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Impact of goods and service tax (gst)

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ABSTRACT : A tax is not a voluntary payment or donation, but an enforced contribution imposed by government under the names of toll duty, custom, excise, subsidy or other name. The Goods and Service Tax (GST) which was introduced from July 2017 by the Government of India is a value added tax, which is the only indirect tax that directly affects all sectors and sections of our economy.

In this paper I have dealt in detail the impacts of GST, though its various objectives and features in strengthening the Indian economy. Further the impact of Integrated Goods and Service Tax (IGST),have been discussed at length in benefitting the individuals, importers, exporters and organization.

Keywords : *Goods and service Tax, Integrated Goods and Service Tax, Impact, custom, excise and subsidy*

INTRODUCTION OF GST:

Introduction of value added tax (VAT) at the central and state level has been considered to be a major step, an important step forward in the indirect tax reforms in India. If the VAT is a major improvement over the pre-existing central excise duty at the national level and the sales tax system at the state level, then the Goods and Service Tax (GST) will indeed be an additional important perfection, the next logical step towards a wide spread indirect tax reforms in the country. In India GST was first proposed in 2000 but it came into effect from 1st July 2017. This was implemented under GST Act 101, Amendment bill 122. The finance minister Mr.Arun Jetliey is the current chairman of GST council with New Delhi as its head quarters. The chairman of GST finance minister council is Amit Mishra. There are 160 countries which adopts GST in which India is one of the country. Out of 160 countries France was the first country to adopt GST followed by other countries. In India GST is based on the China's dual cost model which is being followed by Canada. The dual cost model consists of three types namely Central Goods and Service Tax (CGST), State Goods and Service Tax (SGST) and the Integrated Goods and Service Tax (IGST). The first state to pass the GST was Telungana followed by other states and Assam is the first state to ratify GST bill. The GST council was formed based on Article 279A.

EXISTING INDIRECT TAX STRUCTURE:





FEATURES OF CONSTITUTION AMENDMENT ACT (CAA):

- ✓ Taxation powers distributed between Centre & States
- ✓ CAA required for assigning concurrent powers to Centre and States to levy GST on all supplies
- ✓ Compensation for loss of revenue to States for five years on recommendation of GSTC – Clause 19
- ✓ GST on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas & aviation turbine fuel to be levied from a later date on recommendations of GST council.

TAX RATES FOLLOWED IN INDIAS GST:

India is the first country to implement the maximum slab rate of 28%.The other country which has the slab rate next to India are Argentina 27%, Sweden 25%, France 19.6%, Germany 19%, New Zealand 15%, Australia 10%, Singapore 7%, Japan 5% and Canada 5%.

The different slab rate followed in India starts from minimum of 0% and ends with a maximum of 28% with steps of 5%, 12% and 18%. The different slab rates for the different items are given in Table 1.

Table 1. GST Slab Rates for different Items.

ITEMS	TAX RATE
Meat, Vegetables, Fruits, Egg, Postal stamps, Newspapers, Daily House hold needs such as salt ,milk, breadetc.., and Handloom Products	Nil
Small hotels, Medicines, Coal, Coffee, Tea, Sugars, Natural Products, Transport services and House hold items	5%
Non A/C restaurants, Contracts, Ureas, Smart phones, Flight tickets and Stationery items such as pencil, eraser, Notebooks Etc…	12%
Electrical and electronic items such as printers, computers, electric stove, electronic toys, etc., Insurances, Branded shirts and small nuts and bolts etc..,	18%
Luxary items such as Furniture, Washing Machine, Refrigerator, Air Conditioner, Leather Bags, Wrist watches, Fax machines. Construction items such as cement, paints, varnishes, Plasters, Ceramic tiles Wallpapers and five star restaurants.	28%

The selling of tobacco, Pan masala and alcohol are to be considered as sin in the GST tax procedure . The GST in Northern states of India has been fixed as rupees ten lakhs whereas other states has the rate double of northern state as rupees twenty lakhs for exemption under GST.

GOODS AND SERVICE TAX NETWORK (GSTN):

Goods and Service Tax Network (GSTN) is a special purpose vehicle to cater the needs of GST under the Companies act 2013. The combined stake of Central and State governments in GSTN is 49%. The remaining 51% is divided among the financial institutions as in table 2.

Table 2. GSTN Stake by different financial institutions.

FINANCIAL INSTITUTIONS	%
LIC Housing Finance	11
ICICI Bank	10
NSE Strategic Investment Corporation	10
HDFC Bank	10
HDFC	10

OBJECTIVES OF GST:

The various objectives of GST are

- ✓ To eliminate the cascading impact of taxes on production and distribution cost of goods and services.
- ✓ The exclusion of cascading effects i.e.. tax on tax will significantly improve the competitiveness of original goods and services which leads to beneficial impact to the Gross Domestic Product (GDP) growth.
- ✓ Uniformity of tax rates across the states.
- ✓ Prices of goods are expected to reduce in the long run as the benefits of less tax burden would be passed on to the consumer.
- ✓ Growth of Revenue in States and Union.
- ✓ Reduces the corruption.

IMPACTS OF GST:

The GST finds its impact in various ways

- ❖ **Towards Trade:**
  - ✓ Reduction in multiplicity of taxes
  - ✓ Mitigation of cascading / double taxation
  - ✓ More efficient neutralization of taxes especially for exporters
  - ✓ Development of common national markets
- ❖ **Towards Consumers:**
  - ✓ Simpler tax systems
  - ✓ Reduction in prices of goods & services due to elimination of cascading
  - ✓ Uniform prices throughout the country
  - ✓ Transparency in taxation system
  - ✓ Increase in employment opportunities
- ❖ **Other benefits:**
  - ✓ Different tax system will be stopped
  - ✓ Increase of Indian products in international markets due to reduction of tax burden.
  - ✓ During long run people finds no difficult in this way of tax systems
  - ✓ Uniformity throughout the nation.

MAIN FEATURES OF GST LAW:

Taxable event:

- ✓ Tax on supply of goods or services rather than manufacture / production of goods, provision of services or sale of goods
- ✓ Powers to declare certain supplies as supply of goods or of services – Schedule II
- ✓ Powers to declare certain activities/transactions as neither supply of goods nor of services - Schedule III

- ✓ On Intra-State supplies of goods or services - CGST & SGST shall be levied by the Central and State Government respectively, at the rate to be prescribed
- ✓ Maximum rate ring fenced in law
- ✓ On Inter -State supplies of goods or services - IGST shall be levied by the Central Government, at the rate to be prescribed
- ✓ Maximum rate ring fenced in law

Liability to pay:

- ✓ Liability to pay tax arises only when the taxable person crosses the exemption threshold
- ✓ Every person who is registered or who holds a license under an earlier law;
- ✓ Every person whose turnover in a year exceeds the threshold

Composition Scheme:

- ✓ Provision for levy of tax on fixed rate on aggregate turnover upto a prescribed limit in a financial year

Registration :

- ✓ PAN based Registration required to be obtained for each State from where taxable supplies are being made
- ✓ A person having multiple business verticals in a State may obtain separate registration for each business vertical
- ✓ Certain suppliers liable for registration without threshold
- ✓ Registration to be given by both Central and State Tax Authorities on a common e-application
- ✓ Deemed registration after three common working days from date of application unless objected
- ✓ Self –serviced Amendments except for certain core fields
- ✓ Provision for surrender of registration and also for suo-moto cancellation by the tax authorities

Returns :

- ✓ Normal taxpayers, compositions taxpayers, Casual taxpayers, non-resident taxpayers, TDS Deductions, Input service Distributors (ISDs) to file separate electronic returns with different cut-off dates
- ✓ Annual return to be filed by 31st December of the following Financial Year along with a reconciliation statement
- ✓ Short-filed returns not to be treated as a valid return for matching & allowing ITC and fund transfer between Centre and States
- ✓ GST practitioners scheme to assist taxpayers mainly in filing of returns

Payment :

- ✓ System of electronic cash ledger and electronic ITC ledger
- ✓ Tax can be deposited by internet banking, NEFT / RTGS, debit/credit card and Over The Counter
- ✓ Date of credit to the Govt. account in the authorized bank is the date of payment for credit in electronic cash ledger
- ✓ Payment of Tax is made by way of the debit in the electronic cash or credit ledger

Refund :

- ✓ Refund claim along with documentary evidence to be filed online without any physical interface with tax authorities
- ✓ Provisional sanction of 90% of refund claim on account of zero-rated supplies within 7 days
- ✓ Tax refund will be directly credited to the bank account of applicant

Assessment and Audit :

- ✓ Self –assessment of tax
- ✓ Provisions for assessment of non-filers, unregistered persons & summary assessments in certain cases
- ✓ Provision for provisional assessment on request of taxable person – to be finalized in six months
- ✓ Audit to be conducted at the place of business of the taxable person or at the office of the tax authorities, after prior intimation to taxable person
- ✓ Audit to be completed within 3 months, extendable by a further period of 6 months

CONCLUSION:

GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. By the way of introducing GST effective coordination between Centre and State tax administrations is achieved. Establishment and up gradation of IT framework is achieved by GST. By the way of implementing GST, anti-profiteering provision is made to dis-incentivize non-passing of price reduction benefits to consumers. Inter-State supply of goods or services is achieved by GST so as to increase the Indian economy. Hence GST is expected to pick up tax collections and enhance India‘s economic development by breaking tax barriers between States and integrating India through a identical tax rate system.

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