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GST: Taxation structure

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Abstract
The Good and services tax (GST) is the biggest and substantial indirect tax reform since 1947. The main idea of GST is to replace existing taxes like value-added tax, excise duty, service tax and sales tax. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Lok-sabha on 6th May 2015 but is yet to be ratified by the Rajya-sabha. There are mixed response, inexplicit, arguments and opinions among the Manufactures, traders and society about the Goods and Services Tax (GST) to be implemented by Government of India from 1st April 2017 this year. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country.

Keywords: indirect taxes, goods and service tax, Indian economy

Introduction

GST is one indirect tax for the whole nation, which will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%.

On bringing GST into practice, there would be amalgamation of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as international market. At the consumer level, GST would reduce the overall tax burden, which is currently estimated at 25-30%. In India also dual system of GST is proposed including CGST and SGST.

Goods & Service Tax (GST)

Goods and Service tax bill officially known as the constitution (one hundred and twenty second amendment) bill, 2014 proposes a national value added tax to be implemented in India from June 2016. The GST implementation in India is Dual in nature, i.e. it would consist of two components: one levied by Centre (CGST) and another levied by States and Union Territories (SGST). However, base of tax levy would be identical.

Initially the idea was that there would be a national level Goods and Services tax. But as the release of first discussion by the empowered committee of the state Finance Ministers on 10.11.2009, it has been made certain that there would be a "Dual. GST" in the country. Centre and state both governments are entitled to charge taxes on the goods and services. Almost 150 countries have introduced GST in some form. While countries such as Singapore and New Zealand tax virtually everything at a single rate, Indonesia has five positive rates, a zero rate and over 30 categories of exemptions. In China, GST applies only to goods and the provision of repairs, replacement and processing services. GST rates of some countries are given below in Table.

Table 1: Rate of GST (Some Countries)

Country	Rate of GST
Sweden	25%
Japan	5%
Newzealand	15%
Australia	15%
Brazil	18%
Singapore	7%
Canada	5%
Germany	19%

GST has continued to spread across the world, international trade in goods and services have expanded rapidly in an increasingly globalized economy. GST in India is the *Power to Empower Sustainable Growth* to achieve the *Make In India* Mission.

Experts have enlisted the benefits of GST as under

i) For Business & Industry

- Easy Compliance – Comprehensive IT System would be the foundation of GST Regime in India.
- Uniformity of Tax Rates & Structures – Tax neutral

country irrespective of choice of place of doing business.
- Removal of Cascading – seamless tax credits trough value chain & across boundaries of states, thereby ensuring minimum cascading of taxes.
- Improved competitiveness – reduction in transaction in transaction of doing business
- Gain to manufacturers & exporters – increasing the competitiveness of Indian goods and services in the international market and giving boost to Indian exports.

ii) For Central & State Government
- Simple & Easy to Administer – An end to end robust IT system, being simpler than al other indirect tax system.
- Better controls on leakage – an in built mechanism in the design of GST that would incentive tax compliance by traders.
- Higher revenue efficiency – decrease the cost of cash collection of tax revenues, thereby increasing efficiency

iii) For Consumer
- Single & Transparent tax proportionate to value goods & services – One tax from the manufacturer to consumer, leading to transparency of taxes paid.
- Relief in overall tax burden – efficiency gain & prevention of leakages, overall tax burden will come down.

Objectives of the Study
The foremost intent of the study is to scrutinize the impact of GST on Indian Economy and how it influence monetary amplification. Specific objectives incorporate:
- To study about Goods & Service Tax & its impact in Indian Economy,
- To study the inexplicit opinions among the Manufactures, traders and society about the Goods and Services Tax (GST),
- To evaluate the advantages and challenges of GST,&
- To furnish information for further research work on GST.

Research Methodology
Being an explanatory research it is based on secondary data of journals, articles, newspapers and magazines. In view of the objectives of study descriptive type research design is being adopted to have more precision and scrupulous analysis of research study. The accessible secondary data is intensively used for research study.

Results & Discussion

Table 2: The various Tax Laws are levied & collected as follows

Tax	Taxable Events	Levied by	Collected by
Central Excise Duty	Manufacture of goods in India (excluding goods manufactured in SEZ in India)	CG	CG
Service Tax	Provision of Service in Taxable Territory	CG	CG
Sales Tax / VAT	Sale of goods within the State	SG	SG
Customs Duty	Import into India from a place outside India or Export from India to a place outside India	CG	CG
Central Sales Tax (CST)	Sale of goods Inter-state (i.e. from one state to another)	CG	SG
Local Body Tax (Entry Tax / Octroi)	Entry of goods to a place outside the State	SG	SG

Both Centre and States will simultaneously levy GST across the value chain. Tax will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

Under GST scheme a person who is liable to pay tax on output, whether for provision of service or sale of goods, is entitled to get input tax credit (ITC) on the tax paid on its inputs. Thus, it would definitely a positive reform for the Indirect tax system in India.

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

S. No	State	Passed on
1	Assam	12th Aug 2016
2	Bihar	16th Aug 2016
3	Jharkand	17th Aug 2016
4	Himachal Pradesh	22nd Aug 2016
5	Chattisgarh	22nd Aug 2016
6	Gujarat	23rd Aug 2016
7	Madhya Pradesh	24th Aug 2016
8	Delhi	24th Aug 2016
9	Nagaland	26th Aug 2016
10	Maharashtra	29th Aug 2016

11	Haryana	29th Aug 2016
12	Sikkim	30th Aug 2016
13	Telangana	30th Aug 2016
14	Mizoram	30th Aug 2016
15	Goa	31st Aug 2016
16	Odhisa	1st Sep 2016
17	Pondicherry	2nd Sep 2016
18	Rajasthan	2nd Sep 2016
19	Andhra Pradesh	8th Sep 2016
20	Arunachal Pradesh	8th Sep 2016
21	Meghalaya	9th Sep 2016
22	Punjab	12th Sep 2016
23	Tripura	26th Sep 2016

The above table shows List states in India who confirm of implementing goods and service tax (GST) Constitution amendment bill in their respective states by doing so it will bring harmonization of taxation system in India.

Impact of Goods & Service Taxation

- **Fast moving Consumer Goods Sector** - 50% & 30% has been implemented by FMGC on Food & Household sectors, which is the major taxation contributor both for direct & indirect taxation structure. To transfer the stock from the warehouses among the states they have to pay taxes. So, GST would surely impact on FMCG sector as taxes affect the cost to the company.
- **Food Industry** - Keeping in view consideration of fairness & equity, GST is extended on food processing for production & distribution. While in some countries, food is taxed at a standard rate which is as low as 3% in Singapore and Japan at the inception of the GST. Hence, the benefit of lower or zero tax rates should also be extended to all food items in India regardless to degree of processing.
- **Information Technology Enabled Services** - 27% is proposed GST rate levied on IT industry. Implementation of GST will help in uniform simplified and single point taxation and thereby reduced price.
- **Infrastructure Sector** - With the implication of GST the multiplicity of taxes will be removed and it would increase the tax base with continuation of exemptions and concessions for national interest and growth.

Impact on Small Enterprise - In the small scale enterprises there are three categories:-

- Those below threshold need not to register for the GST.
- Those between the threshold and composition turnovers will have the option to pay a turnover based tax or opt to join the GST regime.
- Those above threshold limit will need to be within framework of GST.
  Manufacturers, traders will have to pay less tax with the implication of GST.

Challenges in Implementing GST

- Note ban has huge impact on the Goods and Services Tax on implementation by Central Government.
- Impact of Nov 8 demonetization on high value currency underline the fact that it’s not appropriate to implement, which could have unstable effect on economy
- Centre continues to un compromising on issue of jurisdiction over assesses
- Politics determine the fate of GST, being not a correct sign. As ideally GST is a tax reform.
- Cash Flow & Working Capital has also been affecting, being an organisation which maintains high inventory in goods have to pay GST at full rate on Stock transfer.
- Implementation of GST in Unorganized sectors i.e., unregistered firm will be unfavourable to government.

Conclusion

It can be concluded from the above discussion that GST will bring One Nation and One Tax market. Consumption and productions of goods and services is undoubtedly increasing and because of multiplicity of taxes in current tax regime administration complexities and compliance cost is also accelerating. Efficient formulation of GST will lead to resource and revenue gain for both Centre and States majorly through widening of tax base and improvement in tax compliance. It can be further concluded that GST have a positive impact on various sectors and industry. Although implementation of GST requires concentrated efforts of all stake holders namely, Central and State Government, trade and industry. Thus, necessary steps should be taken.

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