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ONE NATION ONE TAX: GST

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Abstract:

GST is the biggest tax reform in India, made to enhance economic growth of the country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. This research paper is the description of traditional tax structure in India, and the change of that tax structure to GST. The research paper states the detailed background, features, problems and efforts of Government regarding GST.

Key words: Tax Structure, GST, GDP, Indian economy.

Objectives of the Study

4. To study the need of transformation
5. To review the features of GST in India.
6. To list out the efforts taken over by Government in implementation of GST.

Significance of the study

3. Present study gives the basic idea to the society about the basics of GST.
4. Study would be help to further research in GST.

Limitations of the study

3. The research is done with the help of secondary data collected and primary information is not collected.
4. The geographical area is not decided for study.

Research Methodology

The research is outcome of the secondary data collected, and conclusions drawn from various recent literature available on physical as well as e-medias.

Introduction

GST is a broad based, single, comprehensive tax levied on goods and services at each point of sale of goods or provision of service, in which, the seller or service provider may claim the input credit of tax which he has paid while purchasing the goods or availing the service; the final consumer will thus bear only the GST charged by the last dealer in the supply chain.

Kelkar Taskforce recommended GST in 2004. According to the Taskforce, an all India GST would be in the nature of a revolution in India's indirect Tax structure since independence because GST would merge all Indirect Taxes imposed by the centre and states ,so there is one country ,one single Indirect Tax. As such, GST would substantially bring down cascading burden of various Indirect Taxes Imposed by centre and state together which falls on a final consumer.

Tax Structure in India

The Central Government and the State Governments levy taxes in India. The local authorities such as Municipality or Local Council also levy some minor taxes. The authority to levy tax is derived from the Constitution of India, which allocates the power to levy various taxes between Centre and State (Patel, A. (2010)).

One Nation One Tax: Subsumed Indirect Taxes in GST in India

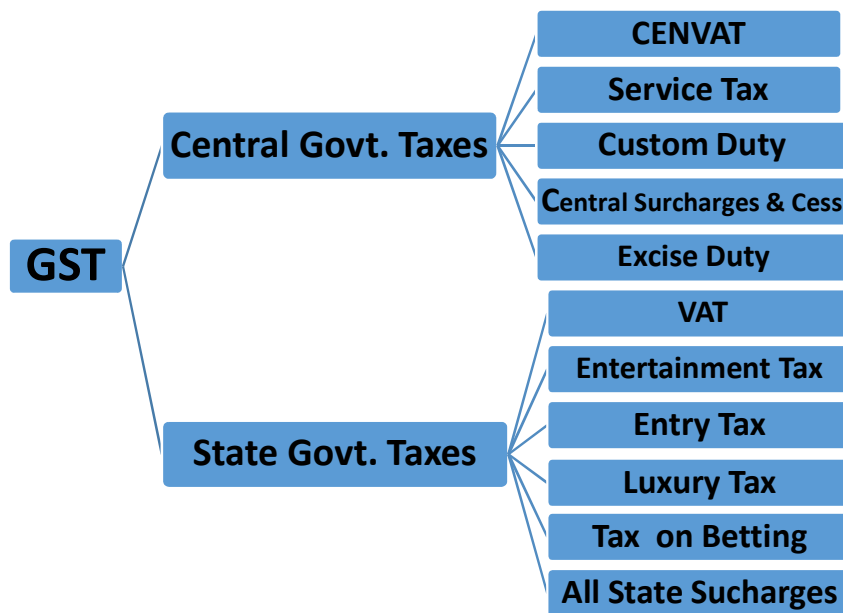
A: The Taxes of the Centre subsumed in GST are

1. CENVAT
2. Service Tax
3. All central surcharges & cess
4. Custom duty
5. Excise duty

B. The Taxes of the States subsumed in GST are

1. VAT
2. Entertainment tax,
3. Entry tax
4. Luxury tax.
5. Taxes on Betting, Gambling and Lottery.

6. All State surcharges and cess since both CENVAT and VAT as well as service tax will lose their independent identity.



Subsumed Indirect Taxes in GST in India

Role of Government in GST

Efforts to introduce GST The Union Finance Minister announced in his budget speech of 2007-08 that the Goods and Services Tax (GST) would be introduced in coming years which led to the setting up of an empowered committee comprising of state finance ministers.

The empowered committee over the years has tried to access grievances and problems of state government and redress them to ensure smooth transition to GST.

Several problems faced by state government over the years has been as followed:-

1. Apprehension of the loss of revenue
2. Apprehension of the loss of autonomy
3. Problem regarding fixation of standard rate of neither GST, which must be a Revenue Neutral Rate (RNR) so that state nor centre, loose revenues.
4. Demand by states for additional compensation in lieu of abolition of entry tax
5. Demand by manufacturing states for additional compensation, as there shall be no tax at manufacturing stage under GST. (generally 1% additional GST is proposed)
6. States were adamant that they would not permit VAT on alcohol and petroleum under GST as these two accounts for 40% to 50% of total tax revenues of state government.

Salient Features of GST in India

21. GST is apply to all goods other than alcoholic liquor, liquor for human consumption and five petroleum products which are crude, motor spirit(petrol), natural gas, high speed diesel and aviation turbine fuel.
22. The GST is apply on the supply of goods and services as against the present structure of tax on the manufacture and sale of goods and services. It is destination based consumption tax.

23. Tobacco and tobacco products are subject to GST. In addition, centre is having power to levy central Excise Duty on these products.
24. Taxpayer shall be allow taking credit taxes paid on inputs and utilise the same for the payment of output tax.
25. Dual GST with centre and state simultaneously levying it on a common tax base. Thus CGST and SGST.
26. Import of goods and services are to be treated as interstate supplies and subject to IGST in addition to applicable custom duties.
27. The laws, regulation and procedures for levy and collection of CGST and SGST are harmonised.
28. Taxpayer with the aggregate turnover in the financial year up to Rs. 20,00,000 would be exempt from tax. For North East states and Sikkim the exemption for tax registration is upto Rs. 10,00,000.

Benefits of GST in India

The GST applicability may lead to following advantages in India

1. GST provide comprehensive and wider coverage of input credit setoff, you can use service tax credit for the payment of tax on sale of goods etc.
2. Consumer needs to pay single tax i.e GST instead of all other indirect taxes.
3. Uniformity of tax rates across all states
4. By reducing the tax burden the competitiveness of Indian products in international market is expected to increase and there by development of the nation.
5. As the benefits of less tax burden would be passed on to the consumer prices of goods are expected to reduce in the end.
6. GST would result in higher GDP, which may lead to higher Tax revenues (higher tax GDP ratio) which will bring down fiscal deficit to half its size and revenue deficit to zero.

Conclusion

1. GST is proving the quote One Nation One Tax.
2. GST will give more relief to final consumers, industry, trade and agriculture through a more comprehensive and wider coverage of input tax set-off and service tax set-off, subsuming of several Central and State taxes in the GST and phasing out of CST.
3. The subsuming of major Central and State taxes in GST would reduce the cost of locally manufactured goods and services.
4. This is likely to increase the competitiveness of Indian goods and services in the international market and to boost Indian exports.
5. GST would bring down the cascading & Tax burden on final consumers, prices will also fall, Consumption and Demand would go up, investment would increase and as a result, GDP would go up.
6. A higher GDP would result in higher Tax revenues (higher tax GDP ratio) which will bring down fiscal deficit to half its size and revenue deficit to zero.

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