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INCEPTION & IMPLEMENTATION OF GST IN INDIA

Mr. Riyazkhan H. Attar
Research Scholar, MANF (Ph.D)
C.D Jain College of Commerce, Shrirampur (MS)
E-mail: atriyaz786@yahoo.co.uk
Mob: 9881099844

Dr. G.H Barhate
Head of Dept. & Research Centre
C.D Jain College of Commerce, Shrirampur (MS)
E-mail: ghbarhate@rediffmail.com
Mob: 9423461534 // 7588005519

ABSTRACT

Traditionally, the Indian tax regime depended largely on indirect taxes. Income from indirect taxes was the main source of tax revenue until tax reforms were implemented during the 1990s. The main argument used for a strong dependence on indirect taxes was that most of the Indian population was poor and, therefore, the expansion of the direct tax base had intrinsic limitations. But the Indian system of indirect taxes is characterized by a cascading and distorting tax on the production of goods and services that leads to hindering productivity and slowing economic growth. There are endless taxes in the current system, few collections from the Center and the rest collected by the state, to eliminate this multiplicity of taxes and reduce the burden of the taxpayer, a simple tax is required and is the tax on goods and services (GST). The tax on goods and services (GST) is the most ambitious and largest tax reform plan, which aims to unite a common market by dismantling fiscal barriers between states. It is a single uniform national tax levied throughout India on all goods and services. In the GST, all indirect taxes will be included in a single scheme. The tax laws of the GST put an end to the multiple taxes that apply to different products, from the source of production to the final consumer. GST works on the fundamental principle of "One Country One Tax". This document gives an idea of the concept of tax on goods and services, advantages, disadvantages and current scenario.

KEYWORD: Indirect Taxes in India, GST- Advantages, disadvantages and prospectus.

INTRODUCTION

India has a well-structured and simplified tax system, in which an authorized segregation has been established between the central government, the various state governments and local authorities. The Department of Revenue of the Ministry of Finance of the Indian government is solely responsible for the calculation of taxes. This department imposes taxes on individuals or organizations for income, customs duties, service taxes, and special taxes. However, state income taxes are levied by their state governments. Local agencies have the power to calculate and collect taxes on property and other public services, such as drainage, water supply and many others. The last 15 years have seen huge reforms of the tax system in India. In addition to the rationalization of tax rates, the simplification of the various tax regulations has even been implemented during this period. However, the process of fiscal rationalization is still ongoing in the Republic of India.

The tax on goods and services (GST) is an indirect tax that was introduced in India on 1 July 2017 and was applicable throughout India, replacing multiple cascading taxes imposed by central and state governments. It was introduced as the Constitution (First Hundred and First Amendment) Act of 2017, after the approval of the proposal to amend the Constitution 122. The GST is governed by a GST Council and its President is the Minister of Finance of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. There is a special rate of 0.25% in precious and semi-precious stones and 3% in gold. In addition, a percentage of 22% or other tax in addition to 28% of the GST is applied to some items, such as drinks, luxury cars and tobacco products. GST has replaced a large amount of indirect taxes with a unified tax and is therefore set to radically redesign the country's $ 2 trillion economy.

OBJECTIVES & METHODOLOGY OF THE STUDY

Objectives of the study are, to focus indirect tax system in India, inception and implantation of GST in India and historical preview. The study is based on the secondary data. As the nature of the study is theoretical, we review the existing available literatures like published books, journals, magazines and research works related to the conceptual, theoretical and foundational framework of indirect taxation and GST.

INCEPTION AND IMPLEMENTATION OF GST IN INDIA

Historical Preview

The process of indirect tax reform from India began in 1986 by Vishwanath Pratap Singh, Finance Minister in Rajiv Gandhi's government, with the introduction of the Modified Value Added Tax (MODVAT). Subsequently, Manmohan Singh and Finance Minister P V Narasimha Rao initiated the first discussions on value added tax at the state level. a single "tax on common goods and services (GST)" in 1999 during a meeting between the then prime minister Atal Bihari Vajpayee and his group of economic advisors, including three former governors of RBI IG Patel, Bimal Jalan was proposed and C Rangarajan. Vajpayee created a committee led by West Bengal's former finance minister, Asim Dasgupta, to design a GST model. Committee of Ravi Dasgupta was also responsible for the launch of technology and logistics backend (later known as GST network, or GSTN, 2017) to implement a uniform tax regime in the country. In 2002, the Vajpayee government formed a working group under Vijay Kelkar to recommend tax reforms. In 2005, the Kelkar committee recommended the implementation of the TSO as suggested by the 12th Finance Committee. After the fall of the NDA government led by the BJP in 2004 and the election of a UPA government led by Congress, the new Finance Minister P Chidambaram in February 2006 continued to work on it and proposed a deployment of GST for the April 1, 2010. However, 2010 with the Trinamool Congress addressed to the CPI (M) by power in West Bengal, Asim Dasgupta resigned as head of the GST committee. Dasgupta admitted in an interview that 80% of the task had been done.

In 2014, the NDA government was elected to power, this time under the leadership of Narendra Modi. With the consequent dissolution of 15 Lok Sabha, the GST Bill, approved by the permanent committee for reintroduction, has expired. Seven months after the formation of the Modi government, the new finance minister Arun Jaitley presented the GST law in the Lok Sabha, where the BJP had the majority. In February 2015, Jaitley set another deadline of 1 April 2017 to implement the GST. In May 2016, Lok Sabha approved the draft constitutional amendment, paving the way for GST. However, the opposition, led by the Congress, demanded that the GST bill be returned to the Rajya Sabha selection committee due to disagreements on various tax-related bills.

Finally, in August 2016, the proposed amendment was approved. For the next 15-20 days, 18 states have ratified the GST law and President Pranab Mukherjee has given his assent. A 22-member selection committee was formed to study the proposed GST laws. All states and territories of the Indian Union have approved state and GST laws of the Union, except Jammu and Kashmir, which have paved the way for a harmonious implementation of the tax from 1 July 2017. The state legislature Jammu and Kashmir approved its GST law on 7 July 2017, thus ensuring that the entire nation submits to a unified system of indirect taxes. There would be no GST in the sale and purchase of securities. This continues to be governed by the securities transaction tax (STT).

Implementation of GST

The tax on goods and services was launched at midnight on July 1, 2017 by India's President, Pranab Mukherjee, and Indian Prime Minister Narendra Modi. The launch was marked by a historical midnight session (30 June - 1 July) of both parliamentary chambers meeting in the Central Parliament Hall. Although high-profile guests from the entertainment and trade industry, including Ratan Tata, participated in the session, it was boycotted by the opposition due to the predicted problems that would result in middle and lower class Indians. It is one of the few midnight sessions held by the parliament; the others are the declaration of India's independence of August 15, 1947 and the silver and gold banquets of that occasion. Members of Congress have boycotted the launch of the GST altogether. They were joined by members of the Trinamool Congress, the Communist Parties of India and the DMK. The parties reported that they had found virtually no difference between the TSO and the existing tax system, arguing that the government was simply trying to change the brand of the current tax system. They also argued that the TSO would increase existing rates on everyday common goods while lowering rates on luxury goods and negatively affect many Indians, especially the middle, low and low classes.

Taxes subsumed

The only tax on goods and services (GST) replaced several previous taxes and levies which included: central special tax, service tax, additional customs duties, surcharges, value-added tax at state level and Octroi. Other charges applicable to interstate freight transport have also been eliminated under the GST scheme. GST applies to all transactions, such as sale, transfer, purchase, exchange, leasing or import of goods and / or services. India has adopted a dual model of GST, which means that taxes are administered both by the Union and by state governments. The central government and the GST state (SGST) collect transactions carried out in a single state with central GST (CGST) by state governments. For interstate transactions and imported goods or services, the central government collects an integrated GST (IGST). GST is a tax based on consumption / tax based on destination, so taxes are paid to the state in which the goods or services are consumed, not to the state in which they were produced. IGST complicates tax collection for state governments, disabling them to collect the tax that is due directly from the central government. With the previous system, a state would have to manage only one government to collect taxes.

Table 1: Taxes At The Centre And State Level Are Being Subsumed Into GST.

Sr.No	At the Centre Taxes	State Level Taxes
1	Central Excise Duty	Subsuming of State VAT/Sales
2	Additional Excise Duty	Entertainment Tax / Central Sales
3	Service	Octroi
4	Countervailing Duty	Purchase Tax

5	Customs Duty	Luxury Tax

The table above shows that the list of central and state taxes is included in the GST. Considering the federal structure of India, there were two components of GST: Central GST (CGST) and State GST (SGST). Both the Center and the States simultaneously rose GST across the value chain. Tax applied on each supply of goods and services. The Center would collect and collect the central tax on goods and services (CGST) and the States would collect and collect the state tax on goods and services (SGST) on all transactions within a state. The tax credit supported by CGST would be available to discharge the CGST responsibility in the product at each stage. Similarly, the SGST credit paid for entry was authorized to pay SGST on departure. Cross-use of credit would not be allowed.

GST / VAT exist in almost 160 countries. According to the GST scheme, no distinction is made between goods and services by tax collection. This means that goods and services attract the same tax rate. But India is currently planning a tax rate of 5%, 12% and 18%, which will bring 8 Lakh Crore revenues to the government. Under the GST scheme, a person who was obliged to pay production taxes, either for the provision of the service or the sale of goods, has the right to obtain a supported tax credit (ITC) on the tax paid on his inputs. Therefore, it would certainly be a positive reform for the indirect tax system in India.

Table 3: States in India Who Confirm Goods and Service Tax (GST) Constitution Amendment Bill

Sr.No	State	GST Bill Passed on
1	Assam	12/08/2016
2	Bihar	16/08/2016
3	Jharkhand	17/08/2016
4	Himachal Pradesh	22/08/2016
5	Chhattisgarh	22/08/2016
6	Gujarat	23/08/2016
7	Madhya Pradesh	24/08/2016
8	Delhi	24/08/2016
9	Nagaland	26/08/2016
10	Maharashtra	29/08/2016
11	Haryana	29/08/2016
12	Sikkim	30/08/2016
13	Telangana	30/08/2016
14	Mizoram	30/08/2016
15	Goa	31/08/2016
16	Odessa	01/09/2016
17	Pondicherry	02/09/2016
18	Rajasthan	02/09/2016
19	Andhra Pradesh	08/09/2016
20	Arunachal Pradesh	08/09/2016
21	Meghalaya	09/09/2016

The table above shows the states of the List in India that confirm the implementation of the bill to change the Constitution of goods and services (GST) in their respective states, thus doing will lead to the harmonization of the tax system in India.

HSN code in GST

HSN (Harmonized System of Nomenclature) is an 8-digit code to identify the applicable rate of GST in different products according to the CGST rules. If a company has billing up to RS. 1.5 Crore in the previous financial year, so it is not necessary to mention the HSN code while delivering the goods in the invoices, if a company has a turnover of more than 1.5 Cr but up to 5 Cr, then they must mention the HSN code 2-digit while providing goods in Invoices and if the company volume has exceeded 5 Cr, then they should mention the 4-digit HSN code in the invoices.

Models of GST:

For Intra State Transactions: in the case of transactions within the State, the seller collects both CGST and SGST from the buyer and CGST must be filed with the central government. and SGST with the state government.

For Inter State Transactions: For transactions between States: the integrated goods and services tax (IGST) will be applied to inter-state transactions of goods and services based on the destination principle. The tax is transferred to the import state. Furthermore, it is proposed to impose an additional tax on the supply of goods, which does not exceed one per cent, in the course of trade or interstate trade, which will be charged by the central government for a period of two years and allocated to the States. Where the supply comes from. Exports and supplies to SEZ units will have a zero rating.

Below this total amount of GST for any good or service, it will be distributed both in the state and in the central emitters. According to our Union Finance Minister, GST will add 2% to the national GDP.

ADVANTAGES OF GST:

1) GST is structured to simplify the current indirect system by eliminating more taxes. Create India as a single market.
2) Tax products and services at the same rates, so many disputes are eliminated on taxes.
3) The GST applies only to the final destination of consumption according to the VAT principle and not in several points (from production to points of sale). This helps to eliminate economic distortions and generates the development of a common national market.
4) The cost of the procedure is reduced due to the uniform accounting, namely that CGST, SGST, IGST must be maintained for all types of taxes.
5) Reducing the tax burden on companies reduces production costs, making exporters more competitive nationally and internationally.
6) Other commercial entities, even if not organized, enter the tax system, thus expanding the tax base. This leads to better and more tax collections.
7) Many companies create deposits and decrease in different states simply because there is a difference in tax rates. Now that GST has this difference between the missing states. It would help companies eliminate tax differences as a bias.

DISADVANTAGES OF GST:

1) There is double control in every company by the central and state government. Thus, the cost of compliance increases.
2) All credit is available from online connectivity with GST Network. Therefore, small businesses have difficulty using the system.
3) VAT and service tax on some products become higher than current levels.
4) States lose autonomy to change their tax rates.
5) Producer states lose large revenues
6) Retail companies are against it because their taxes have increased and will have to deal with the central government now over the states.
7) GSTN does not work optimally for quite some time.

PROSPECTS OF IMPLEMENTING GST

1) The current structure of indirect taxes constitutes a serious obstacle to India's economic growth and competitiveness. The tax barriers in the form of CST, entry tax and limited tax credit have fragmented the Indian market. The cascading effects of cost taxes make indigenous production less attractive. Complex multiple taxes increase the cost of compliance. In this scenario, the introduction of the GST is considered.
2) The elimination of tax barriers in the introduction of a uniform GST across the country with uninterrupted credit will make India a common market leading to an economy of scale in production and efficiency in the supply chain. It will expand trade and commerce. The TSO will have a favorable impact on the organized logistics industry and on modernized storage.
3) Electronic processing of tax returns, reimbursements and tax payments via "GSTNET" without human intervention will reduce corruption and tax evasion. Integrated control of business transactions through a smooth return and credit process will reduce the scope of black money generation that leads to productive capital utilization.
4) The main beneficiaries of the TSO are sectors such as FMCG, Pharma, durable consumer goods and automobiles and the storage and logistics industry.
5) High inflationary impact in the telecommunications sector, banking and financial services, air and road transport, construction and development of real estate,

CONCLUSION

From the previous discussion it can be concluded that GST brings the One Nation and One Tax market. Provide assistance to producers and consumers by providing comprehensive and comprehensive coverage of input tax credit deductions, service tax discounts and tax surcharges. The efficient formulation of the GST mainly leads to the obtaining of resources and revenue for both the Center and the States, through the expansion of the tax base and the improvement of tax compliance. It can also be concluded that GST has a positive impact in different sectors and sectors. Although the implementation of the GST requires concentrated efforts of all stakeholders, in particular the central and state government, trade and industry. Electronic processing of tax returns, reimbursements and tax payments via "GSTNET" without human intervention reduces corruption and tax evasion. Integrated control of business transactions through a smooth return and credit process reduces the scale of black money generation that leads to productive capital utilization. Therefore, the government needs to train, carry out appropriate training, ongoing GST workshops and workshops. Need the time Therefore, the necessary measures must be taken.

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