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GOODS AND SERVICES TAX IN INDIA: A NEW DIRECTION OF ECONOMY".

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Abstract
GST stands for Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhance the economic growth of a country. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015 .

There are mixed response, inexplicit, arguments and opinions among the Manufactures, traders and society about the Goods and Services Tax (GST) to be implemented by Government of India from 1st April 2017 this year but finally became applicable from 1 July2017. As the Goods and Services Tax Bill was passed in the Rajya Sabha, it also brought India at the center of the global economy. With the passing of the bill, many international newspapers published their views on how the GST Bill brings a new wave of economic reform in the country. For having an equitable tax structure, the country requires a well defined tax system. The laws must be as simple as it can in order to comply with all group of peoples in India.The paper highlights the background, Prospectus and challenges in Implementation of Goods and services Tax (GST) in India. Finally, the paper tries to bring out the meaning of the concept of GST, evaluation of its challenges and also have an overview of its impact on the economy.

Keywords: Goodsandservicetax, Indianeconomy.

Introduction

Goods and Services Tax (GST) would be a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax, it would mitigate cascading or double taxation in a major way and pave the way for a common national market. From the consumer point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated to be around 25%-30%. Introduction of GST would also make Indian products competitive in the domestic and international markets. Studies show that this would have a boosting impact on economic growth. Last but not the least, this tax, transparent and self-policing character, would be easier to administer.

The idea of moving towards the GST was first mooted by the then Union Finance Minister in his Budget for 2006-07. Initially, it was proposed that GST would be introduced from 1stApril, 2010. The Empowered Committee of State Finance Ministers (EC) which had formulated the design of State VAT was requested to come up with a roadmap and structure for the GST. Joint Working Groups of officials having representatives of the States as well as the Centre were set up to examine various aspects of the GST and draw up reports specifically on exemptions and thresholds, taxation of services and taxation of inter-State supplies. Based on discussions within and between it and the Central Government, the EC released its First Discussion Paper (FDP) on GST in November, 2009.

As of now, monetary powers between the Center and the States are plainly separated in the Constitution with no cover between the particular areas. The Center has the forces to require charge on the fabricate of merchandise (aside from alcoholic alcohol for human utilization, opium, opiates and so on.) while the States have the forces to demand impose marked down of products. If there should be an occurrence of between State deals, the Center has the ability to exact an expense (the Central Sales Tax) in any case, the duty is gathered and held altogether by the starting States. With respect to administrations, it is the Center alone that is engaged to collect administration assess. Since the States are not engaged to exact any expense on the deal or buy of merchandise over the span of their importation into or exportation from India, the Center requires and gathers this assessment as extra obligations of traditions, which is notwithstanding the Basic Customs Duty. This extra obligation of traditions (ordinarily known as CVD and SAD) balances obligations, deals impose, State VAT and different expenses demanded on the like household item. Presentation of GST would require corrections in the Constitution in order to simultaneously engage the Center and the States to demand and gather the GST. 3.1 The task of simultaneous ward to the Center and the States for the impose of GST would require an exceptional institutional component that would guarantee that choices about the structure, plan and operation of GST are taken mutually by the two. For it to be powerful, such an instrument additionally needs Constitutional power. Constitution (One Hundred and First) Amendment Act, 2016: 4. To address all these and different issues, the Constitution (122nd Amendment) Bill was presented in the sixteenth Lok Sabha on

19.12.2014. The Bill accommodates a collect of GST on supply of all products or administrations aside from Alcohol for human utilization. The expense should be collected as Dual GST independently yet simultaneously by the Union (focal duty - CGST) and the States (counting Union Page 3 of 15 Territories with governing bodies) (State assess - SGST)/Union regions without assemblies (Union region impose UTGST). The Parliament would have selective energy to impose GST (coordinated assessment - IGST) on between State exchange or business (counting imports) in products or administrations. The Central Government will have the ability to require extract obligation notwithstanding the GST on tobacco and tobacco items. The expense on supply of five determined oil based commodities to be specific unrefined, fast diesel, petroleum, ATF and flammable gas would be exacted from a later date on the suggestion of GST Council. 4.1 A Goods and Services Tax Council (GSTC) might be constituted including the Union Finance Minister, the Minister of State (Revenue) and the State Finance Ministers to prescribe on the GST rate, exception and limits, expenses to be subsumed and different highlights. This instrument would guarantee some level of harmonization on various parts of GST between the Center and the States and additionally crosswise over States. One portion of the aggregate number of individuals from GSTC would shape majority in gatherings of GSTC. Choice in GSTC would be taken by a dominant part of at the very least three-fourth of weighted votes cast. Focus and least of 20 States would be required for greater part since Center would have 33% weightage of the aggregate votes cast and every one of the States taken together would have two-third of weightage of the aggregate votes cast. 4.2 The Constitution Amendment Bill was passed by the Lok Sabha in May, 2015. The Bill was alluded to the Select Committee of Rajya Sabha on 12.05.2015. The Select Committee had presented its Report on the Bill on 22.07.2015. The Bill with specific corrections was at last gone in the Rajya Sabha and from that point by Lok Sabha in August, 2016. Promote the bill had been endorsed by required number of States and got consent of the President on eighth September, 2016 and has since been ordered as Constitution (101stAmendment) Act, 2016 w.e.f. sixteenth September, 2016. Page 4 of 15 Goods and Services Tax Council (GSTC): 5. The GSTC has been told with impact from twelfth September, 2016. GSTC is being helped by a Secretariat. Fifteen gatherings of the GSTC have been held up until now.

Literature Review

Agogo Mawuli (May 2014)1 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)2 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 Satya Poddar (2009)3 studied, “Goods and Service Tax Reforms and Intergovernmental Consideration in India” and found that GST introduction will provide simplier 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.

Nitin Kumar (2014)6 studied, “Goods and Service Tax- A Way Forward” and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Pinki, Supriya Kamma and Richa Verma (July 2014)7 studied, “Goods and Service Tax- Panacea For Indirect Tax System in India” and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government , state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

Objective of the study

1.To understand the concept of GST
2. To evaluate the advantage & challenges of GST
3. To study the impact of GST in Indian Economy.

Research Methodology

Being an explanatory research it is based on secondary data of journals, articles, newspapers and magazines. Considering the objectives of study descriptive type research design is adopted to have more accuracy and rigorous analysis of research study. The accessible secondary data is intensively used for research study.

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Concept of GST

GST means Goods and Service Tax.
G=Goods
S=Services
T=Tax

On bringing GST into practice, there would be **amalgamation** of Central and State taxes into a single tax payment. It would also enhance the position of India in both, domestic as well as **international market**. At the consumer level, GST would reduce the overall tax burden, which is currently estimated at 25-30%.

The main objective of GST is One nation,One Tax and One Market

Under this system, the consumer pays the final tax but an efficient input tax credit system ensures that there is no cascading of taxes- tax on tax paid on inputs that go into manufacture of goods.

In order to avoid the payment of multiple taxes such as excise duty and service tax at Central level and VAT at the State level, GST would unify these taxes and create a uniform market throughout the country. Integration of various taxes into a GST system will bring about an effective cross-utilization of **credits**. The current system taxes production, whereas the GST will aim to tax consumption.

Experts have enlisted the benefits of GST as under:

- It would introduce two-tiered One-Country-One-Tax regime.
- It would subsume all indirect taxes at the center and the state level.
- It would not only widen the tax regime by covering goods and services but also make it transparent.
- It would free the manufacturing sector from **cascading** effect of taxes, thus by improve the cost-competitiveness of goods and services.

Goods and services covered under GST

1. Petroleum products – Five products namely Petroleum crude, high speed diesel, motor spirit (petrol), natural gas and aviation turbine fuel –Central Sales Tax
2. Real Estate- Stamp Duty plus Property Taxes would be payable.
3. Electricity- Electricity Duty.
4. Tobacco products- under GST as well as Central Excise.
5. Alcohol for human consumption- State Excise.

Challenges ahead for businessmen in GST regime

Drawback in GST regime for businessmen is filling of Tax return. Under current Vat laws, in case of most of the states, quarterly returns are to be submitted, in addition, a yearly return is required, while service tax laws ask for submission of two half yearly returns and a yearly return. In GST law, one would require to file not less than 37 returns for a fiscal year. This includes several files such as monthly outward supplies return, monthly inward supplies return, monthly summary returns and one annual return etc.

Impact on Indian Economy

GST stands for Goods and services tax and it has done away with all the indirect taxed on commodities and services and replaced all of them with a single tax which is called GST. It has eliminated the indirect taxes of the central government and state government also. State government levies its own taxes and central government levies its own taxes on various items from manufacturer to the end user. .Now all these indirect taxes have been replaced by a single GST. India as acquired a double structure of GST where both center and state government will levy tax on a single commodity simultaneously and the tax will be divided in equal proportion. For example if a service tax is 18% then 9% of the GST will go to Central government while another 9% will go to the state government.

1. Reduce tax burden on producers and foster growth through more production. This double taxation prevents manufacturers from producing to their optimum capacity and retards growth.
2. Various tax barriers such as check posts and toll plazas lead to a lot of wastage for perishable items being transported, a loss that translated into major costs through higher need of buffer stocks and warehousing costs as well.
3. A single taxation system could eliminate this roadblock for them.A single taxation on producers would also translate into a lower final selling price for the consumer.

Conclusion

To design an equitable tax structure, the country requires a well defined tax system. The laws must be as simple as it can in order to comply with all group of peoples in India. Introduction of GST aims in such a way to reduce the complexities prevailing in the indirect tax structure in India. A uniform tax system for a nation is the slogan of GST and this proposed mechanism will remove the effect of tax cascading in the nation. Goods and Service Tax will effectively surpass the various tax barriers persisted n the present indirect tax system. Elimination of tax credit problems, over tax burden problems, double taxation etc… will enhance the production of the country which will ultimately led to increased GDP. The experts are expecting a growth of 1.5% - 2% in GDP, once the GST is implemented in India.

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