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# Goods and Service Tax: A Collaborative Reform in Tax Policy


## Abstract

The present study was attempting to evaluate recently implemented GST in India to reform tax system for protecting public issues. Data were collected and analyzed from various review articles, economics reports and compliances of the experts. The rule of law is widely recognized as necessary for the achievement of stable, equitable development. Indeed, over the last few decades no other governance ideal has been universally endorsed. The production of black income is sustained by the machineries and the rules which the government should now focus on to tackle the menace of illegalities. GST will broaden Tax base and result in better tax compliance due to a robust IT infrastructure. Six set of rules introduced before GST Council are valuation, Input Tax Credit, Composition and Transition, E-way bill and Assessment & Audit. The GST was launched on the historic mid-night of 30 June 2017 by Prime Minister of India, Narendra Modi at Central Parliament House. The GST Council had last month fitted over 1200 goods and 500 services in the tax brackets of 0,5,12,18,28 per cent. Basically, there were two models available for adoption – Central GST, Integrated GST and State GST (CGST+SGST) & IGST. Therefore, it is seeming that GST would be a collaborative reform in tax system and protect exploitation from indirect taxes.


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**Keywords:** GST, Indirect Tax, Collaborative Reform, Circulation of Currency, Goods Value.

**Introduction**

GSTN is a non-profit organization formed to create a platform for all the concerned parties' i.e Government, tax payers to collaborate on a single portal. E- Ledger or Registration Return E-udger payment receiving neither electronic ledger is statements of cash and input tax credit (ITC) in respect of each registered Tax Payer. E-commerce operator will be liable to pay tax in respect of supply of goods and services, instead of actual supplier, in certain notified services. The GST portal is accessible over internet (by tax payers and their CAs/Tax advocates etc) and intranet by Tax officials etc. A common GST System will provide linkage to all State /UT commercial Tax Departments, Central Tax Authorities, Tax Payers, Banks and Other Stockholders. Direct tax is progressive where rich pay more. But indirect tax is regressive. Goods used by poor are not taxed high and goods used by the rich are taxed higher i.e the indirect taxation policy. Rather such reduction of cost should be passed over to the consumer.

Hyper markets and super markets like Big Bazaars, Reliance Retail markets etc will pay a big role as price setters of various goods. It is pointed out that household items soap, which were taxed 31% earlier due to a combination of central and State taxes will now be in the 18% tax bracket. Experts have opined that GST will generate one lakh job opportunities, particularly in the areas of taxation, accounting and data analysis. There is a feeling that in the name of cooperative Federalism, the tax structure is moving towards centralization. This reform brings dependency on information Technology than human being. By all means, it gives a stimulus for speedy development of 2 trillion-dollar economy for further heights.

Goods and Services Tax (GST) is an indirect tax applicable throughout India which replaced multiple cascading taxes levied by the central and State Governments. It may reduce the harassment, exploitation of consumers by sellers of different varieties of goods and Services. GST was first conceptualized in the 1920'sby Willem Von Siemens a German Businessman as a destination-based Tax levied on the consumption of goods and Services. It was first introduced in France in the year 1954 followed by Japan South Korea, the United Kingdom and Australia[1].

**Review of Literature**

The rule of law is widely recognized as necessary for the achievement of stable, equitable development for structure. Indeed, over the last few decades no other governance ideal has been as universally endorsed[2]. The production of black income is sustained by the machineries and the rules which the government should now focus on to tackle the menace of illegalities[3].

According to the World Bank (2015), over 160 Countries have some form of value added Tax (VAT), which is what the Goods and Service Tax (GST) is. But the ambition of the Indian GST experiment is revealed by a comparison with the other large federal systems – European Union, Canada, Brazil, Indonesia, China and Australia –that have a VAT (the United States does not have a VAT). Despite this success with VAT, there are still certain shortcomings in the structure of VAT both at the Central and at the State level. Multiplicity of taxes at the State and Central levels has resulted in a complex indirect tax structure in the country that is ridden with hidden costs for the trade and industry. There is cascading of tax regime in the country. It is expected to reduce cost of production and inflation in the economy thereby making the Indian trade and industry more competitive, domestically as well as internationally. GST will broaden Tax base and result in better tax compliance due to a robust IT infrastructure. It reshapes the Country's 2 trillion dollar economy.

**Aim of The Study**

1. GST would help to eliminate the cascading effects of production and distribution cost of goods and services. This would help to increase GDP and then to economic condition of the country.
2. GST would eliminate the multiplicity of indirect taxation and streamline all the indirect taxes which would be beneficial for manufacture and ultimate consumer.
3. GST would be able to cover all the shortcomings of existing VAT system and hopefully serve the economy health.
4. The Indian market should be integrated into single common market.

**Journey of GST**

The GST was first conceptualized and given a go ahead in 1999 by Prime Minister A.B. Vajpayee. In 2003, the Kelkar Task Force on indirect tax had suggested a comprehensive Goods and Services Tax (GST) based on VAT Principle. A proposal to introduce a National level Goods and Services Tax by April 1, 2010 was first mooted in the budget speech for the financial year 2006-07. The responsibility of preparing a design and Road Map for the implementation of GST was assigned to the Empowered Committee of State Finance Ministers (EC). The EC released its first Discussion paper on GST in India in Nov.2009. Further a joint working group consisting of officers from Central and State Government's were Constituted in Sept.2009 Constitution (101 amendment Act 2017), following the passage of Constitution 122 amendment. On Nov.8,2012 a committee on GST design" was constituted. The parliamentary standing Committee submitted its Report in Aug.2013 to the Lok Sabha. The final draft Constitutional Amendment Bill was sent to 'Empowered Committee' in Sept.2013. Based on a broad consensus reached with the EC on the contours of the Bill, the Cabinet on Dec.17, 2014 and then passed from Rajya Sabha on Aug.8,2016 and Lok Sabha and got assent by president on April 12, 2017. Four Acts got passed viz., Central GST ACT 2017, Integrated GST Act 2017, Union Territory GST Act 2017 and Compensation to States Act 2017. Six set rules introduced before GST Council are valuation, Input Tax Credit, Composition and Transition, E-way bill and Assessment & Audit. The GST was launched on the historic mid-night of 30 June 2017 by Prime Minister of India, Narendra Modi at Central Parliament House.

**15th GST Council Meeting at Srinagar**

15th GST Council Meeting was held at Srinagar on June 3, 2017 Chaired by Finance Minister Arun Jaitly hammered out all related aspects to implement nationwide, the biggest tax reform i.e GST at the scheduled date on July 1, 2017. The GST Council had last month fitted over 1200 goods and 500 services in the tax brackets of 0,5,12,18,28 per cents. It is strongly believed that the implementation of GST will bring in a new and positive change to our Indian economy as one nation, on tax and one market. The GST Council had met 17 times upto June 30, 2017 and discussed host of issues exhaustively and found no scope for hidden charges under the GST.

**Concept of Dual GST – An Indian GST Model**

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 services would be called the central GST. Similarly, Integrated GST (IGST) will be levies and administered by Centre on every inter-State Supply of Goods and Services. Basically, there were two models available for adoption – Central GST, State GST and Integrated GST (IGST).

**Goods and Services Tax Network (GSTN)**

GSTN is a non-profit organization formed to create a platform for all the concerned parties' i.e stakeholders - Government, tax payers to collaborate on a single portal. The portal will be accessible to the Central/State Government which will track down every transaction on its end while the tax payers will be having a vast service like registered, return filing, payment, refund fit their the return to return file their taxes and maintain the details: the IT network will be developed by private firms which are being in tie up with the Central Government and will be having stakes accordingly. The Known authorized capital of GSTN is Rs 10 crore (US $ 1.6 million) in which Central Government holds 24.5 per cent of shares while the State Governments holds 24.5 per cent and rest with private banking forms.

**E-Ledger**

E- Ledger or electronic ledger is statements of cash and input tax credit (ITC) in respect of each registered Tax Payer. In addition, each tax payer shall also have an electronic tax liability register. Once a tax payer is registered on common portal (GSTN) two e-ledgers (Cash & input tax credit ledger) and an electronic tax liability register will be automatically opened and displayed on his dash board at all times.

**GST Common Portal**

The GST portal (www.gst.gov.in) is accessible over internet (by tax payers and their CAs/Tax advocates etc) and intranet by Tax officials etc. The portal is going to be one single common portal for all GST related services e.g – (i) Tax payer registration (ii) invoice upload, auto-drafting of purchase register of buyer, GST returns filing on stipulated dates for each type of return (iii) Tax payment by creation of challan and integration with agency bank (iv) ITC and cash ledger and liability register (v) MIS reporting for Tax payers, Tax officials and other stakeholders (vi) BI/Analytics for tax officials.

**GST Eco-System**

A common GST System will provide linkage to all State /UT commercial Tax Departments, Central Tax Authorities, Tax Payers, Banks and Other Stockholders. The eco-system consists of all stakeholders starting from Taxpayers to tax professionals to tax officials to GST portals to Banks to accounting authorities[4].

**GST Suvidha Providers (DSP)**

GSP will be developing applications having features like return filing / reconciliation of purchase register data with auto populated data for acceptance / Rejection / Modification dash boards for Tax-payers for Quick monitoring of GST compliance activities. GSP is an additional Channel being made available for performing some of the functions and use of their services is optional.

**Benefits of GST**

The compliance is easy and transparent. Uniformity of Tax would make doing easy business. It removes cascading effects. By reduction of transaction costs, would eventually lead to competitiveness for the trade and industry. Uniformity brings gains to manufacturers and exporters in the long run. It is expected to easier to administers, better controls on leakages, higher revenue efficiency, and relief in overall tax burden. Direct tax is progressive where rich pay more. But indirect tax is regressive. Goods used by poor are not taxed high and goods used by the rich are taxed higher i.e. the indirect taxation policy[5].

**Anti-Profiteering in Malaysia**

Anti-profiteering Act 2011, in Malaysia which is enforced by way of National price council. It releases shoppers Guide and also results to fix a benchmark price i.e it act as price setter. They have inbuilt provision for imposition of heavier fines and penalties for those traders which fails to comply such requirement of price. Central Government wants to ensure that traders do not take advantage by using GST as an excuse to raise the price of goods for the purpose of making excess profits. Rather such reduction of cost should be passed over to the consumer. Hyper markets and super markets like Big Bazaars, Reliance Retail markets etc will pay a big role as price setters of various goods.

**Classification of GST**

Under GST, Goods and Services is taxed at the following rates 0%, 5%, 12%, 18%, 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold[6].

Zero Tax on several daily food items like fresh vegetables and fruits, eggs, milk, bread, flour, cereals, pulses, chicken, fresh meat and natural honey will benefit the common man. The other zero tax items are handloom, bindi, sindoor, stamps, judicial papers, news papers, printed books and children’s drawing or coloured books. Healthcare, education, hotels and lodges with tariff below Rs.1000 have been kept out of the purview of GST.

It is pointed out that household items soap, which were taxed 31% earlier due to a combination of Central and State taxes will now be in the 18% tax bracket. Consumers would gain in the long run because the overall tax burden on goods is expected to come down from the current level of 25-30%, 5 per cent tax: some other items like tea, coffee, rusk, skimmed milk powder, packaged foods, pizza bread, frozen vegetables and fruits have been placed in the 5% category.

**E-Commerce and Confiscation of Goods**

E-commerce operator will be liable to pay tax in respect of supply of goods and services, and not to discuss here instead of actual supplier, in certain notified services. The e-commerce operator is required to collect an amount calculated at the rate not exceeding one per cent of the net value of taxable supplies made through it. The amount so collected is called as Tax Collection at Sources. (TCS)

Input tax means Central Tax (CGST), State Tax (SGST) Integrated Tax (IGST) or Union Territory Tax (UGST) charged on supply of goods and services or both made to a registered person. It also include tax paid on reverse charge basis and integrated tax goods and services tax charged on import of goods. It does not include tax paid under composition levy.

**Confiscation of Goods**

As per section of SGST/SGST Act, goods become liable to confiscation when any person does the following: - Supplies or receives any goods in contravention of provision Act or leading to tax evasion, does not account for any goods on which he is liable to pay tax, supplies any goods liable to tax under this Act without registration, contravenes any of the provision of the CGST/SGST Act or rules made there under with intent to evade payment of Tax.

**Job Creation**

Experts have opined that GST will generate one lakh job opportunities, particularly in the areas of taxation, accounting and data analysis. P.M. Modi’s Vision to make India a major economic power, even while accomplishing the all inclusive “Sab Ka Sath, Sab Ka Vikas”, Except tax evaders, nobody else should worry[7]. To create more jobs the measures to enhance the taxable base of GST by bringing electricity, petroleum, land and real estate’s would improve revenue buoyancy and also help the government to reduce the number of rates. Revenue comfort can facilitate rate simplification. Similarly, the creation of a Technical Secretariat is an institutional innovation which can provide relief taxpayers. This is eminently possible the necessary legal backing is already available in the GST legislation[8]. While economists and experts say GST will add 1-1.5 per cent of GDP growth, the Government itself has not Quantified[9].

**SMEs in South India Jittery**

The GST rollout may prove to be a bumpy ride for small business and dealers in the Southern States of Tamilnadu, Andhra Pradesh and Telangana, according to multiple business people. They are staring at a complicated situation where in assessing the power cost used for manufacturing ghee, taxed at 12%, would be difficult at the same power is used for processing liquid milk as well at the same premises largely. Hence, this imbalance would be one of the challenges in computing input tax credit. The law divides sugarcane into two parts one to be used for planting – seed quality and non-seed classification that stands for a 5% GST. But another law States any agricultural produce devoid of value addition is exempted from the tax[10]. Traders had a fear that Inspector raj will raise. Arun Jaitly, Finance Minister felt that GST will end Inspector Raj as the person will be replaced by software. If you honestly pay your tax and file your return every month, you may not need even see your assessing officer. It will be like income tax, where you file online. There is a feeling that in the name of cooperative Federalism, the tax structure is moving towards centralization.

Since the beginning of July 2017, textile traders in Surat on July 8, 2017 organized a silent march, to protest 5% GST. Protesters walked for three Kms through the City's main textile market, wearing black bandanas. Over one lakh people took part in the march claimed Gaurav Shrimalini, Convener of GST Sangarsh Samithi[11].

**Conclusion**

Merging of 22 indirect taxes into one tax, which is applicable to entire India, can be considered as a revolutionary development. Earlier people faced tax on tax, harassment from officials, high levels of corruption, redtapism. This reform brings dependency on information Technology than human being. It encourages transparency, accountability and honesty among business class and general public. By all means, it gives a stimulus for speedy development of 2 trillion dollar economy for further heights. In overall, GST, certainly, bringing from unruly unorganized sellers exploited markets into well disciplined organized corruption –free markets in future like European Union.

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