INDIAN INDIRECT TAX REFORMS THROUGH GOODS AND SERVICE TAX

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Abstract
The GST is a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by the Indian Central and state governments to make simple indirect tax procedures in India by amalgamating central and state government indirect tax procedures and also eliminating cascading tax system for unified tax system like one nation and one tax. This research article is highlighting the GST system and how it works in India, why it is brought to the present system and to whom it helps. What is the need of reforms in indirect tax system in to GST system? The author is prepared research paper is based on literature review for given that awareness about the GST system in India.

Keywords: GST, indirect taxes. Cascading, unified tax and central and state government.

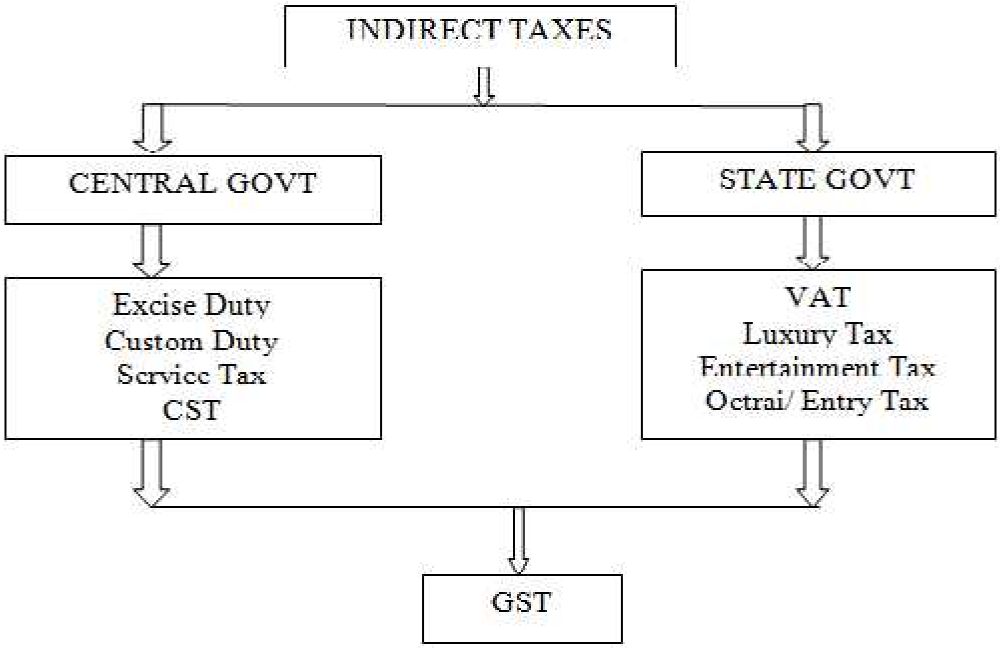
Introduction

Goods and Service Tax (GST) is integrating India efficiently on goods and services through the reforms in indirect tax and it is one indirect tax for the whole nation which will make India one unified common market. GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. The introduction of Goods and Services Tax would be a very significant step in the field of indirect tax reforms in India. GST is joined together all major indirect taxes of Central and State into a single indirect tax on goods and service as a Goods and Service Tax, it will replace all multiple indirect taxes which was levied by central and state governments in to a single tax as GST in India. It would evasion cascading or double taxation in a major way and paves the way for a common national market as one nation, one tax, and one market. From the consumer point of view, it would be good and simple tax and the biggest advantage would be in terms of a reduction in the overall tax burden on goods and services. Credits of input taxes paid at each phase will be available in the subsequent phase of value addition, which makes GST actually a tax only on value addition at each phase. The finishing consumer will consequently bear only the GST charged by the last dealer in the supply network.

France was the first country to implement GST system in 1954 to reduce tax evasion. Since then, many countries were paved a way to implement GST system in their countries and more than one hundred fifty countries are in the GST regime in the world. Most of the countries have an incorporated GST system and the standard GST rate in most of the countries range between 15-20%. Most of the goods and service are levied GST except for few exemptions. GST will make simpler and harmonize the indirect tax regime in the country. The most significant impact of the introduction of GST is the removal of the cascading effect of the various taxes. A well planned GST system on all goods and services is the mainly proficient method of taxation to reduce falsification. The primary characteristic of GST is the eligibility of the manufacturers and dealers to claim credit for input tax paid at each stage. It is expected to reduce cost of production and inflation in the economy, thereby making the trade and industry more competitive, domestically as well as internationally.

GST Council is constituted on 8^{th} September, 2016 for implementing GST regime in India, by amending an Indian constitution articles mainly on 246, 269 and 279 the constitution (one hundred and first amendments) act, 2016. The GST is a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by the Indian Central and state governments to make simple indirect tax procedures in India by integrating central and state government indirect tax procedures and also eliminating cascading tax system for unified tax system like one nation and one tax. GST council is headed by the union finance minister, as a chairperson and other union and states finance and revenue concerned ministers with secretariats from central and states governments. GST council had eighteen meeting for formulating GST system till implementation on 1^{st} July, 2017 in India. GST council had formulated formerly on how it should work with different GSTs of CGST, SGST and IGST with effectively and proportionately. In these eighteen meetings council had taken decision for GST tax slabs which are ranging from 5% to 28% with allocation of different goods and services lying on different slabs. Here council had categorized the goods and services like essential, common, standard and luxuries for leaving different GST slabs. Here certain goods and services are recognized as a essential which must be exempted from GST slabs as a social responsibility and some goods and services are levied indirect tax which are continued the current indirect structure those are alcohol, tobacco, petroleum products and tax on electricity bills.

Paradises of Indirect tax system into GST system in India



GST would replace and subsumed the following indirect taxes earlier levied by the Centre:

- **Central Excise Duty:** On goods produced, Duties of Excise (Medicinal and Toilet Preparations); Additional Duties of Excise (Goods of Special Importance); Additional Duties of Excise (Textiles and Textile Products); Additional Duties of Customs; on imports Special Additional Duty of Customs; Service Tax; on services, CST; on interstate sale, Cesses and surcharges in so far as they relate to supply of goods or services.

GST would replace and subsumed the following indirect taxes earlier levied by the State

- **State VAT:** On sale of goods within the state, Central Sales Tax; Purchase Tax; Luxury Tax; on luxury hotel rooms, Octroi /Entry Tax (All forms); on transfer of goods, Entertainment Tax; on entertainment sector, Taxes on advertisements; Taxes on lotteries, betting and gambling; State cesses and surcharges in so far as they relate to supply of goods or services.

The benefits of GST could be explaining as follows:

- **For the Consumer:** Simpler tax system; Single tax proportionate to the value of goods and services: Due to multiple indirect taxes being levied by both the Centre and State, the prices on goods and services of indirect taxed in the country were loaded with many complicated and cascading taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer. Removal of cascading: A system of seamless tax-credits throughout the value-chain, and across boundaries of States, it would ensure that there is minimal cascading of taxes. This would reduce prices of goods and services and hidden costs to the consumer due to elimination of cascading in the GST.
- **For Central and State Governments:** Simple and easy to administer: GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far. Multiple indirect taxes at the Central and State levels are being replaced by GST. Better controls on leakage: GST will result in better tax compliance due to a robust IT system. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an inbuilt mechanism in the design of GST that would incentivize tax compliance by traders. Higher revenue efficiency: GST is expected to increase collection of tax revenues of the Government because of very much transference robust complete IT infrastructure, will therefore, lead to higher revenue efficiency.
- **For Business and Industry:** Unproblematic compliance: A robust complete IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make trouble-free compliance and clear. Homogeny of tax rates and structures: GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. Improved competitiveness: Reduction in transaction costs of doing business would finally lead to an improved competitiveness for the trade and industry. Gain to manufacturers and exporters: The combination of major Central and State taxes in GST, all-inclusive set off of input goods and services and

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phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. Competitiveness in the International Market: This will enhance the competitiveness of Indian goods and services in the international market and offer boost to Indian exports.

GST Rates on Goods and Services in India

In the GST there is a tax ranging from 5% to 28%, on different categories of goods and services which are divided into four different category those are common, standards, high standards and luxuries goods and services in the Indian market and there are four slabs in the GST rates those are 5% for common, 12% for standard, 18% for high standard and 28% for luxuries goods and services. Essential groceries and food grains would be taxed at 0%, those goods and services are exempted from GST. The lowest 5% rate would be for commonly used items, while 12% and 18% would be two standard rates of GST, and the highest 28% would be applicable on luxuries goods items. The certain special four items of goods and services which are not brought in to the GST regime those are alcohol products, tobacco products, petroleum products and tax on electricity bills, continued those items in the current indirect tax rates in fact GST is not applicable to these items and levied special tax on current tax structure. There are certain services are identified for levying tax with different indirect tax slabs ranging from 5 to 28%. GST slab rates for services are 5% for common, 12% for standard, 18% for high standard and 28% for luxuries services like goods tax rates. Certain services are provided as essential services to the people like services by the government or local authority and autonomous government body so these essential services are exempted from GST. Other than essential services are categorized in to common, standard and luxuries services in the Indian market these are included in the GST system and levied tax like goods nature.

Robust and Complete IT System in GST

Every manufacturers and sellers shall be likely to be registered below this GSTN if their aggregate turnover in a financial year exceeds twenty lakh rupees. Only a registered vendor can charge and collect GST due to a robust and complete IT system on the taxable supplies of goods and services made by them. For the implementation of GST in the country, the Central and State Governments have jointly registered Goods and Services Tax Network (GSTN). The key objectives of GSTN are to provide a uniform and standardized boundary to the taxpayers, and shared infrastructure and services to Central and State governments. GSTN is working on developing a state of the skill ample IT communications including the common GST portal providing frontend services of registration, returns and payments to all taxpayers, as well as the backend IT modules for certain States that include processing of returns, registrations, audits, assessments, appeals, etc. All States, accounting authorities, RBI and banks, are also preparing their IT infrastructure for the administration of GST. There would no manual filing of returns. All taxes can also be paid online. Registration procedures under GST are as follows; Present existing dealers: Existing VAT, Central excise, Service Tax payers are not required to submit an new application for a new registration below GST. For new dealers: Single application to be filed online for registration with www.gstindiaonline.com under the GST regime. The registration number will be PAN based. Unified application to both tax authorities each dealer to be given unique ID GSTIN deemed approval within three days.
Components of GST; CGST, SGST and IGST

There will be three components of GST – Central GST (CGST), State GST (SGST) and interstate Integrated GST (IGST). The Central GST and the State GST would be levied simultaneously on every transaction of supply of goods and services except on exempted goods and services which are exterior the purview of GST system. GST is levied on the value or selling price of the products and services and the input tax credit of CGST would be available to discharge the CGST accountability on the output at each stage. Similarly, the credit of SGST paid on inputs would be permitted for paying the SGST on output. In India, a combined central and state GST is proposed whereby a Central Goods and Services Tax (CGST) and a State Goods and Services Tax (SGST) will be levied on the taxable value of every transaction of deliver of goods and services. The amalgamated GST is expected to be a simple and transparent tax with one or two CGST and SGST rates. In case of inter-State transactions, the Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supplies of goods and services. The IGST would roughly be equal to CGST plus SGST. The IGST device has been considered to make certain faultless flow of input tax credit from one State to another. The inter-State seller would pay IGST on the sale of their goods to the Central Government after adjusting credit of IGST, CGST and SGST on their purchases. The exporting State will transfer to the Centre the credit of SGST used in payment of IGST. The importing dealer will maintain credit of IGST while discharging their output tax liability both CGST and SGST in their own State. The Centre will transfer to the importing State the credit of IGST used in payment of SGST.

Inception of GST System in India

In 2000, the Government started discussion on GST by setting up an empowered committee, headed by Asim Dasgupta, (Finance Minister, and Government of West Bengal). In 2003, the Kelkar Task Force on indirect tax had suggested a

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comprehensive Goods and Services Tax (GST) based on VAT principle. A proposal to introduce a National level Goods and Services Tax (GST) by April 1, 2010 was first mooted in the Budget Speech for the financial year 2006-07. However, the Empowered Committee of State Finance Ministers released its First Discussion Paper on the GST in November, 2009. This spells out the features of the proposed GST and has formed the basis for discussion between the Centre and the States so far. Since the proposal involved reform and restructuring of preparing a Design and Road Map for the implementation of GST was assigned to the Empowered Committee of State Finance Ministers (EC). Meanwhile, in pursuance of the decision taken in a meeting between the Union Finance Minister and the Empowered Committee of State Finance Ministers in November, 2012, a 'Committee on GST Design', consisting of the officials of the Government of India, State Governments and the Empowered Committee was constituted. This Committee did a detailed discussion on GST design including the Constitution Amendment Bill and submitted its report in January, 2013. The Empowered Committee decided to constitute three committees of officers to discuss and report on various aspects of GST as follows:- (a) Committee on Place of Supply Rules and Revenue Neutral Rates; (b) Committee on dual control, threshold and exemptions; (c) Committee on IGST and GST on imports. The Parliamentary Standing Committee submitted its Report in August, 2013 to the Lok Sabha. The recommendations of the Empowered Committee and the recommendations of the Parliamentary Standing Committee were examined in the Ministry in consultation with the Legislative Department. Most of the recommendations made by the Empowered Committee and the Parliamentary Standing Committee were accepted and the draft Amendment Bill was suitably revised.

The final draft Constitutional Amendment Bill incorporating the above stated changes was sent to the Empowered Committee for consideration in September 2013. The EC once again made certain recommendations on the Bill after its meeting in November 2013. Certain recommendations of the Empowered Committee were incorporated in the draft Constitution Bill. 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 Government. The Cabinet in December, 2014 approved the proposal for introduction of a Bill in the Parliament for amending the Constitution of India to facilitate the introduction of Goods and Services Tax (GST) in the country. The Constitution Amendment Bill was passed by the Lok Sabha in May, 2015. The Bill was referred to the Select Committee of Rajya Sabha in May, 2015. The Select Committee had submitted its Report on the Bill on July, 2015. The Bill with certain amendments was finally passed in the Rajya Sabha and thereafter by Lok Sabha in August, 2016. Further the bill had been ratified by required number of States and received assent of the President on 8th September, 2016 and has since been enacted as Constitution (101stAmendment) Act, 2016 w. e. f. 16th September, 2016.
GST Council

The GSTC has been notified with effect from 12th September, 2016. A Goods and Services Tax Council (GSTC) shall be constituted comprising the Union Finance Minister, the Bureaucratic of Revenue and the State Finance Ministers, GST Council is being assisted by a Secretariat, to recommend on the GST rate, exemption and thresholds, taxes to be subsumed and other features. This operational device would ensure some degree of harmonization on different aspects of GST between the Centre and the States as well as across States. The levy of the tax can commence only after the GST Law has been enacted by all the legislatures. Also, unlike the State VAT, the date of commencement of this levy would have to be synchronized across the Centre and the States. This is because the IGST model cannot function unless the Centre and all the States participate simultaneously. Four Laws namely CGST Act, UTGST Act, IGST Act and SGST Act have been passed by the Parliament and since been notified on April, 2017. Twenty three States have passed SGST Act. Other States are expected to pass them in the month of June, 2017.

GST council has discussed many tax reform elements in their meetings and taken very significant decisions like GST amount apportionment between union and states governments for the Central and State tax administration. The threshold exemption limit would be Rs. 20 lakh. For special category States enumerated in article 279A of the Constitution of India, threshold exemption limit has been fixed at Rs. 10 lakh. There would be four tax slabs namely 5%, 12%, 18% and 28%. The tax rates for different goods and services allocation in different slabs have been finalized. Besides, certain goods and services would be under the list of exempt items. Council has kept some products and services which are separated from GST's goods and services due to some causes. Rules on registration, composition levy, valuation, tax invoice, input tax credit, payment, returns, refund and transitional provisions have been recommended. www.gst.gov.in, managed by GSTN, shall be the Common Goods and Services Tax Electronic Portal. Eighteen meeting were held in GST Council till so for implementation of GST regime in India on 1st July, 2017.

Conclusion
GST is a good and simple tax it is an evasion of multiple taxes which was levied by Union and States Governments earlier it was a complicated and cascading tax. Initial the people of India scarred and opposed the system of GST in different states

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market through different communication channels that is due to lack of knowledge on GST system. They were not aware of GST if once it is aware then it would be accepted and also they have right to oppose about the slabs of tax rates and exemption of tax to particular goods and service and allocation of goods and services in different GST slabs.

The impact of GST on inflation can be review now when the government finalizes and the rates on different slabs at which various goods and services will be taxed. In the GST regime, the tax weight on products would arrive downward because only value addition will be taxed and no cascading. In the case of services, taxes are expected to go up since both State and Centre would levy tax, whereas currently just Centre charges tax for services. However, in the extended future time, the GST will be obviously optimistic as gains from a more efficient tax system, better price competitiveness and the removal of interstate tax barriers should boost growth by means of higher exports and investments structurally lower inflation, and higher government tax revenues. For regular updates/notification kindly visit www.gst.gov.in or www.cbec.gov.in

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