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A STUDY ON GST IN SERVICE SECTOR AND TAX STRUCTURE IN INDIA

P. Supriya[1] & R. Muthulakshmi[2], Ph. D.

[1]*(Reg No: 19111261012010), PhD Research Scholar (Commerce)*

Email Id: supriyasp39@gmail.com, Sri Sarada College for Women, Tirunelveli-11

[2]*Associate professor& Head – commerce, Sri Sarada College for Women, Tirunelveli-11*

Abstract

Tax structure in India *is a three level federal structure. The central government, state governments, and local municipal bodies make up and about this structure. Interestingly, the tax system in India traces its origin to the prehistoric texts such as Arthashastra and Manusmriti. As proposed by these manuscripts, the taxes paid by farmers and artisans in that era would be in the form of agricultural produce, silver or gold. Based on these texts, the foundation of the modern tax system in India was conceptualized by the Sir James Wilson during the British rule in India in the year, 1860. However, post-independence the newly-established Indian administration then soldered the system to propel the economic development of the country. After this period, the Indian tax structure has been subject matter to a host of changes. India has a healthy developed tax structure with clearly demarcated right between Central and State Governments and local bodies. Central Government levies taxes on income (except tax on agricultural income, which the State Governments can levy), customs duties, Central Goods & Services tax (CGST) & Integrated Goods & Services Tax (IGST). State Good & Services Tax (SGST), stamp duty, state excise, land revenue and profession tax are levied by the State Governments.*

Key words: *Tax structure in India, Direct Tax, Indirect Tax, Capital Gains Tax, GST.*

Introduction

Indian taxation system has undergone incredible reforms during 2017. The multiple indirect taxes have been subsumed in the new Good & Services Tax which was implemented from 1st July 2017. With the implementation of GST almost 17 types of indirect taxes have been abolished making the indirect tax compliance to a large extent easier and free from bureaucracy. The government introduced Goods and Services Tax (GST) in 2017 which is the most important tax reform in independent India till date. Earlier, governments levied various state and central taxes for availing various services or buying different goods. The taxation was complex and contradicting rules enabled some people to avoid taxes through loopholes in the system. After the introduction of GST, higher percentage of assesses was brought in the taxation umbrella and it made tougher for evaders to escape from paying taxes. Also tax rates have been rationalized and tax laws have been simplified in recent years, resulting in better compliance, straightforwardness of tax payment and better enforcement. The process of rationalization of tax administration is continuing in India.

Objectives

• To Study the Consumption based tax instead of manufacturing

• To Study the Uniform GST registration, payment

• To Study the eliminate cascading effect of indirect taxes/ doubling tax/ tax on tax

• To Study the Subsume all indirect taxes at centre and state level

Review of Literature

Williams, (1996) The author has studied contemporary indirect tax systems in the world and compared them with the indirect tax or VAT system in Republic of Fiscalia. The author has discussed the various advantages and disadvantages of the various VAT/GST systems in the world in light of adopting the best practice in the Republic of Fiscalia. The author also discusses whether the creation of an International body on the lines of United Nations would help make VAT a seamless tax across countries.

Mansor, (2013) GST has always been considered as a tool in the hands of any Government to increase revenue. The Malaysian Government introduced the said tax in Malaysia in order to reduce its budget deficit. The authors in the paper have discussed the readiness of the Malaysian economy in adopting the said newly introduced GST along with the reactions of various sections of the society.

Tripathi, (2011) the authors have discussed the concerns faced in India post the implementation of VAT, the learning we could take from it, the effects on the social order in India. All this is discussed in the background of the impending GST in India. The authors have discussed the various issues around VAT, how it impacts the different sections of society. VAT is present in all goods produced and GST would be present in all goods and services produced making it a tax payable by all sections of the society. Thus it is a tax which though good to increase the revenue impacts even the poorer sections of society.

Methodology

1. **Primary Data:** Primary data are collected from 100 respondents through systematically prepared questionnaire.
2. **Secondary Data**

The secondary data and literature for the study purpose were collected from the number of reference books, journals and website.

Analysis and Data Interpretation:

Table-1: Socio-Economic profile

Gender	**No of Respondents**	**Percentage**
Male	45	45
Female	55	55
Total	**100**	**100**
Age	**No of Respondents**	**Percentage**
Below 30 years	22	22
31- 40 years	25	25
41- 50 years	35	35
Above 50 years	18	18
Total	**100**	**100**
Education	**No of Respondents**	**Percentage**
S.S.L.C	10	10
HSC	18	18
UG	34	34
PG	38	38
Total	**100**	**100**
Monthly income	**No of Respondents**	**Percentage**
Below Rs. 5000	20	20
Rs. 5000- Rs. 10000	22	22
Rs. 10000- Rs.15000	28	28
Above Rs. 15000	30	30
Total	**100**	**100**

Source: Primary data

The above table shows that 40 percent of the respondents are male and Majority 60 percent of the respondents is female.

From the above table 22% of respondents are come under the age group of below 30 years, 25% of respondents are come under the age group of below 31-40 years, Majority 35% of respondents are come under the age group of below 41-50 years, and 18% of respondents are come under the category of above 50 years.

The above table shows that 10% of respondents are come under the category of S.S.L.C, 18% of respondents are come under the category of HSC, 34% of respondents are come under the category of UG and Majority 38% of respondents are come under the category of PG.

The above table shows that 20% of respondents are come under the category of below Rs.5000, 22% of respondents are come under the category of Rs.5000- Rs.10000, 28% of respondents are come under the category of Rs.10000- Rs.15000, and Majority 30% of respondents are come under the category of above Rs.15000.

Table-2: Parameters / Indicators of Analysis

Factor	Total	Wgt/Avg	Rank
Purchase Tax	658	43.8	V
Service Tax	660	44	IV
Entertainment Tax	690	46	III
Central Excise Duty	694	46.2	II
Sales Tax	707	47	I

Source: Primary data collected from factor.

Ranks reveal that majority of the respondent. The first rank for Sales Tax, following that Central Excise Duty, Entertainment Tax, Service Tax, Purchase Tax, finally got second, third, fourth, fifth ranks respectively

Direct Tax:

Direct Tax is levied directly on top of individuals and corporate entities. This tax cannot be transferred or borne through anybody else. Examples of direct tax include income tax, wealth tax, gift tax, capital gains tax. Income tax is the most popular tax within this section. Levied on individuals on the income earned with different tax slabs for income levels.The term 'individuals' includes individuals, Hindu Undivided Family (HUF), Company, firm, Co-operative Societies, Trusts.

Indirect Tax:

Indirect taxes are taxes which are indirectly levied on the public through goods and services. The sellers of the goods and services collect the tax which is then collected by the government bodies.

- **Value Added Tax (VAT)** – A sales tax levied on goods sold in the state. The rate depends on the government.
- **Octroi Tax**– Levied on goods which move from one state to another. The rates depend on the state governments.
- **Service Tax**– Government levies the tax on service providers.
- **Customs Duty**– It is a tax levied on anything which is imported into India from a foreign nation.

GST

In India, the three government bodies collected **direct and indirect taxes** until 1 July 2017 when the Goods and Services Act (GST) was implemented. GST incorporates many of the indirect taxes levied by states and the central government.Some of the taxes GST replaced includes:

- **Sales Tax**
- **Central Excise Duty**
- **Entertainment Tax**
- **Octroi**
- **Service Tax**
- **Purchase Tax**

It is a multi-stage destination-based tax. Multi-stage because it is levied on each stage of the supply chain right from purchase of raw material to the sale of the finished product to the end consumer whenever there is value addition and each transfer of ownership. Destination - based because the final purchase is the place whose management can collect GST. If a fridge is manufactured in Delhi other than sold in Mumbai, the Maharashtra government collects GST.

A major benefit is the simplification of taxation in India for government bodies

GST has three components: **CGST-** Stands for **Central Goods and Services Act**. The central government collects this tax on an intrastate supply of goods or services. (Within Maharashtra)

SGST: Stands for **State Goods and Services Tax**. The state government collects this tax on an intrastate supply of goods or services. (Within Maharashtra)

IGST: Stands for **Integrated Goods and Services Tax**. The central government collects this for inter-state sale of goods or services

Capital Gains Tax

A capital gain is income consequent from the sale of an investment. A capital investment can survive a home, a farm, a ranch, a family business, work of art etc. In most years slightly less than half of taxable capital gains are realized on top of the sale of corporate stock. The capital gain is the difference between the money received beginning selling the asset and the price paid for it. Capital gain also includes gain so as to arises on "transfer" (includes sale, exchange) of a capital asset and is categorized into short-term gains and long-term gains.

Tax Type	**Stock and Equity based Mutual Funds**	
	Individuals	Non Residents Indians
Short Term Capital Gain	15%	15%
Long Term Capital Gain	10%	10%
	Other Capital Assets	
Short Term Capital Gain	Based on Individual Tax Slabs	Based on Individual Tax Slabs
Long Term Capital Gain	20%	Listed 20% Unlisted 20%

Findings

- Majority of 55 % Percentage of the respondents are female.
- Almost 35% Percentage of the respondents are between the age group of 41-50 Years
- Majority of 38% Percentage of the respondents are qualified with PG
- Majority of 30% Percentage of the respondents are earning income between Above RS.15000
- Technology ranked First in parameter/ indicators of risk analysis.

Suggestions

IT is suggested that under the proposed dual GST model, States would be allowed to charge and collect SGST on all the supplies under their jurisdiction. The role of the Centre would be to charge and collect CGST, administer IGST and work as the clearing house for IGST. The Integrated GST (IGST) model for taxation of inter-State transaction of goods and services has been adopted. According to this model, Centre would levy IGST which would be CGST plus SGST on all inter-State transactions of taxable goods and services with appropriate provision for consignment or stock transfer of goods and services.

Conclusion

The respondents opined that income tax staff is available in the office and manpower is overburdened in Income Tax Department. However, they also opined that Income tax administration is not taxpayer friendly and it is difficult to satisfy assessing officers regarding correctness of information. People perceive tax officers because tax enforcers and not as tax facilitator. Moreover, they opined that inefficiency in Income Tax Department is one of the main causes responsible for tax evasion in addition to social, economic and political reasons. Corruption in Income Tax System is prevailing due to harassment to taxpayers and lack of integrity on the part of tax officials in addition to earlier mentioned reasons. They also viewed that shortage of staff, inefficient staff and intentional delay to get bribe are also important reasons causing unreasonable delay in refunds.

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