

# GST - An Indian Perspective

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## ARTICLE DETAILS

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## ABSTRACT

GST is an important tax reform in India. In the 'Make in India' project, the crux is value addition and GST is taken as an important step to accomplish it. Under present system for levying taxes difference is made between goods and services but it becomes difficult task when goods and services are packaged as composite bundles.. GST is a comprehensive tax levy on manufacture, sale and consumption of goods and services. It is destination based tax. The GST implementation in India is Dual in nature. In this paper concept of GST its types, various advantages are discussed the problems faced while implementing GST are discussed as its challenges.

## 1. Introduction

The tax revenue is the important source of public revenue. Direct and indirect taxes are the main source of tax revenue. When impact and incidence of a tax falls on same person it is called direct tax. When the impact falls on one person and incidence falls on another person it is called indirect tax. Under existing taxation system number of indirect taxes are being levied and collected by central and state governments. Presently there are indirect taxes like central excise, service tax, VAT, luxury tax etc. which will subsumed under GST. GST is a tax on supply of goods and services. GST is a tax levied on value addition. Goods and Service tax bill is officially known as the constitution (one hundred and twenty second amendment) bill, 2014. The GST implementation in India is Dual in nature, i.e. it would consist of two components: one levied by Centre (CGST) and another levied by States and Union Territories (SGST).

### Components of GST:

**Central GST:** Central GST is levied by the central government on intra state or intra UT transactions. All central taxes got subsumed in CGST such as Excise duty, custom duty, service tax, central surcharges and cesses.

- **State GST:** State GST is levied by state government on intra state transactions. All state taxes got subsumed in SGST such as luxury tax, purchase tax, entry tax and entertainment tax etc.
- **Union territory GST:** UT GST is levied by central government on intra UT transactions.
- **Integrated GST:** IGST is levied by central government on interstate or inter UT transactions.

### Brief timeline of GST

- GST was first proposed by DrManmohan Singh in the mid-1990s.
- The GST was suggested by the Kelkar Task Force.
- The Constitution Bill was introduced in Parliament in 2011, by 115th Amendment
- to enable the levy of GST.
- The Constitution Bill was introduced in Lok Sabha in December 2014, by 122nd Amendment.

- In May 2015 the Bill was passed by Lok Sabha and assigned to a Select Committee of Rajya Sabha for examination.

## 2. Objectives of the study

1. To study the concept of GST.
2. To study about the challenges after introduction of Goods and Service Tax (GST in India).
3. To analyze how GST is important for the growth of Indian economy and to examine the advantages of GST.

## 3. Research Methodology

The research paper is prepared by using secondary data collected from different journals, newspapers, magazines and various websites covering extensive collection of academic literature on GST.

## 4. Review of Literature

PradeepChaurasia et.al (2016) described in the article "Role of Goods and Services Tax in the growth of Indian Economy" and concluded that GST will be beneficial for the development of Indian Economy as well as it will be very much beneficial in increasing the GDP of the country more than two %.

AkanshaKhurana and Aastha Sharma (2016) described in their research paper "Goods and Services Tax in India- A positive reform for indirect tax system" that GST will provide relaxation to manufacturers and consumers by providing wide and extensive coverage of input tax credit set-off, service tax set-off and substituting the several taxes. Hence GST has a positive impact on various sectors and industry.

Monika Sehrawat and UpasanaDhanda (2015) analysed in their paper entitled "GST in India: A key tax reform" GST is simple, convenient and transparent tax system that is required in present India which can be fulfilled by application of GST. Further concluded that implementation of GST will get the advantage of higher output, increased employment opportunities and improved GDP by 1-1.5%.

Ehtisham Ahmed and SatyaPoddar (2009) described in the paper, "Goods and Service Tax Reforms and Intergovernmental Consideration in India" concluded that GST implementation will provide accessible and transparent tax system with higher output and increased productivity of Indian economy. But the advantages of GST are critically reliant on rational design of GST.

### 5. Why GST in the place of present regime

Under present regime there are multiple taxable events. But in GST regime supply of goods and services consists of a taxable event. GST substituted and unified all taxes such as service tax, excise, VAT and CST. So the tax compliance becomes easy as all the laws are substituted and only GST law to be implemented. The assimilation of tax laws in GST is expected to lessen the tax burden of tax payer as compared to present system where the burden of tax on tax payer is high. Under old regime public interface between taxpayer and tax administration is more but under GST regime everything is online. Thus GST brings transparency and bribe free tax administration.

### 6. Advantages of GST

1. GST eliminates cascading impact of taxes. In GST input tax credit will be available at every point of supply.
2. GST substitutes multiple taxes like excise, sales tax, octroi, service tax etc. it taxes goods and services at same rate and there is distinction between goods and services.
3. GST eliminates multiple indirect taxes and simplifies the current indirect tax structure. It creates unified common national market for India.
4. GST will be a boon for businessman. In GST compliance and documentation will be easy and the system is to make taxpayer friendly. In GST procedures for registration, returns, refunds, tax payments are simplified and automated.
5. GST will also help to build corruption free and transparent tax administration. All interactions in GST through the common GSTN portal. It ensure less public interface between the tax administration and tax payer.
6. GST will reduce the incentive for evasion by eliminating rate arbitrage between states and that between inter and intra state transactions.
7. Due to GST unorganized sector comes under the tax structure and widens the scope of GST. This will lead to generate more revenues for government.
8. Many businesses create branches, depots and go downs in different states because there is a difference in tax rates but under GST this difference between states will vanish. It would help to remove the tax difference as a bias, thereby helping businesses.

### 7. Drawbacks of GST

1. Under GST regime dual control on every business by Central and State Government. So complexity for businessmen will go up.

2. Small businesses/taxpayers people may find it difficult to use the system because Input tax credit will be available on from online connectivity with GST Network.
3. There are multiple tax rates under GST also. Currently it has five slabs 0, 5, 12, 18 and 28%.
4. Petroleum products are astray of GST. Industries which use these products as input they cannot claim input tax credit.
5. Mass producing states would lose their big revenue.
6. Under GST there are obstacles due to multiple registrations. Under GST businesses are now require to register in every state in which they operate.
7. Small businesses may need hiring professionals and create problems for small businesses.

### 8. Challenges of GST

There are few aspects which contradict the growth of GST and might be seen as bottlenecks.

1. Biggest challenge faced by the aviation industry was marked with the much awaited growth with expanding domestic traffic, with the implementation of GST, it might slower the rate at which the aviation industry is expecting growth as flying will become costlier.
2. Service tax on domestic fares presently ranges between 6% and 9% (depending on the type of class of travel). With implementation of GST, the rate will go beyond 15%, if not 18%, almost doubling the tax rate.
3. India has the least insurance penetration in the globe. Life insurance, health cover & motor insurances will be more costly from July 2017 as taxes will rise. Raising rates of GST is again a challenge in insurance industry earlier the rate was 15% now it is raised by 3% i.e. 18%.
4. It will be really burdensome for business organizations to comply with the provisions of the law. Analysts observed that real estate market will be affected by GST and the demand of new houses will result in 12% down turn because of increased cost up to 8%.

### 9. Conclusion

GST will bring One Nation and One Tax market. GST have a positive effect on various sectors and industries. Even though implementation of GST requires concentrated efforts of all stake holders namely, Central and State Government, trade and industry. GST provides relief to manufacturers and consumers by providing broad and comprehensive coverage of input tax credit set-off, service tax set off and substituting the several taxes. GST will lead to resource and revenue gain for both governments i.e. Centre and States through broadening of tax base and improvement in tax compliance. Online processing of tax returns, refunds and tax payments through 'GSTNET' without human interference will minimize corruption and tax evasion. GST will lessen the scope for black money creation leading to efficient use of capital. So it is essential on the part of the government to educate, organize proper training programs, continuous seminars and workshop on GST. Thus, necessary steps should be taken.

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