

GST in India – An Analytical Study

**Ranjan Kshetrimayum, Chingkheinganba Chanambam
and Nao Kshetrimayum**

Department of Commerce, Manipur University, Imphal, Manipur, India

Abstract

In the era of globalisation, the emerging Indian economy cannot remain behind in bringing the Indirect Tax Reforms for the faster growth of the economy, for increasing the tax revenue of the nation, to attract more foreign investment and to make the country a business-friendly environment. It took 17 years to implement since its first initiative during 2000. With the subsuming of various central and state indirect taxes levied before, it is being able to bring one uniform tax system for the whole country and unifying the whole market of the country. It has been expected to give a number of benefits to the nation's economy, to the producers of goods and providers of services and to various middlemen in the chain of marketing and distribution of goods and services and finally to the ultimate consumers. There are various challenges in the successful implementation of the GST in the country. There is a need of sincere cooperation from all aspects of the economy and systematic monitoring and periodical review so that it should not give any adverse impact to the whole economy of the country.

Keywords: Goods and Services Tax, Indirect Tax, Indirect Tax Reforms, Indian Economy

1. Introduction

Goods and Service Tax (GST) is an indirect tax (or consumption tax) levied in India on the sale of goods and services. GST is levied at every step in the production process, but is refunded to all parties in the chain of production other than the final consumer.

It is the biggest Indirect Tax Reform in India. It is not a new thing in the world. India is the 166th nation in the world to adopt the GST. It is being implemented in India after 17 years of its initiation in 2000 by the then Prime Minister Atal Bihari Vajpayee. A 21-member selected committee was formed to look into the proposed GST laws. After GST Council approved the Central Goods and

Services Tax Bill 2017 (The CGST Bill), the Integrated Goods and Services Tax Bill 2017 (The IGST Bill), the Union Territory Goods and Services Tax Bill 2017 (The UTGST Bill), the Goods and Services Tax (Compensation to the States) Bill 2017 (The Compensation Bill), these Bills were passed by the Lok Sabha on 29th March, 2017. The Rajya Sabha passed these Bills on 6th April, 2017 and these bills were then enacted as Acts on 12th April, 2017. Thereafter, State Legislatures of different States have passed respective State Goods and Services Tax Bills. After the enactment of various GST laws, Goods and Services Tax was launched all over India with effect from 01 July 2017 through the implementation of One Hundred and First Amendment of the Constitution of India by the NDA government under the leadership of honourable Prime Minister Shri Narendra Modi. The Jammu and Kashmir State Legislature passed its GST act on 7 July 2017, thereby ensuring that the entire nation is brought under a unified indirect taxation system.

Goods & Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. It is comprehensive in the sense that it covers almost all the indirect taxes that have been prevailed in India before the implementation of GST in India. It is multi-stage in the sense that GST is levied at every stages of Goods and Services since its manufacturing through the procurement of raw materials to the sale of them to wholesalers, retailers and finally at the ultimate sale to the final consumers. GST has brought a new system in sharing the tax revenue by making it available to the concerned states where goods and services are finally consumed.

In simple words, GST is an indirect tax levied on the supply of goods and services. GST Law has replaced many indirect tax laws that previously existed in India. GST is **one indirect tax** for the **entire country**.

2. Indirect Tax Structure in India before GST

There are various indirect taxes which were levied from the goods and services in the country. Some of them are levied by the Central Government and some by State Governments and Union Territories of the country. The following is the list of the Indirect Central Taxes:

1. Central Excise Duty
2. Additional Duties of Excise
3. Excise Duty levied under Medicinal & Toiletries Preparation Act
4. Additional Duties of Customs (CVD & SAD)
5. Service Tax
6. Surcharges & Cesses

The following is the list of indirect taxes levied by the States and Union Territories of the country:

1. State VAT/Sales Tax
2. Central Sales Tax
3. Purchase Tax
4. Entertainment Tax
5. Luxury Tax
6. Entry Tax (All Forms)
7. Taxes on lottery, betting & gambling
8. Taxes on Advertisements
9. Surcharges & Cesses

3. Components of GST in India

There are 3 taxes applicable under GST in India, they are as follows:

1. CGST (Central GST): Collected by the Central Government on an Intra-State Sale (Eg: Any sales of goods or services rendered within a state like Manipur or Nagaland).
2. SGST (State GST): Collected by the State Government on an Intra-State Sale (Eg: Any sales of goods or services rendered within a state like Manipur or Nagaland). In case of Union Territories without legislature, instead of SGST, UTGST will be collected.
3. IGST (Integrated GST): Collected by the Central Government for Inter-State Sale (Eg: Any sale of goods or services rendered from a state to another state or Union Territory like sale of a good manufactured in Manipur to Nagaland).

For sale within the state, CGST+SGST will be charged and revenue will be shared equally

between the Centre and the State. Supposed the GST rate of a good is 12%, 6% will go the concerned state government and another 6% will go the central government.

For sale to another state, IGST will be charged and Centre will share the IGST revenue based on the destination of goods. For example, a good having 12% GST rate manufactured in Nagaland if sold to Manipur, a tax of 12% will be levied as IGST and later on a portion of this IGST will be shared to Manipur Government being a place of destination or final consumption of the good.

4. Some of the Salient Features of Indian GST

1. GST would be applicable on "Supply" of goods or services as against the present concept of tax on manufacture of goods or on sale of goods or on provision of services.
2. It is based on the principle of destination based consumption.
3. It is a dual GST with the centre and states/union territories simultaneously levying it on a common base.
4. An integrated GST is levied on inter-state supply of goods and services.
5. Import of goods would be treated as inter-state supplies.
6. GST has replaced all the central and state indirect taxes.
7. Four tax rates namely 5%, 12%, 18% and 28% though there are some goods on which taxes are levied at 0%, 0.25% and 3% like 0% on essential commodities, 0.25% on rough precious and semi-precious stones and 3% on gold and gold jewelers.
8. A provision for Composition Scheme for small businesses like Manufacturing, Trading, Restaurants, etc.
9. GST would apply to all goods and services except alcohol for human consumption.
10. GST on five petroleum products would be applicable from a date to be recommended by GST Council.
11. Taxpayers with an annual turnover of ₹ 20 Lac (₹ 10 Lac for Special Category States) are exempted from GST.
12. Exports are zero-rated. It has been done in order to motivate the exporting producers and to enable them to compete with the similar goods at the foreign markets.
13. Three modes of payment for GST i.e. through Internet Banking, Over the Counter of Commercial Banks and through NEFT or RTGS.

5. Comparative Study of Tax Calculation during Pre-GST Regime and GST Regime

Table 1: Tax calculation in Pre-GST Regime

Sl.No	Action	Cost	10% Tax	Total
1	Manufacturer	1000	100	1100
2	Warehouse adds label and repacks @300	1400	140	1540
3	Retailer ads @500	2040	204	2244
4	Total	1800	444	2244

* Here tax is paid on tax which is known as Cascading Effect of Taxes which makes the item costlier to the final customer.

Table 2: Tax calculation in GST Regime

Sl.No	Action	Cost	10% Tax	Total
1	Manufacturer	1000	100	1100
2	Warehouse adds label and repacks @300	1300	130	1430
3	Retailer ads @500	1800	180	1980
4	Total	1800		1980

*Here, Input Tax Credit (tax already paid at the time of inputs) can be claimed.

From the above two tables showing the calculation of tax in pre and post GST periods, it has been found that there is a huge difference of ₹ 264/- in the total taxes levied on the product. So, it has been opined that with the implementation of GST, tax levied from the final consumers will be reduced to a great extent, thereby making the goods available to them at a cheaper price due to the removal of Cascading Effect of Taxes and availability of Input Tax Credit facility under GST. This is being considered to be the one of the best benefits of adopting GST in the country. But the real benefit of it is still somewhat doubtful as the prices of many products are found to be increasing leading to a higher inflation rate in the Indian economy during these few months of its implementation since 1st July, 2017.

6. Expected Advantages of GST Implementation in India

Followings are some of the expected advantages of implementation of GST in India:

1. It will prevent from fraud and evasion of taxes.
2. Will prevent Cascading of Taxes as Input Tax Credit is available.

3. Harmonization of laws, procedures and rates of tax.
4. Will boost export and manufacturing activity.
5. With zero-rating to exports, our products will be more competitive in the international market.
6. Average tax burden on companies likely to come down leading to lowering prices.
7. Simpler Tax Regime.
8. Reduction in the multiplicity of taxes.
9. Simplified and automated procedures for registration, returns, refunds, tax payments, etc. through GSTN.
10. Electronic matching of input tax credits all across India, thus making the process more transparent and accountable.
11. Final price of goods is expected to be lower.
12. Small retailers will be exempted or will have to pay very low tax under a compounding scheme.
13. The biggest advantage is that the Tax burden on goods will be reduced, which is currently estimated to be around 25% - 30%.

7. An Analytical View on Indian GST and in Its Implementation

1. It's a complex GST system in India as compare to other countries as India has adopted Multiple slabs of Tax Rate i.e. 0%, 0.25%, 3%, 5%, 12%, 18% and 28%.
2. Complexity has been enhanced due to presence of Dual Tax System- for Centre and States/Union Territories which we find rarely in other countries' GST System.
3. Though it has been said 1 Tax for 1 Nation, in reality it is not happening as there is separate Tax for Alcohol for human consumption levied by different states and for sale and purchase of Securities governed by Securities Transaction Tax (STT).
4. Inability of GST Council to decide on GST Rates to be charged upon 5 Petroleum Products till now.
5. Addition of more works as the need for filing of GSTR has to be done monthly and one for annual whereas it was only twice in a year in the previous system.
6. Though there is expectation to reduce the prices of most of the goods and services after its implementation, it is found to have an increase in the MRP of most of the goods and services and a rise in the Inflation Rate in the country.
7. GST has been opined practically very difficult for people dealing in different rate

goods, for example Pharmacy or Medical Store.

8. Chartered Accountants are of the opinion that it's practically very hard to comply with the e-way bill norms.
9. According to GST Practitioners, there are many problems with the GSTN server like
 - (i) End up filing wrong Returns
 - (ii) Not able to take credit (Input Tax Credit)
 - (iii) Server slows down at peak filing time like due dates.
 - (iv) Automatic logging out

8. Conclusion

GST has been designed for the betterment of the economy of the country. There are still many challenges in the implementation of the new indirect tax system. Many efforts are being made to spread the awareness and train the people to make it work smoothly. Real outcome or impact is too early to be said right now. But there will be positive outcome in the business environment in the form of ease of doing business, inviting more investment, more revenue to the government and lower costs to many goods and services for the consumers. Appropriate care should be taken so that it may not give any adverse impact to the economy opposite to the positive expectations out of its implementation.

References

1. Cnossen, Preparing the way for a modern GST in India. *International Tax and Public Finance*, 20(4): 715-723, (2013).
2. Dani, A Research Paper on Impact of Goods and Services Tax (GST) on Indian Economy. *Business and Economics Journal*, 7(4), (2016).
3. Garg, Basic Concepts and Features of Good and Service Tax in India. *International Journal of scientific research and management (IJSRM)*, 2(2): 542-549 (2014).
4. Kumar, Goods and Services Tax in India: A way forward. *Global Journal of Multidisciplinary Studies*, 3(6), (2014).
5. Pegu, The Proposed GST (Goods and Services Tax) and Indian Economy. *International Journal of Interdisciplinary Research in Science, Society and Culture*, 3(1), (2017).
6. Poddar and Ahmad, GST Reforms and Inter-Governmental Considerations in India. Ministry of Finance, Government of India. (2009).
7. Rupa, GST in India: An Overview. *International Education & Research Journal*, 3(2). (2017).
8. Vasanthagopal, GST in India: A Big Leap in the Indirect Taxation System. *International Journal of Trade, Economics and Finance*, 2(2): 144, (2011).
9. Yadav, Impact of Goods and Services Tax on Indian Economy. *SSRG International Journal of Economics and Management Studies*, 4(7):1-4, (2017).