Thematics Journal of Geography

ISSN:2277-2995
Vol-8-Issue-12-December-2019

A Study on Goods and Services Tax in India

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ABSTRACT

The principal aim of GST is to eliminate cascading effect i.e. tax on tax and it will lead to bringing about cost competitiveness of the products and services both at the national and international market. GST System is built on integration of different taxes and is likely to give full credit for input taxes. GST is a comprehensive model of levying and collection of indirect tax in India and it has replace taxes levied both by the Central and State Governments.
KEYWORDS: GST, Indirect Tax, State Government, Central Government**.**

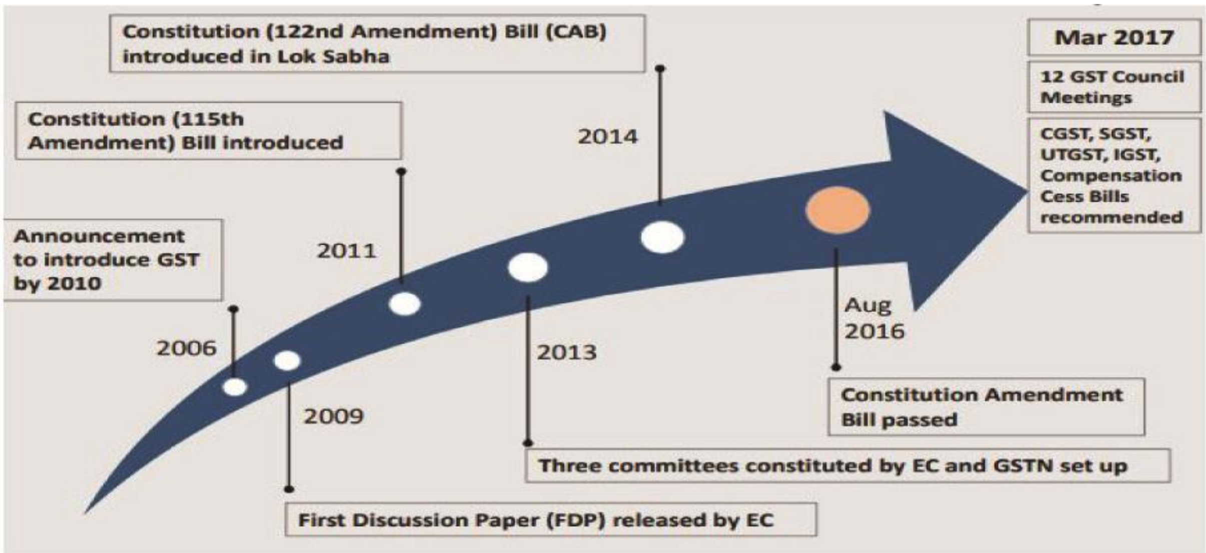
INTRODUCTION

GST stands for Goods and Services Tax levied by the Government in a move to replace all of the indirect taxes. In India, the idea of GST was contemplated in 2004 by the Task Force on implementation of the Fiscal Responsibility and Budget Management Act, 2003, named Kelkar Committee. The Kelkar Committee was convinced that a dual GST system shall be able to tax almost all the goods and services and the Indian economy shall be able to have wider market of tax base, improve revenue collection through levying and collection of indirect tax and more pragmatic approach of efficient resource allocation. Under the Goods and Service Tax mechanism, every person is be liable to pay tax on output and shall be entitled to enjoy credit on input tax paid and tax shall be only on the amount of value added. The principal aim of GST is to eliminate cascading effect i.e. tax on tax and it will lead to bringing about cost competitiveness of the products and services both at the national and international market. GST System is built on integration of different taxes and is likely to give full credit for input taxes. GST is a comprehensive model of levying and collection of indirect tax in India and it has replace taxes levied both by the Central and State Governments. GST be levied and collected at each stage of sale or purchase of goods or services based on input tax credit method. Under this system, GST-registered commercial houses shall be entitled to claim credit of the tax they paid on purchase of goods and services as a part of their day to day businesses. The historic GST or goods and services tax has become a reality. The new tax system was launched at a function in Central Hall of Parliament on 1 st July ,2017 (Friday midnight). GST, which embodies the principle of "one nation, one tax, one market" is aimed at unifying the country's $2 trillion economy and 1.3 billion people into a common market. Under GST, goods and services fall under five tax categories: 0 per cent, 5 per cent, 12 per cent, 18 per cent and 28 per cent. For corporates, the elimination of multiple taxes will improve the ease of doing business. And for consumers, the biggest advantage would be in terms of a reduction in the overall tax burden on goods. "Inflation will come down, tax avoidance will be difficult, India's GDP will be benefitted and extra resources will be used for welfare of poor and weaker section," Finance Minister Arun Jaitley said at GST launch event in Parliament. The Lok Sabha has finally passed the Goods and Services Tax Bill and it is expected to have a significant impact on every industry and every consumer. Apart from filling the loopholes of the current system, it is also

ISSN:2277-2995
Vol-8-Issue-12-December-2019

Aimed at boosting the Indian economy. This will be done by simplifying and unifying the indirect taxes for all states throughout India.

JOURNEY FOR INDIAN GST



EXISTING INDIRECT TAX STRUCTURE IN INDIA

A. CENTRAL TAXES CENTRAL EXCISE DUTY

- Additional duties of excise
- Excise duty levied under Medicinal & Toiletries Preparation Act Additional duties of customs (CVD & SAD)
- Service Tax
- Surcharges & Cesses

B. STATE TAXES STATE VAT / SALES TAX

- Central Sales Tax
- Purchase Tax
- Entertainment Tax (other than those levied by local bodies)
- Luxury Tax
- Entry Tax (All forms)
- Taxes on lottery, betting & gambling
- Surcharges & Cesses

BENEFIT OF GST

- Overall reduction in Prices for Consumers
- Reduction in Multiplicity of Taxes,
- Cascading and Double Taxation
- Uniform Rate of Tax and Common National Market

ISSN:2277-2995
Vol-8-Issue-12-December-2019

- Broader Tax Base and decrease in “Black” transactions
- Free Flow of Goods and Services – No Checkpoints 6
- Non-Intrusive Electronic Tax Compliance System.

GOODS AND SERVICES TAX NETWORK

Goods and Services Tax Network (GSTN) has been set up by the Government as a private company under erstwhile Section 25 of the Companies Act, 1956. GSTN would provide three front end services, namely registration, payment and return to taxpayers. Besides providing these services to the taxpayers, GSTN would be developing back-end IT modules for 25 States who have opted for the same. The migration of existing taxpayers has already started from November, 2016. The Revenue departments of both Centre and States are pursuing the presently registered taxpayers to complete the necessary formalities on the IT system operated by Goods and Services Tax Network (GSTN) for successful migration. About 60 percent of existing registrants have already migrated to the GST systems. GSTN has already appointed M/s Infosys as Managed Service Provider (MSP) at a total project cost of around Rs 1380 crores for a period of five years.

Brief time line of GST in India

Year	GST Status
2000	PM Vajpayee set up a committee to draft GST law
2004	a task force concludes GST must be implemented to improve current tax structure
2006	finance minister proposes GST introduction from April 1, 2010
2007	CST to be phased out rates reduced 4 percent to 3 percent
2008	EC finalizes dual GST structure to have separate levy, legislation
2010	project to computerize commercial taxes launched but GST implementation postponed
2011	constitution amendment bill to enable GST law introduced
2012	standing committee begins discussion on GST but delayed it over clause 279B
2013	standing committee tables its report on GST
2014	GST bill reintroduced in parliament by finance minister
2015	GST bill passed in Lok Sabha but not passed in Rajya Sabha
2016	amended model GST law passed in both houses and president gives assent
2017	Four supplementary GST bills passed in Lok Sabha and approved by cabinet. Rajya Sabha passes four supplementary GST bills. Finally GST is launched on 1st July

ISSN:2277-2995
Vol-8-Issue-12-December-2019

CONCLUSION

No doubt the GST by subsuming large number of indirect taxes and having a uniform Indirect tax structure throughout the country will definitely boost up economic unification of India. Again with better conformity and revenue resilience GST will evade the cascading effect in Indirect tax regime. It is preferred every economy must adopt GST or VAT at national level to make their economy attractive for foreign investors. History has proved that many countries have benefited from moving to a GST regime. In India, Execution of GST would also significantly help in removing economic biases caused by present complex tax structure and will help in progress of a common national market. By instigating GST, the developing economy like India can accomplish sustainable and balanced development.

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