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Scope and Advantages of GST

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Introduction:

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 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 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products.GST was initially proposed to replace a slew of indirect taxes with a unified tax and was therefore set to dramatically reshape the country's 2 trillion dollar economy.The rate of GST in India is between double to four times that levied in other countries like Singapore.

The reform process of India's indirect tax regime was started in 1986 by VishwanathPratap Singh, Finance Minister in Rajiv Gandhi's government, with the introduction of the Modified Value Added Tax (MODVAT). Subsequently, Manmohan Singh, then Finance Minister under of P V Narasimha Rao, initiated early discussions on a Value Added Tax at the state level. A single common "Goods and Services Tax (GST)" was proposed and given a go-ahead in 1999 during a meeting between then Prime Minister AtalBihari Vajpayee and his economic advisory panel, which included three former RBI governors IG Patel, BimalJalan and C Rangarajan. Vajpayee set up a committee headed by the then finance minister of West Bengal, AsimDasgupta to design a GST model. The Ravi Dasgupta committee was also tasked with putting in place the backend technology and logistics (later came to be known as the GST Network, or GSTN, in 2017) for rolling out a uniform taxation regime in the country. 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. However in 2010, with the Trinamool Congress routing CPI(M) out of power in West Bengal, AsimDasgupta resigned as the head of the GST committee. Dasgupta admitted in an interview that 80% of the task had been done.

What is Goods and Services Tax (GST) :

GST stands for "Goods and Services Tax", and is proposed to be a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. Its main objective is to consolidates all indirect tax levies into a single tax, except customs (excluding SAD) replacing multiple tax levies, overcoming the limitations of existing indirect tax structure, and creating efficiencies in tax administration.Simply put, goods and services tax is a tax levied on goods and services imposed at each point of sale or rendering of service. Such GST could be on entire goods and services or there could be some exempted class of goods or services or a negative list of goods and services on which GST is not levied. GST is an indirect tax in lieu of tax on goods (excise) and tax on service (service tax). The GST is just like State level VAT which is levied as tax on sale of goods. GST will be a national level value added tax applicable on goods and services.A major change in administering GST will be that the tax incidence is at the point of sale as against the present system of point of origin. According to the Task Force under the 13th Finance Commission, GST, as a well designed value added tax on all goods and services, is the most elegant method to eliminate distortions and to tax consumption.

Objectives of the study:

1. To Study the concept of GST
2. To know and understand the advantages of GST
3. To study the scope of GST
4. To Study History of GST

Research Methodology:

The present study is of descriptive type. The entire study is based on secondary sources of data. These secondary data has been collected from books and websites. In order to fulfil constructed objectives of the present study the secondary data has been assembled.

History:

In 2014, the NDA government was re-elected into power, this time under the leadership of NarendraModi. With the consequential dissolution of the 15th LokSabha, the GST Bill – approved by the standing committee for reintroduction – lapsed. Seven months after the formation of the Modi government, the new Finance Minister ArunJaitley introduced the GST Bill in the LokSabha, where the BJP had a majority. In February 2015, Jaitley set another deadline of 1 April 2016 to implement GST. In May 2016, the LokSabha 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 RajyaSabha 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.A 21-members select committee was formed to look into the proposed GST laws. State and Union Territory GST laws were passed by all the states and Union Territories of India except Jammu & Kashmir, paving the way for smooth rollout of the tax from 1 July 2017. There was to be no GST on the sale and purchase of securities. That continues to be governed by Securities Transaction Tax (STT).

Taxation Scheme:

Taxes subsumed:

The single GST replaced several former taxes and levies which included: central excise duty, services tax, additional customs duty, surcharges, state-level value added tax and Octroi.Other levies which were applicable on inter-state transportation of goods have also been done away with in GST regime. GST is levied on all transactions such as sale, transfer, purchase, barter, lease, or import of goods and/ or services. India adopted a dual GST model, meaning that taxation is administered by both the Union and State Governments. Transactions made within a single state are levied with Central GST (CGST) by the Central Government and State GST (SGST) by the State governments. For inter-state transactions and imported goods or services, an Integrated GST (IGST) is levied by the Central Government. GST is a consumption-based tax, therefore, taxes are paid to the state where the goods or services are consumed not the state in which they were produced. IGST complicates tax collection for State Governments by disabling them from collecting the tax owed to them directly from the Central Government. Under the previous system, a state would only have to deal with a single government in order to collect tax revenue.

HSN code in GST

HSN (Harmonized System of Nomenclature) is a 6-digit code for identifying the applicable rate of GST on different products as per CGST rules. If a company has turnover upto RS. 1.5 Crore in preceding financial year then they need not to mention HSN code while supplying goods on invoices, if a company has turnover more than 1.5 Cr but up to 5 Cr then they need to mention 2 digit HSN code while supplying goods on invoices and if turnover cross 5 Cr then they shall mention 4 digit HSN code on invoices.

Rates

The GST is imposed at different rates on different items. The rate of GST is 18% for soaps and 28% on washing detergents. GST on movie tickets is based on slabs, with 18% GST for tickets that cost less than Rs. 100 and 28% GST on tickets costing more than Rs.100 The rate on under-construction property booking is 12%.[24] Some industries and products were exempted by the government and remain untaxed under GST, such as dairy products, products of milling industries, fresh vegetables & fruits, meat products, and other groceries and necessities.The introduction of the GST increased the costs of most consumer goods and services in India including food, hotel charges, insurance and cinema tickets. Upon its introduction in the country, GST led to a number of protests by the business community, primarily due to an increase in overall taxes and hence the prices of goodsCheckposts across the country were abolished ensuring free and fast movement of goods.The Central Government had proposed to insulate the revenues of the States from the impact of GST, with the expectation that in due course, GST will be levied on petroleum and petroleum products. The central government had assured states of compensation for any revenue loss incurred by them from the date of GST for a period of five years. However, no concrete laws have yet been made to support such action..

Scope of GST :

GST 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. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

For business and industry:

Easy compliance: A robust and comprehensive 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 compliance easy and transparent.

Uniformity 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. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.

Removal of cascading:

A system of seamless tax- credits throughout the value -chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.

Improved competitiveness:

Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.

Gain to manufacturers and exporters: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This

will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

For Central and State Governments

Simple and easy to administer: Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.

Better controls on leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.

Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.

Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.

Main Advantages of GST :

- A unified indirect tax system.
- Reduction in manufacturing cost.
- It will replace other taxes like VAT,CST,Servicetax,CAD,SAD, Excise, Entrytax, purchase tax etc.
- Less complex tax system.

Positive Impact of GST :

- A unified tax system removing a bundle of indirect taxes.
- Less tax compliance.
- Removes cascading effect of taxes.
- Manufacturing costs will be reduced,hence prices of consumer goods likely to come down.
- Due to reduced costs some products like cars,FMCGetc.will become cheaper.
- A unified tax regime will lead to less corruption which will indirectly affect the common man.

Hence,this is possible only if the benefit is actually passed on to the consumers.There are other factors also like the sellers profit margin that determine the final price of goods.GST alone does not determine the final price of goods.

Negative Impact of GST :

- Services will become expensive. e.g.Telecom, banking, airline etc.
- Being a new tax,it will take some time for the people to understand its implications.
- It is easier said than done.There are always some complications attached. It is a consumption based tax,so in case of services the place where service is provided needs to be determined.
- If actual benefit is not passed to consumer and seller increases his profit margin,the prices of goods can also see a rising trend.

Conclusion:

GST is the importance for the trade if GST will be transferable implement in our country it is beneficial. It is good for e-filing because economically transference will be their. After GST some charges of product will increase. In the rural area specially people uncrown about the GST .that is why give proper knowledge about GST.

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