State Government.
- Shortage of skilled resources and need for re-skilling.

Opportunities of GST in India

- Increase in GDP.
- Increase in Export.
- Low process of manufactured products.
- Reduce average tax burden of consumer.

- Opportunity of corruption free Indian Revenue Services.
- Increase in employment opportunities.
- Increase of revenue for State and Central government.
- Transparency in Taxation system.

Threats of GST

- GST is a complicated process and it cannot completely eliminate black money.
- Initial burden on consumer due to a temporary increase of cost of goods and services.
- GST council set down the benchmark for resolving the dispute itself. It is against the principle of natural justice.
- It is not a guarantee in itself that it would not be influenced by political parties and politicians will not use it as a win-loss game.
- GST is not friendly with banking sector because the cost of goods become cheaper after GST and it will promote exports. Presently 14% service tax is being levied on banking transactions. GST will make these transactions more costly.

Conclusion: -

We can say that GST is a new law for India and every new law has its own positives and negatives. To make GST a good tax reform the Government of India has to work on the strengths and weaknesses of GST to cash the opportunities and to dilute the threats. As per to a survey in 2015-16 the gathering was 947508.12 crore rupees that is anticipated to extend 1054101.22 crore rupees in 2016-17. It brings Asian nation a lot of competitive and promotes the exports however this is often entire depend on rational decision and timely implementation. There are numerous weakness and threats of GST which should be overcome by focusing on strengths and opportunities. There is also a need to set different dispute settlement body on conflicting recommendation of GST.

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