



# REVIEW OF RESEARCH

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## GST IN INDIA

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### ABSTRACT

Historically France was the first country to introduce GST in 1954. India's GST was initially introduced by the Kelkar task force with an aim to reduce uncertainty and risks of double taxation and unintended non-taxation that result from inconsistencies. The Kelkar Committee, which recommended a common indirect tax system in India in the year 2003. The proposals discussed on the tax system by merging a large number of central and state taxes which is in practice as a VAT system; since from the 13 years discussion and at last in the year 2016 the VAT was substituted by GST. A constitutional amendment required to give concurrent power to both state and central to make laws for the taxation of GST. The present paper is a small step toward glancing challenges and perspectives of GST in India.



In this new system of taxation though the consumer pays the final tax but effective tax burden is free from cascading of taxation system. Being a largest consumer country India intended to promote Indian businessmen to reap the benefits of large market by making business activity very easy and mode payment also very much friendly in new system of GST taxation.

**KEYWORDS:** GST+VAT+India+Kelker committee

### 1. INTRODUCTION

In India with a slogan of "One country one tax" system we introduced GST tax. Now we are discussing here the perspective of GST in India. More than 150 countries in the world have GST system of tax collection. In India we follow VAT system of taxation. In central, we follow central VAT. In state, we follow state level VAT. Same is the case with GST in India. We follow an Indian version of Goods and services tax called as

all India goods and services tax. India is becoming super power with its own reform measures such as "Make in India" making India digitalized economy and most important aim of digital payment system is to reduce the huge corruption system in India as in case of Japan where only 3% of business transaction runs in hard currency and hence there is no such a problem of corruption. But when we talk about digital transition we need more and more infrastructures such as high

speed data, smart phone etc, etc, the basic problem with Indian people is illiteracy in digital transaction, problem of hacking, problem of lack of knowledge in online banking activities.

### 2. REVIEW OF LITERATURE

1) Dr. Harshal Anil Salunkhe, Asst. Prof, SSBT's COET, Bambhori, Jalgaon. A Study of Goods & Services Tax (GST) & Its Impact on India: Review IJCRT | International Conference Proceeding ICGTETM Dec 2017 |

ISSN: 2320-2882 IJCRT Publish Paper record is available at DOI: <http://doi.one/10.1727/IJCRT.17192>  
 Concluded that Goods & Service Tax is beneficial for growth of Indian economy. GST temporarily hurt growth owing to an increase in taxes on services, which account for 60 percent of India's GDP.

2) Pinki et al., 7 (2014) the authors in the paper have explored the concept of GST, the need to introduce it in India, the hurdles in introducing it in India and suggestions to overcome the same.

### 3. OBJECTIVES OF THE STUDY

- 1) To study the challenges of GST in India
- 2) To find out remedial measures for challenges of GST in India
- 3) To know the prospectives of GST in India

### 4. RESEARCH METHODOLOGY

The research study is based on secondary data of journals, articles, newspapers and magazines. Based on the objectives of study descriptive type research design is adopted to have more accuracy the accessible secondary information was intensively used for research study.

### 5. GST IN INDIA

In Kautilya's Arthashastra it is stated that the taxes are often perceived to be a measure for raising resources for the government. In the primitive barter economies of the medieval period in Europe and even in ancient India, the primary objective of taxation was to raise resource for the economy.

Accordingly in Indian case, for revenue purpose there will be a dual GST similar to Canada that has the concept of dual GST. Keeping in mind the federal structure of India, there will be two components of GST-Central GST (CGST) and State GST (SGST). Both central and states will simultaneously levy GST across the value chain. Tax will be levied on the every goods and services supply. Centre would levy central Goods and Services Tax (CGST), and state would levy State Goods and Services Tax (SGST) on all transactions within the 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 allowed in between CGST and SGST except in the case of inter state supply of Goods and Services under the Integrated Goods and Services (IGST) module under article 269A(1) of the constitution. The IGST would roughly be equal to CGST and SGST.

It was assented by Honourable president of India on 8th September 2016 and finally it commenced its journey with its introduction in the country by Government of India as implemented Goods & Services Tax (GST) in India on 1 July, 2017.

### 6. OBJECTIVES OF INDIAN GST

- 1) Eliminate cascading of taxes (tax on tax)
- 2) Reduce compliance burdens
- 3) Promote ease of doing business
- 4) Ensure a level playing field for businesses
- 5) Enhance revenue collection for the government
- 6) Create a common market in India with a uniform taxation system
- 7) Curb tax evasion in the country
- 8) Remove the cascading effect of the indirect taxes on a single transaction

### 7. CHALLENGES OF GST IN INDIA

#### 1) Complex tax structure

Central sales tax which the central govt. imposed on the sale of goods from one state to another will continue in the different form called Integrated GST. So central government levies 1% IGST for two

years (as per present information) from the date of implementation of GST. This duration could be changed based on the prescription of GST council. There could be possibility to extend this period of two years. This could defeat the very purpose of GST that is third object of Simplification of tax administration, and compliance.

## 2) Technology glitches

Central GST comes under central and State level GST comes under each state of India. The central level VAT comes under central GST and state level VAT comes under state GST and will also have integrated GST. Given the complex GST model proposed in India and the need for a business to undergo a transformation to adapt to the GST regime, it would be quite challenging for the Indian government to tackle the task of requiring businesses to implement GST in less than 9 months, with 1 April 2017 as the potential Govt. Order Live date.

## 3) High compliance costs

The Indian GST regime places the small and medium enterprises (SMEs) on the same footing as large-scale industries by keeping the exemption threshold very competitive (proposed at ` 1 million) without any tax differentiation. This poses daunting task ahead for SMEs to be ready to invest, read and change in the same way as any large-scale player, without appreciating the limited resources available with them.

## 4) Input Tax Credit (ITC) issue

Under prevailing indirect tax structure there are multiple taxable events on account of multiple levies at Central and State level. That is, taxable event occurs on 'manufacturing of goods' in case of Central Excise laws, 'sale of goods' in case of State VAT laws, 'supply/provision of services' in case of Service tax laws. In addition, taxable event in case of other state levies such as Entry Tax/Octroi etc. are on 'entry' to goods into a particular jurisdiction. Therefore, the taxable event under the existing structure depends on the levy and is defined independently without any harmonious reference to other indirect tax legislations. GST is envisaged to be levied on all supplies of goods and services on same taxable event by both Centre and State governments. The term 'supply' is expected to be defined in the CGST, SGST and IGST laws being prepared in this regard. It is critical that the terms 'supply' is defined in the Central and State GST legislations in an identical manner to avoid the challenge of multiple taxable events at Central and State level in GST.

## 5) GST rates

GST rates list is very crucial for everyone that is both businessmen and consumers and specially when the GST council revises GST rates, it is very difficult to get updated knowledge.

## 6) E-way Bill system issues

E-Way Bill is an Electronic Way bill for movement of goods to be generated on e-way bill portal. A GST registered person cannot transport goods in a vehicle whose value exceeds with prescribed value in a single invoice or bill or delivery challan.

## 7) Increased costs due to software purchase

Because of digital or online business both producer and buyer have to be a devices and software which are costly to both of them to possess.

## 8) Not being GST-compliant can attract penalties

GST can only be levied and charged if the business is registered under GST. A business is not liable to be registered if its annual turnover of taxable supplies does not reach the prescribed threshold. Therefore, such businesses cannot charge and collect GST on the supply of goods and services made to their customers. Nevertheless, businesses can apply to be registered voluntarily.

A significant proportion of (35-40 per cent) goods (majorly agriculture products) are not subject to tax and we expect a status quo in future. At present, services-oriented components constitute 25-30 per cent of the Consumer Price Index (CPI) basket with a major share belonging to housing, transport and communication sector. Service tax is not imposed on certain (12 per cent of the CPI basket) services and these services are expected to remain exempt under GST regime. A hike in tax rate on services is unlikely. If the compliant registered means a large amount of penalties will be imposed.

The most contentious issue that still needs to be resolved among the different governance in the world is the GST rate. As the GST rate increases the Tax evasion and smuggling will increase. This can be achieved by broadening the base of inclusive items in GST instead of keeping certain things out of the purview of GST.

**In addition to the above mentioned there are some of the Implementation challenges in India which are as follows:-**

1. Lack of adaptation.
2. Lack of trained staff.
3. Double registration can increase compliances and cost.
4. Lack of clear mechanism to control tax evasion.
5. Hard to estimate the exact impact of GST.

**8. MEASURES:**

From the lessons learnt, there is no denying that acceptance of GST by general public, businesses and firms would not be an easy task, with advance planning and extending adequate time to industry, continued dialogues between businesses and administrators, engaging with industry on the implementation planning, a reasonable tax-rate, timely release of the legislative documents, has proven to aid in smooth GST implementation in many countries. Of course, GST is proven to be an efficient tax collection system despite teething problems in the initial implementation period.

There should not be GST on exported goods and services, while GST incurred on inputs can be recovered along the supplies chain. This will strengthen our export industry, helping the country progress even further.

GST system has in-built mechanism to make the tax administration self-policing and therefore will enhance compliance. The tax revenue mix can change as per the economic condition of the country. In developing countries like India indirect taxes comprise a higher share of total taxes; than in the developed countries, where the contribution of indirect tax is significantly lower.

**PROSPECTIVES OF GST IN INDIA**

**Experts have laid down the following Prospectives of GST in India:**

- 1) It would introduce two tiered one country one tax regime
- 2) It would subsume all indirect taxes at the centre and state level.
- 3) It would not only widen the tax regime by covering goods and services but also makes it transparent.
- 4) It would free the manufacturing sector from cascading effect of taxes,
- 5) It improves the cost competitiveness of goods and services.
- 6) It would bring down the prices of goods and services.
- 7) It enhances the consumption size due to reduced prices of products,
- 8) It would create business friendly environment in the nation.
- 9) It makes easy business activity in the country.

**9. CONCLUSION:**

In conclusion we can say that each country has to spend on welfare of the society, for this the efforts are going on to enhance the resources at lowest cost and they are planning to introduce new tax regime or replace existing structure with revised structure, to learn from other consumption tax systems and adopt the best practice in laying the groundwork including India many countries are

trying. In this regard GST in India have to prove its fruits in forth coming years, because any change of new practice need time to prove its strength. Hence we just wait and watch the forthcoming results of GST in India.

**10. REFERENCE:**

- 1) Dr. Harshal Anil Salunkhe Asst. Prof, SSBT's COET, Bambhori, Jalgaon A Study of Goods & Services Tax (GST) & Its Impact on India: Review IJCRT
- 2) Pinki et al., 7 (2014)
- 3) Various issues of Indian Economic Journal.