IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668
PP 32-36
www.iosrjournals.org

Goods and Services Tax in India

Dr. Savitha. P
Dept of Management, KSOU, Mukthagangothri, Mysuru – 06.

Abstract: *"GST is also known in full form as Goods and Services Tax and is also defined as a huge indirect tax structure which is designed ultimately to enhance and support the growth of economy of a country. And in the numerical numbers, so far more than 160 countries have implemented GST. This research paper highlights the Tax Structure before GST and also the negative and positive impact of the GST in the Tax System of India. GST is also a single tax on the supply of services and goods, precisely from the manufacturer to the end user, which means the consumer. It is a comprehensive tax system that will consider all the prevailing indirect taxes of states and central governments and economy which is unified into a flawless national market. Expectation on GST is to iron out the existing wrinkles of indirect tax system and play an important role in the overall growth of India. An attempt is made in this paper to present an overview of the concept of GST, explains its features along with its timeline of implementation in India. The paper is more focused on impact of GST and challenges faced by India in execution".*

Keywords: *Implementation of GST, Indirect Tax System,*

I. Introduction

"Goods and Services Tax (GST) is a single national uniform tax levied across India on all goods and services and is also the most ambitious and biggest tax reform plan, which aims to stitch together a common market by dismantling fiscal barriers between states. The GST taxation laws will put an end to multiple taxes which are levied on different products, starting from the source of manufacturing to reaching the end consumer. And in GST, all the indirect taxes will be subsumed under a single regime. GST is based on the fundamental Principle that is known asthe "One Country One Tax".

With respect to the indirect tax system of the country, the GST is being glorified as a taxation system with which the economy will take an upward swing and further which will ease the trade and industry. "Only one" indirect tax has to be paid by the trade and industry and all the other indirect taxes will be subsumed in GST.It is not going to be an additional new tax but will replace other taxes. GST is a simple, transparent, and efficient system of indirect taxation. The system facilitates taxation of goods and services in an integrated manner.   It are a comprehensive value added tax on the supply and consumption of goods and services in an economy.

GST is levied at every stage of production-distribution chain with applicable set-offs. A tax on final consumption is basically a GST. GST may be defined as in simple terms,a tax on the services and goods, which is leviable at each point of sale or provision of service, in which at the time of sale of goods or Providing services the seller or service provider may claim input credit of tax which he has paid while purchasing the goods or procuring the services. It will give boost to the economy and also helps in eliminating the tax induced economic distortions. The administrative cost and compliance will be much lower. On indirect tax front, India is all set to usher into the era of all new tax called 'Good and Service Tax' which will bring in India at par with over 140 developed Nations of the world. It is going to be the biggest tax reform ever introduced in Independent India".

What is GST?

A consumption based tax which is levied on sales,the manufacture and consumption of goods & services at a national level is known as GST. For all the indirect tax levied by state and central government, this tax will be a substitute. The direct and export taxes like corporate tax, income tax and the capital gain tax will not be affected by GST. Other than Natural Gas, Motor Spirit, Diesel, Aviation Turbine fuel and Crude Petroleum, GST would apply to all goods. It would apply to all services barring a few to be specified. With the increase of international trade that too in the services; GST has become a global standard. The proposed tax system (GST) will take the form of "dual GST" which is concurrently levied by central and state government. This will comprise of the following:

- State GST (SGST) Which will be levied by State
- Central GST (CGST) which will be levied by Centre

- Integrated GST (IGST) – leviedon the inter-State supply of goods and services, which will be levied by the Central Government.

II. Review of Literature

Lourdunathan F and Xavier P (2017): About the GST which is to be implemented by Government of India from 1st April of 2017. There are mixed response, imprecise arguments and opinions among the society, traders and Manufactures. Asit being an achievement of the government the various news organizations from all around the world focused on the bill which is unifying the country. It was also brought India at the center of the global economy as the Goods and Services Tax Bill was passed in the Rajya-Sabha. Hence, many international newspapers published their views on how the GST Bill brings a new wave of economic reform in the country with the passing of the bill. This paper highlights the challenges in Implementation of GST in India and the background along with the Prospectus. And hence finally, the paper examines and draws out a conclusion on the same.

A DASH (2017):A single tax on the supply of goods and services, right from the manufacturer to the consumer is popularly known as GST. In the subsequent stage of value addition, the credits of input taxes paid at each stage will be available.This makes the GST essentially a tax only on the value addition at each stage.The positiveand negative impact of the GST in the Indian Tax System is highlighted by this research paper.

Akanksha Khurana(2016): Since 1947, the GST is the biggest and the substantial indirect tax reform. It will be levied on manufacture sale and consumption of goods and services .The main idea of GST is to replace existing taxes like value-added tax, excise duty, service tax and sales tax. The cascading effect of the existing tax structure and the results in uniting the country'seconomy is expected from GST in order to address. This research paper makes an attempt tohighlight the background, the impact of GST in the present tax scenario in India, and objectives of the proposed GST. Further the paper explores various opportunities and benefits of GST.

Dr. K.Venkat Janardhan Rao(2017): One of the most crucial tax reforms in India is GST which has been quite long pending. Due to the political issues and also the conflicting interests of various stakeholders the implementation is still pending, which was supposed to be implemented from April 2010. It is a comprehensive taxation system which will subsume all the indirect taxes of central and states governments and also a unified economy into a seamless national market. It is expected to play a vital role in growth of India and also iron out the wrinkles of existing indirect tax system. This paper presents an overview of GST concept, which explains its features along with its timeline of implementation in India. And also the paper has more focused on the impact of GST and challenges faced by India in its execution.

1.3 Objectives of the Study:

- To analyze the concept of GST in India.
- To study about challenges and prospectus of GST.
- To understand the tax structure before GST.
- To study the key features of the GST regime.

1.4 "Tax Structure before GST

- The taxation laws between the Centre and states were demarcated clearly, before the implementation of GST. Whatsoever, there were no overlaps between the fiscal powers. Except alcohol for consumption, narcotics, opium, etc. The Centre would levy tax on goods manufacture.
- On the sale of goods, the states had the power to charge tax.
- The Centre would levy the Central Sales Tax that was collected by the originating states.
- On all types of services the Centre was also levying the service tax.
- The Centre was charging and collecting additional duties of customs on goods that were imported into or exported from India, Additionally. In addition to the Basic Customs Duty, this tax was levied. And this additional duty of customs is referred to as Countervailing Duty (CVD) and Special Additional Duty (SAD) and it counter balances excise duties, sales tax,state VAT, and other such taxes.

Because of the introduction of the GST regime, give scope to make the amendments to the Constitution. With which the states as well as centre are empowered at the same time to collect and levy GST. So this concurrent jurisdiction of the Centre and states also requires an institutional mechanism which further ensures the joint decisions which is taken about the operation as well as the structure of GST".

Constitution (One Hundred and First) Amendment Act, 2016

"The Constitution 122nd Amendment Bill was put forth in the 16th Lok-Sabha on 19 Dec 2014, In order to address prevalent issues in taxation.

- Except the alcohol that humans consume, the Bill suggests levy of GST on all goods and services.

- By the Centre and states/union territories, the tax is levied as Dual GST. The tax levied by union territories is Union Territory Tax – UTGST. The component levied by the Centre is Central Tax - CGST, while that levied by the state is State Tax - SGST. The Centre would levy the GST on imports of services and goods or inter-state trade. And this tax is referred to as Integrated Tax –which is also known as IGST.
- In addition to the GST, excise duty is levied by the Central Government on the tobacco products.
- After a decision is made by the GST Council, the tax on the five petroleum products, i.e., petrol, crude, high speed diesel, natural gas, and Aviation Turbine Fuel (ATF) will be outlined".

September 2016: "The union finance minister, revenue minister, and ministers of state in order to take the decisions on GST rates, exemptions, taxes to be subsumed, thresholds, and other features of the taxation system, A Goods and Services Tax Council (GSTC) was created. The state finance ministers mentioned that the EC would be a platform for states where there would be discussions of their regional issues. The Council of GST is an separate entity which would oversee the implementation of the GST system".

Decisions taken by GST Council

"Some of the major decisions taken by the GSTC so far are:

- Under the GST regime, there would be four tax rates i.e., 5%, 12%, 18%, and 28%. Along with this some of goods and services were also classified as exempt from tax.
- On certain sin and luxury goods, a cess above the peak rate of 28% would be levied.
- The administrative control over 90% of taxpayers would be with the State tax administration with turnover less than Rs.1.5 crore. While only a 10% of the control would be with the Central tax administration.
- For taxpayers having turnover above Rs.1.5 crore, the administrative control would be equally divided between the Centre and State tax administration".

Goods and Services Tax Network

By the Government of India, under the "Section 25 of the Companies Act, 1956, the Goods and Services Tax Network (GSTN) was set up as a private company in 2013. The front-end services of returns, payment, and registration to taxpayers, are expected from the GSTN to offer and would also develop back-end technical modules which will be utilized by the 25 states which have opted in.

Around 34 IT and financial technology companies, have been identified by GSTN and also been tagged them as the GST Suvidha Providers (GSPs). And these organisations will develop the applications which will be used by taxpayers when they interact with GSTN".

1.5 Key features of the GST regime

"The structureof GST is characterized by the following features as shown below:

- As opposed to the earlier concept of taxation on goods manufacture, sale of goods, or service provision, GST is applicable on the "supply" of services or goods.
- Unlike the origin-based structure that existed previously, GST is a destination-based tax structure.
- The rates on CGST, IGST, and SGST/UTGST are levied which would be mutually agreed upon by the Centre as well as the States.
- The central taxes are replaced by the GST as mentioned below:
  - Central Excise Duty
  - Duties of Excise (medicinal and toilet needs)
  - Service Tax
  - Additional Duties of Customs (CVD)
  - Additional Duties of Excise (Goods of Special Importance)
  - Cesses and Surcharges
  - Additional Duties of Excise (Textiles and Textile Products)
  - Special Additional Duty of Customs(SAD)
- GST will subsume the following state taxes:
  - Purchase Tax
  - Luxury Tax
  - Central Sales Tax
  - Entry Tax
  - State VAT
  - Entertainment Tax, except that levied by local entities
  - Taxes on lotteries and gambling
  - State cesses and surcharges
  - Taxes on advertisements"

- Taxpayers are exempt from GST with annual turnover of Rs.20 lakhs. And for the special category states, this cut-off is of Rs.10 lakh. With annual turnover of Rs.50 lakh or below an option of compounding is available to small-scale taxpayers. The compounding scheme and the choice of threshold exemption are optional.
- Only for paying CGST on the output, the Input credit of CGST shall be used. Similarly, only for the payment of SGST/UTGST, input credit of SGST/UTGST will be used. Therefore, except for the payment of IGST for inter-state supplies, the two channels of input tax credit cannot be cross-utilized.

1.6 How GST Impacts on Various Industries in India

"Goods and Services Tax or GST is a reality as business operations have been taking place across the states and around the world under new taxation policy in India. There are certainly expectations that this tax reform will boost the Indian economy; however, there are doubts as well that it will have both positive and negative impacts on industries. So, what is the impact of GST on various sectors in India? Let's get the answer of it by putting some light on impact of GST on various sectors such as textile, iron & steel, pharma & healthcare, cement and telecom".

Textile Sector:

"The industry of textile brings in employment opportunities to a large number of unskilled and skilled workers in India. Of the total annual exports of India, It contributes to about 10% of annual exports. And this figure is likely to increase in current fiscal. GST impact on readymade garments such as trousers, saree, shoes, apparel and other clothing materials is experienced due to cotton value chain on these products. In a recent decision taken by the GST Council members, the tax rate on job work for textiles and textile products has been reduced to 5% from 18%. Other impact of GST on textile industry is input tax credit, which is not allowed if a registered taxpayer procures the inputs from composition scheme taxpayers or the unorganized sector. And it is available for the capital goods on which the tax is paid".

Iron and Steel Sector:

"Iron and steel are primary requirements of the construction industry and commonly used in the manufacturing of machine parts. After GST implementation, special additional duty (SAD) on iron and steel has been abolished. The other major impact of GST on iron & steel industry in India includes – reduction of cost & time in logistics, bringing more employment opportunities in undeveloped states, utilizing natural resources and protection to domestic industry. What is GST rate on iron and steel in India? The tax rates on iron and steel range from 12% to 28%".

Pharma & Healthcare sector:

"India's pharmaceutical industry ranks 14th in terms of value and is 3rd largest in the world. GST impact on healthcare industry is constructive. It has helped industries to streamline the taxation structure as eight types of taxes were levied on pharmaceutical industry before GST. The GST impact on pharma companies reveals that they can now rationalize their supply chain and they need to review their distribution networks and strategies. The GST rates on pharma & healthcare industry range from 5% to 12%. So, like other sectors, there is an impact of GST on healthcare industry".

Cement Sector:

"India is the 2nd largest cement producer in the world right after China. Under GST regime, effect of GST on cement industry will not be significant particularly on GST rate on cement. Earlier tax rates on cement products were between 27% and 32%, however now GST rates of 5% to 28% are levied on cement articles. Many market experts believe that there is a positive impact of GST on cement industry in India on certain parameters. For example, GST gives a boost to supply chain management of cement. So, cement manufacturers can maintain multiple warehouses across states to avoid state entry taxes and CST. Moreover, as vehicles transporting cement from one state to another are spending lesser time at checkpoints, so transit time gets declined. Certainly, cement industry can enjoy savings on transportation costs".

Telecom Sector:

"Telecom industry of India can basically be divided into three parts namely equipment manufacturers, infrastructure providers and telecom service providers. After launch of Reliance Jio, the sector is facing severe pressure in the form of intense competition. Now Goods and Services Tax or GST has been implemented, the GST on telecommunication services is taxed at 18%, which is higher than rates charged earlier. GST rates are also applicable in different range on other products and services in the telecom industry".

III. Benefits of GST Implementation

"The Key benefits of the GST system are detailed in the below points:

1. The GST system creates a common national market which boosts the foreign investment.
2. The cascading effect of taxation will be mitigated.
3. The uniformity in the laws can be achieved as well as tax rates and various procedures across the states.

4. The expectation from the GST regime is to boost the manufacturing activities and exports as well as this would in turn generate more employment which leads to the growth of the economy.
5. In the international markets the Indian products would be more competitive.
6. There is a likely chance of improving the investment climate in India by the GST system.
7. The reduction in the tax evasion to a larger extent will takes place because of the uniformity in the rates of IGST and SGST.
8. By increasing consumption and boosting subsequent production of goods, the average sales burden experienced by companies is expected to come down.
9. With the small number of exemptions, GST can be explained as it is a simpler system of taxation.
10. For the process such as registration, refunds, tax payments and returns, there are simplified and automated methods.
11. The common GSTN website will handle all the interactions.
12. As the electronic matching will be performed, the input tax credit process will be more accurate and transparent.
13. When the taxation is at the new GST rates, the final price of most of the goods will be lower. A seamless input tax credit flow between the retailer, manufacturer, and the supplier of service will also be there.
14. Based on the compounding scheme, a huge segment of small-scale retailers may benefit from the low tax rates or either may be exempt from tax. And if the purchases are made from these small retailers, the Consumers will benefit further".

IV. Conclusion

For the purpose in order to simplify the existing system of tax in India, the system is GST is been structured. There is No doubt that GST will simplify existing indirect tax system and will also helps to remove inefficiencies which is been created by the existing current heterogeneous system of taxation.Many Indirect Taxes like Sales Tax, VAT etc., will be finished because there will be one tax system which is known as GST, which will reduce compliance present burden.By the implementation of GST cost of manufacturing of goods will reduce. The cost of consumer goods will also reduce. Therefore it is very much necessary on the part of the government in order to educate and conduct proper training, also the continuous seminars and workshop on GSTis need of the hour.

References

[1]. Lourdunathan F and Xavier P(2017), A study on implementation of goods and services tax (GST) in India: Prospectus and challenges, International Journal of Applied Research 2017; 3(1): 626-629.

[2]. A DASH (2017), POSITIVE AND NEGATIVE IMPACT OF GST ON INDIAN ECONOMY, International Journal of Management and Applied Science, ISSN: 2394-7926 Volume-3, Issue-5, May-2017.

[3]. Akanksha Khurana(2016), GOODS AND SERVICES TAX IN INDIA - A POSITIVE REFORM FOR INDIRECT TAX SYSTEM , INTERNATIONAL JOURNAL OF ADVANCED RESEARCH , 26 February 2016 Published Online: March 2016.

[4]. K.Venkat Janardhan Rao(2017), Implementation of GST in India :A Administration orManagement, International Journal of Engineering Technology Science and Research, ISSN 2394 – 3386Volume 4, Issue 12, December 2017.

[5]. "How GST will impact sectors", http://economictimes.indiatimes.com