Goods and Services Tax- Concept and Review

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ABSTRACT

Taxation system of India comprises of Direct Tax and Indirect Tax. Direct tax is levied on the income and indirect tax is levied on product and services. Goods and Services Tax is an indirect tax implemented from1st July 2017 with the slogan of "One Nation One Tax". GST is single uniform indirect tax impose on supply of goods and services. GST eliminate the cascading effect, as it is collected at multiple stage but only the value-added part. Tax payable is a contribution not the fine, mandatory paid by citizen form the earned income and wealth for the public welfare and to boost economy. This study is conducted to make reader understand the concept of Goods and Services tax and to highlight the feature of GST. Study gives a clear picture of notion of GST with the help of examples. A healthy amount of literature is reviewed.

Key Word: Goods and services tax, ITC, cascading, and value added.

Introduction

Economist have a saying that "A good tax is an old tax"- i.e., "a tax the effect of which have been taken into account by all relevant economic actors"

Martin O'Neill.

Tax originated from a Latin word "Taxare" – means an estimate. Tax being very old term in India as mentioned in on one of the oldest scriptures i.e., Manu Smruti and taxation system is in function since Maurya dynasty.

Tax is enforced financial contribution made by taxpayers to the government. Tax is a contribution not the fine, mandatory paid by citizen form the earned income and wealth for the public welfare and to boost economy. Tax is imposed and collected by government for development and welfare of people, to raise revenue, to redistribute income from rich people to poor, to control inflation, promotion of economic growth, for employment purpose and that all leads to increase in GDP (Gross Domestic Product). Indian taxation structure includes Direct tax and Indirect Tax. Direct tax is imposed on individual and corporate income. Indirect tax is imposed on goods, products and services. Income tax officially started in 1860 by British. Accordingly, First Income TAX Act passed in 1886 and after that it keeps on amended. At present India follow Income Tax Act 1961.On the other hand, Indirect tax has gone through numerous reforms and includes the implementation of various taxes like Central Excise Duty, Service Tax, Additional Excise Duty, Special Additional Duty of Customs, Additional Customs Duty commonly known as Countervailing Duty, Value Added Tax, (VAT)/Sales Tax, Octroi, Entry tax, Entertainment Tax, Central Sales Tax (levied by the Centre and collected by the States), Taxes on

lottery, Purchase tax, Luxury tax, betting and gambling

Change is the law of nature and our Indian taxation system required the change supremely, so that change is GST that is Goods and Services Tax. "The nation should have a tax system that looks like someone designed it on purpose" lines of ***William Simon*** Suits best to the new taxation reform of India. The idea of GST was first proposed by Kelkar Committee in 2004 and Union Finance Minister P. Chidambaram proposed that GST would implement from 1st April 2010with budget in 2006-07. Committee had formed to present the report on full enchiridion of goods and services tax. Committee submit its first draft in November 2009. In March 2011, In Lok Sabha 115th Amendment bill 2011 had put up for introduction of GST. (This bill lapses due to dissolution of 15th Lok Sabha). In 2014- GST again introduced by 122nd Amendment Bill 2014 in the 16th Lok Sabha. May 2015- 122nd Amendment Bill 2014 approved in Lok Sabha. In August 2016- after some changes the bill was acceped by Rajya Sabha and on 8th Nov 2016 bill got the assent of President. Finally on 16th Nov 2016, 101th Amendment Act 2016 enacted and Goods and Services Tax Act 2017 was established and GST implemented from 1st July 2017 after amending and introducing some Article in the Constitution of India.

GST is the amalgamation of every indirect tax imposed by Union and State authority in India. It is multi-stage that is charged from manufacturing till end user only on value addition. It eliminates the cascading effect of tax and reduce the overall tax burden. GST is levied on supply of goods, services or both. when the location of supply of Services, goods or both is within the state/union territories it is intra-State supply accordingly CGST (Central Goods and Services Tax) and SGST (State Goods and Services Tax) will be charges and when the location of supply of Services, goods or both is other state/union territories it is intra-state supply accordingly IGST (Integrated Goods and Services Tax) will be charged. GST is based on dual modal I.e., tax is imposed and amassed by both the government. GST has not only changed the finances of the businesses but it has quaked all the functions of business unit whether it is production, pricing, IT, marketing, Cost and purchase department etc., So knowledge of GST is important to whole team of an organization. Oberoi J. (2017).

1. LITERATURE REVIEW

Sharma P. (2020). Author explains the concept, structure and types of tax under GST also impact on financial state od India. It is being deduced that positive effects on the economy, industries and customers will be noticed. Scruple about GST should be cleared.

Garg R. (2020). Author demonstrates the evolution and empirically inspect the state of GST after implementation. Due to less tax burden the product prices will decrease hence It is being estimated that the export rate and GDP will jump.

RafeeM(2020) . The Objective is to perceive the economic growth after the application of GST post analysis of previous research, Author highlights the benefits and drawbacks of GST on economy, concluded that GST has mixed response on various stakeholders. Author applied simple regression and concluded that revenue

collection from GST is 27 lakhs when government spends one crore.

Rani P.(2022). This study focus attention on the evolution of GST, explained indirect tax composition prior and post GST, Mention the positive aspect of GST and challenges in GST system. Author summaries that government should streamline the GST regime.

Sunitha G., Dr. V. Venu Madhav. (2021). Autor analyse the influence of GST after execution, highlights the strengths and negative aspects of GST after application, state the difference between old tax regime and GST, Autor after thorough study deduced that GST will assist to grow India.

Gopu A., Ravikumar R. (2021). Studied the concept, Global perspective, Constitutional provision, composition of GST, different slabs and overall and business wise collection of GST. It was found that during the period of 2017 to 2021 the tax gathered is highest from IGST (50% of total) then SGST (25% of total) then CGST (16-19 % of total) and at last 8% from cess. It was also found that revenue collection from GST is highest in 2029-20 lowest year is 2017-18. Compound annual growth rate (CAGR) of overall GST is 0.02 %. Registered Public limited company is just 0.62% but their tax collection is 35.29 of total collection.

Agarwal A.(2021). Author attempt to understand the idea of GST, advantages and challenges and its outcome on Indian financial system. Concluded that government should study various country's GST regime and then set up India's GST regime, due to GST application inflation is affecting poor and that's a matter of contention. GST made tax system easier and will eliminate the drawbacks of previous taxation regime only after various change in rates threshold limit and inclusion of current excluded products i.e. petroleum products, electricity and liquor.

Ragupathi D., Dr. K. Aparna (2020). Author mentioned that in short term consumer paying more tax on everyday items after GST and small-scale manufacturers and traders is paying high compliance cost. In medium term macroeconomics indicators is showing positive sign. In long run India will attract FDI , fiscal deficit would reduce, government revenue will increase and country will fly towards growth. Author also mentioned that due to elimination of cascading effect consumer will pay less tax value.

Shettar R. (2020). Author studied the notion of GST, problems of previous taxation regime, need of GST and the exempted products and services. Paper concluded that tax structure prior to GST had various difficulties and problems also GST will have beneficial and negative impact on all the parts of economy. All the stakeholder i.e. Union government and State government, Trade and Industry required to collectively focus on eliminating the difficult side of GST.

Arora C. (2020). Paper spotlight the effect of GST on wealth of India due to sector wise change in the GST rate also the state of GST collection during 2018-2020. Only lottery run by state government shows increase in rate rest all other sector like construction, Art and handicraft, Textiles, agriculture, footwear, job work services, hospitality and tourism, real estate, paint, entertainment, oil and gas, FMCG, automobiles show the decline in GST rates. Average revenue collection has increased from the F.Y. 2018-2019 to 2019-2020 by 4.99%. Author concluded that consequences of GST

can be noticed in future and generate good amount of yield for both the government.

Vasanthakumar V. (2020).Study forecast the taxable amount aquired for the year 2020-2021 by Autoregressive Integrated Moving Average Model and work out the revenue of 2020-2021 is 12.8 Lakh. It is concluded that revenue collection is not good and improvement is required in collection system.

Shimpi L., et. al. (2020). Study is conducted to obtain the deep understanding of GST system and status of GDP after the application of GST. Findings shows that GDP will boost by 7% per quarter and also decline the inflation partly.

Taskeem M. &Arif M. (2021) Paper investigate the GST effect on textile industries in western. Researcher mentioned that textile sector was not under proper taxation system but post execution of GST unregistered traders are out of market and will improve input tax credit, that is positive part of GST. Rates of GST will be high for the textile region and due to various taxes i.e., extravagance, Octroi and etc. the manufacturing cost will decline. It is observed that textile sector will attract export demand worldwide. GST is relief to public authority due to proper regulated system for textile sector. The overall effect of GST in mixed.

Kale V. &Kanodia S. (2019). The study is done to understand and studies the tax slab, export position, input tax credit advantage and changes happen in garment industry post GST. As per author there are lots of changes took place after implementation like rate has increased, traders observed the benefits from input tax credit, export is reduced due to many other reasons along with GST, shows positive effect on customer and negative effects on government's revenue, garment industry will help to increase tax collection as many unorganized sectors has covered under GST regime and all other members of the industry will get positive effect of GST.

Oberoi J. (2017) in the paper unriddle the concept of GST, highlight the problems in current taxation system of textile sector and GST impact on it. As per author painless, transparent and well-regulated GST will give ease of doing business. Comprehensive result of GST is positive on the textile sector. It will shift the unorganized sector into organized sector with transparent and easy compliance. Cost of readymade garments and administrative cost will increase. Manufacture will get tax credit on capital goods and the products will get competitive that will encourage farmers.

Prabha C., Jha S. (2019) Study examine the GST effect on Indian economy only referring to textile sector, as fore as textile industry is concern due to higher tax rates it is shattered but opposite side when more and more taxpayer is joining, so GST will show positive impact in long run. The good part of GST on textile can be seen as the product demand is increasing domestically and globally as well. Government authority is required to focus on the proper execution of GST regarding textile region.

Rathi R., Kumar S. (2019) Paper highlights the transition in textile industries due to introduction of goods and services tax in India. Study mention that tax rates is high for the sector that will affect the product demand, compliance cost will reduce, fiscal barriers will be eliminated, establishing business liberally will be promoted due to uniformity in tax, government fund will increase as new

unorganized player is joining. GST have more positive impact on the textile sector.

2. Research Tethodology

Descriptive research is applied to explain the concept of Goods and Services Tax. Paper is secondary data based collected from various research papers, articles and websites.

3. Objectives Of The Study

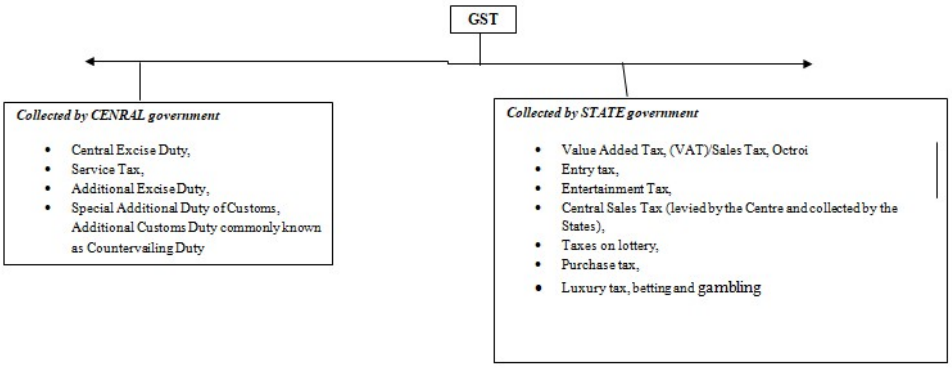
This study is done to attain the objectives as under:

1. To call attention to the idea of GST.
2. To understand Slabs of GST.
3. To explain the Components of GST with example.

4. WHAT IS GST?

GST is lone tax charged on supply of services, goods or both in India, except certain goods and services which are exempted. GST is levied from the initial stage of manufacturing till last consumption. GST decrease the burden on consumers by eliminating the cascading effects of tax and Input tax credit will be given at the time of tax payable. Prior to GST, the State government and central government used to levy various taxes on product and services separately. In GST regime there are three components 1. Central Goods and Services Tax (CGST). 2. State/Union Territory Goods and Services Tax (SGST/UTGST). 3. Integrated Goods and Services Tax (IGST). The Tax slabs of GST includes Zero %, 5%, 12%, 18% and 28%. Easy compliance, decrease in cost of production and uniformity in tax is a help to business. GST is a relief to customers as their overall burden of tax get reduced, also beneficial for government in higher revenue collection.

Tax which used to be applicable by central and state government individually are subsumed under GST



Features of GST

GST is levied on SUPPLY of goods and services: Under the GST Act tax will be collected at the location of supply of goods, services and both. However, when the location of supply of goods, services and both is within the state/union territories it is intra-State supply accordingly CGST along with SGST will be charges and when the location of supply of goods, services and both is other state/union territories it is intra-state supply accordingly IGST will be charged. Get the clear picture of this feature of GST from the **examples** as under:

1: Intra-State supply: Mr. X from Bhopal, Madhya Pradesh

sells 50 Mobile to Mr. Y from Indore, Madhya Pradesh. Supply is within the state, SGST and CGST will be charged.
2: Inter-State Supply: Mr. A from Bhopal, Madhya Pradesh sells 10 Laptop to Mr. S from Pune, Maharashtra. Supply is at other state, IGST will be charged.

GST is DESTINATION based tax, not ORIGIN based.

GST is based on DUAL model: Both, Centre government (CGST & IGST) and State government (SGST) levied tax concurrently. At the time of sell within the state, both the govcernment will collect the tax equally.

Import of services and goods an Integrated GST (IGST) is enfored duly collected by Union then on the guidance of council IGST revenue is distributed between the union and the State
Example: Mr. Devesh at Bhopal imports washing machine from Singapore. Place of supply is Bhopal, IGST will be charged.

Input Tax Credit available under GST: ITC means a registered person/business will get refund of previously paid tax on purchase. **Example:** Mrs. Sapna acquire products of Rs. 50,000 and paid tax of 18% on it that is 9,000. She sold the goods for 70,000 and received 12.600 as tax from the customer. Now she has to pay Rs 12,600 to the government but she previously Rs 9,000 as tax on purchase so this Rs 9,000 is input tax credit so deduction from tax payable is allowed and she will pay Rs 3,600 as tax. (12600-9000).
Composition Scheme: This scheme is for small manufacturer and service provider for scaling down the compliances burden. This scheme is voluntary. A set percentage of annual turnover is paid quarterly by a registered person under this scheme. Registered person under this scheme cannot perform following things:

- ❖ Issue Invoice.
- ❖ Claim ITC.
- ❖ Collect tax from customer.

- **Compensation to state**: Each State's Revenue loss will be compensated for five years or for the period as may be decided by Parliament after the recommendation of GST council.

5. GST SLABS

The GST slabs consist of 28% ,18%, 12%, 5% and 0%

Zero % Tax Slab attract: Live poultry, Fresh milk, fresh meat, list of fresh Vegetables &fruits, Coffee beans, Jaggery, list of seeds and grains, Human Blood and its component, newspapers, Puja samagri etc. Zero percent attracts list of 149goods and 87 services.

2.5% Tax Slab attract: Diamonds, Precious stones (other than diamonds), semi-precious stones, Synthetic or reconstructed precious or semi-precious stones.

3% Tax Slab attract: Pearls, Dust and powder of natural, Silver, Base metals

clad with silver, Gold, Platinum, Waste and scrap of precious metal, Articles of jewelry and parts thereof, Imitation jewelry, Coin etc.

5% Tax Slab attract: Applicable on goods like apparel below Rs 1,000, all ores, guts, Seviyan (vermicelli), sabudana, Pizza bread, rusks, Sweetmeats, Ice and snow, packaged food items, spices, chalk, kerosene, medicines, Insulin, Bio gas, Silk yarn, Artificial kidney, Broomsticks, Services by Printing of newspapers, Textile yarns etc. other 12 services and more than 200 goods are included.

12% Tax Slab attract: Supply of food/drinks in restaurant, Accommodation in hotels (between rupees 1000-2500), Services provided by foreman of chit fund, Live horses, Beverages containing milk, pharmaceutical goods, Tooth powder, Candles, Silicon wafers, feeding bottles etc. and other 242 items.

18%Tax Slab attract: Bidi Patta, Indian katha, Vegetable waxes, Curry paste, Mayonnaise, Ethyl alcohol and other spirits, Petroleum gases, All organic chemicals other than gibberellic acid, Kajal pencil sticks, hair oils, Photographic plates, tissues, mineral water, tampons, camera, CCTV, room tariffs between Rs 2,500 and Rs 7,500, Tubes, pipes and hosesetc and other 453 goods and services in 9 heads.

28% Tax Slab attract: Gambling, Accommodation in hotels including 5 star and above rated hotels charges above rupees 7500, Services by water parks, casinos, go-carting and race-course etc., Cocoa butter, fat and oil, Pan masala and other non-alcoholic beverages, Cigars, Trunks, suit-cases, camera cases, articles of gut, Sanitary ware of iron and steel, Lottery authorized by State Governments etc. and other 228 items.

6. COMPONET OF GST

GST components are as follows: -

• **Central Goods and Services Tax (CGST):** Levied on supply of goods and services within the State/Union Territory collected by Union government.

• **State/Union Territory Goods and Services Tax (SGST/UTGST):** Levied on supply within the State/Union Territory collected by respective government.

Example: A businessman of Bhopal sells live horses (GST rate apply to live horses is 12%) to other businessman of Ujjain (Madhya Pradesh) at rupees 40,000. CGST- 6% on 40,000 will be 2400, SGST- 6% on 40,000 will be 2400. Total GST 12% will be 4800

• **Integrated Goods and Services Tax (IGST):** Levied on inter-state supply and on import of services, goods and both. It is levied and collected by government at Centre later on the recommendations of council distributed between both governments.

Example: A businessman of Madhya Pradesh sells live horses (GST rate apply to live horses is 12%) to other businessman of Bihar at rupees 40,000. So, this is the case of IGST that will be rupees 4800 levied.

• **GST Compensation Cess**: Cess is imposed to some declared goods and services apart from export. Cess is imposed on specific imported goods and services.

7. GST IN CONSTITUTION

1. 11/03/2011- 115th Amendment bill 2011, was introduced in Lok Sabha for introduction of GST. (This bill lapses post

suspension of 15th Lok Sabha)
2. 19/12/2014- GST again introduced by 122nd Amendment Bill 2014 in the 16th Lok Sabha
3. May 2015- 122nd Amendment Bill 2014 accepted by Lok Sabha.
4. August 2016- After some changes the bill was accepted in Rajya Sabha
5. 8/09/2016 – Bill gets assent of President.
6. 16/09/2016- 101th Amendment Act 2016 enacted.

Earlier the Constitution of India did not give power to Union and State to levy tax concurrently hence certain amendment were required. List of changes carried out after the enactment of 101st Amendment Act 2016: -

Article 246A- Inserted to give power to parliament to build laws on inter-state supplies.
Article 268A- Omitted as services are the part of GST.
Article 269A- Inserted to give power to union to collect and levied tax on inter-state and apportioned between both government on recommendation of council.
Article 270- Amended for distribution of revenue of goods and services by the union to individual state and center.
Article 271 –Amended to abolish the impose the surcharge.
Article 279A- Inserted to establish the Goods and Services council.
Article 366 – Amended, Alcohol for consumption is excluded from GST.
Article 368- Amended, Modification in GST council and amendment in Constitution required one half.

GST COUNCIL

The good and services council establish under the Article 279A on 12/09/2016. Council provide recommendation to the Central and the State authority on the following aspects: -

1. Exempted and subjected good and services
2. Decision on levy rules, distribution of IGST, GST model and supply location.
3. The rates, floor rates including bands of GST.
4. Turnover threshold limit for exempted goods and services.
5. Special rates during natural disaster.
6. Special rules for the J & K, North-East states, Himachal Pradesh and Uttarakhand.
7. The taxes, cesses and surcharge levied by Central, State and local bodies.
8. Decision on date of inclusion of services & products that are out of GST.

9. All the other issues which council may find suitable.

Composition

Chairman of the council is Finance Minister
State Finance/Taxation Minister – Member
State Minister at Centre (Revenue) - Member

Quorum of meeting- One half of the total members. For taking decision 3/4th majority is required in which Union government has 1/3rd weightage and all the states together has 2/3rd weightage.

8. Conclusion and Future Scope

Conclusion

The Goods and Services Act could be studied in three aspects 1. The Theoretical part of GST gives basic structural knowledge and covers the planning aspects. 2. The Implementation part means conversion of paper planning into action. 3. The interpretation and impact part mean the actual effect of GST on final consumers, business, industries and the government. GST is the pronounced taxation reforms of India. In the time continuous amendments phase as per need, so government must practice knowledgeable training and awareness program related to GST. The determined zeal of about GST can only be achieved, when the common will actually get benefit of it.

Future Scope

1. Government should identify the negatively affected sectors by GST. Those sectors should be analyzed and reframe their rates to convert them in positive side.
2. Research on status of revenue collection after including the exempted goods and services under GST.
3. Sector Wise detail study is required to be conducted of GST effect on final consumer.

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