An Analysis of Goods and Services Tax (GST) in India

*Dr. Anil Kumar Gupta

Abstract

The GST is a comprehensive tax levied at the national level on the production, sale, and consumption of products and services. A major development in India's indirect tax changes will be the implementation of the GST. by the consolidation of numerous federal and state levies into a single tax. The GST is a long-term plan that is anticipated to promote greater output, increased employment possibilities, and economic inclusivity. The main goal of the GST in India is to replace all indirect taxes there. A tax structure that is based on the GST promotes greater compliance and transparency.

The GST is a consumption tax that is collected indirectly on the supply of products and services. Every stage of the manufacturing process is subject to GST. But other than the final customers, it is intended to be repaid to all parties involved in each phase of production.

Keywords: GST, indirect tax, consolidation, compliance, consumption tax

GST Definition: "Goods and services tax (GST) is a tax on goods and services with the added value at each stage having a comprehensive and unbroken chain of a set of benefits from the producer's / service provider's point up to the retailing level where only the final consumer should bear the tax"

The GST is a consumption tax that is based on destination and is imposed at several points during the production and distribution of products and services. It incorporates a number of other taxes, including federal, state, and local taxes, as well as the entertainment tax, surcharges, excise duty, and octroi. This tax is based on the transaction value, which includes the cost of packaging, commission, and other out-of-pocket charges. A hidden characteristic of the GST is that products and services are treated equally throughout the supply chain and are taxed at a flat rate until customers can access them. This equalizes the playing field between large and small businesses and levies stock transfers consistently.

Research Techniques

The study is based on the preliminary methodology, and the information was gathered from secondary sources such as statistics found on the websites of the Indian government, the GST Council, and many others; literature reviews found in journal papers, annual reports, newspapers, and a variety of magazines.

Goals of the Research Project

The following primary goals have been taken into account when conducting and presenting the research.

- To get a thorough understanding of the development of the GST taxation system.
- Having a thorough understanding of the new goods and services tax (GST) system that India has implemented.
- To be aware of the various product-specific GST rates.
- Being familiar with the components, operation, and distinctions of India's present taxation system.
- To assess the benefits and difficulties associated with GST.
- To be aware of GST's effects.
- To understand the pros, downsides, and advantages of GST.
- To distinguish the GST from other indirect taxes (such as the VAT).

The Study's Purpose

This essay offers a succinct analysis of how the GST tax is being implemented across different Indian economic sectors. After it is implemented, the GST will introduce tax rate uniformity and address many indirect taxation-related flaws in the Indian tax system. Significant sectors of the Indian economy would undoubtedly benefit greatly from the goods and services tax.

GST (Goods and Services Tax): Current Situation

1. GST's fundamental structure

The following summaries how the goods and services tax (GST) works as a whole.

- As of July 1, 2017, all supplies of goods and services in India (including Jammu & Kashmir as of July 8, 2017) will be subject to the Goods and Services Tax.
- State GST (SGST) or UTGST (united territory GST) will be payable to the state government or union territory for supplies made within the state or union territory, respectively.
- IGST will be paid to the central government for inter-state supplies (supplies made between states).
- In addition, there will be a 12% GST compensation cess that must be paid on pan masala, tobacco, coal, aerated water, motor vehicle, etc.
- Ordinary customs fees. On imports of commodities, education cess, SEC of customs, IGST, and

GST compensation cess would all be due.

- The GST system is built on the VAT idea of granting input tax credits for output tax payment for tax paid on inputs, input services, and capital goods. This will prevent the tax cascade.
- GST is a consumption-based tax, meaning that it must be paid in the state where the final consumption of the commodity or service, or both, occurs.
- The anticipated GST rates are as follows: NIL, 0.25%, 3%, 5%, 12%, 18%, and 28% (CGST+SGST/UTGST). IGST will likewise be subject to these rates.
- The GST Council is the supreme constitutional body that will decide on GST policies.

DUAL GST 2

According to Article 246A of the Indian Constitution, there will be two types of GST on supplies of goods and services inside states: State GST (SGST) and Central GST (CGST). In terms of GST, territorial seas will likewise be a part of the state.

Additionally, SGST will be applicable in union territories with the legislature. Delhi and Pondicherry are these. The delivery of goods and services inside the state will be subject to both the CGST and the SGST.

3. The value of the GST tax system for business, the government, and consumers

By enhancing interactions between the VAT and GST systems, along with mitigating the dangers of double taxation and unintentional non-taxation, GST will address a number of development-related challenges. The GST will create a solid platform for revenue collection at the beginning of value addition. Every company and tax payer would participate in the administration and collection of taxes.

The following areas are where the GST reforms will be significant for business, the government, and consumers.

1. Trade: The GST will serve as a stepping stone for the following aspects in order to harmonise trade and bring about substantial reforms to accelerate development: Reduced tax multiplicity (a); tax neutrality, notably for exports of products (b); (c) creation of a single, global economic market (d) a straightforward tax that has fewer rates and exemptions Efficient cost-reduction measures for home industries.
2. The governments: GST makes a lot of promises for a transparent functioning system for the government in the following ways: (a) a straightforward taxing system - one common tax; (b) a widening of the tax base; and (c) significant improvements in revenue collection.
3. The consumers: For the average Indian person, GST offers a number of benefits, including the following: a decrease in the price of goods and services, and b a gain in purchasing power. (c)

An increase in the average person's savings. Increased investment is (d)

4. GST Amounts The GST rate structure is not specified in the IGST or CGST legislation.

The rate of CGST will be as announced by the central or state government, according to section 9 of the CGST Act. The same clause will be in each state's SGST act: the rate must not be more than 20%.

Therefore, the combined GST rate [20% CGST and 20% SGST] for intra-state supplies will not be higher than 40%.

The rate of the IGST shall be announced by the central government in accordance with Section 5 of the IGST Act. 40% of the total value of the products and services cannot be exceeded by the rate.

The CGST and IGST rates will be same throughout India. Rates for the SGST are anticipated to be uniform across India. Based on HSN, the GST rates will be announced. States may have different SGST rates.

These are the rates.

- Nil - Bangles, Handloom, Pooja Equipment, Jute, Khadi, National Flag, Raw Silk, Fresh Meat, Fish, Chicken, Natural Honey, Butter Milk, Eggs, Milk, Curd, Fresh Fruits And Vegetables, Rye, Rice, Coffee Beans, Prasad, Salt, Wheat, Flour, Besan, Bread, Bindi, Sindoor.
- 0.25% - Rough Diamonds, Precious or Semi-Precious Stones That Fall Under 7102, 7103, and 7104.

  Gold, silver, jewellery, platinum, pearl, diamond, stone, and coins make up 3% of the total.
- 5%- Packaged Food (Wheat, Rice, Rye, Aata, Maida, Jawar, and Corn), Rusk, Coffee, Fish Fillet, Tea, Stent, Branded Paneer, Skimmed Milk Powder, Frozen Vegetables, Spices, Coal, Kerosene, Life Boats, Pizza Bread, Specified Medicines, Footwear, Sabudana Under $500, Sugar, Cotton Yarn, Natural Fibre
- 12%-Umbrellas, Sewing Machines, Frozen Meat Products, Tooth Powder, Coated Fabrics, Animal Fat, Bhutia, Cheese, Ayurvedic Medicines, Agarbatti, Fruit Juices, Ghee, Namkeen, Sausage, Packaged Dry Fruits, Cell Phones, Colouring Books, Picture Books, Readymade Garments Of Rs 1000 And Above, Agriculture Machinery.
- 18% - Tissues, Flavoured Refined Sugar, Biscuits, Tampons, Note Books, Instant Food Mixes, Pastries and Cakes, Cornflakes, Camera, Speakers, and Monitors, Steel Products, Pasta, Mineral Water, Envelopes, Ice Cream, Footwear, Printed Circuits, Preserved Vegetables, Biscuits. RS 500 and Above
- 28%: Waffles and wafers, chewing gum, molasses, and chocolate without cocoa. Aerated Water, ATM, Automobiles, Ceramic Tiles, Coated With Chocolate, Deodorants, Dishwasher, Hair Shampoo, Pan Masala, Paint, Shaving Creams, Sunscreen, Vacuum Cleaner, Vending Machine,

Wallpaper, Washing Machine, Water Heaters, and Weighing Machine, among other things

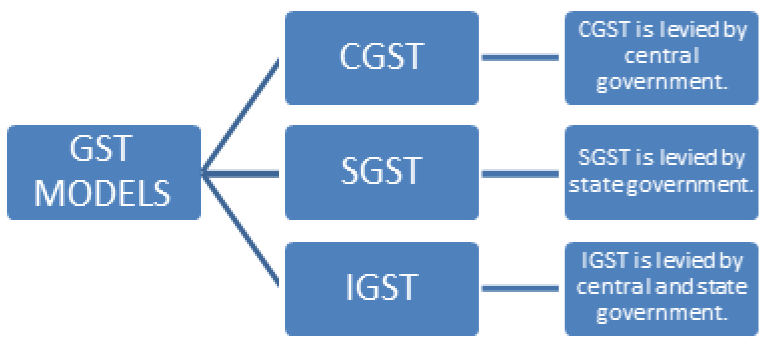
Lottery tickets: GST rates for state-run lotteries will be 12%, while rates for state-authorized (privately operated) lotteries would be 28%.

GST Compensation Cess: In addition, there will be a 15% GST cess on luxury cars and a 3% GST cess on mid-sized cars.

5. GST Council: (GST Council 2017): The constitution (122nd Amendment Bill) was introduced and passed by the Rajya Sabha on August 3, 2016, and the Lok Shaba on August 8, 2016, in order to implement the GST taxation properly in India. On September 8, 2016, the GST council was formally established after receiving approval from the honourable president of India. The GST Council was established by the president within 60 days after the start of articles, in accordance with article 279 A (1) of the amending constitution. The following people make up the GST council:

A. The chairperson of the union's financial committee, B. The union's ministers of state, C. The minister responsible for taxes, or any other minister designated by each state's government.

6. GST Models



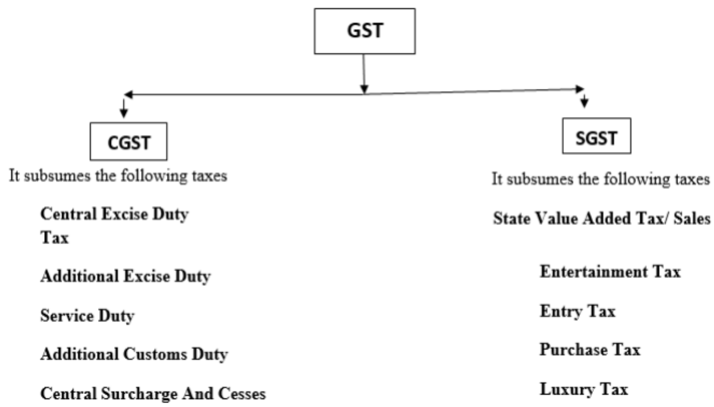
Given the significance of tax reforms and the introduction of the GST in other countries,

7. GST's Goals and Purpose

- One tax, one nation.
- A tax system centred on consumption rather than production.
- Standardised GST registration and payment.
- To stop indirect taxes from increasing other taxes or multiplying them.
- Include all state and federal indirect taxes.
- Decrease corruption and tax evasion.

- Increase tax contributions to GDP and revenue surplus.

8. Taxes that are merged with other taxes



9. Benefits and advantages of GST implementation in India Benefits of GST to Citizen:

1. Easier taxation
2. A decrease in product and service costs as a result of cascading's removal
3. Uniform prices throughout the country 4. Transparency in taxation system 5. Increase in employment prospects.

GST benefits for business and industry:

1. Decrease in the number of taxes
2. Mitigation of double/cascading taxes
3. Improved tax neutralisation, particularly for exports
4. Creation of a national common market

10. A GST and VAT comparison analysis:

Value-added tax, or VAT, was imposed on all sold commodities but not on services. The rendered services were covered by the services tax. The provider taxation system had a number of indirect taxes across the supply chain, which led to high TAX rates that were paid out of the final consumer's wallet.

GST: The GST, along with uniform pricing, is applicable to both products and services. A single tax known as GST is imposed on the production, sale, and consumption of goods and services. It is a destination-based tax that is split between the federal and state governments.

How the GST differs from the VAT

Just two names for the same tax are GST and VAT. It's critical to comprehend how items are valued from their perspective.

The market price of the products is used to determine the VAT. Excise tax and VAT are added on top of it.

As an illustration, let's say a manufacturer offers distributors some machinery for Rs. 3000. The statement would show:

Price of the goods: 3000 + 12.5% excise tax, or 375.

Total =490 less VAT at 14.5% (subtotal =3375)

Total Amount Due by Customer: 3865

While SGST and CGST will be added to the value of the items in accordance with their respective percentages, GST will only be applied to the basic selling price. Under a GST scenario, the invoice would reflect.

For instance

Price of the goods: 3000 CGST at 9%, which equals 270 SGST at 9%, which equals 270

3540 is the total amount the customer must pay.

The sum of the two taxes is equal to 325 (3865-3450).

There are seven major areas where VAT and GST differ from one another.

a. Taxable event GST on every supply of goods and services on the sale of goods.

a. State-federal taxation

VAT: Only the state government receives the full share of the state's public welfare.

For every sale made inside the same state, the GST is collected under the SGST and CGST. After that, the relevant centre and state amount is split.

c. Input tax credit on goods and services

VAT is inapplicable because it only applies to commodities, not services.

GST: Because GST is applicable to both provided products and services, the GST portal system determines the input credit that will be utilised to pay for the subsequent GST due.

d. Service-based taxes

VAT: Services that are offered or sold are not subject to this tax. Services tax is added on at a rate of 14.5

GST: The nature of the service determines the GST rate. 12%b, 18%, or 28% could apply depending on the industry.

Most services are covered under GST.

e. Online transaction

Online payment for VAT is not required.

GST: If the tax is greater than Rs 10,000, online payment is required.

f. Requirement for VAT and GST No.

VAT: If revenue is or exceeds Rs. 10 lakh.

GST: If revenue exceeds Rs 20 lakh.

g. Return Filling VAT: Return must be filed by the 20th of the next month.

GST: Returns for sales and purchases must be filed by the tenth and the twentieth of the following month, respectively.

Conclusion

First and foremost, the GST idea was presented and advocated in India a few years ago. However, on July 1, 2017, the current BJP government, led competently by Prime Minister Shri Nerendra Modi, completed implementation. The new government was strongly in favour of the introduction of GST in India due to the many advantages it would bring, many of which have been covered in this article. GST would have an influence on all industries in India, including manufacturing, services, telecom, automobiles, and small SMEs. One of the largest tax reforms, the GST, will not force the entire country to use a single tax rate. GST will increase tax revenue and accelerate India's economic growth. GST will undoubtedly provide India with a clean and unambiguous taxes system.

***Associate Professor**
Department of ABST
Government Birla College
Bhawani Mandi, Jhalawar (Raj.)

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