

GST - Goods And Services Tax

Gyatri Sethi

Asst. Prof.

Gopi Chand Arya Mahila College, Abohar

Before getting into GST we will discuss about tax structure of India. In India tax can be broadly classified into direct taxes and indirect taxes.

Tax Structure of India

Direct Tax:-

- 1.) Income Tax
- 2.) Corporate Tax
- 3.) Minimum Alternate Tax

1.) **Income Tax :-** Income tax is paid by individually on income they have earned. It is charged on the slab bases, depends on the slab an individual will following.

2.) **Corporate Tax:-** corporate tax is paid by the companies on the profits which they have generated.

3.) **MAT :-** MAT is paid by those companies whose net taxable income is less that 18.5% of the total profit they have generated.

Indirect Tax:- GST is going to replace all following indirect taxes.

- 1.) **Excise Duty:-** It is tax on manufacturing and it is levied by the central government and paid by manufacturer.
- 2.) **Service Tax:-** Like excise duty which is a tax on manufacturing, service tax is a tax on service provider that is the case of banking services, telecom services etc. This is also central government item.
- 3.) **State Vat:-** state VAT is charged on the sales and consumption of goods within the boundaries of state. Any sale activity happens within the state one has to pay state VAT. In this state VAT input tax credit is applicable. It will help to reduce the burden of taxation on final consumer.
- 4.) **Central Sales Tax:-** This tax is levied on inter state sales of goods and consumption of goods. Any sale which will happen beyond the boundaries of state then central sales tax will be applicable. Input tax credit is also available.
- 5.) **Purchase Tax**
- 6.) **Entertainment Tax**
- 7.) **Special Additional Duty**

GST:-

GST is introduced in india on 1july 2017.GST is a tax on goods and services with value addition at each stage having comprehensive and continues chain of set of benefits from the producer's /service providers point up to the retailers level where only the final consumer should bear the tax.

GST is a path breaking indirect tax reform which will create a common national market by dismantling inter - state trade barriers. GST has subsumed multiple indirect taxes like excise duty, service tax, VAT, CST, luxury tax, entertainment tax, entry tax etc. There are around 160 countries in

the world that have GST in place. GST is destination based tax where the tax is collected by state where goods are consumed. India has adopted dual GST model in which both states and central levies tax on goods or services or both.

Components of GST: - GST is divided into following components

- 1.) **SGST:-** State GST, collected by the state government
- 2.) **CGST:-** central GST, collected by the central government.
- 3.) **IGST:-** Integrated GST, collected by the central government.

Need For Gst In India:- Introduction of GST is considered to be a important step in the reform of indirect taxation in india. Combination of various central and state taxes into a single tax would help mitigate the double taxation, cascading, multiplicity of taxes, classification issues etc and leading to a common national market.

VAT rates and regulations differ from state. On the other hand, GST brings in uniform tax system across all the states.

Advantages Of Gst :- Following are the advantages of GST

- 1.) **Elimination tax on tax:-** previously several taxes were levied on the same product that increased the price of the product. With the passing of GST, it eliminate the tax on tax effect by providing credit for the taxes paid.
- 2.) **Product identification :-** under the previous regime classification of products into different categories caused a lot of confusion and was a litigious issue. GST aims to solve this problem by bringing in Harmonised system of nomenclature (HSN) which is a 8 digit code to identify products according to international standards.
- 3.) **One tax:-** GST proposes to impose only one tax. GST replace several hidden taxes that were imposed by state government and it will improve ease of doing business.
- 4.) **Decrease the price of product:-** GST charge at manufacturing cost and collected at the point of sale, which means that price will come down that will benefit the consumers. Once the prices will come down, the consumption of consumers will increase, which will benefit the companies.
- 5.) **Easy compliance :-** All the compliance like registration, returns, payment etc under the GST system have to be done online, which will make compliance Hassel free and transparent.
- 6.) **Growth of revenue in states and union:-** GST will increase the tax base but lower the tax rates
and also remove the multiple tax, this will lead to higher amount of revenue to both states and central.
- 7.) **Reduces average tax burden :-** The cost of tax that consumers have to bear is certain, and GST would reduce the average tax burdens on the consumer.

8.) **Reduces the corruption :-** This is a step towards corruption free Indian revenue services.

Impact Of Goods And Services Tax :-

1.) **Impact on small Enterprises :-** There are three categories of enterprises in the GST regime. Those below threshold need not to register for GST. Those between the threshold and composition turnovers have the option to pay a turn over based tax or opt to join the GST regime. Those above threshold limit need to be within framework of GST. Possible downward changes in the threshold in some states consequently to the introduction of GST may result in obligation being created for some dealers. In central GST, the position is slightly more complex. Small scale units manufacturing specified goods are allowed exemptions up to rs 1.5 crores. The units may be required to registered for payment of GST, may be this is an additional cost.

2.) **Financial services :-** In most of the countries, GST is not charged on financial services. But, India has followed the approach of bringing virtually all financial services within the ambit of tax where as consideration for them is in the Form of an explicit fee.

3.) **Housing and construction industry :-** In india, construction sector is a significant contributor to the National economy, so this need to be included in the GST tax base.

4.) **Food industry :-** GST have a significant effect on food items. The application of GST on food items have a significant impact on those who are living under subsistence level. But at the same time, a complete exemption for food items would drastically shrink the tax base. Even if the food items are within the scope of GST, such sales would largely remain exempt duel to small businesses registration threshold.

5.) **Impact on allocation of resources :-** Taxation system which does not have good provision for tax offsetting will lead to misallocation. This will have an effect on international competitiveness of goods produces in the economy and absence of correct input tax credit leads to distortion in production methods based on differentially taxed inputs consequently that will lead to shift in consumption pattern and discourages capital expenditures in the economy and this in turn effects jobs creation in the economy. The application of GST leads to efficient allocation of factors of production. It also leads to high real return on factors of production.

6.) **Impact on manufacturing :-** Benefits of tax offsetting will lead capital expenditure in manufacturing which means more automation of production activities. So people will invest more in automation processes and production process is more automated. This automation leads to efficient production this will lead to high returns to scale for the primary factors of production.

Challenges For Gst: - Under GST regime, manufacturers, traders and service providers across India have been placed under one unified tax umbrella, and no longer need to work with a tremendous array of 17 distinct types of taxes. But there are following challenges against GST initially

- 1.) **Client's preparedness among clients is missing :-** Clients understanding of GST provisions and its impact on their business is still at a nascent stage and many are still identifying the location and places they need to be registered in. These businesses are also assessing the mandated GST. Compliance their relevant functional departments need to adhere to, including their supply chain, IT systems and legal activities etc.
- 2.) **Lack of clarity on GST provisions :-** Categorization of goods and services in various cases is still unclear, provisions for anti-profiteering, as well as the now- deferred e-way bill, which tracks consignments across states are unclear.
- 3.) **Increased compliance :-** with the increase in the number of returns to be filed annually compliance will also increase. Businesses will need to file multiple returns and this can increase multifold in accordance with business models. Clients will need to ensure timely compliance by registered suppliers to ensure there is no loss of input credit. This will necessitate correct data and reports to fill accurate GST returns.
- 4.) **Lack of skilled resources :-** with GST rates and their complexities only recently becoming a part of our policy framework, skilled staff with updated GST subject knowledge and training are not easily available. This has placed an additional work load on personnel across industries, and created an urgent need for additional GST - skilled resources to ensure correct implementation.
- 5.) **Preparedness of IT system :-** GST system is totally dependent on the online submission of taxes which in result over burdens the online system of the ministry of corporate affairs and the online infrastructure is not very sound, so the problem of hanging and website crashes occurs repeatedly which make tax system more adverse than before.

Conclusion :-

No doubt, GST is a big reform in indian taxation structure. It will reduce the burden of tax from consumers and widen the tax base and also avoid the tax evasion. but it will take some time. Businessmens and consumers have to wait for long term benefits of this big reform.

Refrence :-

- 1.) www.gstindia.com
- 2.) www.taxmann.com
- 3.) www.economictimes.com
- 4.) www.wikipedia.com
- 5.) www.cleartax.in