



UNIFIED GOODS AND SERVICE TAX

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Abstract

Indirect tax is defined as tax on production, distribution and sell of goods and services, paid by a consumer to the producer, seller or service provider included in the final cost of goods and services. Some main indirect taxes include customs duty, excise duty, VAT, service tax, entertainment tax etc. in India. This year Indian taxing system is undergoing a historical change owing to passing of GST (112 Amendment) bill in parliament. Indian Government has taken the path of unified taxation regime and at the same time minimizing the loopholes to stop tax evasions.

Introduction of a unified GST was recommended in year 2004 with a primary objective of minimizing and stabilizing the increasing budget deficit in India by expanding the tax base. It was thought that GST Regime would be capable of producing 1.5 % increment in Gross Domestic Product of India. It was also considered to resolve the problems and flaws that infested the present indirect tax regime in India.

Keywords: Tax, Goods, Services, Budget



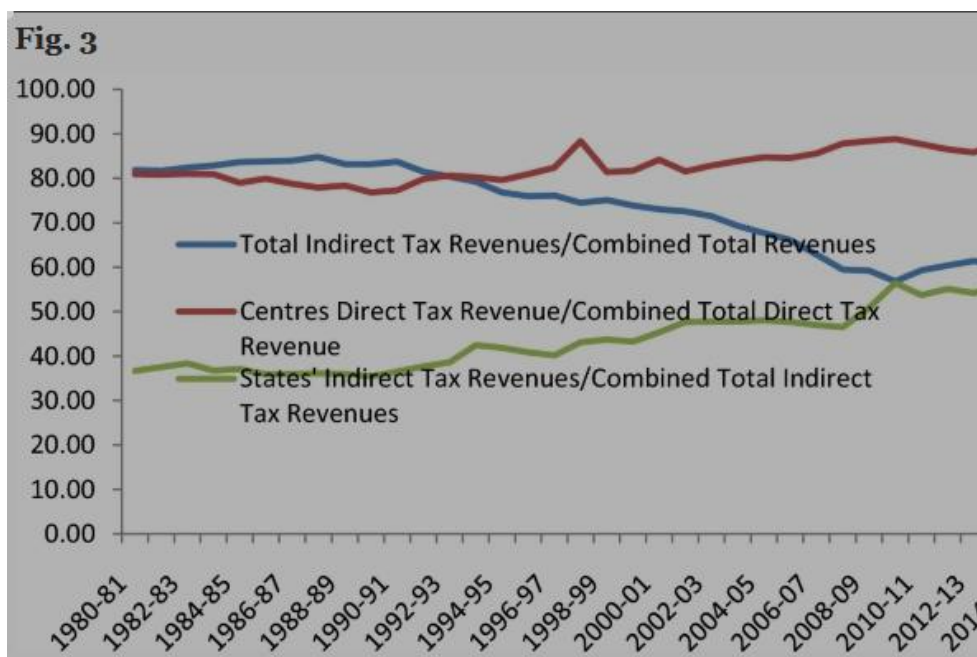
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Introduction

Why GST?

Since 1980 to late 1990s, the indirect tax revenue has remained quite stable in proportion to total tax collection at the State level. However there is slight increase in proportion of indirect taxes at state level post year 2000.

Proportion of indirect tax revenue for central Government has diminished since 1980-81 because of liberalization and WTO Agreement, resulting into eating away the major chunk of custom (imports) duties. (see graph below)



(Source: Handbook of statistics on Indian Economy 2016)

Inefficient tax structure accompanied by high cost of realization has resulted into tax hardships in form of businesses & accounting complexities, multitude of paper work , tax evasions and narrowing tax base. indirect taxation system in India is characterized by cascading effect of various taxes that are charged on every step of business and commerce , that is, tax at purchase of raw material , production of goods, interstate logistic of goods and supply, sale of goods & supply and so on. End stage customers and consumers have to pay very high price that include taxes levied at different steps from manufacturing to sale of end product.

the main reason behind this has been the multitude of different indirect taxes levied on every step of value addition in goods and services creating multitude of regional tax rates under one nation. Below is the list of main indirect taxes of Indian tax structure which had distorted the whole taxation system and provide enough scope to evade tax paying.

Taxes at Central Government level:

- Service Tax,
- Central Excise duty,
- Additional excise duty,
- Additional duty of customs (equivalent to excise),

Taxes at State Government level:

- VAT / Sales tax

Central Sales tax levied by Centre and collected by states,

Entertainment tax,

Taxes on lotteries, betting and gambling

Octroi & Entry tax

Purchase tax & Luxury tax

Indirect Tax Structure in india

CENTRAL TAXES	Rate
1. Central Value Added Tax (CENVAT) or Central Excise duty Tax levied on the production of manufacturing goods.	12.36%
2. Service Tax Tax levied on provided services.	15%
3. Central Sales Tax (CST) Tax on cross-state trade.	2%
4. Countervailing Duties (CVD) Additional import duty on imported goods which are produced in India in order to 'level the playing field' between domestic and foreign producers. Additional CVDs might be applied to offset the effect of concessions and subsidies granted by an exporting country to its exporters.	12.36%
5. Special Additional Duty of Customs (SAD) Additional import duty to counterbalance the sales or value added tax payable by local manufacturers.	4%
STATE TAXES	Range Rates
1. Value Added Tax (VAT) Tax levied on the production of manufacturing goods.	10%-14.5%
2. Sales Tax Additional tax levied on the production of manufacturing goods. It was replaced in most states by VAT, but not all.	0%-15%
3. Entry Tax Tax on the entry of goods for consumption, use or sale in that state.	0%-12.5%
4. Luxury Tax Tax on luxury goods and services that include hotels, resorts, and congregational halls used for weddings, conferences, etc.	3%-20%
5. Entertainment Tax Tax on feature films, major commercial shows and private festivals.	15%-50%

All the above indirect taxes has been grouped together and included in single tax system of GST thus setting a single indirect tax in India. GST Is a single tax levied on goods and services supply and it corresponds to tax on value additions at each state from manufacturing to supply end.

It is based on VAT system as it shares the similar concept where credits of input taxes paid by businessmen /merchant at each stage will get refunded in the subsequent stages. the end consumer has to finally pay the GST included in price of good /service sold by the seller in

end of supply chain

One of the main target to achieve by implementing GST System is to put an end to double taxation i.e. cascading effects of indirect taxes (mainly Excise & VAT) on production of material , wholesale and retail sale and distribution cost of goods and services up to the end consumer. this would open avenues for improved business and commerce regime throughout the nation without affecting competitiveness of original goods and services in market. summation of many taxes into a single GST system will facilitate the system to give full credit for inputs taxes collected.

The greatest benefit to consumer end is that in Pre-GST period, the statutory tax rate general prevailed around 26.5%, whereas in Post-GST regime, most goods are expected to be in the 18% tax range.

Other great benefit of the GST will include the abolishment of interstate check posts for movement of interstate goods supply. it has been estimated that around 20% of tavel time of goods is wasted in huge lines at such chekposts.

GST BILL:

Vijay kelkar headed the taskforce on INDIRECT TAXES in 2003 and it introduced the concept of GST on track of VAT system. In 2005, the Kelkar committee recommended implementation of single GST in accordance to suggestion rolled out by 12th Finance Commission. After long years of drafting and amendments made by empowered committees and select committee, Lok Sabha passed the bill in 2015. in 2016 both houses of legislature passed the constitution (122nd Amendment) Bill in 2016. President of India sh. Pranab Mukharjee gave his assent to the Bill , after the process of ratification by the states, on September 8- 2016.

Return Filing Procedures under GST:

New dealers and existing dealers/ businessmen have to register for GISTIN number. After submitting all the necessary documents, registered mobile number and email address, Income Tax department of center and state do verification and GSTIN Code of 15 digits will be subsequently allotted.

GST returns include filling of one or more forms from given 8 forms (GST Register1 to 8) as per requirements of business men on online (computer internet or android app) basis. the following are the heads under which GST Returns has to be submitted online.

1. Sales Register GSTR-1
2. Purchase Register GSTR-2

3. Monthly Return Form GSTR-3
4. Quarterly Return for Compounding Dealer GSTR-4
5. Return file by the Non- Resident GSTR-5
6. Return for Input Service Distributor GSTR-6
7. TDS Return GSTR-7
8. Annual Return GSTR-8

Implementation:

The GST Council is the constitutional body created for implementation and regulation of GST Taxes throughout the nation. The GST Council has given a rate structure – 5%, 12%, 18% and 28% – with largest proportion of all goods and services to come under a GST rate of 12% and 18% rate. A additional Cess has been introduced to be levied on goods and services coming under definition of 'luxury and sin goods'. Legislature puts a limit to maximum GST rate of 40% , including maximum CGST and SGST rates of 20% each.

Proposed Slabs - GST

Goods				Services
Exempt	Low Rate	Standard Rate	High Rate	Standard Rate
0%	5%	12% and 18%	28%	12% and 18%
Agricultural goods	Necessity goods	Distribution is undecided	Luxury goods and consumer durables	Distribution is undecided

under dual model of GST, taxation will be implemented and administered both by union government and state governments. Transactions limited within a state are levied with CGST (Central government) and SGST (state government). Integrated GST (IGST) will be levied by Central government for interstate transactions and import of goods /services. This (IGST) has turned disadvantageous to state governments by preventing them from collecting the taxes that they owed from the union government. GST will be payable to state where the goods and services are purchased but not to state where manufacturing was done. this means that GST is consumption /destination based system.

ADVANTAGES:

The overall impact of GST cannot be evaluated at present. the new taxation system include unification of most of the indirect taxes at state and central level, where overall effect on revenue collection cannot be estimated at present. this estimation will be basec on long run effect of GST on Indian economy.

the other point is that "Services and Trade" sectors form very important part of indian

economy and is going to take front seat in future in Indian business and commerce. However, the GST values pertaining to "Trade & Services" are still to be defined and have to be evaluated. Hence, the overall impact of GST on economy will depend upon exact GST values would be assigned to trade and services. However, the higher GST rates are expected on "Services" and this may result in a dampening effect on economy.

New GST model is designed in a way that fall in tax revenues collection has been predicted. But simplification of current indirect tax structure by introduction of GST will certainly result in gross horizontal expansion of tax base through increased levels of tax-transparency and reduction in tax non-compliance. GST is certainly going to highly shrink all the corrupt practices involved in evading the taxes to government.

Thus, the overall effect of GST is going to be strongly in favour of a model promoting a better tax regime.

GST is going to increase the competitiveness of final goods and services. There are high inefficiencies in Indian economy for example, the present tax system encourages expansion of production units in same state which is not optimal use of resources. However, the GST regime is surely going to have distributive effects on both production and sales because the advantages and disadvantages in taxes due to inter-state barriers will be nullified by GST Regime.

Intermediate inputs to a product can be sourced from cheaper origins and thus increase the competitiveness of final good by reducing overall production and value addition prices. The result would be higher levels of economic WELFARE GAINS.

Equalization of GDP benefits across the states of India is most important aspect of Proposed GST regime. Disadvantage of being non port state will no longer remain in existence. Inter-state trade barriers due to different taxes at interstate borders to logistics and transportation will all be lowered and included in single tax structure with same value all over the country. Therefore, non port states will witness a great jump in participation in external trade which may be around 150% compared to present levels.

Future of GST: THE CONCLUSION

Two rate slabs GST is the ideal condition for any country. But country like India having so many states, different strata of society and economic regions cannot be fitted into such an ideal slab GST Model. Multitude of GST Slabs should be fixed cautiously according to prioritization of different sectors of our economy. Consumption has its own economics and tax burden should be based on consumption of goods and services by different strata of

economy. tax rates bringing heavy deviation from mean rate slab will result improper taxation and hence lower scope for future expansion.

a long term plan should be worked out and implemented in phase wise manner to bring excluded goods and services into GST Regime. for example petroleum and gas , state tobacco and alcohol sales are gold mines for the governments but such sectors needed to be included in GST in phased manner. State government revenues has to be improved and stabilized otherwise the whole burden will come on union government. GST should be implemented in such a way that state governments could earn their part of revenue without difficulty.

Inclusion and Exclusion of goods items or services from reimbursing input tax credit will have long effect on the future of GST. it need very wise scrutiny of sectors in economy. GST is future taxation regime yet to cover a long distance in India. a good broadband internet infrastructure and better software are needed to get it implemented throughout the country and this is not a small challenge. India is progressing and all have hopes that better tax regime will rule the economy in India.

Limitations of the Article:

1. The Article is based on the Secondary Resources .
2. Article doesn't portray any quantitative data or study.
3. The Article is not based on Research.

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