

Goods and Services Tax – GST

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ABSTRACT

Goods and Services Tax (GST) is a value-added indirect tax at each stage of the supply of goods and services precisely on the amount of value addition achieved. It seeks to eliminate inefficiencies in the tax system that result in 'tax on tax', known as cascading of taxes. GST is a destination-based tax on consumption, as per which the state's share of taxes on inter-state commerce goes to the one that is home to the final consumer, rather than to the exporting state. GST has two equal components of central and state GST. France was the first country to implement the GST in 1954, and since then an estimated 160 countries have adopted this tax system in some form or another. Some of the countries with GST include Canada, Vietnam, Australia, Singapore, the U.K., Monaco, Spain, Italy, Nigeria, Brazil, and South Korea. India joined the GST group on July 1, 2017. Most countries with a GST have a single unified GST system, which means that a single tax rate is applied throughout the country. A country with a unified GST platform merges central taxes (e.g. sales tax, excise duty tax, and service tax) with state-level taxes (e.g. entertainment tax, entry tax, transfer tax, sin tax, and luxury tax) and collects them as one single tax. These countries tax virtually everything at a single rate.

In this paper an attempt is made to introduce the concept of Goods and service Tax and briefly discuss the impact of GST in Indian economy .

1. Introduction

The Central government passed four sets of GST Acts in the Budget session this year. These were Central GST Act, 2017; Integrated GST Act, 2017; Union Territory GST Act, 2017 and GST (Compensation to States) Act, 2017. The Acts were approved by the Parliament after they were introduced as part of the Money Bill. Following the passage of the GST Acts, the GST Council decided the rate slabs for the Goods and Services to be taxed under the GST regime. This guide will help you build a basic understanding of GST, its role in your day to day life and its benefits. Goods and services tax(GST)is a tax on goods and services with value addition a teach stage having comprehensive and continuous chain of set of benefits from the producers service provider's point up to the retailers level where only the final consumer should bear the tax. GST (Goods and Services Tax) is the biggest indirect tax reform of India. GST is a single tax on the supply of goods and services. It is a destination based tax. GST has subsumed taxes like Central Excise Law, Service Tax Law, VAT, Entry Tax, Octroi, etc. GST is one of the biggest indirect tax reforms in the country. GST is expected to bring together state economies and improve overall economic growth of the nation. GST is a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by states and Central. Businesses are required to obtain a GST Identification Number in every state they are registered. There are around 160 countries in the world that have GST in place. GST is a destination based taxed where the tax is collected by the State where goods are consumed. GST has been implemented in India from July 1, 2017 and it has adopted the Dual GST model in which both States and Central levies tax on Goods or Services or both.

2. GST and India

India is currently going through major reforms in its overall economic sectors. The growth trajectory of India is so high that it is poised to become the third-largest economy of the world by 2030. Government is taking significant initiatives to boost the overall economic growth of the country. Introduction to GST and its 3 types- CGST, SGST, IGST AND UTGST are effectively supporting such major economic development programs GST is introduced in the parliament as The Constitution Amendment Act 2016 and it is regulated by the Union Finance Ministry of India. It is a consumption based tax levied on the supply of goods and services which mean that it will be imposed at each stage of sale or purchase of goods or services based on the input tax credit method GST will transform Indian economy turning it into one common market based on a uniform taxation system. It will enhance the ease of doing business in India. Industries will make substantial savings in terms of logistics and supply chain due to GST. Some companies will benefit more as the GST rate will be lower than the current taxation. On the other hand, few sectors will have to pay more tax as GST will replace the old taxes uniformly, which may increase the rate respectively..India proposed to have a dual GST set up in 2017, which will be the biggest reform in the country's tax structure in decades. The main objective of incorporating the GST is to eliminate tax on tax or double taxation, which cascades from the manufacturing level to the consumption level. Introduction of GST is considered to be a significant step in the reform of indirect taxation in India. Amalgamating of various Central and State taxes into a single tax would help mitigate the double taxation, cascading, a multiplicity of taxes, classification issues, taxable event, etc., and leading to a common national market. The country has, since launching the GST on July 1, 2017, implemented five different tax rates.

- A zero percent tax rate applies to certain foods, books, newspapers, homespun cotton cloth and hotel services under Rs. 1000.
- A rate of 0.25 percent will be applied to rough industrial diamonds.
- Five percent tax rates will be applied to apparel below Rs. 1000, packaged food items, footwear under Rs. 500, etc.
- The next rate — 12 percent — applies to apparel over Rs. 1000, frozen meats, cutlery, sugar, biodiesel, etc.
- An 18 percent tax rate applies to certain luxury items including makeup, pastries, swimming pools, footwear costing more than Rs. 500, etc.
- The final bracket, taxing goods at 28 percent, applies to 50 luxury products and those deemed “sinful” including sunscreen, ceramic tiles, bidis (Indian cigarettes), cars, motorcycles, etc.

consumer of such goods and services. There is a scope to increase production, hence, competition increases.

Simple Tax Structure - Calculation of taxes under GST is simpler. Instead of multiple taxation under different stages of supply chain, GST is a one single tax. This saves money and time

Economic Union of India - There is freedom of transportation of goods and services from one state to another after GST. Goods can be easily transported all over the country, which is a benefit to all businesses. This encourages increase in production and for businesses to focus on PAN-India operations.

Uniform Tax Regime - GST being a single tax, it has made it easier for the taxpayer to pay taxes uniformly. Previously, there used to be multiple taxes at every stage of supply chain, where the taxpayer would get confused, which a disadvantage.

Greater Tax Revenues - A simpler tax structure can bring about greater compliance, this increases the number of tax payers and in turn the tax revenues collected for the government. By simplifying structures, GST would encourage compliance, which is also expected to widen the tax base.

Increase in Export - There has been a fall in the cost of production in the domestic market after the introduction of GST, which is a positive influence to increase the competitiveness towards the international market.

3. Impact of GST on Indian Economy

GST is a game-changing reform for the Indian Economy, as it will bring the net appropriate price of the goods and services. The various factors that have impacted Indian economy are:

Increases Competitiveness -The retail price of the manufactured goods and services in India reveals that the total tax component is around 25-30% of the cost of the product. After implementation of GST, the prices have gone down, as the burden of paying taxes has been reduced to the final

Multiple Impacts of GST

Impact of GST on Indian Economy	Impact of GST on Consumers	Impact of GST on Traders
Create unified common national market for India, giving a boost to Foreign investment and “Make in India” campaign	Reduction in prices of goods & services due to elimination of cascading	Reduction in multiplicity of taxes & Simpler tax regime
Boost export and manufacturing activity and leading to substantive economic growth	Uniform prices throughout the country and Simpler Tax system	Mitigation of cascading/ double taxation through input tax credit & Development of common national market
Help in poverty eradication by generating more employment	Transparency in taxation system	More efficient neutralization of taxes especially for exports
Uniform SGST and IGST rates to reduce the incentive for tax evasion	Increase in employment opportunities	Fewer rates and exemptions & Distinction between Goods & Services no longer required

4. Types of GST in India

In India, there are three types of GST. CGST , SGST , and IGST

1. Central Goods & Service Tax (CGST)

As per the Central Goods & Services Tax Act 2016, CGST is the centralized part of GST that subsumes the present central taxations and levies- Central Sales Tax, Central Excise Duty, Services Tax, Excise Duty under Medical & Toiletries Preparation Act, Additional Excise Duties Countervailing Duty (CVD), Additional Custom Duty and other centralized taxations.

CGST is applicable on the supply of goods and services of standard services and commodities which can be amended periodically by a specialized body under the central government. The revenue collected under CGST belongs to

the central government. The input tax is given to the state governments which they can utilize only against the payment of CGST.

2. State Goods & Services Tax (SGST)

SGST is an important part of GST. It stands for State Goods & Services Tax as per the 2016 GST bill. Various taxations and levies under the state authority are subsumed by SGST as one uniform taxation. It includes the amalgamation of State Sales Tax, Luxury Tax, Entertainment Tax, Levies on Lottery, Entry Tax, Octroi and other taxations related to the movement of commodities and services under state authority through one uniform taxation- SGST.

Revenue collected under SGST belongs to the State Government. However, the mainstream framework of the state governing body will be supervised by the central government.

Each state will be having their own State Authority to collect SGST.

3. Integrated Goods & Services Tax (IGST)

GST focuses on the concept of one tax, one nation. IGST stands for Integrated Goods and Services Tax which is charged on the supply of commodities and services from one state to another state. For example, if the supply of goods and services occurs between Gujarat and Maharashtra, IGST will be applicable.

Under Article 269A of the Indian Constitution, the inter-state trade and commerce activities that involve the movement of commodities and services shall be levied with an integrated tax (IGST) under the GST regime. The Government of India will collect the revenue under IGST. Further changes can be made by the Goods and Services Tax Council of India.

4. Union Territory Goods & Services Tax (UTGST)

As we have already learned about CGST and SGST which are intra-state taxations and IGST which is inter-state, the union territories in India are accounted under a specialized taxation called Union Territory Goods and Services Tax as per the GST regime 2016. It will subsume the various taxations, levies and duties with one uniform taxation in Union Territories as well. Delhi (India's Capital Territory), Chandigarh, Dadra & Nagar Haveli, Andaman & Nicobar Islands, Daman & Diu, Lakshadweep and Puducherry are the prominent union territories in India. UTGST will account for all the taxations under these union territories in India. The parliament is looking forward to implement a separate act to impose and supervise GST in Union Territories under the name of UTGST act. The bill will be presented in respective union territories for further changes in the implementation of GST.

Indian economy is highly diverse due to numerous industries operating in different sectors having the different location, supply chain and target consumers. To understand the detailed impact of GST, let's discuss its three types-

	Central GST – CGST	State GST – SGST	Union territory GST – UTGST	Integrated GST - IGST
Tax Levied By	Central Government	State Government	Union territory Government	Combined levy, collected by Central Government
Taxes that it will replace	Service tax, excise duty, countervailing duty (CVD), special additional duty (SAD), Additional duties of excise(ADE), and any other indirect central levy	VAT, sales tax, luxury tax, entry tax, entertainment tax, purchase tax, Octroi, taxes on lottery	VAT, sales tax, luxury tax, entry tax, entertainment tax, purchase tax, Octroi, taxes on lottery	Central sales tax (CST)
Applicability	Supplies within a state	Supplies within a state	Supplies within a union territory	Interstate supplies and import
Input Tax Credit	Against CGST and IGST	Against SGST and IGST	Against UTGST and IGST	Against CGST, SGST and IGST
Tax Revenue Sharing	Central government	State government	Union territory government	Shared between state and central governments
Exemption Limit	Rs Twenty lakh annual turnover	Rs twenty lakh annual turnover	Rs twenty lakh annual turnover	Exemption limit not defined
Composition Scheme	The dealer may use the benefit of turnover of Rs fifty lakh	The dealer may use the benefit of turnover of Rs fifty lakh	The dealer may use the benefit of turnover of Rs fifty lakh	Composition Scheme is not available in this regard
Free Supplies	CGST is applicable on free supplies	SGST is applicable on free supplies	UTGST is applicable on free supplies	IGST is applicable on free supplies
Registration	Not applicable till the turnover exceeds Rs twenty lakh	Not applicable till the turnover exceeds Rs twenty lakh	Not applicable till the turnover exceeds Rs twenty lakh	Registration is necessarily mandatory if supply is made outside the states

5. GST Council

GST council is a governing body to regulate and direct each and every step for the implementation of goods and service tax in the nation with decisions over tax rates and further implementation measures. **GST council assimilates suggestions** and regulation into one form and improvise the changes formally through notifications and circulars with its departments and finance ministry. Cabinet Ministry has given

approval for the establishment of GST Council while the notification regarding the establishment of Council was issued on Saturday the 10th day September 2016 and the provisions came into force on Monday the 12th day of September 2016. Also, the Article 279A having provisions regarding establishment of GST Council was inserted after Article 279 of THE CONSTITUTION (101) ACT, 2016.

The GST Council consists of the following members:

1. The Union Finance Minister (as Chairman).
2. The Union Minister of State in-charge of Revenue or Finance.
3. The Minister in charge of Finance or Taxation or any other Minister, nominated by each State Government to the GST Council.
4. In the Union Cabinet meeting held on 12th September, 2016, it was also decided to appoint:
5. The Secretary (Revenue) as the Ex-officio Secretary to GST Council.
6. The Chairperson, Central Board of Excise and Custom (CBEC), as a permanent invitee (non voting) to all proceedings of the Council.
7. One post of Additional Secretary to the Council in the GST Council Secretariat (at the level of Additional Secretary to the Government of India).

8. Four posts of Commissioner in the GST Secretariat (at the level of Joint Secretary to the Government of India).

6. Conclusion

The introduction of the Goods and Services Tax will be a very noteworthy step in the field of indirect tax reforms in India. By merging a large number of Central and State taxes into a single tax, GST is expected to significantly ease double taxation and make taxation overall easy for the industries. For the end customer, the most beneficial will be in terms of reduction in the overall tax burden on goods and services. Introduction of GST will also make Indian products competitive in the domestic and international markets. Last but not least, the GST, because of its transparent character, will be easier to administer. Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy

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