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Goods and Service Tax (GST) A Bird's Eye View

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Abstract:*India is an elected nation where Roundabout Duty is imposed by Elected and State Government. Esteem Included Duty is exacted by State Governments. Each State has specialist to choose the Duty rate and to control the Expense framework according to their advantageous. The Tax collection control has been all around characterized in Indian Constitution. The Constitution (122nd Correction) Bill that tries to introduce a Products and Ventures Expense (GST) administration in the nation will at last be taken up for talk in Parliament. Back Pastor Arun Jaitley has been avowing that India will execute GST from first April 2016. It can be looked as rearrangements of Charges in nation and staying away from superfluous complexities. India is an elected nation which has different Expense administrations and structure, where Assessment is required by the two Governments. After the execution of GST all the Backhanded Expenses will be subsumed under an umbrella, it will be a point of reference in the historical backdrop of Roundabout Duty change. In this paper, an endeavor has been made to look at the real highlights of GST. This paper has additionally centered on the issues liable to be looked by Focal and State Governments.*
Keywords: *Central government, goods and service tax, indirect tax, state government and value added tax, GST journey.*

I. Introduction:

The reform process in indirect tax regime of India was started in 1986 by Vishwanath Pratap Singh, Finance Minister in Rajiv Gandhi Government, by introduction of Modified Value Added Tax (MODVAT). The scheme was intended to allow manufacturers to obtain immediate and complete reimbursement of excise duty paid on components and raw materials, along with the promise of transparency - disclosure of the full taxation on the product. Eventually helps to reduce costs and in turn, the prices that consumer pay.

After a prolonged wait, the Government of India has succeeded in implementing Goods and Services Tax (GST) from 1st July, 2017. GST roll out is India's biggest reform in indirect tax.

The Goods and Services Tax (GST) is a tax on the supply of goods and services in the country. It is essentially a tax only on the value addition at each stage and a supplier at each stage is permitted to set-off, through a input tax credit mechanism i.e. the tax paid on the purchase of goods and services is available for set-off against the tax to be paid on the supply of goods and services. The Act, Rules and the rate of GST across all Indian States are made uniform.

The GST model in India is based on the 'dual GST' model which envisages that both the central and state governments will simultaneously tax all transactions within a particular state involving the supply of goods and services under CGST Act and SGST Act, respectively. These taxes are deposited by the taxpayers electronically and will go directly into the respective government's CGST/SGST accounts.

All inter-state supply of goods and services will be taxed under an Integrated GST (IGST) Act. The rate of GST under the IGST Act would broadly be equal to the sum total of CGST plus SGST rates added together. The IGST is to be deposited into an IGST Account administered by the central government and will be distributed between the central government and the consuming states on a mutually-agreed formula.

The newGST regime eliminates inefficiencies in the tax system that result in 'tax on tax', known as cascading of taxes. GST is a destination-based tax on consumption, as per which the state's share of taxes on inter-state commerce goes to the one that is home to the final consumer, rather than to the exporting state. Elimination of cascading of taxes will result in reduced tax burden on many items.

It also brings transparency on the taxes levied on the supply of goods and services. At present, when an item is purchased, the common man sees only the state taxes on the product label, not the various embedded tax components.

The Goods and Service Tax will improve the ease of doing business as entry barriers along state borders will be dismantled. The new indirect tax system is expected to improve tax compliance, boost revenue receipts of central and state governments and accelerate GDP growth rate by an estimated 1.5-2 percentage gradually.

Journey of GST:

GST is being introduced in the country after a 13 year long journey since it was first discussed in the report of the Kelkar Task Force on indirect taxes. The major milestones on the introduction of GST in India are as follows:

- ✓ In 2003, the Kelkar Task Force on indirect tax had suggested a complete Goods and Services Tax (GST) based on VAT principle.
- ✓ A scheme to introduce a National level Goods and Services Tax (GST) by April 1, 2010 was first introduced in the Budget Speech for the financial year 2006-07.
- ✓ On advice from Govt of India and States, the EC (Empowered Committee)issued its First Discussion Paper on Goods and Services Tax in India in November, 2009.
- ✓ In order to amend the Constitution to enable introduction of GST, the Constitution (115th Amendment) Bill was introduced in the Lok Sabha in March 2011.
- ✓ The EC once again made certain recommendations on the Bill after its meeting in Shillong in November 2013. The revised draft was sent for consideration of the Empowered Committee in March, 2014.
- ✓ In June 2014, the draft Constitution Amendment Bill was sent to the Empowered Committee after approval of the new Government.
- ✓ The Cabinet on 17.12.2014 allowed the proposal for introduction of a Bill in the Parliament for amending the Constitution of India to assist the introduction of Goods and Services Tax (GST) in the country.
- ✓ The Bill was introduced in the Lok Sabha on 19.12.2014, and was passed by the Lok Sabha on 06.05.2015.
- ✓ The GST Bill Passed in Rajya Sabha on 3rd August 2016.
- ✓ The GST Council has enforced GST on 1st July, 2017.

Why GST in India?

Following are the key points which had led for the implementation of Goods and Service Tax (GST) in India.

- GST ends an era of multiple taxes levied at central, State and local levels. It subsumed eight central and nine State taxes such as Central Excise Duty, Service Tax, CST, State VAT and Entry Tax with just one tax. GST has uniform tax rates across the states, this would reduce the tax burden and compliance cost.
- GST reduces the cascading effect of taxes by integrating the tax systems of central and State governments. Both, Center and State will simultaneously levy GST on a uniform base. Under GST regime taxpayer has to pay tax on the value addition made but not on the value that includes the taxes paid earlier.
- Filling of information relating to all compliances under GST regime is through only electronic mode, starting from registration to filing of returns to paying taxes. Automation would reduce errors, increase efficiency. This will also eliminate human interface between the tax payer and tax administrator.
- Integration of Center and State tax administrations will reduce duplication and compliance costs. The invoice-level matching enables correct payment of taxes and leaves no scope for fraudulent claims.
- Earlier tax regime, taxpayers were required to use many forms to obtain exemptions from payment of taxes. For example, a firm whose branch is located in another State and transfers stock to that branch used to file Form F to get an exemption from the Central Sales Tax and obtain input credit on VAT. Merchant exporters get exemptions from payment of VAT/CST through Forms C, Form F and Form H. Similarly they buy goods from an excise registered unit under forms CT1 and ARE 1 to export duty-free. GST does away with such forms making the system simple and transparent.
- A firm opens branches in multiple States just to avoid paying CST. CST is chargeable on sale to other States but is exempt if goods are transferred to a branch of the same firm located in other States. GST abolishes such tax arbitrage and reduces transportation and distribution costs.
- Under GST regime low taxes, ease of doing business and electronic compliance will also make India a more attractive place for doing business compared to other emerging economies and create ground for more domestic and global investment in Make in India projects.
- A well-administered GST would significantly boost the tax to GDP ratio, enhancing the Government's capacity to address its welfare objectives besides improving growth prospects.

GST has subsumed 17 taxes:

The new GST tax regime has subsumed 17 states and central taxes. The list of States and Centers taxes subsumed under GST regime are;

SI No.	State Taxes	SI No.	Centre Taxes
1	State Value Added Tax	1	The Central Excise duty
2	Central Sales Tax (CST)	2	Duties of Excise (Medicinal and Toilet Preparations)
3	Luxury Tax	3	Additional Duties of Excise (Goods of Special Importance)
4	Entry Tax (all forms)	4	Additional Duties of Excise (Textiles and Textile Products)
5	Entertainment and Amusement Tax (except when levied by the local bodies)	5	Additional Duties of Customs (ADC)
6	The Purchase Tax	6	SAD
7	Taxes on lotteries, betting and gambling	7	Service Tax
8	State Surcharges and Cesses so far as they relate to supply of goods and services.	8	Central Surcharges and Cesses
9	Taxes on advertisements		

GST ACT 2017:

Constitution Amendment ActrequiredforassigningconcurrentpowerstoCentreandStatestolevyGSTonallsupplies. ConstitutionAmendmentBillpassedbyRajyaSabhaon03.08.2016&LokSabhaon08.08.2016.NotifiedasConstitution (101stAmendment)Act,2016on08.09.2016.

Key features:

- Concurrent jurisdiction for levy & collection of GST by the Centre & the States – Article 246A
- Centre to impose&receive IGST on supplies in the course of inter – State trade or commerce including imports – Article 269A
- Reimbursement for loss of revenue to States for five years on recommendation of GSTC – Clause 19
- GST on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas & aviation turbine fuel to be levied from a later date on recommendations of GSTC
- **GSTC – Article 279 A**

➢ To be make up by the President within 60 days from the coming into force of the Constitution Amendment
➢ Includes Union FM & Union MOS (Rev)
➢ Includesof Ministers in charge of Finance/Taxation of each State
➢ Chairperson – Union FM
➢ Vice Chairperson – to be chosen amongst the Ministers of State Government
➢ Quorum is 50% of total members
➢ The final decisions by majority of 75% of weighted votes of members present & voting (Centre plus 20 States)

- Central GST Act comprises of XXV Chapters which consist 162 Section and 4 Schedules.
- State GST Law is akin to Central GST law and contains XXV Chapters which includes of 162 Section and 4 Schedules.
- The Integrated GST lawincludes of 11 Chapters comprising of 33 Sections.

GST Structure:

Whileasingle,unifiedGSTwouldhavebeenbeapreferredoption,inkeepingwithourfederalstructureaconcurrentdualGSTmodelhasbeenenvisaged,withaCentralGoodsandServicesTax(CGST)andStatesGoodsandServicesTax(SGST)beinglevied,in parallel,onthetaxablevalueofeverytransactionthroughthesupplychain.
ThedualGSTmodelwouldgiveadequateflexibilitytotheStatestolevytaxesonacomprehensivebaseofgoodsandservicesatallpointsinthesupplychain.Thus,fiscalautonomyoftheStateswouldbemaintained.
The GSTisdestinationbased,i.e.,incaseofinter-StatetransactionnotaxwillbepertinentintheoriginatingStateand tax willbeliable intheStateofconsumption. This is called Integrated-GST (IGST)

Administrative Structure of GST:

To ensure single interface, all administrative control over 90% of taxpayers having turnover below Rs. 1.5 crore would vest with State tax administration and 10% with the Central tax administration.

Further all administrative control over taxpayer s having turnover above Rs. 1.5 crore shall be portioned equally in the ratio of 50% each for the Central and State tax administration.

Tax – payers with an annual turnover of up to Rs. 20 lakh and those with an annual turnover of up to Rs. 10 lakhs in Special category states namely Arunachal Pradesh, Assam, Jharkhand, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Himachal Pradesh, Tripura, Uttrakhand are exempted from GST.

GST Rate Structure:

The Goods and Services Tax (GST) has been one of the key things that have caught the attention of the market given its implications on earnings of companies. The government has reserved a large number of items under 18% tax slabs. The government divided 1211 items under various tax slabs. Here is a low-down on the tax slab these items would attract.

Here is the complete updated list:

Tax Rate	Goods	Services
No tax	Jute, meat, fresh fruits and vegetables, , besan, bread, prasad, salt, bindi. Sindoor, stamps, judicial papers, printed books, newspapers, bangles, handloom, Bones and horn cores, bone grist, bone meal, etc.; hoof meal, flour horn meal, Cereal grains hulled, fresh Palmyra jaggery, Salt - all types, , Children's' picture, drawing or colouring book Human hair, children's colouring booksfish chicken, eggs, milk, butter milk, curd, natural honeyhoof meal, horn meal, Cereal grains hulled, Palmyra jaggery, Salt - all types, Kajal, Children's' picture, drawing. Kajal	Grandfathering service has been exempted under GSTHotels and lodges with tariff below Rs 1,000,
5%	fish fillet, first-day covers , kerosene, coal, medicines, stent, lifeboats, Cashew nut, Cashew nut in shell, Raisin, Ice and snow, rusk, sabudana Bio gas, Insulin, Agarbatti, Kites, Postage or revenue stamps, stamp-post marks, , job works in textiles, leather, printing and jewelleryApparel below Rs 1000, packaged food items, footwear below Rs 500, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee, tea, spices, pizza breaddiamond processing,	Transport services (Railways, air transport), small restraurants will be under the 5% category because their main input is petroleum, which is outside GST ambit.
12%	frozen meat products , butter, cheese, ghee, , cellphones, Ketchup & Sauces, All diagnostic kits and reagents, Exercise books and note books, Spoons, forks, ladles, skimmers, cake servers, fish knives, tongs, Spectacles, corrective, Playing cards, chess board, carom board and other board games, like ludo, vegetables, pickles, toppings, saucescutlerydry fruits in packaged form, animal fat, sausage, fruit juices, Bhutia, namkeen, Ayurvedic medicines, tooth powder, agarbatti, picture books, umbrella, sewing machineApparel above Rs 1000,instant food,	Work Contracts will fall under 12 per cent GST tax slab Non-AC hotels, business class air ticket, fertilisers,

18%	footwear costing more than Rs 500, , mineral water, tissues, envelopes, tampons, note books, steel products, printed circuits, camera, speakers and monitors, Kajal pencil sticks, Headgear and parts thereof, Aluminium foil, Weighing Machinery [other than electric or electronic weighing machinery], Bidi Patta, Biscuits (All catogories), flavoured refined sugar, pasta, cornflakes, pastries and cakes, preserved, jams, soups, ice cream, mixes Printers [other than multifunction printers], Electrical Transformer, CCTV, Optical Fiber, Bamboo furniture, Swimming pools and padding pools, , some tractor components, computer printers, ball bearings.Curry paste; mayonnaise and salad dressings; mixed condiments and mixed seasonings, plastic tarpaulin, school bags,pre-cast concrete pipes.	The IT services and AC hotels that serve liquor, telecom services, branded garments and financial services will attract 18 per cent tax under GST.
28%	Bidis, chewing aerated water, paint, deodorants, shaving creams, after shave, hair shampoo, dye, sunscreen, wallpaper, ceramic tiles, water heater, dishwasher, weighing machine,gum, molasses, chocolate not containing cocoa, waffles and washing machine, ATM, vending machines, vacuum cleaner, , aircraft for personal use, will attract 28 % tax - the highest GST system. shavers, hair clippers, automobiles, motorcycleswafers coated with choclate, pan masala,	The 5-star hotels, race club betting, cinema will attract tax 28 per cent tax slab under GST

***Movies ticket:** 28% for tickets above Rs. 100, and 18% for tickets less than Rs. 100

Chargeability of GST

Chapter III of the CGST/SGST Act, 2016 provides for the levy and collection of CGST and SGST vide section 7 of the Act. Chapter III of the IGST Act, 2016 provides for the levy and collection of IGST vide section 4 of the Act.

Section 7 of the CGST/SGST Act, 2016 and Section 4 of the IGST Act, 2016 are the charging sections of the respective Act.

Taxable event under GST:

Taxable event is very important matter in every tax law. Its determination is most crucial for the proper implementation of any tax law. Taxable event is that on the happening of which the charge is fixed. It is that event which on its occurrence creates or attracts the liability to tax.

In the Model GST Law, a uniform and single taxable event 'supply' would replace multiple taxable events i.e. manufacture, provision of service and sale, etc., as prevalent in the present regime.

The chargeability event in the GST would be supply of goods and/or services. According Article 366(1A) of Constitution of India Goods and Services Tax means a tax on supply of goods or services or both except for taxes on supply of alcoholic liquor for human consumption. It is worth noting here that the word used is supply and not sales, hence deliberation is not required for supply.

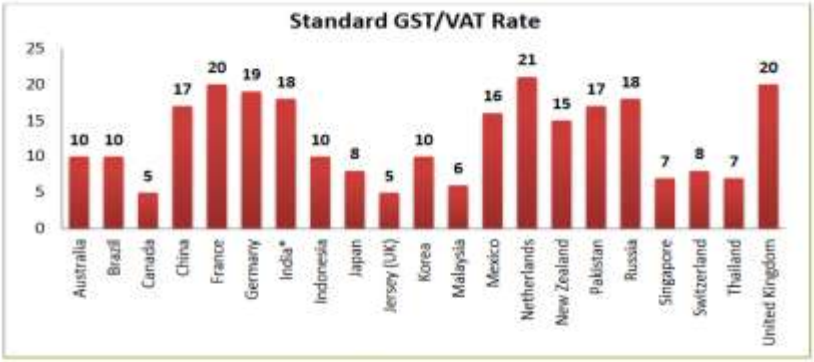
Global Scenario of GST:

All around the world, GST is a destination based tax on the consumption of goods and services. It is thus theoreticallyakin to that India. In some countries, VAT (value added tax) is the substitute for GST.

As of 2016, almost 160 countries have implemented a GSTsystem. Most of the countries have a single unified GST system.

Region	No. of Countries
ASEAN	7
Asia	19
Europe	53
Oceania	7
Africa	44
South America	11
Caribbean, Central & North America	19
Total	**160**

Source: Royal Malaysian Customs Department



*Note: * The GST structure ranges between 5%-28% with majority to commodities falling under 18% bracket.*
Source: OECD (2016) and CBEC

In examination with other major Developing Business sector Economies (EMEs), India has most astounding rate of GST at 18% (with real items falling under this rate). Be that as it may, a portion of the created nations like France, Germany and Joined Kingdom have higher GST rates (19-20%). According to the most recent accessible information from OECD (2016), the normal VAT/GST rate in major OECD nations (20-22%) is higher than the rate proposed for India (normal 18%) and that in developing business sector economies (barring India) is bring down at around 12%.

Most nations confronted challenges in the execution of the across the nation charge rate. Global encounters recommend that even following quite a long while of usage, nations still face issues relating to tax avoidance and evasion. It has been seen that for the compelling execution of GST/VAT, the assessment rate structure ought to be basic and ought to have an exhaustive scope over the generation appropriation chain.

II. Conclusion:

In the light of the above discourse, the creators have prescribed that GST framework is more valuable for the Legislature and also partners from the administration and examination perspective. We trust that CGST must have the expert to gathering Assessment and SGST ought to be enabled to take the choice with respect to Duty rate. In the event that, if there is any adjustment in the Duty rate it ought to be chosen through fair assent so that there are least odds of political impedance. GST is additionally useful in keeping away from Tax avoidance, enhanced Expense gathering and compliances. It decreases the cost of products and enterprises to some degree and makes a strong domain for the assistance of worldwide exchange, in this way helping in income age prompting the expansion in the Gross domestic product of the nation. Additionally, it will likewise be useful in bringing down the Taxation rate on the different sections of the economy. Businesses, merchants, retailers and the horticulture division all in all will profit by GST.

It is discovered that in nations where GST has been executed had positive effect on their economies. It can be looked as disentanglement of Charges in nation and keeping away from pointless complexities. Scientist's perception is in help of GST framework, experience of different nations fortify the conviction that it will be a breakthrough in the advancement of Tax collection in India. With respect to challenges are concern it is amongst State and Focal Government extent in Charges significantly, yet straightforwardly or in a roundabout way it is adding riches to country as it were. It has extraordinary prospects for the country. Analyst advocates that it ought to be actualized at the earliest opportunity, postponed in execution has negative effect on economy as it were.

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