

## International Journal of Innovative Research in Science, Engineering and Technology

(An ISO 3297: 2007 Certified Organization)

Vol. 5, Issue 11, November 2016

# Perspective of GST (Goods and Service Tax) in India

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**ABSTRACT:** Obviously, upcoming Goods and Service Tax is one of the revolutionary steps in the domain of indirect taxes in the country after seventy years of independence. GST is in existence more than 160 countries of the world. It will narrow economic distance between producers and consumers as it will be imposed only value addition. The dream of one country, one act and one tax will be observed. It is expected that, it will help to improve the productivity in the country as well as will be benefited to the consumers, as maximum rate of GST is predetermined. It will also help to avoid the multiple taxation, processes, tax evasion etc. Government proposed Central GST and States GST. CGST will subsume central excise duty, excess central excise duty, service tax, excess custom duty and special excess custom duty. SGST will subsume sale tax/ VAT, entertainment tax (other than local bodies), sale tax which is imposed by Centre Government and collected by states, purchase tax, luxury tax and lottery tax and more significantly octroi which is a major source of revenue of the Municipal Corporations like Brihanmumbai. Already there is vertical imbalance of resources and responsibilities among Governments in India. Regarding this, 73<sup>rd</sup> and 74<sup>th</sup> constitutional amendments compel states to appoint State Finance Commissions regularly after particular time interval but experience is not satisfactory as there was not regularity and discipline among the states. Therefore, in this research paper probable pros and cons about upcoming are discussed. The GST Bill has been approved by president of India on 3<sup>rd</sup> August 2016 in Rajya Sabha and on 8<sup>th</sup> August 2016 in Lok Sabha with ratification by more than 50 percent of state legislation. It is expected that GST will be implemented from 1<sup>st</sup> April, 2017.

**KEYWORDS:** Vertical imbalance, progressive taxation, incidence of the tax, GST, VAT, Revenue Neutral Rate.

### I. INTRODUCTION

In 1951, Central Government's total tax revenue was Rs. 401 crore, in 1991, it was Rs. 68,500 crore, 2014- 15 it was Rs. 13, 64,524 and recently it is more than Rs. 14.6 lakh crore of which, Rs. 2.8 lakh crore collected from excise duty and Rs. 2.1 lakh crore from service tax by the Central Government. In total revenue, the proportion of indirect taxes was 57 percent in 1951, 84 percent in 1991, and 46 percent in 2014-15, recently it was 34 percent. No doubt after new economic reforms the proportion of indirect taxes in total tax revenue is decreasing. It implies that tax system moving towards progressive taxation from regressive taxation, which is expected in developing countries.

The GST is an indirect tax that brings most of the taxes imposed on most goods and services, on manufacture, sale and consumption of goods and services, under a single domain at the national level. It is payable at the final stage of consumption. At each stage of sale or purchase in the supply chain, this tax is collected on value-added on goods and services through a tax credit mechanism. According to NCAER (National Council of Applied Economic Research), implementation of GST could expand India's GDP by 0.9 to 1.7 percentage points. The GST can help in reducing taxation and filing costs and expand business profitability, attract investment and improve tax compliance and increase tax revenue in the country. However, there are some issues about upcoming GST, which are supposed to discuss properly and addressed by concerned authority otherwise it will bring some other issues to address in future.

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## II. OBJECTIVES OF THE STUDY

1. To discuss pro and con of upcoming GST.
2. Accordingly make suggestion to minimise loopholes and make it more effective.

## III. LITERATURE REVIEW

GST is also referred as value added tax (VAT). It is a tax government collected at the final purchase consumption. However, according to Hooper and Smith (1997), GST is actually collected at various stages of the production process. Accordingly, there is output tax, a GST tax charges by the suppliers on taxable goods and services and input tax, a tax incurred by businesses on goods and services purchases. It is noted that GST is not a cost to the sellers and would not appear in financial statements as expenditure. Recently, the government initiative to introduce Goods and Services Tax (GST) has been a growing topic of interest in Malaysia. Despite the increasing popularity and success of GST implementation around the world (Hooper & Smith, 1997), Malaysian citizens are not entirely convinced with this new tax scheme. There are debates mainly centred on the advantages and disadvantages derived from the new tax initiative. As per as India is concerned AgogoMawuli (May 2014) studied, "Goods and Service Tax- An Appraisal" and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth. Dr. R. Vasanthagopal (2011) studied, "GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also. Ehtisham Ahmed and SatyaPoddar (2009) studied, "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simple and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

## IV. RESEARCH METHODOLOGY

This research work is fully based on secondary data from various sources like reference books, articles from newspapers, research papers, talks in the parliament and various websites.

## V. ADVANTAGES OF GST

Upcoming GST will bring following advantages to the country.

1. The GST will help to removing economic distortion and bring about common national market. The dream of one country, one act and onetax rate can be fulfilled.
2. It will help to make transparent and corruption free tax administration in two ways. First relates to the self-policing incentives inherent to value added tax. To claim input tax credit, each dealer has an incentive to request documentation from the dealer behind him in the value-added/tax chain. Provided the chain is not broken through wide ranging exemptions, especially on intermediate goods, this self-policing feature can work very powerfully in the GST. The second relates to the dual monitoring structure of the GST- one by the States and another by the Centre.
3. If upcoming GST bill might have well designed and tax rate is more than 'Revenue Neutral Rate' (RNR is the rate which neutralize revenue effect of state and central government due to change in tax system, means ,the rate of GST which will give at least the same level of revenue that is currently earned by state and central governments from indirect taxes is known as RNR) and tax base becomes more buoyant,then, resources available for the governments will be increase which can be used for poverty alleviation and development activities in the country and states.
4. As production cost will decrease which can support would support to increase export from our country.
5. This tax will facilitate "Make in India" by making one India. The current structure unmakes India, by fragmenting Indian markets along state lines. These distortions are caused by three features of the current system: the Central

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Sales Tax on inter- State sales of goods; numerous intra- State taxes; and the extensive nature of countervailing duty exemptions that favours imports over domestic production. In

6. One fell swoop; the GST would rectify all these distortions: the GST would be eliminated; most of the other taxes would be subsumed into the GST; and because the GST would be applied in imports, the negative protection favouring imports and disfavours domestic manufacturing would be eliminated.
7. As taxable sale limit is brought down i.e. only Rs. 10 lakh, it is expected that tax base will be comprehensive in the country. (It was 1.5 crore for excise duty). It will also diversify tax system and put equal burden on goods and services. These are the main advantages of upcoming GST.

### VI. DISADVANTAGES OF GST

Presently, more than 160 countries of the world have implemented GST. Regarding India, eminent economists are very optimistic about its positive effects on the economy. However, each country where GST was implemented experienced inflation for next 3 to 5 years. Some possible disadvantages of GST are as following:

1. Critics say that GST would affect negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
2. Some Economist says that CGST, SGST and IGST are nothing but new names for Central Excise/Service Tax, VAT and CST and hence GST brings nothing new for which we should cheer.
3. As GST brought small traders in the tax net, it will difficult to small traders to compete with strong / big traders. Their survival can become something difficult.
4. There is need of various expositions (Monthly, annually, total 37 expositions are required as per present situation) are complicated would difficult to the traders and at the same time I. T. infrastructural support with safety and reliability is required.
5. As GST is on purchasing/consumption, its revenue will goes to state in which article sold or service is rendered instead of produced. Means, state from which resources are used to produce goods will not receive tax revenue. For instance, Andrapradesh and Telangana are producing cement that is sold in other states of the country, they will get revenue.
6. As octroi or Local Body Tax is abolished, its monetary compensation for Urban Local Bodies should be done properly from the concern State Government. But, experience in our country is not satisfactory because even after 73<sup>rd</sup> and 74<sup>th</sup> constitutional amendments States are supposed to appoint State Finance Commissions. Nevertheless, all states have not appointed State Finance Commissions regularly. Therefore, Corporations like Brihanmumbai will loss the strong source of revenue.

### VII. PROBABLE SOLUTIONS TO MINIMISE DISADVANTAGES OF GST

Even though, GST is one of the revolutionary reforms about indirect taxes in the country after independence there are some possibilities that can effect on the public interest and the common predetermined objectives of the Governments. We should take care of following things:

1. GST should not increase the vertical imbalances of resources and responsibilities among governments, particularly for Urban Local Bodies. Hope, finance commissions will take sufficient care of it.
2. If GST led to regional imbalance of development, there should be legal provision to correct the same.
3. Reliable I. T. infrastructure, trained man power and tax payers attitude should be changed.
4. The definition of goods and services should be clear otherwise it would lead to conflicts.

### VIII. CONCLUSION

If GST committee would deal successfully with probable loopholes, GSTN ( Goods and Service Tax Network Company) which were incorporated on March 28, 2013 will make reliable, efficient and robust information technology backbone, tax payers will accept rigorously new changes and will be ready to be familiar with new techniques, GST

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procedures will become simple and assured to all stakeholders about it, then definitely GST will help to improve the economic growth rate as well as rationalization of prices and promote the export from India.

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