International Journal of Advanced Research and Development
ISSN: 2455-4030
Impact Factor: RJIF 5.24
www.advancedjournal.com
Volume 3; Issue 1; January 2018; Page No. 224-234

Goods and services tax in India: An overview

Manju Devi
Research Fellow, Institute of Management Studies and Research, Maharshi Dayanand University, Rohtak, Haryana, India

Abstract
Our proposal research intends to understand the GST (Goods and Services Tax) and the role GST in Indian Tax Scenario. This paper is an analysis of brief description of the historical scenario of GST. 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 Loksabha on 6th May 2015 but is yet to be ratified by the Rajyasabha. It is a comprehensive tax system that will subsume all indirect taxes of states and central governments and unified economy into a seamless national market. It is expected to iron out wrinkles of existing indirect tax system and play a vital role in growth of India. This paper presents an overview of GST concept, explains its features along with its timeline of implementation in India. The paper is more focused on advantages of GST and challenges faced by India in execution. This study is based on secondary data of journals, articles, newspapers, internet and magazines.

Keywords: tax, indirect tax, goods and services tax (GST), India lok sabha, Rajyasabha

Introduction
GST was first introduced by France in 1954 and now around 159 countries have implemented GST law in some form or other. In many countries, VAT is the substitute for GST, but unlike the Indian VAT system, these countries have a single VAT tax which fulfills the same purpose as GST. GST will unify all the indirect taxes under an umbrella and will create a smooth national market. Experts say that GST will help the economy to grow in more efficient manner by improving the tax collection as it will disrupt all the tax barriers between states and integrate country via single tax rate. Goods and Services 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). GST is a simple, transparent, and efficient system of indirect taxation.

Objectives of the Research Paper
The Research paper has following objectives:
1. To explain the concept of GST.
2. To study the historical background of GST.
3. To evaluate the advantage and challenges of GST.
4. To study the impact of the GST.
5. To suggest option for further research work on GST.

Research Methodology
This Research paper is a descriptive cum evaluative research it is based on secondary data. This data shall be taken from journals, articles, newspapers, internet, magazines and report of government of India. According to the objective of the research paper, the research design is of descriptive in nature.

Indian Taxation System
Indian Taxation System India has got a well-structured and simplified taxation system, wherein an authoritative segregation has been done among the Central Government, the different State Governments as well as the Local Bodies. The Department of Revenue under the Government of India's Ministry of Finance is solely responsible for the computation of tax. This department levy taxes on individuals or organizations for income, customs duties, service tax and central excise. However, the agriculture based income taxes are levied by the respective State Governments. Local bodies have got the power to compute and levy taxes on properties and other utility services like drainage, water supply and many others. The past 15 years have witnessed tremendous reformations of the taxation system in India. Apart from the rationalization of the rates of tax, simplification of the different laws of taxation has even been done during this period. However, the process of tax rationalization is still in progress in the Republic of India. Courtesy New Business Maps of India

Concept of GST
GST is one indirect tax for the whole nation, which will make India one common market. GST is a single and destination based tax on consumption 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 Goods and Services Tax (GST) will be levied at multiple rates ranging from 0 per cent to 28 per cent. GST Council finalised a four-tier GST tax structure of 5%, 12%, 18% and 28%, with lower

rates for essential items and the highest for luxury and de-merits goods that would also attract an additional cess. Touted by the government to be India's biggest tax reform in 70 years of independence, the Goods and Services Tax (GST) was finally launched on the midnight of 30 June 2017, though the process of forming the legislation took 17 years (since 2000 when it was first proposed). The launch was marked by a historic midnight (30 June - 1 July 2017) session of both the houses of parliament convened at the Central Hall of the Parliament, but which was immediately boycotted by the opposition by staging a walk out to show their disapproval of the same. It would be a dual GST with the Centre and States simultaneously levying it on a common tax base. GST will be divided into three component the Central Goods and Services Tax (CGST), State Goods and Service Tax (SGST) and third one Inter State Goods and Services Tax (IGST)

CGST

CGST is a part of Goods and Services Tax (GST). CGST means Central Goods and Services Tax, one of the three categories under Goods and Services Tax with a concept of one tax one nation. CGST falls under Central Goods and Services Tax Act 2017. The present Central taxes of Central Excise Duty, Central Sales Tax, Service Tax, Additional Excise Duties, Excise duty levied under the medical and toiletries preparation Act, counter vailing duty, special additional duty of customs surcharges and cesses are subsumed. CGST is charged on the movement of goods and services of standard commodities and service which can be amended time to time by a separate body. The revenue collect under CGST for centre. However, input tax credit on CGST is given to state and such input tax could be utilized only against the payment of Centre GST.

SGST

SGST is a part of Goods and Services Tax. SGST mean State Goods and Services Tax. This Tax falls under State Goods and Services Tax Act 2017. For easy understanding, when SGST is being introduced, the present state taxs of state sales tax, VAT, Luxury Tax, Entertainment Tax, Taxes on Lottery, Betting and gambling, Entry tax not in lieu of Octroi, State cesses and surcharges in so far as they relate to supply of goods and services etc. are subsumed. The revenue collect under SGST is for state government.

IGST

IGST is also a part of Goods and Services Tax. It means Integrated Goods and Services Tax. It falls under Integrated Goods and Services Tax Act 2017. IGST is charged when movement of goods and services from one state to another. For example, if goods are moved from Tamil Nadu to Kerala, IGST is levied on such goods. The revenue out of IGST is shared by state government and central government as per the rates fixed by the authorities.

UTGST

The full form of UTGST is Union Territory Goods and Services Tax. CGST AND SGST are used against intra state supply (within the state) of goods and services and IGST for interstate supply. GST under supply of goods and services takes place in Union Territories like Andaman and Nicobar Island, Chandigarh, Dadra and Nagar and Diu, Delhi (National Capital Territory of Delhi), Lakshadweep, Pondicherry etc. is accounted under UTGST. A separate Act is being implemented for Union Territory states to impose and administer GST in India in the name of UTGST Act. Under UTGST Act, the details of GST rates payable against the movement of goods and services in union territories are explained. The UTGST bill is presented in respective states government to implement as UTGST Act.

GST rate slabs

As per discussions in the GST Council Meeting held on 3rd June, 2017 GST rate schedule for certain food or category wise distribution:-

0 % GST Rate

Goods

No tax will be imposed on items like Jute, fresh meat, fish chicken, eggs, milk, butter milk, curd, natural honey, fresh fruits and vegetables, flour, besan, bread, prasad, salt, bindi. Sindoor, stamps, judicial papers, printed books, newspapers, bangles, handloom, Bones and horn cores, bone grist, bone meal, etc.; hoof meal, horn meal, Cereal grains hulled, Palmyra jaggery, Salt - all types, Kajal, Children's' picture, drawing or colouring books, Human hair, live (asses, mules and hinnies), live bovine animals, live swine, live sheep and goat, live poultry, other live animal such as(mammals, birds, insects), meat of (bovine animals, swine, sheep, goats, horses, asses, mules, hinnies)fresh or chilled, edible offal of bovine animals, swine, sheep, goats, horses, asses, mules, hinnies, fresh or chilled, meat andedible offal, other meat and edible meat offal, fresh or chilled, fish fillets and other fish meat, live fish, crustaceans, fresh milk and pasteurized milk, birds eggs, lassi,, paneer, natural honey, semen, potatoes, coffee beans not roasted, unprocessed green leaves of tea, fresh ginger, fresh turmeric, cereals (wheat and meslin, rye, barley, oats, rice, grain sorghum, jawar, bajra, ragi etc), cereal flours, flour of the dried leguminous vegetables, cereal grains hulled, soya beans, ground nuts, linseed, rape or colza seeds sunflower seeds, other oil seeds, hop cones fresh, plant and parts of plants, lac and shellac, betel leaves, palmyra sugar, gur, beet sugar, cane sugar khandsari sugar etc

Services

Hotels and lodges with tariff below Rs 1,000, Grandfathering service has been exempted under GST. Rough precious and semi-precious stones will attract GST rate of 0.25 per cent.srrvices by the reserve bank of India,services by a foregn diplomatic mission located in India,services by way of access to a road or a bridge on payment of toll charges, services by way of transporation of goods, services provided by the Indian Institute of Management. Services by a veterinary clinic in relation to health care of animals or birds. Services provided by an arbitral tribunal, a partnership firm of advocates or an individual as an advocate other than a senior advocate by way of legal services, a senior advocate by way of legal services etc.

5% GST Rate
Goods

Items such as fish fillet, Apparel below Rs 1000, packaged food items, footwear below Rs 500, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee, tea, spices, pizza bread, rusk, sabudana, kerosene, coal, medicines, stent, lifeboats, Cashew nut, Cashew nut in shell, Raisin, Ice and snow, Bio gas, Insulin, Agarbatti, Kites, Postage or revenue stamps, stamp-post marks, first-day covers etc.

Services

Transport services (Railways, air transport), small restraurants under the 5% category because their main input is petroleum which is outside GST ambit., Transport of passengers by air in economy class Textile job work will be taxed at 5%. Services by way of job work in relation to- Printing of newspapers; Textile yarns (other than of man-made fibres) and textile fabrics; Cut and polished diamonds; precious and semi-precious stones; or plain and studded jewellery of gold and other precious metals, falling under Chapter of HSN; Printing of books (including Braille books), journals and periodicals; Processing of hides, skins and leather falling etc under 5% gst

12% GST Rate
Goods

Apparel above Rs 1000, frozen meat products, butter, cheese, ghee, dry fruits in packaged form, animal fat, sausage, fruit juices, Bhutia, namkeen, Ayurvedic medicines, tooth powder, agarbatti, colouring books, picture books, umbrella, sewing machine, cellphones, Ketchup & Sauces, All diagnostic kits and reagents, Exercise books and note books, Spoons, forks, ladles, skimmers, cake servers, fish knives, tongs, Spectacles, corrective, Playing cards, chess board, carom board and other board games, like ludo, mobile phones, two-way radio, tractors, electrically operated vehicles, bicycles and other cycles, parts and accessories of bicycles, self loadind or self unloading trailers for agriculture purpose, hand propelled veicles, live horses, pig fat (salted, in brine, dried or smoked put up in unit containers),

Services

State-run lotteries, Non-AC hotels, business class air ticket, fertilizers, Work Contracts will fall under12 per cent GST tax slab. Supply of food/drinks in restaurant not having facility of air-conditioning or central heating at any time during the year and not having license to serve liquor. Accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes having room tariff Rs.1000 and above but less than Rs.2500 per room per day, Transport of passengers by air in other than economy class. Transport of goods in containers by rail by any person other than Indian Railways. Services provided by foreman of chit fund in relation to chit. Temporary or permanent transfer or permitting the use or enjoyment of Intellectual Prop right in respect of goods other than Information Technology software. Construction of a complex, building, civil structure or a part thereof, intended for sale to a buyer, wholly or partly (the value of land is deemed to be one-third of the total amount charged for such supplies)

18% GST Rate
Goods

Most items are under this tax slab which include footwear costing more than Rs 500, Trademarks, goodwill, software, Bidi Patta,, Biscuits (All catogories), flavoured refined sugar, pasta, cornflakes, pastries and cakes, preserved vegetables, jams, sauces, soups, ice cream, instant food mixes, mineral water, tissues, envelopes, tampons, note books, steel products, printed circuits, camera, speakers and monitors, Kajal pencil sticks, Headgear and parts thereof, Aluminium foil, Weighing Machinery [other than electric or electronic weighing machinery], Printers [other than multifunction printers], Video recordings, closed circuit television, set top box for TV, computer monitor not exceeding 17 inches, winding wires, coaxial cables, optical fiber, cars for phycillay handicapped persons, refrigerated motor vehicles, rear tractor wheel rim, tractor centre housing, housing transmission, baby carriage and their parts, Electrical Transformer, CCTV, Optical Fiber, Bamboo furniture, Swimming pools and padding pools, Curry paste; mayonnaise and salad dressings; mixed condiments and mixed seasonings, and Tractor parts, etc

Services

AC hotels that serve liquor, telecom services, IT services, branded garments and financial services, Room tariffs between Rs 2,500 and Rs 7,500, Food/drinks in outdoor catering etc attract 18 per cent tax under GST.

28% GST Rate
Goods

Primary cells and batteries, electronic accumulators, including seoarators therefor, whether or not rectangular (including square), tanks and other armoured fighting vehicles, motorcycles, trailers and semi-trailers vacuum cleaner, electro-mechanical domestic appliances with self contained electric motor, other than vacuum cleaners, shavers, hair clippers, hair removing appliances with self-contained electric motor, electrical ignition, electrical lighting or signalling equipment, windscreen wipers, electric instantaneous, immenrsion heaters, electric hair-dressing apparatus, ISDN system, single loudspeakers, sound recording, transmission apparatus for radio broadcasting, radar apparatus, reception apparatus for radio broadcasting, monitor and projector, electrical signaling, safety or traffic control equipment for railway/ trainways/roads/watereays, insulated wire, cable all goods, brushes, insulating fittings for electrical machines, motor vehicles for the transport of ten or more persons, motor carsand racing cars, motor vehicles for the transport of goods, special purpose motor vehicles, chassis fitted with engines, bodies (for the motor vehicles), part and accessories of the motor vehicles, Bidis, chewing gum, molasses, chocolate not containing cocoa, waffles and wafers coated with choclate, pan masala, aerated water, paint, deodorants, shaving creams, after shave, hair shampoo, dye, sunscreen, wallpaper, ceramic tiles, water heater, dishwasher, weighing machine, washing machine, ATM, vending machines, shavers, hair clippers, automobiles, motorcycles, aircraft for personal use, etc attract 28 % tax - the highest under GST system.

Services

Private-run lotteries authorised by the states, hotels with room tariffs above Rs 7,500, 5-star hotels, race club betting, Gambling, cinema will attract tax 28 per cent tax slab under GST

Constitutional Amendment Act for GST

The One Hundred and First Amendment of the Constitution of India, officially known as The Constitution (One Hundred and First Amendment) Act, 2016, introduced a national Goods and Services Tax in India from 1 July 2017. The GST is a Value added Tax (VAT) and is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by the IGST 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 Indian Central and State governments. It is aimed at being comprehensive for most goods and services. 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).

History of GST

"Goods and Services tax (GST)" was proposed and given a go-ahead in 1999 during a meeting between then prime Minister Atal Bihari Vajpayee and his economic advisory panel, which included three former RBI governors IG Patel, Bimal Jalan and C Rangarajan. Vajpayee set up a committee headed by the then finance minister of West Bengal, Asim Dasgupta to design a GST model. After that in 2004 a task force concludes GST must be implemented to improve current tax structure. Then in 2006 Finance Minister proposes GST introduction from April 1,2010. Therefore, after one year on 10 May 2007 Joint Working Group was set up by empowered committee of state finance ministers which submitted the report in Nov 2007. In 2008 EC finalize dual GST structure, to have separate levy, legislation. First detailed discussion paper on structure of GST was introduced by empowered committee in Nov 2009 with the objective of generating a debate and getting the inputs from all stakeholders. In 2010 this project to computerize commercial taxes launched but GST implementation postponed. It suggested a dual GST Module along with a GST council and finally in March 2011, constitution 115th amendment bill was introduced to draw up laws for implementing GST. It includes the followings:

- Setting up of GST COUNCIL by the president within 60 days of passage of bill. The council will chaired by union finance minister and its members includes MoS for revenue and finance ministers of states. It will work on GST rates, exemption limits etc.
- Setting up of a GST Dispute Settlement Authority having three members to resolve dispute arising among states and take action against states.
- GST Amendment Bill was referred to parliamentary committee on finance for evaluation.

In 2012 the Parliamentary standing committee begins discussion on GST but stalled it over clause 279B. In Aug 2013 the standing committee submitted the report and recommended that proposed Dispute Settlement Authority should be removed and its mechanism should be given to GST Council itself. It also recommended that GST Council should take decision by voting rather than consensus. The representation in the GST Council should be 1/3 from central and rest 2/3 from states. The decision in the council should be passed with more than ¾ vote representatives present. The quorum of council is raised from proposed 1/3 to half by standing committee. But the proposed 115 amendment bill was lapsed with dissolution of 15th Lok Sabha. On 19 Dec 2014 after making slight changes in GST Bill, NDA government redefined it in 16th Lok Sabha as 122nd amendment of constitution. On 6 may 2015 it passed in lower house of government.

Currently, the 122nd constitutional amendment is cragfasted in Rajya Sabha where it has to passed with 2/3rd majority in order to be implemented from 1April2016. In 2016 amendment model of GST law passé in both houses. In 2017 four supplementary GST bill passed in Loksabha and approved by cabinet after that Rajyasabha passes four supplementary GST bills and finally the Goods and Services Tax was launched at midnight on 30th june 2017 by the prime minister of India, Narendra Modi. The launch was marked by a historic midnight (30 june-1 july) session of both the houses of parliament convened at the Central Hall of the parliament.

Conceptual Review & Analysis

Ehtisham Ahmed and Satya Poddar (2009) studied, "Goods and Services Tax Reforms and intergovernmental consideration in India" and found that GST introduction will provide simply and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Agogo Mawuli (May 2014) studied, "-An Appraisal" and found that GST is not good for low income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Pinki, Supriya Kamma and Richa Verma (July 2014) studied, "Goods and Services Tax-Panacea for indirect tax system in India" and conclude that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government, state government and as well as for consumers in long run if its implementations is backed by strong IT infrastructure.

Monika Sehrawat and Upasana Dhanda (December 2015) studied, "Goods and Services Tax in India-A Key tax reforms" and found that GST is one of the most crucial tax reforms in India which has been long pending due to some political issue. It is an effective tool for fiscal policy management if implemented successfully due to nation-wide same tax rate. Lourdunathan F and Xavier P (December 2016) studied, "A Study on implementation of Goods and Services

Tax in India: Prospectus and Challenges" and conclude that GST will bring one Nation and one Tax market. It has a positive impact on various sectors and industry. Although implementation of GST requires more efforts by stake holders, central and state government, trade and industry etc.
Akanksha Khurana and Aastha Sharma (2016) studied, "Goods and Services Tax in India - A Positive Reform For Indirect Tax System" and found that GST will provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes. 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

Registration is compulsory for those cases/ who is liable to get registered under GST?
GST registration is mandatory for-

- Any business whose turnover in a financial year exceeds Rs 20 lakhs (Rs 10 lakhs for North Eastern and hill states).
- Every person who is registered under an earlier law (i.e., Excise, VAT, Service Tax etc.) needs to register under GST, too.
- When a business which is registered has been transferred to someone/demerged, the transferee shall take registration with effect from the date of transfer.
- Anyone who drives inter-state supply of goods.
- Casual taxable person.
- Such other person or class of persons as may be notified by the central government or a state government of the recommendations of the council.
- Agents of a supplier
- Persons who are required to pay tax under reverse charge.
- . Persons who are required to deduct tax under section 37.
- Persons who supply goods and services on behalf of other registered taxable persons whether as an agent or otherwise.
- An aggregate who supplies services under his brand name or his trade name.
- Input service distributor.
- E-commerce operator.
- Every electronic commerce operator.
- Non-Resident taxable person Persons making any inter-state taxable supply.
- Persons who supply goods and services other than branded services, through electronic.

Who is a Causal Taxable person under GST?
A person who occasionally supplies goods and/or services in a territory where GST is applicable but he does not have a fixed place of business. Such a person will be treated as a casual taxable person as per GST. Example: A person who has a place of business in Bangalore supplies taxable consulting services in Pune where he has no place of business would be treated as a casual taxable person in Pune.

Who is a Non- Resident Taxable person under GST?
When a non-resident occasionally supplies goods/services in a territory where GST applies, but he does not have a fixed place of business in India. As per GST, he will be treated as a non-resident taxable person. It is similar to above except the non-resident has no place of business in India.

Who is an Input Service Distributor?
'Input Service Distributor' means an office of the supplier of goods/services which receives tax invoices on receipt of input services and issues tax invoices for the purpose of distributing the credit of CGST/SGST/IGST paid on the said services to your branch with same PAN. (It must be a supplier of taxable goods /services having the same PAN as that of the office referred to above).
Thus, only credit on 'input services' can be distributed and not on input goods or capital goods.

GST Registration by Type of Taxable Person

- Every person has to apply for registration in every state in which he is liable, within thirty days from the date on which he becomes liable to registration.
- Casual/ non-residents should apply at least five days before their commencement of business.
- Registration number in GST will be PAN based and hence, having PAN would be a prerequisite for obtaining registration.
- The assessee must obtain separate registration for each State, as registration under GST will be State-wise,
- The assessee has an option to obtain a separate registration for each of the 'business vertical' in the same State.

Special registration for casual taxable person and non-resident taxable person (section 24)

- A casual taxable person or a non-resident taxable person shall apply for registration at least five days prior to the commencement of business. Section 24 provides for special provisions relating to casual taxable person and non-resident under GST.
- Casual/non-resident taxable person may obtain a temporary registration for a period of 90 days (extendable for additional 90 days).
- A person who obtains registration u/s 24, will be required to make advance deposit of GST (based on his estimated tax liability).

Collecting GST
Only a registered taxable person can collect GST. The taxable person must prominently indicate the GST amount on tax invoices.

Returns
A normal taxpayer will be required to furnish three returns monthly and one annual return. There are separate returns for a taxpayer registered under the composition scheme, Input Service Distributor, a person liable to deduct or collect the tax (TDS/TCS).

Features of proposed GST
Introduction of GST would be a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax and allowing set-off of prior-stage taxes, it would mitigate the ill

effects of cascading and pave the way for a common national market.

For Business and Industry

- **Easy compliance:** A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.
- **Uniformity of tax rates and structures:** GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.
- **Removal of cascading:** A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.
- **Improved competitiveness:** Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.
- **Gain to manufacturers and exporters:** The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

For Central and State Governments

- Simple and easy to administer Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.
- Better controls on leakage GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.
- Higher revenue efficiency GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.

For the consumer

- Single and transparent tax proportionate to the value of goods and services Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.
- Relief in overall tax burden Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.

For help make in India

- Will help to create a unified common national market for India, giving a boost to Foreign investment and “Make in India” campaign;
- Will prevent cascading of taxes as Input Tax Credit will be available across goods and services at every stage of supply;
- Harmonization of laws, procedures and rates of tax;
- It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful employment leading to substantive economic growth;
- Ultimately it will help in poverty eradication by generating more employment and more financial resources;
- More efficient neutralization of taxes especially for exports thereby making our products more competitive in the international market and give boost to Indian Exports;
- Improve the overall investment climate in the country which will naturally benefit the development in the states;
- Uniform SGST and IGST rates will reduce the incentive for evasion by eliminating rate arbitrage between neighboring States and that between intra and inter-State sales;
- Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption, which in turn means more production thereby helping in the growth of the industries. This will create India as a “Manufacturing hub”.

Objectives of GST

GST is proposed to fulfill the following objectives:

- GST would help to eliminate the cascading effects of production and distribution cost of goods and services. This would help to increase GDP and then to economic condition of the country.
- GST would eliminate the multiplicity of indirect taxation and streamline all the indirect taxes which would be beneficial for manufacture and ultimate consumer.
- GST would be able to cover all the shortcomings of existing VAT system and hopefully serve the economy health.
- Incidence of tax falls on domestic consumption.
- The efficiency and equity of system is optimized.
- There should be no export of taxes across taxing jurisdiction.
- The Indian market should be integrated into single common market.
- It enhances the cause of co-operative federalism.

Advantages of GST

Under GST regime the burden of taxation will be allocated fairly between manufacturing and services via lower tax rates resulting in increased tax base and minimized exemptions. It is anticipated to help in establishing an effective and transparent tax administration. It is expected to remove the cascading effects of taxes and help in establishing of common national market. Apart from this some more advantages of GST are listed below:

IGST- Effective Logistics

In current indirect tax system central sale tax (CST) is paid on interstate commerce of goods. 2% standard rate of CST is levied and distributed to exporter state as it is origin based tax. The input credit of CST can be offset with CST liabilities only. CST is paid only on interstate commerce of goods and not on supply (transportation) of goods. So, to avoid this tax large corporates build their own godowns in different states and transport their goods among states without paying CST which finally leads to decrease in cost of their product. Because of this tax dodging through warehousing by big corporates growth of small and medium enterprises hampered and they cannot survive in the market. But, in proposed GST tax regime IGST is levied on interstate commerce and supply (both) of goods and services. Due to this an effective logistics system will come up which will prevent the tax dodging through warehousing by big corporates. This will protect small and medium enterprises from unhealthy competition of big corporates.

Ancillarisation

In present indirect tax regime all big corporates want to produce each and everything in-house only in order to reduce CST and cascading effect of tax. But in proposed GST system there is no CST and cascading effect which will lead to outsourcing, subcontracting and division of labour. Because of this specialization will increase in future which will help in reducing the cost of production. With the reduced prices domestic goods will be more competitive in international market which will result in increased export and help country to reduce current account deficit

Single Base Computation

With the introduction of GST cascading effects of taxes will not exists and there will be a single base for computation of tax for both central government and state government. Initially state governments will lose tax revenue due to less taxable value of goods. But in later years due to availability of cheap goods the number of taxpayers will increase and overall tax collection of states will also boost. This increase in tax revenue will lead to fiscal consolidation which is demanded by current state of Indian economy. As per CRISIL recent report GST is best reckon for fiscal consolidation as there is not much scope to cut government expenditure in India.

Export Will Be Zero Rate

No GST will be levied on exports because of which input credit of exporter will not be affected and he/she can use these input credit in future. With zero rated exports, domestic goods will be more competitive in international market and will help in increasing exports which in turn the fulfillment of objective of 3.5% share of India in world exports by 2020.

Simple Tax Structure

As multiple indirect taxes of state and central governments on goods and services will be replaced by a single tax, the tax structure will be hoped much simpler and easier to interpretate. Reduction in the accounting complexities for business will make the manufacturing sector more competitive and boost the economy by 1%-2%.

Challenges of GST

At Present, lots of speculations are going as to when the GST actually be applicable in India. Looking into the political environment of India, it seems that a little more time will be required to ensure that everybody is satisfied. The states are confused as to whether the GST will hamper their revenues. Although the Central Government has assured the states about compensation in case the revenue falls down, still a little mistrust can be a severe draw back. The GST is a very good type of tax. However, for the successful implementation of the same, there are few challenges which have to face to implement GST In India. Following are some of the factors that must be kept in mind about GST. Another one is RNR. It is the rate which neutralize revenue effect of state and central government due to change in tax system, means, the rate of GST which will give at least the same level of revenue that is currently earned by state and central governments from indirect taxes is known as RNR. As per 13 finance commission the RNR should be 12% whereas state empowered committee demanding 26.68%. Union government is reckoning the rate band should be 15%-20% which is very high as compare to other counties. Hungary implemented GST from 1/4/2014 with 7% rate. Due to high RNR

- Firstly, it is really required that all the states implement the GST together and that too at the same rates. Otherwise, it will be really cumbersome for businesses to comply with the provisions of the law. Further, GST will be very advantageous if the rates are same, because in that case taxes will not be a factor in investment location decisions, and people will be able to focus on profitability.
- For smooth functioning, it is important that the GST clearly sets out the taxable event. Presently, the CENVAT credit rules, the Point of Taxation Rules are amended/ introduced for this purpose only. However, the rules should be more refined and free from ambiguity.
- The GST is a destination based tax, not the origin one. In such circumstances, it should be clearly identifiable as to where the goods are going. This shall be difficult in case of services, because it is not easy to identify where a service is provided, thus this should be properly dealt with.
- More awareness about GST and its advantages have to be made, and professionals like us really have to take the onus to assume this responsibility.
- Competitive edge of India in Asian giants will decrease and domestic industry may be wrecking.
- Tax evasion and smuggling will increase.
- Regressive nature of indirect taxes will badly affect the purchasing power of poor people which will have negative impact on human development index.
- The impact of the November 8 demonetization of highvalue currency on their respective economies to underline that it is not the appropriate time to implement. That could have a unstable effect on the economy.
- The Centre continues to be un compromising on the issue of jurisdiction over assesses, the states maintain.

- Political reasons are determining the fate of GST, which is not the correct thing, because ideally GST is an economic and tax reform, and economic and tax reforms should not be dictated by political.
- Manufactures, traders and society are eagerly waiting not only for the date of introduction of GST but also for the rate application to the products and services.
- GST will also have impact on cash flow and working capital. Cash flow and working capital of business organizations which maintain high inventory of goods in different states will be adversely affected as they will have to pay GST at full rate on stock transfer from one state to another. Currently CST/VAT is payable on sale and not stock transfers.
- Implementation of GST in Unorganized sectors i.e, unregistered firm will be unfavorable to government.

So, before implementing GST, RNR should be minimized. This can be achieved by inclusion of petrol, liquor, land, electricity within the ambit of GST which will enhance the tax base and increase revenue of government. Note ban has huge impact on the Goods and Services Tax (GST) a serious doubt on implementing GST by the central government`s targeted deadline of April 1, 2017.

Impact of Goods & Services Tax

GST has a positive impact on the economy and on various sectors which are as follows:

Fast moving consumer goods sector

With the implementation of Goods and Service Tax, FMCG sector would really change. FMCG sector consist 50% Food and Beverage sector and 30% is Household and Personal care. FMCG sector is the major taxation contributor both direct and indirect in the economy. The multiplicity of the taxation influences the company‟s decision on manufacturing location and distribution of Goods. FMCG companies set their manufacturing units and warehouses where they can avail tax benefits. 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

Since food constitutes a large portion of the consumer expense of lower income households, any tax on food would be regressive in nature. Therefore, extending GST to food processing sector will also cause difficulty in view of the fact that production and distribution of food is largely unorganized in India. On global front, most of the countries tax food at a lower rate keeping in view the considerations of fairness and equity. Even in countries such as Canada, UK and Australia where food constitute a relatively small portion of the consumer basket, food is taxed at zero rates. 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. Even in international jurisdictions, no distinction is drawn on the degree of processing of food. 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

The proposed GST rate under the IT industry is not yet decided. While the discussed combined rate of GST for the product is 27%. According to proposed GST if the software is transferred through electronic form it would be regarded as service (intellectual property).and if it is transferred through media or any other tangible property then it should be treated as goods. Implementation of GST will help in uniform simplified and single point taxation and thereby reduced price.

Infrastructure sector

The Indian infrastructure sector largely comprises power, road, port, railways and mining. And the indirect tax levy is different and unique for each of them, and this is complex in nature. Although this sector enjoys different exemptions and concessions as it is important on national front. 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 enterprises

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. In respect of the central GST the situation is slightly complex.GST is expected to encourage compliance and which is also expected to widen tax base adding up to 2% to GDP. Manufacturers, traders will have to pay less tax with the implication of GST.

Process & Prospects of Implementing GST

GST Registration

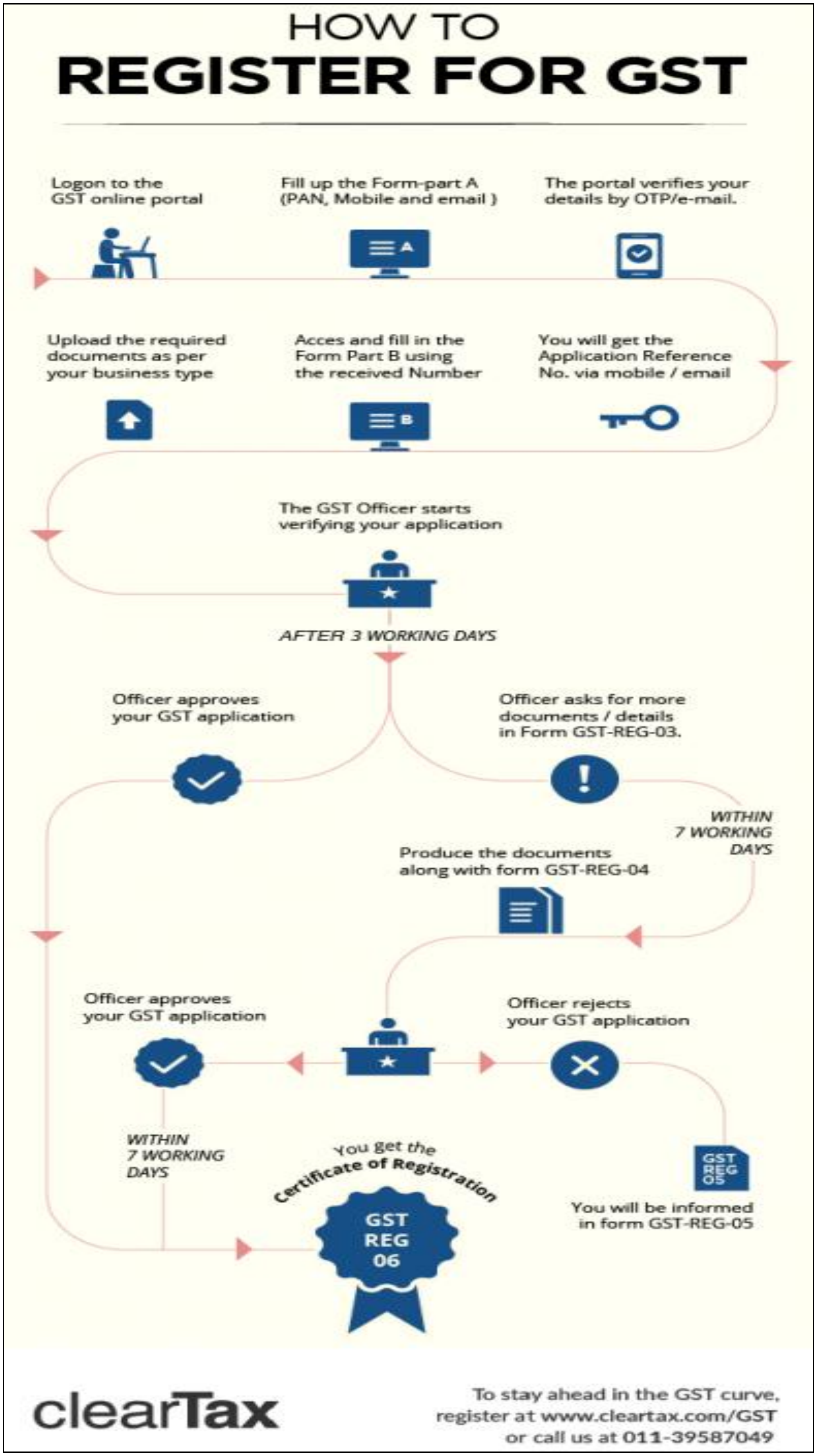
Every business carrying out a taxable supply of goods and services under GST regime and whose turnover exceeds the threshold limit of Rs. 20 lakh/ 10 lakh as applicable will be required to register as a normal taxable person. This process is of registration is referred as GST registration.

Why is GST Registration Important?

GST registration is critical because it will enable you to avail various benefits that are available under the GST regime. One such benefit is to avail seamless input tax credit. Multiple taxes are being clubbed under GST and thus the cascading of taxes that is prevailing currently will no longer be the case. Also, timely registration will help avoid any kind of interface with tax authorities.

How to Register for GST

The chart show the registration process:-



https://cleartax.in/s/gst-registration/it

Fig 1

Audit under GST is the examination of records maintained by the taxable person to verify the correctness of information declared, taxes paid and to assess the compliance with the provisions of GST. Audit can be done by the taxpayer himself or by the tax authorities. Every registered taxable person turnover during a financial year exceeds the prescribed limit (as per the draft rules turnover limit above Rs. 1 crore) must get his accounts audited by a CA or a CMA. Tax authorities can conduct audit of the taxpayer if authorized by the commissioner of CGST/SGST.

Special Audit

Special Audit can be initiated based on the opinion of the tax authorities that the value has not been correctly declared or the wrong credit has been availed. It will be initiated if during any stage of investigation, the proper officer considers the nature and complexity of the case and interest of revenue and has an opinion that it is required.

Assessment

Assessment means determination of tax liability under GST. It covers:-

- Self-assessment
- Provisional assessment
- Scrutiny assessment
- Summary assessment
- Best judgment assessment
- Assessment of non-filers
- Assessment of unregistered persons

Self-assessment

Under GST, every registered taxable person shall assess the taxes payble by them on their own, and furnish a return for each tax period.

Provisional assessment

An assesses can request the officer for provisional assessment if he is unable to determine value or rate of tax. The proper officer can allow the assesses to pay tax on a provisional basis at a rate or a value specified by him. The proper officer can scrutinize the return to verify its correctness. It is a pre-adjudication process. The officer will ask for explanations or any discrepancies noticed in the returns.

Best judgment assessment

Assessment of non-filers

If the registered taxable person does not file hisreturn even after getting a notice, the proper officer will assess the tax liability to the best of his judgment using the available material.

Assessment of unregistered persons

This is concerning a taxable person who fails to obtain registration even though he is liable to do so. The officer will assess the tax liability of such persons to the best of his judgment. The taxable person will receive a show cause notice and an opportunity of being heard.

Summary assessment in certain special cases

This is done when the assessing officer comes across sufficient grounds to believe any delay in showing a tax liability can harm the interest of the revenue. To protect the interest of the revenue, he can pass the summary assessment with the prior permission of the additional/joint commissioner.

Demand and Recovery

Since GST is absolutely new and it is payable on self-assessment basis, it is possible that the taxable person may have made some errors. He might not have paid the tax at all. He might have got the wrong refund of tax or input tax credit. In these cases, demand and recovery provision become applicable. The proper officer will issue a show cause notice along with a demand and recovery provisions become applicable. Demands can arise in the following cases:-

- Demand for unpaid/short paid tax or wrong refund (without any fraud).
- Demand for unpaid/short paid tax or wrong refund (for fraud cases).
- Tax collected but not deposited with the central or a state government.
- CGST/SGST paid when IGST was payable and vice versa.

Recovery of tax

If demand is not paid, the IT department can start recovery proceeding

Prospects of GST

Goods and services tax will bring in “one nation one tax” to unite indirect taxes under one umbrella and facilitate Indian businesses to become globally competitive. The Indian GST structured for efficient tax connection, reduction in corruption, easy inter-state movement of goods etc.

The introduction of Goods and Service Tax (GST) in India is now on the horizon. The Constitution Amendment Bill to replace existing multiple indirect taxes by uniform GST across India.

- The current indirect tax structure is major impediment in India’s economic growth and competitiveness. Tax barriers in the form of CST, entry tax and restricted input tax credit have fragmented the Indian market. Cascading effects of taxes on cost make indigenous manufacture less attractive. Complex multiple taxes increase cost of compliance. In this scenario, the introduction of GST is considered.
- Removal of tax barriers on introduction of uniform GST across the country with seamless credit, will make India a common market leading to economy of scale in production and efficiency in supply chain. It will expand trade and commerce. GST will have favorable impact on organized logistic industry and modernized warehousing.
- Electronic processing of tax returns, refunds and tax payments through ‘GSTNET’ without human intervention, will reduce corruption and tax evasion. Built-in check on business transactions through seamless credit and return processing will reduce scope for black money generation leading to productive use of capital.
- Major beneficiary of GST would be sectors like FMCG, Pharma, Consumer Durables and Automobiles and warehousing and logistic industry. 5. High inflationary impact would be on telecom, banking and financial

services, air and road transport, construction and development of real estate,

Conclusion

Due to dissilient environment of Indian economy, it is demand of time to implement GST. 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. Thus, a simplify, user -friendly and transparent tax system is required which can be fulfilled by implementation of GST. Its implementation stands for a coherent tax system which will colligate most of current indirect taxes and in long term it will lead to higher output, more employment opportunities and flourish GDP by 1-1.5%. It can also be used as an effective tool for fiscal policy management if implemented successfully due to nation-wide same tax rate. It execution will also results in lower cost of doing business that will make the domestic products more competitive in local and international market. No doubt that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector. But all this will be subject to its rational design and timely implementation. There are various challenges in way of GST implementation as discussed above in paper. They need more analytical research to resolve the battling interest of various stake holders and accomplish the commitment for a cardinal reform of tax structure in India.

References

1. Agogo Mawuli. Goods and Service Tax-An Appraisal paper presented at the PNG Taxation Research and Review Symposium, Holiday Inn, Port Moresby, 2014, 29-30.
2. Ehtisham Ahamad, Satya Poddar. Goods and Service Tax Reforms and Intergovernmental Consideration in India, Asia Research Centre, LSE, 2009.
3. Pinki, Supriya Kamma, Richa Verma. Goods and Service Tax-Panacea for indirect tax system in India, “Tactful Management Research Journal, 2014, 2.
4. Monika Sehrawat, Upasana Dhanda. Goods and Service Tax in India-A Key tax reforms, International Journal of Research Granthaalayah, 2015, 13(12). Retrived from http://granthaalayah.com/Articles/Vol3Iss12/15_IJRG15_C12_76.pdf
5. Lourdunathan F, Xavier P. A Study on implementation of Goods and Service Tax in India: Prospectus and Challenges, International Journal of Applied Research, 2016. ISSN online 2394-5869.
6. Akanksha Khurana, Aastha Sharma. Goods and Service Tax in India - A Positive Reform For Indirect Tax System, International Journal of Advanced Research, 2016, 4(3).
7. GST launch: Times when the Parliament convened for a session at midnight, The Hindustan Times, 30 June 2017
8. https://en.wikipedia.org/wiki/Goods_and_Services_Tax_(India)
9. http://howtoexportimport.com/What-is-CGST-in-brief--4183.aspx
10. http://howtoexportimport.com/UTGST-Union-Territory-Goods-and-Service-Tax-5336.aspx
11. https://cleartax.in/s/taxable-person-gst
12. https://cleartax.in/s/gst-procedure
13. https://cleartax.in/s/gst-registration/
14. https://en.m.wikipedia.org/wiki/one_hundred_and_first_Amendment_of_the_constitution_of_India