



A STUDY ON GOODS AND SERVICES TAX IN INDIA AND ITS IMPACT ON VARIOUS SECTORS

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Abstract

The introduction of the Goods and Service Tax (GST) is a very significant step in the in the field of indirect tax reforms in India. By amalgamating a large number of central and state taxes into a single tax, GST Will mitigate ill effects of cascading or double taxation in a major way and pave the way for a common national market. From the consumer's point of view, the biggest advantage would be in terms of reduction in the overall tax burden on goods, which is currently estimated to be around 25%- 30%. It would also imply that the actual burden of indirect taxes on goods and services would be much more transparent to the consumer. Introduction of GST would also make Indian products competitive in the domestic and international markets owing to the full neutralization of input taxes across the value chain of production and distribution. Studies show that this would have a boosting impacting on economic growth last but not the least, this tax, because of its transparent and self – policing character, would be easier to administer. It would also encourage a shift from the informal to formal economy. The government purposes to introduce GST with effect from 1st July 2017.

Keywords: GST, Indirect tax, Neutralization

INTRODUCTION

The Goods and Service Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country's is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. Goods and Service Tax is called GST in short, which means unified indirect tax all over the country on products and services.

As per the past system the tax is levied at every stage separately by the union government at different rates on the full value of goods. GST is established on July 1, 2017 as the constitution Act 2017 by the passage of constitution 122nd Amendment Bill and it is governed by a GST council and "Arun Jaitley" the finance minister of India is the chairman of GST

INTRODUCTION OF VAT

The Value Added Tax (VAT) is a type of indirect tax and is one of major source of revenue to the state. The VAT system was introduced in India by replacing the General Sales Tax laws of each state. The VAT system of taxation was adopted by Indian states and union Territories in the year 2005 by replacing the General sales tax laws with new value added tax acts and the supporting value added tax rules for proper administration and collection of tax. Each state or union territory is having its own methods to assess the tax liability and collection methods from the dealers who fall under the purview of VAT.

The Registered dealers are allowed to collect VAT payable by them from the immediate buyer. They can claim the VAT paid on purchases made only from a registered dealer. The unregistered dealer cannot charge VAT on the invoices, so the buying dealer cannot claim the VAT amount paid as ITC. Also the unregistered dealers are not eligible for availing concessions for e.g. exemptions, given by GOVT.

VAT TERMINOLOGY

1. Input Tax

This is the tax paid on purchases

2. Output Tax

This tax is charged on sales

3. Input credit : The excess amount of input tax over output tax for the current period which is permitted to be set off against output tax of subsequent periods is termed as input credit.

4. Tax Identification Number (TIN) : It is the Register Number given by the department to the dealer at the time of Registration. This needs to be quoted at all required places where the registration details are to be provided.

5. Tax Invoice : This is the sales invoice format issued by one Registered Dealer to another. Based on this invoice, it can be claimed by the purchasing dealer.

6. Retail Invoice: The sales invoice format used for invoicing the exempted sales and sales made to unregistered dealers is termed as Retail Invoice.

7. Registered Dealer: This term is used to identify a dealer who is registered either under voluntary Registration or compulsory registration under the VAT Act. Such dealer can issue tax invoice and also claim the tax paid on purchases made from other registered dealers as input tax credit.

8. Unregistered Dealer: Dealers who are not registered under the VAT Act are called as unregistered dealers (URD). Such dealers cannot issue tax invoice. They can neither charge tax nor claim input tax credit.

9. Purchase Tax: The Tax paid on goods purchased from unregistered dealers is liable to purchase tax. The purchase tax is treated as output VAT payable by the dealer as it is a liability. It has to be paid while making the payment towards VAT liability. Based on the rules and regulations, the input tax credit can be claimed on the payment made towards purchase tax.

10. Reversal of Tax Credit : It refers to the reversal of input tax credit already claimed and availed.

VAT RATES

- 0% For essential commodities
- 1% on bullion and precious stones
- 4% on industrial inputs and capital goods and items of mass consumption
- All other items 12.5 %

Variable rates (depending on state) are applicable for tobacco, liquor, petroleum products, etc.....

Value Added Tax is a multi-point sales tax with set off for tax paid on purchases. It is basically a tax on the value addition on the product. The burden of tax is ultimately born by the consumer of goods. In many aspects it is equivalent to last point sales tax it can also be called as a multipoint sales tax levied as a proportion of valued added.

VAT CLASSIFICATION: VAT classifications in Ledger master of VAT rates are input VAT @4% etc..... . This describes the nature of business activity and type of transactions. User is required to select appropriate VAT classifications from the drop down list during ledger creation, voucher entry etc..... These classifications are in- built in the system and will be updated as and when any statutory changes take place. Some of the VAT classification;

1. Input VAT @4%
2. Input VAT @1%
3. Input VAT @12.5%
4. Output VAT@4%
5. Output VAT @1%
6. Output VAT @12.5%
7. Purchases- capital goods
8. Purchases – Exempt
9. Purchases from unregistered dealers

Depending on the type of business, type of transaction, and statutory requirements of your state you need to select the appropriate classifications from the list

GST AND CENTRE- STATE FINANCIAL RELATIONS

Nature	Centre – state finance	GST
1.Taxable event	On sales of goods	On every supply of goods or service
2.Tax between state and centre	Only state govt. gets the whole share for welfare of states public	GST is collected under SGST&CGST for every sale from same state. The corresponding center & state amount then gets bifurcated
3. Input credit	Dealer has right to deposit his net VAT liability by deducting input VAT on goods purchased and from output VAT on goods	As GST is applicable on goods as well as services provided , the GST portal system calculates the input credit which is used for payment during the next GST liability

	sold	
4.Input tax credit on services of goods	Not applicable as VAT is only for goods not services	The paid GST on services adds up to total input GST comparable to total output GST, which may be on goods sold. Finally the tax payer gets the input credit on tax for the services availed by the products you purchased
5.Taxation on services	VAT is not applicable on provided or sold services. Service tax is charged additionally @ 14.5%	GST rates for Services depend on nature of service. It may be 12% and 18% and 28% depending on the sector. Most Services come under 15% GST
6.Return filling	Must file return by 20 th of succeeding month	Nil
7.Compulsion for VAT No & GST No	if turnover is or beyond Rs 10 lakhs	if turnover is beyond Rs 20 lakhs

RESEARCH PROBLEM

- GST should be preceded by adequate grand work on the experience of other countries and a credible study on the impact of the GST regime on state revenues
- Harmonized Tax structure should be the guiding principle and not the obligatory feature of the GST
- The formation of a GST evaluation committee should monitor and evaluate the implementation of GST. The mandate was to study the immediate impact of GST on inflation , GDP , retail price and other parameters
- Comparison of GST & VAT and to make the effective study of its after effects

OBJECTIVES OF THE STUDY

- To collect information of current tax system and analysis of tax by GST&VAT
- To study the concept of goods and service tax (GST) and its impact of it over VAT
- To understand how GST&VAT will work in India
- To know the benefits of GST&VAT in India context
- To study the impact of introduction of GST and VAT

SCOPE OF THE STUDY

Introduction of GST and its after effects towards the new tax calculation system; with comparison of that with VAT. Based on the study conducted by the GST & VAT overcome the various inherent weakness under the namely.

- Tax cascading and tax compounding
- Issue of transfer pricing and value shifting
- No complete relief of the tax on goods exported
- Bureaucratic red tape

RESEARCH METHODOLOGY

Research methodology is the way to systematically solve the research problem. It is the scientific method of conducting a research. It consists of defining the research design, determining the sample design, collecting the required data, its analysis, interpretation, and finally drawing conclusion out of its and giving suggestions.

TOOLS USED FOR DATA ANALYSIS

The tools used for analysing data are both management tools and statistical tools such as Percentage analysis, bar diagrams, pie chart, line graph, histogram, frequency curve.

LIMITATIONS OF THE STUDY

- ✓ The time period available for the study was limited for a period of 21 days. So, a detailed study is not possible
- ✓ Data collected from the source is not 100% accurate
- ✓ This is new recent trend. So source of data is not sufficient.

However, all efforts have been taken to make the study appropriate.

REVIEW LITERATURE

Dr.Sunitha and Satischandra (2021)

Broadly discussed about GST in their research paper titled “Goods and services tax (GST): as a new path in tax reforms in India economy “. The authors have tried to explain the concept of GST and different models of GST. They also focused on the impact of GST on Indian markets. According to them the current tax structure is the main burden for growth of Indian economy. New tax structure of GST will remove this hurdle and main boosts Indian economy.

Neha and Manpreet Sharma (2021)

Describes about GST in their research paper titled “A study on Goods and Service tax in India. They tried to find out the benefits of GST and current status of GST in India. According to them we are moving towards GST due to faults in our current indirect tax structure. Our current indirect tax structure is unable to increase the competitiveness of industries.

Garg (2022) Summarizes in the article “Basic concepts and Features of Goods Service tax in India” published in international journal of scientific research and management ,2(2),542-549 about impact of GST on Indian tax structure and find out that GST will strengthen nation’s economy and development .

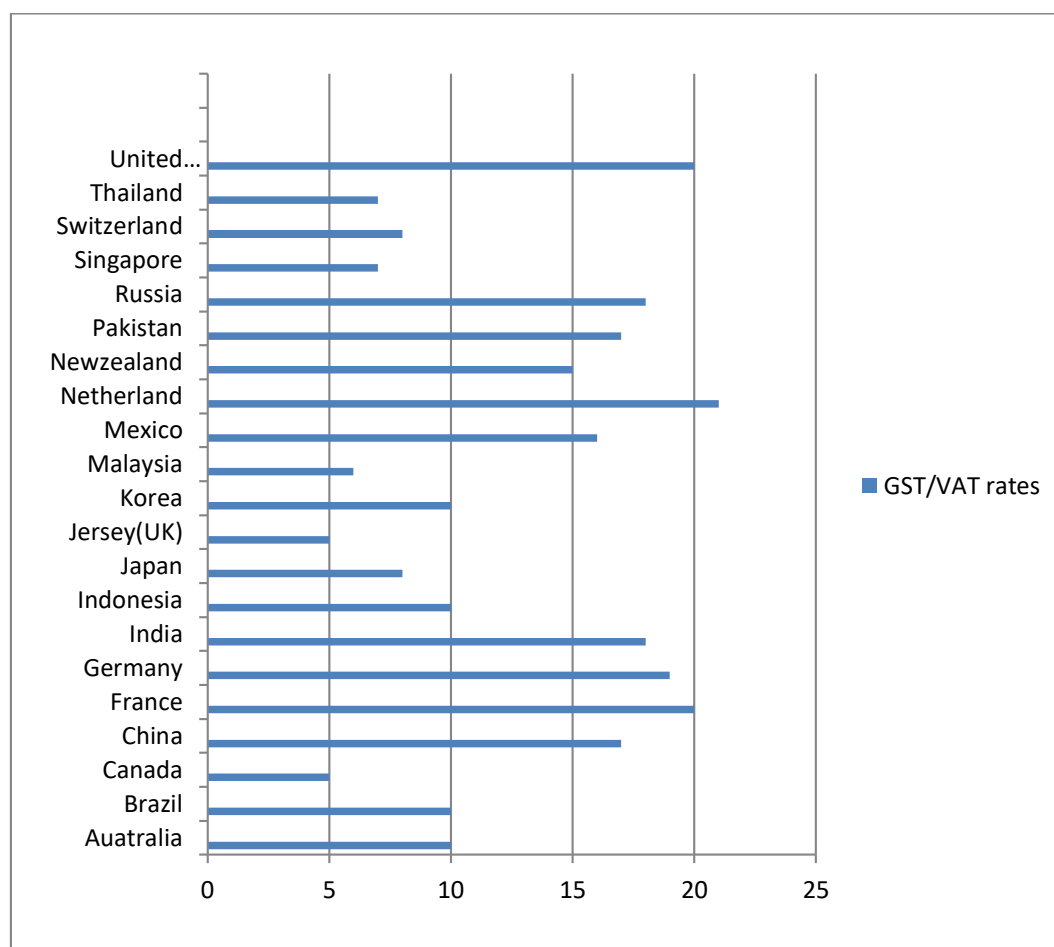
Nishitha Guptha (2022)

In her study stated that implementation of GST in the India framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic increase.

GST in India versus GST/VAT in the other countries

Countries	GST/VAT rates
Australia	10
Brazil	10
Canada	5
China	17
France	20
Germany	19
India	18
Indonesia	10
Japan	8
Jersey(UK)	5
Korea	10
Malaysia	6
Mexico	16
Netherland	21
New Zealand	15
Pakistan	17
Russia	18

Singapore	7
Switzerland	8
Thailand	7
United kingdom	20



INTERPRETATION

The table shows that Netherlands has highest GST/VAT rate of 21 on Netherlands Jersey and Canada have the lowest GST/VAT Rate of 5. While India has the GST rate of 18

FINDINGS

Based on the analysis made after the data have been presented in a logical and sequential manner, the following findings were made:

1. Now GST in simple terms means a uniform tax that will be implemented across the nation, Goods and Service Tax will replace all the indirect taxes that are levied by central and state governments.
2. GST will enable the creation of the GST council comprising the union finance minister and members of state government.

3. In a first of its kind initiative that GST will be implemented in two components –Central GST or CGST and state GST or SGST. The dual GST will be levied on all the supply of goods and services across the country.
4. VAT features are highly competent to allot benefit to the government. So the channel of distribution and flow of VAT must be reformed.
5. The value added tax makes n evasive attempt on implementation level as well as execution level.
6. It is strongly recommended that the tax consultant and the government should periodically to monitor the procedure.

SUGGESTIONS

1. Since the consumers and retailers are unaware of certain implementation process of value added tax. It is suggested the government should come with transparent norms to enlighten to the retailers and consumers.
2. The study ascertained maximum benefit to the government through value added tax system. So it is strongly recommended to have innovative slab system suitable for whole sellers, retailers and consumers.
3. Factor analysis revealed the implementation of value added tax is predominant among the retailers as well as consumers. A separate system must be transisly implemented for the mutual benefit of purchasers and sellers.
4. A transparent approach rate of tax, refund procedure maintaining and improving accounting procedure are the immediate need for an hour.
5. Sufficient preparations need to be made by both central and state government for implementing GST at all levels.
6. Tax payers should be clear about the system and the mechanism.

CONCLUSION

Finally the GOODS AND SERVICE TAX, Commonly known as GST is a reality now and it has brought the Indian taxation system under its unique ideology ‘One nation one tax’. The advent of GST has subsumed all the indirect taxes in India, including Value Added Tax (TAX) service tax, excise duty, and octroi. These indirect taxes or VAT were levied on each step of Value addition of the product, thus creating a cascading effect. Therefore, GST was introduced to bring down unwanted inflation in the economy. Both VAT & GST are levied on the value of sale or supply of goods. But still there are lots of differences between VAT and GST. VAT has really showed a progress in many states and the centre has rightly compensated too many states

. The Centre has decide to review the existing 1exemptions from Central Excise Duty so that list of goods exempt from CGST and SGST list and 99 items exempted from VAT are taken off from both the components of GST.VAT has to some extent reduced tax-evasion and frauds. It is encouraging to note that most of the traders and general public are aware of VAT. To get the desired result, it should be assured that

the benefit of input credit is ultimately enjoyed by final consumers. The Union Finance Minister Shri Mukherjee (Meeting of Empowered Committee) on 18th July, 2011 has assumed to include necessary legitimate issues in the amendment bills as desired by the states through the empowered committee.

