

# Overview Study of GST in Indian Economy: Introspection with Reference to after 23<sup>rd</sup> GST Council Meeting

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## “One Nation, One Market, One Tax”

### Essence

In the ever changing economic scenario globalization, liberalization and privatization policies of the Government, in recent years, have made an indelible impact by bringing into force new economic system in India. At the present scenario, goods and service tax (GST) is part and parcel of each and every Indian. GST in India would be a biggest 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. GST is expected to be another mile-stone in the economic growth in India. GST also make Indian products competitive in the domestic and international markets. During the later part of the 20<sup>th</sup> century the ‘globalization’ wind which swept across the countries embraced all the countries including those which were hitherto consider as conservative and communist, either by policy or rule now-a-days GST like that. India is the hub of taxes where people pay many taxes which create confusion for them. GST is an indirect tax which will be the only way of supplying goods and services across the country from manufacturers to the consumers, which will transform the whole country into a seamless trading. Apart from manufacturing sector, logistics, warehousing and even the common man will benefit from the amendment. GST will be beneficial to the Centre, States, Industrialists, Manufacturers, the common man and the country at large since it will bring more transparency,

better compliance. Previously, we saw two types of taxes and there were different Value Added Tax (VAT) laws in different states. GST is essential for the development of the country it will help to improve the country's gross domestic product (GDP). According to a report from the National Council of Applied Economics Research (NCAER), after the GST was implemented, the increase in GDP from 0.9 to 1.7 per cent estimates. GST will increase government revenue by increasing the base. After the GST is implemented, the rate of tax will be from 0 to 8 per cent on essential commodities including food items so that, the common man will be able to fulfill their needs. Thus, GST has had a hot topic of discussion everywhere in India. Therefore, we need to be aware of different aspects of GST.

### Keywords

GST, Dual GST, CGST, SGST, IGST, Tax structure, Economic growth and development, Supply Chain Efficiencies

## 1. Introduction of the Study

The tax system is the backbone of any developing nation. The revenue generated through tax collection is the biggest source of income for that nation. In India also revenue from tax collection is the biggest source of income for its social welfare activities. The Constitution of India, the charter of the nation clearly discussed about the tax collection and its various aspects. The prevailing

tax system in India is adhered from those sections in the constitution.

The word 'tax' is derived from the Latin word 'taxare' meaning 'to estimate'. India is the hub of taxes where people pay many taxes which create confusion for them. In the post GST we had to pay two types of taxes i.e. Direct and Indirect in various sectors. Direct Tax (DT) paid directly to the government by the tax-payer and Indirect Tax (IT) is a tax levied on goods and services rather than on income or profits. It is not directly paid to government but collected from intermediaries (such as retail stores) from the person who bears the ultimate economic burden of the tax (such as consumers). The intermediary later files a tax return and forwards the tax proceeds to government with the return for examples, Sales Tax, VAT, Excise Duty and Custom Duty and so on. The GST system is targeted to be a simple, transparent and efficient system of indirect taxation which involves taxation of goods and services in an integrated manner in order to improve the international cost competitiveness of native goods and services which directly affects all sectors and sections of our economy and aimed to create a single, unified market that will benefit both corporate and the economy. In GST scheme, a person who was liable to pay tax on his output, whether for provision of service or sale of goods is entitled to get input tax credit (ITC) on the tax paid on its inputs. GST is a comprehensive, multistage, destination based tax that will be levied on every value addition. GST implemented in India to bring in the 'one nation one tax' system, but its effect on various industries will be slightly different. The first level of differentiation will come in depending on whether the industry deals with manufacturing, distributing and retailing or is providing a service.

As different initiatives like Make in India, Smart Cities, Swacha Bharat Abhijan and Digital India those projects

have been taken by present Central Government, BJP to make India a manufacturing hub and to generate employment opportunities in various sectors and to attract foreign investment as well by improving business environment through easing process to do business in country. But the major impediments in the smooth development of different sectors are the multiplicity of taxes at different rates at different points. It also discourages to foreign countries to invest in India. Indian companies also loose competitiveness in foreign countries because of increase in prices due to higher taxation. So, GST is an economic reform which will eliminate multiplicity of taxes for goods and services by deciding a uniform rate for both. Even in the world-wide economic crisis India showed remarkable survival in its economic system. The well insulated economic structure in India is the basis of such an amazing with-stand. The fundamental aim of GST is to make uniform the scattered indirect tax system in India and avoid the cascading effect in taxation. The impact going to make by GST will be a transformation in the entire tax system in India. The effect will go beyond Indian borders. This process will increase the export of India and it will increase the total Gross National Product (GNP). Avoidance of cascading effect empowers the manufacturers to produce to their optimum capacity and retards growth.

## 2. Background of the study

GST was firstly introduced in France in 1954, with introduction of GST France became the first country ever to introduce GST. Its introduction was requiring because very high sales taxes and tariffs encourage cheating and smuggling. After France it was adopted by 165 nations. Now, India was adopted it. After its implementation in India, India will become 166<sup>th</sup> nation to adopt it. In India before 16 years, in 2000 Sh. Atal Bihari Vajpy brought this system but no one paid

attention on it and due to some reasons it was not passed. In India, second time proposal for introduction of GST was made on 28<sup>th</sup> February 2006 by Sh. P. Chidambaram, the then Hon'ble Finance Minister in his Budget Speech for the year 2006-07. The Hon'ble Finance Minister, Sh. Arun Jaitley in his Budget Speech dated 28<sup>th</sup> February 2015 for the financial year (FY) 2015-16 has stated that introduction of GST is eagerly awaited by Trade and Industry and GST will put in place a state of the art indirect tax system by 1<sup>st</sup> April, 2016. The Hon'ble President Sh. Pranab Mukherjee and Hon'ble Prime Minister Sh. Narendra Modi implemented the GST with the historic program in the Parliament House on the midnight of June 30, 2017. Goods and Services Act, 2017, since 1<sup>st</sup> July 2017, except for Jammu and Kashmir, the entire country was implemented, and this will have a major impact on the common man and the Indian economy in the coming time.

From the view point of consumer, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25 to 30 per cent. Introduction of GST would also make Indian products competitive in the domestic and inter-national markets. Studies show that this would instantly spur economic growth. Last but not the least, this tax, because of its transparent character, would be easier to administer. Introduction of GST in India would be a biggest indirect tax reform. It would probably change the tax administration and the manner of conducting business in India. Initially, it was conceptualized that there would be a national level GST however, with the release of First Discussion Paper by the Empowered Committee (EC) of the State Finance Ministers dated 10<sup>th</sup> November 2009, it was made clear that there would be a 'Dual GST' in India, having taxation power both by the Centre and the State to levy the taxes on the Goods and Services. On that day, the Hon'ble Finance Minister

Sh. Pranab Mukherjee had clearly stated that by detailed discussion on the First discussion paper released by the Empowered Committee will help to refine the design and concept further. The 13<sup>th</sup> Finance Commission headed by Dr. Vijay Kelkar constituted the Task Force of GST on the implementation of fiscal responsibility and budget management (FRBM) Act, 2003 had pointed out that the existing system of taxation on goods and services suffers from many problems and therefore suggested a comprehensive GST, which had released its Report after the thirty-four days on 15<sup>th</sup> December 2009 and suggested the total GST rate of 12 to 5 per cent at the Centre and 7 per cent at the State levy and exemption from tax to education and health sector, public services provided by the Government and unprocessed food, however, suggested to bring the Real e-state transactions under the tax net. The Report of the Task Force had suggested the taxation of inter-state transaction from different fashion then what has been recommended in the First Discussion Paper released by the Empowered Committee of the State Finance Ministers. Thus design and structure of GST envisages in the Report of the Task Force is different from as suggested in the First Discussion Paper released by the Empowered Committee. Further, the Prime Minister's Economic Advisory Committee (PMEAC), Chairman C. Rangarajan, as per TIO or ET dated 21<sup>st</sup> December 2009 has said, "*The Centre could follow the pattern in which there is only one rate for goods and one rate for services, or one rate which is common to both goods and services*". It did, however, trigger the debate on the structure and design of the GST. As per the report dated 22<sup>nd</sup> of July 2010 published in various newspapers, the Central Government has proposed the GST tax rates viz., 20 per cent on standard goods, lower rate of 12 per cent on merit goods and 16 per cent on services. However, in future it is proposed to have a single rate of 16 per cent. Further as per the news items published in various newspapers in November 2014, a sub-committee

comprising central and state government officials has recommended a revenue neutral rate (RNR) a rate at which there will be no revenue loss of the states after the adoption of GST of almost 27 per cent under the proposed GST regime. While the State GST (SGST) component is proposed to be 13.91 per cent, the central GST component is proposed at 12.77 per cent. The committee has also proposed a narrow band for the SGST component.

### 3. Objectives of the Study

The central objective of my research study is to find out the socio-economic impact of GST in developing countries like as India on common people. The objectives are –

- (i) To understand the pilgrim GST in the context of India.
- (ii) To obtain a comprehensive overview on GST also benefits and challenges.
- (iii) To study the expected impact of GST on different sectors of Indian economy.
- (iv) To know the present rates of GST on essential commodities after 23<sup>rd</sup> GST council meeting.

### 4. Literature Review of the Study

Since it one of the contemporary issue in the present Indian government so very less work has been done in

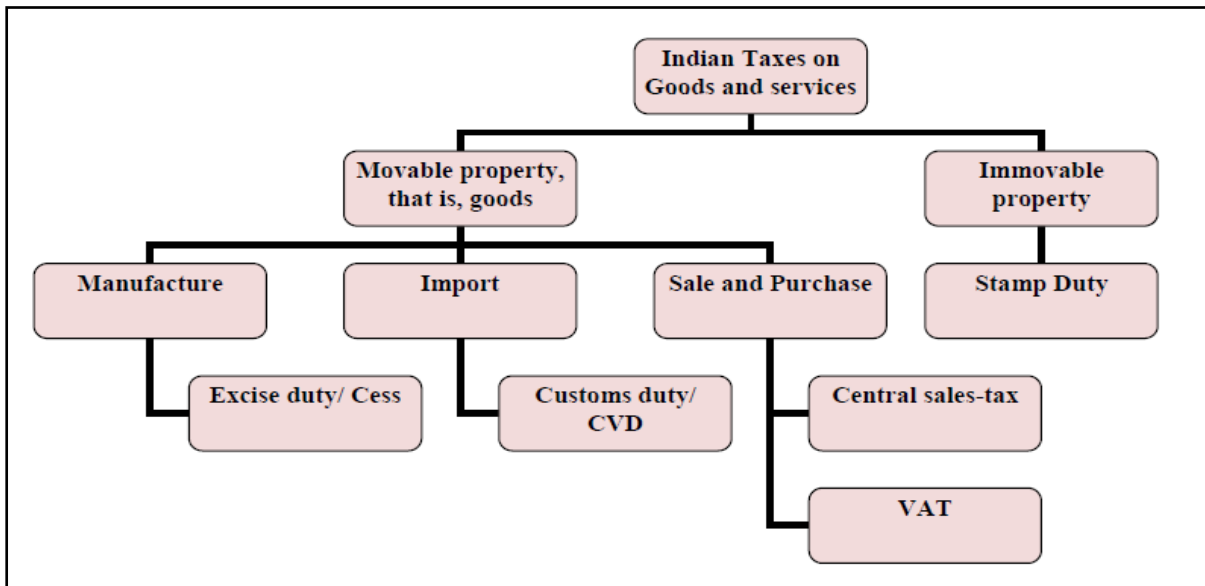
this regard which providing great scope of further studies with suggestions of new reforms and analysis of their impact on Indian economy. The efforts of one (due to time limitation I can't get time for study) have been briefed out below;

**Garg (2014)** studied about the basic concepts and features of GST in India. He highlighted that GST would be a good indirect tax reform in our country because it would cover all goods and services and all sectors like industry, business including government sector and service sector. All big, small scale units, medium, intermediaries, importers, exporters, traders, professionals and consumers would be affected by GST. This uniform tax rate for center and state would also likely to improve economic development by increasing tax collections. Through these exemptions have been minimized and equal tax will be borne by manufacturing and service sector.

### 5. Concept of GST

World over in almost 150 countries there is GST or VAT, which means tax on goods and services. Under the GST scheme, no distinction is made between goods and services for levying of tax. In other words, goods and services attract the same rate of tax.

**Figure 1: The present Goods and Service Tax Structure**



*Source: Why India needs GST? Vinod Kothari*

GST is a multi-tier tax where ultimate burden of tax fall on the consumer of goods or services. It is called as VAT because at every stage, tax is being paid on the value additional. Under the GST scheme, a person who was liable to pay tax on his output, whether for provision of service or sale of goods, is entitled to get input tax credit (ITC) on the tax paid on its inputs i.e. for purchase of goods or services, thus ultimately tax is being paid on the value additions, which is being paid to the Government. In a situation, where output tax exceeds the input tax, the person is entitled to refund for the difference or same may be carried forward.

## 6. Concept of Dual GST

The most important issue regarding the structure of GST is whether conventional GST is at all feasible is federal country like India where both the Centre and State has concurrent powers to tax domestic trade in goods and services. By conventional GST, we mean GST which is levied and collected by the Central Government.

However, such centralized system of GST implementation would imply states' to lose their fiscal autonomy in levying and collection of taxes. In fact, this was one of the main reasons behind the States' initial vehement opposition against the introduction of GST. Therefore, the Task Force has recommended that the GST to be implemented in India would be 'Dual' in nature. It would be a dual levy independently imposed concurrently by the Centre and the States. It would consist of two components: one levied by the Centre i.e. CGST and another levied by the States and Union Territories i.e. SGST. However, the base of tax levy would be identical. International experience shows that such models of dual value added taxes have been successful. Hence, a dual GST would be according to the Constitutional requirement of fiscal federalism. Such as;

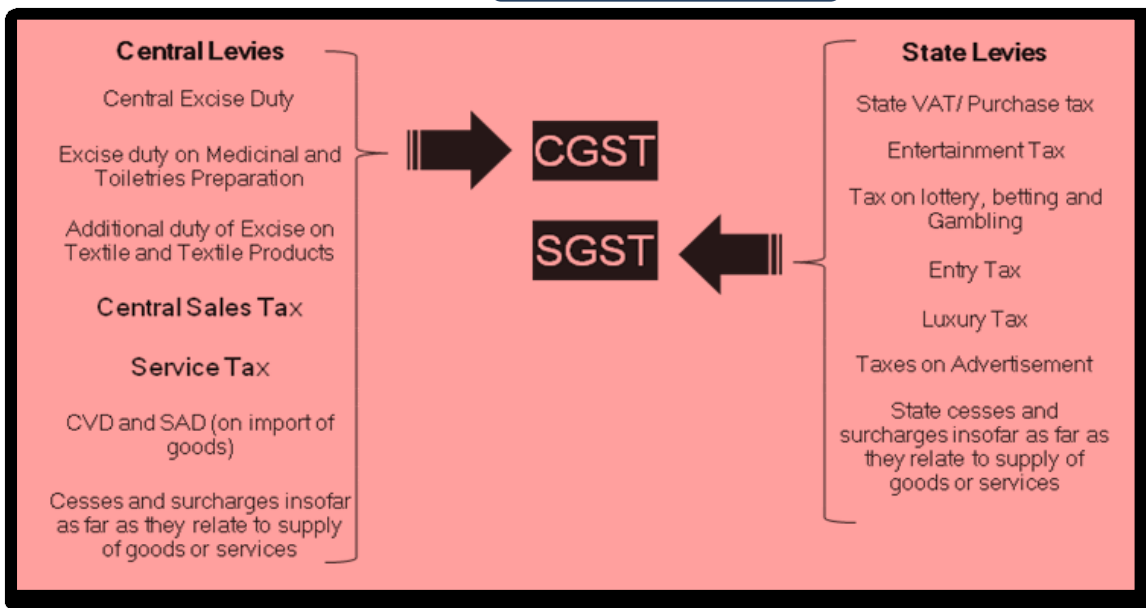
- Central GST will be levied and collected by the Central Government.
- State GST will be levied, collected and appropriated by each of the States.

## 7. Concept of CGST, SGST and IGST

We will have 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 would be called State GST (SGST).

**Figure 2: CGST and SGST**



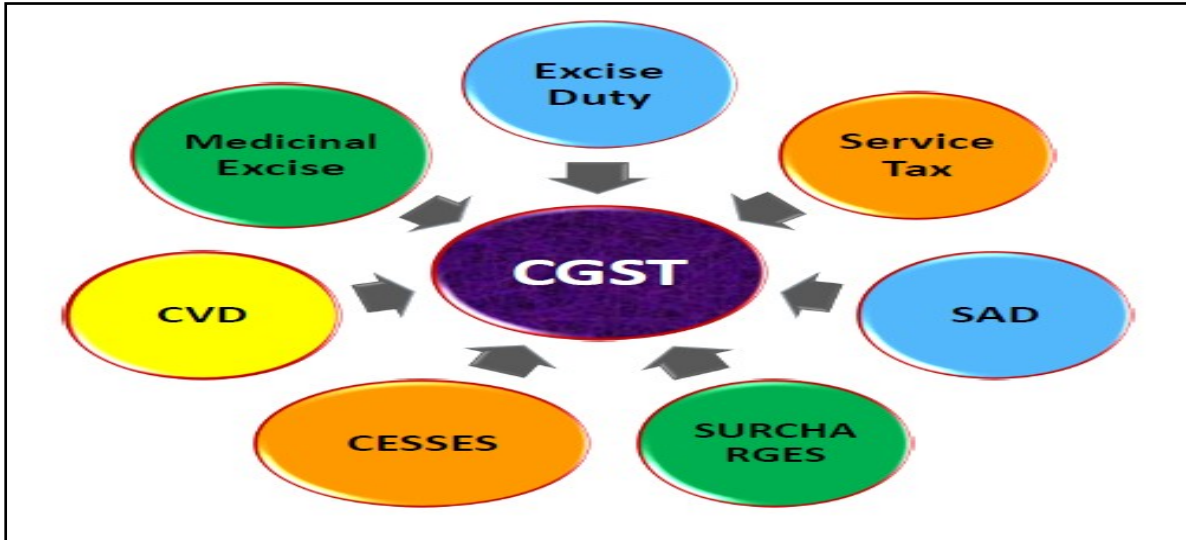
*Source: Wikipedia*

The existing CST will be discontinued. Instead, a new statute known as IGST will come into place. It will empower the Central Government to levy and collect the tax on the inter-state transfer of the State Government. The scope of IGST Model is that Centre would levy IGST which would be CGST plus SGST on all inter-State transactions of taxable goods and services with appropriate provision for consignment or stock transfer of goods and services. The inter-State seller will pay IGST on value addition after adjusting available credit of

IGST, CGST, and SGST on his purchases. The Exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The Importing dealer will claim credit of IGST while discharging his output tax liability in his own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST. The relevant information will also be submitted to the Central Agency which will act as a clearing house mechanism, verify the claims and inform the respective governments to transfer the funds.

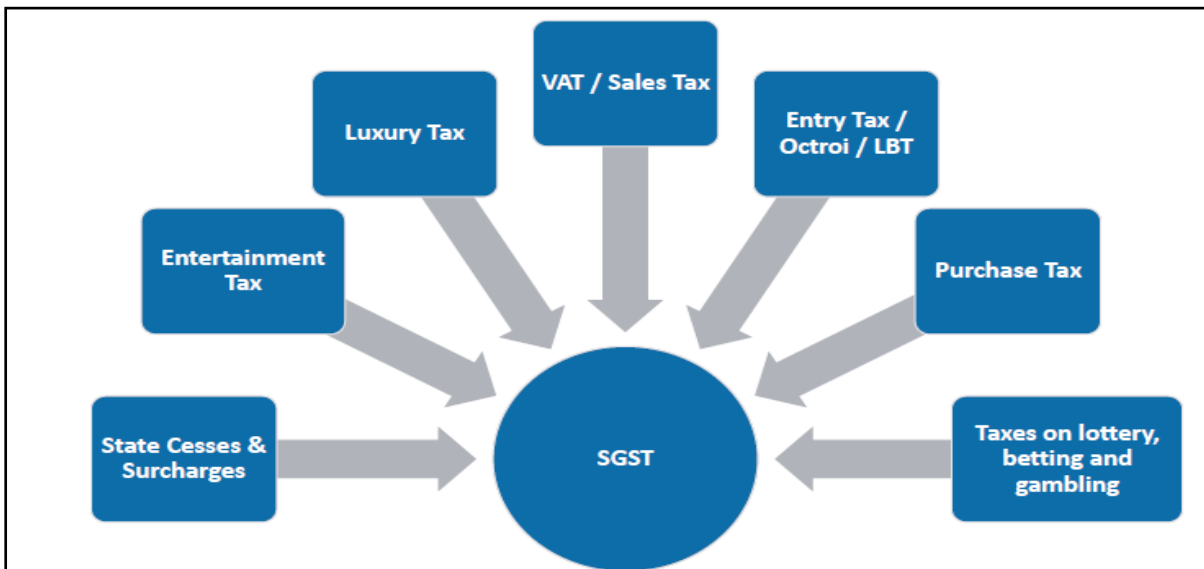


Figure 3: Central Goods and Services Tax



Source: Compiled by CMA Ashok B Nawal

Figure 4: State Goods and Services Tax



Source: Compiled by CMA Ashok B Nawal

## 8. Research Methodology of the Study

The present study is descriptive and secondary in nature. I do not attempt has been made to include any statistical data in this investigation. The data used for the study has been collected from Books, Magazines, Newspapers, Research Articles or Papers, Journals, E-Journals

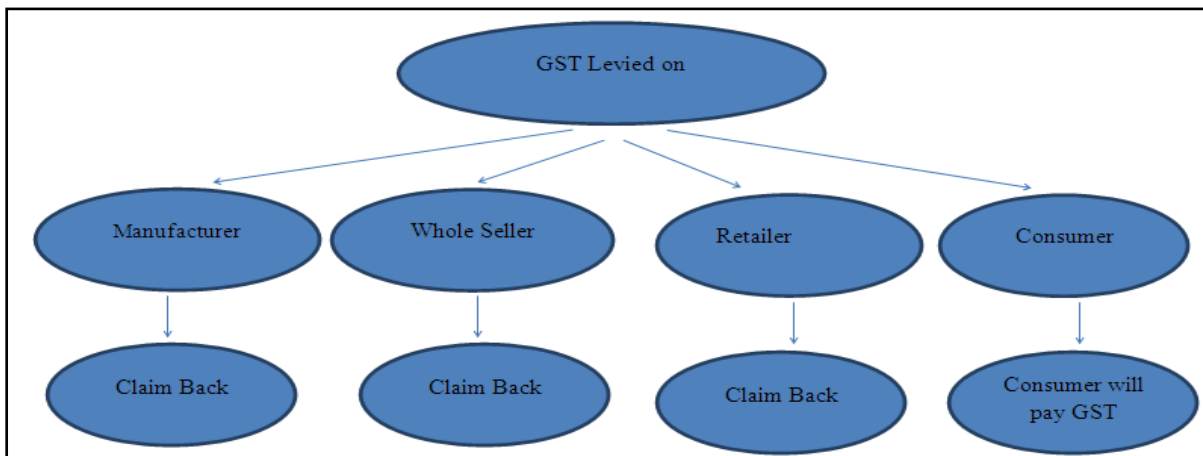
Reports, Books, and on-line data bases. For that, I have used different websites.

## 9. GST in India – An Overview

The structure of indirect taxes (IT) is driven by a multiplication of taxes some levied by the Centre and others by the States. Each of these taxes applies to a narrow base both in terms of the economic activity it covers e.g. manufacture, sale entry, entertainment etc... and the range of goods and services it applies to. While the base for many of these taxes overlaps, each is an Island in terms of flow of input credit (IC). The output

tax (OT) is allowed to be adjusted against tax already paid on inputs only in a few case. For instance, for which no credit is allowed for central sales tax (CST). Then, there is a variety exemptions meant to serve multiple socio-economic objectives. As a consequence, high rate of tax are required to be imposed to generate a given amount of revenue. There is a hidden burden of taxes in the form of cascading and double taxation and our present tax structure is complex and prone to disputes and litigation. Therefore, by implemented GST, it is expected that, our Country will overcome the deficiency of existing taxation system.

**Figure 5: Structure of GST Levied on**



*Source: Wikipedia*

Although, introduction of VAT has been successful in India, there continue to be certain short-comings in the VAT structure both at Central and State level. For instance, CENVAT does not include many central taxes (CT) such as additional custom duty, surcharge etc... As a result, the benefit of comprehensive input tax (IT) and service tax (ST) set off is still not available to the manufacturers and dealers. Further, the value added chain in the distribution trade below manufacturing level has not yet been captured by the government in the

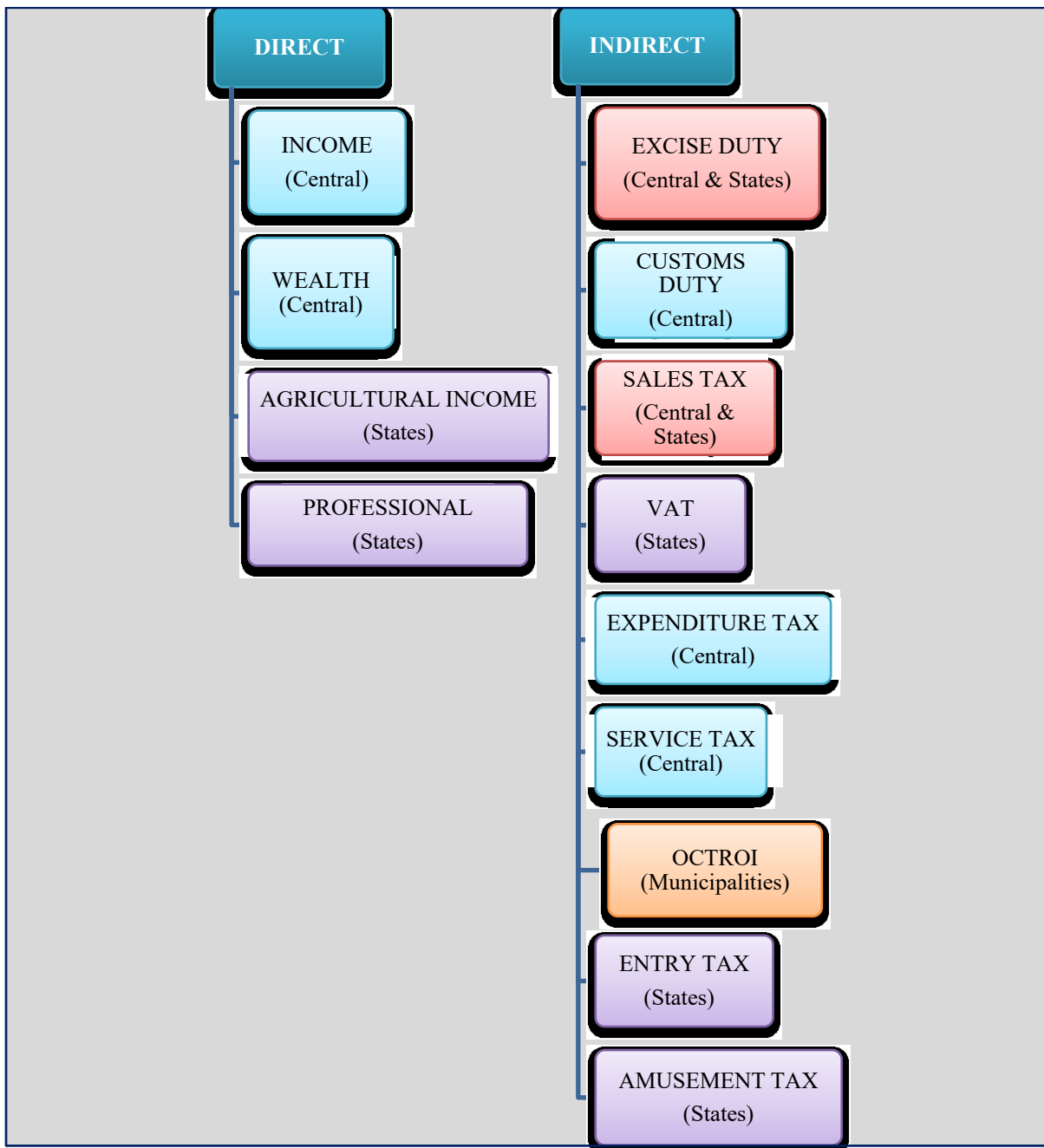
existing CENVAT scheme. This means a loss of opportunity of revenue gain for the Centre. Similarly, at the state level VAT structure, many taxes such as luxury tax, entertainment tax etc... are not a part of VAT and do not provide set off relief. Further, the CENVAT paid on the goods remains included in the value of goods to be taxed under the State VAT which leads to a cascading effect.



Thus, the GST at the Central and State level will provide more relief to the trade, industry through a more comprehensive and wider crush of Input tax and service

tax, set off relief, further removal of cascading effects and more powers of taxation to the Centre and States.

**Figure 6: Pre-GST Tax Structure**



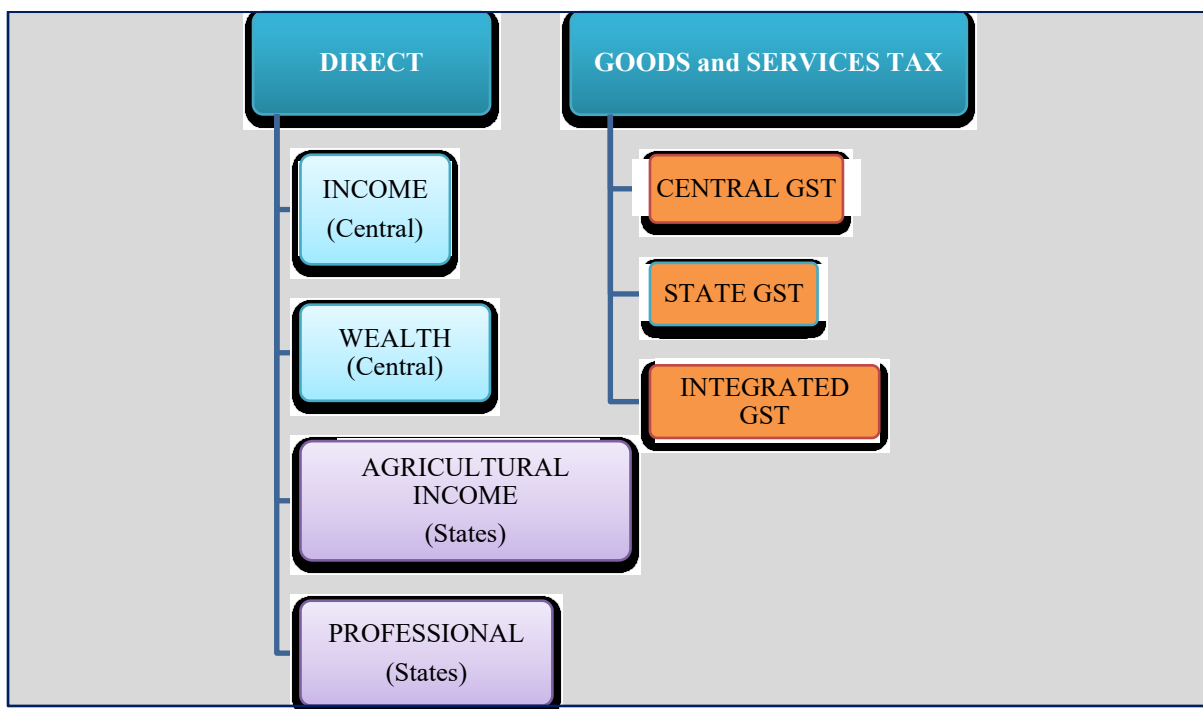
Source:

Compiled by Author

The Indian GST model would be a dual GST with the Centre and States simultaneously levying it on a common tax base. The GST to be levied by the Centre on intra-state supply of goods and/or services would be called the Central Goods and Services Tax (CGST) and

that to be levied by the States would be called the State Goods and Services Tax (SGST). Similarly, Integrated Goods and Services Tax (IGST) will be levied and administered by Centre on every inter-state supply of goods and services.

**Figure 7: Post-GST Tax Structure**



*Source: Compiled by Author*

GST is a consumption based tax i.e. the tax should be received by the state in which the goods or services are consumed and not by the state in which such goods are manufactured. IGST is designed to ensure seamless flow of input tax credit from one state to another. One state has to deal only with the Centre government to settle the tax amounts and not with every other state, thus making the process easier. For better understanding I give an example - A dealer in Delhi sold goods to the consumer in Delhi worth ` 20000. If the GST rate is 18 per cent comprising of CGST rate of 9 per cent and SGST rate of 9 per cent, in such case the dealer collects Rs. 3,600 and

` 1,800 will go to the Central government and ` 1,800 will go to the Delhi government. Now, if the dealer in Delhi had sold goods to a dealer in Kolkata worth ` 2,00,000. If the IGST rate is 18 per cent comprises CGST rate of 9 per cent and SGST rate of 9 per cent. In such case, the dealer has to charge ` 36,000 as IGST which will go to the Centre. Central Government after retaining its share (9 per cent of ` 2,00,000 = ` 18,000) will pay the balance amount i.e. ` 18,000 to the concerned state.

## 9.1 Taxes expected to be subsumed in GST

**I.** As per the Constitution (One Hundred and Twenty-second Amendment) Bill, 2014, the following taxes to be subsumed under GST.

**A. Central taxes to be subsumed [on the basis of amendments in Entry 84, Entry 97 of Union list and Article 271]**

- Central Excise Duty.
- Additional Excise Duties.
- Excise Duty levied under the Medicinal and Toiletries Preparations (Excise Duties) Act, 1955.
- Service Tax.
- Additional customs duty, commonly known as Countervailing Duty.
- Special Additional Duty of Customers.
- Central Surcharges and Cesses as far as they relate to the supply of goods and services.

**B. State Taxes to be subsumed [on the basis of amendments in Entry 52, Entry 54, Entry 55 and Entry 62 and Article 269]**

- State Value Added Tax/Sales Tax.
- Entertainment Tax (other than the tax levied by the local bodies).
- Central Sales Tax (levied by the central and collected by the States).
- Octroi and Entry Tax.
- Purchase Tax.
- Luxury Tax.
- Taxes on lottery, betting and gambling.
- State Cesses and Surcharges in so far as they relate to supply of goods and services.

**II.** As per the First Discussion Paper on GST released by Empowered Committee, the following taxes to be subsumed under GST.

The First Discussion Paper on GST released by Empowered committee has given its recommendations that the following Central Taxes should be, to be with, subsumed under the Goods and Services Tax;

- Central Excise duty.
- Additional Excise Duties.
- The Excise Duty levied under the Medicinal and Toiletries Preparation Act.
- Service Tax.
- Additional customs duty, commonly known as Countervailing Duty (CVD).
- Special Additional Duty of Customers - 4% (SAD)
- Surcharges.
- Cesses.

Following State taxes and levies would be, to be with, subsumed under GST;

- VAT or Sales tax.
- Entertainment tax (unless it is levied by the local bodies).
- Luxury tax.
- Taxes on lottery, betting and gambling.
- State Cesses and Surcharges in so far as they relate to supply of goods and services.
- Entry tax not in lieu of Octroi.

## 10. Impact of GST on Indian Economy

The GST has to wide ranging ramifications for the complicated taxation system in the country. It is likely to improve the country's tax to GDP ratio and also inhibit inflation. The 23<sup>rd</sup> GST Council has finalized a five-tier GST structure i.e. 0 per cent or exempted, 5 per cent, 12 per cent, 18 per cent and 28 per cent (only 50 items), with lower rates for essential items and the highest for luxury and de-merits goods, including luxury cars, SUVs

and tobacco products, that would also attract an additional Cess. Moreover, with a view to keeping inflation under check, essential items including food, which presently constitute roughly half of the consumer inflation basket, will be taxed at zero rates. The Cess is expected to provide additional resources to the central government to compensate states for losses incurred. An economy of a country can grow only if its people and their businesses grow as well as there is an increase in the Government revenue in the long run. The following points affirm how the GST will impact the Indian economy.

**(a) Reshapes Indirect Tax Structure:**

GST is a destination based indirect tax that will mitigate the cascading effect of taxes. The GST will reshape the structure of indirect tax by subsume the majority of indirect taxes like Service tax, Excise duty, Value added tax (VAT), Countervailing duty (CAD), Special additional duty of customs (SAD), Central sales tax (CST) etc... This will do away with the complex structure of indirect tax of the country, thus improving the ease of doing business in the country.

**(b) Exports:** GST will also remove the custom duties applicable on exports. Our competitiveness in foreign markets would increase on account of lower cost of transaction. Exports will become competitive as the GST regime will eliminate the cascading effect of taxes. A National Council of Applied Economic Research study suggested that GST could boost India's GDP growth by 0.9 to 1.7 per cent.

**(c) Gross Domestic Product (GDP):** In terms of growth impact of GST implementation, the near-term could be a mess, with adjustment costs for the private sector is grappling with inter-sector implications and the central government (CG) trying to compensate states for revenue loss. The GST rate is set at around the 17 to 18 per cent service producers would face an increased tax burden while manufacturers would see a

fall. That could cause manufacturers not to pass through benefits and service providers to pass on costs, moves that would lower consumption and overall growth.

**(d) Inflation:** Initially, the implementation of the GST in the near-term could bring some up-turn in inflation however, the effect should be transitory. The service tax rate could shoot up from the current level of 15 per cent (including Krishi Kalyan Cess). Under the GST tax regime, this tax rate may go up to 18 per cent. This has led to fears that inflation could rise in the short term.

**(e) Foreign Direct Investment (FDI):** The flow of Foreign Direct Investments may increase once GST is implemented as the present complicated or multiple tax laws are one of the reasons foreign companies are wary of coming to India in addition to widespread corruption. The GST will be good one for the Indian rupee (INR). So far, the currency has yet to see a GST boost. It is believed that GST will lead to wider foreign direct inflows of investment and a narrow current account deficit factors that should help the INR eventually outperform other Asian and emerging market currencies.

**(f) The impact of GST on 'Make in India':** The 'Make in India' campaign is proposing to make India a world-class manufacturing hub. GST will play a crucial role to attract large-scale investment. The newly came GST promises a progressive tax system which avoids cascading of taxes and will help in establishing India as a true common market. A Finance Ministry report said that the GST regime will boost the 'Make in India' programme as manufacturers will get input tax credits for capital goods.

**(g) Unification of Market:** GST will lead to the unification of the market, which would facilitate seamless movement of goods across states and reduce the transaction cost of businesses. Various tax barriers such as check posts and toll plazas lead to a lot of wastage for perishable items being transported, a loss

that translated into major costs through higher need of buffer stocks and ware-housing costs as well. A single taxation system could eliminate this roadblock for them.

**(h) Credit to Manufactures:** Under the GST, manufacturers will get credits for all taxes paid earlier in the goods or services chain, therefore, incentivizing firms to source inputs from other registered dealers. This could bring in additional revenues to the government as the unorganized sector, which is not part of the value chain, would be drawn into the tax net.

**(i) Credit to Dealers:** To claim input tax credit (ITC), each dealer has an incentive to request documentation from the dealer behind him in the value-added/tax chain. Thus, the new tax regime is seen as more self-policing, less intrusive and hence more effective way of reducing corruption.

**(j) Clean-up India:** The clean-up of the Indian taxation system will reduce the number of excise duty exemptions. According to the government's estimates, excise tax exemptions results in foregone revenues of ` 1.8 lakh crore. The comparable figure for the states is about ` 1.5 lakh crore. Together, India loses about 2.7 per cent of GDP because of exemptions.

### 10.1 Challenges of GST in India

- ✓ Problems for small un-organized wholesalers.
- ✓ Different GST rates for different locations and different goods & services.
- ✓ GST on local goods is exempted.
- ✓ Legislative challenge.
- ✓ Benefit to the Indian economy.
- ✓ Consensus.
- ✓ Effective credit mechanism.
- ✓ Nature of taxes.

- ✓ Management and Infrastructure problems.
- ✓ Challenge like bullock cart stuck in the mud.
- ✓ More negotiation is necessary.

### 10.2 Merits of GST in India

- ✓ Uniform tax rate for goods and services is reduce complexity in division of transaction values in goods and services and also leads to reduction in compliance because of single reporting of records and returns.
- ✓ Reduction in prices due to input tax credit and reduction in cascading effect.
- ✓ Increase in revenue due to more business entities coverage under tax system and reduction in tax evasion.
- ✓ Competitiveness is increased in Indian and International market due to reduction in cost of doing business.
- ✓ Simple and easy to administer.
- ✓ Each of these taxes applies to a narrow base both in terms of the economic activity it covers e.g. manufacture, sale entry, entertainment etc... and the range of goods and services it applies to.
- ✓ While the base for many of these taxes overlaps, each is an island in terms of flow of input credit.
- ✓ The output tax is allowed to be adjusted against tax already paid on inputs only in a few cases.
- ✓ Then, there is a variety of exemptions meant to serve multiple socio-economic objectives.
- ✓ As a consequence, high rates of tax are required to be imposed to generate a given amount of revenue.
- ✓ GST is a transparent tax and also reduces number of indirect taxes.

✓ GST will not be a cost to registered retailers therefore there will be no hidden taxes and the cost of doing business will be lower.

✓ Benefit people as prices will come down which in turn will help companies as consumption will increase.

✓ There is no doubt that in production and distribution of goods and services are increasingly used or consumed and vice-versa.

✓ Separate taxes for goods and services, which is the present taxation system, requires division of transaction values into value of goods and services for taxation, leading to greater complications, administration, including compliances costs.

✓ In the GST system, when all the taxes are integrated, it is make possible the taxation burden to be split equitably between manufacturing and services.

✓ GST levied only at the final destination of consumption based on VAT principle and not at various points (from manufacturing to retail outlets). This will help in removing economic distortions and bring about development of a common national market.

✓ GST also help to build a transparent and corruption free tax administration.

✓ GST is backed by the GSTN, which is a fully integrated tax platform to deal with all aspects of GST.

### 10.3 De-merits of GST in India

✓ Some Economist says that GST in India has impact negatively on the real estate market.

✓ Some Experts says that CGST, SGST are nothing but new names for Central Excise or Service Tax, VAT and CST. Hence, there is no major reduction in the number of tax layers.

✓ Some retail products previously had only 4 per cent tax on them after GST, garments and clothes are become more expensive.

✓ The aviation industry would be affected. Service taxes on airfares previously range from 6 - 9 per cent.

✓ Adoption and migration to the new GST system have had involve teething troubles and learning for the entire ecosystem.

### 10.4 Opportunities of GST in India

✓ Impact on profitability.

✓ Better compliance.

✓ To broaden the tax base.

✓ Reducing cost for taxpayers.

✓ To end cascading effects.

✓ To develop harmonization.

✓ Terminate multiple chain of taxation.

### 10.5 Silent Features of GST in India

✓ GST is applicable on supply of goods and services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.

✓ GST is a destination based tax as against the present concept of origin based tax for departmental officers only.

✓ GST is a dual GST with the Central and the State simultaneously levying it on a common base.

✓ An Integrated GST (IGST) levied on inter-state supply (including stock transfers) of goods or services. IGST collected by the centre so that the credit chain is not disrupted. Import of goods or services is treated as inter-state suppliers and subject to IGST in addition to the applicable customs duties.



✓ SGST, CGST and IGST are levied at rates to be mutually agreed upon by the central and the states under the aegis of the GST council.

### 11. Limitations of the Study

Due to time constraint this research review study has been made on the basis of previous data i.e. secondary data. Those research gaps are huge and to be helped the future researcher when research on this topic. This study may be up-dated and redesigned by considering the latest available data. There is a lot of scope for further researches on this issue by considering other factors which I have not considered in my present study, it would have been more. Moreover, GST council repeatedly changes the GST rates through meeting this is the biggest problem in this specific research study.

### 12. Epilogue

GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. GST is leviable on all supply of goods and provision of services as well combination thereof. All sectors of economy whether the industry, business including Government departments and service sector shall have to bear impact of GST. All sections of economy viz. big, medium, small scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GST. One of the biggest taxation

reforms in India the GST is all set to integrate State economies and boost overall growth. GST will create a single, unified Indian market to make the economy stronger. Experts say that GST is likely to improve tax collections and Boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions. In simple words we say that, GST may be defined as a tax on goods and services, which is leviable at each point of sale or provision of service, in which at the time of sale of goods or providing the services the seller or service provider may claim the input credit of tax which he has paid while purchasing the goods or procuring the service. It is basically a tax on final consumption.

### 13. Some Selected References

- [1] Garg, G. (2014). Basic Concepts and Features of Good and Service Tax In India. International Journal of scientific research and management, 2(2), 542-549. Retrieved from <http://www.ijstrm.in/v2-i2/2%20ijstrm.pdf>
- [2] Dr. R. Vasanthagopal (2011), "GST in India: A Big Leap in the Indirect Taxation System", International Journal of Trade, Economics and Finance, Vol. 2, No. 2, April 2011.
- [3] <https://www.quora.com/What-will-be-impact-of-GST-on-Indian-economy>.
- [4] [www.gov.in](http://www.gov.in)
- [5] [www.GST Council.in](http://www.GST Council.in)

**Table 1: Some important dates related to pre-GST**

Dates	Events
28.03.2006	FM announces GST in India from 01.04.2010
10.05.2007	Joint Working Group set up by Empowered Committee of State Finance Ministers.
19.11.2007	Joint Working Group submitted Report to Empowered Committee.
28.11.2007	Report of Joint working Group discussed by Empowered Committee and some

	challenges made.
<b>30.04.2008</b>	Views of Empowered committee was sent to Government of India.
<b>12.12.2008</b>	Comments received by Empowered committee from government of India.
<b>16.12.2008</b>	Comments of Government of India considered by Empowered Committee and Committee was constituted to consider these comments.
<b>21.01.2009</b>	Views received by Empowered Committee and principally accepted by Empowered Committee, a Working group was formed by State/Central Government Officers to submit recommendations of structure of Goods and Services Tax.
<b>19.10.2009</b>	Interaction between Finance Minister and Empowered Committee for compensation for loss of revenue to the State for phase out of the Central Sales Tax.
<b>10.11.2009</b>	First discussion Paper released by Empowered Committee.
<b>15.12.2009</b>	Report of the Task Force on Goods and Services Tax constituted by the 13 <sup>th</sup> Finance Commission.
<b>21.12.2009</b>	The Prime Minister's Economic Advisory Committee (PMEAC), Chairman C. Rangarajan, has said, "The Centre could follow the pattern in which there is only one rate for goods and one rate for services, or one rate which is common to both goods and services".
<b>22.03.2011</b>	The Constitution (One Hundred and Fifteenth Amendment) Bill, 2011 introduced in Parliament.
<b>19.12.2014</b>	The Constitution (One Hundred and Twenty-second Amendment) Bill, 2014, introduced in Parliament.
<b>06.05.2015</b>	The Lok Sabha (Lower House of the Parliament) passed the Bill and passed the same to Rajya Sabha (Upper House of the Parliament) for consideration.
<b>14.05.2015</b>	The Rajya Sabha referred the Bill to its Select Committee.
<b>22.07.2015</b>	The Select Committee of Rajya Sabha submitted their report on the Bill.
<b>21.07.2015 to 13.08.2015</b>	The Committee accepted majority of provisions of the Bill and recommended that a few changes. However, the Bill cannot be taken up for voting in the monsoon session of the Parliament.
<b>03.08.2016</b>	The bill was passed by the Rajya Sabha.
<b>08.08.2016</b>	The amended bill was passed by the Lok Sabha.
<b>08.09.2016</b>	The bill, after ratification by the States, received assent from President Pranab Mukherjee and was notified in The Gazette of India on the same date.
<b>12.08.2016 to 26.09.2016</b>	Ratified by more than half (23) of the State Legislatures.
<b>01.04.2017</b>	The Goods and Service Tax Bill or GST Bill, officially known as "The Constitution (122nd Amendment) Bill, 2014", would be a Value added Tax (VAT) to be implemented in India.

Source: Compiled by Authors

**Table 2: According to after 23<sup>rd</sup> GST council meeting, rates of some essential commodities**

0 per cent	5 per cent	12 per cent	18 per cent	28 per cent
Salary or Wages or Bonus paid to employee, Electricity bill, Bank interest, Rent deposits, Other deposits, Petrol, Diesel, CNG, Kerosene, Liquor, Bad debts, Donation, Registration fees (ROF/ROC), Labour welfare contribution to Government, Fine, Penalties, Conveyance expenses (Non-AC taxi, Auto, Bus, Train), Rent paid for residential use, Newspapers, Magazines, Remuneration to directors & others, Guar meal, Hop cone (other than grounded, powdered or in pellet form), Fish	Idli, Dosa, Batter, Dessicated coconut coir products, Chikki, Khaja, Fly ash, Fly ash brick, Purified rice chikki, Peanut chikki, Sesame chikki, Revdi, Tilrevdi, Khaza, Kazuali, Groundnut sweets gatta, Kuliya, Flour of potatoes put up in unit container bearing a brand name, Chutney powder, Sulphur recovered in refining of crude, Fly ash aggregate with 90 per cent or more fly ash content, Desiccated coconut, Narrow woven fabric including cotton newar (with no refund of unutilized input tax credit), Chamois and composition leather, Coir	Pasta, Cotton & Jute hand or shopping bags, Diabetic food, Wheat grinder, Tanks, Armoured vehicles, Condensed milk, Refined sugar and sugar cubes, Pasta, Curry pasta, Mayonnaise and salad dressing, Mixed condiments and mixed seasoning, Diabetic food, Medicinal grade oxygen, Printing ink, Hats (knitted or crocheted), Parts of specified agricultural,	Chocolate, Shampoo, Detergents, Mattress, Plywood, Cosmetics, Wash basin, Wire, Cables, Insulated conductors, Electrical insulators, Electrical plugs, Switches, Sockets, Fuses, Relays, Electrical connectors, Electrical boards, Panels, Consoles, Cabinates etc... for electric control or distribution, Particle/Fibre boards, Article of wood, Wooden frame, Paving block, Furniture, Mattress, Bedding and similar furnishing, Trunk, Switcase, Vanity cases, Brief cases, Travelling bags and other hand bags, Cases, Washing and Cleaning preparations, Liquid or cream for washing the skin, Hair cream, Hair dyes (natural, herbal or synthetic and similar other goods), Henna powders or paste not mixed with any other ingredient, Pre-shave, Shaving or after-shave preparations, Personal deodorants, Bath preparations, Perfumery, Cosmetic or toilet preparations, Room deodorizers, Perfumes and toilet waters, Beauty or make-up prepositions, Fans, Pumps, Compressors, Lamp and light fitting, Articles of plastic, Floor covering, Baths, Shower, Sinks, Seats, Sanitary ware of plastic, Slabs of marbles and granite, Goods of marble & granite such as tiles, Ceramic tiles of all	Soap, Pasta, Corn Flakes, Soups, Ice-cream, Toiletries, Computers, Printers, Consumer durables such as AC and fridge, Small cars (+1 to 3 per cent cess), High-end motorcycles (+15 per cent cess), Luxury & sin items like BMWs, cigarettes and aerated drinks (+15 per cent cess) ETC...

<p>frozen or dried(not put up in unit container bearing a brand name), Certain dried vegetables such as Sweet potatoes &amp; Maniac, Un-worked coconut shell, Khandsari sugar, Cotton seed oil cakes, Khadi fabric, sold through Khadi and village industries commission's outlets, Idols made of clay, Charkha for hand spinning of yarns, including amber charkha, Brooms and brushes, consisting of twigs or other vegetable materials, bound together, with or without handles, ETC...</p>	<p>cordage and ropes, Juite twine, Coir products, Fishing net and fishing hooks, Worn clothing, Aircraft engines, Aircraft tires, Aircraft seats, Walnuts, Whether or not shelled, Tamarind dried, Roasted gram, Oil cakes, Dhoop batti, Dhoop, Sambhrani and other similar items, Duty credit scrips, Saree fall, Conveyance expenses (radio taxi like – Ola, Uber or other AC vehicles), Payment to goods transport agency, Travelling in train by AC or First class, Job work or labour charges for Diamond, Jewellery, Precious metal, Printing books, Journals, Periodicals ETC...</p>	<p>Horticultural, Forestry, Harvesting or threshing machinery, Specified parts of sewing machine, Spectacles frames, Furniture wholly made of bamboo or cane, Wet grinders consisting of stone as grinder, Tanks and other armoured fighting vehicles, Room rent in a hotel/lodge, Food &amp; Beverage expenses (non AC resturent), ETC...</p>	<p>kinds, Miscellaneous articles such as vacuum flasks, Lighters, Wrist watches, Clocks, Watch movement, Watch cases, Straps, Parts, Article of apparel &amp; clothing accessories of leather, Guts, Furskin, Artificial far and other articles such as saddlery and similar non electric domestic applications, Razor and razor blades, Multi-functional printers, Cartridges, Office or desk equipment, Door, Windows and frames of aluminium, Articles of plaster such as board, Sheet, Articles of cement or concrete or stone and artificial stone, Articles of asphalt or slate, Articles of mica, ceramic flooring blocks, Pipes, Conduit, Pipe fitting, Wall paper and wall covering, Glass of all kinds and articles thereof such as mirror, Safety glass, Sheets, Glassware, Electrical, Electronic weighing machinery, Fire extinguishers and fire extinguishing charge, Fork lifts, Lifting and handling equipment, Bull dozers, Excavators, Loaders, Road rollers, Earth moving and leveling machinery and several more items, Custard powder, Computer monitors up-to 20", Beverage expenses (AC resturent), ETC...</p>	
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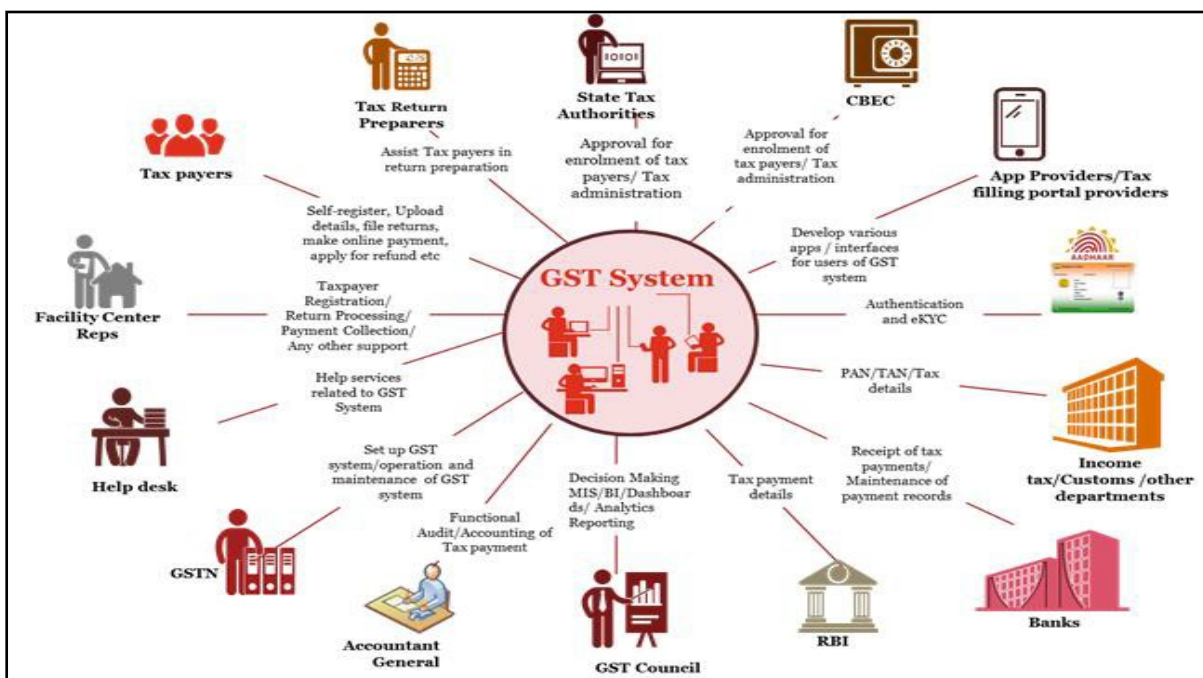
*Source: Compiled by Authors*

**Table 3: Details Form for GST registration**

GST FORM	Particulars
01	Application for new registration
02	Acknowledgement for submission of registration application
03	Requisition for clarification w.r.t. application
04	Clarification w.r.t. above
05	Rejection of application
06	Certificate of registration
07	Application for new registration for TDS or TCS
08	Cancellation of registration w.r.t. TDS or TCS
09	Application for unique identity number
10	Application for registration to non-resident taxable person
11	Application for amendment to registration
12	Order confirming amendment
13	Issue of order for suo moto registration
14	Application for cancellation of registration
15	Show clause for cancellation
16	Cancellation for registration
17	Application for revocation of cancellation of registration
18	Order for revocation of cancellation
19	Notice for rejection of revocation of cancellation
20	Application by exiting registrants

Source: Compiled by Author

**Figure 8: Overview of GST System**



Source: Compiled by CMA Ashok B Nawal