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"Study on Prospects in Implementation of Goods and Services Tax (GST) in India"

Ms. Ayushi Patra
School of Law,
KIIT University

Abstract

The Researchers used an exploratory research technique based on past literature from respective journals, annual reports, newspapers and magazines covering wide collection of academic literature on Goods and Service Tax. According to the objectives of the study, the research design is of descriptive in nature. Available secondary data was extensively used for the study. To study about the Challenges of Introduction of Goods and Service Tax (GST in India). To Study on Prospects in Implementation of Goods and services Tax (GST) in India

Keywords: Rajya Sabha, global economy, goods and services tax, Central Tax,VAT.

Introduction of GST

In the summer of 2016, the Indian Congress approved the Goods and Services Tax (GST) legislation to simplify the current multilayered federal, state, and local indirect tax structure. The GST bill will unify at least ten types of indirect taxes into one tax to be collected at the state and federal levels. Under the existing structure, at each point of sale, additional taxes are applied to the after-tax value of each good and service. The main purpose for the GST is to eliminate this compounding effect by fixing the final tax rate, where goods will fall into one of four rate categories of 5, 12, 18, and 28 percent [2].

This note first documents India's current tax system and describes the changes approved under the new GST legislation. Second it dissects the effect of the new GST on Indian GDP and welfare through the effect on household and global exchange. Ongoing work, Van Leemput (2016), quantifies household and worldwide exchange hindrances in India, for example, shipping costs, tariffs, and so on. It gives proof that India's residential exchange boundaries are very connected without hardly lifting a finger of working together crosswise over states, proxied by the dimension of assessment rates and the multifaceted nature of the expense framework. The effects of the GST bill here are considered as an intriguing use of the quantitative model of Van Leemput (2016), dissecting these effects through a decrease in residential and global exchange hindrances. At last, this note looks at the affectability of the development and welfare results under an elective situation of the GST bill. 1. To contemplate the inexplicit assessments among the Manufactures, dealers and society about the Goods and Services Tax (GST). 2. To learn about the Challenges of Introduction of Goods and Service Tax (GST in India). 3. To Study on Prospects in Implementation of Goods and administrations Tax (GST) in India.

India has got a well-structured and simplified taxation system, wherein an authoritative segregation has been done among the Central Government, the different State Governments as well as the Local Bodies. The Department of Revenue under the Government of India's

Ministry of Finance is solely responsible for the computation of tax. This department levy taxes on individuals or organizations for income, customs duties, service tax and central excise. However, the agriculture-based income taxes are levied by the respective State Governments. Local bodies have got the power to compute and levy taxes on properties and other utility services like drainage, water supply and many others. The past 15 years have witnessed tremendous reformations of the taxation system in India. Apart from the rationalization of the rates of tax, simplification of the different laws of taxation has even been done during this period. However, the process of tax rationalization is still in progress in the Republic of India. Courtesy New Business Maps of India). The introduction of Goods and Service Tax (GST) in India is now on the horizon. The Constitution Amendment Bill to replace existing multiple indirect taxes by uniform GST across India. The current indirect tax structure is real hindrance in India's monetary development and aggressiveness. Expense obstructions as CST, passage charge and confined info charge credit have divided the Indian market. Falling impacts of expenses on cost make indigenous production less appealing. Complex different charges increment cost of consistence. In this situation, the presentation of GST is considered. 2. Evacuation of expense boundaries on presentation of uniform GST the nation over with consistent credit, will make India a typical market prompting economy of scale underway and proficiency in inventory network. It will grow exchange and business. GST will have ideal effect on composed strategic industry and modernized warehousing. 3. Electronic preparing of expense forms, discounts and duty installments through 'GSTNET' without human intercession, will decrease debasement and tax avoidance. Worked under tight restraints on business exchanges through consistent credit and return preparing will lessen scope for dark cash age prompting profitable utilization of capital. 4. Significant recipient of GST would be parts like FMCG, Pharma, Consumer Durables and Automobiles and warehousing and calculated industry. 5. High inflationary effect would be on telecom, saving money and monetary administrations, air and street transport, development and improvement of real estate, There are a few caveats in the analysis, which are important to highlight. First, this is a static model and hence, the impact of the GST should be interpreted as a long run effect. Second, the model is unable to address services trade which has become an important component of both domestic and international trade. In fact, the expected tax rate on services is higher than the current tax rate on services, which could therefore dampen the overall effects. Third, this note does not evaluate the impact on tax revenues. Even though the model predicts a decrease in tax revenue, there are reasons to believe that the GST could be revenue neutral. By simplifying the current complex tax system, the GST is expected to broaden the overall tax base through increased transparency and compliance. In addition, the increased rate on services might generate extra revenues.

1.1 What Is GST

GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017; Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition [1].

In simple words, Goods and Service Tax (GST) is an indirect tax levied on the supply of goods and services. This law has replaced many indirect tax laws that previously existed in India.

GST is one indirect tax for the entire country.

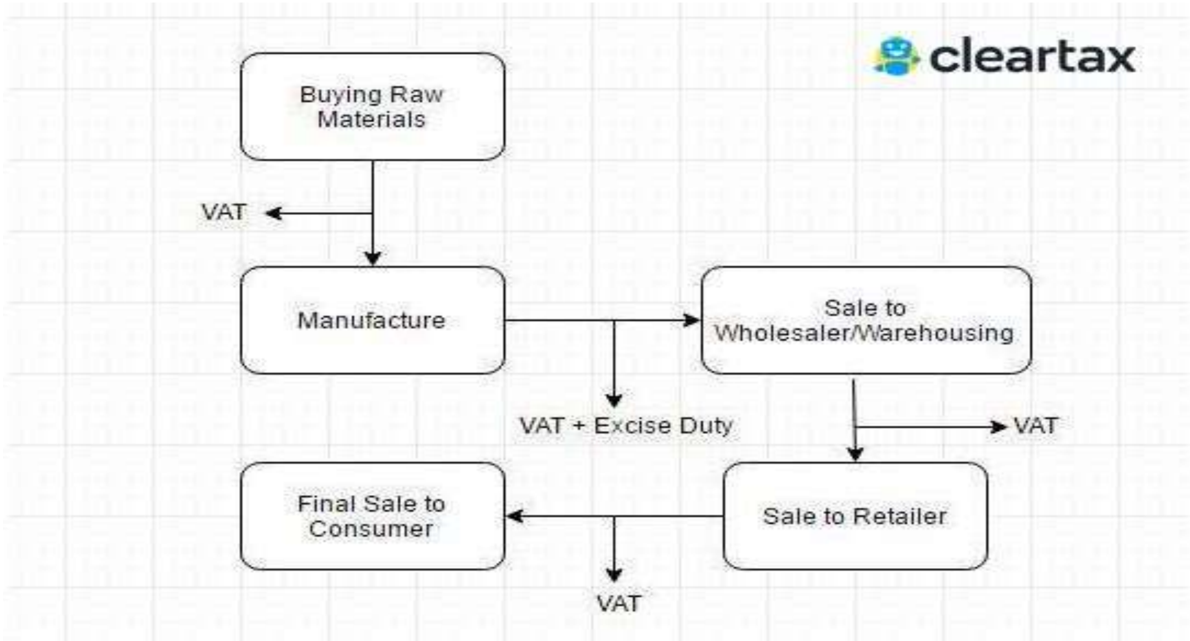

Figure 1 GST Flow Diagram

Under the GST regime, the tax is levied at every point of sale. In the case of intra-state sales, Central GST and State GST are charged. Inter-state sales are chargeable to Integrated GST.

Now let us try to understand the definition of Goods and Service Tax – “GST is a comprehensive, multi-stage, destination-based tax that is levied on every value addition.”

1.2. Advantages Of GST

GST has mainly removed the Cascading effect on the sale of goods and services. Removal of cascading effect has impacted the cost of goods. Since the GST regime eliminates the tax on tax, the cost of goods decreases. GST is also mainly technologically driven. All activities like registration, return filing, application for refund and response to notice needs to be done online on the GST Portal; this accelerates the processes [1].

1. Removing Cascading tax effects
2. Higher threshold for registration.
3. Online simpler procedure under GST.
4. Lesser Compliances.
5. Defined Treatment for e- commerce.
6. Increase efficiency in Logistic.

1.3 Disadvantages of GST [5]

1. Increased costs due to software purchase
2. Being GST-compliant
3. GST will mean an increase in operational costs
4. GST came into effect in the middle of the financial year
5. GST is an online taxation system
6. SMEs will have a higher tax burden.

1.4 Why in India, there is a need for GST?

Imposing several taxes on goods and services can lead to high cost and inefficient tax structure which can subject to shirking and revenue disclosures. The need for GST in Indian Taxation System will add value at each stage and will set off the rates both at state and at central level.

Introducing GST, will increase the efficiency of taxation, improves the economic growth and it will bring whole nation to one national market.

What happen in present scenario? Our present taxation system is very complex and very confusing, corruption chance is there, which leads to distrust of government, there are hidden tax for exports, whereas no charge applicable on Importing of Goods/Services from one state to another [6].

Just to overcome these issues, Rajya Sabha introduced GST bill, which will bring transparency to taxation and consumer will get to know how much tax amount they are paying to government for sale/ purchase/ manufacturing [6].

1.5 Silent Feature of GST

The GST would be applicable on the supply of goods or services.

- Other than alcoholic liquor for human consumption and five petroleum products.
- Destination based consumption tax
- Exports would be tax-free and imports taxed at the same rate as integrated tax (IGST)
- Tax payers with an aggregate turnover in a financial year up to Rs.20 lakhs would be exempt from tax.
- For special category states specified in Article 279A, the threshold exemption shall be Rs. 10 lakhs.
- Tax payers making inter-State supplies or paying tax on reverse charge basis shall not be eligible for threshold exemption.
- Small taxpayers with an aggregate turnover in a financial year up to Rs. 50 lakhs shall be eligible for composition levy.
- An Integrated GST (IGST) would be levied and collected by the Centre on inter-State supply of goods and services.
- HSN code shall be used for classifying the goods under the GST regime.

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- Taxpayers whose turnover is above Rs. 1.5 crores but below Rs. 5 crores shall use 2digit code and the taxpayers whose turnover is Rs. 5 crores and above shall use 4-digit code.
- For Services, Service Accounting Codes (SAC) shall be used

1.6 GST Rates

Rates: 0% (on essential items, rice/wheat)

- 5%: (on items of mass consumption)
- 12%/18% (standard rates covering most manufactured items and Services)
- 28% (on Consumer Durable Goods, Pan masala, tobacco and aerated drinks etc)
- Basic philosophy behind these rates are that, to the extent possible, the current combined rate of tax levied on individual goods by the Central and the State Governments should be maintained in GST
- Uniform GST rate not possible at this stage as luxury goods and goods consumed by poorer sections of society cannot be taxed at the same rate
- Rates will be notified by Government on recommendations of GST Council.

1.7 Role of GSTN: The IT Backbone of GST

- 70 to 80 Lakhs taxpayers;
- 260 to 300 Crores B2B invoice data per month
- More than 120,000 tax officials to work
- Monthly filing of returns
- Credit of ITC
- Creation of Business Intelligence reports and Analytics
- Both Central and States Tax Departments.

2. Constitutional amendment act. For GST

The One Hundred and First Amendment of the Constitution of India, officially known as The Constitution (One Hundred and First Amendment) Act, 2016, introduced a national Goods and Services Tax in India from 1 April 2017The GST is a Value added Tax (VAT) and is proposed to be an extensive roundabout assessment demand on production, deal and utilization of merchandise just as administrations at the national dimension. It will supplant all circuitous assessments imposed on merchandise and ventures by the IGST is a solitary duty on the supply of products and enterprises, directly from the maker to the buyer. Credits of info charges paid at each stage will be accessible in the consequent phase of significant worth expansion, which makes GST basically an assessment just on esteem expansion at each stage. The last purchaser will accordingly bear just the GST charged by the last merchant in the store network, with setoff advantages at all the past stages Indian Central and State governments. It is gone for being extensive for most merchandise and enterprises. The GST execution in India is Dual‟ in nature, for example it would comprise of two segments: one exacted by Center (CGST) and another required by States and Union Territories (SGST).

3. Indian Taxation System

India has got a well-structured and simplified taxation system, wherein an authoritative segregation has been done among the Central Government, the different State Governments as well as the Local Bodies. The Department of Revenue under the Government of India's Ministry of Finance is solely responsible for the computation of tax. This department levy taxes on individuals or organizations for income, customs duties, service tax and central excise. However, the agriculture-based income taxes are levied by the respective State Governments. Local bodies have got the power to compute and levy taxes on properties and other utility services like drainage, water supply and many others. The past 15 years have witnessed tremendous reformations of the taxation system in India. Apart from the rationalization of the rates of tax, simplification of the different laws of taxation has even been done during this period. However, the process of tax rationalization is still in progress in the Republic of India.

Courtesy New Business Maps of India).

Table 1: Overview of India's Tax System

CENTRAL TAXES	**Rate**
1. Central Value Added Tax (CENVAT) or Central Excise duty	12.36%
Tax levied on the production of manufacturing goods.	
2. Service Tax	15%
Tax levied on provided services.	
3. Central Sales Tax (CST)	2%
Tax on cross state trade.	
4. Countervailing Duties (CVD)	12.36%
Additional import duty on imported goods which are produced in India in order to `level the playing.	

STATE TAXES Range	Rates
1. Value Added Tax (VAT)	10%-14.5%
Tax levied on the production of manufacturing goods.	
2. Sales Tax	0%-15%
Additional tax levied on the production of manufacturing goods. It was replaced in most states by VAT, but not all.	
3. Entry Tax	0%-12.5%
Tax on the entry of goods for consumption, use or sale in that state.	
4. Luxury Tax	3%-20%
Tax on luxury goods and services that include hotels, resorts, and con-aggregational halls used for weddings, conferences, etc.	
5. Entertainment Tax	15%-50%

3.1 Tax on feature

At the central level the most important taxes are the Central Value Added Tax (CENVAT), the service tax, the Central Sales Tax (CST), the Countervailing Duties (CVD), and the Special Additional Duty of Customs (SAD). The CENVAT (or Excise Duty) is a tax levied on the production of movable and marketable goods in India and is set at 12.36 percent. The service tax is a 15 percent tax on all services provided, wherein the service provider collects the tax on services from the service receiver and pays it to the government.Va percent CST is a tax levied on all cross state trade that is not destined for, nor originates from abroad. Even though the CST is a central tax, the revenue accrues to the state from which the sale originates. Finally, the government levies two additional taxes on imports in addition to traffic Those are the countervailing duties (CVD) and the special additional duties (SAD), which amount to 12.36 and 4 percent, respectively. The CVD is an additional import duty levied on imported goods that are also produced in India to `level the playing field between domestic and foreign producers. The SAD is levied on imports to ensure that local sellers do not lose out on competition by counterbalancing the sales tax or value added tax payable by local manufacturers.

3.2 Tax System under the New GST

The new GST will merge the aforementioned indirect central and state taxes into a four-tier schedule of 5, 12, 18 and 28 percent, as seen in Table 2. While necessity goods will be taxed at 5 percent and luxury and consumer durable goods at 28 percent, most goods and all services will be taxed at the standard rates of either 12 or 18 percent, but the allocation to each tax rate is still uncertain.

4. Proposed Methodology

It can be concluded from the above discussion that GST will bring One Nation and One Tax market. Provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes. Efficient formulation of GST will lead to resource and revenue gain for both Centre and States majorly through widening of tax base and improvement in tax compliance. It can be further concluded that GST have a positive impact on various sectors and industry. Although implementation of GST requires concentrated efforts of all stake holders namely, Central and State Government, trade and industry. Electronic processing of tax returns, refunds and tax payments through 'GSTNET' without human intervention, will reduce corruption and tax evasion. Built-in check on business transactions through seamless credit and return processing will reduce scope for black money generation leading to productive use of capital, Therefore It is necessary on the part of the government to educate, conduct proper training, continuous seminars and workshop on GST is need of the hour. Thus, necessary steps should be taken.

5. WORKING OF GST AND ITS IMPACT ON ECONOMY

The present structure of Indirect Taxes is very complex in India. There are so many types of taxes that are levied by the Central and State Governments on Goods & Services. We have to pay 'Entertainment Tax' for watching a movie. We have to pay Value Added Tax (VAT) on purchasing goods & services. And there are Excise duties, Import Duties, Luxury Tax, Central Sales Tax,

GST is collected on value-added goods and services at each stage of sale or purchase in the supply chain. GST paid on the procurement of goods and service can be set off against that payable on the supply of goods or services. The manufacturer or wholesaler or retailer will pay the applicable GST rate but will claim back through tax credit mechanism. The GST is an indirect tax which means that the tax is passed on till the last stage wherein it is the customer of the goods and services who bears the tax. This is the case even today for all indirect taxes but the difference under the GST is that with streamlining of the multiple taxes the final cost to the customer will come out to be lower on the elimination of double charging in the system.

Economic union of India: The debate about India as one republic union versus a federation of states will be put to rest. Goods can easily move across the country with diffused state boundaries and that will encourage businesses to focus on pan- India operations.

Simpler tax structure: By merging all levies on goods and services into one, GST acquires a very simple and transparent character with less paperwork and reduction in accounting

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complexities. A simple taxation regime can make the manufacturing sector more competitive and save both money and time.

Uniform tax regime: With only one or two tax rates across the supply chain as against multiple tax structure at present, state specific advantages/disadvantages are gone. This provides a fair play ground for all stakeholders and focus can be brought in to efficiency rather than vantage points.

Greater tax revenues: A simpler tax structure can bring about greater compliance, thus increasing the number of tax payers and in turn tax revenues for the government. By removing cascading effect, layers of taxes and simplifying structures, the GST would encourage compliance, which is also expected to widen the tax base.

Competitive pricing: A cursory look at the retail price of any product manufactured in India reveals that the total tax component is roughly 25-30% of the cost of the product. GST will effectively mean that the tax paid by the final consumer will come down in most cases and will help in boosting consumption, which is again beneficial to companies.

Push to exports: With fall in production cost in domestic purpose, the competitiveness of Indian goods in international market will increase. This bodes well for exporters, who compete with global manufacturers which operate on very different cost structures.

6. GST Rates- Tax Slabs Explained

(1) 0% Tax Slab

On items like fresh meat, Jute, fish chicken, milk, eggs, curd, butter milk, fresh fruits and vegetables, natural honey, besan, flour, salt, bread, sindoor, prasad, bindi, stamps, printed books, judicial papers, handloom, Bones and horn cores, newspapers, bone meal, bangles, bone grist, etc.; hoof meal, Cereal grains hulled, horn meal, Salt- all types, Palmyra jaggery, Kajal etc. no tax would be applicable. Also certain services would be exempted under GST such as grandfathering services, lodges and hotels having tariff below Rs. 1,000. A nominal rate of 0.25% would be applicable on semi-precious and rough stones.

(2) 5% Tax Slab

5% tax would be applicable on goods such as apparel below Rs 1,000, fish fillet, footwear below Rs 500, packaged food items, skimmed milk powder, cream, branded paneer, coffee, tea, frozen vegetables, spices, rusk, pizza bread, kerosene, coal, Sabu dana, lifeboats, medicines, stent, Cashew nut, Raisin, Cashew nut in shell, Ice and snow, Insulin, Bio gas, Kites, Postage or revenue stamps, first-day covers Agarbatti, stamp-post marks etc. Since petroleum is outside the GST ambit, services using petroleum as their primary input such as transport services (air travel, railways) and small restaurants.

(3) 12% Tax Slab

Goods such as Apparel above Rs 1,000, cheese, ghee, butter, frozen meat products , packaged dry fruits animal fat, fruit juices, sausage, Ayurvedic medicines, bhujia, namkeen, tooth powder, picture books, colouring books, exercise books and note books, sewing machine, umbrella, ketchup & sauces, cellphones, diagnostic kits and reagents, fertilisers, fish knives, spoons, forks, cake servers, ladles, skimmers, tongs, corrective, spectacles, chess board, playing cards, carom board and other board games would be taxed at the rate of 12%. Also, services such as Non-AC hotels, State-run lotteries, Work Contracts, business class air tickets will fall under 12 per cent GST tax slab.

(4) 18% Tax Slab

This slab has maximum goods under it such as footwear costing more than Rs 500, biscuits (All catogories), bidi Patta, flavoured refined sugar, cornflakes, pasta, preserved vegetables, pastries and cakes, jams, soups, sauces, instant food mixes, ice cream, tissues, mineral water, tampons, envelopes, steel products, printed circuits, note books, speakers and monitors, Kajal pencil sticks, camera, Aluminium foil, Weighing Machinery, Headgear and parts thereof, CCTV, Printers Electrical Transformer, Bamboo furniture, Optical Fiber, mayonnaise and salad dressings, swimming pools and padding pools, mixed condiments and mixed seasonings, Curry paste etc. Also services like restaurants inside five-star hotels, AC hotels that serve liquor, room tariffs between Rs 2,500 and Rs 7,500, IT services, telecom services, branded garments and financial services will attract 18 per cent tax under GST.

(5) 28% Tax Slab

Bidis, molasses, chewing gum, waffles and wafers coated with chocolate, chocolate not containing cocoa, pan masala, paint, deodorants, aerated water, shaving creams, hair shampoo, after shave, sunscreen, wallpaper, dye, water heater, ceramic tiles, weighing machine, dishwasher, ATM, washing machine, vacuum cleaner, vending machines, shavers, hair clippers, automobiles, aircraft for personal use, will be charged at the rate of 28 % the highest under GST system. For services such as hotels with room tariffs above Rs 7,500, private-run lotteries authorized by the states, 5-star hotels, cinema, race club betting, will attract 28 per cent tax under GST.

6.1 Features of Tax Returns in GST

Based on transactions – Invoice based

- Designed for system-based matching of Input Tax Credit and other details (import, export etc.)
- Auto-population from details of outward supplies
- Auto-reversal of ITC in case of mismatch
- Concepts of ledgers – cash, ITC and liability
- No revised returns – changes through rectifications and reported in the return for the month in which error detected

6. Conclusion

It can be concluded from the above discussion that GST will bring One Nation and One Tax market. Provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes. Efficient formulation of GST will lead to resource and revenue gain for both Centre and States majorly through widening of tax base and improvement in tax compliance. It can be further concluded that GST have a positive impact on various sectors and industry. Although implementation of GST requires concentrated efforts of all stake holders namely, Central and State Government, trade and industry. Electronic processing of tax returns, refunds and tax payments through 'GSTNET' without human intervention, will reduce corruption and tax evasion. Built-in check on business transactions through seamless credit and return processing will reduce scope for black money generation leading to productive use of capital, Therefore It is necessary on the part of the government to educate, conduct proper training, continuous seminars and workshop on GST is need of the hour. Thus, necessary steps should be taken [4].

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