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"GST-One Nation One Tax"

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Abstract:

Earlier Indian tax system is very complex as it includes cascading effects of tax. GST, being one single indirect tax scheme for the entire nation will attempt to make India united common market. GST referred as 'Goods and services tax' is major taxation scheme developed for achieving economic growth. The Indian Congress approved the Goods and Services Tax (GST) legislation to simplify the multilayered federal, state, and local indirect tax structure. The GST bill will unify at least ten types of indirect taxes into one tax to be collected at the state and federal levels. which was introduced on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12% ,18% and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 22% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. GST replaced a slew of indirect taxes with a unified tax and is therefore set to dramatically reshape the country's 2 trillion dollar economy

Keywords

GST, Tax, VAT

Objectives of the study

The objective of the study is to understand the concept, benefits and tax rates of GST.

Methodology:

Various secondary data is collected from various articles, magazines, newspapers Websites.

India's Tax System

A) Earlier Tax System

India's tax system comprises a multitude of indirect taxes, applied at the central (federal) and state levels. Following are the most notable ones, which the GST will subsume. It also summarizes the previous central tax and the state taxes.

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Overview of India's Tax System

CENTRAL TAXES	Rate
1. Central Value Added Tax (CENVAT) or Central Excise duty Tax levied on the production of manufacturing goods.	12.36%
2. Service Tax Tax levied on provided services.	15%
3. Central Sales Tax (CST) Tax on cross-state trade.	2%
4. Countervailing Duties (CVD) Additional import duty on imported goods which are produced in India in order to 'level the playing field' between domestic and foreign producers. Additional CVDs might be applied to offset the effect of concessions and subsidies granted by an exporting country to its exporters.	12.36%
5. Special Additional Duty of Customs (SAD) Additional import duty to counterbalance the sales or value added tax payable by local manufacturers	4%
6. Surcharges & Cesses	--

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STATE TAXES	Range Rates
1. Value Added Tax (VAT) Tax levied on the production of manufacturing goods.	10%-14.5%
2. Sales Tax Additional tax levied on the production of manufacturing goods. It was Replaced in most states by VAT, but not all.	0%-15%
3. Entry Tax Tax on the entry of goods for consumption, use or sale in that state.	0%-12.5%
4. Luxury Tax Tax on luxury goods and services that include hotels, resorts, and congregational halls used for weddings, conferences, etc.	3%-20%
5. Entertainment Tax Tax on feature _lms, major commercial shows and private festivals.	15%-50%
Surcharges & Cesses	--

At the central level the most important taxes are the Central Value Added Tax (CENVAT), the service tax, the Central Sales Tax (CST), the Countervailing Duties (CVD), and the Special Additional Duty of Customs (SAD). The CENVAT (or Excise Duty) is a tax levied on the production of movable and marketable goods in India and is set at 12.36 percent. The service tax is a 15 percent tax on all services provided, wherein the service provider collects the tax on services from the service receiver and pays it to the government. The 2 percent CST is a tax levied on all cross-state trade that is not destined for, nor originates from abroad. Even though the CST is a central tax, the revenue accrues to the state from which the sale originates. Finally, the government levies two additional taxes on imports in addition to tariffs. Those are the countervailing duties (CVD) and the special additional duties (SAD), which amount to 12.36 and 4 percent, respectively. The CVD is an additional import duty levied on imported goods that are also produced in India to 'level the playing field' between domestic and foreign producers. The SAD is levied on imports to ensure that local sellers do not lose out on competition by counterbalancing the sales tax or value added tax payable by local manufacturers.

B) Present Tax System under the New GST:

Central & State Taxes to be subsumed in GST. The new GST will merge the aforementioned indirect central and state taxes into a in five major slabs - 0%, 5%, 12%, 18% and 28%.

GST:

GST known as Goods and Services Tax applicable to both goods and services, will be levied at all the stages of supply. Tax will be charged on all taxable goods and services in India. There are two components included in GST: CGST and SGST charged by Central and State government respectively. In the interstate transaction central government will collect GST and distribute it to the imported states.

Concurrent Dual GST model comprises three terms which are:

CGST: Central Goods and Services Tax

SGST: State Goods and Services Tax

IGST: Integrated Goods and Services Tax

CGST is going to be charged by Central Government for the transactions related to intra state which will be paid to the account of central government. SGST is to be collected by state government, IGST is going to be collected by Central government on interstate transactions which Is an additional tax to be levied. The examples of GST rates are as follows.

- **No tax(0%)**

  No tax will be imposed on items like jute, fresh meat, fish chicken, eggs, milk, butter milk, curd, natural honey, fresh fruits and vegetables, flour, besan, bread, prasad, salt, bindi. Sindoor, stamps, judicial papers, printed books, newspapers bangles, handloom, Bones and horn cores, bone grist, bone meal, etc.; hoof meal, horn meal, Cereal grains hulled, Palmyra jaggery, Salt - all types, Kajal, Children's' picture, drawing or colouring books, Human hair, Khadi purchased from Khadi and Village Industries stores, Clay idols, brooms, Cotton seed oil cake,Charkha, Guar meal, hop cone, certain dried vegetables, unworked coconut shell and fish, and bangles of lac/shellac.

- **5%**

  Items such as fish fillet, apparel below Rs 1000, packaged food items, footwear below Rs 500, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee, tea, spices, pizza bread, rusk, sabudana, kerosene, coal, medicines, stent, lifeboats, Cashew nut, Cashew nut in shell, Raisin, Ice and snow, Bio gas, Insulin, Agarbatti, Kites, Postage or revenue stamps, stamp-post marks, first-day covers, Branded food, walnuts, dried tamarind, roasted gram, Dhoop batti, Corduroy fabric, saree fall, Paper mache items,Oil cakes, Duty Credit Scrips,Cotton quilts(quilts not exceeding Rs 1000 per piece) etc.

- **12%**

  Apparel above Rs 1000, frozen meat products , butter, cheese, ghee, dry fruits in packaged form, animal fat, sausage, fruit juices, Bhutia, namkeen, Ayurvedic medicines, tooth powder, agarbatti, colouring books, picture books, umbrella, sewing machine, cellphones, Ketchup & Sauces, All diagnostic kits and reagents, Exercise books and note books, Spoons, forks, ladles, skimmers, cake servers, fish knives, tongs, Spectacles, corrective, Playing card chess board, carom board and other board games, rubber band, Wood, stone, metals, marble idols, Table and kitchenware, Batters, including idli / dosa batter, Textile caps, sprinklers, Cotton quilts, Statues, statuettes, pedestals, ceramic articles, porcelain items, ornamental articles, bells, gongs, non-electric of base metal, animal carving material, synthetic filament yarn etc.

- **18%**

  Most items are under this tax slab which include footwear costing more than Rs 500, Trademarks, goodwill, software, Bidi Patta, Biscuits (All categories), flavoured 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, Kajal pencil sticks, Headgear and parts thereof etc.

- **28%**

  In total 50 luxury and sin products will be taxed at 28% which includes Bidis, molasses, pan masala, aerated water, paint, sunscreen, wallpaper, ceramic tiles, water heater, dishwasher, weighing machine, washing machine, ATM, vending machines, vacuum cleaner, automobiles, motorcycles, aircraft for personal use etc.

Benefits of GST:

GST will benefit to many parties including Government, Customers and Producers. The various benefits are as under:

To the Consumers:

The major benefit of GST is that it reduces the cost of product and services. So customers will be getting the products and services at lower cost compared to the price they need to pay in current tax structure under VAT. It increases purchasing power and saving capacity.

To the Producers:

Earlier because of multiple taxes in VAT there are some complexities which increases the cost of product, GST, Overcoming all the shortcomings of present tax structure will reduce the cost of product. Producers will be able sale the products at lower cost which directly increases their amount of sales and profit.

To the Government:

GST is easy to understand and implement, Customers whose income will be increased because of lesser tax, will save more and by this government will be getting more amount of investment from customers.

Problems against GST in India:

The main problem against GST is about compensating State Governments. Earlier with VAT indirect taxes are levied by central and state governments, contributing major portion of income to the state governments. But now the implementation of GST state governments will have to be depended on Central government and Financial Commission, State government are assumed to face financial losses .Another pre requisites for GST would be good IT infrastructure, change in accounting practices and systematic registration process.

Conclusion:

We studied the earlier tax system and Present Tax System of the newly approved Goods and Services Tax (GST) in India, while comparing its advantages, it is clearly visible that its advantages are more effective and favourable. GST will give Indian economy a strong and smart tax system for economic development. But for gaining those benefits country will need to build strong mechanism. The objective GST is to replace VAT; GST will be solving all the complexities in the earlier indirect tax system. It will be giving relief to various parties like consumers, producers and Government.

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