



An Overview of Goods and Services Tax (GST) in India

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Abstract

There is a major change coming in the field of the taxation system of the Indian economy where a single tax called as GST (Goods and Service Tax) is going to replace multiple indirect taxes of the economy which will give various advantages to the different sectors of the society however some disadvantages have too. The present study tries to find out the merit and demerits of Goods and Service Tax along with its impact on Indian economy.

Key words: Indirect Taxes, GST, Indian economy, Supplies.

Introduction

Compulsory extraction of money charged from the public by the government of the country is known as tax. Taxes are necessary for the smooth functioning of the government as it the major source of the revenue the government. Power to levy the taxes has given by the constitution of India under Union list (list I) with relevant Entry no. 82,83,84,85,92A,92B,92C and under State list (List II) with Entry no. 46,51,52,54 which includes power to levy taxes on income, Duties of customs, Excise, Corporation Tax, Taxes on services etc.

The power can be further divided into two major categories known as Direct taxes which includes Tax on Income, wealth and Indirect taxes which includes tax on import and export of goods, production of goods and services, tax of sales of goods, Octroi, Luxury tax, Stamp duty, Property tax, Entertainment tax, etc. so there are multiple indirect taxes levied in our country and there is need felt to subsume the indirect taxes into single taxation system which would include tax of Central as well as tax charge by State government which would result into unified taxation system. There are around 160 countries in the world that have implemented a single taxation system called as GST. India is going to implement the same from july, 2017.

Literature review

Sehrawat M, Dhanda upasna(2015) Has conducted the research to find out the concept of GST concludes that there is a high need of implementation of GST because of high compliance cost and multiplicity of taxes. They further suggest that user friendly taxation system is required which would encourage the producer for higher input and will also increase the employment in the country. Although they have further state that there are various challenges like compensation to states, High revenue neutral rate etc.

Lourdunathan F, Xavier P (2017) made an attempt to study the implementation of GST in India its prospectus and challenges concludes that effective formulation of GST leads to revenue gain to both central and state by widening of tax base and producer as well as the customer will be benefitted by this system but there is necessary on the part of the government to educate the suppliers providers as well as the customers by providing various workshops, seminars etc.

Objective of the study

1. To study the various merits and demerits of GST on Indian economy.
2. To study the challenges to be face in implementation of GST.
3. To study the characteristics of GST.

Concept of GST

GST as the name suggest is a tax which would be levied upon goods as well as on services provided in the country. GST is consumption based tax under which tax is to levied on every stage of value addition till it reach the final consumer. So tax would be levied on all the intermediaries but the ultimate burden of tax would be fall upon final customer. Every intermediary will be allowed to get the input tax credit, on tax paid on input, while paying tax on output supplies so it will avoid the cascading effect completely and curb the double taxation. The concept of Supplies is used in the place of Goods or Services which means GST would be levied upon Goods as well as on Services. The objective behind the GST to include both the goods and services under the same Act is because they would be treated as par for tax purposes. Other objectives behind implementation of GST are to promote transparency, reduce compliance cost, reduce the administration cost, remove the cascading effect completely, integrate the Indian market into the single market, etc.

GST is to be levied by Central and State concurrently. There will be Central GST to be administered by Central government and State GST to be administered by State government. The interstate supplies of Goods and Services would be covered under IGST.

Various taxes which would be subsumed under GST are as Central excise duty, Additional excise duty, Service tax, Additional Customs duty, Special Customs duty, State VAT, Entertainment tax, Octroi and Entry tax, Purchase tax, Luxury tax, Taxes on lottery, Betting and Gambling, etc.

Proposed rates of taxes under GST

Most of the Goods and Services would be classified under Four proposed rates of GST which are 5% , 12%, 18% and 28%. Whereas export would be treated as zero rated i.e no tax would be levied on export of Goods and Services.

Registration under VAT

Every person whose turnover exceed Rs.20lacs in the financial year would liable to be get registered under GST however there are certain states like Himachal Pradesh and Uttarakhand etc. where person has to get registration if his aggregate turnover exceed Rs. 10 Lacs in the financial year.

Composition Scheme under GST

Every manufacturer or service provider with turnover less than 75lacs can opt for composition scheme under which they have to pay the tax at following proposed rates : for traders @ 1%, For manufacturer @ 2% and For restaurants @ 5%.

Advantages of GST

1. By implementation of GST number of indirect taxes would be reduce of it would be easy to understand the taxation regime.
2. By implementing single taxation system it would provide ease for doing business as the taxpayer has to deal with single taxation administration,
3. The administration cost would reduce.
4. There would be elimination of cascading effect as under present system tax is levied on manufacturing process (excise duty) as well as at the time of sales of goods (VAT) but under GST tax would be levied on value addition only.
5. GST would also help to built transparent and corruption free tax administration.
6. GST would be fully automated system which further leads to lesser tax evasion.
7. GST would make goods and services more competitive at the international market as it reduce the cost of production of goods.

Challenges in implementation of GST

1. There would be increased number of compliance as GST is going to be fully automated system so numbers of compliances are going to be increased in future.
2. Administration mechanics of the state and centre are different.
3. There is still no single uniform process to deal with tax disputes.
4. Indian businesses are still unorganized so it will be difficult to form a single taxation system.

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