



A comprehensive analysis of Goods and Services Tax (GST) In India

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Abstract

The GST is a destination based comprehensive tax levy on manufacture, sale and consumption of goods and services at national level. The introduction of GST in India would be a significant step in the field of indirect tax reforms in India. By subsuming large number of central and state taxes into single tax. GST is long term strategy; it is expected to lead a higher growth, output, more employment opportunities and economic inclusion. The primary objective of the GST in India to subsume all sorts of indirect taxes in India. GST based taxation system brings more transparency and better compliance in taxation system.

The GST is an indirect tax (or consumption tax) levied on the supply of goods and services. GST is levied on every step of the production process. But is meant to be refunded to all parties in the various stages production other than the final consumers.

Keywords: manufacture, sale, consumption of goods, services, GST

Introduction

GST came into effect from July 1, 2017 through the implementation of 101st of the constitution of India by the Indian government. GST is replaced existing multiple cascading taxes levied by the central and state governments.

Goods and services are divided into five tax slabs for collections of tax – 0%, 5%, 12%, 18% and 28%. However petroleum products, alcoholic drinks, electricity, are not under the GST and instead are taxed separately by the individual governments, as per the tax regime.

Definition of GST

“ Goods and services tax (GST) is a tax on goods and services with value addition at each stage having comprehensive and continuous chain of set of benefits from the producer’s / service provider’s point up to the retailers level where only the final consumer should bear the tax”

The GST is destination- based consumption tax levied at multiple stages of production a distribution of goods and services. It combines various other taxes such as state and local tax, entertainment tax, excise duty, surcharges, octroi and others this tax is applicable on transaction value which includes packaging, commission and other expenses incurred during the sales. A silent feature of the GST would be that goods and services are considered alike and within the supply chain, they are taxed at flat single rate till the customers can access them the tax reforms thus gives equal footing to large enterprises and SMEs and taxes the stock transfers uniformly.

Research Methodology

This paper is based on the exploratory technique and data in this paper were collected via secondary data / sources available like statistics data available on various web sites of Indian government, GST council and many more; literature review from journal papers; annual reports; newspapers reports and wide collection of magazines based.

Objectives of Research Undertaken

The research has been undertaken and presented considering the following foremost objectives

- To gain in-depth understanding of gst taxation system evolution.
- Understanding in – depth the concept of new taxation system introduced- goods and services tax (GST) in India.
- To know the rates of GST for different products.
- Understanding the features, working and differentiating the current taxation system in India.
- To evaluate the advantages and challenges surrounding GST.
- To know the impact of GST.
- To know the benefits, advantages and disadvantages of GST.
- To differentiate the GST with other indirect taxes(VAT).

Scope of the Study

This paper provides brief insight regarding the implementation of GST tax among various sectors of the Indian economy. GST after implementation will bring uniformity with tax rates and will also over come lots of shortcomings in the Indian taxation system with regard to indirect taxation. Goods and services tax would surely be highly advantages for major areas of the Indian economy.

Goods and Services Tax (GST) – Current Scenario

1. Basic scheme of the GST

The overall scheme of the goods and services tax (GST) are as follows

- Goods and services tax will be on supply of goods or services or both, in India w.e.f 01-07-2017(including Jammu and Kashmir w.e.f 8-7-2017)
- For supply within the state or union territory – (a) central GST(CGST) will be payable central government and (b) state GST (SGST) or

UTGST(union territory GST)will be payable state government or union territory

- For inter-state supplies (supply from one state to another state) IGST will be payable to central government.
- In addition, GST compensation cess of about 12% will be payable on pan masala, tobacco products, coal, aerated waters and motor car exc.
- Basic customs duty. Education cess and SEC of customs, IGST nad GST compensation cess will be payable on imports of goods.
- GST is based on the VAT concept of allowing input tax credit of tax paid on inputs, input services and capital goods, for payment of output tax. This will avoid cascading effect of taxes.
- GST is consumption based tax i.e tax is payable in the state where goods or services or both are finally consumed.
- The expected rates of GST – (CGST+SGST/UTGST)- NIL, 0.25%, 3%, 5% 12%, 18% and 28%. These rate will also apply to IGST
- GST council is apex constitutional body which will determine policies of GST

2. DUAL GST

There will be dual GST – State GST (SGST) and central GST (CGST) on the supply of the goods and services within state [article 246A of the Indian constitution].

Territory waters will be also part of the state so far as GST concerned

SGST will also apply in union territories having legislature. These are – Delhi and Pandicherry.

Both CGST and SGST will be on the supply of goods and services within the state.

3. Importance of the GST taxation system – trade, government and consumers

GST will overcome various issues of development via greater interactions between VAT/ GST systems along with overcoming the potential risks of double taxation and unintended non-taxation systems. GST will lay a strong foundation of collecting the tax at early stage of the value addition. Every business/ tax payers would be a part of controlling and collecting of tax

GST reforms will play a crucial role for trade, government, consumers in the followings

1. Trade: in order to harmonize trade and bring significant reforms to boost up development, GST will act as a stepping stone for the following parameters: (a) multiplicity of taxes will be reduced (b) tax neutrality, especially for exports goods (c) development of one common economic market (d) simple tax with fewer rates and exemptions (e) effectiveness in reducing cost for domestics industries.
2. The governments: GST promises a lot for transparent working system for the government in the following manner : (a) easy and simple taxation system – one common tax (b) tax base broadening (c) great improvements towards collections of revenue.
3. The consumers: for a normal citizen of india, GST

promises a lot in terms of better taxation system as follows: (a) reduction in the cost of goods and services, (b) increase in the purchasing power. (c) Increase in the savings of common man. (d) increase in investment

4. Rates of GST

The IGST and CGST acts do not indicate GST rate structure.

As per the sec 9 of CGST act, rate of CGST will be as notified by central/state government. The rate shall not exceed 20%. Same provision will be in SGST act of each state.

Thus, total GST rate for intra-state supplies will not exceed 40% [20% CGST and 20% SGST].

As per the sec 5 of the IGST act, rate of the IGST will be notified by central government. The rate shall not exceed 40% of Total value of the goods and services.

CGST and IGST rates will be common all over India. SGST rates are also expected to be common all over India. The GST rates will be notified based on HSN. The SGST rates may vary from state to state.

Rates are as follows

- **Nil** – Fresh Meat, Fish Chicken, Eggs, Milk, Butter Milk, Curd, Natural Honey, Fresh Fruits And Vegetables, Coffee Beans, Wheat, Rye, Rice, Flour, Besan, Bread, Prasad, Salt, Bindi, Sindoor, Stamps, Judicial Papers, Printed Books, Newspaper, Bangles, Handloom, Pooja Equipment, Jute, Khadi, National Flag, Raw Silk.
- **0.25%** - Rough Diamonds, Rough Precious Or Semi-Precious Stones Falling Under 7102, 7103 And 7104.
- **3%-** Gold, Silver, Jewellery, Platinum, Pearl, Diamond, Stone And Coins.
- **5%-** Packaged Food(Wheat, Rice, Rye, Aata, Maida, Jawar, Corn), Fish Fillet, Cream, Skimmed Milk Powder, Branded Paneer, Frozen Vegetables, Coffee, Tea, Spices, Pizza Bread, Rusk, Sabudana, Kerosene, Coal, Specified Medicines, Stent, Life Boats, Footwear Below 500,Sugar, Cotton Yarn, Natural Fibre, Silk Yarn, Silk Woven Fabric, Cotton Fabric And Readymade Garments Upto Rs. 1000
- **12%-** Frozen Meat Products, Better, Cheese, Ghee, Dry Fruits In Packaged Form, Animal Fat, Sausage, Fruit Juices, Bhutia, Namkeen, Ayurvedic Medicines, Tooth Powder, Agarbatti, Coloring Books, Picture Books, Umbrella, Sewing Machines, Cell Phone, Coated Fabrics, Readymade Garments Of Rs 1000 And Above, Agriculture Machinery.
- **18%-** Flavored Refined Sugar, Pasta, Cornflakes, Pastries And Cakes, Preserved Vegetables, Jams, Sauces, Soups, Ice Cream, Instant Food Mixes, Mineral Water, Tissues, Envelopes, Tampons, Note Books, Steel Products, Printed Circuits, Camera, Speakers And Monitors, Biscuits, Footwear RS 500 And Above
- **28%-** Chewing Gum, Molasses, Chocolate Not Containing Cocoa, Waffles And Wafers. Coated With Chocolates, Pan Masala, Aerated Water, Paint, Deodorants, Shaving Creams, Hair Shampoo, Dye, Sunscreen, Wallpaper, Ceramic Tiles, Water Heaters, Dishwasher, Weighing Machine, Washing Machine, Atm, Vending Machine, Vacuum Cleaner And Automobiles ext.

Lottery tickets: GST rates will be 12% in case of state run lotteries and 28% in case of lotteries authorised by state governments (run by private persons)

GST Compensation Cess: in addition, there will be GST cess of 1% on small cars, 3% on mid-sized cars and 15% on luxury cars,

5. **GST council: (GST Council 2017):** in order to implement the GST taxation effectively in india, the constitution (122nd amendment bill) was introduced and passed by rajya sabha on august 3, 2016 and Lok Shaba on august 8,2016. The GST council was framed officially on September 8, 2016 after clearance from the honorable president of India. As per the articles 279 A (1) of amendment constitution, the GST council was created by the president within 60 days of the commencement of articles. The GST council comprises of the following members:
- Union finance minister- chair person,
 - The union ministers of state
 - The minister in – charge or taxation or any other minister nominated by each state government.

The GST council was setup to perform the following duties

- Taxes, surcharge, Cess of central and states which will be integrated in GST
- Goods and services tax to be exempted from GST
- Interstate commerce IGST – distribution between state and central governments
- Registration threshold limit for GST
- GST floor rates
- Calamities special rates
- Provision with regard to special category rates, especially north eastern rates.

6. **GST Models**

Considering the importance of the tax reforms and other countries based on GST implementation,

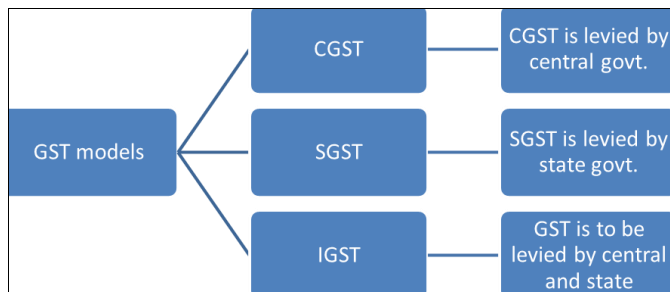


Fig 1

7. **Objectives / Purpose of GST**

- One country–one tax.
- Consumption based tax instead of manufacturing.
- Uniform GST registration, payment.
- To eliminate cascading effect of indirect taxes/ doubling tax/ tax on tax.
- Subsume all indirect taxes at centre and state level.
- Reduce tax evasion and corruption.

- Increase productivity.
- Increase Tax to GDP and revenue surplus.

8. **Subsuming of taxes / existing taxes**

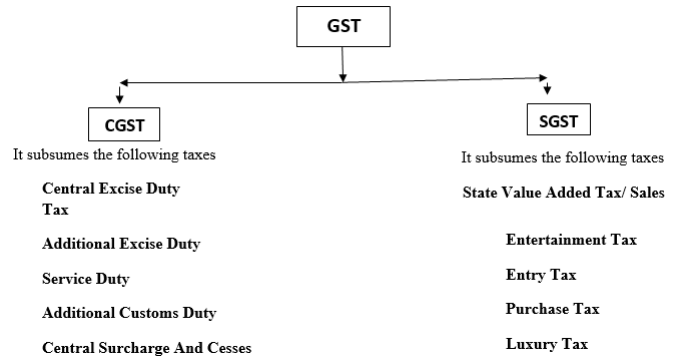


Fig 2

9. **Advantages / benefits of implementation of GST in India advantages of GST to citizen:**

- Simpler tax system
- Reduction in prices of goods and services due to elimination of cascading
- Uniform prices throughout the country
- Transparency in taxation system
- Increase in employment opportunities.

Advantages of GST to Trade/Industry:

- Reduction in multiplicity of taxes
- Mitigation of cascading/double taxation
- More efficient neutralization of taxes especially for exports
- Development of common national market

10. **A comparison analysis of GST with VAT:**

VAT: the value added tax, was applicable for goods sold, and not services. Services tax took care of the services rendered. The provision taxation system included several indirect taxes along the supply chain, resulting into high TAX rates paid from the pocket of the ultimate consumer.

GST: The GST is applicable for both goods and services, together with uniform pricing. GST is a one tax that is levied on manufacturing, selling and consumption of goods and services. it is a destination based tax, distributed among the central government and state government.

How GST is different from VAT: GST and VAT are just two names for one tax. It's important to understand how valuation of goods is considered under their perspective.

VAT is calculated on the market price of the goods. Further, excise duty and VAT add up to it

For example: suppose a manufacturer sells machinery worth Rs 3000 to a distributors. The invoice would reflect:

Price of the goods: 3000/-
Excise duty @ 12.5%= 375
Subtotal =3375/-
Vat @ 14.5% on subtotal =490

Total Amt. payable by the customer = 3865

Whereas, GST will be only charged on the bases selling price and subsequent parts of the SGST and CGST would add to the value of the goods as per their percentage. The invoice under GST scenario would reflect.

For example

Price of the goods = 3000

CGST @ 9% = 270

SGST @ 9% = 270

The total Amt payable by the customer = 3540

The total difference of the two taxes = 3865-3450= 325

There Are 7 key points of differences between VAT and GST

a. Taxable event

VAT – on the sale of goods

GST - on every supply of goods and services.

b. Tax between state and center

VAT – only state govt. gets the whole share of the welfare of the states public

GST – GST is collected under SGST and CGST for every sale from same state. The corresponding center and state amount then gets bifurcated

c. Input tax credit on services of goods

VAT- not applicable, as VAT is only for goods, not services.

GST: as GST is applicable on the goods as well as services provided, the GST portal system calculates the input credit which is used for the payment during the next GST liability.

d. Taxation on services

VAT: VAT is not applicable on provided or sold services. Services tax is charged additionally @ 14.5

GST: GST rates for services depend on natures of the service. It may be 12% and 18% and 28% depending on the sector. Most services come under GST.

e. Online payment

VAT: online payment is not compulsory.

GST: online payment is compulsory if tax is more than Rs 10000.

f. Compulsion for VAT No. and GST No.

VAT: if turnover is or beyond Rs10 lakh.

GST: if turnover is or beyond Rs 20 lakh.

g. Return Filling

VAT: must file return by 20th of succeeding month.

GST: must file return for sales by 10th purchase by 15th and payment by 20th of succeeding month.

Conclusion

Primarily, the concept of GST was introduced and proposed in india a few years back. But implementation has been done by the current BJP government under the able leadership of prime minister Shri Nerendra Modi on july 1,2017. The new government was in strong favor for the implementation of GST I india by seeing many positive implication as discussed above in this paper. All sectors in india – manufacturing,

service, telecom, automobile, and small SME will bear the impact of GST. One of the biggest taxation reform- GST will not bind the entire nation under single taxation system rate. GST will improve tax collection and boost up india's economic development. No doubt, GST will give india a clear and transparent taxation system.

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