

Goods and Services Tax

Abstract

GST is one indirect tax for whole nation, which will make India one unified common market. It will subsume various indirect taxes levied by state and central government on supply of goods and services. The study throws light on benefits of Goods and Services Tax to be implemented from 1st July, 2017, which will lead to development of Indian market as well as Indian economy. Transparency in taxation system will be its most important outcome, which will help to increase in revenue efficiency of government. All taxes will be paid online and almost returns will be self assessed. The focus of the paper is to study the Goods and services tax, its administration and benefits for the nation.

Keywords: GST, Administration, Unified market, Benefits, Nationhood.

Introduction

GST i.e. Goods and Services Tax is an indirect tax, which will make India one unified market. Earlier a number of taxes were levied on supply of goods and services from the manufacturer to consumer. Credits of state input can't be used to pay off taxes at central level. To eliminate this problem, GST will be implemented from 1st July, 2017. GST is a single tax to be charged on supply of goods and services. Credits of input taxes paid will be available on subsequent stage of value addition. It means GST will only be charged on value addition at each stage.

GST is being introduced in the country after a 13 year long journey. At first, in 2003, the Kelkar Task Force on indirect tax had suggested a GST and after a number of discussions and meetings in order to amend constitution to enable introduction of GST, a bill was introduced in Lok Sabha in March 2011. Meetings of Parliamentary committee and empowered committee made some recommendations and after approval of Lok Sabha and Rajya Sabha. The bill after ratification by states, received assent from President Pranab Mukherjee on 8 September, 2016 and was notified in The Gazette of India on the same date.

GST will subsume following taxes at Central and State Level.

At the Central Level

1. Central Excise Duty
2. Additional Excise Duty
3. Service Tax
4. Additional Custom Duty known as Countervailing Duty
5. Special Additional Duty

At the State Level

1. Subsuming of State Value Added Tax/Sales Tax,
2. Entertainment Tax (other than the tax levied by the local bodies),
3. Central Sales Tax (levied by the Centre and collected by the States),
4. Octroi and Entry tax,
5. Purchase Tax,
6. Luxury tax, and
7. Taxes on lottery, betting and gambling.

Administration of GST in INDIA

Keeping in mind the federal structure of India, there will be three types of GST – Central GST (CGST) and State GST (SGST), Integrated GST (IGST). Both Centre and States will simultaneously levy GST across the value chain. Tax will be charged on every supply of goods and services. Centre would levy and administer Central Goods and Services Tax (CGST), and Integrated goods and services Tax (IGST), States would levy and administer the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

The Central GST and the State GST would be levied simultaneously on every transaction of supply of goods and services except



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on exempted goods and services, goods which are outside the purview of GST and the transactions which are below the prescribed threshold limits. Further, both would be levied on the same price or value unlike State VAT which is levied on the value of the goods inclusive of Central Excise.

Contribution of IT for Implementation of GST

Under GST, all taxes will be paid online. There will be no manual filling of returns, it will lead to transparency. A comprehensive IT infrastructure is developed by IT companies for implementation of GST. Central and state government have jointly registered Goods and Services Tax Network (GSTN). Main objective of GSTN are to provide a uniform interface to taxpayers. A separate GST portal is developed for registrations, payments and filling returns. All mismatched returns will be autogenerated. Most of the returns will be self assessed.

Followings Steps Should Be Taken By Manufacturers and Traders before Implementation of GST in the Country

Register Yourself under GST

Suppliers of taxable products and services should register themselves in every state where they supply their products. Suppliers who are already registered under previous law, have to migrate into GST system.

Prepare I.T. System for Invoice

It is necessity , so that you can be able to issue invoices from first day according to new system.

Training to Employees and Agents

Make your employees updated with new system by giving them proper training. Information of tax credit and returns must be given.

Update business processes

Many changes are required in the process of taxation according to new system like in case of purchasing from unregistered vendors , self invoicing will be necessity etc. Therefore it is necessary to update accordingly, for the smooth conduct of business.

The Benefits of GST Can be Summarized As Under

Benefits to Business And Industry

Uniform Tax Rates

Under GST, Tax will be charged on the same rates in whole country. Place of transaction will not create any difference. Further, it will help to increase certainty in the market.

Elimination of Cascading Effect

With the introduction of GST, input tax credit will be available for excise duty and inter state purchases also. Even you can also claim input tax credit of goods against services. Earlier, tax payers were not able to use input tax credit of central level to pay off state level taxes and vice versa.

Increase in Competition

Due to uniform taxation system and elimination of cascading effect, transaction cost of the business will be reduced, products will be available at lower prices in the market. Availability of product on lower prices, will increase competition in market.

Easy Compliance

All services for taxpayers such as registrations, payments, returns etc. will be available

online which would make compliance transparent and easy.

Benefits to Manufacturers And Exporters

The subsuming of central and state level taxes would help in reducing the cost of production. Common taxation system and removal of cascading effect due to GST will enable manufacturer to provide goods and services at lower cost. Good quality products at lower prices will help a local manufacture to compete in the international market. Thus, increase in exports will take place.

Benefits to State and Central Government

Simple and Easy Administration

Presently, numbers of taxes are levied on goods and services at state and central level. And these multiple taxes are being replaced by GST .An IT system is developed to implement GST. Online payment of taxation will lead to easy administration by state and central government.

Control on Leakage

There is an inbuilt mechanism in design of GST which would help to transfer input tax credit from one stage to another. Here a matching concept will be followed, which will control leakage in this system. As a result better tax compliance will be possible.

Higher Revenue Efficiency

Cost of collection of tax will be reduced due to implementation of GST, which will lead to higher revenue efficiency of government.

Benefits to Consumer

Common Man Friendly

Huge number of items are either tax exempt or in 5% tax bracket. It will ensure that poor get their due. Even small traders will get benefit of composition scheme or exemption from tax to make their products cheaper. Cheaper products will make them able to compete in the market.

Single and Transparent Tax System

Multiplicity of indirect tax are levied by government on goods ad services, makes a complex system of taxes for consumer But under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.

Reduction in Overall Tax Burden

Because of increase in efficiency and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.

Benefits to the Economy

Unified Common National Market

There will be freedom of movement of goods and services which will strengthen the sense of nationhood.

Making India a Manufacturing Hub

GST will help the country for making a manufacturing hub. Reduction in multiplicity of taxes now leviable on good and services,leading to simplification.And it will lead to boost the policy of Make in India.

Development of Economy

GST will lead to increase in competition in the market. And due to increase in competition good products will be available at cheap price, which will be

affordable for a common man. It will further increase the standard of living which will lead to development of economy.

Conclusion

To be concluded, it can be said that GST will bring a big change in the Indian economy. One Nation- one tax will lead to transparency in tax system. Domestic companies will be able to compete with MNCs due to low cost of production because of decrease in tax rates. Exports will be increased. Competition will be increased, good quality products will be available at lower prices. It will further increase in standard of living of consumers, leads to development of economy.

A unified taxation system will strengthen the sense of nationhood and unity of the country. Therefore It is necessary on the part of the government to educate, conduct proper training, continuous seminars and workshop on GST is need of the hour. Thus, necessary steps should be taken.

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