

Review of Goods and Services tax implemented in India

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Abstract- This research paper covers a brief overview of Goods and services tax imposed in the country. It also covers the advantages and limitations related to this new type of indirect taxation system that subsumes earlier type of indirect Taxes and lead to unification of county by ensuring that rather than having multiplicity of taxes there would be one tax that will be applicable in the whole country.

Key Words- GST, CGST, SGST, IGST

Introduction

Major source of government revenue is the taxes that it collects; they are in the form of direct taxes or indirect taxes. Indirect taxes are the one where incidence and impact of tax falls on different person. These taxes are collected by intermediaries from those who ultimately bear the burden of tax. Then these intermediaries ultimately deposits the tax so collected with the government. Mr Narendra Damodar Modi our Prime minister implemented goods and services tax in our country with the agenda of having one nation one tax so that the different types of indirect taxes like service tax, VAT, central excise duty etc. prevailing earlier can be replaced with GST.

GST will be imposed if taxable event like sale, manufacturing, purchase of goods takes place or services are provided. While presenting 2006-2007 union budget our Finance minister Mr P. Chidambaram announces that GST will be introduced well effect from starting of the financial year of 2010. But it missed many deadlines. Finally in 2016 constitution one hundred first amendment Act helped in introduction of goods and services tax across India. Goods and services tax is finally implemented in India with effect from 1st July 2017.

India is not the first country to implement GST. France is the first country that adopted unified GST in 1954. However India adopted dual GST as tax is levied by both Centre and state on taxable supply of goods and services. GST act is applicable to whole of India including state of Jammu and Kashmir. However it is implemented in J&K with effect from 8th July 2017. Different types of GST's i.e. CGST, SGST, UTGST and IGST are imposed on supply of goods and services.

In case there is interstate supply of goods and services only integrated goods and services tax is levied by central government. That is later divided between central and state governments in the ratio determined by GST council. Council recommended that it needs to be apportioned equally between central and state government. GST council have members from central government and different states, union territories where

decision can be taken by at least 75 percent of weighted votes of members present and voting in favor of an agenda discussed in the council's meeting. Finance minister act as chairman of GST council. Two third representatives in council are from state government and rest are from central government In order to constitute a valid meeting it needs to have at least 50 percent of total members to be physically present in the meeting. Whereas on intra state supply of goods and services central goods and services tax will be charges along with state goods and services tax or Union territory goods and services tax as the case may be.

GST is a destination based tax however earlier indirect tax systems were production based. So with GST revenues shifted from production state to consumption states. So as to compensate states for loss they suffered with introduction of GST, GST compensation to states act 2017 was introduced but time duration for such compensation is restricted to five years. Majority of countries have one GST slab rates, few other countries have two slab rates however there are only five countries including India that have four slab rates of GST apart from nil rate. Five tax slab rates are there for levy and collection of GST namely zero per cent, five percent, twelve percent, eighteen percent and twenty eight percent. Special rate of three percent on gold that led to increase in transaction cost as earlier it was just one percent and .25 percent on precious and semi-precious stones are applicable.

Alcoholic liquor for human consumption, real estate, petroleum products, and electricity is not chargeable to GST as they are taxed by state governments. It allows the different suppliers involved in the supply chain to claim input tax credit as the goods flows from manufacturer to final consumers. So Taxes are levied only on the value addition done at each level in supply chain. In order to ensure smooth functioning of GST system GSTN network is there through that registration, refunds, payment etc. can be done with ease. It ensures automation of whole process that helps to create paperless society.

Literature Review

Vasanthagopal (2011) in his research paper pointed out that how excise tax imposed by central government and sales tax imposed by state government will be replaced with central VAT and VAT respectively with implementation of GSTAs it will help in reducing cascading effect by enabling to claim set off with respect to taxes paid on purchases. Earlier taxation system before GST was very difficult, confusing. There is high level of competition prevailing at global level due to opening up of domestic economies with globalization and liberalization. Implementation of GST can play crucial in surviving in competitive market. It also list down positive effect of GST on different sectors of the economy.

Jaiprakash (2014) in his paper pointed out that VAT is an improvement over earlier taxation systems and GST was further improvement over VAT. The paper tried to figure out the development that took place in India as we make a move from origin based central sales tax to consumption based GST. He also pointed out that for introducing GST how different taxes existing earlier will be removed in as phased manner.

Shefali Dani (2016) in her research paper on “Impact of GST on Indian economy” pointed out that government should have studied the loopholes of GST system by analyzing other countries that have already adopted GST. Government needs to take poor section of society into consideration before implementing GST so that they could be protected from hike in Inflation as a result of GST’s implementation.

Objective

- To study goods and services tax with respect to India
- To study the issues and benefits associated with goods and services tax

Research Methodology

This study is exploratory in nature and based on the data collected from secondary sources like journals, newspaper articles, government portal books etc.

Benefits of GST

Below mentioned are the different benefits associated with goods and services tax implemented in India.

- 1) It helped in making the whole system more transparent.
- 2) It helps in reducing cascading effect.
- 3) It lowers down prices of product for the ultimate consumer.
- 4) Introduction of GST have created many employment opportunities in the country.
- 5) GST is not imposed on export so as to ensure we export goods or services at their cost and we are not exporting taxes so as to make our product competitive in the global market.
- 6) GST helped suppliers to deal with the problem of multiplicity of taxes, multiple returns that are required to be filed and reduced compliance related issues as well.
- 7) Suppliers in supply chain can also claim input tax credit
- 8) GST help in unification of India’s market as we have achieved the objective of one nation one tax.
- 9) By reducing the compliances and complexities involved in earlier taxation system GST have made it easy for the businessmen to run their business.
- 10) The need of small businessmen is taken into consideration that’s why they are also given an option to opt for composition levy.
- 11) With imposing GST on gold jewellery as well it will make this sector more organized and transparent.
- 12) GST allows cross utilization of taxes.

Flaws in GST system

These flaws may act as hurdle in the GST system while achieving the desired results

- 1) Information need to uploaded on the portal and the information technology infrastructure of our country is not very well versed. There are issues with of internet connectivity in some areas that will further enhance the problem.
- 2) There are many academicians, researchers, experts who believe that GST would lead to more hike in prices than the growth rate of country.
- 3) Dual GST is more complex in terms of understanding.
- 4) Assessee needs to hire experts in field of GST who will charge hefty fees leading to enhancement of financial burden on the assessee.
- 5) Multiple returns are required to be filed by an Assessee.
- 6) There are many provisions, rules etc. and amendments keep on coming on yearly basis so there is requirement to keep on updating knowledge on regular basis.
- 7) Different states keep on imposing state taxes over and above GST that increases price that need to be borne by ultimately consumer.

Before GST services are charged at maximum rate of 14 % however under GST the tax rate hiked to twenty to twenty two percent. Further it is also not clearly specified telecommunication should be considered as good or service. Telecommunications sector was charged at 18% which pre GST was charged a tax rate of 14% but the audit procedure and compliance will be relaxed with adoption of goods and services tax.

Scope for future study

This paper is theoretical in nature where an attempt is made to provide an overview of GST system implemented in the country however further study can be conducted by focusing the effect of implementation of GST on different sectors of the economy, impact of GST on traders etc.

Limitations of the study

The present study is confined to data collected through secondary sources.

Conclusion

Before implementing GST in India a pilot study is required to be conducted so government could have identified its flaws before its implementation. While formulating taxation policies it should be kept in mind that it should help in increasing revenue and growth of Indian economy that can be ensured by overcoming different flaws associated with the same. Such a system needs to be introduced that complexities involved in filing of goods and services tax could be minimised. Providing knowledge to people so that even a layman is aware about the how returns in GST could be filed, its rules and regulations, documents required etc. As provisions related to GST are updated every year so its users are required to update their knowledge on continuous basis.

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