



AN INTRODUCTION: GOODS & SERVICE TAX (GST)

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ABSTRACT:-

There are mixed response, inexplicit, arguments and opinions among the manufacturers, traders, and society about the Goods and Service Tax (GST) to be implemented by Government of India from 1st April 2017 this year. Various news organizations from all around the world focused on the bill unifying the country and it being an achievement of the government. As the Goods and Services Tax Bill was passed in the Rajya Sabha, it also brought India at the center of the global economy. With the passing of the bill, many international newspapers published their views on how the GST Bill brings a new wave of economic reform in the country. The paper highlights the background, prospects and challenges in implementation of GST in India. Finally, the paper examines and draws out a conclusion.

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India's biggest tax reform in 70 years of independence, the GST was finally launched on the midnight of 30 June 2017 by the Prime Minister of India Narendra Modi. GST is an indirect tax applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. A single GST replaced several existing taxes and levies which include: Central Excise Duty, Services Tax, additional Customs Duty, Surcharges, State-level Value Added Tax and Octroi. Other levies which were applicable on inter-state transportation of goods have also been done away with in GST regime. It will provide broader tax base and decrease in "Black" transactions. It is free flow of goods and services without checkpoints.

Keywords:- GST, GST Act, Council, Tax Rates, CBEC, GST Network

1. INTRODUCTION:-

India's biggest tax reform in 70 years of independence, the Goods and Services Tax (GST) was finally launched on the midnight of 30 June 2017 by the Prime Minister of India Narendra Modi though the process of forming the legislation took 17 years (since 2000 when it was first proposed). The launch was marked by a historic midnight (30 June – 1 July) session of both the houses of parliament convened at the Central Hall of the Parliament. Though the session was attended by high-profile guests from the business and the entertainment industry including Ratan Tata, it was boycotted by the opposition due to the predicted problems that it was bound to lead for the middle and lower class Indians.

Goods and Services Tax (GST) is an indirect tax applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) act 2017, following the passage of Constitution 122nd Amendment Bill. 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%, and 18%. There is a special rate of



0.25% on rough precious and semi-precious Stones and 3% on Gold. In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated Drinks, Luxury Cars and Tobacco products.

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The central government had proposed to insulate the revenues of the states from the impact of GST, with the expectation that in due course, GST will be levied on petroleum and petroleum products. The central government has assured states of compensation for any revenue loss incurred by them from the date of GST for a period of five years. However no concrete laws were made to support such action.

2. ORIGIN OF GST:-

2.1 Journey of GST:-

2006- Announcement to introduce GST by 2010

2009- First discussion paper (FDP) released by EC

2011- Constitution (115th Amendment) Bill introduced

2013- Three committees constituted by EC and GSTN set up

2014- Constitution (122nd Amendment) Bill (CAB) introduced in Lok Sabha

August 2016- Constitution Amendment Bill passed

March 2017- GST Council Meetings, CGST, SGST, UTGST, IGST, Compensation, Cess Bills recommended.

2.2 Existing Indirect Tax Structure in India:-

Central Taxes:-

1. Central Excise Duty
2. Additional Duties of Excise
3. Excise Duty levied under Medicine & Toiletries Preparation Act
4. Additional Duties of Customs (CVD & SAD)
5. Service Tax
6. Surcharges & Cess

State Taxes:-

1. State VAT/ Sales Tax
2. Central Sales Tax
3. Purchase Tax
4. Entertainment Tax (other than those levied by local bodies)
5. Luxury Tax
6. Entry Tax (All Forms)
7. Taxes on Lottery, Betting & Gambling
8. Surcharges & Cess

GST:- Constitution amended to provide concurrent powers to both Centre & State to levy GST (Centre to tax sale of goods and states to tax provision of services). GST is levied on all transactions such as sale, transfer, purchase, barter, lease, or import of goods and/or services. India adopted a dual GST model, meaning that taxation is administered by both the Union and State Governments. Transactions made within a single state will be levied with Central GST (CGST) by the Central Governments and State GST (SGST) by the government of that state. For inter-state transactions and imported goods or services, an



Integrated GST (IGST) is levied by the Central Government. GST is a consumption-based tax, therefore, taxes are paid to the state where the goods or services are consumed not the state in which they were produced. IGST complicates tax collection for State Governments by disabling them to collect the tax owed to them directly from the Central Government. Under the previous system, a state would have to only deal with a single government on order to collect tax revenue.

2.3 FEATURES OF CONSTITUTION AMENDMENT ACT:-

1. Concurrent jurisdiction for levy & collection of GST by the Centre (CGST) and the States (SGST).
2. Centre to levy and collect IGST on supplies in the course of inter-state trade or commerce including imports.
3. Compensation for loss of revenue to states for five years.
4. GST on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas & aviation turbine fuel to be levied from a later date on recommendations of council.

2.4 GST COUNCIL CONSTITUTION:-

- Constitution consists of Finance Minister, the MOS (Finance) and the Minister of Finance/ Taxation of each state.
- Chairperson- Union FM, Chairman of GST Empowered Committee of State Finance Ministers (Head was from opposition party ruled state)
- Vice-Chairperson- to be chosen amongst the ministers of state government
 1. Asim Dasgupta of West Bengal- CPIM
 2. Sushil Modi from Bihar- BJP
 3. Abdul Rahim Rather from July 2013 to March 2015- PDP
 4. K M Mani from March 2015 to November 2015- KERALA CONGRESS
 5. Amit Mitra from February 2016 to present- TRINMOOL CONGRESS
- Quorum is 50% of total members
- Decision by 75% of majority
- Council to make recommendations on everything related to GST including laws, rules and rates etc.

3 OBJECTIVES OF THE STUDY

The following objectives have been designed for the paper:-

- To identify & classify services and their categories
- To give a track record of GST
- To analysis the performance of GST
- To identify growth drivers of GST and point out some issues and challenges in GST

4 RESEARCH METHODOLOGY

Research methodology is partly descriptive, partly exploratory and partly casual. For this study data and information has been collected with the help of Books, Magazines, Newspapers, Research Articles, Research Journals, E-Journals, RBI Reports and Reports of Planning Commission of India etc.

5 ANALYSIS AND DATA INTERPRETATION



Tax calculation under GST

The table below shows the difference in the amount of payment of tax and the advantage of input credit available to manufacturer/dealer:

Table : no. 1

PARTICULARS	VALUE AND TAX AMOUNT UNDER CURRENT LAWS	VALUE AND TAX AMOUNT UNDER GST LAW.
Value to manufacturer		
Production cost	100000	100000
Add Profit Margin @10%	10000	10000
Add excise duty @12%	13200	
Total cost of production	123200	110000
Add VAT @12.5%	15400	
Add SGST @6%		6600
Add CGST @6%		6600
Invoice value for manufacturer	138600	123200
Value to wholesaler		
Cost of goods	138600	123200
Add profit margin @10%	13860	12320
Total Value	152460	135520
Add VAT @12.5%	19058	
Add SGST @6%		8131
Add CGST @6%		8131
Invoice value to wholesaler	171518	151782
Value to Retailer		
Cost of goods	171518	151782
Add Profit margin @10%	17152	15178
Total Value	188670	166960
Add VAT @12.5%	23584	
Add SGST @6%		10018
Add CGST @6%		10018
Invoice value to retailer	212254	186996

Source : gst website of india 2017

Tax calculation for Inter-State sales



A new concept of IGST has been introduced under the GST law. Earlier CST was charged over and above VAT and the excise duty for movement of goods between two states, whereas IGST will be a single tax levied on the goods moving across state borders. Lets us understands IGST with the help of this example:-

Table 2

PARTICULARS	UNDER CURRENT TAX LAWS	UNDER GST
Value to Retailer		
Cost of goods	100000	100000
Add VAT @12.5%	12500	
Add IGST @12%		12000
Add CST @2%	2250	
Total Value to retailer	114500	112000

*IGST rate has been assumed at 12% for the purpose of this example.

5.1 GST COUNCIL DECISIONS:-

- Threshold limit for exemption to be Rs. 20 lac (Rs. 10 lac for special category states).
 - Compounding threshold limit to be Rs. 50 lac- not available to inter-state suppliers, service providers (except restaurant service) & specified category of manufacturers.
 - Government may convert existing area based exemption schemes into reimbursement based scheme.
 - Four tax rates namely 5%, 12%, 18% and 28%.
 - Some goods and services would be exempt.
 - Separate tax rate for precious metals.
 - Cess over the peak rate of 28% on specified luxury and sin goods.
 - To ensure single interface- all administrative control over-
1. 90% of taxpayers having turnover below Rs. 1.5cr would vest with State Tax Administration.
 2. 10% of taxpayers having turnover below of Rs. 1.5cr would vest with Central Tax Administration.
 3. Taxpayers having turnover above Rs. 1.5cr would be divided equally between central and State Tax Administration.

5.2 MAIN FEATURES OF THE GST ACT:-

1. GST to be levied on supply of goods or services.
2. All transaction and processes only through electronic mode- non-intrusive administration.
3. PAN based registration.
4. Registration only if turnover more than Rs. 20 lac.
5. Option of voluntary registration.
6. Deemed registration in three days.
7. Input tax credit available on taxes paid on all procurements (except few specified items).
8. Credit available to recipient only if invoice is matched- helps fight huge evasion of taxes.
9. Set of auto-populated monthly returns and annual return.



10. Composition taxpayers to file quarterly returns.
11. Automatic generation of returns.
12. GST practitioners for assisting filing of returns.
13. GSTN and GST Suvidha Providers (GSPs) to provide technology based assistance.
14. Separate electronic ledgers for cash and credit.
15. Tax can be deposited by internet banking, NEFT/RTGS/Debit/Credit Card and over the counter.
16. Cross utilization of IGST credit first as IGST and then as CGST or SGST/UTGST.
17. Concept of TDS for government departments.
18. Concept of TCS for E-Commerce companies.
19. Refund to be granted within 60 days.
20. Provisional release of 90% refund to exporters within 7days.
21. Interest payable if refund not sanctioned in time.
22. Refund to be directly credited to bank accounts.
23. Comprehensive transitional provisions for smooth transition of existing tax payers to GST regime.
24. Special procedures for job work.
25. System of GST Compliance Rating.
26. Anti-Profiteering Provision.

5.3 RATES:-

The GST is imposed at different rates on different items. The rate of GST in India is between double to four times that levied in other countries like Singapore. The rate of GST is 18% for soaps and 28% on washing detergents. GST on movie tickets is based on slabs, with 18% GST for tickets that cost less than Rs. 100 and 28% GST on tickets costing more than RS. 100. The rate on under-construction property booking is 12%.

6 CONCLUSION/AMENDMENTS:-

GST council is to fit tax rates to various categories of goods or services. Rules relating to registration, returns, valuation, transitional, input credit etc. finalized to apply GST on broad level. As it is a new tool of Indian economy so there are many problems in its path. Many kind of business as like textile, marble industry, cement industry, packed food business etc. are against GST and in result there is no significant contribution in GDP by these business sectors. Most of the people are not so much have aware and acknowledged so it will take time to balance in business industry and routine life of people.

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