

A Comparative Report of GST after Implementation in India

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ABSTRACT

In today's scenario we pay various taxes i.e. Direct and Indirect taxes, which are felt as burden on us and due to these taxes the corruption is increasing. So, to overcome from all these taxation system the Central Government has decided to make one tax system i.e. Goods and Services Tax (GST). It is one of the significant steps towards the development of the country. It is one of the biggest tax revolutions which is all set to integrate the state and national economy to boost the overall growth of the country. Presently companies and businesses pay multiple taxes which increase the cost of product and also hamper the profit level of the company. Multiple tax and complex taxation system is one of the biggest hurdles for economic growth of the country. Once the GST system is applied there would be single tax system which would record a significant development in comprehensive indirect taxation reform. Under the GST system there would be only one rate applicable for both goods and services. GST will create a business friendly environment, as prices will fall and it would also control the inflation rates. This paper will help to understand GST and also show that what will be the impact of GST after its implementation, difference between present Indirect Taxes and GST and what will be the benefits and challenges of GST after implementation.

Keywords: Central, State, Dual, GST, Indirect Tax, Direct Tax, Economic development, Indian Economy.

1. INTRODUCTION

India is the hub of taxes where people pay many taxes which create confusion for them. Presently we pay two types of taxes i.e. Direct and Indirect in various sectors. Direct Taxes paid directly to the government by the taxpayer i.e. Income Tax, Wealth Tax, and Corporation Tax. Indirect Tax is a tax levied on goods and services rather than on income or profits. It is not directly paid to government but collected from intermediaries (such as retail stores) from the person who bears the ultimate economic burden of the tax (such as consumers). The intermediary later files a tax return and forwards the tax proceeds to government with the return for example Sales Tax, VAT, Excise Duty, and Custom Duty and so on.

Experts say that GST will help in economic growth of the country. It is estimated that GST will help in creation of single, uniform market that will benefit both corporate sector and the Indian economy. Both the State and the Central Government will levy GST on almost all goods and services produced in India or imported into the country. Direct taxes, such as income tax, corporate tax and capital gains tax will not be affected by GST. It will make Indian's tax structure, elaborate and create a similar market across states. GST will replace different Indirect Tax levies i.e. Sales Tax, Service Tax, VAT, Excise Duty, Custom Duty, Countervailing Additional Duty, Special Additional Duty, Securities Transaction Tax, Stamp Duty, Entertainment Tax, Anti-Dumping Duty, Local Body Taxes, Property Tax, Entry Tax, Tax and Duties on electricity, Tax on Goods and Passengers and compliance cost will fall which will lead in getting life simpler.

This process will help to increase India's tax-to-gross domestic product ratio. According to experts GST is regarded to increase economic growth by between 0.9% and 1.7%. Exports are expected to increase economic growth by between 3.2% and 6.3%, were as imports will likely raise 2.4% – 4.7%. GST is a Value Added Tax (VAT) to be implemented in India, from April 01, 2017. Government has promised that GST will reduce the compliance burdens at present. One of the aims of introducing GST is to reduce the cascading effects of taxes which are primary focus of VAT, but VAT system is not comprehensive enough to do so. It would be applicable to all transactions of goods and service. It is to be paid to the accounts of the Centre and the States separately. The rules for taking and utilization of credit for the central GST and the State GST would be aligned. Cross utilization of input tax credit between the Central GST (CGST) and the State GST (SGST) would not be allowed except in case of inter-state supply of goods.

The Centre and the States would have concurrent jurisdiction for the entire value chain and for all taxpayers on the basis of thresholds for goods and services prescribed for the states and the Centre. The taxpayer would need to submit common format for periodical returns, to both the central and to the concerned State GST authorities. Each taxpayer would be allotted a PAN-linked Taxpayer Identification Number (TIN) with a total of 13/15 digits. Till now 22 States ratify GST, which are as follows: Bihar (16 August), Jharkhand (17 August), Himachal Pradesh (22 August), Delhi (24 August), Nagaland (26 August), Maharashtra (29 August), Haryana (29 August), Telangana (30 August), Sikkim (30 August), Mizoram (30 August), Goa (31 August), Odisha (1 September), Pondicherry (2 September), Rajasthan (2 September), Andhra Pradesh (8 September), Arunachal Pradesh (8 September), Meghalaya (9 September), Punjab (12 September) thus it seems that GST will lead to growth in country.

Brief Timeline of GST:

GST was firstly introduced in France in 1954, with introduction of GST France became the first country ever to introduce GST. Its introduction was requiring because very high sales taxes and tariffs encourage cheating and smuggling. After France it was adopted by 165 nations. Now, India is also going to adopt it. After its implementation in India, India will become 166th nation to adopt it. In India before 16 years, in 2000 Shri Atal Bihari Vajpy brought this system but no one paid attention on it and due to some reasons it was not passed. On 28th February 2006, the finance minister P. Chidambaram, had announced the target date for implementation of GST on 1 April, 2010. The Constitution (122nd Amendment) Bill was introduced in the Lok Sabha by Finance Minister Arun Jaitely, on 19th December 2014, and passed by the house on 6th May 2015. The bill was passed by Lok Sabha on August 2016. The bill, after ratification by the States, received assent from President Pranab Mukherjee on 8th September 2016. GST bill is brought for the reason that the different taxes paid by us on different rates would be brought under one roof so that all the taxes may get cancelled and only one tax is paid which is GST. Goods and Services Tax (GST) will include one tax one nation; this statement was given by the honorable Prime Minister Mr. Narendra Modi of India. In today's scenario we pay 30% to 35% tax on different things but with GST it will be only 18%, which shows it will be beneficial and one main thing that GST will remain similar in all nation.

Advantages of GST

Under GST regime the burden of taxation will be allocated fairly between manufacturing and services via lower tax rates resulting in increased tax base and minimized exemptions. It is anticipated to help in establishing an effective and transparent tax administration. It is expected to remove the cascading effects of taxes and help in establishing of common national market. Apart from this some more advantages of GST are listed below:

For Citizen

- Simpler tax system
- Reduction in prices of goods and services due to elimination of cascading.
- Uniform prices throughout the country.
- Transparency in taxation system.
- Increase in employment opportunities.

For Trade/Industry

- Reduction in multiplicity of Taxes
- Mitigation of cascading /double taxation
- More efficient neutralization of taxes especially for exports
- Development of common national market.
- Simpler tax regime-fewer rates exemption.

For Central/ State Governments.

- A unified common national market to boost Foreign Investment and "Make in India" campaign
- Boost to export /manufacture activity, generation of more employment, leading to reduced poverty and increased GDP growth.
- Improving the overall investment climate in the country which will benefit the development of the states.
- Uniform SGST and IGST rates to reduce the incentives for tax evasion.
- Reduction in compliance costs as no requirement of multiple records keeping.

Need of the study:

This study will help us to understand GST, examine the impact of GST after its implementation, it will show the gap between present indirect taxes and GST, & also the study will show benefits and challenges which GST may face after implementation.

2. REVIEW OF LITERATURE

Poonam, 2017 in her study, she had cleared that GST would be a very important step in the field of indirect taxation. The cascading and double taxation effects can be reduced by combing central and state taxes. Consumer's tax burden will approximately reduce to 25% to 30% when GST is introduced. After introduction of GST concept, Indian manufactured products would become more and more competitive in the domestic and international markets. This taxation system would instantly encourage economic growth. GST with its transparent features will prove easier to administer. In this paper the author has tried to attempt to spot the concept of GST & its current status in India. Paper has tried to give information about GST system. The study also aims to be familiar with the advantages and challenges of GST in Indian scenario.

Dr. R. Vasanthagopal (2011) studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

Pinki et al. (2014) studied, "Goods and Service Tax- Panacea For Indirect Tax System in India" and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Nitin Kumar (2014) studied, "Goods and Service Tax- A Way Forward" and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Kumar (2014) studied, "Goods and Service Tax - A way forward" and concluded that after implementation of GST in India many indirect tax system will be finished and there will be only one tax i.e. GST which is expected to encourage unbiased tax structure.

Anushuya and Narwal (2014) studied, "Application of CGE Modals In GST" and concluded that both GST & CGE are very popular all over the world but GST is a powerful concept in the field of indirect taxes.

Chaurasia et al. (2016) Studied, "Role of Goods and Services Tax in the growth of Indian economy" and concluded that in overall GST will be helpful for the development of Indian economy and this will also help in improving the Gross Domestic Products of the country more than two percent.

Shefali Dani has proposed that GST regime is a half-hearted attempt to rationalize indirect tax structure. Approximately more than 150 countries have implemented GST concept. As per researcher government of India must study the GST regime set up by various countries and also their fallouts before implementing GST. It is the need of hour that, the government must make an attempt to insulate the vast poor population of India, against the inflation due to implementation of GST. There is no doubt, GST will simplify its existing indirect tax system and will have to help to remove inefficiencies created by the existing current heterogeneous tax 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.

Ehtisham Ahmed and Satya Poddar (2009) studied, "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

3. RESEARCH PROBLEM

The concept of Goods and Service Tax (GST) is one of the biggest revolutions in decades around the world. But it seems that India is taking very slow steps to meet target. This research intends to focus on understanding concept of goods and service tax and its impact on Indian economy.

Objectives of the Study

- To study the concept of Goods and Services Tax (GST)
- To enquire the impact of GST after its implementation.
- To find out difference between present indirect taxes and GST.
- To identify benefits and challenges of GST after implementation.
- To furnish information for further research work on GST.

Research Methodology

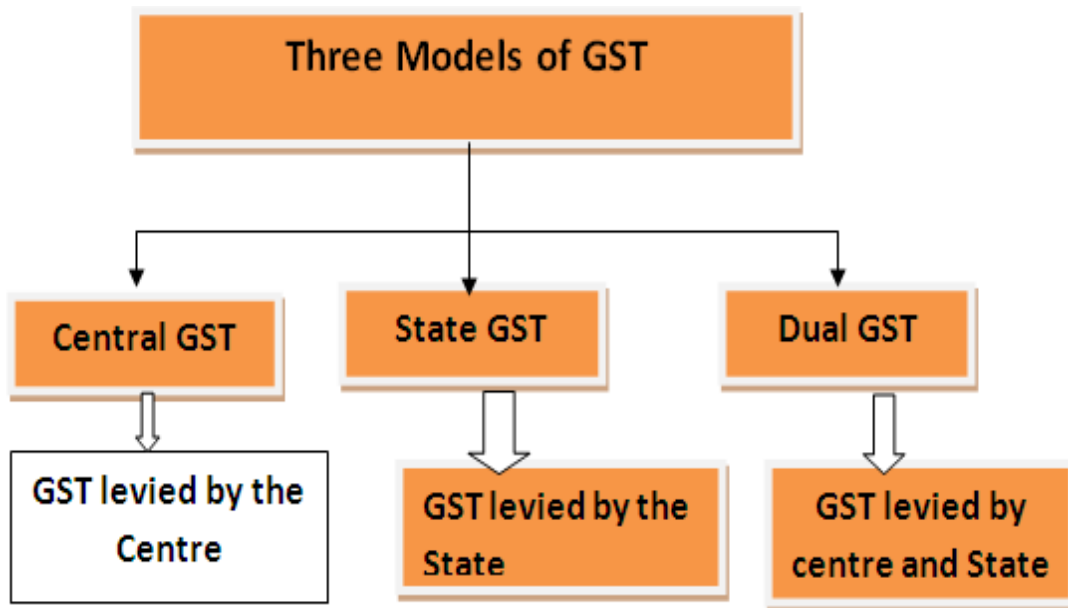
Being an explanatory research it is based on secondary data of journals, articles, newspapers and magazines. Considering the objectives of study descriptive type research design is adopted to have more accuracy and rigorous analysis of research study. The accessible secondary data is intensively used for research study.

Analysis/Discussion

Models of GST:

There are three prime models of GST, which are available in existing literatures which are as follows:-

- GST at Central (Union) Government Level only
- GST at State Government Level only
- GST at both, Union and State Government Levels



Source: <http://www.gstindia.com/>

Figure 1: Model on GST

For Intra State Transactions: In case of Intra State transactions, Seller collects both CGST & SGST from the buyer and CGST needs to be deposited with Central Govt. and SGST with State Govt.

For Inter State Transactions: Integrated Goods and Service Tax (IGST) shall be levied on Inter State transactions of goods and services which are based on destination principle. Tax gets transferred to Importing state. Moreover it is proposed to levy an additional tax on supply of goods, not exceeding one percent, in the course of inter-state trade or commerce, to be collected by the Central Government for a period of two years, and assign to the States where the supply originates. Exports and Supplies to SEZ units will be zero rated. Under this total amount of GST for any goods or service will be distributed in both State and Central exchequers. According to our Union Finance Minister, GST will add 2 percent to the National GDP.

In India the expected model of GST will be “Dual GST” which is combination of both CGST and SGST. All the goods and services bearing certain exemption of taxes will be brought under GST where the difference between the goods and services is ignored.

The important features of Dual GST in India after implementation are as under:-

1. The CGST will be governed by Center and SGST will be governed by State.
2. The VAT system may be replaced by SGST while CENVAT and Service tax may be replaced by CGST.
3. Certain Indirect Taxes subsumed under CGST are Excise duty, Additional Excise Duty, Excise Duty under Medicinal and Toilet Preparation Act, Service Tax, Additional Custom Duty commonly known as Countervailing Duty (CVD), Special Additional Duty (SAD), Surcharge and CENVAT.
4. Taxes subsumed under SGST are Value added tax (VAT), Entertainment Tax levied by State, Luxury Tax, Tax on Lottery, Betting and Gaming, Entry Tax other than for Local bodies.
5. The rates of different goods and services may separately be decided by CGST and SGST keeping in view the burden of different taxes, capability of common man to pay tax etc.
6. Certain products are excluded from GST like Petroleum, Liquor and Tobacco.
7. With CGST and SGST exports of goods will be zero rated.
8. Taxes which are collected by local bodies are not subsumed in GST system.

Cross-utilization for payment of CGST and SGST is not allowed. The cross utilization of inputs between CGST and SGST is not allowed which means inputs of central GST can be utilized only for the payment of CGST and inputs of state can be utilized only for the payment of state.



(Source: - Hindu Business Line, dated 30-06-2009)

Figure 2: Model for Cross-utilization for payment of CGST and SGST is not allowed.

Comparative study of Indirect Taxes after implementation of GST

Table 1 reveals that the percentage of taxes before and after implementation of GST, like on package products we pay 4-5% taxes but after the implementation of GST it would be total 18%, which shows that all package products would turn costly which will affect common man. After package products we see that on readymade garments we also pay 4-5% of taxes but after GST it will be 18% so our readymade garments would also be costly like this jewellery, mobile, credit cards etc. would also turn costly but cars, home appliance etc. would be cheaper. Here we can conclude that after implementation of GST common man will suffer because he would not be able to satisfy his wants completely but there would be no impact on rich people.

Table 1: Tax before and after implementation of GST

Goods	Before	After
Package products	4-5%	18%
Readymade Garments	4-5%	18%
Jewellery	3%	18%
Mobile & credit cards	15%	18%
Cars	30-44%	18%
Home appliance	12.5% & 14.5% (Excise & VAT)	18%

Source: <http://www.gstindia.com/>

Table 2 reveals the impact of GST after implementation, it can be understood clearly from the table which shows the rate of goods increasing and decreasing after implementation of GST this table also shows some goods on which there is no implementation of GST. The first row shows the goods whose rate will decrease after GST and second row shows increase in rates of goods after GST. Thus these were some of the items which are affected after the implementation of Goods and Services Tax.

Table2: Expected price movement for items upon implementation of decrease

Decrease	No GST	Increase
Television	Bread, white & whole meal	Mobile phone
Refrigerator	Cooking oil(palm oil, coconut oil & groundnut oil)	Computer
Air- conditioner	Beef, mutton, lamb, chicken & pork	Eye-pad& tablet
Spark plug, brake pad & car battery	Local fruits	Photocopy machine
Home theater system	Diesel	Digital photo printing
Hair dryer	Petrol unleaded 95	Transportation of goods
Electric fan & toaster	Rice	Drinking water
Gas cooker- double burner	Fresh vegetables	Magazines
Electric Iron	Fresh fish & prawns	Fish balls
Cotton bath towel	Powdered milk	Canned sardine & tuna
Colour pencil	Chicken & duck eggs	Lipstick
Toothbrush	Public transport	Nail colour
Dettol, antiseptic	Motor oil	Motorcycle, 110cc
Dinning set (6 chairs)	Engine oil	Watches
Diapers	Private clinic x-ray	Ice cream
Car 850cc	Toll	Cheese
Toothpaste	Chilli	Oats & cereals
Plastic mat	Alcohol	Chilli sauce, oyster sauce etc
Imported fruits	Tobacco	- - -
Soft drink	- - -	- - - -
	- - -	- -

Source: <http://www.gstseva.com/>

Impact of GST on Indian Economy Expect reduction in prices of:

- FMCG goods such as shampoos, chocolates
- Eating out
- Small cars
- DTH

Increase in prices of:

- Luxury cars
- Tobacco
- Aerated beverages
- Textiles

Challenges of GST in Indian Context

GST will be the biggest reform in Indian taxation since 1947, but there are many challenges for its successful implementation. These are as under:

- **Consent of States:** For implementing it is critical that GST bill is passed by the respective state Governments in state assemblies so as to bring majority. This is a herculean task.
- **Revenue Neutral Rate (RNR):** It is one of Prominent Factor for its success. We know that in GST regime, the government revenue would not be the same as compared to the current system. Hence, through RNR Government is to ensure that its revenue remains the same despite of giving tax credits.

- **Threshold Limit in GST:** While achieving broad based tax structure under GST, Both empowered committee and Central Government must ensure that lowering of threshold limit should not be a “taxing” burden on small businessmen in the country.
- **Robust IT Network:** Government has already incorporated Goods and service tax network (GSTN). GSTN has to develop GST portal which ensure technology support for GST Registration, GST return filing, tax payments, IGST settlements etc. Thus there should be a robust IT backbone.
- **Extensive Training to Tax Administration Staff:** GST is absolutely different from existing system. It, therefore, requires that tax administration staff at both Centre and state to be trained properly in terms of concept, legislation and Procedure.

Additional Levy on GST: The Purpose of additional Levy is to compensate states for loss of revenue while moving to GST. We acknowledge that fundamental purpose of GST is to make “INDIA” as one state where inter-state movement of goods is common. In this situation, it would defeat the very purpose of GST in the country.

CONCLUSION

Due to dissilient environment of Indian economy, it is demand of time to implement GST. Consumption and productions of goods and services is undoubtedly increasing and because of multiplicity of taxes in current tax regime administration complexities and compliance cost is also accelerating. Thus, a simplify, user -friendly and transparent tax system is required which can be fulfilled by implementation of GST. Its implementation stands for a coherent tax system which will colligate most of current indirect taxes and in long term it will lead to higher output, more employment opportunities and flourish GDP by 1-1.5%. It can also be used as an effective tool for fiscal policy management if implemented successfully due to nation-wide same tax rate. It execution will also results in lower cost of doing business that will make the domestic products more competitive in local and international market. No doubt that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector. But all this will be subject to its rational design and timely implementation. There are various challenges in way of GST implementation as discussed above in paper. They need more analytical research to resolve the battling interest of various stake holders and accomplish the commitment for a cardinal reform of tax structure in India.

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