

Gst- a biggest tax reforms in india : an overview

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ABSTRACT: Tax policy of a country plays a vital role on the economy. Direct and indirect taxes are the main sources of tax revenue for any Government. Goods and Services Tax (GST) is one of the biggest tax reforms in India after independence. This paper presents an overview concept and various tax slabs of GST. It was supposed to be implemented in April 2010. But due to political situations in India, it was implemented in 1st July 2017. The total tax of GST will be shared equally by both central and respective state governments/union territories.

Keywords: *Goods and services tax, GST in India, CGST, SGST, IGST.*

INTRODUCTION

France was the world's first country to implement GST Law in the year 1954. Since then, 159 other countries have adopted the GST Law in some form or other. In many countries, VAT is the substitute for GST, but unlike the Indian VAT system, these countries have a single VAT tax which fulfils the same purpose of GST. In India, the discussion on GST Bill was flagged off in the year 2000, when the then Prime Minister of India Atal Bihari Vajpayee brought the issue to the table. In India before the implementation of GST in July 2017, there were variety of direct and indirect taxes levied by the central and state governments. The central government levied some taxes like customs duty, excise duty etc. The state/ union territory levied some taxes like Value Added Tax, Entertainment tax etc.

REVIEW OF LITERATURE

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) 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.

Agogo Mawuli (May 2014) studied, —Goods and Service Tax-An Appraisal and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

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 simpler 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.

OBJECTIVES OF THE STUDY

- ❖ This paper aims to understand the concept of GST in India.
- ❖ To study the use of GST to a common man.
- ❖ To know the various tax slabs under GST.

TAXES IN INDIA

Generally there are two type of tax system in India, namely,

- (i) **Direct Taxes** : Income tax ,corporate tax, Wealth tax, Gift ,Estate duty etc
- (ii) **Indirect Taxes** : Service tax, Excise duty, Value added tax, Custom duty, Stamp duty, Entertainment tax etc

GOODS AND SERVICES TAX

GST stands for goods and services tax. It is a replacement of previous multiple tax structure levied by the central and state governments. It is a consumption based tax on goods and services at national level. The GST would replace the following taxes:

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 (textile and textile products)
- e) Additional duties of Customs (commonly known as CVD)
- f) Special Additional duties of Customs (SAD)
- g) Service tax
- h) Central Subcharges and cesses so far as they relate to supply of goods and services

STATE TAXES THAT WOULD BE SUBSUMED UNDER THE GST

- a) State VAT
- b) Central sales tax
- c) Luxury tax
- d) Entry tax (all forms)
- e) Entertainment and amusement tax (Except when levied by the local bodies)
- f) Tax on advertisements
- g) Purchase tax
- h) Taxes on lotteries, betting and gambling
- i) State surcharges and cesses so far they relate to supply of goods and services

GST TAX SLABS IN INDIA

The slabs of GST rates are 0 %, 5%, 12%, 18% and 28%. various items and sectors have been categorised under these slabs.

No Tax: **Goods** - No taxes will be levied on goods like milk, fruits, vegetables, bread, salt, bindi, curd, sindoor, natural honey, bangles, handloom, besan, flour, eggs, stamps, printed books, judicial papers, and newspapers.

Services - All hotels and lodges who carry a tariff below INR 1,000 are exempted from taxes under GST.

Tax Slab of 5% : **Goods** - The goods which will attract a taxation of 5% under GST include skimmed milk powder, fish fillet, frozen vegetables, coffee, coal, fertilizers, tea, spices, pizza bread, kerosene, medicines, agarbatti, insulin, cashew nuts, lifeboats etc,

Services - Small restaurants along with transport services like railways and airways will come under this category.

Tax Slab of 12% : **Goods** - Items coming are the tax slab of 12% include frozen meat products, butter, cheese, ghee, pickles, Ayurvedic medicines, sausage, fruit juices, bhujia namkeen, tooth powder, umbrella, instant food mix, cell phones, sewing machine etc.

Services - All Non-AC hotels, , business class air tickets will attract a tax of 12% under GST.

Tax Slab of 18%: **Goods** - As mentioned above, most of the items are part of this tax slab. Some of the items are flavored refined sugar, cornflakes, pasta, pastries and cakes, preserved vegetables, tractors, ice cream, sauces, soups and mineral water.

Services - All those AC hotels which serve liquor, IT and Telecom services and financial services along with branded garments will be part of this tax slab.

Tax Slab of 28% : **Goods** - Over 200 goods will be taxes at a rate of 28%. The goods which will be part of this category under GST are deodorants, chewing gum, hair shampoo, sunscreen, pan masala, dishwasher, weighing machine, vacuum cleaner. Other items include shavers, automobiles, hair clippers, motorcycles.

Services - As mentioned above, five-star hotels, racing, movie tickets and betting on casinos and racing will come under this category.

SHARING OF GST

Central GST or CGST – To be charged by the central government.

State GST or SGST – To be charged by the state government/union territory

Integrated GST or IGST – To be charged by central government on the inter-state supply of Various goods and services

The total tax will be shared equally by the central and state government.

IS GST REALLY REDUCE TAX BURDEN TO A COMMON MAN ?

Let us see an example of tax burden to a common man before and after the implementation of GST.

Before the implementation of GST

Activity	cost	Tax @10%	Total
Buys raw materials @100	100	10	110
Manufactures @30	140	14	154
Adds value (packing etc) @20	174	17.40	191.40
TOTAL = 150		41.40	191.40

After the implementation of GST

Activity	cost	Tax @10%	Tax liability	Total
Buys raw materials @100	100	10	10	110
Manufactures @30	130	13	3	143
Adds value (packing etc) @20	150	15	2	165
TOTAL = 150			15	165

***tax rate assumed as 10% for both the cases**

The above two tables shows that the final cost to the consumer before the implementation of GST was INR 191.40. But it is INR 165 after the implementation of GST. However the tax rate may vary as per the category of product and it will affect the consumer if the tax slab goes high.

CONCLUSION: With the above example it is clear that the tax burden of the final consumer will reduce. However the slabs are vary from 5% to 28% based on various category of goods. There is no constant tax rate for all goods and services. So price of some goods will definitely increase. Similarly there is no tax for some goods and services. But by viewing the list of tax slabs, it is clearly understood that most of the goods and services were already purchased by the consumer without any tax. There is no use to the common man after the implementation of GST. So the government has to take initiatives to reduce the tax rate further.

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