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GOODS AND SERVICES TAX IN INDIA: AN OVERVIEW

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Abstract:

In today's scenario we pay various taxes i.e. Direct and Indirect taxes, which are felt as burden on us and due to these taxes the corruption is increasing. So, to overcome from all these taxation system the Central Government has decided to make one tax system i.e. Goods and Services Tax (GST). GST is one of the most critical tax reforms in India which had been long awaiting decision. It is a comprehensive tax system that subsumes all indirect taxes of State and central Governments and whole economy into seamless nation in national market. GST includes all Indirect Taxes which will help in growth of economy and proves to be more beneficial than the previous tax system. GST will also help to accelerate the overall Gross Domestic Product (GDP) of the country. GST is now accepted all over the world and countries are using it for sales tax system.

Key Words: Indirect Tax, GST, Economy

Introduction

India is the hub of taxes where people pay many taxes which create confusion for them. Presently we pay two types of taxes i.e. Direct and Indirect in various sectors. Direct Tax paid directly to the government by the taxpayer i.e. Income Tax, Wealth Tax, and Corporation Tax. Indirect Tax is a tax levied on goods and services rather than on income or profits. It is not directly paid to government but collected from intermediaries (such as retail stores) from the person who bears the ultimate economic burden of the tax (such as consumers). The intermediary later files a tax return and forwards the tax precedes to government with the return for example Sales Tax, VAT, Excise Duty, and Custom Duty and so on. GST is a blanket of Indirect Tax that subsume several indirect state and state taxes such as Value Added Tax (VAT) and Excise Duty and different State Taxes, Central Surcharges, Entertainment Tax, Luxury Tax and many more.

History of GST

GST was firstly introduced in France in 1954, with introduction of GST France became the first country ever to introduce GST. Its introduction was requiring because very high sales taxes and tariffs encourage cheating and smuggling. After France it was adopted by 165 nations.

Now, India is also adopted it and India became 166th nation to adopt it. In India before 16 years, in 2000 Shri Former Prime Minister of India Atal Bihari Vajpy brought this system but no one paid attention on it and due to some reasons it was not passed. On 28th February 2006, the Ex-Finance Minister P. Chidambaram, had announced the target date for implementation of GST on 1 April, 2010. The Constitution (122nd Amendment) Bill was introduced in the Lok Sabha by the present Finance Minister Arun Jaitely, on 19th December 2014, and passed by the house on 6th May 2015. The bill was passed by Lok Sabha on August 2016. The bill, after ratification by the States, received assent from President of that time Pranab Mukherjee on 8th September 2016 and since 1 July 2017 GST is implemented in India. GST bill is brought for the reason that the different taxes paid by us on different rates would be brought under one roof so that all the taxes may get cancelled and only one tax is paid which is GST. Goods and Services Tax (GST) include one tax one nation; this statement was given by the honorable Prime Minister Mr. Narandra Modi of India.

GST Model of India

GST is a multi-stage destination-based tax. It is Multi-stage because GST levied on each stage of the supply chain and Destination-based because the final purchase is the place whose government can collect GST. GST has three components:

1) **CGST:** Stands for Central Goods and Services Act. The central government collects this tax on an intrastate supply of goods or services. (Within Maharashtra)
2) **SGST:** Stands for State Goods and Services Tax. The state government collects this tax on an intrastate supply of goods or services. (Within Maharashtra)
3) **IGST:** Stands for Integrated Goods and Services Tax. The central government collects this for inter-state sale of goods or services. (Maharashtra to Karnataka)

In India the model of GST is “Dual GST” which is combination of both CGST and SGST. All the goods and services bearing certain exemption of taxes brought under GST where the difference between the goods and services is ignored. Under GST all Indirect Taxes were merged under an umbrella and will help in creation of smooth market.

Taxes subsumed in GST: State and Central Taxes

STATE TAXES	CENTRAL TAXES
Value Added Tax (VAT)	Excise Duty
Entertainment Tax levied by states	Excise Duty under Medicinal and Toilet Preparation Act.
Luxury Tax	Additional Custom Duty commonly known as Countervailing Duty (CVD), Special Additional Duty(SAD)
Tax on Lottery, Betting and Gambling	Surcharge
Entry Tax other than for local bodies	CENVAT
	Service Tax

There are certain items which are not covered under GST. They are beyond the scope of GST, i.e., GST is not applicable on them. These are classified under Schedule III of the GST

Act as "Neither good nor services". Alcohol for human consumption & Petroleum Products such as petrol, diesel, natural gas, kerosene, crude oil, fuel, etc. does not fall under the purview of GST in India at present. The taxes imposed to Alcohol for human consumption & Petroleum Product are continued as per the structure before GST implementation.

Taxes before and after GST

GST is a tax trigger which leads to business transformation for the industry. Under the present arrangement, the government has decided to implement a 4-slab tax rate structure under GST regime which covered almost every product & commodity sold or bought in India. Tax Rates for various items under the goods & services tax finalized in the GST Council meeting are as follows:

i. Under 0% tax rate, commodities such as food grains, rice, and wheat are included.
ii. The first slab is 5% tax rate, under which mass consumption products are included such as mustard oil, tea & spices.
iii. The second slab is 12% tax rate, under which processed food has been included.
iv. The third slab is 18% tax rate, under which consumer goods have included such as toothpaste, refrigerator & smart phones etc.
v. The fourth slab is 28% tax rate, under which luxury items such as cars & secondly tobacco & aerated drinks are included

Following table shows the comparison of few items of GST rate with Pre-GST tax incidence

Description of Goods	Pre-GST tax incidence	GST rate
Wheat	2.5%	0%
Rice	2.47%	0%
Unbranded flour	3.5%	0%
Curd/lassi/butter milk	4%	0%
Unbranded natural honey	6%	0%
Ultra high temperature (UTH) milk	6%	5%
Tea (other than unprocessed green leaves of tea)	6%	5%
Milk powder	6%	5%
Sugar	6%	5%
Sweetmeats	7%	5%
Vegetable edible oils	6%	5%
Spices	6%	5%
Ketchup and sauces	12%	12%
Mustard sauces	12%	12%
Toppings, spreads and sauces (other than mayonnaise, salad dressings, mixed condiments and mixes seasonings)	12%	12%
Mineral water	27%	18%
Sugar confectionery	21%	18%
Children's picture/drawing/colouring book	7%	0%

Footwear of RSP (retail sale price) up to Rs. 500 per pair	10%	5%
Kerosene pressure lantern	8%	5%
Coal	9%	5%
Tooth powder	12%	12%
LED	15%	12%
X-ray films for medical use	23%	12%
Diagnostic kits and reagents	16%	12%
Fixed speed diesel engines of power not exceeding 15HP	16%	12%
Fly ash bricks and fly ash blocks	16%	12%
Sewing machine	16%	12%
Hair oil	27%	18%
Toothpaste	27%	18%
Soap	27%	18%
Footwear of RSP more than Rs. 500 per pair	21%	18%
LPG stove	21%	18%
Aluminum foil	19%	18%
School bag	22%	18%
Printers (other than multifunction printers)	19%	18%
Staplers	27%	18%
Tractor rear tyres and tractor rear tyre tubes	20%	18%
Helmet	20%	18%
CCTV	19%	18%
Baby carriages	27%	18%
Plastic tarpaulin	19%	18%
Bamboo furniture	23%	18%
Headgear and parts thereof	27%	18%
Cement	29%	28%

Goods and services tax is continuously upgraded by the GST council for better results for the proper implementation. In the recent 23rd GST council meeting, there are around 178 products which were slashed from the higher 28% slab rate to the lower slab for the benefit of market and consumers.

Importance of GST to the Economy

GST is designed to remove the burden by ending many Indirect Taxes. GST is important for economy in following ways:

i. GST will reduce tax evasions; it will help to provide more money to backward states like Bihar, Jharkhand etc. which will improve the economy of the country.

ii. GST also help in removal of local tax BIAS which means a person can set his factory in any state without worrying about different tax systems.

iii. According to experts GST is regarded to increase economic growth by 0.9% to 1.7%.

iv. Exports are expected to increase by 3.2% to 6.3%.
v. GST is a Value Added Tax (VAT) implemented in India, since 01 July 2017. Government has promised that GST will reduce the previous compliance burdens.
vi. One of the aims of introducing GST is to reduce the cascading effects i.e. tax on tax system, of taxes which are primary focus of VAT, but VAT system is not comprehensive enough to do so.
vii. GST will help in removing the manufacturing cost which will bring price of consumer goods down, the lower price will further lead to an increase in demand/consumption of goods, increased demand will lead to increase supply hence this will ultimately lead to rise in production of goods. The increased production will lead to more job opportunities.

Conclusion

Under GST most of the indirect taxes merged into a single GST system so it can be concluded from the above discussion that Implementation of GST is a significant step towards a comprehensive indirect tax reform in India. GST will provide relief to producers and consumers by subsuming the several taxes. It can be further concluded that GST have a positive impact on various sectors and industry.

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