



Paradigm on tax reforms by the implementation of goods and service tax (GST): A contemporary study in India

S Umamaheswari¹, Dr. B Mythili²

¹ Ph.D. Scholar, Department of Commerce, Sree Saraswathi Thyagaraja College, Pollachi, Tamil Nadu, India

² Associate Professor, Department of Commerce, Sree Saraswathi Thyagaraja College, Pollachi, Tamil Nadu, India

Abstract

India has become one of the world's most attractive investment destinations. But, despite India's progress, it still has a complex indirect tax system with separate, sometimes overlapping, taxes administered by various federal, state, and local jurisdictions. Understanding that a complex tax reforms is an obstacle to economic growth, India has been debating a fundamental reform of its indirect tax system. This is a historic landmark in India to make on unified market to bring the uniformity in tax structure by implementing Goods and Service Tax (GST). So it was an appropriate time, therefore, to make credible the threat of crackdown on black money and corruption within India. This paper highlights that Paradigm on Tax reforms through the implementation of Goods and Service tax (GST) to depict a strong signal about India's anti corruption drive.

Keywords: overlapping, taxes, goods and service tax (GST), black money, corruption

Introduction

The Indian indirect tax system can be broadly divided into two categories: federal taxes and state taxes. Federal taxes are imposed on manufacturing activities (central excise duty Central value added Tax (CENVAT)) and sales of services (service tax); state taxes are imposed on the sale of goods within a state as value-added tax (VAT)). Additionally, taxpayers may be subject to other indirect taxes, such as octroi (an entry tax on goods brought into a state for use) and luxury taxes. The idea of launching GST in India was first initiated by Government of India in 2000 under the leadership of Mr. Atal Bihari Vajpayee, then by the Prime Minister of India. An empowered Committee of State Finance Minister headed by Dr. Asim Dasupta, then the Finance Minister of West Bengal was constituted to design the model of GST. In the year 2011 Government of India introduced a Constitution Amendment Bill (115th) to facilitate the introduction of GST in the Lok Sabha. However, the bill lapsed and dissolved on 15th Lok Sabha. Later on, The constitution Amendment (122nd) Bill 2014 on Goods and Service Tax (GST) was introduced in the Lok Sabha on 19th December 2014 and it was passed in the Lok Sabha on 14th May 2015. On 22nd July 2015, The selected committee has submitted its report with appropriate modifications and some recommendations for incorporation of Goods and Service Tax (GST) is a Value Added Tax levied across goods and services. This paper highlights that Paradigm on Tax reforms by the implementation of Goods and Service Tax (GST) to show a strong signal about India's anti corruption drive.

Statement of the problem

The broad objectives of Goods and Service Tax (GST) are to widen the tax base, eliminate cascading of taxes, increase compliance through lowering of overall tax burden on the

goods and services and reduce economic distortion caused by interstate variations in taxes. Unifying the tax structure across States, the new scheme of tax reforms would pave way for a common national market for goods and services. Paradigm on tax reforms by the government cracks down all tax evaders and black money holders. Economic digitalization also increases government's ability to enhance its taxation system. So now The Indian economy requires to implement the Goods and Service Tax (GST) so as to bring major tax reforms in India.

Objectives

- To view the Indirect tax structure and a snapshot of Indirect Tax system in India.
- To study about the paradigm on Tax reforms and its vision in India
- To know about the implementation of Goods and Service Tax (GST) in Indian Perspectives.

The indirect tax structure in India

The Indian Cabinet approved a constitutional amendment bill that would pave the way for the constitutional changes necessary to allow the adoption of an integrated federal Goods and Services tax (the GST). The bill will be discussed in Parliament during the annual budget session. The framework of a proposed Goods and Service Tax (GST) in India is a central Goods and Service Tax (CGST) at the federal level, a state Goods and Service Tax (SGST) at the state level, and interstate Goods and Services (IGST) on interstate transactions. Several important issues are still being discussed between representatives of the federal government and states before the Goods and Service Tax (GST) can be introduced. The proposed Goods and Service Tax (GST) would replace most of the existing federal and state taxes, including central

excise duty, service tax, Value Added Tax (VAT) and Central and State Tax (CST). The Goods and Service Tax (GST) would apply to all sales of goods and services in India, but representatives of the federal government and the states are discussing the exclusion of petroleum products from Goods and Service (GST), most likely by subjecting them to a 0% tax rate.

The Goods and Services (GST) would have a registration threshold. The contemplated Goods And Services Tax(GST) rate would vary between 12% and 27%. A finance commission task force originally proposed 7% for the State Goods And Service Tax(SGST) and 5% for the Central Goods and Service Tax (CGST), but the federal finance minister later proposed a 10% State Goods and Services Tax (SGST) rate and a 10% Central Goods and Service Tax (CGST) rate, while the national institute of public finance and policy recently submitted a study based on a total Goods and Service Tax (GST) rate of 27%. It is confirmed the government's intention to implement the Goods and Service Tax (GST) with effect from 1st April 2016 as a tax rate ranges from 12% to 14%.

Snapshot of indirect tax

Indirect tax levied on goods and Services within the same state (i.e.) Intra State sale. Import and Inter State movement of goods and services would be subject to Inter State Goods and Service Tax (IGST). Snapshot of Indirect tax is depicted by comparing the transaction with Central Goods and Service Tax (CGST), State Goods and Service Tax (SGST), Intestate Goods and Service Tax (IGST) and Basic Customs Duty.

Table 1: Snapshot of Indirect Tax

Transaction	CGST	SGST	IGST	Basic Customs Duty
Sale goods within State (i.e) Intra State Sale	√	√	X	X
Sale of goods from one State to another i.e. Inter State Sale	X	X	√	X
Import of goods in India from Outside India	X	X	√	√
Stock Transfer of goods from a warehouse in one state to another	X	X	√	X
Exempted goods and services and transactions below prescribed threshold	X	X	X	X

Note:

CGST: Central Goods and Service Tax.

SGST: State Goods and Service Tax.

IGST: Inter State Goods and Service Tax.

√ Right Symbol indicates Applicable.

X Wrong symbol indicates not applicable.

Finance Minister’s Mr. Arun Jaitley’s Perspective

A modern tax system, which is friendly to the people and businesses, would be a key to realizing the goal of a double digit growth and he highlighted it as “AThink Tank” in Peterson International Economic. GST is a modern tax, a consumption-based value-added tax, and a tax that avoids tax

cascading. This would create a broad tax base and strengthen revenues going forward and the tax-GDP ratio. His intention is to keep the rate competitive close to international levels and minimize exemption.

Implementation of GST system

Goods & Service tax is a Comprehensive Tax levied on Manufacture, Sale & Consumption of Goods & Services at a national Level. It is one of the robust tax reforms in India. GST is a set to integrate State economies & to boost overall growth.

Vision of Tax Reforms

Two landmark reforms are the Goods and Services Tax (GST) and the Direct Taxes Code (DTC). GST would indeed be the most important initiative in the fiscal history of India. The ultimate objective of the GST reform is to replace multiple indirect taxes at the Centre and state levels by a single tax Goods and Service Tax (GST), levied on a comprehensive base of all goods and services at a moderate tax rate.

A vision of this reform is provided in the report of the 13th Finance Commission which outlines the design of a flawless Goods and Service Tax (GST) levied at a moderate tax rate of 12 per cent (combined Centre and states tax rates). The governments are considering the revenue neutral rates for the engine of growth in India.

Make in India concept

Under the dynamic leadership of Prime Minister Shri Narendra Damodrass Modi, The mission of “Make in India” was launched on September 25th, 2014. The mission is to accomplish Investors to “Make in India” is a major new national Program designed to transform India into a global manufacturing hub.

The steps to achieve the goal are:

- * FROM INTENT TO ACTION
- * FROM IDEALS TO RESULT
- * FROM RED TAPE TO RED CARPET

Make in India – a mission – to meet the national requirements besides achieving global standards.

The mission of Make in India Program has an objective to

- * Facilitate Investment
- * Foster Innovation
- * Enhance Skill Development
- * Protect Intellectual Property
- * Build best- in- class manufacturing infrastructure.

Why GST in India?

Goods and service Tax is considered as a good tax system for promoting the single tax system in effective way by means of avoiding double taxation system for the government and it also leads to avoid a problem of tax avoidance and tax evasion by the public. Hence it increases the growth and development of Indian Economy.

Criteria for the Implementation of GST in India

- * Simplicity, certainty and Ease of compliance.
- * Common Law and Creation of common economic market.

- * Cost reduction and Cascading reduction.
- * Savings to industry and Removing state trade barriers.

Conclusion

Tax policies play an important role on the economy through the impact on both efficiency and equity. A good tax system should keep in view issues of income distribution and at the same time endeavor to generate tax revenues to support government expenditure on public services and infrastructure development. Goods and Service Tax (GST) in India is proposed to be the maiden reform (and not an amendment) in the existing indirect taxation structure. The Goods and Services Tax is a prosperous and it is a major tax reform which India is hoped to iron out the wrinkles in the existing indirect taxation system. Hence the comprehensive tax policy is expected to be one of the most important contributors to the India growth story.

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