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Goods and Services Tax in India: Really a Key Reform?

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ABSTRACT:

The introduction of Goods and Services Tax on 1/07/17 has led to the abolition of 22 types of multiple taxes, like VAT, excise duties, octroi duties, state excise duties, additional excise duties, lottery tax, entry tax, property tax, luxury tax, custom duties and cess of various kinds and denominations operating within the country. It is a major economic reform that will streamline Indian complicated indirect tax system. The introduction of GST has not only led to the abolition of filing C-Forms, but it introduces ease in doing the business in India and it has reduced the impact of abrupt changes in the industrial tax rates and has more certainty and predictability. It will lead to the possibility of greater foreign Direct Investment (FDI) and will be instrumental in promoting higher rate of growth in view of 95% of the commodities are having less than 18% tax. The objective of paper is to give introduction on GST, to discuss the pros and cons of GST on various industries and commodities and to find out whether it is really a key reform in Indian Taxation system as it is claimed by the government.

Keywords: C-Form, FDI, VAT, Central Excise Duties, State Excise Duties, Additional Excise Duties, Rate of Growth.

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INTRODUCTION

The concept of Goods and Services Tax, is that the tax is imported on the goods and services. The concept was first introduced in India about 17 years back. Although the bill was passed by the Lok Sabha on 6th March, 2015 [1], it has been passed by the Rajya Sabha in 2016.

Structure and salient features of GST:

It is a major economic reform that has streamlined India's complicated indirect taxation system. Instead of a multiple indirect taxation system consisting of excise duties, VAT, octroi and other miscellaneous indirect taxes with the introduction of GST only one tax that is GST is leviable. [4] However it should be cautioned that the GST is leviable at the three stages: Central or Union level, State level and at the integrated level between the two states. The greatest advantage of GST is that it will make accounting quite easier and it is likely to reduce the cascading effect of the tax which in fact is the imposition of tax on the volume of tax.

Difficulties arose into the enactment of the Act:

Although the bill came into existence, about 17 years back in the BJP government of Prime Minister, Atal Bihari Bajpai, the credit for the enactment of the act goes to Mr. Narendra Modi in whose government it has taken the shape of the act.[8] In order to take the shape of the act, it was required that the bill would become an Act, only when more than half of the states i.e. 15 states out of 29 states passed the bill. It came into effect with 100th amendment of the Constitution of India.

Liabilities of the Registration and important Provisions of the Act:

Under the GST provisions, exemption limit is Rs. 20 lakh per annum i.e. Dealers having annual turnover of Rs. 20 lakh are exempted from obtaining Registration under the GST Act. Dealers having annual turnover between Rs. 20,00001uptoRs. 1 Crore are required to obtain Registration and come under the composition scheme and are required to file a quarterly return. [2] Dealers having an annual turnover of Rs. 1 crore and above are required to get registration and file a monthly return. Additionally, petroleum products and mobile phones have not been placed under the purview of the Act. Liquor is also not placed under the purview of the Act. In the recent GST meeting held in the 1st week of May 2018 it has been decided that all the dealers are required to file only 1 return of their turnover of sales and purchases irrespective of their volume of turnover. Now, with this amendment the former arrangement of filing monthly turnover, quarterly turnover has been abolished and the turnover for the year in a single return has to be filed in the GST department.[5] This amendment has been done with a view to facilitate the dealers in view of the growing resentment which had developed against the imposition of GST.[14]

I. Advantages and Disadvantages of GST:

Advantages:

- (a) GST is a comprehensive indirect tax that was designed to bring the indirect taxation under one umbrella. It will help to eliminate the cascading effect of tax that was obvious previously. Cascading tax effect can be defined as 'Tax on Tax'. [13]
- (b) It has led to abolition of VAT, Central Excise duties, State Excise duties, Lottery tax, entry tax, octroi duties, property tax, luxury tax, custom duties, cess of various kinds and 22 kinds of taxes which have been in operation in the Indian Contingent, before the introduction of this tax.
- (c) Previously, in the VAT structure, any business with a turnover of more than Rs 5 lakh (in most states) was legally responsible to pay VAT. This limit differs from state-to-state. Also, service tax was exempted for service providers with a turnover of less than Rs 10 lakh. Under GST system, however, this has increased to Rs 20 lakh, which exempts lot of small traders and service providers.[3]
- (d) It has reduced the chances of evasion, as it is a multiple-point tax and not a single-point tax and hence the chances of rise in the total revenue are far greater.[10]
- (e) It has led to the simplification of Central Sales Tax Act, as requirement of form C, under the Central Sales Tax Act is abolished with the introduction of GST.
- (f) The introduction of GST has led to the reduction of possibility of litigation, because all the goods and services have been covered under the GST Act.[12]
- (g) In case of the disputes, the department will serve the dealer with a demand notice, and if the dealer abides by it, it is well and good and there is no possibility of any further litigation. In case, the dealer disagrees, he has the option to go the Tribunal of GST and in case the matter is not resolved in the Tribunal, then only the dealer or the aggrieved party can go to the High Court and Supreme Court.[9]
- (h) The procedure for filing the return has been quiet simplified as the dealer on the basis of Invoice,[6] can file the return of turnover of sales, without having the necessity of maintaining the multiplicity of accounts, like Rognamcha, cash book, Rokerbahi, manufacturing accounts etc. Thus the expenses on the Munim, Accountant, Advocate or CA will be reduced, leading to the reduction of total cost.

Drawbacks and Disadvantages:

Although in all, 165 countries in the world are having the GST system today, yet introduction of GST in India has post the following disadvantages:

- (a) Paucity of trained staff is the greatest hindrance in the implementation of GST.
- (b) Although 22 taxes have been abolished yet Mandi tax is continued to be levied even after the introduction of GST. This tax gets a very small revenue hence it should also have been abolished.[11]
- (c) Traders and their representatives were not taken into confidence before the introduction of GST.

- (d) Some economists are of the view that the imposition of GST will lead to the inflationary conditions in the country.
- (e) There have been frequent changes in the rates and structure of the tax after the imposition of GST by the GST councils which has made the tax quiet ambiguous, complex and complicated in nature.

II. Impact of Revised rates of GST on Commodities and Services:

Price of items like Movie ticket , Economy class air travel, Entry-level cars, two-wheelers, SUVs, Car batteries, Paint, cement, Electronics items like fans, lighting, water heaters, air coolers, etc., Toothpaste, Soap, Hair oil, Ice cream, packaged tea and coffee, Sweets, Masala, Packed curd, Corn flakes etc. got Cheaper based on GST Rate while price of items like Mobile phone calls, Cigarette, Commercial vehicles such as trucks, Textile, Branded jewellery, Face cream, Shampoo, Beauty parlor services, Television, Fridge, Air conditioner, Washing machine, Watches' Banking services, Dry cleaning services, Security services, Legal services, Maintenance services, Telecom services, Advertising services, Professional services etc rise after the implementation of GST.[7]

Table 1: GST Rates of Goods in India

Commodities subject to 5% GST	Commodities Subject to 12% GST	Commodities Subject to 18% GST	Commodities Subject to 28% GST
Agarbatti, Apparels up to Rs.1,000, Braille paper, Braille typewriters, Braille watches, Cashew nuts, Coir mats, Domestic LPG, Edible oils, Fertilizers, First day covers, Fish fillet, Floor covering, Footwear up to Rs.500, Frozen vegetables, Hearing aids, Insulin,	Almonds, Animal fat sausage, Apparel above Rs.1000, Ayurvedic medicines, Bhujia, Butter, Cakes, servers, Carom board, Chess board, Chutney, Diagnostic kits and reagents, Exercise books, Fish knives, Forks, Frozen meat products, Fruit juice,	Aluminium foil, Furniture Bamboo, Bidi, Patta, Biscuits, Branded garment, Cakes, Camera, CCTV, Circuits Computers, Corn flakes, Curry paste, Electrical transformer, Envelopes, Flavoured refined sugar, Footwear priced above Rs.500,	Aerated water, After shave, Aircraft for personal use, Automobiles ,Motorcycles, Bidis, Ceramic tiles, Chewing gum ,Molasses Chocolate,s devoid of cocoa Deodorants, Dishwasher, Dye Hair, clippers Hair ,shampoo ,Sunscreen,

Matting, Medicines, Milk food for babies, Packaged food items, Packed paneer, Pizza bread, Postage stamps, Revenue stamps, Roasted coffee beans, Rusk, Sabudana, Skimmed milk, Spices Stamp-post marks, Stent, Sugar, Tea,	Fruits, Ghee, Jam, Ladles, Ludo, Mobile, Murabba, Namkeen, Non-AC restaurants, Notebooks, Nuts, Packaged dry fruits, Packed coconut water, Pickle, Playing cards, Preparations of vegetables Sewing machine, Skimmers Spoons, State-run lotteries, Tongs, Tooth powder, Umbrella, Work contracts.	Hair oil, Headgear, Ice cream, Instant food mixes, pencil sticks, Mayonnaise, Mineral water, Mixed condiments, Mixed seasonings, Monitors Optical Fiber Padding, pools, Swimming pools, Pasta, Pastries, Preserved vegetable, printed Printers, Salad, dressings, Soap, Soups, Speakers, Steel products, Tampons, Tissues, Toiletries, Toothpaste, Weighing machinery (non-electrical or electronic).	Paint, Pan masala, Shavers, Shaving, creams, Vacuum cleaner, Vending machines, Waffles and wafers coated with chocolate, Wallpaper, Washing machine, Water heater, Weighing machine,ATM.
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Table 2: GST Rates of Services in India

Services Subject to 5% GST	Services Subject to 12% GST	Services Subject to 18% GST	Services Subject to 28% GST
Transport services such as airways and railways, Air travel in economy class, Sale of advertisement space for print media, Supply of tour operators' services Road transport by radio taxis and motor cabs Small restaurants earning turnover up to Rs.50 lakhs	Air tickets by business class Guest houses, inns, and hotels with room tariff ranging between Rs.1000 and Rs.2500 per night	AC hotels serving alcohol to customers Guest houses, inns and hotels with room tariff ranging from Rs.2500 and Rs.5000 per night IT services Telecom services	Gambling and race club betting Cinema and entertainment 5-star hotels Guest houses, inns and hotels with room tariff of Rs.5000 and upwards

At present, items like crude oil, petrol, diesel, jet fuel, natural gas, and alcohol for human consumption are out of GST.

CONCLUSION:

In conclusion, it can be said that the introduction and imposition of GST has been a very prudent economy effect undertaken by the government which has brought us at the parity with 165 countries of the world. Furthermore, there is a special provision that in case the state government loses any revenue on account of the abolition of VAT and imposition of GST, the Central government will compensate for such loss of revenue for at least a period of 5 years. Introduction of GST will lead to the encouragement of FDI and ultimately will be instrumental in promoting economic growth and development within the country in the long run, although, in the short run impact of GST may not be very encouraging. Change is never easy. The government is trying to smoothen the road to GST. It is significant to take a folio from global economies those have already implemented GST before India, and who have faced and crossed the teething troubles to practice the advantages of having a cohesive tax system and easy input credits.

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