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GLIMPSE ON GST– A BIGGEST TAX REFORM IN INDIA (ONE NATION, ONE TAX AND ONE MARKET)

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Abstract
The present paper aims to understand the implementation of GST. The exclusion of cascading effects i.e. tax on tax will significantly improve the competitiveness of original goods and services which leads to beneficial impact to the GDP growth. It is felt that the GST would serve a superior reason to achieve the objective of streamlining indirect tax regime in India which can remove cascading effects in supply chain till the level of final consumers only when all such above mentioned indirect taxes are completely included in GST. Almost every sector desires a rate cut in the GST rates but probably only a few of these expectations will be met on the budget day. This paper throws an insight into the Goods and Services Tax concept, features, benefits and challenges.

Keywords: Tax, Indirect Tax, GST.

Meaning of Tax
The word tax is derived from the Latin word ‘taxare’ meaning to estimate. A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority" and is any contribution imposed by government whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or other name.

Development of GST
1. 1974 Report of LK Jha Committee suggested VAT.
2. 1986 Introduction of a restricted VAT called MODVAT.
3. 1991 Report of the Chelliah Committee recommends VAT/GST and recommendations accepted by Government.
4. 1994 Introduction of Service Tax.
5. 1999 Formation of Empowered Committee on State VAT.
6. 2000 Implementation of uniform floor Sales tax rates Abolition of tax related incentives granted by States.
7. 2003 VAT implemented in Haryana in April 2003.
8. 2004 Significant progress towards CENVAT.
9. 2005-06 VAT implemented in 26 more states.
10. 2007 First GST stuffy released By Mr. P. Shome in January.
11. 2007 F.M. Announces for GST in budget Speech.
12. 2007 CST phase out starts in April 2007.
13. 2007 Joint Working Group formed and report submitted.
14. 2008 EC finalises the view on GST structure in April 2008 .

About GST
Goods and Services Tax (GST) would be a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, it would mitigate cascading or double taxation in a major way and pave the way for a common national market. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated to be around 25%-30%. Introduction of GST would also make Indian products competitive in the domestic and international markets. Studies show that this would have a boosting impact on economic growth.

Objectives of GST
One of the main objectives of GST would be to eliminate the cascading impact of taxes on production and distribution cost of goods and services. The exclusion of cascading effects i.e. tax on tax will significantly improve the competitiveness of original goods and services which leads to beneficial impact to the GDP growth.

It is felt that the GST would serve a superior reason to achieve the objective of streamlining indirect tax regime in India which can remove cascading effects in supply chain till the level of final consumers only when all such above mentioned indirect taxes are completely included in GST. It is understood that alcohol, tobacco and petroleum products will not be enclosed by GST as alcohol and tobacco are considered as Sin Goods, and governments do not like to allow free trade on these property.

Statement of Problem

After amalgamating a large number of Central and State tax into a single tax, it would mitigate cascading or double taxation in a major way and pave the way for a common national market. One of the biggest tax reforms in the country makes the researcher to study about the concepts, features and benefits of GST.

Objectives of the Study

1. To understand the concepts and objectives of GST
2. To know the features and benefits of GST
3. To bring out the challenges on GST

Nature of the Study: The present study is based on explorative in nature

Secondary Data: It is based on secondary data of journals, articles, newspapers and magazines.

Literature Review

Dr. R. Vasanthagopal (2011) studied,"GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

Ehtisham Ahmed and Satya Poddar (2009) studied, "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simplier and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Nitin Kumar (2014) studied, "Goods and Service Tax- A Way Forward" and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Pinki, Supriya Kamma and Richa Verma (July 2014)7 studied, "Goods and Service Tax- Panacea For Indirect Tax System in India" and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Goods and Services Tax Council (GSTC)

The GSTC has been notified with effect from 12th September, 2016. GSTC is being assisted by a Secretariat. The following decisions have been taken by the GSTC: (i) the threshold exemption limit would be Rs. 20 lac. For special category States enumerated in article 279A of the Constitution, threshold exemption limit has been fixed at Rs. 10 lac. (ii) Composition threshold shall be Rs. 50 lac. Composition scheme shall not be available to inter-State suppliers, service providers (except restaurant service) and specified category of manufacturers. (iii) Existing tax incentive schemes of Central or State governments may be continued by respective government by way of reimbursement through budgetary route. The schemes, in the present form, would not continue in GST. (iv) There would be four tax rates namely 5%, 12%, 18% and 28%. Besides, some goods and services would be under the list of exempt items. Rate for precious metals is yet to be fixed. A cess over the peak rate of 28% on certain specified luxury and sin goods would be imposed for a period of five years to compensate States for any revenue loss on account of implementation of GST. The Council has asked the Committee of officers to fit various goods and services in these four slabs keeping in view the present incidence of tax. (v) The five laws namely CGST Law, UTGST Law, IGST Law, SGST Law and GST Compensation Law have been recommended. (vi) In order to ensure single interface, all administrative control over 90% of taxpayers having turnover below Rs. 1.5 crore would vest with State tax administration and 10% with the Central tax administration. Further all administrative control over taxpayers having turnover above Rs. 1.5 crore shall be divided equally in the ratio of 50% each for the Central and State tax Page 4 of 12 administrations. (vii) Powers under the IGST Act shall also be cross-empowered on the same basis as under CGST and SGST Acts with few exceptions. (viii) Power to collect GST in territorial waters shall be delegated by Central Government to the States. (ix) Formula and mechanism for GST Compensation Cess has been finalised. (x) Four rules on input tax credit, composition levy, transitional provisions and valuation have been recommended. Further five Rules on registration, invoice, payments, returns and refund, finalized in September, 2016 and as amended in light of the GST bills introduced in the Parliament, have also been recommended.

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Benefits of GST

1. Make in India (i) Will help to create a unified common national market for India, giving a boost to Foreign investment and "Make in India" campaign; (ii) Will prevent cascading of taxes as Input Tax Credit will be available across goods and services at every stage of supply; (iii) Harmonization of laws, procedures and rates of tax; (iv) It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful employment leading to substantive economic growth.etc.,
2. Ease of Doing Business (i) Simpler tax regime with fewer exemptions; (ii) Reductions in the multiplicity of taxes that are at present governing our indirect tax system leading to simplification and uniformity; (iii) Reduction in compliance costs - No multiple record keeping for a variety of taxes - so lesser investment of resources and manpower in maintaining records; (iv) Simplified and automated procedures for various processes such as registration, returns, refunds, tax payments, etc;
3. Benefit to Consumers: (i) Final price of goods is expected to be lower due to seamless flow of input tax credit between the manufacturer, retailer and service supplier; (ii) It is expected that a relatively large segment of small retailers will be either exempted from tax or will suffer very low tax rates under a compounding scheme- purchases from such entities will cost less for the consumers; (iii) Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption.

Salient Features of GST

The Salient Features of GST Are As Under

1. GST would be applicable on "supply" of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.
2. GST would be based on the principle of destination based consumption taxation as against the present principle of origin based taxation.
3. It would be a dual GST with the Centre and the States simultaneously levying it on a common base. The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by the States [including Union territories with legislature] would be called State GST(SGST). Union territories without legislature would levy Union territory GST (UTGST).
4. An Integrated GST (IGST) would be levied on inter-State supply (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted.
5. Import of goods would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.
6. Import of services would be treated as inter-State supplies and would be subject to IGST. (vii) CGST, SGST /UTGST& IGST would be levied at rates to be mutually agreed upon by the Centre and the States under the aegis of the GSTC.
7. GST would replace the following taxes currently levied and collected by the Centre: a) Central Excise Duty; b) Duties of Excise (Medicinal and Toilet Preparations); c) Additional Duties of Excise (Goods of Special Importance); d) Additional Duties of Excise (Textiles and Textile Products); e) Additional Duties of Customs (commonly known as CVD); f) Special Additional Duty of Customs(SAD); g) ServiceTax; h) Cesses and surcharges insofar as they relate to supply of goods orservices.
8. State taxes that would be subsumed within the GSTare: a) State VAT; b) Central Sales Tax; c) PurchaseTax; d) LuxuryTax; e) Entry Tax (Allforms); f) Entertainment Tax (except those levied by the localbodies); g) Taxes on advertisements; h) Taxes on lotteries, betting andgambling; i) State cesses and surcharges insofar as they relate to supply of goods or services.
9. GST would apply to all goods and services except Alcohol for human consumption.
10. GST on five specified petroleum products (Crude, Petrol, Diesel, ATF & Natural gas) would be applicable from a date to be recommended by the GSTC. (xii) Tobacco and tobacco products would be subject to GST. In addition, the Centre would continue to levy Central Excise duty. Etc.,

Goods and Services Tax Network

Goods and Services Tax Network (GSTN) has been set up by the Government as a private company under erstwhile Section 25 of the Companies Act, 1956. GSTN would provide three front end services, namely registration, payment and return to taxpayers. Besides providing these services to the taxpayers, GSTN would be developing back-end IT modules for 25 States who have opted for the same. The migration of existing taxpayers has already started from November, 2016. The Revenue departments of both Centre and States are pursuing the presently registered taxpayers to complete the necessary formalities on the IT system operated by Goods and Services Tax Network (GSTN) for successful migration. About 60 percent of

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existing registrants have already migrated to the GST systems. GSTN has already appointed M/s Infosys as Managed Service Provider (MSP) at a total project cost of around Rs 1380 crores for a period of five years.

Role of CBEC

CBEC is playing an active role in the drafting of GST law and procedures, particularly the CGSTand IGST law, which will be exclusive domain of the Centre. This apart, the CBEC would need to prepare, in advance, for meeting the implementation challenges, which are quite formidable. The number of taxpayers is likely to go up significantly. The existing IT infrastructure of CBEC would also need to be suitably scaled up to handle such large volumes of data. Based on the legal provisions and procedure for GST, the content of workflow software such as ACES (Automated Central Excise & Service Tax) would require re-engineering. DG Systems has already constituted a Steering Committee for implementation of GST System for CBEC. The IT project of CBEC under GST has been approved by the Cabinet on 28thSeptember, 2016. The name of this project is ‘SAKSHAM’ involving a total project value of Rs. 2,256 crores.

Challenges of GST

There are few aspects with disagree with the growth story and might be seen as hurdle. The aviation industry was witnessing the much awaited growth with increasing domestic traffic since from establishment; the GST implementation might slower the rate at which the industry is expecting growth as flying will become expensive. Service tax on various fares currently ranges between 6% - 9% (depending on traveling class). With GST, the rate will surpass 15%, if not 18%, effectively doubles of the tax rate. India, on one hand, has the lowest insurance percentage in the world and on the other GST will further make the insurance products popular. Life, health & motor insurances will begin to cost more from July 2017 as taxes will go up by up to 300-320 basis points. If the rate of GST will be over 15 % the all the services will be costlier. It is really required that all the states implement the GST together and that too at the same rates, It will help to stay service charge constant. Different tax analysts say that real estate market will be 12 % down by GST and may affect demanded of new houses because of increased cost up to approx 10%. The success of GST mainly depends upon major factor the Revenue Neutral Rate, is the rate at which there will be no revenue loss to the government after implementation of GST. These are some of the major challenges for the central and state government with the industry, ahead of the actual implementation of GST.

Conclusion

Many economists and experts have predicted that the GST bill will boost up the economy in long run. India is a collective economy where each state has its own set of rules for them. This makes the growth of the country slow, causes difficulties to the businesses and higher possibilities of tax evasion and corruption. To make the tax payment process simpler and create a win-win environment for both, government as well as businesses, and to reduce the corruption. After the implementation most provisions of the Goods and Services Tax (GST) were tweaked and tax rates of numerous products were reduced in subsequent GST council meets which resulted in a sharp decline in government’s tax collection figures. GST replaced more than a dozen indirect taxes; these indirect taxes together formed a bulk of the government's earnings. Almost every sector desires a rate cut in the GST rates but probably only a few of these expectations will be met on the budget day given the precarious fiscal situation that the FM has to deal with.

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