Giant Indirect Tax: GST

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Abstract - GST(Goods and services tax) is considered as the most giant indirect tax. The GST is designed for the economic growth of the country. GST Act was passed in Parliament on march 24,2017 and is being implemented in India from july,1 2017.GST is based on the principle of "One Nation One Tax". GST is destination based consumption Tax. It would be interested to know the whole journey of GST in India.

***Keywords** - Goods and service Tax, Cascading effect, SGST, CGST, IGST, UTGST.*

I. INTRODUCTION

GST(Goods and service Tax) is an indirect tax imposed in India on the supply of Goods and Services. Indirect Tax means, in which the person paying the tax to the government collect it from person in supply chain and hence burden of tax lies ultimately on consumer of Product and Service.

From the day, GST introduced there is an amalgamation of Central and State taxes into a tax payment. With the introduction of GST, it reduces the overall tax burden on the consumer (about 25%-30%), because there is no cascading effect of tax i.e. Tax on Tax.

GST has replaced many indirect taxes levied by Center and State Governments.

- Central level taxes that have merged into GST are:
  - Excise Duty
  - Service Tax
  - Central sales tax

- State level taxes that have merged into GST are:
  - Octroi and Entry tax
  - Purchase tax
  - Entertainment tax
  - VAT(value added tax)
  - Luxury tax
  - Taxes on Lottery

Experts have mentioned the Reasons for implementing GST in India i.e various needs of GST are:

- Rate of VAT differ from state to state.
- Non Registration of VAT and Service tax.
- GST helps in removing cascading effects of taxes.
- GST has defined treatment for E- Commerce transaction.
- GST helps in regulating an unorganized sector.

Research Methodology

The Research Paper is descriptive in nature. All the data for study are collected from secondary sources which includes Web Pages, Journals and Text book.

Literature Review

Bikas,(2013):In his study he concluded that there is a link between the VAT and macroeconomic factors and these factors have effect on VAT rate. The author conclude that there is a positive relation between macroeconomic factors like GDP, Per Capita Income, Export, Import etc. and the VAT rate applicable.

Borec, (2013): In his study he conclude that assessees may follows the VAT laws by defining the GST as a destination based tax. The author have discussed the difficulties in following the VAT laws specially in case of E-Commerce transaction.

Saeed,(2012): In his study he concluded the effectiveness of GST. As it is helpful to generate tax revenue and in improving the tax to GDP ratio in SAARC countries.

Journey of GST in India

The journey of GST started in year 2000, in which PM Vajpayee setup a committee to draft GST law. In year 2004,kelkar Task Force conclude that GST must be implemented to improve current Tax law in year 2006, finance minister proposes for the introduction of GST from April 1 , 2010.

In the year 2014,the GST Bill re-introduced in Parliament by Finance Minister, After receiving the formal consent it became an ACT in 2016.

In 2017,Four supplement GST Bills i.e.

- SGST: State Goods and Service Tax Bill 2017
- IGST: Integrated Goods and Service Tax Bill 2017
- CGST: Central Goods and Service Tax Bill 2017
- UTGST: Union Territory Goods and Service Tax Bill 2017, were introduced and pass by Lok Sabha and Rajya Sabha and is being implemented from July 1,2017.

Benefits of GST:

The various benefits of GST are as under:

- It helps in lowering the prices of Goods and Services and thus increase in quantity demanded.

- It helps in freeing the producing sector from cascading effect of taxes and thus improve the cost-competitiveness of Goods and Services.
- It helps in creating Business friendly environment and thus increase in Tax to GDP ratio.
- It helps in strengthening the ease of doing business in India.
- It helps not only in widening the tax structure but also make it transparent.

Goods and Services exempt from levy of GST

Following Goods and Services are exempt from levy of GST:

1. Payment of wages and salary
2. Supply of services to government or to embassies of other countries
3. Electricity and Water Bills
4. Educational Services
5. Health Services
6. Travelling expenses
7. Interest
8. Alcohol for human consumption-power to tax remain with the state
9. Five Petroleum products: crude oil, Diesel, Petrol, Natural Gas and ATF(Aviation Turbine Fuel)
10. Tobacco-power to tax remain with central government
11. Entertainment tax-power to tax remain with Local Bodies

Registration under GST

Earlier, when GST was implemented, it was necessary for every seller of Goods and Services to obtain registration, as soon as their aggregate turnover exceeds Rs.20 lacs and limit can be reduced to Rs. 10 lacs, only if the person is carrying out business in specified special category but under 2019 budget the limits are increased to Rs. 40 lacs and Rs. 20 lacs respectively.

GST Rate Structure

Goods and services are divided into five slabs for collection of GST, these are explained as follows:

0% - Essential items
5% - Common use items
12% - Standard rate for concessional goods
18% - Maximum Goods and all Services Standard rate
28% - Luxury items

Why no to GST?

India has adopted the Dual GST instead of National GST. It has made the entire tax structure of GST very complicated. The centre will have to coordinate with 29 states and 7 union territories to implement such structure. Such structure is likely to create economic as well as political issues. Also, the revenue is shared among State and Centre, which also creates an issue.

Further there are more reasons for the non-acceptance of GST:

- It helps the Big more than the small. since the proposal is that companies with a turnover of Rs. 10 lacs(currently Rs. 1 crore)will have to pay GST, it means the small business will pay VAT on their turnover.
- For registration under GST, we have to purchase the software and this leads to increase in cost.
- Small and medium enterprises will have a higher tax burden.

II. CONCLUSION

Implementation of GST is one of the best decision taken by government of India. Due to this step taken by government, July 1 is celebrated as Financial Independence day in India. Acceptance of the current GST structure by 159 countries would not be an easy. Confusion and complexities were expected and will happen. Though this structure might not be a perfect one, but this structure would be helpful in making India a better economy and favorable for foreign investments.GST is much accepted and appreciated structure because it does away with multiple taxes by centre and states.

As price control is not there GST will not stop the producers from taking extra benefit. Thus the ultimate result would be that GST will be beneficial for producers, sellers and service providers.

Under the GST structure, the tax will be charged at every point of sale. In case of inter-state sales, central GST and State GST will be charged and in case of Intra-state sales, Integrated GST will be charged.

Also, GST has not replaced all types of taxes, it has just merged different taxes and fused them in one tax. The government has not agreed to put any higher cap for tax rates. It clearly shows that there is always chance of higher rates of taxes.

III. REFERENCES

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