REVIEW OF RESEARCH
IMPACT FACTOR : 5.7631(UIF) UGC APPROVED JOURNAL NO. 48514 ISSN: 2249-894X
VOLUME - 8 | ISSUE - 1 | OCTOBER - 2018

TOWARDS UNDERSTANDING GST IN INDIA

Vijaya Raj
Assistant Professor, Department of Economics, Andaman College.

ABSTRACT

This paper is an attempt to explain the actual concept of the recently introduced common tax system which is popularly known as goods and services tax (GST) which was established to subsume various indirect taxes levied at different levels, with the idea of reducing red-tape, plugging leakages and paving the way for a transparent indirect tax regime. This article explains concepts such as what is the exact meaning of GST? What are the rations behind the introduction of GST in India economic system, its various types and rates? This article also highlights the advantages and disadvantages of introducing GST in Indian economy along with the recent changes that took place in the GST system.

KEYWORDS: *GST, Rates and Types, Recent Changes.*

INTRODUCTION

The Goods and Services Tax (GST) is India's biggest tax rectification since Independence. The den Indian finance minister P. Chitambaram in his budget speech in 2006 had said: “it is my sense that there is a large consensus that the country should move towards a national level goods and services tax (GST) that should be shared between the centre/union and the state”. GST system was first introduced during the 2007-08 budget session after that the Tax Bill was officially introduced in 2014 as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014. The Goods & services tax Bill in India proposes the implementation of nationwide Value Added Tax on sale, manufacturing and the use of different goods and services and Mr. ArunJaitley - the Finance Minister of India announced The Constitution (One Hundred and Twenty-second Amendment) Bill, 2014 or the Goods and Service Tax in LokSabha on 19 December 2014 and finally it was rolled out at midnight on 1st July 2017 by the former president of India, Pranab Mukherjee and prime minister of India, Narendra Modi. The GST was established to incorporate various indirect taxes lay on at different levels, with the idea of contrasting red-tape, plugging leakages and paving the way for a crystalline indirect tax regime. The GST is meant to be undivided indirect tax across the nation on production and services. In the present system, tax is imposed at each stage distinctly by the central government and the state at different rates, on the whole value of the goods and services. But under the GST system, tax will be imposed only on the value added at each separate stage. It is a mono tax collected at multiple points with a full set-off for taxes paid earlier in the value chain. Thus the final consumer will carry only the Goods & services Tax imposed by the last dealer in the supply chain with set-off benefits at all the previous stages. It is a target based tax on consumption of goods and services.

OBJECTIVES OF GST

The followings are the major objectives behind the implementation of GST system:

➢ In order to Creation a common market across the economy.

- To lower tax rates due to broadening of the tax base and minimizing exemptions and exclusions.
- Redistribution of the hardship of taxation equitably between services and. manufacturing
- Reduction in compliance costs and transaction costs.
- Improving productivity and efficiency through the supply chain
- Promotion of business decisions on economic considerations.

TYPES OF GST IN INDIA

The GST would be levied on an unvaried base by both the state and the union government simultaneously. The GST can be divided into the followings:

- **Central GST(CGST)** : Goods & Services Tax to be charged by the central government
- **State GST(SGST)** : Goods & Services Tax to be charged by states and Union Territories with legislature
- **Union Territory GST (UTGST)**: Goods & Services Tax charged by Union Territories without legislature.
- **Integrated GST (IGST)**: Goods & Services Tax charged by central government on inter-state supply of goods and services to ensure that the credit chain is not disrupted. (Apart from the applicable custom duties, import of goods and services would be treated as inter-state supplies and would therefore be subject to IGST)

HOW GST WORKS

Goods & services tax proposes to vanish the waffling levels of taxation between the States, and consider the economy as a single holistic organism when it comes to taxes on goods and services instead of as a segmented creature. All the sundry taxes will be hammered into just 2 levels that are Central Goods & services tax and State Goods & services tax. What a businessman will essentially be able to do is call a refund on the taxes already paid at distinct stages of value addition. The consumer who buys the product will have to pay only the Goods & services tax charged by the last seller in the supply chain, as everyone else would have the chance to set-off the taxes paid at the earlier stages.

Goods & services tax will also prevent the multiple/double taxation occurring on particular goods, and ensure fairness and transparency with regards to the rate of taxation and the total amount that goes to the concern government as taxes on a product.

The following taxes currently charged by the central government would be subsumed with the introduction of GST.

- Service Tax
- Special Additional Duty of Customs (SAD)
- Central Excise Duty
- Duties of Excise (Toilet Preparations and Medicinal)
- Cesses and surcharges applicable so far related to goods and services.
- Additional Duties of Excise (Textile Products and Textiles)
- Additional Duties of Excise (Goods of Special Importance)
- Additional Duties of Customs (popularly known as CVD)

The following taxes currently charged by the state government would be subsumed with the introduction of GST

- Central Sales Tax (CST)
- Luxury Tax
- Purchase Tax
- Entry Tax (All forms)
- Taxes on advertisements
- State VAT
- Taxes on gambling, betting and lotteries
- Entertainment Tax
- State cesses and surcharges applicable so far related to supply of goods or services.

- GST is not applicable on consumption of Alcohol for human use
- The central government would charge central excise duty on tobacco and its related products and they would also be subject to Goods & services tax.
- Diesel, Petrol, Crude, Natural Gas and ATF are the five petroleum products on which Goods & services tax would be applicable from a date decided by GSTC.

GST RATES IN INDIA

In India, there is wide socio-economic gap and it would not be feasible to charge equal rate of tax for necessary and needed items like milk and luxury items like BMW Cars. Therefore, it was difficult to set different rates for different groups of item.

There are four ceilings fixed for goods & services tax rates - 5%, 12%, 18% and 28%

- **Items exempted under GST:**

Buttermilk, Milk, curd, eggs, Fresh vegetables and fruits, rice and Un-branded wheat, un-branded flour, Puja Items.

- **Items under 5%**

Fruits and Frozen Vegetables, branded rice and wheat, hand-made safety matches, branded flour, cotton, Footwear below Rs.500, cotton fabrics.

- **Items under 12%**

Mobile phones, Dry fruits, Butter, Cheese, ayurvedic products

- **Items under 18%**

Biscuits, footwear exceeding Rs. 500, Biddi wrapper leaves, toothpaste, man-made fibre, hair oil, soap,

- **Items under 28%**

Cars, AC, Biris, Cement, LED TV, Bikes, tobacco products,

RECENT CHANGES IN GST RATES:

- ✓ The maximum tax rate of 28% will now be charged on goods like cigars and cigarettes, pan masala, beverages and aerated water, tobacco products, paints, cement, perfumes, ACs, dish washing machine, washing machine, cars and two-wheelers, vacuum cleaners, refrigerators, yachts and aircraft. "These revisions in rates are expected to lower prices and enhance consumption and thereby bring demand for the consumer products and retail industry.
- ✓ Goods & services tax on dual items has been recently brought into 12% GST bracket from 28% bracket. Six items have been brought into 5% from 18% bracket. Goods & services tax on eight products has been cut to about 5% from 18%.
- ✓ The GST Council of India cutback the list of products in the top 28% GST bracket to just 50 from current 228. Thus, only the luxury and sins products are now in the maximum tax slab and products of daily/regular household use are changed to 18%.
- ✓ Eating out becomes cheaper: All restaurants will be charged the Goods & Services Tax at 5% without input tax credit benefits. However high end restaurants within starred-hotels with room rent above Rs. 7,500 will be charged 18% and can still avail the ITC benefits.
- ✓ Goods & services tax on 13 items has been decreased to 12% which was earlier 18%.
- ✓ Tax rate on six products has been reduced to 0% from 5%. Tax on armored vehicles and wet grinders was reduced from 28% to 12%. Tax rate on six products was reduced from 18% to 5%, on 8 products from 12% to 5% and on six products to nil from 5%.

CONCLUSION

Goods & services tax is the most insurgent tax reform that is implemented in Indian economy. Many other economies in the world have already passed GST. With newly accepted tax bracket, the twisted tax structure in India economy will be untwisted and this will place India economy on the list of those countries where index of ease of doing trade in very huge. This means that GST bracket will invite more and more foreign origin companies as they will find Indian market to be tax-neutral and thus, profits for their traders. From the standpoint of domestic consumers, prices of few services will go up but GST will gradually decrease the overall tax tension on consumers by killing the evil of cascading tax tension. Thus, GST is good and it will restructure the face of Indian economy forever.

REFERENCES

1. Agogo Mawuli. (2014). Goods and Service Tax- An Appraisal. Paper presented at the PNG Taxation Research and Review Symposium, Holiday Inn, Port Moresby, 29-30.
2. Vasanthagopal, R. (2011). GST in India: A Big Leap in the Indirect Taxation System. International Journal of Trade, Economics and Finance, Vol. 2, No. 2.
3. Pinki, SupriyaKamna & Richa Verma. (2014). Good and Service Tax - Panacea for Indirect Tax System In India. Tactful Management Research Journal, Vol. 2, Issue 10.
4. www.gstindia.com/basics-of-gst-implementation-in-india/
5. www.prsindia.org/billtrack/the-constitution-122nd-amendment-gst-bill-2014-3505/
6. www.taxguru.in/goods-and-service-tax/goods-service-tax-gst-2.html
7. www.thehindu.com/bussiness/industry/ten-things-to-know-about-gst-bill/article7137615.ece] www.top10wala.in/facts-about-gst-india-advantages/
8. Kumar Nitin. (2014). Goods and Services Tax in India: A Way Forward. Global Journal of Multidisciplinary Studies, 3(6), 216-225.
9. Sharma & Shashi K. Gupta (2015). Financial Management. Noida: Kalyani Publishers.
10. Security Analysis and Portfolio Management. Avadhani HPH Bangalore 2015
11. Jain, S.P. & Narang, K.L. (2016). Corporate Accounting. Noida: Kalyani Publishers Noida.