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Independent India's Biggest Reform: Goods and Services Tax

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ABSTRACT

Introduction of goods and services tax would be a very significant step in the field of indirect tax reform I India. By amalgamating a large number of central and state taxes into a simple tax and allowing set-off of prior stage taxes. It would be mitigate the ill-effects of cascading and pave the way for common national market. For the consumers, the biggest gain would be in terms of a reduction in the overall tax burden on goods, which is currently estimated @25%-30%. Introduction of GST would also make our products competitive in the domestic and the international market. Study shows that this would be instantly spur economic growth. There may also be revenue gain for the center and states due to widening of tax base, increase the trade volume and improved tax compliance. At last but not least, this tax, because of its transparent characters would be easier to administer.

INTRODUCTION

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What is Goods and Services Tax?

It is a destination based tax on consumption of Goods and Services. It is proposed to be levied at all stages right from manufacturer up to final consumption with credit of taxes paid at previous stages available as set off in a nutshell, only value addition will be taxed and burden of tax is to be borne by the final consumer. GST Bill was introduced in Lok Sabha on 23rd March 2017 which received president assent on 12th April 2017. Under the article 370 of J&K GST could not implement in this state on 1st July 2017 but 6th July GST implemented in pan India.

GST Act, 2017 is divided in 21 chapters.

These are follows:-

1. Preliminary
2. Definitions
3. Administrations
4. Levy and collections of tax
5. Time and value of supply
6. Input tax credit
7. Registrations
8. Tax invoice, credit and debit notes
9. Accounts and records
10. Returns

11. Payment of tax
12. Refunds
13. Assessment
14. Audit
15. Inspection, search, seizure and arrest
16. Demands and recovery
17. Liability to pay in certain cases
18. Advance ruling
19. Appels and revision
20. Offenses and penalties and
21. Miscellaneous.

Which of the existing taxes are proposed to be subsumed under Goods and Services Tax. The GST would replace the following taxes:-

Taxes currently levied and collected **by the Union:**

- Current Excise Duty,
- Duties of Excise (Medical and toilet preparations)
- Additional duties of excise (Goods of special importance)
- Additional duties of excise (textiles and textile products)
- Additional Duties of Customs (Commonly known as CVD)
- Special Additional duties of customs (SAD)
- Service Tax
- Central Surcharges and cesses so far as they relate to supply of goods and sevices.

Taxes currently levied and collected **by the States:**

- Central Sales Tax or CST
- State Value Added Tax or VAT
- Entry Tax
- Luxury Tax
- Taxes of Advertisement
- Entertainment and Amusement Tax
- Purchase Tax
- Taxes on Lotteries, betting and local gaming
- State surcharges and cesses of they relate to supply of Goods and Services.

The GST Council shall make recommendations to the union and states on the taxes and surcharges levied by the center, the states and the local bodies which may be subsumed in the GST.

How a Particular transaction of goods and services would be taxed simultaneously under C-GST and S-GST?

The Centre Goods Services Tax or C-GST and the State Goods and Services Tax or S-GST levied simultaneously on every transaction of supply of Goods and Services, goods which are outside the preview of GST and transactions which are below the prescribed threshold limits. Further, both would be levied on the same prices or value unlike state VAT which are levied on the value of the Goods inclusive of CENVAT. While the transaction of the supplier and the recipient within the country is the immaterial for the purpose of CGST and SGST would be chargeable only when the supplier and the recipient are both located within the state.

What is Integrated GST?

Under the GST regime, an I-GST would be levied and collected by the center on interstate supply of Goods and Services. Under article 269A of the constitution, the GST on supplies in the course of interstate trade or commerce shall be levied and collected by the Government of India and Such tax shall be apportioned between the union and states in the manner as may be provided by parliament by law on the recommendations of Goods and Services Tax Council.

How it will effect to the Indian Economy?

The GST will impact all business concerns in the country, but its effect will be different on each sectors. *There are different sectors are*:

Impact on Agriculture Sector

Over 58% of rural household depend on Agriculture as their principal means of livelihood. The sector is the largest employment generator in the country and covers about 16% of the GDP in term of taxations, not much is changed under the GST as all of the produce will still remain untaxed. However, the transportation of agri products across state lines will become easier at the GST provides a single market.

Impact on E-Commerce Sector

E-Commerce sector has been unprecedented growth in the last decade and is expected to breach the $100 billion marks by 2020. The companies face number of challenges, varying tax rates across sector among them. The GST will unify the country in to single market. There were enough regulations in terms of e-commerce industry but with GST, a standard will come in to effect for online retailers. Market-place operators like Flipkart, Snapdeal and Paytm are required to pay a certain amount in form of tax collection at source or tcs under the GST Law.

Impact on Automobile Sector

The Indian automobile industry is one of the largest and also the fastest growing. There is a Huge demand of two wheelers and passengers vehicle in the country which are largely produced within the country, generating millions of Jobs. There are several taxes applicable under the current tax system on this sector excise, vat, sales tax, registration duty which will be subsumed by the GST. The GST rates will be less than the effective tax and this will bring down the prices.

Impact on Retail Sector

Retail sector forms one of the largest chunk of unorganized economy while it provides millions of job and generates billions in trade, most of the whole sellers and retailers escape the tax net as there is no mechanism in place under the current law. Most of their transaction is done without an invoice and no entry is made in the books. However, that will change under the GST, every pertaining to taxable supply will have to be uploaded on GST-N Portal and will link the buyers, wholesalers and retailers it will now become very hard for traders to escape tax liability.

Impact on Service Sector

Service Sector is one of the biggest job providers in the country and also contributes immensely to the government coffers. In 2014 the effective service tax rate was 12.36% which has increased to 15%. However from the 1st July 2017, the most of the services will attract 18% tax. Essential services like education, health care have been exempted from the GST and luxury services like 5 star hotels, race club, betting and lotteries will face under 28% slab.

Impact on Real-estate Sector

Real Estate is one of the fastest growing and most pivotal part of the Indian economy. The sector plays a crucial role in employment generation and attraction huge investments. The 12% GST on real estate will replace a number of existing takes like VAT on constructions material, excise on raw material, entry tax levy in different states and 45% service tax. The tax has also been reduced on some raw material, like cement, under the GST. The burden will also get input tax credit for material he uses to pass on the reduced tax benefit to customers.

CONCLUSION

GST is a great move to the reform of Indirect Taxes in India. First move to the GST since 2003 in Vajpayee Government after that Manmohan Government worked on it and the finally after long distance 1st July 2017 GST launched by the Modi Government. GST will boost Indian economy and such tax reform contribute about 2% of GDP. Earlier Indirect Taxes Law was very elaborate and this was not easily understand to the persons only professionally in this field or Tax experts understand this but now GST not so complicated and easily understand and this will bring transparency as well.

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