



## GST(Goods and Services Tax)

Mehak Singhal, I.G.GOV.T. COLLEGE, TOHANA

### Abstract

This paper reveals us about revenue and genesis of GST in India. One of the major sources of revenue for government is Tax. There are two major types of taxes: direct taxes and indirect taxes. These taxes are levied by central government and state government. The authority to impose a tax comes from the Constitution of India which provides the power to levy various taxes between the Central and the State. An important restriction on this power is Article 265 of the Constitution which states that "No tax shall be levied or collected except by the authority of law". Therefore, each tax levied or collected has to be backed by an accompanying law, passed either by the Parliament or the State Legislature. This paper deals with the taxation system of India, Pre-GST structure, timeline of the GST, what taxes subsumed in it and what are the current rates of GST. With an aim of simplifying tax structure in India, GST proposes to remove the geographical obstacles for trading, and transforming the entire nation to 'One Common Market Place.' While it is believed that the 'One Nation- One Tax' regime is paving path towards a better economy of our country.

ISSN : 2348-5612 © URR



### Taxation

Tax income has occupied the most prominent place in revenue system of the present day system. The tax aims at earning revenue for the government and achieves some more objectives like economic growth, reduction in poverty, elimination of distribution of wealth, etc. to achieve all these objectives, many forms of taxation has been developed. The principles or guidelines are also framed and these were first developed by economist Adam Smith in his famous book "The Wealth of Nations". With the passage of time, taxation system expanded and become more complex, the need was felt by modern economist to add more principles of taxation and as a result a new system was introduced in July, 2017 named as GST.

### Pre-GST structure

India has continuously adopting new changes in accordance with the state of the country. It has drawn power to do so from the Constitution of India, which allows the Central government and State government to levy taxes. There are two types of tax in India- direct tax and indirect tax. The direct tax is directly levied on a person while indirect tax is levied on one person and collected from another person.

The current system of taxation on goods and services is defined by multiplicity of taxes on goods and services. Excise duty on manufacturer, custom duty on imports and exports, service tax on services are levied by the Central government. On the other hand YAT, entry tax, purchase tax, octroi and duty on liquor are levied by the State government. Apart from this, there are various other taxes / levies are charged such as cess, surcharges, entertainment tax, luxury tax, stamp duty and road tax. Such multiplicity of taxes distorts the tax structure and brings in complexities. Pre – GST structure lacks in transparency, uniformity, base was narrow and complex.



## Introduction of GST

.GST is one of the biggest tax reforms in the history of country after independence. There are different GST models available all over the world. The model adopted by India is known by the name of Dual GST model. Under this model GST have two components viz. the Central GST to be levied by the Centre and the State GST to be levied and collected by the respective States. Central Excise Duty, additional excise duty, Service tax, and additional duty of Custom, State VAT, entertainment tax, taxes on lotteries, betting and gambling and entry tax would be subsumed within GST. Other taxes which are subsumed with GST are Octroi, entry tax and luxury tax thus making it a single indirect tax in India. As Indian constitution does not allow implementation of GST act, there was need for amendment in constitution of India. The Constitution Bill, 2014 was introduced in Lok Sabha by Finance Minister Arun Jaitley on 19 December 2014, and passed by House on 6 May 2015. In the Rajya Sabha, the bill was referred to select Committee on 14 May 2015. The Select Committee of the Rajya Sabha submitted its report on the bill on 22 July 2015. The bill was passed was Rajya Sabha on 3 August 2016, and the amended bill was passed by the Lok Sabha on 8 August 2016.

## Timeline of GST Bill

YEAR	GST Development
2000	Prime Minister Atal Bihari Vajpayee set up a committee to design single model tax
2005	Finance Minister P. Chindambaram mentioned need of single tax in budget speech
2006	Finance Minister P. Chindambaram sets April 1, 2010 as he date for introducing GST
2009	Finance Minister Pranab Mukherjee announces the basic structure of GST
2010	Government launches a mission mode project for computerization in states which is expected to lay foundation for the GST
2011	UPA government introduced a constitution amendment bill in the Lok Sabha to implement GST
2013	Several states opposed the bill
2014	The constitution amendment bill lapses with the dissolution of Lok Sabha
2015	Finance Minister Arun Jaitley introduced bill again in the Parliament
2015	Bill passed in Lok Sabha
2016	Bill passed in Rajya Sabha
2016-17	GST council meets 12 times
2017	Lok Sabha passed 4 GST supplementary bills



2017(July) GST implemented in the country

### **Taxes subsumed in GST**

The most important notion which GST represents is “ONE NATION, ONE TAX”, which is necessary to do away with multi- tax regimes that lead to inefficiencies such as cascading taxes. GST is one indirect tax for the whole nation, converting India into the single unified market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Previously, goods and services were taxed under various categories such as Excise Duty, VAT, Central Sales Tax, service tax. Some of these taxes are levied by the Central Government and others by State government. Under GST regime all taxes are subsumed with GST, which means that these taxes are no more in existence and are merged with GST. Following are the taxes subsumed with GST.

- (i) Taxes levied and collected by Centre
  - (A) Central Excise Duty
  - (B) Duties of Excise(Medicinal and Toilet Preparation)
  - (C) Additional Duties of Excise( Textiles and Textiles product)
  - (D) Additional Duties of Excise(Goods of Special Importance)
  - (E) Additional Duties of Customs
  - (F) Special Additional Duties of Customs
  - (G) Service Tax
  - (H) Central Surcharges and Cesses

State Taxes that are subsumed with GST are

- (A) State VAT
- (B) CST
- (C) Luxury Tax
- (D) Entry Tax
- (E) Entertainment and amusement tax
- (F) Taxes on Advertising
- (G) Taxes on Lotteries, bidding and gambling
- (H) State surcharges and Cesses

### **GST Tax Rates in India**

As per 25th GST Council meeting on 18th January 2018

\*Note that Rate changes, Exemptions and other proposals made shall be given effect once the Notifications are issued for the same.

Rates for 29 Goods and 53 Services have been revised\*.

- Goods taxed at 0%- Vibhuti, De-oiled rice bran and parts used to manufacture hearing aids



- Reduced from 28% to 18%- Old and used motor vehicles [medium and large cars and SUVs] without ITC, Public transport Buses that run on Biofuel, Services of joy rides, Go-karting
- Reduced from 28% to 12% –Old and used motor vehicles [other than medium and large cars and SUVs] without ITC
- Reduced from 18% to 12% –Drinking water packed in 20 litres bottles, Drip irrigation system, sprinklers, Biodiesel, Sugar boiled Confectionery, Services of construction of metro / mono-rail, mining of petrol crude
- Reduced from 18% to 5% –LPG for household use, Tamarind Kernel Powder, Mehendi paste in cones, Raw materials and Consumables needed for Launch vehicles/satellites, Services of Tailoring
- Reduced from 12% to 5%-Velvet fabric( Without Refund of ITC), Articles of straw, of esparto or of other plaiting materials
- Reduced from 3% to 0.25%-Diamonds and precious stones
- Rate Increased from 0% to 5%-Rice bran (other than de-oiled rice bran)
- Rate Increased from 12% to 18%-Cigarette filter rods
- Services included in the Exemption List:
  - Providing information under RTI Act, 2005
  - Legal services provided to Government
  - Admission to, or conduct of examination provided to all educational institutions including any service of conducting entrance examinations on collection of entrance fees

## References

- <https://cleartax.in/s/gst-rates/>
- <http://www.gstindia.com/history-of-gst/>
- <http://gst.ictacademy.in/background.html>
- <https://cleartax.in/s/gst-law-goods-and-services-tax>
- <https://www.greengst.com/difference-between-current-tax-structure-and-gst/>