

Goods and Service Tax: A New Economic Era

Abstract

Goods and service tax is the biggest tax reform proposed in the tax history of our country after independence. One should understand the GST as it is going to affect in a very significant manner. Knowingly or unknowingly the effects in the present day indirect tax structure which is causing the tax on tax popularly known as cascading effect have been levied in the country since long time. Most of the indirect taxes shall be replaced by GST. It seems to be the big business reforms keeping in mind the current scenario and existing rules, regulations and laws. GST, by its design, is intended to make the system of levy and collection of indirect taxes to be transparent. It is expected that tax evasion would be largely reduced. It will create accountability not only among the businessmen but also among the entire society.

Keywords: Appropriate State, Government, Input tax, Input tax credit, Supply, Output tax, Accountability, Reforms, Economic, Era, Cascading, Indirect tax, significant, Rules, Regulations, Laws, Goods, Services, Dual, Setoff, VAT, Excise duty, Entertainment tax, luxury tax, Entry tax, Registration, Online portal, Digital signature.

Introduction

The GST will subsume two major indirect taxes namely sales tax/ value added tax imposed on sale of goods and service tax levied on provision of various services. Hence under the proposed GST the two terms of prime importance are 'goods' and 'service'. This Article seeks to explain the meaning of these two terms in the light of several decided cases.

GST is a tax on goods and services with comprehensive and continuous chain of set-off benefits from the producer's point upto the retailer's level. It is essentially a tax only on value addition at each stage and a supplier at each stage is permitted to set-off, through a tax credit mechanism, the GST paid on the purchase of goods and services as available for set-off on the GST to be paid on the supply of goods and services.

The unified tax will take the form of a Dual GST, to be levied concurrently by both the Central and State Governments.

A Dive Into the System of GST

Under the dual GST system, the taxable base will be subject to the following taxes:-

1. Central Goods And Service Tax (CGST)
2. State Goods And Service Tax (SGST)

Elements of CGST

1. Central Excise Duty (CENVAT)
2. Service tax
3. Additional duties of customs in lieu of excise
4. Special Additional duties of customs in lieu of Sales tax/Vat

Elements of SGST

1. Vat/Sales Tax
2. Entertainment Tax
3. Luxury Tax
4. State cesses and surcharges
5. Entry Tax

A Guide to Registration Under GST

Registration application is required to be made within 30 days of the liability. However, registration would be granted from the date of application which means that for any transaction prior to the date of application, tax would be payable but at the same time ITC credit might not be allowed. There is also a provision in MVAT in condoning the



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delay and allowing such credit upon making the application for condoning the delay and seeking grant of credit.

Manual application could always be made and at the same time, online application on GST portal could be done and the application is required to be signed by using the digital signature, there is also a provision to submit the signed copies duly scanned through online.

Point of Taxation

Point of taxation means the point of time, when a transaction is to be taxed.

Incase of Supply of Goods**Normal Supply**

GST shall be payable at the earliest of the following dates on which:

1. Goods are removed for supply to the recipient (For goods required to be removed)
2. Goods are made available to the recipient (For goods not required to be removed)
3. Invoice issued by supplier
4. Entries made by recipient in his books of accounts.

For Continuous Supply of Goods

1. Successive statements of accounts or successive payments are involved
2. Date of expiry of the period to which such successive statements of accounts or successive payments relate.
3. No successive statements of account
4. Date of issue of invoice or date of receipt of payment. (Whichever is earlier)

For supply of Goods Under Reverse Charge

Time of supply shall be the earliest of the following dates of

1. Receipt of goods
2. Payment
3. Receipt of invoice
4. Debit in BOA

Where Goods (being sent or Taken on Approval or Sale or Return or Similar Terms) are Removed before it is Known Whether a Supply will Take Place

Time of supply shall be earliest of the following:

1. Time when it becomes known that the supply has taken place, or
2. Six months from date of removal.

In cases other than above

The time of supply shall be earliest of the following

1. Where periodical return has to be filed, the date on which such return is to be filed, or
2. In any other case, date on which CGST/SGST and IGST is paid.

Incase of Supply of Services

1. Invoice issued within prescribed period

Time of supply

Date of issue of invoice or Receipt of payment (Whichever is earlier).

2. Invoice not issued within prescribed period.

Time of Supply

Date of completion of the provision of service or Receipt of payment (whichever is earlier).

3. Not falling under (1) or (2) above.

Time of Supply

Date on which the recipient shows the receipt of services in his BOA.

For continuous supply of services

1. Where due date of payment is ascertainable from the contract

Time of Supply

Date on which the payment is liable to be made by recipient of service, whether or not any invoice has been issued or any payment has been received by the supplier.

2. Where due date of payment is not ascertainable from the contract

Time of Supply

Each such time when the supplier of service Receives the payment or Issues an invoice (whichever is earlier)

3. Where the payment is linked to the completion of an event.

Time of Supply

Time of completion of that event.

Supply of services under reverse charge

Time of supply shall be determined in same manner as in case of goods discussed supra.

Where supply of services ceases under a contract before the completion of supply

Such services shall be deemed to have been provided at the time when the supply ceases.

In other cases

Time of supply shall be determined in same manner as in case of goods discussed supra.

Aim of the Study

1. Highlight the main reason for replacing GST as Several Indirect Taxes.
2. To offer constructive suggestions to apply GST in practical manner.
3. To compare the benefits of GST in growing economy.
4. To probe if there is any significant difference between the GST and existing indirect taxes.
5. To assess the benefits of GST in fast growing economy for a long time.

Conclusion

The concept of GST is not new to the world. Keeping in view of the governance, accountability and for making a single line of tax system undoubtedly there is a need for GST in India.

However it is safe to say that concept of Supply has been conceived in the widest possible sense. Traditional concepts of indirect taxation that have shaped our thinking over the past few decades have now been amplified multi-fold. Time has come to un-learn an re-learn.

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