

## GST: A WIND OF CHANGE IN INDIAN TAXATION SYSTEM

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### ABSTRACT

*The traditionally Indian taxation system relied a lot on indirect taxes. The biggest and important source of tax revenue was indirect taxes, till tax reforms are commenced in the nineties. The major argument present for heavy dependency on indirect taxes was that the majority of the people in India were poor and so broaden base of direct taxes have inbuilt limitations. However in India the indirect taxation system is characterized by Tax cascading, Tax evasion, Complexity, Double taxation, Composite contracts, distorting tax on manufacture / production of goods and services which leads to hamper productivity and slow-paced economic growth. There were unending taxes in Indian taxation system. Some taxes were levied by the Central and rests were levied by the State. In the year 1922, India observed a standard shift in the Indian taxation system. In recent years, the government of India has attempted substantial reforms of the indirect tax calculation framework. Subsequently, to remove this diversity of taxes and to moderate the burden of the taxpayer a simple tax was required and which is how the Goods and Service Tax (GST) came into presence. The GST Bill or the Goods and Services Tax Bill, formally recognized as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, recommends a national Value added Tax has been executed from June 2016. Finally, the Goods and Services Tax (GST) came into effect from 1<sup>st</sup> July, 2017. Goods and Services Tax (GST) is an extension based and a single all-inclusive tax charged on goods and services consumed in an economy. This paper throws an insight into the concept of Goods and Service Tax (GST), its need, advantages, challenges and current scenario in India.*

**KEYWORDS:** *Indirect Tax, Goods and Service Tax (GST) in India, CENVAT, CGST.*

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### Introduction

In India, from ancient times the practice of tax collection has been in constrain. Its references can be discovers in several ancient books like 'Arthasastra' and 'Manu Smriti'. There utilized to be a good mix of direct taxes with indirect taxes and they had been dissimilar in nature. India's history of tax collection proposes the existence of a vast and multiple tax payable population. The traditionally Indian taxation system relied a lot on indirect taxes. The biggest and important source of tax revenue was indirect taxes, till tax reforms are commenced in the nineties. The major argument present for heavy dependency on indirect taxes was that the majority of the people in India were poor and so broaden base of direct taxes have inbuilt limitations. However in India the indirect taxation system is characterized by Tax cascading, Tax evasion, Complexity, Double taxation, Composite contracts, distorting tax on manufacture / production of goods and services which leads to hamper productivity and slow-paced economic growth. There were unending taxes in Indian taxation system. Some taxes were levied by the Central and rests were levied by the State.

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the Goods and Services Tax Bill, formally recognized as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, recommends a national Value added Tax has been executed from June 2016. Finally, the Goods and Services Tax (GST) came into effect from 1<sup>st</sup> July, 2017. Goods and Services Tax (GST) is an extension based and a single all-inclusive tax charged on goods and services consumed in an economy. It is mainly a tax charged on the ultimate consumption. In simple words, GST may be characterized as a tax on goods and services, which is levied at every point of sale or providing the services, in which at the stage of sale of goods or providing the services the vendor or service provider might claim the input credit of tax which he or she has paid while buying the goods or getting the service.

### Research Methodology

#### • Objectives of the Study

- To overview the theoretical concept of GST.
- To study the need of GST in India.
- To study the benefits / advantages of GST in India.
- To study the challenges and current scenario of GST in India.

#### • Collection of Data

The present study is based on secondary data. The secondary data has been collected from various published books, journals, articles published in magazines, daily newspaper, websites, internet, etc. The present study is qualitative in nature.

### GST Across Globe / World

The Goods and Services Tax (GST) had introduced by more than 150 countries. It is also known as the National Value Added Tax (VAT). The maximum countries have a unified GST structure. Across the world, diverse models of GST are executed. In some countries like Canada and Brazil there is a dual GST system where it is taxed by both the governments; federal or central and provincial or state. In the year 1954, France stood the first nation to introduce the GST in taxation system. The standard GST rate in most of the countries ranges between 15 to 20%. There is no national level VAT in the United States of America.

### GST in India

The implementation of the dual Goods and Services Tax (GST) structure in India is the utmost practical decision. In India, a dual GST has been implemented in which there is a CGST (central goods and services tax) and a SGST (state goods and services tax). In simple words, the CGST comprise of the service tax and the excise duty (and allied levies) and the SGST comprise of State Service Tax (new levy), State VAT, and few more local levies.

The CGST does not have any substantial effect as CENVAT Credit of Excise duty and Service Tax available at present are continued. The SGST encompasses local levies like entry tax, entertainment tax, luxury tax and other cess on goods also the projected service tax levy. The CGST and the SGST are charged simultaneously on all businesses of supply of goods and services, eliminating the exempted goods and services. Further, both are levied on the same price or value dissimilar State VAT which is levied on the value of the goods inclusive of CENVAT. However the location of the supplier and the receiver within the country is irrelevant for determining CGST, SGST are chargeable simply when the supplier and the receiver are both located within the State.

### Need for GST in India

In India, the implementation of Goods and Services Tax (GST) would ensure that it provides a taxation system that is nearly alike to the rest of the world. It will furthermore improve the global cost competitiveness of our national goods and services. Furthermore, it will also reassure an impartial taxation structure that is neutral to trade processes and geographic locations. The need for Centre-State and inter-State coordination is vitally in the Dual GST system. The final aim would be a united base and unique set of guidelines for the two levies. It will remove the cascading effects of taxes, where the tax paid at one point gets added on to the amount of a good on which tax is charged at the next point. Accordingly, it will decrease the tax encumbrance on goods and services for the ultimate consumer. It will increase indirect tax revenues by expansion the tax base, creating evasion less attractive. Beyond all, it will build a common marketplace in India, as the rate will be unvarying across the nation and taxes paid in one state can be offset for businesses completed in another.

**Benefits / Advantages of GST in India**

Following are the vital benefits / advantages of GST in India:

- **Eliminates Cascading Effect of Taxes:** GST is charged on the final rate of the product. Eliminate tax-on-tax effect.
- **Eliminates Multiplicity / Diversity of Taxes:** GST includes a new unique and single tax assessment structure of the indirect tax. It is eliminating all the complications of the former indirect tax assessment structure.
- **Greater Transparency in Taxation:** GST as a single taxation system rather than manifold taxation this assists in increasing the transparency. Under the GST taxation method the burden of tax is allocated equitably between production and services thru lesser tax rates ensuing in bigger tax base and decreased exemptions. It also projected that GST will assists to create an effective and transparent taxation system.
- **Simplicity of Doing Business:** By the implementation of the GST, Various taxes like entry tax, octroi, license fees, state sales tax, central sales tax, etc. are no longer present.
- **Common Nationwide Market:** GST follows the destination principle. GST is charged only at the ultimate stage of consumption and not at several stages. This will help to develop a common nationwide market.
- **Reduces the Cost of Production:** GST paid on goods and services, whether buying from inside or outside the state, would be authorized as an Input Tax Credit (ITC) against the output GST, therefore would not be a cost.
- **Rise in the Consumption:** GST helps to reduce the cost of products to the ultimate consumers. Hence, this will ultimately raise the consumption.
- **Better for Producers and Exporters:** GST helps to reduce the cost of producing, this in turn enhance the competitiveness of Indian goods and services in the Global market and provide enhancement to Indian exports.
- **Better for GDP Growth:** By the implementation of the GST, it is also assumed that there will be a rise in the production and the elimination of the cascading effects of taxes which will significantly enhance the competitiveness of goods and services and finally which leads to beneficial and better impact for the GDP growth.
- **Better for the Consumers:** By the implementation of the GST, It is also assumed that, this would boost the producers and distributors to reduce the prices of their goods and services which lead to finally beneficial for the consumers.
- **Better for Economic Growth:** According to experts, by implementing of the GST, India will gain \$15 billion a year. Because GST will encourage more exports, generate more employment prospects and boost growth.

**Challenges and Future Prospects of GST in India**

Any new modification is accompanied by problems and difficulties at the beginning. A transformation as comprehensive as GST is assured to draw certain challenges not merely for the government, but similarly for business concerns, taxation administration and common people of the nation.

- Several of these challenges are related to the newness with the unused IT systems, return filing, legal challenges, and passing on transition credit. Lack of vigorous IT system and infrastructure interruptions makes compliance problematic for the taxpayers. Numerous of the procedures in the GST taxation system are specifically new for both small and medium business enterprises. They were not used to steady and online filing of returns and other legal formalities.
- On the basis of the feedback received from taxpayers, business concerns and consumers from across the nation, efforts has been made for incorporating suggestions and reducing problems by short-term and long-term solutions. Subsequently rectifying system malfunctions, the successful implementation of E-way bill for inter-State movement of goods has been made from 01.04.2018.

- For accelerating sanction of refund, online filing of refunds, accompanied by all supportive documents, has been enabled on common portal. Clarificatory notifications and circulars have been issued for guiding field formations of Central Board of Indirect Taxes and Customs (CBIC) and States in this concern.
- Owing to technical malfunctions on the GST portal, the government has placed an IT grievance Redressal mechanism to resolve the problems faced by the taxpayers.

### Conclusion

The introduction of the GST is a wind of change in Indian Taxation System. It is really a game changer for 'Economy of India' because it has interchanged complex and multi-layered indirect taxation system with a simple, easy, transparent and technology driven taxation system. GST will integrate India into a single, common market by breaking obstructions to inter-State trade and commerce. GST will also boost ease of doing trade in the country by eliminating cascading effects of taxes and decreasing transaction costs. GST is also going to provide a motivation to "Make in India Campaign" and will result in "ONE NATION, ONE TAX and ONE MARKET". The Government of India is taking vital measures to overcome all the challenges / obstacles of GST in India. Ultimately, GST will foster the growth and development of economy in India.

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