HISTORY OF GST IN INDIA – BENEFITS OF GST IMPLEMENTATION

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Abstract
The impact of GST on macroeconomic indicators is likely to be very positive in the medium-term. Inflation would be reduced as the cascading (tax on tax) effect of taxes would be eliminated. The revenue from the taxes for the government is very likely to increase with an extended tax net, and the fiscal deficit is expected to remain under the checks. Moreover, exports would grow, while FDI (Foreign Direct Investment) would also increase. The industry leaders believe that the country would climb several ladders in the ease of doing business with the implementation of the most important tax reform ever in the history of the country. The government has categorized items in five major slabs - 0%, 5%, 12%, 18% and 28%. GST is boost competitiveness and performance in India's manufacturing sector. Multiple indirect taxes had also increased the administrative costs for manufacturers and distributors and with GST in place, the compliance burden has eased and this sector will grow more strongly. The long-anticipated implementation of this tax reform has required a massive rules-making effort with extensive discussions among government officials, business executives, tax and accounting firm leaders and other stakeholders. The introduction of the GST regime made amendments to the Constitution so that the Centre and states are empowered at the same time to levy and collect GST. This concurrent jurisdiction of the states and Centre also requires an institutional mechanism that ensures joint decisions are taken about the structure and operation of GST.
Keywords: *GST Rate, GST History, Pre GST.*

Introduction

GST the biggest tax reform in India founded on the notion of "one nation, one market, one tax" is finally here. The moment that the Indian government was waiting for a decade has finally arrived. The single biggest indirect tax regime has kicked into force, dismantling all the inter-state barriers with respect to trade. The GST rollout, with a single stroke, has converted India into a unified market of 1.3 billion citizens. Fundamentally, the $2.4-trillion economy is attempting to transform itself by doing away with the internal tariff barriers and subsuming central, state and local taxes into a unified GST. The impact of GST on macroeconomic indicators is likely to be very positive in the medium-term. Inflation would be reduced as the cascading (tax on tax) effect of taxes would be eliminated. The revenue from the taxes for the government is very likely to increase with an extended tax net, and the fiscal deficit is expected to remain under the checks. Moreover, exports would grow, while FDI (Foreign Direct Investment) would also increase. The industry leaders believe that the country would climb several ladders in the ease of doing business with the implementation of the most important tax reform ever in the history of the country. The GST Council in its 23rd meeting on November 10, 2017 recommended widespread changes in the Goods and Services Tax (GST).

Table -1 GST Rates Structure

Tax Rates	Products	Products
0%	Milk	Kajal
	Eggs	Educations Services
	Curd	Health Services
	Lassi	Children's Drawing & Colouring Books
	Unpacked Food grains	Unbranded Atta
	Unpacked Paneer	Unbranded Maida
	Gur	Besan
	Unbranded Natural Honey	Prasad
	Fresh Vegetables	Palmyra Jaggery
	Salt	Phool Bhari Jhadoo
5%	Sugar	Packed Paneer
	Tea	Coal
	Edible Oils	Raisin
	Domestic LPG	Roasted Coffee Beans
	PDS Kerosene	Skimmed Milk Powder
	Cashew Nuts	Footwear (< Rs.500)
	Milk Food for Babies	Apparels (< Rs.1000)
	Fabric	Coir Mats, Matting & Floor Covering
	Spices	Agarbatti

	Coal	Mishti/Mithai (Indian Sweets)
	Life-saving drugs	Coffee (except instant)
12%	Butter	Computers
	Ghee	Processed food
	Almonds	Mobiles
	Fruit Juice	Preparations of Vegetables, Fruits, Nuts or other parts of Plants including Pickle Murabba, Chutney, Jam, Jelly
	Packed Coconut Water	Umbrella
18%	Hair Oil	Capital goods
	Toothpaste	Industrial Intermediaries
	Soap	Ice-cream
	Pasta	Toiletries
	Corn Flakes	Computers
	Soups	Printers
28%	Small cars (+1% or 3% cess)	High-end motorcycles (+15% cess)
	Consumer durables such as AC and fridge	Beedis are NOT included here
		Luxury & sin items like BMWs, cigarettes and aerated drinks (+15% cess)

Source: India GST.

India GST

Momentous Change The proposed dually-controlled Goods and Services Tax (GST) system would impose levies on a taxation base shared between the Centre (i.e., the federal level) and India's states and Union territories. The new GST system would replace complex value-added tax (VAT) systems which currently exist at the federal and state levels along with a confusing collection of numerous additional duties and taxes. The long-anticipated implementation of this tax reform has required a massive rules-making effort with extensive discussions among government officials, business executives, tax and accounting firm leaders and other stakeholders. While the expected move to a more straightforward tax regime is welcome to many, the proposed system differs in numerous and significant ways from the existing VAT regime. As such, complying with the new GST system will require considerable changes within tax departments, which will also face some new challenges.

What is GST?

Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. In simple words, Goods and Service Tax is an indirect tax levied on the supply of goods and services. GST Law has replaced many indirect tax laws that previously existed in India.GST is one indirect tax for the entire country.

Value Addition

The manufacturer who makes biscuits buys flour, sugar and other material. The value of the inputs increases when the sugar and flour are mixed and baked into biscuits. The manufacturer then sells the biscuits to the warehousing agent who packs large quantities of biscuits and labels it. That is another addition of value after which the warehouse sells it to the retailer. The retailer packages the biscuits in smaller quantities and invests in the marketing of the biscuits thus increasing its value's will be levied on these value additions i.e. the monetary worth added at each stage to achieve the final sale to the end customer.

History of GST in India

- **August 2016**: The Congress-led opposition finally agrees to the Government's proposal on the four broad amendments to the Bill. The Bill was passed in the Rajya Sabha.
- **September 2016**: The Honorable President of India gives his consent for the Constitution Amendment Bill to become an Act.
- **2017**: Four Bills related to GST become Act, following approval in the parliament and the President's assent:

Tax Structure before GST

- Before the implementation of GST, taxation laws between the Centre and states were clearly demarcated. There were no overlaps between the fiscal powers, whatsoever. The Centre would levy tax on goods manufacture, except alcohol for consumption, narcotics, opium, etc.
- The states had the power to charge tax on the sale of goods.
- The Centre would levy the Central Sales Tax that was collected by the originating states.

Key features of the GST regime

The GST system is characterized by the following features:

- GST is applicable on the "supply" of services or goods as opposed to the earlier concept of taxation on goods manufacture, sale of goods, or service provision.

- GST is a destination-based tax structure unlike the origin-based structure that existed previously.
- CGST, IGST, and SGST/UTGST are levied at rates that would be mutually agreed upon by the states and Centre.

A taxpayer with annual turnover of Rs.20 lakh is exempt from GST. For special category states, this cut-off is Rs.10 lakh. An option of compounding is available to small-scale taxpayers with annual turnover of Rs.50 lakh or below. The choice of threshold exemption and the compounding scheme are optional.

Input credit of CGST shall be used only for paying CGST on the output. Similarly, input credit of SGST/UTGST will be used only for the payment of SGST/UTGST. Therefore, the two channels of input tax credit cannot be cross-utilized, except for the payment of IGST for inter-state supplies.

Conclusion

Goods and Services tax (GST) has been identified as one of most important tax reforms post-independence. It is a tax trigger, which will lead to business transformation for all major industries. The GST Council consisting of representatives from the Centre as well as the states, after being constituted, met on twelve occasions to discuss various issues including dual control, GST laws, exemptions, thresholds, rate structure, compensation cess etc. and reached consensus on the same. Council has also recommended four-tier GST rate structure and the thresholds.

References

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