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GST IN INDIA – A REMARKABLE REFORM

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Abstract

Traditionally India's tax regime relied heavily on indirect taxes. Revenue from indirect taxes was the major source of tax revenue till reforms were undertaken during nineties. GST is one of the most crucial tax reforms in India which have been long pending. It was supposed to be implemented from April 2010, but due to political issue and conflicting interest of stakeholders this can't be possible. Finally GST implemented on 1 July, 2017. This paper is an attempt to study the concept of GST in India. In this paper an effort has been made to comprehend one of the most significant tax reforms in India. It has been the most crucial tax reform since independence that attempts to subsume all the indirect taxes under its ambit. GST proposed to bring uniformity in the Indian taxation system by replacing multiple cascading taxes levied by the central and the state govt. GST is a consumption based levy. It is expected to iron out wrinkles of existing indirect tax system and play a vital role in growth of India. Destination principle would be applicable in normal course. This paper throws light on the concept of GST, its history, its features, GST council along with its structure.

Keywords

GST, CGST, SGST, IGST, Indirect Tax, Tax Regime.

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Introduction

"GST is a good and simple tax regime that will eliminate the compounding effects of multi-layered tax system."

Prime Minister, Sh. Narendra Modi

Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122nd Amendment Act Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 22% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. GST replaced a slew of indirect taxes with a unified tax and is therefore set to dramatically reshape the country's 2 trillion dollar economy.

Objectives of the Study

- To study the concept of "GST in India"
- To be aware about its historical background
- To know about the features of GST
- To comprehend the structure of GST
- To know about the GST Council and its working

Research Methodology

This paper is basically the theoretical one. The sources of information are secondary sources such as Government websites, newspapers, published articles and research papers etc.

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Timeline of GST

The One Hundred and Twenty Second Amendment Bill of the Constitution of India, officially known as The Constitution (One Hundred and First Amendment) Act, 2016, introduced a national Goods and Services Tax in India from 1 July 2017.

- A single common "Goods and Services Tax (GST)" was proposed and given a go-ahead in 1999 during a meeting between the then Prime Minister Atal Bihari Vajpayee and his economic advisory panel, which included three former RBI governors IG Patel, Bimal Jalan and C Rangarajan. Vajpayee set up a committee headed by the then finance minister of West Bengal, Asim Dasgupta to design a GST model.
- In 2002, the Vajpayee government formed a task force under Vijay Kelkar to recommend tax reforms. In 2005, the Kelkar committee recommended rolling out GST as suggested by the 12th Finance Commission.
- After the fall of the BJP-led NDA government in 2004, and the election of a Congress-led UPA government, the new Finance Minister P Chidambaram in February 2006 continued work on the same and proposed a GST rollout by 1 April 2010.
- In 2014, the NDA government was re-elected into power, this time under the leadership of Narendra Modi. With the consequential dissolution of the 15th Lok Sabha, the GST Bill – approved by the standing committee for reintroduction – lapsed. Seven months after the formation of the Modi government, the new Finance Minister Arun Jaitley introduced the GST Bill in the Lok Sabha, where the BJP had a majority.
- In February 2015, Jaitley set another deadline of 1 April 2017 to implement GST.
- In May 2016, the Lok Sabha passed the Constitution Amendment Bill, paving way for GST. However, the Opposition, led by the Congress, demanded that the GST Bill be again sent back to the Select Committee of the Rajya Sabha due to disagreements on several statements in the Bill relating to taxation.
- Finally in August 2016, the Amendment Bill was passed. Over the next 15 to 20 days, 18 states ratified the GST Bill and the President Pranab Mukherjee gave his assent to it.

Features of GST

- GST would be applicable on "supply" of goods or services as against the present concept of tax on the manufacture of goods or on sale of goods or on provision of services.
- GST would be based on the principle of destination based consumption taxation as against the present principle of origin-based taxation.
- It would be a dual GST with the Centre and the States simultaneously levying it on a common base. The GST to be levied by the Centre would be called Central GST (CGST) and that to be levied by the States [including Union territories with legislature would be called State GST (SGST). Union territories without legislature would levy Union territory GST (UTGST).

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- An Integrated GST (IGST) would be levied on inter-State supply (including stock transfers) of goods or services. This would be collected by the Centre so that the credit chain is not disrupted.
- Import of goods would be treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.
- Import of services would be treated as inter-State supplies and would be subject to IGST.
- CGST, SGST /UTGST & IGST would be levied at rates to be mutually agreed upon by the Centre and the States under the aegis of the GSTC.
- GST would replace the following taxes currently levied and collected by the Centre a) Central Excise Duty; b) Duties of Excise (Medicinal and Toilet Preparations); c) Additional Duties of Excise (Goods of Special Importance); d) Additional Duties of Excise (Textiles and Textile Products); e) Additional Duties of Customs (commonly known as CVD); f) Special Additional Duty of Customs (SAD); g) Service Tax; h) Cesses and surcharges in so far as they relate to supply of goods or services.
- State taxes that would be subsumed within the GST are: a) State VAT; b) Central Sales Tax; c) Purchase Tax; d) Luxury Tax; e) Entry Tax (All forms); f) Entertainment Tax (except those levied by the local bodies); g) Taxes on advertisements; h) Taxes on lotteries, betting and gambling; i) State cesses and surcharges in so far as they relate to supply of goods or services.
- GST would apply to all goods and services except Alcohol for human consumption.
- GST on five specified petroleum products (Crude, Petrol, Diesel, ATF & Natural gas) would be applicable from a date to be recommended by the GSTC.
- Tobacco and tobacco products would be subject to GST. In addition, the Centre would continue to levy Central Excise duty.
- The list of exempted goods and services would be kept to a minimum and it would be harmonized for the Centre and the States as well as across States as far as possible.
- All Exports and supplies to SEZs and SEZ units would be zero-rated.
- Credit of CGST paid on inputs may be used only for paying CGST on the output and the credit of SGST/UTGST paid on inputs may be used only for paying SGST/UTGST. In other words, the two streams of input tax credit (ITC) cannot be cross utilized, except in specified circumstances of inter-State supplies for payment of IGST.

GST Council

The Union Cabinet under the Chairmanship of Prime Minister Shri Narendra Modi approved setting up of GST Council on 12th September, 2016 as per the Article 279A of the amended Constitution

- As per Article 279A (1) of the amended Constitution, the GST Council has to be constituted by the President within 60 days of the commencement of Article 279A. The notification for bringing into force Article 279A with effect from 12th September, 2016 was issued on 10th September, 2016.

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- As per Article 279A of the amended Constitution, the GST Council will be a joint forum of the Centre and the States, consisting of Union Finance Minister as Chairperson, The Union Minister of State, in-charge of Revenue of finance as Member, The Minister In-charge of finance or taxation or any other Minister nominated by each State Government as other Members.
- The Council will make recommendations to the Union and the States on important issues related to GST, like the goods and services that may be subjected or exempted from GST, model GST Laws, principles that govern Place of Supply, threshold limits, GST rates including the floor rates with bands, special rates for raising additional resources during natural calamities/disasters, special provisions for certain States, etc.
- GST Council has met seventeen times since its constitution and some important decisions taken in the GST Council meeting are:-
 - Rules for conduct of business in GST Council.
 - Timetable for implementation of GST.
 - The threshold limit for exemption from levy of GST would be Rs. 20 lakhs for the States except for the Special Category States, as enumerated in Article 279A of the Constitution, for which it will be Rs 10 Lakhs).
 - To compensate States for 5 years for loss of revenue due to implementation of GST, the base year for the revenue of the State would be 2015-16 and a fixed growth rate of 14% will be applied to it.
 - Approval of the Draft GST Rules on registration, payment, return, refund and invoice, valuation, input tax credit, composition and transitional provisions.
 - All entities exempted from payment of indirect tax under any existing tax incentive scheme would pay tax in the GST regime and the decision to continue with any incentive scheme shall be with the concerned State or Central government. In case, the State or Central Government decides to continue with any existing exemption/incentive scheme; it will be administered by way of a reimbursement mechanism.
 - Adoption of four slabs tax rate structure of 5%, 12%, 18% and 28%. In addition, there would be a category of exempt goods and further a cess would be levied on certain goods such as luxury cars, aerated drinks, pan masala and tobacco products, over and above the rate of 28% for payment of compensation to the states.
 - Issue of cross empowerment and administrative division of taxpayers between the States and Centre has been resolved.
 - The Central Goods and Services Tax bill, Integrated Goods and Services Tax bill, Union Territories (without legislature) Goods and Services Tax bill and Goods and Services Tax (Compensation to States) bill have been passed by the Lok Sabha on 29.03.2017 and by the Rajya Sabha on 06.04.2017.

GST Structure

GST is dual levied tax in India with both state and centre Govt imposing respective GST on all the intra state transactions. On every intra state transaction central GST & respective State GST will apply. And in case of interstate dealings, the exclusive right is with the centre and the interstate

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GST will be applies i.e, IGST. While in case of exports the supplier will be entitled to export the goods and services without charging any tax.

Conclusion

GST is the India's most ambitious tax reform launched by honorable Prime Minister Sh. Narendra Modi ji. It will replace all indirect taxes levied on goods and services by the Indian Central and state governments. It is aimed at being comprehensive for most goods and services. It is good and simple tax reform and much awaited tax reform that will give new direction to the Indian economy by removing all the loopholes in Indian taxation system regime. It will definitely be a strong weapon to fight against all the anomalies in the growth of Indian economy.

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