



## A SCENARIO OF GOODS AND SERVICES TAX IN INDIA

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### ABSTRACT

*Tax refers to taxes, which is the sum that must be paid when purchasing or selling a good. A nation's economic growth is significantly influenced by its taxation structure. A sound taxation system helps the government by providing funds for the implementation of national welfare initiatives. The government occasionally makes tax modifications in light of the current economic conditions. The Goods and Services Tax or GST was a fundamental overhaul to the Indian tax structure. The majority of nations in the globe already have it. But in India, this is a somewhat novel idea. GST in India is a dual-system tax that is imposed on the sale and purchase of any good or commodity. It is made up of both Central and State GST. Because the fees assessed on the product are distributed equally at both the Central and State levels, this unified GST system would guarantee that the economy develops uniformly. By reducing the national and state-level barriers, it will aid in the creation of a single market. The paper's goal is to draw attention to the GST's significance in the Indian context.*



**KEYWORDS:** *Goods and Services Tax (GST), Unified, Economic Development, Revenue, Tax Structure, Market.*

### 1. INTRODUCTION

Tax is a fee that is paid by the buyer in addition to the seller's price for any good or service that is included in the selling price and paid by the buyer. The government uses this tax for infrastructure development and other purposes. Major tax system modifications have occurred periodically and were necessary for the growth of the country's economy. Each nation has a unique taxation system based on its demands and legal requirements.

The most significant and comprehensive tax reform initiative, known as GST, was implemented to unite the federal government and the states and to impose a single, uniform national tax on all products and services throughout India. There are three different models for GST: Central GST (to be imposed by the Centre), State GST (to be imposed by the State), and Interstate GST (to be imposed by the Centre and the State).

There are taxes imposed on products and services in around 150 nations throughout the world. These taxes are known as GST or VAT (Value Added Tax). The tax rate for VAT and GST is the same. Because tax is paid on value addition at every level, it is known as a value added tax.

In 1954, France became the first nation to enact a GST law. In many nations, VAT replaces GST; however, unlike the Indian VAT system, these nations have a single VAT tax that accomplishes the same goals as GST.

In India, the subject on the necessity for GST was brought up in the year 2000 by our late honourable prime minister, Shri Atal Bihari Vajpayee Ji. GST was viewed as a significant tax reform since it was based on the idea of one nation, one tax.

In order to create a single national tax system, India imposed the goods and services tax, although this had different consequences on different industries. Whether an industry works with production, distribution, retailing, or delivering services will affect the distinction. India will become a single, united market thanks to the GST, a single indirect tax that is imposed evenly across the whole country.

### 1.1. Problems with the old tax system and the necessity for the GST

The following are a few drawbacks of the prior tax system, which served as the foundation for the GST:

- India's indirect tax system required a significant overhaul. For a single commodity or service, we had a number of taxes, including sales tax, excise duty, and service tax. The complicated tax code resulted in a number of problems, including double taxation, a cascade effect that raised goods costs for the general people, and a lack of transparency. It had an impact on not just the general population but also company owners and tax payers, which slowed down or complicated corporate operations and harmed economic progress.
- It was difficult to distinguish between sales transactions and service transactions.
- States were unable to impose taxes on services, therefore they were forced to rely on the Centre to do so.
- GST is seen as the greatest remedy for these concerns. It is a single tax on the provision of goods and services. GST fees levied by the last dealer in the supply chain are paid by the ultimate customer.
- By offering a single, clear tax that is proportional to the value of products and services, GST benefits customers. It improves tax efficiency, promotes transparency, and addresses the issues with tax inequity at the federal and state levels.
- The same idea that underpins VAT also underpins GST. Components, application, payment, input tax credit, CGST, SGST, and IGST are some of the characteristics of GST. Central Goods and Services Tax and State Goods and Services Tax are the two parts of GST.
- Except for certain items on the list of items not covered by GST, all products and services sold or produced in India are subject to the tax. GST is billed and paid to the Centre and the State separately. Regarding Central products and services, the option of an input tax credit will be accessible. The Central Government collects money through the CGST. SGST is money that the state government receives from within-state transactions. The Central Government receives income from interstate sales through the IGST.
- In accordance with GST, CGST and SGST, which were formerly included in central, excise, and service taxes, would now be added to each transaction or sale made inside a State. As a result, Centre and State will now split the money.
- Transactions involving sales to another State will now only be subject to the IGST, a central sales tax that was formerly collected in addition to excise and service taxes. Therefore, there will only be one form of tax going forward—a central tax on interstate sales.
- Together, the Central and State Governments created the GSTN (Goods and Services Tax Network) as a not-for-profit organisation to provide shared information technology, infrastructure, and services to the Central and State Governments in preparation for the introduction of GST across the nation. The purpose of GSTN is to offer tax payers a uniform interface. Now that all taxes may be paid online, there will be no unequal filing of returns.

## 1.2. GST's Goals and Benefits

The following are a few GST goals and benefits:

- The cascading impact of manufacturing and distribution costs for products and services will be eliminated with the aid of GST. By raising the GDP (Gross Domestic Product), it will aid in improving the nation's economic situation.
- GST would fix the problems with the VAT system and aid in boosting the Indian economy.
- GST would aid in the transformation of the Indian market into a single, open market.
- GST would reduce the number of indirect taxes systems and be advantageous for both businesses and consumers.
- GST would reduce the total tax burden on consumers.
- GST would replace current taxation with a single, clear tax that is proportional to the value of products and services.
- GST will make pricing consistent across the nation.
- GST would aid in the creation of a single market to encourage Make in India and foreign investment.
- Since various records keeping would not be necessary, GST would enable a reduction in compliance costs.

## 1.3. Advantages of the GST

The following are a few advantages of GST:

- GST turns the Indian economy into a single market by implementing a single tax.
- As the cascading consequences of taxes are removed, inflation will be decreased.
- GST will result in a more open and impartial method of generating income.
- By eliminating the intricate indirect tax system, the introduction of GST will increase competitiveness in the market and aid in business expansion.
- GST is advantageous to the Indian economy and businesses. Corporate tax burden reduction will lower their manufacturing costs and enable them to reenter the market.

## 1.4. Negative consequences of GST

Following are a few of the GST's drawbacks:

- To adopt a uniform tax regime, the Centre will need to collaborate with 29 States and 7 Union Territories, which might cause political and economic problems.
- GST would have a detrimental effect on the housing market. It would raise the price of new dwellings by a specific proportion, which would decrease demand.
- GST has been changed to a unified taxation system in India. However, the situation in India really involves a dual tax system in which the Centre and the State each collect taxes independently.
- The majority of traders paid just state VAT since they were exempt from central excise taxes. However, CGST is now a requirement for all VAT sellers.

## 2. CONCLUSION

Although GST has previously been implemented in several nations throughout the world, it is still a relatively new idea in the context of India. It would take time for GST to demonstrate its value. By streamlining taxes and making them simpler to administer and enforce, GST would aid in boosting the nation's economy. GST is supposed to harmonise and simplify the country's prior complicated indirect tax system because it has a standard tax structure and tax collection is dependent on both the State and the Centre. By having a single tax rate applied equally across the board to all goods and services, it will aid in the elimination of black money and contribute to the development of a robust Indian economy.

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