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Goods & Services Tax – Need and Its Overview

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Abstract – Traditionally, the Indian tax authorities relied heavily on indirect taxes. Indirect tax revenue was a major source of tax revenue until tax reforms were made during the nineties. The main issue presented with a strong reliance on indirect taxes was that the majority of Indians were poor and therefore the growing base of direct taxation had its natural limits. But India's indirect tax system is characterized by tax evasion in the production of goods and services that leads to disruption of productivity and slower economic growth. There are endless taxes in the current system with a few Center levies and government-paid breaks, eliminating this tax burden and reducing the taxpayer's burden that requires a simplified tax and that is Goods and Services (GST). This paper throws an insight into the Goods and Service Tax concept, need of GST its tax rates.

Key Words: GST, VAT, Service Tax, Input tax Credit

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INTRODUCTION

Tax policies play an important role in the economy. The main source of income for the Indian government comes from taxes. Direct and indirect taxes are the two main sources of tax revenue. When impact and incidence occur on the same person it is called direct tax. When an impact and an event falls on a different person it is when the burden can be transferred to another person it is called indirect tax. The indirect tax system is currently included in the multi-line taxes paid by the Agency and national governments in various categories of purchases such as excise duty, octroi, central sales tax (CST) and value-added tax (VAT), among others. The first indirect tax adjustment occurred in India when the Modified Value Added Tax (MODVAT) of goods selected in 1986 was introduced to replace Central Excise Duty. Other changes are the introduction of service taxes in 1994, the decision to introduce VAT in 1999, and the introduction of the Constitutional Amendment Bill to GST in 2011.

Goods and Services Tax (GST) is an excellent and comprehensive tax reform program, which aims to unite the same market by eliminating monetary barriers between provinces. It is the same national tax levied on all of India for all goods and services. In GST, all indirect taxes will be placed under one regime. GST tax laws will eliminate many taxes levied on various products, from the source of production to the finished consumer. GST is working on the basic principle of "One Country One Tax".

NEED OF GST:

In order to understand the need of GST, one must be aware of existing indirect tax structure in India. Earlier indirect tax structure can be explained into two manners.

1. Indirect tax structure:

There were certain type of taxes which were levied by central government and other are levied by state government.

Taxes by Central Government	Taxes by State government
Central excise law Custom Law Central Sales tax	State sales tax(vat) Service tax Entry tax Octroi Entertainment tax

2. Indirect tax Structure and taxable event.

Tax	Excise duty	Custom Law	CST/VAT	Service tax	Entry tax/Octroi
Taxable event	It is on manufacturer	Import/Export	Taxable event is sale	Provision of Service	Entry of good
When it is levied	On production of goods	On Import and export	Interstate sale CST is Levied	On any type of service	Entry of good from one
			Interstate sale Vat is levied		State to another
Rates	12.5%	Import duty export duty	5%, 12.5%,20	12.36-14%	Varied from state to state

There was an urgent need to reform tax structure in India as the present tax structure suffered from certain deficiencies which are listed below

Multiplicity of taxes:

There were number of taxes which were being paid by the intermediaries in the supply chain. Ultimate burden is to be borne by consumer itself. For example firstly the tax is on production i.e. excise duty .After that there is tax on sale ,i.e.VAT /CST .Again there is entry tax or octroi.So a supplier has to pay a number of taxes in order to make goods available to ultimate consumer.

Complex indirect Structure:

Present tax structure is very complex as both center and state government levy taxes. It leads to double taxation

Lot of paper work:

All indirect tax laws whether it is central excise, custom or sale tax, all requires a lot of paper work. A number of forms are required for registration as well as filling of return. It consume a lot of time of every trader.

Cascading effect:

It means tax on tax for eg. A manufacturer produce goods worth rs 1000 and his excise duty is 12.5%, making his cost equal to 1125 when he sell the goods, whether interstate of intra state, further VAT/CST would be levied now it is not on 1000 it would be on 1125 leading a tax on the tax this leads to cascading effect.

No input tax credit:

Under the present tax structure a manufacture/traders once paid tax will not get any benefit, in form of tax paid by other supplier in the supply chain.. The amount of taxation is on total except in case of VAT only .Under this system, intermediaries such as wholesale trader those who are involved in supply chain do not get any benefit of tax paid by previous suppliers so again there was a tax on tax leading to double taxation.

All the above mentioned deficiencies in the existing structure require a new system of taxation, which should be simple and which can avoid double taxation and helps the public to lower the tax burden.

GST: GOODS AND SERVICE TAX

With so many problem is the existing tax structure Government of India has come up with new tax, i.e. GST- Goods and Service tax it Is a comprehensive indirect tax which shall be levied on the supply of G&S or both which include manufacture, sales & cons of both goods & services throughout India.

1. GST is applicable to both whole of India including the state of Jammu and Kashmir. Earlier some taxes were not applicable to J&K. but now it applies to whole of India. That’s why it is called ‘one tax one nation’

2. Central Taxes to subsumed:

With the introduction of GST following central sale tax will be subsumed.

- Central Excise duty
- Additional Excise duty
- Service Tax
- Additional duties of custom
- Surcharge &cess

3. Sales taxes to be subsumed :

1. Value addition tax (VAT)
2. Entertainment tax
3. Entry Tax
4. Luxury Tax
5. Taxes on Lottery, betting &Gambling
6. Surcharge &Cess
7. State Cess

There are 23 taxes and 17 cesses which have been subsumed in GST.

4. Principal of Consumption based Taxation: Earlier taxes were origin based tax but GST would be consumption based tax i.e. taxes will be payable in the state where there are finally consumed. As per GST, tax burden will shift from the state of origin to the state of consumption, resulting into less revenue from manufacturing & developed states. Government has also decided to compensate the revenue loss for first 5 years to the developed state.

5. Uniform tax across the country: Earlier as central government and state government both levied different taxes, there were different taxes for the same goods. For eg. To buy a bread in U.T is cheaper there than other areas of Punjab due to different VAT and sales tax by states but now throughout India same tax Structure will prevail.

6. Tax rate under GST:

Tax rate	0%	0.25%	3%	5%	12%	18%	28%
	Exempt supplies • Unpacked foodgrains • Fresh vegetables • Gur • Milk • Eggs • Besan • Curd • Lassi • Salt • Kajal • Flour • Bindi • Sandoor •	uncut diamond	Gold	• All restaurants • Apparel below 1000 • Footwear below 500 • Branded paneer • Frozen Vegetable • Tea • Coffee • Spices • Cashew nuts • Sareefall • Havansa magri • Homeopathy medicine	• Apparel above 100 • Ayurveda medicine • Umbrella • Ketchup, sauces • Spectacles • Playing cards • Chess board • Wood • Stone • Metals • Handbags • Printing inks	• Chocolates • Chewing Gums • Detergent • Shampoos • Paste • Deodorants • Glass • Wire • Cable • Furniture • Musical Instrument • Footwear above 500 • James • Software • Biscuite • Paint	• Pan Masala • Washing Machine • ATM • Vending Machine • Vacuum Cleaner • Motorcycle • Aircraft • Water heater • Dishwasher • Wall paper

7. Goods not under the purview of GST:

All goods & services are covered under GST except:

- Alcohol for human consumption- State excise plus VAT
- Electricity- Electricity duty
- Real estate- Stamp duty+ property tax
- Petroleum products (they are to be brought under GST from date to be notified on recommendation of GST council
- Tobacco product under GST with central excise duty

8. Reduction in cascading effect:

As there is a single tax rate throughout the country and tax will be levied on basic supply not on total cost, it will minimize cascading effect of earlier tax structure.

9. Input tax credit chain.

The tax paid at each stage will be available as ITC for the other stage, and it will help in reduction of cost of goods & services for final consumer. A person in the supply chain can claim the benefit of tax paid by previous supplies and hence tax burden will reduce as ultimate consumer.

10. Backed by Goods & Services tax Net- work:

The whole system of GST is backed by goods & services network. It manage the entire IT system of GST portal. This system of IT is designed by Infosys. The entire process of GST is online, Starting from Registration to filing of return the GSTN will handle

- Invoice
- Various returns
- Registration
- Payment & refund

It. will ensure GSTIN (Goods & Service Tax Identification number) is the unique number based PAN

11. GST Taxation Structure:

Under the present structure following Taxes will be levied on supply of goods & service

- CGST- Central Goods & Service Tax
- SGST- State goods & Service Tax
- IGST- Integrated Goods & Service Tax (CGST & CGST)
- UTGST- Union Territories GST for Supply of Goods & Services or both within UT's

12. **Compensation Scheme under GST**

- Those manufacture/ Service provider/ Whose annual turnover is below 20 lakh, need not to register under GST the limit is Rs. 10 lakh for state of 7 sisters and Uttarakhand, Himachal Pradesh Tripura.
- At present, those whose annual turnover is 75 lakh, can opt for composition scheme
- These limit is Rs 50 lakh for state of 7sister + Himachal Pradesh

CONCLUSION:

Taxation plays an significant role in the development of the economy as it impacts the efficiency and equity. It is expected that a good system should control income distribution and at the same time it will also endeavor to generate tax revenue which will support government expenditure on public services and development of infrastructure. GST will have positive impact on Indian economy. GST have faced lots of controversy and opposition in terms of its implementation. Finally the GST bill has been passed and it ready to roll out in market.Time will only decide whether it will have positive impact or negative impact. International trade, firms and consumer will have new system of tax which is single level and more transparent. The new tax system is considered to be a much better system than the existing Central excise duty at national level and a sales tax system at the state level. The new tax will be a significant outcome and will be a logical step towards addressing indirect tax changes in the country. GST is not only Vat plus service tax but it is major improvement over previous VAT system. A single of tax will help maintain simplicity and transparency by treating all goods and services equal without giving a special treatment to some types of goods and services. It will reduce the litigation on classification of issues. It is also said that implementation of GST in Indian framework will lead to commercial benefits which VAT has not given and hence it would essentially lead to economic development. GST may assure the possibility of overall gain for industry , trade , agriculture and also to central and state government. Now Indian consumer need to have professionalism to acknowledge the GST. It is sure that India will join the international standards of taxation, corporate laws and managerial practices and also be among the world leaders.

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