"Goods and Service Tax in India: Basic Concepts and Features"

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Abstract

My paper is a brief description of the historical scenario of Indian taxation and its tax structure. . Goods and service tax may be a new story of VAT which provides a widespread setoff for input decrease and subsuming many indirect taxes from state and national level. Evolution of GST has detailed discuss in my paper because the background, silent features, Problems, efforts of state etc. The implementation of a GST in India is predicted to steer to efficient allocation of things of production thus resulting in gains in GDP and exports.

Keywords:- Value added tax, Central Value Added Tax, Goods and Services Tax, Gross domestic Product.

Introduction

The introduction of the GST in India is the landmark reform in indirect tax authority which can have structural impact in Indian economy. The Govt. of India implemented the notable tax reform in Indirect taxes from 1st July 2017. At the present quite 140 countries have implemented the GST within the World with the thrust objective to take care of the transparency within the system and to attenuate tax vigilance in phased manner and to push the further creation of infrastructure facility to match the growing expectation of the economic houses, farmers, traders and therefore the citizen of each country. It's replaced total indirect structure like central excise, custom, entry tax and service tax etc. GST will compile together all the tax under an umbrella so as to foster a standard market within the country.

Experts have obtained the advantages of GST as under:

- It would introduce One-Country-One-Tax regime.
- It would encompass all indirect taxes at the middle and therefore the state level.
- It wouldn't only broaden the tax regime by covering goods and services but also make it transparent.
- It would free the manufacturing sector from cascading consequences of taxes, thus by improve the cost-competitiveness of goods and services.
- It would bring decreases the costs of goods and services and thus by, increase consumption.
- It would create business-affable environment, thus by increase tax-GDP ratio.

Impact of GST on Indian Economy

- Reduce tax burden on producers & faster growth through more production. This double taxation stops manufacturers from producing to their optimum capacity and retards growth. GST would look out of this problem by allowing decrease to the manufacturer.

- Various tax barriers like check posts and toll plazas cause tons of wastage for easily spolit items being transported, a loss that translated into major costs through higher necessity of buffer stocks and warehousing costs also. one taxation system could remove this roadblock for them.
- A single taxation on producers would also interpret into a lower final asking price for the buyer.
- Also, there will be more lucidity within the system because the customers would know exactly what proportion taxes they're being charged and on what base.
- GST would increase government revenues by broadening the assets.
- GST provides regard for the taxes paid by producers earlier within the goods/services chain. This is able to prompt these producers to shop for staple from different registered dealers and would usher in more and more vendors and suppliers under the purview of taxation.
- GST also pull out the custom duties applicable on exports. Our competitiveness in foreign markets would expand on account of lower cost of transaction.
- The proposed GST regime, which may involve most central and state-level taxes, is anticipated to possess one unified list of concessions/exemptions as against the mammoth exemptions and concessions available across goods and services

The introduction of Goods and Services Tax would be a really notable step within the field of indirect tax reforms in India. By amalgamating an outsized number of Central and State taxes into one tax, it'd reduce cascading or double taxation during a serious way and pave the way for a standard national market. From the buyer outlook, the most important leadership would be in terms of reduction within the overall tax burden on goods and services. Commencement of GST would also make Indian products competitive within the domestic and international markets. Last but not the smallest amount, this tax, due to its transparent nature, would be easier to administer. However, once implemented, the system hold on to great promise in terms of sustaining growth for the Indian economy.

Historical Background of Goods and Service Tax in India:

1. Amaresh Baghchi Report, 1994 suggests that the introduction of Value Added Tax will act as root for implementation of Goods and Service Tax in india.
2. Ashim Dasgupta, 2000 empowered committee, which introduces VAT system in 2005, which has replaced adulthood taxation system in India.
3. Vijay Kelkar Task Force 2004, it strongly recommended that the combination of indirect taxes in to the form of GST in India.
4. Announcement of GST to be implemented by 1st April, 2010 after successfully execution of VAT system in India and suggestion various committees and task forces on GST, the union authority first time in union budget 2006-07 announced that the GST would be applicable from 1st April 2010.
5. The Government has formed various joint working groups of state finance ministers to cramming the impact of GST various states.
6. The empowered committees of state finance ministers after various meetings reached on friendly formula for implementation of GST in India.
7. Task force of finance ministers has submitted their report in December 2009 on layout of GST in India.
8. In August, 2013 standing committee on Finance put forward its report on GST Bill.

9. In December, 2014 revised constitution Amendment bill was put forward in Parliament.
10. On June 14, 2016, the ministry of finance let out draft model law on GST in public domain for views and suggestions.
11. GST bill passed in Rajya Sabha on 3rd August, 2016 the constitution amendment (122nd) bill 2014 was passed by Rajya Sabha with concern amendments.

The changes made by Rajya Sabha were unanimously gone by Lok Sabha.

a. After the passage of amendment bill in Rajya Sabha and the charges subsequently ratified and passed by the lok sabha unanimously, the bill was adopted by a majority of state Legislatures where in approval by a minimum of 50% of the state Assemblies was required.
b. The final step to the constitution (122nd) amendment bill, 2014 becoming an act was taken when the Honorable President of India gave his final assent on September 8, 2016.

12. In 2017 – Four GST allied bills become act to following Presidents assent and passage in parliament:

    a. Central GST Bill.
    b. Integrated GST Bill.
    c. Union Territory GST Bill.
    d. GST (compensation to states) Bill.

13. In 2017 GST Council finalizing the GST Rules and GST Rates.
14. When GST is Applicable – Modi Govt. Want to applicable GST Bill from 1st July 2017, Due to another legal Problems GST Bill is not applicable before 1st July 2017.

a. Definitions under GST

GSTIN

GSTIN, i.e. Goods and Services Tax Number may be a business's legal and unique identity with the government of India within the GST regime. GSTIN is a 15 alphanumeric character, PAN based distinctive number, allotted state-wise.

CGST, SGST and IGST

GST consists of three major taxes – Central GST, i.e. CGST, State GST i.e. SGST and Integrated GST i.e. IGST.

The different taxes would enable the tax payers to require credit against one another, enhancing ease and transparency within the taxation cycle.

CGST

Central GST [CGST] is the GST, to be levied by the Centre, on inter-state businesses.

SGST

State GST [SGST] is the GST, to be levied by the State, on inter-state businesses.

IGST

Integrated GST [IGST] is the GST, to be levied by the Centre, on intra-state businesses and imports.

Reverse Charge

Reverse Charge could also be a mechanism and supervisory arrangement to observe and increase the tax coverage, compliance, synchronization and track-ability amongst unorganized, partly organized and fully organized sectors.

Generally, the supplier of goods or services is susceptible to pay GST. However, in specified cases like imports and other notified supplies, the liability may switch to the recipient under the reverse charge mechanism. Reverse charge means the liability to pay tax rests on the recipient of supply of goods or services rather than the supplier, however only on special categories of supply.

Mixed Supply

A mixed supply may be a combination of two or more individual supplies of goods or services or any other arrangement of goods or services made by a GST payer for a single price. The components of the mixed supply aren't organically bundled but it's an intentional fusion from business perspective.

A mixed supply might be a gifting set comprising of a pen, a tie, a wallet and a hoop.

Composite Supply

A composite supply is an organic combination of two or more individual supplies of goods and services or any other natural arrangement of goods or services made by a GST payer for a single price.

A composite supply is further broken into two parts:

Principal Supply*:*

The main and therefore the foremost element within the Composite Supply of goods or services.

Dependent Supply

This is often the depending element and rests on the Principal Supply.

A composite supply might be a breakfast including the stay package during a hotel, which might be seen as a natural blend. In this case, stay package is that the Principal Supply and therefore the breakfast may be a Composite Supply.

Continuous Supply

A continuous supply may be a supply, when the goods and / or services are supplied at a selected interval [fortnight / monthly] and therefore the payments are also received within the same manner.

A composite supply might be the services provided by a telecom operator.

ITC

Input tax credit [ITC] is that the credit manufacturers receive for paying input taxes towards inputs utilized in the manufacture of products. Likewise, a dealer is entitled to input tax credit, if he has purchased goods for resale.

To avoid double taxation on items used as inputs to make other items, credit of taxes paid on the inputs are often taken by the maker of subsequent item while paying tax on the output. If the tax paid on inputs is above the tax on the output, the surplus are often claimed as a refund.

Input Tax Credit is not generic for PAN India, differs state-wise and does not apply to the composite tax payers.

GSTR

GSTR, i.e. GST Return may be a document capturing the small print of the income, which a tax payer is meant to file with the authorities to calculate his liabilities. There are total eleven sorts of GST returns, starting from GSTR-1 to GSTR-11, capturing and catering to different sorts of tax payers.

A GST Primarily Includes

- Sales data
- Purchase data
- Output GST [Derived from Sales]
- Input Tax Credit [GST paid on purchases]

GST Compliance Rating

GST Compliance Rating is primarily a numerical value and a score between [0 -10] assigned by the govt to all or any the tax payers, which speaks about being their GST compliance. The rating is assigned to all or any the GSTIN and GSTUIN holders supported variety of things including but not limited to your return filing habits on time, accuracy of your fed data etc. among many others.

Though the particular rating format is remains to be announced, however it should be almost like having a 0-10 scale, where zero accounts for rock bottom score and 10 denotes a cent percent compliance.

To avail the ITC and also keep it flowing seamlessly, the rating would be a critical factor. If the ITC isn't available smoothly, the capital will also be impacted adversely. The rating will also impact the legitimate buyers to avail the input decrease, if the suppliers isn't complying up to the mark.

Objective of the Study

To overview this tax structure in India with justification of introduction of GST in India.

To understand the core concepts of Goods and Service Tax (GST) with empirical analysis of GST Model

To examine various opportunities and challenges after the implementation of GST along with a comparative study on impact of taxes in non-GST regime and GST regime

Methods

This study is based on secondary data such as financial statistics published in various journals, manuals annual reports, periodicals and newspapers, books, publications and concerned websites will be used. Published and unpublished work of research scholars will also be studied and incorporated wherever necessary.

Tools and Techniques to be used

- Mean
- Standard Deviation
- Cross Tabulation and Percentage Distribution
- One way ANOVA (F-test)
- t-test

Scope

This study is conducted to find out the views of consumers in Jaipur District and to know about their expenditure pattern and the variation. The respondents selected are of mixed group which will give broader difference in understanding. The scope of the study is limited only to the concerned area of study which cannot be justified for any other place.

Research Design

A good research design has features that is, problem definition, time required for research project and estimate of expenses to be incurred the function of research design is to ensure that the required data are collected and they are collected right and economically. A research design is entirely and simply the framework for a study that guide the collection and analysis data. In this project the two fundamental types of research design are used.

Exploratory Research

All research projects must start with exploratory research. This is a preliminary phase and is completely essential so as to get a correct definition of problem in hand. The major emphasis on the discovery if ideas and insights. The exploratory study is particularly helpful in breaking broad and vague problems in to smaller, more precise sub problem statements. Exploratory research is additionally to increase the familiarity with the matter under investigation.

Descriptive Research:

It is the planning that one simply describes something like demographic characteristics of individuals. The descriptive study is generally concerned with determining frequency with which something occurs or how two variables vary together. A descriptive study requires a transparent specification of who, what, when and why apex of the research. It requires formulation of more specific hypothesis and therefore the testing these through statically inference technique.

This is the research design of the study and then it involves develop the research plan , which suggests that what to try to before going for the actual interpretation and it is discussed below .

Classification of Data

The correct information is the key to success. Data information is of two types; Primary Data and Secondary Data. Primary data's information collected by researcher or person himself where is secondary data is collected by other but take advantage of or used by researcher. Data can be arranged under two categories depending upon source utilized. These categories are:

- **Primary Data**
- **Secondary Data**

Limitations of Study:

This study too has its limitations that limit the applicability and validity of study. The limitations are below

The sample size was small and can't be applied to the whole population.

GST is new launched tax system so some complications are faced by the peoples.

Conclusion

Other countries experience in GST has witness to be an efficient tax collection system. As a matter of course, the shift from multiple tax regime to unified tax regime will create some teething problems like sharing of the revenue between centre and the state, lack of availability of uninterrupted internet access in the remote places, the period within which the traders will get refund of tax as it is a crucial factor in their working capital management. These problems can be addressed if consensus exists among the states and the various stakeholders to implement the system. GST has the potential to spice up GDP, broaden assets and attract foreign investment and pave way to promote "Make in India" ultimately creating large of job opportunities. Hence GST is a noteworthy game changer for India's economic growth

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