“An Overview of Goods and Service Tax (Gst) In India”

Abstract:
India’s Tax structure is very complicated at present and it is also very complex in nature. It consists of cascading effects of tax. GST is one single indirect tax for the whole nation, which will make India one unified common market. It is levied on the supply of goods and services. Despite the success of VAT, there are still many shortcomings in present VAT system. India needs a well designed and well structured GST model to overcome the shortcomings of VAT. The author tries to highlights the background, objectives and advantages of the proposed GST and the challenges against it. The paper also describes the impact of GST in the present tax scenario in India.

Key Words: Tax, Goods, Service, Trade, National, consumer.

Introduction:
Every nation of the world must have a good tax system for their economic development. India moved towards the road of tax reforms since 1980 but still there are some issues which should be solved earliest. GST is considered as a biggest tax reforms in India since its independence. At present, we are suffering from a complicated indirect tax system by states and central Governments. GST is a hope that it will change the structure of tax system in India. GST will subsume all kind of indirect taxes of central and state governments in to a simple unique tax. The proposed GST is a long time pending issue in India.

Review of Literature:

- Dr. G. Sunitha and P. Satischandra broadly discussed about GST in their research paper titled “Goods and Service Tax (GST): As a new path in Tax Reforms in Indian Economy”. The authors have tried to explain the concept of GST and different models of GST. They also focussed on the impact of GST on Indian markets. According to them the current tax structure is the main hurdle for growth of Indian economy. New tax structure of GST will remove this hurdles and boosts Indian economy.

- Dr. R. Vasanthagopal concluded in “GST in India: A Big Leap in the Indirect Taxation System” in International Journal of Trade, Economics and Finance, Vol. 2, No. 2, April 2011 that GST will be booming Indian economy. According to him India is suffering from complicated tax system. GST will give a boost to the Indian economy.
• Garg summarizes in the article “Basic Concepts and Features of Good and Services Tax in India” published in International Journal of scientific research and Management, 2(2), 542-549 about impact of GST on Indian Tax structure and find out that GST will strengthen nation’s economy and development.

• Neha and Manpreet Sharma describes about GST in their research paper titled “A study on Goods and Service Tax in India”. They tried to find out the benefits of GST and current status of GST in India. According to them we are moving towards GST due to faults in our current indirect tax structure. Our current indirect tax structure is unable to increase the competitiveness of industries. Both the authors’ emphasis on the benefits of GST.

• Nitin Kumar write a research paper named “Goods and Service Tax in India-A Way Forward” in “Global Journal of Multidisciplinary Studies”, Vol. 3, Issue6, May 2014 and he noted that implementation of GST in India will be a great move and it will be remove all the problems of current tax structure in India.

Objectives of the Study:
The design of this research is descriptive in nature. Necessary secondary data has been collected from various research papers, magazines, articles, news papers, websites etc. The objectives of the paper are:

1) To understand the concept and necessity of GST.
2) To study the features of GST.
3) To examine the advantages of GST.
4) To study the challenges against GST.

Present Indirect Tax Structure In India:
At present major components of indirect taxes are as under. Government collects indirect taxes in different ways like Excise Duty, Service tax, sales tax/vat, Custom Duty, Central sales Tax, Octroi etc. These taxes are playing an important role in the total income of government. The rates of all the indirect taxes are different as per their types and rules and regulations of government.
**What Is Gst?**

The full form of GST is Goods and Services Tax. GST is a tax that is applicable to Goods and Services both and it is levied at every stage of supply. It is applied to all taxable goods and services in India. There will be two components of GST in India CGST and SGST. Central Government will collect CGST and State Government will collect SGST. It is a destination based tax. In the case of interstate trading, GST will be collected by Central Government and distributed it to the imported states.

**Various Models of GST:**

France was the first country of the world to implement GST in 1960. There are various models of GST across the world.

- **State GST:** In this model of GST, tax levied by different states of a nation. This system of GST is applicable in United States of America.
- **National GST:** In this system tax levied by Centre with provisions for sharing with its states and/or provinces. Nations like China and Australia are following this system of indirect tax system.
- **Non Concurrent Dual GST:** In this model of tax, GST on goods levied by states and GST on services levied by Centre.
- **Concurrent Dual GST:** In this model of GST, tax levied by Centre & State on both goods & services. Canada and Brazil has adopted this type of GST. India also proposed to accept this type of tax structure of GST.
- **Quebec Model:** in this model, there is a provision for separate legislation of tax for National/states.
To understand the concurrent Dual GST model, we have to understand three different words.

CGST- Central Goods & Service Tax
SGST- State Goods & Service Tax
IGST- Integrated Goods & Service Tax

CGST will be levied by Central Government on intra state supply of Goods and/or services and it will be paid to the account of Central Government. SGST will be levied by State Government on intra-state supply of goods and/or services and it will be paid to the account of State Government. IGST will be levied by Central Government on inter supply of goods and/or and services and it will be paid to the account of Central Government. Additional tax to be levied by Central Government on Inter-state supply of goods.

Rates of Gst:

GST Council declares a four tier tax structure of 5%, 12%, 18% and 28% with lower rates fo essential items and the higher rates for luxury and de-merits goods. With a view to keeping inflation under control, essential items like food will be taxed at zero rates.

Benefits Of Gst:

There are so many advantages of GST to the different stakeholders like Government, Consumers and Manufacturers etc. The benefits of the proposed GST to different parties are as under. At present tax is collected by the states where the products are manufacturing wherein GST tax will be collected by the state where the product gets consumption. So those states get additional income where consumption is more.
Benefits to Customer:
The most important impact of GST is that it will reduce the cost of a product or service and customer gets direct advantages of it. Customers can get products or service on lower price than the current situation of VAT. It will increase the purchasing power and saving capacity of customer. And finally customers can make additional investment from their savings.

Benefits to Traders/Manufacturers:
At present condition there is a situation of multiple taxes in VAT system. GST will overcome on all the shortcomings of current system of VAT. Cost of production will be reduced and manufacturers will be able to sell their products on lower/competitive rates. They can upward the graph of selling and profit also.

Benefits to Government:
Government also gets advantages from replacing VAT by GST. GST is a very easy indirect tax system. It is very easy to understand and also easy to implement. It will broaden the current tax structure in India. Government can get more and more investment from consumers whose saving increased by GST.

Challenges Against Gst In India:
The biggest challenge against GST is compensations to state Governments from Central Governments. At present in India, indirect taxes are levied by both Central and State Governments. VAT is a main indirect tax and it’s contributed highest in the income of state governments. After GST, state governments will face financial loses and due to this they will be more depended on Central Governments and Financial Commission. Another big challenge against GST is valuation of stock transfer. There is also a big issue of Registration process in GST. It also requires a solid IT infrastructure for implementation of GST in India. GST also required changing in accounting system of corporate world.

Conclusion:
There are various challenges in the way of Goods & Service Tax, but its advantages are more than its disadvantages. It will also give India a world class and a smart tax system. It requires rational use and effective implementation of GST in a nation like India. The main aim behind GST is to replace VAT. GST is a comprehensive indirect tax that subsumes all types of indirect taxes of central and state governments in it. We can say that GST will provide relief to Consumers, Manufacturers and Governments and whole nation.
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