



BENEFITS OF GOODS AND SERVICE TAX IN INDIA

Mahibooba¹, Santosh Kumar²

¹Lecturer in Government PU College, Navali, Kanakagiri (Tq) - 583229

²Guest Faculty, Akkamahadevi Women's University, Post Graduation Centre, Sindhanur - 584128

1. INTRODUCTION

A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority¹. Conventionally taxes are classified as Direct Taxes and Indirect Taxes. The direct tax is one in which incidence and impact on same person where under indirect tax the incidence and impact of tax is on different person.

The taxation system of every country affects all the sectors of economy by its genesis. Developing countries like India is not also except from that. In fact tax is a major source of revenue for the government to discharge its responsibilities like infrastructure, education, health etc to the citizens. Especially the indirect tax system of country is convenient for both tax payers as well as government. As we know that indirect tax is regressive in nature and can't directly pinch to the tax payers. But in India before implementing the GST the existence of indirect tax was more complex, multiplicity and rigid. Because of that the operating of indirect tax was flexible in the hands of tax payers along with chance of tax evasion. To overcome this finally India moved to GST on 01 July 2017.

Goods and Service Tax (GST) is a tax on supply of goods and services within the jurisdiction country with one unified tax. In 1954, France adopted GST as its indirect taxation structure and became the first country to adopt the GST. Within 62 years of its start, about 164 countries across the world have adopted GST because this taxation system has the capacity to raise revenue in the most transparent and unbiased manner. Most of the countries follow unified GST i.e., a single tax applicable throughout the country.

2. OBJECTIVES OF THE STUDY

- To understand the concept of GST.
- To know the overall structure of GST.
- To know the reasons for implementing the GST in India.
- To know the benefits of GST on different stakeholders.

3. GST

GST is a value added tax levied on manufacturer, sale and consumption of goods and services. It is a destination based tax on supply of goods and services, levied at all the stages of value addition from manufacture to final consumer with a facility to take credit of tax levied on previous stages in value addition.

Article 366(12A) defines the GST as follows

“Goods and services tax” means any tax on supply of goods, or services or both except taxes on the supply of the alcoholic liquor for human consumption”

3.1 Journey of GST in India

As per Indian concern GST is not an overnight plan. It took approximately 17 years to implement. The journey of GST in India was started in the year 2000. Finally after lot of discussions, deliberation and recommendations along with amendments it was come in to effect from 01/07/2017.

3.2 Dual GST model: India has adopted a Dual GST model in view of the federal system of the country. Simultaneously Centre and States are levying GST on supply of goods and services or both within state or union territory. Hence tax imposed concurrently by Centre and states.



4. OVERALL STRUCTURE OF GST

- ❖ GST is a tax on ‘supply’ of goods or services or both, in India.
- ❖ GST is destination based consumption tax i.e., tax is payable to the state where goods or services or both are finally consumed.
- ❖ There are 4 variants of GST they are CGST, SGST, IGST and UTGST.
- ❖ CGST is levied by central government on intra state supply of goods and services.
- ❖ SGST is a tax levied by state governments on intra state supply of goods and services.
- ❖ IGST is a tax levied by central government on interstate supply of goods and services. And also on import and export of goods and services.
- ❖ UTGST is a tax levied by central government on goods and services supplied within the union territory.
- ❖ GST Compensation Cess, which is in addition to the GST, is levied on certain goods like pan masala, tobacco products, coal, aerated water, motor cars etc.
- ❖ GST is based on VAT concept which allows input tax credit of tax paid on input goods, input services and capital goods, for payment of output tax.
- ❖ The standard rates of GST are 5%, 12%, 18% and 28%. If supply is within state/union territory CGST is 50% of GST Rates and SGST/UTGST is remaining 50% of GST Rates.
- ❖ Petroleum products are not subsumed under GST hence Central Excise and Vat are continuing on those products.
- ❖ Alcoholic liquors are subject to State duty. This product is out of GST.
- ❖ GST council is the premier decision making body which represents centre and states.

5. SPECIAL FEATURES OF GST

After implementing the GST the indirect tax scenario of the country is changed from origin based tax to destination based tax. The following unique features of GST give an answer for the question why GST is necessary for our country.

5.1 Seamless flow of Input Tax Credit: GST is based on VAT Principle. By that it allows seamless flow of input tax credit for input goods and services which are used in the course of business. Because of GST the difference between goods and services are eliminated and the registered person can avail credit on inputs whether it is a good, capital good (up to existence in business) and service or both. In before GST tax regime input tax credit was available but subject conditions like credit of VAT was not available on service tax etc..

5.2 Uniform Tax Rate of whole country: GST implemented by slogan like ‘one nation one tax’. The tax rate of GST is equal for all goods and services across the India. Whether they are supplied within state or else other state. If output supplied interstate it attracts IGST at the same time if output supplied within the state it is subject to SGST and CGST. The total of CGST and SGST is equals to IGST. Hence for all goods and services supplied across the country is chargeable same duty with different types of taxes depend up on place of the supplier and recipient of goods and services or both.

5.3 Abundant use of technology: GST is fully technological; there is no manual intervention for tax filing, assessment, returns, advances, TDS, TCS etc. for this purpose government developed GSTN (Goods and Service Tax Network). This provides IT infrastructure and services to the Central and State Governments, taxpayers and other stakeholders for implementation of the Goods and Service Tax (GST).

5.4 E – Way Bill: Under GST to remove physical restriction on movement of goods, e- way bill has been introduced. The Electronic way bill which is generated through GST portal and software acts as an evidence for movement of goods across the country. For this purpose Central government made a website www.ewaybillgst.go.in by this the registered person can get e-way bill for his transactions through various modes like web(online), Android App and SMS. The e – way bill is mandatory for a consignment value exceeds Rs 50,000 from 01-04-2018 for interstate movement of goods. However in case of intra state movement of goods the concerned states have powers to waive the requirement of e-way bill. This facility makes free movement of goods across the country without any obstacles.

5.5 Comprehensive Coverage: In previous tax regime there was lot of ambiguities regarding classification of whether a particular transaction is a good or service. By this the complete coverage of all goods and services were not possible. But under GST the definition of goods is inclusive it should cover



all movable property. And for service it gives exclusive definition like ‘Anything other than the good is a service’. By this idea anything can’t escaped from GST (except securities). And for clarification purpose the intangible assets like Copyright, Trade mark, Electrical energy comes under the heading of ‘goods’. Under GST goods are classified on the basis of HSN (Harmonised System of Nomenclature) by this way it is convenient to identify the tax rates on different goods like necessities, comports and luxuries.etc.

6. BENEFITS OF GST

Goods and Service Tax is playing very significant role in the country economy. It ensures various benefits to all the stakeholders including Traders, Industries, Government and Consumers. By unified tax system it reduces the cost of the products and services and thereby it makes the products and services globally competitive along the boosting the country economy.

6.1 Benefits to Traders:

(i) **Reduction in multiplicity of taxes:** The main purpose of introduction of GST is to remove complexities by reducing the multiplicity of taxes and bringing the uniformity in tax rate. .By implementing GST, 17 indirect taxes have been subsumed. This leads to easy tax compliance for traders and industries regarding tax returns.

Existing Indirect Tax Structure in India brfo

Central Taxes	State Taxes
<ul style="list-style-type: none"> Central Excise duty 	<ul style="list-style-type: none"> State VAT
<ul style="list-style-type: none"> Duties of Excise (Medicinal and Toilet Preparation) 	<ul style="list-style-type: none"> Central Sales Tax
<ul style="list-style-type: none"> Additional Duties of Customs(CVD) 	<ul style="list-style-type: none"> Purchase Tax
<ul style="list-style-type: none"> Special Additional Duty of Customs(SAD) 	<ul style="list-style-type: none"> Luxury Tax
<ul style="list-style-type: none"> Service Tax 	<ul style="list-style-type: none"> Entry Tax Taxes on Lotteries, betting and gambling. Entrainment Tax

Taxes Subsumed Under GST.

(ii) **Mitigation of Cascading/double taxation:** The Excise duty, State VAT in the previous indirect tax regime causes tax on tax effect for a same article from the point of manufacture to the point of consumption. And cross utilisation of input tax credit from Service tax to Central sales tax was complex and rigid. However to mitigate this in the year 2004 Union Government introduced CENVAT Credit Rules. By this they integrated the Credit across Central Sales Tax and Service Tax but credit of central taxes could not be set-off against state levy. Because of GST, cascading effect of tax on goods and services is completely eliminated and Cross utilisation of credit becomes easier like Credit GST is available for Capital goods also.

(iii) **More efficient neutralization of taxes especially for exports:** Exports are priority of any country to earn foreign exchange and make domestic products and services competitive in international market. As per IGST Act sec16 (1) “Export of goods or services or both and supplies of goods or services or both to SEZ unit or SEZ developer are treated as Zero-rated supply”. By this they are exempted from GST and also they can claim input tax credit for making zero- rated supplies. GST facilitates refund of input tax if they paid on raw materials.

(iv) **Development of common national market:** Before GST, the states had a significant sovereignty in taxation; with strong tax rights, different states levied indirect taxes such as VAT, Central Sales Tax in



different forms. This leads to Market restriction of goods. But GST making India as a common market for products and services which are sold across the country with uniformity tax rates and procedures and thereby it is removing the economic barriers to traders.

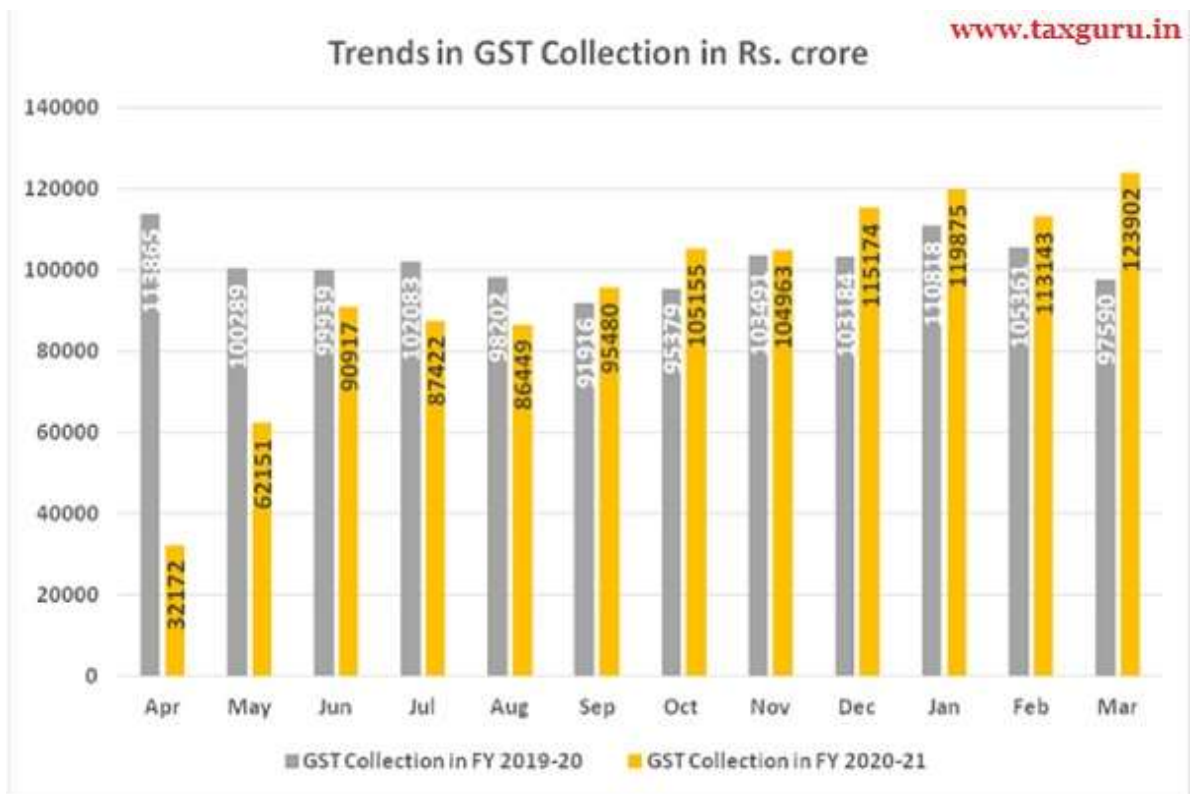
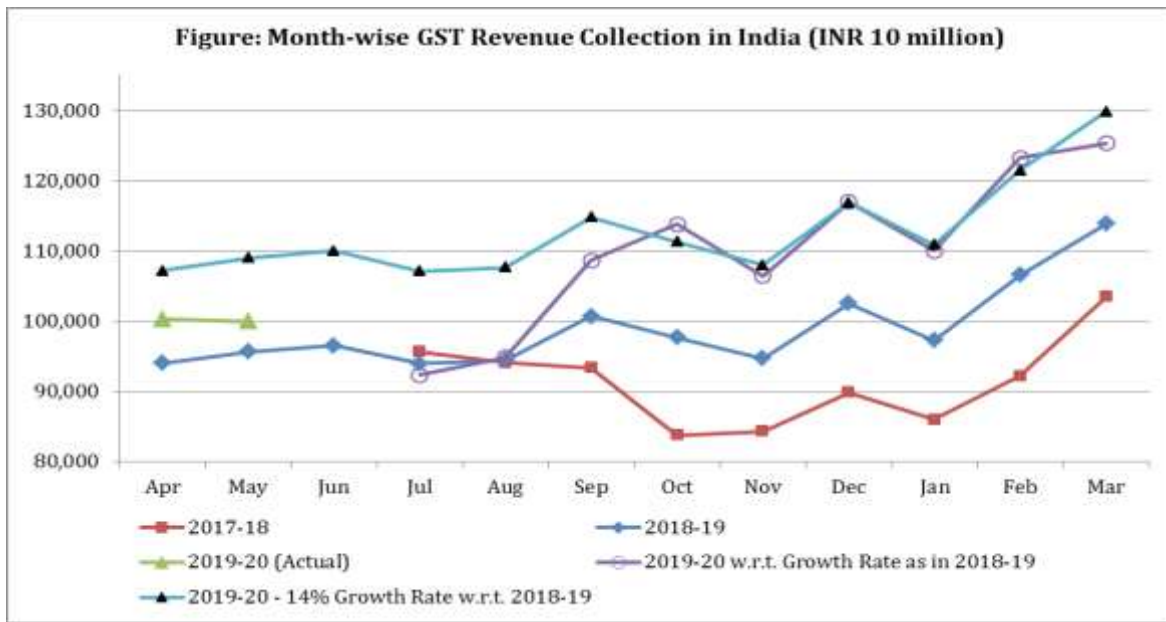
- (v) **Simpler tax regime-fewer rates and exemptions:** Goods and service tax is simple to operate it was not complex like pre-GST Regime. With Few tax rates all the products and services are bundled. And most of the necessities are exempted out of GST.
- vi) **Easy Compliance of Tax:** Earlier Indirect taxes caused separate return for each due to multiplicity of taxes like Excise, VAT, CST, Service tax. This caused burden for traders to file separate returns for each transaction along with heavy compliance cost. Because of GST, traders paying monthly return on their supplies including goods and services. This leads to easy compliance of tax filing.
- vii) **Eradicate Corruption:** Under GST all interaction to be through common GSTN portal. The GSTN (Goods and Service Tax Network) is developed a common GST portal which facilitating registration, assessment, audit, refunds, appeals. By this there is no manual interface between tax payers and tax administration. In this way it avoids corruption in tax returns by in the taxpayers and there is no chance to infringement of GST law by tax officials.

6.2 Benefits to Consumers / Customers:

- i) **Competitive Prices:** Generally, the purchase price would reduce as tax content of most products would come down. By offering uniform tax slabs in GST the products are available at lesser prices in the market. The Seamless flow of input tax credit between manufactures, retailer and service supplier made the price of products competitive.
- ii) **Transparency:** By mentioning clearly the tax paid in invoices, the customer can come to know the transparency price amount of tax he is paying on the products and services while he purchasing.
- iii) **Options to customer:** The GST facilitating free trade and commerce between states of throughout the country by this it provide option to customers to purchase what they wish across the country with transparent prices.
- iv) **Increase in employment opportunities:** GST increased the competitiveness of Indian goods and services in the international market and thus, gives boost to Indian exports. With a boost in exports and manufacturing activity more employment is generated

6.3 Benefits to Government:

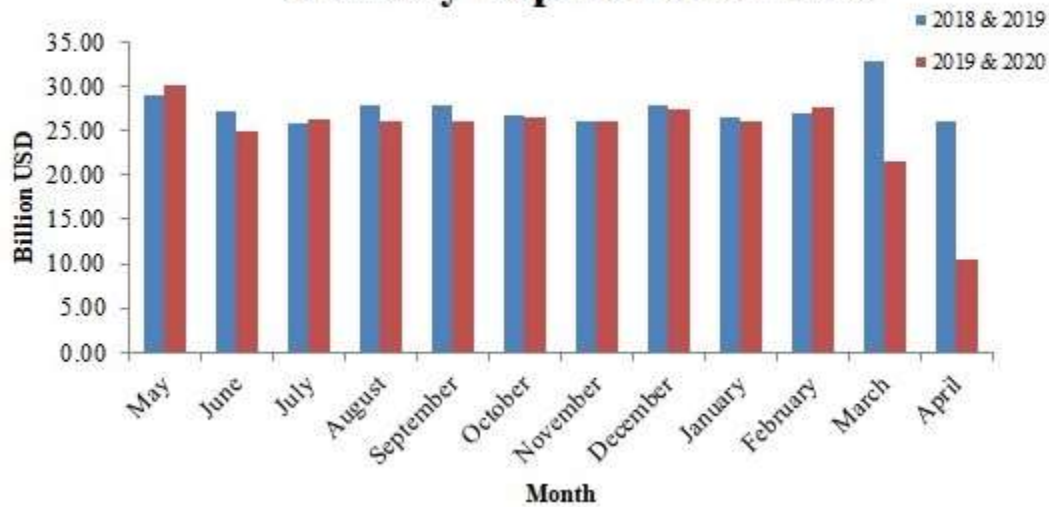
- i) **One Country One Tax:** GST implemented with a slogan 'One Nation One Tax'. This unified tax system makes India is a single market for all customers across the country without discriminations in price.
- ii) **Make in India Initiative:** The GST provides boosting to the 'Make in India' initiative of the Government of India by making goods and services produced in India competitive in the national as well as international market. This makes India as a - Manufacturing hub.
- iii) **Growth in the Tax revenue:** Goods and Service Tax provides a clear tax base for the transactions across the country. By a simplified tax the Government revenue from indirect tax is increasing significantly after implementing GST.



iv) Increased in Foreign Exchange: The exemptions for export of goods and services, duty drawbacks leads to increase in the export of country. These increased exports are fetching a considerable amount of foreign exchange to Indians balance of trade.



Monthly Export Performance



7. CONCLUSION

Goods and Services Tax (GST) is a comprehensive tax levy on manufacture, sale and consumption of goods and services at a national level. One of the biggest taxation reforms in India the GST is all set to integrate State economies and boost overall economic growth. The enforcement of GST has brought in a very transparent system to the country in the purview of indirect tax. The benefits are far-reaching and are not only business-friendly but consumer-friendly as well. This system of taxation has placed the country well in international trade. The Indian market is far more stable now than it ever was. With the application of GST, India is in a much better position in the international markets, which has positively affected the economy.

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