

GST in India

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Abstract

GST the tax was essentially meant to tune India with global standards in ease of doing business and single uniform tax for movement of goods across the country. After 17 years of marathon journey of the most crucial tax reform in the country, entailing rounds of debates, discussions, meetings, consultations and disagreements, the Goods and Services tax (GST) came into effect in India on July 1st 2017. The journey started in 2000 during the Atal Bihari Vajpayee government with the setting up of the committee of suggest a GST model, followed by the information of task force under the chairmanship of Vijay Kelkar in 2003. There has been no looking back since then and the Central Government has been working consistently along with the state governments to ensure its earliest implementation. GST, bring a destination-based consumption tax system is a tax on goods and services with comprehensive and continuous chain of set - off benefits from the manufacturer- service provider and sellers up to the retailer level. Goods and services tax (GST) is considered to the most significant improvement in the new millennium and step towards a comprehensive indirect tax reform in the country.

Key Words:*(GST Goods and Service Tax), VAT, Indirect Tax, Consumption tax system Global standards, Ease of doing business.*

Introduction-

The structure of indirect taxes in India which is in existence up to 30th June 2017, was based upon three list in seventh schedule to constitution of India. These lists are mostly based on government of India Act, 1935. The structure had become outdated due to changes in situations, technology etc. World has moved towards Goods and Services tax (GST) long ago.

Why We Need Indirect Tax Reforms?

As discussed above country tax collection is not as per world standard but its also a fact that burden on tax payers are also not less.

Kautilya had suggested the following means of increasing the wealth of the states:

1. Ensuring the prosperity of state activities.
2. Continuing well tired policies.
3. Eliminating theft.
4. Keeping strict control over Government employees.

Reducing exemptions and remissions. Increasing income.

Objectives of GST

One of the main objective of GST would be to eliminate the cascading impact of taxes on production and distribution cost of goods and services. The exclusion of cascading effects

i.e. tax on tax will significantly improve and competitiveness of original goods and services which leads to beneficial impact to the GDP growth. It is felt that the GST would serve a superior reason to achieve the objective of steamlining indirect tax regime in India which can remove cascading effect in supply chain till the level of final consumers only when all such above mentioned indirect taxes are completely included in GST. It is understood that alcohol, tobacco and petroleum products will not be enclosed by GST as alcohol and tobacco are considered as Sin Goods and governments do not like to allow free trade on these property.

Impact of Goods and Services Tax 1 Food Industry

The application of GST to food items will have a significant impact on those who are living under subsistence level. But at the same time a complete exemption for food items would drastically shrink the tax base. Food includes grains and cereals, meat, fish and poultry, milk and dairy products, fruits and vegetables candy and confectionery, snacks, prepared meals for home

consumption restaurant meals and beverages. Even if the food is within the scope of GST, such Seles would largely remain exempt due to small business registration threshold. Given the exemption of food from CENVAT AT and 4% VAT on food items the GST under a single rate would lead to a doubling of tax burden on food.

2 Housing and Construction Industry

In India, construction and housing sector need to be included in the GST tax base because construction sector is a significant contributor to the national economy.

3 Rail Sector

They have been suggestions for including the real sector under the GST umbrella to bring about significant tax gains and widen the tax net so as to keep overall GST rate low. This will have to added benefit of ensuring that all inter - state transportation of goods can be tracked through the proposed information technology (IT) network.

4 FMCG Sector

Despite of the economic slowdown, India's first moving consumer goods (FMCG) has grown consistently during the past three-four years reaching to \$25 billion at retail sales in 2008.

Implementation of proposed GST and opening of foreign direct investment (F.D.I) are expected to fuel the growth and raise industry's size to \$95 billion by 2018.

5 Information Technology enabled services

To be in sync with the best international practices domestic supply of software should also attract GST on the basis of mode of transaction. Hence if the software is transferred through

electronic form it should be considered as interactual property and regarded as a service. And if the software is transmitted on media or any other tangible property than it should be treated as goods and services to GST 35 according to

a FICCI - Technology Park report. Implementation of GST will also help in uniform simplified and single point taxation and thereby reduced prices.

6 Financial Services

In the most of the countries GST is not charged on the financial services. Example in New Zealand most of the services covered except financial services as GST. Under the service tax, India has followed the approach of bringing virtually all financial Services within the Ambit of tax where consideration for them is in the form of an explicit fee. GST also include financial services on the above grounds only.

Benefits of GST

(A) Make in India

(I) harmonization of laws, procedure and rates of tax.

(ii) will help to create a unified common national market for India giving a boost to foreign investment and "make in India" campaign.

(iii) will mitigate cascading of taxes as input tax credit will be available across goods and services at every stage of supply.

(iv) more efficient neutralization of taxes especially for export thereby making our products more competitive in the international market and give boost to Indian Exports.

(B) Ease of Doing Business

(i) Simplified and automated produce source for various process such as registration, returns, refunds, tax payments etc.

(ii) Simple tax regime with fewer exemption.

(iii) Reduction in complaints caused no multiply record keeping for a variety of taxes so lasser investment of resource and manpower in maintaining records.

(C) Benefits of Consumers

(i) final price of goods is expected to be lower due to seamless flow of input tax credit between the manufacturer retailer and supplier of services.

(ii) average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption.

Opportunities

An end to cascading effects this will be major contribution of GST for the business and commerce. At present, there are different state level and Central level indirect taxes levies that are compulsory on after another on the supply chain till the time of its utilisation.

Growth of Revenue in States and Union

It is expected that the introduction of GST will increase the tax base but lowers down the tax rates and also removes the multiply points. This will leads to higher amount of revenue to both the states and the union.

Reduces transaction costs unnecessary wastages

If government works in an efficient mode, it may be also possible that a single registration and single complaints will suffice for both SGST and CGST provided government produce effective IT infrastructure and integration of such infrastructure of such level with the union.

Eliminates the multiplicity of taxation

On the great advantages that a tax payer can expect from GST is elimination of multiplicity of taxation the reduction in the number of taxation applicable in a chain of transaction will help to clean up current mess that is bought by existing indirect tax laws.

One Point Single Tax

Another feature that GST must hold it is should be 'one-point single taxation'. This also gives a lot of comforts and confidence to business community that they would focus on business rather than worrying about other taxation that make crop at later stage. This will help the business community to decide their supply chain pricing modality and in the long run helps to consumers being goods competitive as prize will go longer be the function of tax components but function of sheer business intelligence and innovation.

Reduces average tax burden

Under GST mechanism the cost of tax that consumers have to bear will be certain and GST would reduce the average tax burdens on the consumers.

Reduces the corruption

It is one of the major problems that India is overwhelmed with. We cannot expect anything substantial unless there exist the political will to root it out. This will be a step towards corruption free Indian revenue service.

Conclusion

The introduction of the GST by government was to align the Indian taxation system with Global standards and make ease of doing business with India easier than before. And the domestic level the propose behind GST was to replace the plethora of taxes such as sales taxes, exercise taxes, octai and others with a single uniform tax across the country and make the movement of goods plan India smoother. The long term benefits of GST would be enormous for the country and trade. The success of present GST depends upon the processes to be adopted for governance of the tax. The backbone of GST is IT so its success will depend upon the IT infrastructure of the country. Considering the socio economic conditions of the country it's a big task on government of India to make this transition of tax system effective.

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