

ANALYSIS OF GOODS AND SERVICE TAX

Jitendra Choudhary*
Hetram**

ABSTRACT

Indian tax system is quite complex and multiple point taxation has been biggest drawback of same. These shortcomings can be eliminated with introduction of goods and service tax. GST will be levied on both goods and services as single tax and assesses will enjoy input tax credit as single credit for all indirect tax. GST is proposed to introduce to eliminate cascading effect of tax on production and distribution of goods and service. Ambit of GST includes all goods and services but there are some exceptions also like exempt goods, petroleum products, and natural gas and ATF. Collection of GST will be conduct by both state and central government as SGST and CGST. There are various objectives of GST like elimination of cascading effect, ease inn administration process, more transparency, etc. Business, government and consumers are beneficial under GST.

KEYWORDS: *GST, SGST, CGST, ATF, GDP, Cascading Effect of Tax, Input Tax Credit.*

Introduction

Goods and service tax (GST) is the merger of service tax, value added tax, excise duty and other indirect tax. Only one tax will be imposed on the sales and purchase of goods, provision of services and manufacturing and production of goods. Proposed goods and service tax is likely to bring change or refinement in indirect tax system in India. Goods and service tax is very much popular in western and European countries, goods and service tax was introduced and implemented from past in years in these countries. In India, indirect tax system is quite complex to implement and there are various provisions that are to be followed by assesses. Tax experts and government officials says that goods and service tax will bring economic stability as there will be more collection of tax revenues with less administration activities and expenses. Goods and service tax was first introduced in France in the year of 1954 and then followed by many other countries. In this research paper, features of goods and service tax have been discussed and what are objectives of government of India or tax authorities has also been discussed. How goods and service tax will impact tax system and assesses along with benefits to various stakeholders has been discussed in this research paper. Goods and service tax is an indirect tax that will substitute all other indirect taxes in India and implementation of goods and service tax will be handled by indirect tax department. As the name suggest goods and service tax will be levied both on goods and services. Unlike prior tax system, goods and service tax will be implemented same at both state level and central level. Empowered committee established by NDA government has designed the model of GST in the year of 2000.

Features of Goods and Service Tax

Features of goods and service tax includes ambit of GST, council of goods and service tax and imposition and collection of goods and service tax. Following is the features of GST:

* Research Scholar, Department of EAFM, University of Rajasthan, Jaipur, Rajasthan.

** Research Scholar, Department of Accountancy and Business Statistics (A.B.S.T), University of Rajasthan, Jaipur, Rajasthan.

- **Ambit of GST**
 - All taxable goods and services are under the ambit of goods and service tax except goods and services exempt and transactions below the threshold limit.
 - There is special category under goods and service tax for tobacco products that are included in the ambit of goods and service tax along with central excise tax.
 - From the ambit of goods and service tax there are some products that are except and they are; petroleum products, motor sprits, natural gases and aviation turbine fuel.
- **Imposition and Collection of GST:** State legislative assemblies have the power and control to make provisions or laws related to taxation of goods and service tax. But laws made shall not overrule laws made by state government. Collection of tax revenues will be divided between state government and central government on the basis of SGST and CGST.
- **GST Council:** GST council is headed by president and chaired by union finance minister of India. It will constitute union minister of state in charge of revenue and minister in charge of finance or taxation or of any other field nominated by state governments. The 2/3rd representatives in council are from states and 1/3rd from union. The decision of council is made by 3/4th majority of the votes cast and quorum of council is 50%.

Objectives of Goods and Service Tax

There are various objectives of GST along with ease in administrative activities of tax authorities and indirect tax system. Following are some objectives of GST:

- Main objective of GST is to eliminate cascading effect of production and distribution of cost of goods and services. Ultimate effect of this objective will on GDP and improvement of economic conditions.
- Multiplicity of indirect taxes will be eliminated and more benefits of lower indirect tax can be provided to manufacturer and consumers.
- GST will integrate service tax and VAT together so that shortcomings of these taxes can be overcome.
- Another objective is to change the incidence of tax to domestic consumption.
- Objective is to eliminate taxes on export across taxation jurisdiction

Benefits of GST to Stakeholders

There are many benefits of goods and service tax to many different stakeholders that get impacted with this tax. Following are some stakeholders and advantages that they get from GST:

Stakeholders	Benefits
Business	<ul style="list-style-type: none"> • There will be less complication in terms of administrative and management activities under GST as indirect taxes will be seen as single tax. • Biggest advantage that business will get is of elimination of cascading effect from taxes. • Implementation of GST will improve competitiveness in market.
Government	<ul style="list-style-type: none"> • State and Central government will have strong and clear control on any leakages of taxes. • Higher revenue is expected from GST and there will be reduction in administration cost, ultimately increase profitability. • There will be consolidation of tax base after introduction of GST.
Consumer	<ul style="list-style-type: none"> • There will be reduction in prices of commodities and services. • More transparent tax system with establishment of accountability.

Role of Government in Goods and Service tax

While establishing any law or provisions government plays important role in enacting and implementing the same. Government along with regulatory bodies formulates certain facts and conditions that whole together became enforceable law or provision. Government decides audit period and audit conditions so that fraudulent activities can be curbed in the implementation of tax laws. In India, there are two different departments under tax regime i.e. CBDT (Central Board of Direct Tax) and CBEC (Central Board of Excise and Custom). Goods and service tax is indirect tax and will be operated under Central Board of Excise and Custom in place of service tax and value added tax. Government plays important roles related to structure, capacities, functional aspect, coordinating different

departments and many other factors. Major role of government under GST is to administrate different activities under the laws. This requires advanced information technology model to work on and manage different aspects of goods and service tax regime. Cross verification, matching invoices, cross verifying input credits and many other factors are to be managed by government or CBEC. Another important factor that are be managed by government is disputes that may arise during administration of goods and service tax. Cases for and against departments are to be handled by government. While implementing GST provisions and eliminating existing provisions of service tax and value added tax, existing CENVAT credits are to be managed. Existing CENVAT credits are to be accounted for and shall be managed by the government. Government has to look on the functional side of goods and service tax and in this system data management has to be look. Tax assessment, risk management, tax payer management and compliance management are some areas that government has to manage. Therefore functional role under goods and service tax is quite important and more concern and resources are required under the same.

Audit under GST

Under the dual goods and service tax concept tax audits are essential element that every tax payer has to manage. Multiple audits are required under the proposed model of goods and service tax i.e. based on business of the tax payer. Both state government and central government are required to manage and allocate their resources for the audit prospect of the tax payers. Compliance cost for tax payer will be at higher side in terms of different audits at different levels. State goods and service tax is to be administrated by state government and central goods and service tax is to be administrated by central government. Another biggest role of government or central board of excise and custom is of registration of different tax payers under GST regime. Registration, input tax credits, refund management and payment of GST are governed and administrated by government. Assessment under goods and service tax is also required to be managed by government only so that government is able to effectively implement and manage GST provisions. Government or CBEC is required to manage and control various disputes under GST. There can be two major categories of disputes that may occur i.e. :

- Dispute between state government and central government
 - GST department or government and tax payer
- These are to be managed and controlled by government only.

Conclusion

Conclusion can be drawn in terms of introduction and implementation of goods and service tax. GST will provide clear and transparent tax system and will be beneficial for both government and consumers. All commodities and services will be covered under the ambit of GST. There are some exceptions also that are kept outside the ambit of GST because those goods and service are charged by state government. Main objective of SGT is to eliminate cascading effect on taxation of goods and services. Benefits can be reaped by business organisations, both state and central government and ultimate consumers.

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