GST: THE BIGGEST EVER TAX REFORM

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Abstract: The biggest tax reform of independent India, the goods and Services tax (GST), was finally rolled out at the midnight hour on June 30, 2017 with President Pranab Mukherjee and Prime Minister Narendra Modi pressing a button to mark the occasion in the historic central hall of parliament. Calling the GST “a good and simple tax”, Modi said the country was moving towards a modern taxation system, much simpler and more transparent than the existing one. “From Gandhinagar to Itanagar, from Leh to Lakshadweep, the dream of one nation, one tax will come true,” he added. The GST replaces 17 central and state taxes, including services tax, value-added tax, octroi, duties and other charges, except customs levy, across the country except Jammu and Kashmir. The tax will create a common market in the $2-trillion economy with 1.3 billion people. It is expected to curb tax terrorism.

1. Introduction

GST is a unified taxation system which would end multiple taxation across the states and create a level playing field for businesses throughout the country, much like the developed nations. It is a multi-stage destination based tax which will be collected at every stage, starting from procuring the raw material to selling the final product. The credit of taxes paid at the previous stage will be available for set-off at the next stage of supply. Being destination or a consumption based, the GST will also end multiple taxes levied by centre and the state Governments like Central Excise, Service Tax, VAT, Central Sales Tax, Octroi, Entry Tax, Luxury Tax and Entertainment Tax etc., This will lower the overall tax burden on the consumer and will benefit the industry through better cash flows and working capital management. Currently, 17 State and Central levies are being applied on goods as they move from one state to the other.

The Long Road

The GST, originally slated to be rolled out on April 1, 2010, missed successive deadlines over seven years. Assessee will enjoy some relaxations for filling returns for July 2017 and September 2017.

- 2000: PM Atal Bihari Vajpayee introduces the concept, sets up a panel headed by then West Bengal FM Asim Dasgupta to design GST model.
- Feb. 2006: FM P. Chidambaram proposes April 1, 2010 as the target date to roll out GST.
- Dec. 2014: After a year of discussions, and several panels, working groups and discussion papers, the Constitution Amendment to GST Bill introduced by FM Arun Jaitley in the Lok Sabha.
- May 2015: The Lok Sabha passes the Constitution amendment Bill.
- Aug. 2016: The Rajya Sabha also passes the Bill.
- Sep.2016: President Pranab Mukherjee gives his assent to the bill; GST Council formed.
- March 2017: Four bills – Central GST, Integrated GST, Union Territory GST, and Compensation to states – passed by the Lok Sabha.
- April 2017: The Rajya Sabha passes the Bills.
- July 1, 2017: GST comes into effect.

2. Key Features of GST

- The GST will give a boost to the economy and make the products and services globally competitive, giving a major boost to “Make in India” initiative.
- Under GST regime, exports will be zero-rated in entirety unlike the present system where refund of some of the taxes does not take place due to fragmented nature of indirect taxes between the centre and states.
- The GST makes India a common market with common tax rates & procedures and remove economic barriers.
- The GST is largely technology-driven and will reduce the human interface to a big extent.
- In majority of supplies of goods, the tax incidence approved by the GST Council is much lower than the present combined indirect tax rates levied by the centre and states.
- Long wait by vehicles at toll plazas will end. Fuels worth crores of rupees are wasted. And that causes damage to the environment as well. Sometimes certain items especially perishable ones that were supposed to reach their destination in time, were delayed because of the time taken for processing; and it resulted in losses at both ends, Now we will be free from all those troubles as the entire country will have a similar tax structure.

3. The Tax Structure

<table>
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<th>Current Status of Taxes</th>
<th>After GST</th>
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<td>(a) Multiple Taxes:</td>
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<tr>
<td>- Central Excise duty</td>
<td>• Uniform tax incidence</td>
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<td>- Additional duties of excise and customs</td>
<td>• Less legislations</td>
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<td>- Excise duty levied under Medicinal &amp; Toilet preparation Act</td>
<td>• Seamless credits</td>
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<td>- Service tax</td>
<td>• Technology-oriented processes</td>
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<td>- Surcharges &amp; cesses</td>
<td>• Common classification and rates</td>
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<td>- State VAT, central sales tax</td>
<td>• State-based administration</td>
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<td>- Purchase tax</td>
<td>• India’s GST one of its kind with simultaneous levy of state and centre taxes.</td>
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<tr>
<td>- Entertainment tax</td>
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<td>- Luxury tax, entry tax</td>
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<td>- Taxes on lottery, betting and gambling</td>
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4. Benefits

Different estimates peg the net advantage to the Gross Domestic Product, up to two percentage points. The GST regime is also expected to result in better tax compliance, thereby increasing its revenue and narrowing the budget deficit. All the imported goods will be charged Integrated Goods and Services Tax (IGST) which is equivalent to the Central GST + State GST. This will bring Equality with taxation on local products.

Mainly, there will be three types of taxes under the GST regime: Central Goods and Services Tax (CGST), State (or Union Territory) Goods and Services Tax (SGST) and Integrated Goods and Services Tax (IGST). Tax levied by Centre on intra-state supply of goods or services would be called the CGST and that to be levied by the States and Union Territories (UTs) would be called the SGST respectively. The IGST would be levied and collected by the Centre on inter-State supply of goods and services. Four supplementary legislations approving these taxes, namely the Central GST Bill, the Integrated GST Bill, The GST (Compensation to States) Bill, and the Union Territory GST Bill were passed by the Lok Sabha.

All the matters related to the GST are dealt upon by the GST Council headed by the Union Finance Minister while all the State Finance Ministers are its Members. The GST Council also has a provision to adjudicate dispute arising out of its recommendation or implementation thereof.

5. Tax Rates

The GST Council has fixed four broad tax slabs under the new GST system – 5 per cent, 12 per cent, 18 per cent and 28 per cent. On top of the highest slab, there is a cess on luxury and demerit goods to compensate the States for revenue loss in the first five years of GST implementation. Most of the goods and services have been listed under the four slabs, but a few like gold and rough diamonds have exclusive tax rates. Also some items have been exempted from taxation. The essential items have been kept in the lowest tax bracket, whereas luxury goods and tobacco products will invite higher tax.

6. Impact on Consumers

From agarbattis (incense sticks) to luxury cars – all these goods will be taxed under different slabs. Movie tickets costing less than 100 rupees have been kept in the 18% GST slab while those over 100 rupees will attract 28% tax under GST. Tobacco products have been kept under a higher tax bracket. Industries such as textiles and, gems and jewellery are subject to a GST rate of 5%.

The move will benefit consumers at large as they will pay less. Free movement of goods will ensure easy availability and keep prices under check. The GST Council has decided that commonly used products like hair oil, soaps and toothpastes will be taxed at 18 per cent. These items at present attract 22-24 per cent tax incidence through a combination of central and state government levies.

7. Grievance Redressal Portal for GST

The Portal has been designed for lodging complaints by taxpayers and other stakeholders. They can lodge Complaint here indicating issues or problems faced by them while working on GST portal instead of sending emails to the Helpdesk. It has been designed in a manner that the user can explain issues faced and upload screenshots of pages where they faced the problem, for quick redressal of grievances.

Having this portal has the following advantages:
• Enable the user to lodge his complaint and raise tickets himself.
• To provide all required information and reducing to and fro communication between helpdesk and the tax payers, helping to reach a faster resolution.
• Enable the tax payer to check the progress of resolution of his complaint by using the ticket number (acknowledgement number generated after a complaint is lodged).
• Check the resolution comments in case the complaint/ticket is closed.
• Based on selection of category/subject and sub-category, portal provides relevant FAQ/pages of User manual to help the user resolve the problem faced by him.

8. Impact of GST on Indian Economy

GST is a game-changing reform for the Indian Economy, as it will bring the net appropriate price of the goods and services. The various factors that have impacted Indian economy are:

Increases competitiveness

The retail price of the manufactured goods and services in India reveals that the total tax component is around 25-30% of the cost of the product. After implementation of GST, the prices have gone down, as the burden of paying taxes has been reduced to the final consumer of such goods and services. There is a scope to increase production, hence, competition increases.

Simple Tax Structure

Calculation of taxes under GST is simpler. Instead of multiple taxation under different stages of supply chain, GST is a one single tax. This saves money and time.

Economic Union of India

There is freedom of transportation of goods and services from one state to another after GST. Goods can be easily transported all over the country, which is a benefit to all businesses. This encourages increase in production and for businesses to focus on PAN-India operations.

Uniform Tax Regime

GST being a single tax, it has made it easier for the taxpayer to pay taxes uniformly. Previously, there used to be multiple taxes at every stage of supply chain, where the taxpayer would get confused, which a disadvantage.

Greater Tax Revenues

A simpler tax structure can bring about greater compliance, this increases the number of tax payers and in turn the tax revenues collected for the government. By simplifying structures, GST would encourage compliance, which is also expected to widen the tax base.

Increase in Exports

There has been a fall in the cost of production in the domestic market after the introduction of GST, which is a positive influence to increase the competitiveness towards the international market.
9. Conclusion

The country is moving a step forward towards a modern taxation system. This is a system that is simpler, more transparent. It will help us curb black money and corruption and reward honesty. It will generate interest and enthusiasm to do business honestly. It will bring in a new culture of governance.

The Government has shown its strong determination and stuck to implementing the GST with effect from 1st July, 2017. The road ahead would require a lot of resolve by the implementing agencies like the Goods and Services Network, states and the industry. To sail through initial hiccups and successfully steer the ship of the economy, the Government needs to show the same determination and courage. A bold initiative like GST taken for the welfare of the country must lead to a grand success.

10. References:

[2] *Pratiyogita Kiran-August 2017*
[3] *Competition Success Review –August 2017*