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RESEARCH ARTICLE

MOTHER OF ALL TAXES - GST, A BIGGEST REFORM IN INDIAN TAX SYSTEM

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ABSTRACT

Goods and Services Tax or GST known as the biggest game changer for the Indian economy. Almost 160 countries have implemented GST so far. However, the thought of GST in India was rooted way back by Vajpayee government in 2000. The Finance Minister in his budget speech of Budget 2015 has announced time and again that the tax will be introduced on 1 April, 2016, however it came into existence in the year 2017 on 1st July.. VAT or Value Added Tax was first introduced in France somewhere in 1954. The concept of VAT is applying a tax only on the value added by each person at each stage; by allowing the person input credit of taxes paid up to his stage of procurement. Thus the tax is expected to increase the gross domestic product of the economy, reduce the concept of 'tax on tax' and reduce prices. Overall it is known to be beneficial to everyone, the business, consumer and the Government. In India, there are so many indirect taxes applied on goods and services by both central and state government. GST is intended to include all these taxes into one tax with seamless ITC and charged on both goods and services. Thus service tax, special additional duty, excise duty, VAT to name a few will get repealed and will be added into GST. For this, GST will have 4 parts – Central GST (CGST) Bill, Integrated GST (IGST) Bill, Union Territory GST (UTGST) Bill, the GST (Compensation to States) Bill. state taxes like VAT will be subsumed into SGST and the central taxes like excise duty into CGST. This Research Paper is focused on 2 years journey of GST in India and its future.

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INTRODUCTION

Goods and Services Tax, popularly known as GST is India's biggest tax reform in its 70 years history, was launched at midnight at Parliament's historic Central Hall, by President Pranab Mukherjee and Prime Minister Narendra Modi and overnight current tax rates are replaced by GST rates. It is the fourth time since Independence that an event was held there at midnight reminiscent of the midnight meeting presided over by India's first prime minister, Jawaharlal Nehru, on the crepuscule of the country's independence in the year 1947. "GST marks the economic integration of India," Modi said in his speech to current and former lawmakers, business leaders and central bank officials in the parliament's packed central hall. 'There are more than 500 taxes and we are going to get rid of it and from Ganganagar to Itanagar and Leh to Lakshadweep, it is one nation, one tax.' Under GST, goods and services are taxed under different slabs at the following rates, 0%, 5%, 12%, 18% and 28%. There is a special rate of 3% on gold and 0.25% on rough precious and semi-precious stones. In addition a cess of 15% or other rates on top of 28% GST applies on few items like tobacco products, aerated drinks and luxury cars.

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GST was initially proposed to substitute a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's 2 trillion dollar economy.

RESEARCH METHODOLOGY AND OBJECTIVE OF THE STUDY

Research Methodology

I have used an exploratory research technique based on past literature from respective journals, annual reports, newspapers and magazines covering wide collection of academic literature on Goods and Service Tax. According to the objectives of the study, the research design is of descriptive in nature. Available secondary data from different sources was extensively used for the study.

Objectives of the Study

1. To study the inexplicit opinions among the Manufactures, traders and society about the Goods and Services Tax (GST).
2. To study about the Challenges of Goods and Service Tax (GST) introduced in India.

3. To Study on expected futuristic changes in Goods and services Tax (GST) in India.

Table 1. Taxes at Centre and State Level are being subsumed in to GST

S.No.	At The Centre	State Level
1.	Central Excise Duty	(a.) Subsuming of State Value Added Tax/Sales Tax (b.) Central Sales Tax (Levied by the Centre and collected by The States.),
2.	Additional Excise Duty	Entertainment Tax (Other than the Tax Levied by the local bodies)
3.	Service Tax	(c.) Octroi and Entry Tax
4.	Additional Customs Duty Commonly known as countervailing Duty	(d.) Purchase Tax
5.	Special Additional Duty of Customs	(e.) Luxury Tax etc.

The table above shows list of different taxes centre and state level are being subsumed into GST Keeping in mind the federal structure of India, there will be two components of GST – Central GST (known as CGST) and State GST (known as SGST). Both Central government and State governments will simultaneously levy GST across the value chain. Taxes will be levied on every supply of goods and services. Centre would levy and collect Central Goods and Services Tax (known as CGST), and States would levy and collect the State Goods and Services Tax (known as SGST). The input tax credit of Central GST (CGST) would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of State GST (SGST) paid on inputs would be allowed for paying the SGST on output. No cross utilization of credit would be permitted.

Table 2. List of Countries Implementing VAT/GST

No.	Region	No. of Country
1	ASEAN	7
2	Asia	19
3	Europe	53
4	Oceania	7
5	Africa	44
6	South America	11
7	Caribbean, Central & North America	19

The above table shows List of Countries Implementing VAT/GST Worldwide in almost 160 countries there is GST/VAT. Among 160 countries, eight countries are not United Nation Member States (UN Members):

Table 3. List of Non- UN Member Countries Implementing VAT/GST

S.No	Country
1.	Azores
2.	Taiwan
3.	Faroe Islands
4.	Isle of Man
5.	Jersey
6.	Kosovo
7.	Madeira
8.	Niue

According to GST scheme, no distinction is made between goods and services for levying of tax. It means that goods and services attract the same rate of tax. But at present India has induced tax rate at 5%, 12% and 18% which will bring 8 Lakh Crore revenue to the government. Under the GST scheme, a

person who was liable to pay tax on output, whether for provision of sale of goods or services, is entitled to get input tax credit (known as ITC) on the tax paid on its inputs. Thus, it would definitely be a positive reform for the Indirect tax system in India.

Table 4. List of States in India who confirms GST Constitution Amendment Bill

Sr. no.	Name of the State	Date on which SGST Act/ Ordinance passed in the Assembly
1.	Telangana	Act Passed on 9th April 2017
2.	Bihar	Act Passed on 24th April, 2017
3.	Rajasthan	Act Passed on 26th April 2017
4.	Jharkhand	Act Passed on 27th April, 2017
5.	Chhattisgarh	Act Passed on 28th April, 2017
6.	Uttarakhand	Act Passed on 2nd May, 2017
7.	Madhya Pradesh	Act Passed on 3rd May, 2017
8.	Haryana	Act Passed on 4th May, 2017
9.	Goa	Act Passed on 9th May, 2017
10.	Gujarat	Act Passed on 9th May, 2017
11.	Assam	Act Passed on 11th May, 2017
12.	Arunachal Pradesh	Act Passed on 12th May, 2017
13.	Andhra Pradesh	Act Passed on 16th May, 2017
14.	Uttar Pradesh	Act Passed on 16th May, 2017 (in both the Houses)
15.	Puducherry	Act Passed on 17th May, 2017
16.	Odisha	Act Passed on 19th May, 2017
17.	Maharashtra	Act Passed on 22nd May, 2017
18.	Tripura	Act Passed on 25th May, 2017
19.	Sikkim	Act Passed on 25th May, 2017
20.	Mizoram	Act Passed on 25th May, 2017
21.	Nagaland	Act Passed on 27th May, 2017
22.	Himachal Pradesh	Act Passed on 27th May, 2017
23.	Delhi	Act Passed on 31st May, 2017
24.	Manipur	Act Passed on 5th June, 2017
25.	Meghalaya	Act Passed on 12th June, 2017
26.	Karnataka	Act Passed on 15th June, 2017
27.	West Bengal	Ordinance Passed on 15th June, 2017
28.	Punjab	Act Passed on 19th June, 2017
29.	Tamil Nadu	Act Passed on 19th June, 2017
30.	Kerala	Ordinance Passed on 21st June, 2017
31.	Jammu & Kashmir	Yet to Pass

The table above shows List states in India who confirm of implementing goods and service tax (GST) Constitution amendment bill in their respective states by doing so it will bring harmonization of taxation system in India.

GST: CHALLENGES

It is going to be 2nd Anniversary of GST in India, although its progress is good but still the Government will have to meet a lot of expectations. These are few challenges awaiting the Government in the year 2019.

GST vs. Future of petrol/diesel: The debate of including or excluding Petrol/Diesel from GST will soon take another perspective if prices keep increasing. The officials will have to stabilize the prices. Deciding on whether to bring petrol/diesel/aviation turbine fuel/natural gas under GST, and getting all states to agree to that, will be a tough task.

Portal Accessibility Anywhere, Anytime: The supplier can upload invoices on the portal anytime; this will help the recipient of supply to claim credit rightly and they can claim eligible input tax credit on time.

Provisions and Place of supply: GST being a destination based tax may lead to a lot of queries and litigations between states around 'place of supply'. The department will have to be proactive in making sure that there is room for no ambiguity in the place of supply provisions.

Strict Enforcement of Law in Future: The department is heading to a stricter enforcement of the GST law. The analysis and audit by the department may trigger notices and orders to taxpayers.

The Complexities of Reverse charge mechanism: There are a lot of legal issues surrounding the reverse charge mechanism concept. The government had been wise enough to delay its enforcement till 30 September 2018 to fill all the legal gaps and lapses.

Technological challenges: With the improvement in the economy, an increase in the number of checkpoints to avoid tax evasion, and awareness among taxpayers, the number of people using the portals will see a rising trend. Increasing the portal bandwidth from time to time to ensure that there are no breakdowns or crashes and keeping it user-friendly will surely keep the GSTN on track.

Little hope of further relaxations: To facilitate 'ease of doing business', the government had to allow certain relaxations to ensure compliance; these included an extension of the return filing due dates, waiver of late fees for delayed filings, etc.

Simplification of return filling with no compromise: The single-return model is awaited by all, as this for sure will reduce the time and resources engaged in filing multiple returns and accumulating a lot of needed data.

Multiple advance rulings at the state level: Currently, different states pass advance rulings based on the need of the situation. Setting up a centralized authority of advance ruling with the right blend of officials is needed to ensure that the decisions so taken by the states are monitored, and are in the best interest of all parties.

GST: CHANGES EXPECTED

GST in India is now at its full swing but not completely settle. Some of the changes are expected post 2019 Polls.

Table 5. The present GST rate structure

The present GST rate structure		
Rate	Number of Items	Category
0%	183	Mostly agricultural produce
5%	308	Branded cereals, various kinds of edible oils, pizza bread, namkeens, insulin, footwear's of up to Rs 1,000, parts of wheel chairs
12%	178	diabetic foods, feeding bottles, Butter and other fats, pasta, branded, drinking water packed in 200 litre bottles, carpets, mobile phones, surgical rubber gloves, bicycles,
18%	517	Vinegar, marbles, paints, varnishes, fiber board, plywood
28%	28	Air conditioners, dish washers, Cement, auto parts, tobacco, cigarettes, aerated drinks

Changes in Rates: After cutting rates on 23 items, Finance Minister and GST Council Chairman Arun Jaitley said eventually the 12% and 18% rates would be merged to form a single standard rate. The country should finally have a GST which will have only slabs of 0%, 5% and standard rate with luxury and sin goods as an exception. So it's certain that we might see only 2 Tax Slabs in future (Except Exemplary products).

Return Specification: After much hue and cry, the GST Council had allowed small and medium taxpayers to file sale quarterly returns instead of monthly. The annual turnover cap for this category was Rs 1 crore (fixed) earlier, but now it has been increased to Rs 10 crore. The process is underway and is expected to be rolled out on July 1 2019.

Composition scheme: Under the Composition scheme, which has been introduced in GST to woo small businesses, taxpayers pay a flat rate at lower level, but aren't entitled to get input tax credit. The ceiling for availing this scheme is currently Rs 1.5 crore. Manufacturers, restaurant owners and dealers can avail this scheme. While restaurant service providers are required to pay 5% and manufacturers and dealers are required to pay 1% tax. Now, there is a huge demand that small service providers also be taken under the scheme.

Threshold limit of Exemption: The next Council meeting is likely to increase the exemption limit for medium and small enterprises to Rs 75 lakh annual turnover from the current Rs 20 lakh. Enterprises with annual turnovers less than or equal to this threshold are not required to register under GST. However, this is unlikely to impact the number of GST exchequer or the registrants significantly. About 10.2 million assesses are registered under GST as of now. Almost 25% of those registered with GSTN have a turnover in the bracket range of Rs 20 lakh - Rs 1 crore. GST paid by them makes up only 5% of the overall collection.

Compensation cess for another three years: Though the devolution formula is still being worked out by the finance commission, it is likely that GST compensation cess may be extended by three more years. The devolution formula by the Centre's decision may affect to extend the compensation cess beyond 2022. While the finance commission's recommendations will be implemented for the period between 2020-2021 and 2024-2025, the compensation cess would cease to exist by 2022.

Conclusion

It can be concluded from the above discussion that GST is One Nation and One Tax Concept. It is the Biggest Reform in Indian Tax history to relief 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. It can be further concluded that GST have a positive impact and acceptability on various sectors and industry. Although implementation of GST requires concentrated efforts of all stake holders namely, Central and State Government, trade and industry. 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, Therefore It is necessary on the part of government to conduct proper training, educate, continuous seminars and workshop on GST is need of the hour. Thus, necessary steps should be taken and hopefully the Government will take necessary action/measure to make this Tax more beneficial for Centre, State as well as Citizens.

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