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GOODS AND SERVICE TAX- THE MOST PROMISING TAX REFORM IN INDIA

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ABSTRACT

GST is a distinguished tax reform amongst the essential assessment changes in India which has been long pending. It was supposed to be executed from April 2010, however because of political issues and clashing interests of different parties, it kept pending till July 2017. It is an extensive duty framework that will subsume all circuitous assessments of states and local governments and bound together economy into a consistent national market. The Goods and Services Tax (GST) included an assessment that has supplant all aberrant expenses collected on products and enterprises by the Government, both Central and States. It is relied upon to resolve wrinkles of existing backhanded expense framework and assume a fundamental part in the development of India.



KEYWORDS: GST , Goods and Service Tax, Tax in India, VAT , Tax Reform .

AIMS OF STUDY

1. To understand the concept of GST.
2. To study the main features of GST.
3. To know the benefits and limitations of GST
4. To understand the key issues related to GST .

INTRODUCTION

GST came into effect from July 1 , 2017 by the one hundred and first amendment by the Government of India . It was passed in the Parliament on 29th March 2017. It was launched by the former President Sh. Pranab Mukherjee and Prime Minister Sh. Narendra Modi.

GST (Goods and Service Tax) is a comprehensive destination based tax system that has successfully subsumed various indirect taxes levied by central and state governments. It has united the whole economy into a seamless national market. This is considered to be the biggest tax reform after independence. The main objective behind introduction of GST is to reform the taxation system by eliminating the tax system where tax is imposed at each stage of production thereby burdening the end user by 'tax on tax'.

LITERATURE REVIEW

Shefali Dani (2016) in her study “A Research Paper on an Impact of Goods and Service Tax (GST) on Indian Economy” tries to find out and explain the reasons for hue and cry against the implementation of GST. It also mentions the reasons why GST may hamper the growth and development of the country.

In a paper presented by Agogo Mawli (2014) “Goods and Service Tax – An Appraisal” , it was concluded that GST is not much appropriate for low income and underdeveloped countries since it fails to provide substantial growth to poor countries. Even if these countries want to implement GST, then the governments of such countries should keep the rate of GST below 10% to induce growth.

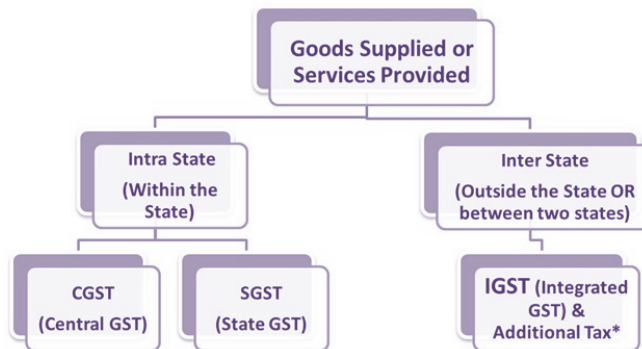
Nitin Kumar (2014) presented a paper titled “Goods and Services Tax in India- A Way Forward” and found out that GST would help to remove economic distortion created by the current indirect taxation system. GST is also expected to encourage a uniform tax structure which is equally applicable across the country without any geographical discrimination.

Pinki, Supriya Kamna and Richa Verma (2014) studied “ Goods and Service Tax – Panacea for Indirect Tax System in India” and concluded that implementation of GST is equally beneficial in the long run for central government , state governments and consumers as well. To maintain its effectiveness, it is important that GST network should be backed by strong and efficient IT infrastructure.

Ethisham Ahmed and Satya Poddar (2009) presented a report titled “GST in India: A Big Leap in the Indirect Taxation System” and concluded that implementation of GST will be a positive step to boost up the Indian economy. It will come up as a new preferred form of indirect taxes in India.

CONCEPT OF GST

GST would be levied on both goods and services at different stages of value addition. GST is a dual model and includes Central Goods and Service Tax (CGST) and State Goods and Service Tax (SGST) .



Various indirect taxes levied by the Central government like excise duty , central sales tax , service tax , customs duty , counter veiling duty etc. have been included in CGST while the indirect taxes levied by the state governments viz. VAT, purchase tax , luxury tax, octroi etc have been replaced by SGST. Another component of GST is IGST (Integrated Goods and Service Tax). It examines the inter state transactions of goods and services. Various indirect taxes like Export Duty, Basic Customs Duty, Toll Tax , Stamp Duty , Property Tax, Road & Passenger Tax, Electricity Duty would not subsume into GST.

RATES OF GST IN OTHER COUNTRIES

	Country	Rate of GST
	Australia	10%
	Canada	5%
China		17%
	France	19.6%

Germany	19%
Japan	8%
Malaysia	6%
New Zealand	15%
Singapore	7%
Sweden	25%

GST COUNCIL

The GST Council is the main decision making body which is responsible for all important decisions related to GST. The office of GST Council is situated in New Delhi. It is responsible for deciding the tax rates, tax exemption, formation of tax laws, tax deadlines etc. It also ensures applying of tax uniform tax rate for goods and services across the whole country. It also takes care of drafting rules regarding registration, payment, valuation, return, refund etc.

ORGANISATION OF GST COUNCIL

The GST Council comprises of the following members:

1. Chairperson – The Union Finance Minister – Mr. Arun Jaitley
2. Members – The Union Minister of State is in charge of Revenue of Finance
3. Other Members – The minister in charge of finance or taxation or any other minister nominated by each state government.

The 2/3 representatives in Council are from states and 1/3 from the Union Government. The decision on various subject matter is made by $\frac{3}{4}$ majority of the votes cast. The quorum of council should be 50%. The GST Council also acts as Dispute Settlement Authority for matters related to GST.

BENEFITS OF GST

1. The GST will allocate the burden of taxation between manufacturing and service sector in a fair manner.
2. It will help to establish an effective and transparent tax administration.
3. It will encourage the growth of small and medium enterprises.
4. The reduced prices of domestic goods will help to be more competitive in international market. This in turn will help to increase exports.
5. Computation of tax both at central and state level will be easier since there will be a single base for such computation.
6. Domestic goods will be able to be more competitive in international market since no GST has been levied on exports.
7. The tax structure has become much simpler and easier to understand and be interpreted by the common man.
8. Increase in GDP will lead to gainful employment.
9. Reduction in inflation rates due to elimination of cascading of taxes.

CHALLENGES OF GST

1. On some of the commodities, rate of GST is higher than the existing VAT.
2. The business will be controlled by both centre and state in tax related matters. In such a case, the state will lose autonomy upon tax rates.
3. States may not have autonomy to change the tax rates on their wish.
4. There has been increase in the costs to the businesses since they have to update their existing accounting system and software.

5. There will also be increase in operational costs since businesses have to employ tax professionals to help them to be GST compliant. They also need to train their employees which will further increase their overhead expenses.
6. There would be a higher tax burden on small enterprises. In any case, SMEs with a turnover upto Rs 75 lakh can pick the composition plan and pay just 1% charge on turnover in lieu of GST and appreciate lesser compliances. The catch however is these organizations will then not have the capacity to guarantee any input tax credit. The choice to pick between higher assessments or the organization conspires (and subsequently no ITC) will be an intense one for some SMEs.

GST RATES ON SOME MAJOR ITEMS

NO GST - No GST has been levied on daily consumption goods like milk, fruits, vegetables, bread, salt, bindi, curd, sindoor, natural honey, bangles, handloom, besan, flour, eggs, stamps, printed books, judicial papers, and newspapers. Moreover all hotels and lodges who have a tariff below ₹ 1,000 are exempted from taxes under GST.

5 % GST SLAB - The goods like skimmed milk powder, fish fillet, frozen vegetables, coffee, coal, fertilizers, tea, spices, pizza bread, kerosene, ayurvedic medicines, agarbatti, sliced dry mango, insulin, cashew nuts, unbranded namkeen, etc will be levied GST at the rate of 5%. Small restaurants and transport services like railways and airways, Standalone ACs non-ACs Restaurants and those which serve liquor, Takeaway Food, Restaurants in hotels with a room tariff less than ₹7,500 (no input credit for these restaurants), will also attract GST of 5%.

12 % GST SLAB - It includes goods such as frozen meat products, butter, cheese, ghee, pickles, sausage, fruit juices, namkeen, tooth powder, medicine, umbrella, instant food mix, cell phones, sewing machine, man-made yarn, etc.- Business class air tickets will attract a tax of 12% under GST.

18 % GST SLAB -Some of the items included in this tax slab are flavored refined sugar, cornflakes, pasta, pastries and cakes, detergents, washing and cleaning preparations, safety glass, mirror, glassware, sheets, pumps, compressors, fans, light fitting, chocolate, preserved vegetables, tractors, ice cream, sauces, soups, mineral water, deodorants, suitcase, brief case, vanity case, oil powder, chewing gum, hair shampoo, preparation for facial make-up, shaving and after-shave items, washing powder, detergent, stones used in flooring, marble & granite, sanitary ware, leather clothing, wrist watches, cookers, stoves, cutlery, telescope, goggles, oil powder, cocoa butter, fat, artificial fruits, artificial flowers, physical exercise equipment, musical instruments, some stationery items, some diesel engine parts, some parts of pumps, electrical boards, panels, wires, razor and razor blades, furniture, mattress, cartridges, multi-functional printers, door, windows, aluminium frames. Restaurants located inside hotels with tariffs of ₹7,500 and above, outdoor catering(input tax credit to be available) , IT and Telecom services and financial services along with branded garments will be part of this tax slab.

28% GST SLAB - Over 200 goods are included in the tax slab rate of 28%. The goods which will be part of this category under GST are sunscreen, pan masala, dishwasher, weighing machine, motorcycles, paint, cement, vacuum cleaner. Five-star hotels, racing, movie tickets and betting on casinos and racing will also come under this category.

CONCLUSION

Towards the end we can state obviously with most likely that GST is the greatest ever change in tax structure of India. There is a fall in costs of Auto Commercial Vehicle, Two wheelers, Small autos, Midsized autos and SUV, basic things, Footwear, Building Materials and so forth and training, medicinal services will be exempted from GST yet then again, cost of some different products and enterprises expanded after GST like Hotel room rental, Restaurants and fine eating and Branded Apparels. There was risk of swelling before GST took off. It can be reasoned that GST has been and will be a chronicled record for its full fledged execution and ideally this greatest authentic change will bring about simplicity of working together in India. Change has certainly never been simple. The legislature is attempting to smoothen the street to GST. It is

imperative to take a leaf from worldwide economies that have executed GST before us, and who defeated the getting teeth inconveniences to encounter the upsides of having a brought together duty framework and simple tax credits.

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