

# Goods and Services Tax (GST) - A Bird's Eye View

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**Abstract:** - Goods and Services Tax (GST) is an indirect taxation in India merging most of the existing indirect taxes into single system of taxation. GST is a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India to replace taxes levied by the central and state governments. The Government's GST regime seeks to replace excise duty, import duties, VAT and service tax regulations, along with other Cess and surcharges, with three separate legislations namely CGST, SGST and IGST. GST would be applicable to all transactions of goods and service, and it to be paid to the accounts of the Centre and the States separately. The biggest advantage of GST is economic unification of the country. This paper focus on the background of GST, its framework and benefits in the Indian economy.

**Keywords:** Goods and service tax (GST), Framework, Benefits

## INTRODUCTION

As the aim of GST advertisements in India reveals GST is materializing what could be rightly called "One Market, One Nation and One Tax". GST is an internationally proven revenue productive and growth accelerating indirect tax system that prevails in 160 countries. GST is a comprehensive tax regime replacing the existing indirect tax system. GST heralds not only the dawn of a new era in the tax realm of the country, but also it ushers in a 'behavioral change' in the transactions that happen in the economy. Different from the current indirect tax system, GST is collected at the time of consumption of goods and services, and hence it is recognized as a destination based tax. GST does not attempt to make a division between goods and services and, in this sense, it attempts to dismantle a dichotomized tax system where goods and services are differently treated. This paper intends to study the overview, concept and functioning mechanism of GST in India.

## OBJECTIVES OF THE STUDY:

- To familiarize the concept of Goods and Services Tax (GST).
- To study the benefit of Goods and Services Tax to the Indian economy
- To know the functioning of GST in India.

## METHODOLOGY:

Considering the objectives of study, descriptive type research design is adopted .The accessible secondary data was intensively used for the study.

### GST - An Overview

Goods and service tax (GST) is a comprehensive indirect tax on manufacture, sale and consumption of goods and service at national level. It is basically a tax on final consumption or destination based tax.

## Why GST is important?

- GST will widen the tax base, improve tax compliance, remove existing unhealthy competition among states and will equally distribute tax burden on goods and services.
  - Uniform rates of tax all over the country which will makes the product price same in all states.
  - GST would integrate the tax base and allow seamless flow of input tax credit across the value chain of goods and services which will lead to reduced cost of goods and services.
  - GST environment would lead to improved disclosure of economic transactions and compliance which may have a positive impact on direct tax collections also.
  - The tax burden on companies will fall which will reduce the costs of Indian goods and services in the international market and give boost to Indian exports.
  - It will mitigate cascading and double taxation and enable better compliance through the lowering of overall tax burden on goods and services.
  - Overall it will result in increasing revenue at the Centre and states since the tax collection system becomes more transparent, and systematic.
- . Introduction of GST subsumes majority of the indirect taxes exist in the economy. They are:

Taxes Subsumed Into GST

At The Centre level	At the State Level
Central Excise Duty	State Value Added Tax/Sales Tax
Additional Excise Duty	Entertainment Tax
Service Tax	Luxury tax
Countervailing Duty (CVD)	Purchase Tax
Special Additional Duty (SAD) of Customs	Octroi and Entry tax other than for local bodies

Surcharge and Cess	Tax on lottery, betting and Gambling
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### Benefits of GST:

- For Business and industry:
  - Less compliance: - Instead of maintaining big records, returns and reporting under various different statutes, all assesses will find comfortable under GST as the compliance cost will be noted that the assesses are, nevertheless, required to keep record of CGST, SGST, and IGST separately.
  - Removal of cascading: - The major demerit of older indirect tax system was tax on tax. That demerit is cleared under GST, since there is no room for tax on tax or cascading under new system.
    - Improve competitiveness: - More than 160 countries in the world follows the GST system of tax. Thus adoption of GST will certainly improve the competitiveness in the international level.
- For Government:
  - Increase in revenue: - GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.
  - Easy to administer: - Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far
  - Better controls on leakage: - Systematic and transparent system of GST will reduce the scope for tax evasion and thus provide the government complete control on leakage of tax.
  - Better compliance: - Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an inbuilt mechanism in the design of GST that would incentivize tax compliance by traders.
    - For consumers:
      - Single and transparent tax system: - Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer
      - Reduction of prices: - Due to full and seamless credit, manufacturers or traders do not have to include taxes as a part of their cost of production, which ultimately results reduction in prices.

### How it works in India?

The GST system is based on the same concept of previous Value Added Tax (VAT) system. Here set off is available in respect of taxes paid in the previous level against the GST charged at the time of sale. The GST model has some aspects which are as follows:

Components: - GST will be divided into three components namely: Central Goods and Services Tax (CGST), State Goods and Service Tax (SGST) and Integrated Goods and Services Tax (IGST).

Applicability: GST will be applicable to all over India including Jammu & Kashmir and all the goods and services excluding the exempted ones.

Payment: GST will be charged and paid separately in case of central and state level input tax.

Credit: the facility of input tax credit at central level will only be available in respect of central goods and service tax. In other words the ITC of central goods and service tax shall not be allowed as a set off against state goods and service tax and vice versa.

Rates of Tax: GST rates are 5%, 12%, 18% and 28%. The maximum rate leviable under GST is 40 percent as per the Act. But at present, the highest prevailing rate is 28 percent.

Apex authority: Apex Constitutional authority of GST is GST council which is Chaired by Union finance minister and all state finance ministers are members of the council.

GSTN: Goods and Services Tax Network (GSTN) is a nonprofit organization formed to create a platform for all the assesses to collaborate on a single portal. The portal will be accessible to the central government which will track down every transaction on its end while the taxpayers will be having a vast service to return file their taxes and maintain the details.

### Economic Implications of GST

- It would introduce two-tiered One-Country-One-Tax regime.
- It would subsume all indirect taxes at the center and the state level.
- It would not only widen the tax regime by covering goods and services but also make it transparent.
- It would free the manufacturing sector from cascading effect of taxes, thus by improve the cost-competitiveness of goods and services.
- It would bring down the prices of goods and services and thus by, increase consumption.
- It would create business-friendly environment, thus by increase tax-GDP ratio.
- It would enhance the ease of doing business in India.

### CONCLUSION

In most of the developing countries, the share of indirect tax is higher than the direct tax. However, in the developed countries the share of indirect tax is much lower. Therefore, the new GST implementation will allow the government to have a better grip on the taxpayers. This should be capable of evolving the entire tax system. GST is not simply VAT plus service tax, but a major improvement over the previous system of VAT and disjointed service tax- a justified step forward. The implementation of GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development.

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