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# "A IMPACT OF GOODS AND SERVICES TAX IN INDIA"

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## ABSTRACT:

The GST bill, known as the Goods and Services Tax, was introduced in Lok Sabha in December 2014 and was implemented from July 1, 2017. Goods & Services Tax is a multistage and destination-based tax that is levied on every value addition to the goods. GST was introduced with the aim of one nation one tax system. Goods and Services tax (GST) is a value added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services.Under the GST bill all other taxes like Octroi, Central Excise VAT i.e. the value added taxes etc., got consolidated into one and it restructured the indirect taxation. The basic idea of this bill was to create a single, cooperative and undivided Indian market and to make the economy stronger and powerful. GST has divided the goods and services into various categories and applied the tax from 5 % to 28 %. It has positive and negative impacts.

**Keywords: GST, VAT, Taxation Reforms, Indian Taxation System, GST Council.**

## INTRODUCTION OF GST

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Goods and Service tax (GST) is an indirect tax levied in India on the supply of goods and services. GST is levied at every step in the production process but it is refunded to each and every tax payer in the chain of production except the final consumer. Goods and services divided into five slab rates such as “0%, 5%, 12%, 18% and 28%. Petroleum products, alcoholic drinks, electricity and real estates are taxed separately by the state governments alone.

There is a special rate 0.25% on rough precious and semi- precious stones and 3% on gold. In addition, there is a 22% Cess and 28% of GST imposing on few items like luxury cars and tobacco products.

The proposed Goods and Services Tax (GST) is said to replace all indirect taxes levied on goods and services by the Government, both Central and States, once it is implemented the GST will consolidate all State economies.

**When did GST START:**

From the following countries have already established the Goods and Services Tax they are:

1. In New Zealand, the GST was implemented in 1986.
2. In Canada a hidden Manufacturer Sales Tax was replaced by GST in 1991.
3. In Singapore, GST was introduced in the year of 1994.
4. In Australia, the GST was introduced in the year of 2000 to replace the Federal Wholesale Tax.
5. In Malaysia GST is value added tax (VAT) that came into effect on 2015.

**History of GST in India:**

The implementation of the Goods and Services Tax (GST) in India was a historical move, as it marked a significant indirect tax reform in the country. The amalgamation of a large number of taxes (levied at a central and state level) into a single tax is expected to have big advantages. One of the most important benefit of the move is the mitigation of double taxation or the elimination of the cascading effect of taxation. The initiative is now paving the way for a common national market. Indian goods are also expected to be more competitive in international and domestic markets post GST implementation.

From the consumer point of view, there would be a marked reduction in the overall tax burden that is currently in the range of 25% to 30%. The GST, due to its self-policing and transparent nature, is also easier to administer on an overall scale.

The history of the Goods and Services Tax (GST) in India dates back to the year 2000 and culminates in 2017 with four bills relating to it becoming an Act. The GST Act aims to streamline taxes for goods and services across India.

- **2000:** In India, the idea of adopting GST was first suggested by the Atal Bihari Vajpayee Government in 2000. The state finance ministers formed an Empowered Committee (EC) to create a structure for GST, based on their experience in designing State VAT. Representatives from the Centre and states were requested to examine various aspects of the GST proposal and create reports on the thresholds, exemptions, taxation of inter-state supplies, and taxation of services. The committee was headed by AsimDasgupta, the finance minister of West Bengal. Dasgupta chaired the committee till 2011.
- **2004:** A task force that was headed by Vijay L. Kelkar the advisor to the finance ministry, indicated that the existing tax structure had many issues that would be mitigated by the GST system.
- In **February 2005**the finance minister, P. Chidambaram, said that the medium-to-long term goal of the government was to implement a uniform GST structure across the country, covering the whole production-distribution chain. This was discussed in the budget session for the financial year 2005-06.
- In **February 2006**the finance minister set 1 April 2010 as the GST introduction date.
- In **November 2006**ParthasarathyShome, the advisor to P. Chidambaram, mentioned that states will have to prepare and make reforms for the upcoming GST regime.
- **February 2007**: The 1 April 2010 deadline for GST implementation was retained in the union budget for 2007-08.
- **February 2008**: At the union budget session for 2008-09, the finance minister confirmed that considerable progress was being made in the preparation of the roadmap for GST. The targeted timeline for the implementation was confirmed to be 1 April 2010.
- **July 2009**: Pranab Mukherjee, the new finance minister of India, announced the basic skeleton of the GST system. The 1 April 2010 deadline was being followed then as well.

- **November 2009**: The EC that was headed by AsimDasgupta put forth the First Discussion Paper (FDP), describing the proposed GST regime. The paper was expected to start a debate that would generate further inputs from stakeholders.
- **February 2010**: The government introduced the mission-mode project that laid the foundation for GST. This project, with a budgetary outlay of Rs.1,133 crore, computerized commercial taxes in states. Following this, the implementation of GST was pushed by one year.
- **March 2011**: The government led by the Congress party puts forth the Constitution (115th Amendment) Bill for the introduction of GST. Following protest by the opposition party, the Bill was sent to a standing committee for a detailed examination.
- **June 2012**: The standing committee starts discussion on the Bill. Opposition parties raise concerns over the 279B clause that offers additional powers to the Centre over the GST dispute authority.
- **November 2012**: P. Chidambaram and the finance ministers of states hold meetings and set the deadline for resolution of issues as 31 December 2012.
- **February 2013**: The finance minister, during the budget session, announces that the government will provide Rs.9,000 crore as compensation to states. He also appeals to the state finance ministers to work in association with the government for the implementation of the indirect tax reform.
- **August 2013**: The report created by the standing committee is submitted to the parliament. The panel approves the regulation with few amendments to the provisions for the tax structure and the mechanism of resolution.
- **October 2013**: The state of Gujarat opposes the Bill, as it would have to bear a loss of Rs.14,000 crore per annum, owing to the destination-based taxation rule.
- **May 2014**: The Constitution Amendment Bill lapses. This is the same year that Narendra Modi was voted into power at the Centre.
- **December 2014**: India’s new finance minister, Arun Jaitley, submits the Constitution (122nd Amendment) Bill, 2014 in the parliament. The opposition demanded that the Bill be sent for discussion to the standing committee.
- **February 2015**: Jaitley, in his budget speech, indicated that the government is looking to implement the GST system by 1 April 2016.

- **May 2015**: The Lok Sabha passes the Constitution Amendment Bill. Jaitley also announced that petroleum would be kept out of the ambit of GST for the time being.
- **August 2015**: The Bill is not passed in the Rajya Sabha. Jaitley mentions that the disruption had no specific cause.
- **March 2016**: Jaitley says that he agrees with the Congress's demand for the GST rate not to be set above 18%. But he is not inclined to fix the rate at 18%. In the future if the Government, in an unforeseen emergency, is required to raise the tax rate, it would have to take the permission of the parliament. So, a fixed rate of tax is ruled out.
- **June 2016**: The Ministry of Finance releases the draft model law on GST to the public, expecting suggestions and views.
- **August 2016**: The Congress-led opposition finally agrees to the Government's proposal on the four broad amendments to the Bill. The Bill was passed in the Rajya Sabha.
- **September 2016**: The Honorable President of India gives his consent for the Constitution Amendment Bill to become an Act.
- **2017**: Finally, Four GST came into effect on July 1, 2017, with some major modifications, at present GST have prime ways:
    1. **Central Goods and Services Tax (CGST):** GST to be imposed by central government alone.
    2. **StateGoods and Services Tax (SGST):** GST to be imposed by State government alone.
    3. **Integrated Goods and Services Tax (IGST):** GST to be imposed by central and state government concurrently.
    4. **Union Territories Goods and Services Tax (UGST)**

The GST Council also finalized on the GST rates and GST rules. The Government declares that the GST Bill will be applicable from 1 July 2017 into various slab rates for collection of tax such as 0%, 5%, 12%, 18% and 28%. Petroleum products, alcoholic drinks, electricity and real estates are taxed separately by their state government alone.

**INDIAN TAXATION SYSTEM BEFORE GST**

- Before the implementation of GST, taxation laws between the Centre and states were clearly demarcated. There were no overlaps between the fiscal powers, whatsoever. The

Centre would levy tax on goods manufacture, except alcohol for consumption, narcotics, opium, etc.

- The states had the power to charge tax on the sale of goods.
- The Centre would levy the Central Sales Tax that was collected by the originating states.
- The Centre was also levying service tax on all types of services.
- Additionally, the Centre was charging and collecting additional duties of customs on goods that were imported into or exported from India. This tax was levied in addition to the Basic Customs Duty. This additional duty of customs is referred to as Countervailing Duty (CVD) and Special Additional Duty (SAD) and it counter balances excise duties, state VAT, sales tax, and other such taxes.

**OBJECTIVES OF THE STUDY:**

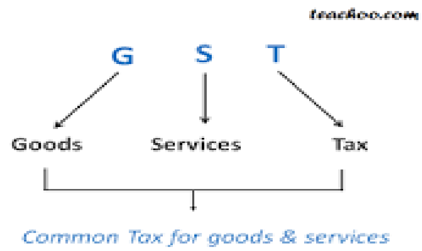
- To understand the concept of GST.
- To gain in-depth knowledge about GST in India.
- To know the history of GST.
- To know the positive and negative impacts of GST in India.

**RESEARCH METHODOLOGY:**

This paper is based on exploratory research technique and data is collected through secondary sources like statistical data available on various websites regarding Indian government like Finance ministry (finmin.gov.in), GST council(gstindia.com), review of literature from newspapers, journal papers, annual reports etc.…

# REVIEW OF LITERATURE

## MEANING OF GST




GST means "Goods and Services Tax".

It is an indirect tax levied in India on the supply of goods and services. GST is levied at every step in the production process but it is refunded to each and every tax payer in the chain of production except the final consumer.

Goods and Services tax (GST) is a value added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services.

The Goods and Services Tax aimed at creating a single, uniform market that will provide benefit to corporate and the economy.

The main motive of GST is**"ONE NATION ONE TAX".**

## DEFINITION

"Goods and Services Tax is a tax on most goods and services with each stage having in depth and continuous production process but it is refunded to all tax payers in the chain of production level where the final consumer should bear the tax."

## OBJECTIVES OF GST

- The main and foremost important aim of GST is cascading effect of tax on tax will be eliminated.

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- It helps to simplification of tax administration and compliance.
- GST making a uniform law involving all the tax bases across the country.
- It ensuring the availability of ITC (Input tax credit) across the value chain.
- It will bring all the taxpayers into one system.
- It helps to determine the actual number of tax payers.

## IMPACTS OFGOODS AND SERVICES TAX (GST) IN INDIA


### POSITIVE IMPACTS OF GST

1. **Increase in foreign investment:**

With GST, India is now a unified market and the foreign investment has increased in India. The goods that are manufactured within India because of their reduced costs have become more competitive in international market leading to growth in export. The implementation of Goods & Services tax puts India in the line of international tax standards, making it easier for Indian businesses to sell in the global market.

2. **Easy to do business in other states:**

GST is very useful to all business peoples to run a business in various states in India. Now you don't need to pay different amounts of taxes to different states. GST is one tax system all over the country and you will get rid of various taxes and duties on your businesses.

3. **Less tax compliances:**

In India before implementing GST, there were many taxes and duties that were levied by both state and central governments. Now they have replaced these taxes into two constituents such as CGST and SGST.

4. **Transparency:**

The tax administration has started working corruption free. Also enabling sales invoices to show the tax applied has resulted in transparency.

5. GST has brought together a number of all indirect taxes under one umbrella, simplifying taxation for service and commodity businesses.
6. GST reducing the costs of goods and services in the long run.
7. GST helps to reducing corruption and sales without receipts.
8. GST brings accountability and regulations for unorganized sectors like textile industry.
9. It brings uniformity in the taxation process and allows centralized registration.
10. It would create friendly business environment and helps to maximization of GDP ratio.
11. Input tax credit (ITC) mechanism ensures an uninterrupted flow of cash for businesses and also reducing price of goods and services for end consumers.
12. It helps to free movement of goods and services between various states within the nation.
13. GST decrease the cost of collection of tax thus resulting in a higher revenue for government.
14. After implementation of GST, our country now receiving more taxpayer registration than ever before.

## NEGATIVE IMPACTS OF GST

1. **GST rates higher than VAT:**

New proposed GST rates are higher than the previous VAT rates on the goods. The price of some goods and services will be hiked after implementation of GST in India.

2. **Dual control:**

GST is being referred to as a single taxation system but practically it is dual tax because of both the state and central government will collect separate tax on a single transaction of sales and services.

3. **Increase of the cost of some commodities:**

After implementation of GST in India, the tax rates have been increased for so many products. Thus, increasing their costs.

4. **Some sectors facing a loss:**

   Sectors like Textile, media, pharmacy, dairy products, IT and telecom are bearing a higher rate of tax and also the price of commodities has hiked like jewellery, mobile phones.

5. **Affecting Real estate markets:**

   Economists are of the opinion that GST in India has already had a negative impact on the real estate market. It has added up to 8 percent to the cost of new homes and reduced demand by about 12 percent.

6. Increased cost of software purchase that can assist GST filing process leads higher operational cost for many businesses.
7. With GST, insurance premiums have become more expensive.
8. The tax relaxation for small scale businesses which was 1.50 crores before implementing GST, but now Rs.20 lakh under GST system. This has effectively increased the tax burden for such businesses.

## CONCLUSION

There are approximately 140 countries where GST has already been implemented by Australia, Germany, Japan, and Pakistan. India is one of the most stable economies of the world and we have proved to be quite adept at adjusting to major economic renovations. As the coin has two sides, same way implementation of GST impacts a nation both ways, positively and negatively. If we ignore the negative aspects and consider the positive effect, then it is a way to reduce the black money. GST is having a few initial problems, but with time, we will be able to see the bigger picture and it will surely result in an economic integration.

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