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## GOODS AND SERVICE TAX (GST) IN INDIA

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### Abstract

*Goods and service tax is an indirect tax which is common, that is one tax should be implemented by the central government (that is one common tax inside the country). It is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services. The introduction of the GST increased the costs of most consumer goods and services in India including food, hotel charges, insurance and cinema tickets. Upon its introduction in the country, GST led to a number of protests by the business community, primarily due to an increase in overall taxes and hence the prices of goods. This study undertook to know the effects of GST and its impact on business enterprises, the relationship of GST and black money, its advantages and disadvantages.*

*Keywords: GST, Effects of GST*

### Introduction

GST was introduced for **ONE NATION ONE TAX**. Goods and Services Tax (GST) is defined as the tax levied when a consumer buys a good or service. It is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services. GST aims to replace all indirect levied on goods and services by the Indian Central and State governments. GST would subsume with a single comprehensive tax, bringing it all under a single umbrella, eliminating the cascading effect of taxes on the production and distribution prices of goods and services.

### GST

**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 101 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. Touted by the government to be India's biggest tax reform in 70 years of independence, GST was finally launched on the midnight of 30 June 2017, though the process of forming the legislation took 17 years. Its launch was marked by a historic midnight by both the houses at the Central Hall of the Parliament.

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Members of the Congress boycotted the GST launch altogether. They were joined by members of the TRINAMOOL Congress, Communist Parties of India and the DMK, who reportedly found virtually no difference between the existing taxation system, and therefore claimed that the government was trying to merely rebrand the current taxation system but made it worse for common people by increasing existing rates on common items and reducing rates on luxury items. Many critics pointed out that the GST would increase costs of daily goods and affect many Indians adversely, especially the middle, lower middle and poorer classes GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's 2 trillion dollar economy. However, it has been met with sharp criticism from various fronts due to the increased costs and troubles that it will cause to common citizens. The rate of GST in India is between double to four times that levied in other countries like Singapore. President Mr. Pranab Mukherjee & Prime Minister Mr. Narendra Modi launching GST at Parliament's Central Hall on the midnight of 30 June 2017 in a special session. Prime Minister Mr. Narendra Modi delivering a speech on the GST in a midnight session convened at the Parliament's Central Hall.

### **The Persons Who Worked For GST**

Goods and service tax is an indirect tax which is common, that is one tax should be implemented by the central government (that is one common tax inside the country). In India GST has been opened by our Honorable Prime Minister. The reform process of India's indirect tax regime was started in 1986 by Vishwanath Pratap Singh with the introduction of the MODVAT. With the consequential dissolution of the 15th Lok Sabha, the GST Bill – approved by the standing committee for reintroduction – lapsed. Seven months after the formation of the Mr. Modi government, the new Finance Minister Mr. Arun Jaitley introduced the GST Bill in the Lok Sabha, where the BJP had a majority. In February 2015, Arun Jaitley set another deadline of 1 April 2016 to implement GST. In May 2015, the Lok Sabha passed the Constitution Amendment Bill, paving way for GST. However, the Opposition, led by the Congress demanded that the GST Bill be again sent back to the Select Committee of the Rajyasabha due to disagreements on several statements in the Bill relating to taxation. Finally in August 2016, the Amendment Bill was passed. Over the next 15 to 20 days, 18 states ratified the GST Bill and the President Mr. Pranab Mukherjee gave his assent to it.

Chairman of GST Empowered Committee of State Finance Ministers (Head was from Opposition Party ruled State)

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 – TRINAMOOL Congress

## Levy

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 CGST by the Central Government and SGST by the government of that state. For inter-state transactions and imported goods or services, an 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 in order to collect tax revenue.

## Digital India & GST

Digital India is a campaign launched by the Government of India to ensure that Government services are made available to citizens electronically by improved online infrastructure and by increasing Internet connectivity or by making the country digitally empowered in the field of technology .It was launched on 1 July 2015 by Prime Minister Mr. Narendra Modi. The initiative includes plans to connect rural areas with high-speed internet networks. When India adopted digitalisation India became developed country and India need a huge fund for digitalisation and GST removes all the hurdles related to the fund.

## Relationship between GST & Black Money

### Black Money

In India, black money refers to funds earned on the black market, on which income and other taxes have not been paid or which is the proceeds of criminal activity such as bribery, kickbacks and corruption. The total amount of black money deposited in foreign banks by Indians is unknown. Some reports claim a total of US\$1.06 trillion is held illegally in Switzerland. In a televised address on 8 November 2016 by Indian Prime Minister Mr. Narendra Modi, it was announced that banknotes of 500 and 1000 would cease to be legal tender from midnight. Automatic teller machines at some places were closed on 9 and 10 November. Government organizations have brought out new notes. The government of India had accepted the proposal of RBI in bringing out 2000 banknotes and a new version of the 500. The old notes are being removed from circulation .By demonetization the back money and the duplicated money where prevented and has been demolished in the maximum level.

### GST (Goods and Service Tax)

Absence of a widespread black market economy will encourage more dealers to register under indirect tax acts. Buyers of goods can avail themselves of Input Tax Credits (ITC) only on purchases made by them from a registered dealer. With this incentive structure in place, buyers will not buy from an unregistered dealer if the option to buy from a registered dealer exists. But when buyers will refuse to buy from unregistered dealers, even the dealers below the

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registration threshold will find it economically necessary to register, in order to survive in the market. Eradication of black money will force dealers to come into the light, as no buyers will exist for them. GST is a proposed system of indirect taxation of India merging most of existing taxes into single payment of taxation. As India is a federal republic, GST would be implemented concurrently by the central government and the state government. A 21-Member committee was formed to look into the proposed GST law. GST is expected to be applicable from 1st July 2017. November, 2016 with the sudden equalization crisis, since their cash reserves are nullified. This bold move by the government will keep dealers in check who consider indulging in money hoarding or similar illegal acts in the future.

### **Effects and Impacts**

The introduction of the GST increased the costs of most consumer goods and services in India including food, hotel charges, insurance and cinema tickets. Upon its introduction in the country, GST led to a number of protests by the business community, primarily due to an increase in overall taxes and hence the prices of goods. Nearly 1100 cinema theatres in the state of Tamil Nadu declared an indefinite strike from 3rd July 2017. Check posts across the country were abolished ensuring free and fast movement of goods. 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 had 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.

### **Goods and Service Tax Network (GSTN)**

As per the government website on GST, "Goods and Services Tax" Network (GSTN) is a non-profit organisation proposed to be formed for creating a website / platform for all the concerned parties related to the GST, namely stakeholders, government and taxpayers to collaborate on a single portal. When up and running, the portal is supposed to be accessible to the central government which allows it to track down every transaction on its end while taxpayers are advertised to have the ability of connecting this to their tax returns. However its efficacy and efficiency is yet to be tested. The IT network was touted to be developed by unnamed private firms. The known authorised capital of GSTN is ₹10crore in which Central Government holds 24.5% of shares while the state government holds 24.5% and rest with private banking firms for smooth running of the transactions.

### **GST Advantages**

- GST is a transparent tax and also reduces number of indirect taxes.
- GST will not be a cost of registered retailers therefore there will be no hidden taxes and the cost of doing business will be lower.
- Benefits people as prices will come down which in turn will help companies as consumption will increase.

- There is no doubt that in production and distribution of goods, services are increasingly used or consumed and vice versa.
- Separate tax for goods and services, requires division of transaction value into value of goods and services for taxation, leading to greater complications, administration, include compliances costs.
- In the GST system, when all the taxes are integrated, it would make possible the taxation burden to be split equitably between manufacturer and services.

### Disadvantages of GST

- Some Economist says that GST in India would impact negatively on the real estate market. It would add up to 8% to the cost of new homes and reduces demand by 12%.
- Some experts say that CGST, SGST are nothing but new names for central excise/service tax, VAT and CST. Hence, there is no major reduction in the number of tax layers.
- Some retail products currently have only 4% tax on them. After GST, garments and clothes could become more expensive.
- The aviation industry would be affected. Service taxes on airfares currently range from 6-9%. With GST, this rate will surpass 15% and effectively double the tax rate.
- Adoption and migration to the new GST system would involve teething troubles and learning for the entire ecosystem.

### For the Common Man (Items Expected to Get Cheaper and Costlier)

Cheaper Items	Costlier Items
Dining in restaurants	Mobile bills
Two-wheelers	Cigarettes and tobacco products
Small level cars	Residential rent
SUVs and luxury or premium cars	Health care
Televisions	School fees
Washing machines	Courier services
Stoves	Aerated drinks

### Conclusion

GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. All sectors of economy whether the industry, business including Govt. departments and service sector shall have to bear impact of GST. All sections of economy viz., big, medium, small scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GST. One of the biggest taxation reforms in India is that GST -is all set to integrate State economies and boost overall growth. GST will create a single, unified Indian market to make the economy stronger. Experts say that GST is likely to improve tax collections and Boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing

the tax base and minimizing exemptions. The GST System is basically structured to simplify current Indirect Tax system in India. A well designed GST is an attractive method to get rid of deformation of the existing process of multiple taxation also government has promised that GST will reduce the compliance burden at present there will be no distinction between imported and Indian goods & they would be taxed at the same rate. Many Indirect Taxes like Sales Tax, VAT etc., will be finished because there will be one tax system i.e. GST, that will reduce compliance present burden. GST will face many challenges after its implementation and will result to give many benefits. In overall through this study we conclude that GST plays a dynamic role in the growth and development of our country.

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