

AN OVERVIEW OF GOODS AND SERVICE TAX

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Abstract

Goods and service Tax, a significant breakthrough and the next logical step towards a comprehensive Indirect tax reform in India. This paper gives an overview of GST and further discusses how the mechanism reduces the tax burden and other cascading effects. Brief description is given on the history of tax, GST background, introduction, salient features and illustration of reducing tax burden. Goods and service Tax system subsumes various taxes and avoids the problem of multiple or double taxation and other indirect taxes having cascading effect thereby reducing the burden of taxes. GST in India is expected to be a destination based consumption based levy. GST stands for “Goods and Services Tax”, and is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It is a taxation system where there is a single tax in the economy for goods and services. Its main objective is to consolidate all indirect tax levies into a single tax, except customs (excluding SAD) replacing multiple tax levies, overcoming the limitations of existing indirect tax structure, and creating efficiencies in tax administration.

MEANING

The word tax is derived from the Latin word ‘Taxare’ meaning to estimate. It is a compulsory contribution to the state revenue levied by the government on worker’s income and business profits or added to the cost of some goods, services and transactions. In general it is financial charge or fee imposed by the government and tax is the principle source of revenue for a country’s government.

INTRODUCTION OF GOODS AND SERVICE TAX

The value added tax (VAT) is considered to be a major improvement over the pre-existing central excise duty at the national level and sales tax system at the state level, then the goods and service tax (GST) will be a further significant breakthrough, we can say it is the next logical step towards a comprehensive indirect tax reform in the country. The concept of GST has gone through various stages and phases not just from present scenario but from past few years.

In 2000, the Vajpayee Government started discussion on GST by setting an empowered committee headed by Asim Dasgupta (Finance minister, Government of West Bengal). Later it prolonged its discussions and the proposal of GST was announced by Shri P.Chidambaram (Finance Minister) in the budget speech of 2006-07, which led to formation of empowered committee of state finance ministers which gave the report and the model of GST including design, road map for implementation etc. the empowered committee released its first discussion paper on GST in India on 10th November, 2009.

A dual GST model has been accepted by the center, it has two components, the central GST to be levied and collected by the Centre and the state GST to be levied and collected by States.

Literature Review

According to **Suresh (March 2, 2015)** the key point discussed centre to educate motivate and convince the state on being GST. This discuss was all about GST would cut down on their own revenue. The discussed pointed out that some sectors like construction, cigarettes, liquor were not in GST. EX WHILE MAHATASHTRA wanted to keep Octroi with itself whereas Telangana wanted the revenue from the stamps and registrations.

According to **Sharma and Neha (2014)** GST is a better approach of charging tax on goods as well as services to solve the existing problem of tax evasion, distortion and cascading effect which can be minimized through this and broaden tax base structure increasing tax revenues which may be used for the growth the nation.

STATEMENT OF THE PROBLEM

Goods and service Tax system subsumes various taxes and avoids the problems of multiple or double taxation and other indirect taxes having cascading effect thereby reducing the burden of taxes.

OBJECTIVES OF THE STUDY

- 1) To give clear overview of new indirect tax reform, Goods and Service Tax (GST).
- 2) To examine how the GST mechanism reduces the tax burden eliminating the multiple taxation and other cascading effects.
- 3) To know the benefits of Goods and Services Tax to economy, business and industry and consumer

RESEARCH METHODOLOGY

The research paper is an attempted of exploratory research on a conceptual analysis where the data is based on the secondary sources like journals, magazine, articles and media reports.

KEY FEATURES OF THE GOODS AND SERVICES TAX

- The GST would be applicable to all transactions of goods and services made for a consideration except the exempted goods and services, goods which are outside the purview of GST.
- GST will be paid to the accounts of the centre (central GST) and the states (State GST) separately, rates for which would be prescribed appropriately, reflecting revenue considerations and acceptability.
- The GST will be levied on import of goods and services into the country.
- The rules for taking and utilization of credit for the Central GST would be aligned.

OVERVIEW OF GST

Goods and Services Tax proposed to be comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all the indirect taxes levied on goods and services. Any commodity in general is produced on the basis of physical inputs as well as services, there should be integration of VAT on goods with tax on services at the state level as well as at the time there should also be removal of cascading effect of service tax.

In the present scenario CENVAT have remained incomplete in removing fully the cascading burden of taxes already paid at earlier stages, there are several other taxes which Centre and state levy, where no set off is available in the form of ITC leading to 'tax on tax' but with introduction of GST, both cascading effects of CENVAT and service Tax are removed with set-off and a continuous chain of set-off from the original producer's point and service producer's point up to retailers level up to retailers is established which reduces burden of all cascading effect. This is the essence of GST, this is the reason it is not simply Vat plus services Tax but an improvement over the previous system of VAT and dis-jointed service Tax. Now the power of levying service tax is given to state as well.

SALIENT FEATURES OF GST MODEL

- GST has two components hence called dual GST model, it consist of :
 - Central goods and service Tax (CGST).
 - State Goods and Service Tax (SGST).
- CGST and SGST are applicable to all goods and services except for certain exempted goods and services outside the purview of GST.
- CGST and SGST are treated separately, taxes paid against CGST shall be allowed to be taken as Input Tax Credit (ITC) for and utilize only for CGST and the same is applicable for SGST.
- Uniform procedure for collection of both CGST and SGST would be prescribed.
- Uniform SGST threshold across states is desirable.
- Tax payer would need to submit periodical returns in common format as far as possible to both CGST and SGST concerned authorities.
- Each tax payer would be allocated a PAN – Linked system in line with prevailing PAN system for income Tax.
- Inter-State supplies of goods or services in India called Goods and Service Tax (IGST), which are levied and collected by the centre.

CONCLUSION

GST is a single national uniform tax levied across India on all goods and services. In GST, all Indirect taxes such as excise duty, Octroi, central sales tax (CST) and Value- Added Tax (VAT) etc. will be subsumed under a single regime. Introduction of the goods and services Tax (GST) will be significant step towards a comprehensive indirect tax reform in the country. It is expected to bring about efficiency and transparency in the indirect tax mechanism in India. Further it will also encourage an unbiased tax structure that is neutral to business processes and geographical locations. Given the enormity of the implication of GST, it requires a consensus among all political parties and states. However the implementation of GST has been delayed several times on account of lack of consensus among the States and centre on aspects relating to limiting fiscal autonomy of the states.

The overview of Goods and Service Tax (GST) gave an insight about the entire concept and reducing tax burden, therefore it can be considered as a most logical step towards indirect tax reforms in our country.

All sectors of the economy have benefits and impact with GST whether individual, industry, trade, government departments, service sector, professionals, importers etc. It is a simple mechanism yet can boost economy compared to the previous system also having uniform and transparent system to all players than existing complexities. It is ready to integrate state economies and boost the overall GDP as it reduces the tax burden making single unified Indian market with growth dynamics and strong economy.

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