

Recent impact of gst in india

Mrs.N.Gomathi,

Head, Department of Commerce (CA),

Madurai Sivakasi Nadars Pioneer Meenakshi Women's College-Poovanthi.

Abstract: GST also known as the Goods and Services Tax is defined as the giant indirect tax structures designed to support and enhance the economic growth of a country. In today's scenario to pay various taxes i.e. direct and indirect taxes, which are felt as burden on us and due to these taxes the corruption is increasing. So, to overcome from all these taxation system the Central Government has decided to make one tax system i.e. Goods and Services Tax (GST). GST is one of the most critical tax reforms in India which has been long awaiting decision. It is a comprehensive tax system that will subsume all indirect taxes of State and central Governments and whole economy into seamless nation in national market. It is expected to remove the burden of existing indirect tax system and play an important role in growth of India. GST includes all Indirect Taxes which will help in growth of economy and proves to be more beneficial than the existing tax system. GST will also help to accelerate the overall Gross Domestic Product (GDP) of the country. The Goods and Services Tax (GST) is a vast concept that simplifies the giant tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level.

Keywords: Goods and service tax, Indian economy.

Goods

- „Goods“ as defined in clause (25) of the section 65B of Finance Act, 1994 means –
- every kind of movable property other than actionable claim and money;
- and includes securities, growing crops, grass, and things attached to or forming part of the land
- which are agreed to be severed before sale or under the contract of sale

Service

Prior to 01.07.2012

- The term ‘Service’ was not defined in erstwhile law (upto 30.6.2012)
- The term ‘taxable service’ was defined under Section 65(105)
- Each taxable service and definitions related to meaning of service were defined
- Around 120 definitions were in place
- W.e.f. 1.7.2012, ‘service’ has been defined in Section 65B(44)

W.e.f 01.07.2012

„Service“ defined in clause (44) of the section 65B of Finance Act, 1994 and means –

- any activity
- For a consideration
- carried out by a person for another and
- includes a declared service (66E)

INTRODUCTION

=G' –Goods

=S' – Services

=T' – Tax

- Goods and Service Tax (GST) is a comprehensive tax.
- GST is an indirect tax in lieu of tax on goods (excise) and tax on service (service tax).
- GST is just like State level VAT which is levied as tax on sale of goods.
- GST will be a national level value added tax applicable on goods and services.
- GST is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set-of benefits from the producer's/ service provider's point up to the retailer's level where only the final consumer should bear the tax.¶

GST is considered as an indirect tax for the whole nation that would make India one unified common market. It is a tax which is imposed on the sale, manufacturing and the usage of the goods and services. It is a single tax that is imposed on the supply of the goods and services, right from the manufacturer to the customer. The credits of the input taxes that are paid at each stage will be available in the subsequent stage of value addition which makes GST essentially a tax only on the value addition on each stage. The final consumers will bear only the tax charged by the last dealer in the supply chain with the set of benefits that are at all the previous stages.

It is charged at the national and state level at similar rates for the same products and it also replaces almost all the current indirect taxes that are imposed separately by the Centre and the States. Goods & Services Tax is a destination based tax which means that the tax is paid at the place of supply.

GST-Meaning

The **Goods and Services Tax (GST)** is a value-added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services. In effect, GST provides revenue for the government.

Goods and Service Tax is a comprehensive tax levy on manufacture, sale and consumption of goods and services. GST is termed as biggest tax reform In Indian Tax Structure. It will not be an additional tax; it will include central excise duty, service tax additional duties of customers at the central level, VAT, central sales tax, entertainment tax, octroi, state surcharge, luxury tax, lottery tax and other surcharge on supply of goods and services. The purpose of GST is to replace all these taxes with single comprehensive tax, bringing it all under single umbrella. The purpose is to eliminate tax on tax. This paper will throw light on GST its features and also effect of GST on prices of goods and Services.

WHY DOES INDIA NEED GST

- No free Inter- state trade & commerce
- Suffers from discriminatory taxes, undue preferences , trade and non - trade barriers , entry tax , octroi and check posts .
- A complex tax structure with multiple rates of taxes - Multiple taxes across the supply chain
- As a developing country, India needs a transparent & unambiguous tax policy / tax

structure-to take reforms forward

- Fewer and lower taxes would actually yield more revenue rather than having stiff taxes coupled with tax evasion
- GST will operate on a negative list i.e. all goods and services will be subject to GST unless specifically exempted.

Nature of complexities i.e. classification to valuation, taxability, place of supply etc exist in the present structure.

Some of such burning issues are:

- Excise on MRP
- Excise, VAT and Service Tax on IT Software,
- VAT & Service tax on:
 - Works Contracts
 - Right to Use
 - Composite Contracts such as AMC transactions
 - Restaurant Services
 - IPR Services
 - Export of Services

Features of the proposed GST system

- Dual GST will comprise –
 - The Central GST and the State GST
 - Central GST and State GST, in themselves, would comprise both the goods tax and the services tax
 - Both taxes to operate in parallel and to apply on every transaction
 - Supply of goods/services to be the taxable event (not on manufacture/sale/provision)
 - Rules for determining the place and time of supply of goods and services to be formulated
- Both Central GST and State GST leviable on intra-State supply of goods and services
- Integrated GST or IGST (an aggregate of Central GST and State GST) leviable on inter-State supply of goods and services and Imports

Objectives of GST

- Main objective of Goods & Service Tax (GST) would be to eliminate the cascading effect of taxes on production and distribution cost of goods and services.
- The exclusion of cascading effect i.e. tax on tax will significantly improve the competitiveness of original goods and services in market which leads to beneficial impact to the GDP growth of the country.
- It is felt that GST would serve a superior reason to achieve the objective of streamlining indirect tax regime in India which can remove cascading effect in supply chain till the level of final consumers.

Types of Taxes

The various types of taxes that are under GST are –

- If the supply of the goods and the services are made within the state, then the two types of taxes which are applicable are the Central Goods and Services Tax (CGST)

- If the supply is made across the state, then Integrated Goods and Services Tax (IGST) is applicable.

Cess

Cess will be chargeable on the Value of Supply for 5 years on the taxes on certain specified goods and services. But in the case of import of goods into India, cess would be levied but then collected on customs duties under the Customs Tariff Act, 1975. The only exception is that no cess would be levied by a taxpayer who opts for the composition scheme.

Import & Export

In the case of exports, the exports would be treated as zero-rated supply. So, no tax is payable on the exports but Input Tax Credit/ Refund benefits would be allowed. And In the case of imports, the imports would be treated as inter-state supplies. Hence, IGST would be applicable in addition to the customs duties. In case you are confused about GST as a business owner, feel free to consult the GST experts at Legal Raasta. You can get comprehensive assistance on GST Registration and GST Return Filing. You can also use our GST Software for doing end-to-end GST compliance.

Eligibility of GST

Its eligibility would primarily be decided on the basis of turnover. Small taxpayers may thus either be exempt (turnover < Rs. 20 lakh) or they may opt for the Composition Scheme (turnover < Rs. 75 lakhs). The medium and large taxpayers will have to file all GST Returns. The diagram below would help us to get the concept of working of GST in a better way.



- All the taxpayers that are eligible for exemption will have the option of paying tax with Input Tax Credit benefits through Voluntary Registration.
- The list of the exempted goods and services would be common for the Centre and the States/U.T.s

Positive Impact of GST:-

1. Easy to Run a Business across all States Uniformly

GST would change VAT all over India. This means that a business wouldn't have to suffer about keeping up with VAT compliances that are various in all state.

2. Fewer Tax Compliances

Central GST would replace – Service Tax, Central Excise Duty, Duties of Excise, Surcharges and Cesses and Customs Duty

State GST would replace – State VAT, State Cesses and Surcharges, Central Sales Tax, Tax on Advertisements, Lottery, Gambling, Luxury Tax, Purchase Tax and Entertainment Tax.

3. Faster Transportation of Goods

It will be of large help to the logistics sector and will also result in the faster transportation of goods as there will be no hour long waits at the Sales Tax check posts across borders due to the elimination of various indirect taxes.

4. Indirect Benefit to Startups

Startups are required to register for VAT if their turnover is more than 5 lakhs and in some states 10 lakhs. With the coming of GST, businesses with an annual turnover of over 10 lakhs are needed to register for GST.

5. Increase in Foreign Investment

The goods manufactured within India will become more competitive in the international markets due to decreased costs which will, in turn, foster the growth of Indian exports.

6. Sectors that will apparently reap the most advantages

Cement, Building Materials, Metal, Automobiles, Entertainment, Consumer Durables, Fast moving consumer goods and Logistics.

Negative Impact of GST:-

1. Proposed GST Rate Is Higher Than VAT

The rate of GST is proposed to be larger than the current VAT rate in India, which although decreasing the price in the longer run, will be of no help in cutting down prices of commodities.

2. Dual Control

A business will be indirectly controlled by both the Centre and the State in all tax-related cases. The State will lose autonomy to replace the tax rate which will be regulated by the GST Council.

3. Certain Sectors Will Face a Negative Impact

Sectors that are currently enjoying no excise duty or have enjoyed a lot of tax benefits will have to bear the brunt of a higher tax. These include Textile, Media, Pharma, Dairy Products, IT/ITeS, and Telecom. The same goes for products. It is supposed that the prices of the following commodities will increase – jewellery, mobile phones and credit cards.

4. Loss Incurred By the Manufacturing States

Since GST is commonly related to the manufacturing segment, most manufacturing states may incur losses.

Conclusion

The proposed GST regime is a half-hearted attempt to rationalize indirect tax structure. More than 150 countries have implemented GST. The government of India should study the GST regime set up by various countries and also their fallouts before implementing it. At the same time, the government should make an attempt to insulate the vast poor population of India against the likely inflation due to implementation of GST. No doubt, GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. Until the consensus is reached, the government should resist from implementing such regime.

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