

INTERNATIONAL JOURNAL OF LAW
MANAGEMENT & HUMANITIES

[ISSN 2581-5369]

Volume 4 | Issue 2

2021

© 2021 *International Journal of Law Management & Humanities*

Follow this and additional works at: <https://www.ijlmh.com/>

Under the aegis of VidhiAagaz – Inking Your Brain (<https://www.vidhiaagaz.com>)

This Article is brought to you for “free” and “open access” by the International Journal of Law Management & Humanities at VidhiAagaz. It has been accepted for inclusion in International Journal of Law Management & Humanities after due review.

In case of **any suggestion or complaint**, please contact Gyan@vidhiaagaz.com.

To submit your Manuscript for Publication at **International Journal of Law Management & Humanities**, kindly email your Manuscript at submission@ijlmh.com.

A Comprehensive Analysis on Good and Service Tax

SHUBHAM MAHESHWARI¹

ABSTRACT

The diversification in indirect tax has been transformed into simplified and unified tax which is called as Goods and service tax (GST). It can be consider as one of the biggest tax reform for indirect tax which is done by the 13th Finance Commission, Chairman Dr. Vijay Kelkar. This is done with the aim to improve entire taxation process in tune with international level. There is remarkable change after the implementation of the new tax reform, Good and Service Tax in the respective areas of taxation. Hence, due to such big reform in indirect tax there is a discussion on whether GST is successfully implemented and impact on the economy. There is more transparency due to modernizing of the indirect tax system which will become the show stopper for increase in the GDP in the upcoming years. This is also made for curbing the corruption and tax evasion in from the loopholes of the tax laws. It is also considered as one of the extensive and significant reform in the area of indirect tax since independence.

The first part of the paper is attempted to understand the evolution, concept, objective of the GST. The second part of the paper includes the benefits arising from the GST. The third and final part of the paper is to analyze the various issues and challenges of GST.

Keywords: Goods and Services Tax, Indirect Tax, GST Council

I. INTRODUCTION

Good and Service Tax is a single, extensive and wide ranging tax levied at each and every point on sale of goods as well as services, but the final charge will be bear by only the final consumer as charged by the last seller or service provider in the chain. In 2004, Kelkar Taskforce recommended GST. According to the Kelkar Taskforce, a single all India indirect tax is the revolution since the independence in the tax regime due to its merging of numerous indirect taxes and cess levied by both the Centre and the State and combine it in the form of GST, a single indirect tax for a single country. The GST will reduce the heavy burden from the final consumer as it is the cumbersome weight to know and pay various indirect taxes levied by both the Centre and the State. Most importantly, GST is levied wherever product is sold or service rendered for final consumption as a destination based Tax and the revenue generated by the

¹ Author is a student at Symbiosis Law School, Hyderabad, India.

GST will be distributed between Centre and States.

In 2016, The 101st Amendment of the Constitution introduced a single national tax, called as GST or Goods and Services Tax, with the implementation from April 1, 2017. The implementation of the GST in India is the major achievement as it provide systematic approach in the area of indirect tax in the Indian tax system. The first country which was adopted GST was France in 1954 and afterwards it was adopted by many countries. As of today, about 160 countries have adopted GST/VAT system in the world with the aim or objective to reduce the tax evasion and to maintain transparency. The GST has replaced the traditional indirect structure such as service tax, custom, central excise, etc. GST has to merge various indirect tax under a single umbrella for promoting the common market in India.

The implementation of GST in India consist of 'Dual' in nature, one is levied by Centre which is Central Goods and Service Tax (CGST), other is levied by State which is State Goods and Service Tax (SGST) and other is levied by Union Territories which is Union Territory Goods and Service Tax (UTGST). However, tax rate to be levied is same. No differences is made when tax is levied both on goods and services on an identical rate. Under GST, the ultimate burden will fall on the consumer as it is consisting of a multi-tier tax system.

II. EVOLUTION OF TAX SYSTEM

The tax structure play an important role in country's development and impact on the economy. The efficient and effective policies is that which generates revenue and distribution of income to benefit the overall country development in terms of exports, defense, infrastructure, etc. The tax policies which have neither the provision for reducing tax evasion nor have ease of doing business will impact overall growth of economy.

There are various reform since the independence in the taxation system. Few of which in reference to the Indirect tax is given below:

- In 1974, there is a Report by the LK Jha Committee which first time suggested that VAT should be introduced in the tax system.
- In 1986, there is an Introduction of VAT in the form of MODVAT which is known as CENVAT
- In 1991, the Report for the simplification and integration of VAT made by the Chelliah Committee
- In 1994, there is an introduction of Service Tax @ 5%
- In 1999, there is a new committee formed on State VAT

- In 2000, the committee was organized for setting uniform tax rate and GST model, headed by the Asim Das Gupta.
- In April 2003, in Haryana VAT was implemented
- In 2004, remarkable progress made towards CENVAT,
- In 2005-06, 26 more states implemented VAT
- In 2007, Mr. P. Chidambaram, the Finance minister, proposed the enactment of GST in April 2010.
- In November 2009, the committee present the proposed GST regime in the First discussion paper on GST.
- In 2011, committee suggested GST model and the bill, 115th Constitutional Amendment Bill, for the enactment of GST in introduced in Parliament.
- In 2013, the bill was introduce to the Parliamentary Standing Committee by the Rajya Sabha.
- On 19th December 2014, the bill after all the rectification has passed by the parliament as 122nd constitutional amendment.
- On 1st July 2017, the enactment of GST took place.

III. GOODS AND SERVICES TAX (GST)

There are total of 17 tax and 22 cess which are subsumed by the introduction of GST on 1st July 2017 which levied on both goods and services and borne by final consumer. The current GST has divided into 4 tax slab rates which are respectively 5%, 12%, 18% and 28 %. There are also two cess that are 0% and 28%, in which 28% cess is collected on luxury goods, alcohol, pan masala, etc².

In 2009, the Task Force reports on GST shows that the taxation structure of that time is regressing the overall development and economic growth of the Indian economy. There was an urgent need to do away with old the tax system and attain a fresh and new tax structure for the following **objectives**:

- Remove the domino effects of tax
- Remove the multiplicity of indirect tax system
- Set aside all the shortcoming of current tax system
- Several markets should be integrated into one

² Monika Sehrawat, Upasana Dhanda, *GST in INDIA: A Key Tax Reform*, 3(12) IJR 136, 133-141 (2015)

- Remove the inefficiency of the system

The GST is defined as “tax apply on goods or services or both except on supply of liquor” under Article 366(12A) of Constitution of India, 1949. The implementation of GST is “dual” in nature, those are CGST and SGST. The tax rate of both Centre and State are the same. There are 3 prime model of GST; Centre GST, State GST and Dual GST. The GST is designed from the following models for its successful implementation: the Kelkar - Shah Model, the Bagchi - Poddar Model, the Australian Model and the Canadian Model.

GST is a national level one tax system for manufacturing, consumption or sale of goods and services. After implementing GST, all other indirect tax associated with GST have been repealed. As per GST, there is only one tax which is efficient and effective for collection of tax. This reduce the tax evasion at the national level which was earlier done in lieu of various taxes which were levied earlier. GST has overcome various obstacles which were in the earlier system such as double taxation. It also has a strong foundation for initial stages of value addition.

Reforms of tax system plays an important role in:

- i. **Trade** : GST act as a foundation for harmonize and increase development for the following parameters:
 - (a) No more multiplicity of tax,
 - (b) Benefits for export goods,
 - (c) Single tax rate for whole nation with exceptions
- ii. **Government** : Transparent working system due to GST in the following manner :
 - (a) Simple tax system
 - (b) Increase if collection of tax,
 - (c) Effective utilization of resources,
- iii. **Consumer** : Improved tax system for the citizens as follows:
 - (a) Cost of products and services will be less
 - (b) Increase in savings which result in high investments and improvement in purchasing power.

Items exempted from GST:

“(a) All public services of the government such as Railways, Postal and Telegraphs, Public

Sector Enterprises, Banks and Insurance, Health and Education services,

(b) Service transactions between employer and employee either as service provider or receiver,

(c) Health and education services provided by non-government schools and colleges or agencies,

(e) Any unbranded food items.”³

Article 279A (1) of Constitution of India, 1949 state that the “President is empowered to create GST council within sixty days for the implementation of the same. The members of the GST Council are Union Finance Minister as the chairperson; The Union Minister of State, In Charge Revenue of Finance, The Minister In-Charge or Taxation or any other minister nominated by each State Government as the members.”⁴

The duties of the council is:

- a. Integration of taxes, surcharge and cess of the Centre and state
- b. Items to be exempted from GST
- c. Distribution of tax between Centre and State
- d. GST tax slab rates
- e. Special rates in lieu of calamities
- f. Provision for special categories

Significance of GST

GST levied on the final consumption by the households as it is only levied only on final supply of good and services.

- 1) Government is increasing its tax base
- 2) Governments is increasing tax collections through GST
- 3) Industry wants GST as to remove the cascading effect of cumbersome taxes

Types of GST

1. **CGST (Central GST):** The central government levied the taxes on goods and services and collected revenues.

³ S. M. A. Taqvi, A. K. Srivastava, R. K. Srivastava, *Challenges and opportunities of goods and service tax (GST) in India*, 3(5) IJAR 414, 413 – 415 (2013)

⁴ S. Cnossen, *Preparing the way for a modern GST in India*, 20(4) INT TAX PUBL FINANCE 719, 715-723 (2013)

2. **SGST (State GST):** The state government levied the taxes on goods and services and collected revenues.
3. **UTGST (Union Territories GST):** UTGST is the specialized taxation for union territories.
4. **IGST (Integrated GST):** The IGST is levied on goods and services that involve movement in inter-state trade and commerce activities. The revenue generated is shared by both central and state government as per fixed rates.

IV. BENEFITS OF IMPLEMENTATION OF GST

The implementation of GST create a revolutionary impact on the Indian economy. It increases the uniformity, accountability and transparency in the tax system which a vital step towards a single common market. Prime Minister also said that GST is not only about tax reform but also help to fight against tax evasion and also against corruption. The GST is the biggest tax reform since independence which subsumed all the indirect taxes and started a new tax regime for all small or large business enterprises. Benefits of implementation of the new tax regime are:

1. Remove the Cascading Effect on Taxation

The GST remove the cascading burden on the end users as it reduces the indirect tax and avoid double taxation and also the input tax credit is smoothly availed on goods and services.

2. Higher Threshold for Registration of new business

As per the old system, the business with more than Rs. 5 lakh of turnover has to pay tax and for services the limit was Rs. 10 lakh. But under the new regime, the limit for exemption has been increased upto Rs. 20 lakh for both business and service providers.

3. Composition Scheme for Small Businesses

There is also a scheme for small businesses with lower tax system upto Rs. 50 lakhs which has proposed to increase the limit upto Rs. 75 lakhs. This will further reduce the tax burden on the small business traders.

4. Simple and easy online procedure under GST

The online services has also been provided for GST, from registration to filing and payment of GST process. Now there is no need to go to office for all these process as in the old tax system. There is also specific provision for dealing with e-commerce sector for whole India.

5. Increased Efficiency and reduction in time in Logistics

The impact of GST on logistics industry will reduce the operating cost of maintaining

warehouses across the state due to state entry taxes because GST lessen the restriction on the interstate movement of goods. In earlier times there warehouse has to operate even below their minimal capacity for tax burdens,

6. Regulate the Unorganized Sector through GST

GST regulate the previous unorganized unregulated sectors such as textile and construction. This will increase the accountability and regulation in these industries for compliances and payments of taxes.

7. Increases Revenue and GDP

The GST increases GDP which also help to increase in higher tax revenue as the on the final consumers there is less tax burden. There is also simplification of tax rates which reduces the burden of competition in the international market which also helps in overall improvement of economy.

V. ISSUES FACED BY THE GST

GST is one of the biggest amendment in the history of tax legislation since 1947, hence the system of GST has to face several challenges for its better implementation in India. Even after such long period form implementing the GST system businessmen and people are still struggling. There is a new problems arising and people are not able to adjust in the post-GST era.

- There are severe complexities in filing the GST Return as some of the return are mandatory and more than 30 return have to be filed in on every year which increased the workload of the businessmen.
- The goods which is delivered inter-state is applicable to IGST but the price of the product changes as per the State due to various dealer margins from different places. Hence, the price of same good is different at different places.
- All the procedure for GST compliance, return filing and payments have been made online which is burdensome on the small scale businessmen as they are not tech-savvy and the businessmen in small cities faces problem as they does not possess such technology.
- Good and Service Tax Network (GSTN) faces glitches and crashes due to filing, payment and even at registration. Thus, the robust IT network which is required and is backbone for successful implementation of GST is neglected by the government.

- The small business have to employ the professional to pay the taxes as well as file the tax return as it is very cumbersome for them to understand the returns and save the cost which is only benefitting the professionals and business have to bear the additional operating cost.
- Various retailers and restaurants are confused to charge GST on different item in a single dish. There are various restaurants which charges GST rate same for AC and Non-Ac restaurants as well as on take away orders.

VI. CHALLENGES

The shift in the tax structure from an origin based to destination based structure is cumbersome and the business men is struggling to cope up with dynamic changes in the tax structure.

- The awareness and understanding of various provision of GST is lacking and can be considered to be only at nascent stage. The business is assessing the GST compliance is applicable on which of their departments in the business.
- There is lack of clarity as various GST provision is still considered to be ambiguous as e-way bill and tracking consignments across state are not yet full clarified by the government.
- There is no clarity provided on the matters of tax holidays and other benefits under state schemes. This increased the burden on the industries thus finally passing it to the customers by increasing the price of the product.
- The complex GST rates is not yet resolved as the skilled staff which can provide explanation on the said subject is easily available and there are requirement for trained and experienced staff to be available so that the personnel across industries can understand and swiftly implement GST.

VII. CONCLUSION

In overall improvement of the economy taxation plays a vital role. The historical tax reform GST will bring the “One Nation One Market and One Tax”. GST is the single comprehensive tax reform which subsumed 17 indirect taxes and 22 cess.

The GST is single indirect tax through which whole tax system become more transparent. It also provide relief from the cascading effect of multiplicity of tax which burdens the whole tax system and also the final consumers. This reduce the tax evasion and also double taxation which generate higher revenue as the reduction in evasion will bring out revenue rather than

generating it from the final consumers. The GST is the global taxation model is adopted by more than 130 countries.

GST made a positive impact on the economy in its initial stages and also continuing to do so but the future is still uncertain of its actual effect but the GST is improvised version of the earlier tax system which overcome the obstacles of VAT framework. It also help to increase the competition of export goods in international market which may result in higher GDP and revenue. The effective and efficient formulation of GST requires efforts of Centre, State, industries and consumers which will also increase the tax base for both Centre and State and also increase the compliance of tax regime. The e-process for payments, refunds and tax return which will reduce tax evasion and also corruption. There is a necessary step to be taken by educating the officers through various training, workshop and seminars on GST for effective and efficient implementation of the same.

VIII. BIBLIOGRAPHY

1. Akanksha Khurana, Aastha Sharma, *Goods And Services Tax In India - A Positive Reform For Indirect Tax System*, 4(3) IJAR 500-505 (2016)
2. Anushuyal Pal, Narwal Karam, *Indian Indirect Tax Systems' Reforms and Goods and Services Tax*, 7(7) J. ADV. MANAG. (2014)
3. P. Chaurasia, S. Singh, P. K. Sen, *Role of Good and Service Tax in the Growth of Indian economy*, 5(2) IJSTMR 152-157 (2016)
4. S. Cnossen, *Preparing the way for a modern GST in India*, 20(4) INT TAX PUBL FINANCE 715-723 (2013)
5. Shefali Dani, *A Research Paper on an Impact of Goods and Service Tax (GST) on Indian Economy*, 7(4) J. BUS. ECON. 1-2 (2016)
6. G. Garg, *Basic Concepts and Features of Good and Service Tax in India*, 2(2) IJASRM 542-549 (2014)
7. Gupta, *Goods & Service Tax-A Game changer in 21st Century*, 30(4) CA, 11-18 (2016)
8. Monika Sehrawat, Upasana Dhanda, *GST in INDIA: A Key Tax Reform*, 3(12) IJR 133-141 (2015)
9. S. M. A. Taqvi, A. K. Srivastava, R. K. Srivastava, *Challenges and opportunities of goods and service tax (GST) in India*, 3(5) IJAR 413 – 415 (2013)
