

GOODS AND SERVICE TAX(GST): AN OVERVIEW

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Abstract

GST is meant to simplify the Indian indirect tax regime by replacing a host of taxes by a single unified tax, thereby subsuming central excise, service tax, VAT, entry tax, etc. However, there is a plethora of challenges before the government for its successful implementation. GST is one of the most critical tax reforms in India. It is a comprehensive tax system that will subsume all indirect taxes of State and central Governments and whole economy into seamless nation in national market. It is expected to remove the burden of existing indirect tax system and play an important role in growth of India. GST includes all Indirect Taxes which will help in growth of economy and proves to be more beneficial than the existing tax system. GST will also help to accelerate the overall Gross domestic Product (GDP) of the country GST is now accepted all over the world and countries are using it for sales tax system.

Keywords: GST, Direct tax, Indirect tax

Introduction

Goods and Services Tax or Indian version of GST is a destination based tax proposed by the government with the aim to eliminate several indirect taxes like VAT, Central Excise Duty, Sales Tax, Service Tax, etc. It is fondly described as one tax for one nation. However, unlike GST of other countries, Indian GST is anything but one tax. It is actually a culmination of three taxes – Central Goods and Service Tax (CGST), Integrated / Interstate Goods and Service Tax (IGST) and State Goods and Service Tax (SGST). CGST and SGST both will be levied on intra-state supply of goods and services while IGST will be applicable on inter-state supply of goods and services in India. Since it is a destination based tax, it will be levied at all stages right from manufacturer up to the final consumer with credit of taxes paid at previous stages available as set off. In short, tax will be levied only on value addition and the final burden of tax will be borne by the ultimate consumer. Both CGST and SGST are planned to be levied on same tax base. While CGST is expected to replace all central indirect taxes like Excise Duty and Service Tax etc., SGST is expected to make VAT, Entertainment Tax (other than the one levied by Local Body), Luxury Tax, Purchase Tax, Octroi /Entry Tax, cesses and surcharges, taxes on lottery or betting etc. redundant. However, certain goods like human consumable alcohol, tobacco products, motor fuels, crude petroleum, natural gas, aviation turbine fuel will still be chargeable to Excise Duty.

Meaning

The Goods and Services Tax (GST) is a value-added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services also referred to as Value-Added Tax (VAT) in some countries.

Objectives of GST

- Eliminate classification dispute between goods & services.
- Uniformity of tax rates and automated compliances.
- Ensuring availability of input tax credit across the value chain
- Simplification of registration, filing of return, tax administration and compliance.
- Harmonization of tax base, laws, and administration procedures across the country.
- Minimizing tax rate slabs to avoid classification issues.
- Prevention of unhealthy competition among states.
- Increasing the tax base and raising compliance.
- Removal of cascading effect.
- Free movement of Goods across the country without any additional tax.

Benefits of GST to the Indian Economy

Amidst economic crisis across the globe, India has posed a beacon of hope with ambitious growth targets, supported by a bunch of strategic undertakings such as the Make

in India and Digital India campaigns. The Goods and Services Tax (GST) is another such undertaking that is expected to provide the much needed stimulant for economic growth in India by transforming the existing base of indirect taxation towards the free flow of goods and services. GST is also expected to eliminate the cascading effect of taxes. India is projected to play an important role in the world economy in the years to come. The expectation of GST being introduced is high not only within the country, but also within neighboring countries and developed economies of the world.

- Removal of bundled indirect taxes such as VAT, CST, Service tax, CAD, SAD, and Excise.
- Less tax compliance and a simplified tax policy compared to current tax structure.
- Removal of cascading effect of taxes i.e. removes tax on tax.
- Reduction of manufacturing costs due to lower burden of taxes on the manufacturing sector. Hence prices of consumer goods will be likely to come down.
- Lower the burden on the common man i.e. public will have to shed less money to buy the same products that were costly earlier.
- Increased demand and consumption of goods.
- Increased demand will lead to increase supply. Hence, this will ultimately lead to rise in the production of goods.
- Control of black money circulation as the system normally followed by traders and shopkeepers will be put to a mandatory check.
- Boost to the Indian economy in the long run.

These are possible only if the actual benefit of GST is passed on to the final consumer. There are other factors, such as the seller's profit margin, that determines the final price of goods. GST alone does not determine the final price of goods.

The Positive impact of GST on Indian Economy

According to the latest reports, the introduction of GST would help India to gain \$15 billion every year.

- It will reduce the number of indirect taxes.
- The Prices of products and services would reduce. So this tax system would be beneficial for the people who are paying huge prices.
- With the introduction of GST, all indirect taxes would come under a single roof.
- Marketing would be developed.

- Corruption-free taxation system.
- Improved exports
- More opportunities for employment

The Negative impact of GST on Indian Economy

GST also has some negative impact on our economy

- Three major tax revenue earning sectors petroleum products, alcohol and electricity do not fall under GST. The state government will levy the tax on these sectors. The inclusion of these sectors in GST would be done mostly on the basis of the tax revenue earned by the state governments from GST. Services sector like telecom, restaurants would have a negative impact created by a higher tax rate.
- GST is a confusing term where double tax is charged in the name of a single taxation system.
- The Central excise tax is levied at the time of Manufacturing but GST is levied till the selling stage.
- Real Estate could have a negative impact, some economist predict that it will add up to 8% to the cost of new homes and reduce demand closely by 12%.

Challenges of GST

GST will be the biggest reform in Indian taxation since 1947, but there are many challenges for its successful implementation. Still fresh from the impact of demonetization, the unorganized cash based small wholesalers were served a final knockout with GST. Small shopkeepers and even dealers are now forced to buy their daily grocery supplies from GST compliant wholesale chains like Walmart and Metro cash. Aside from a slight price rise of daily use consumer goods, the unorganized sector also needs to maintain proper GST compliant bills and invoices to survive in the post-GST regime. Creating different invoices for goods with different GST rates can be tedious and time-consuming. Various provisions of GST are still ambiguous. Categorization of goods and services in various cases is still unclear. Provisions for anti-profiteering, as well as the now-deferred e-way bill, which tracks consignments across states, are unclear.

There has been opposition asking to including purchase tax by a few states. Other states are reluctant about alcohol, tobacco products coming under GST. This is due to the fact that a major chunk of state revenue is derived from these products.

Conclusion

The proposed GST regime is a half-hearted attempt to rationalize indirect tax structure. More than 150 countries

have implemented GST. The government of India should study the GST regime set up by various countries and also their fallouts before implementing it. At the same time, the government should make an attempt to insulate the vast poor population of India against the likely inflation due to implementation of GST. No doubt, GST will simplify existing indirect tax system and will help to remove inefficiencies created by the existing current heterogeneous taxation system only if there is a clear consensus over issues of threshold limit, revenue rate, and inclusion of petroleum products, electricity, liquor and real estate. Good tax system should keep in view issues of income distribution and, at the same time, also endeavor to generate tax revenues to support government expenditure on public services and infrastructure development. The ongoing tax reforms on moving to a goods and services tax would impact the national economy, International trade, firms and the consumers

There has been a good deal of criticism as well as appraisal of the proposed Goods and Services Tax regime.

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