

GST – A Major Indirect Tax in India

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ABSTRACT : *Demonetization of high denomination bank notes and passing of constitution amendment bill for GST have been the two most tectonic policies ever since India's independence. Up till now India has a dual system of taxation of goods and services, in a sense that tax on activity of manufacture and service provision is collected by the union government under list I of the constitution of India while that on sale of goods is collected by the state government under list II of the constitution of India. These all taxes have now been subsumed in a single name under GST. The centre, through Central Board of Excise and Customs, will continue to achieve the goal of implementation of GST in India. This paper analyzes the most awaited reform of indirect tax system known as GST. It is the most crucial reform pending for long time. It focuses on the existing indirect tax system in India and how GST will affect the various sectors of the Indian economy. GST has been implemented from 1st July, 2017.*

INTRODUCTION

Goods and Service tax till now was like a bullock cart stuck in the mud. After a stormy progress and much unwanted melodrama by the opposition leaders on the floors of the 2 houses of the Parliament i.e. the Lok Sabha and Rajya Sabha, the GST bill finally found the flagship of the Hon'ble President Shri Pranab Mukherjee on 8th September, 2016. The Biggest tax reform ever since Independence under the title of GST notified the changes under Constitution's (101st Amendment) Act, 2016. The Revised Draft Model GST Law was placed on Public Portal by the Government of India, with clear intention of Implementation of GST. In India at anytime during the period of April 2017 to September 2017, which indeed seems to be a mammoth task? But if the Central Government succeeds in successful implementation of GST, it will escort the nation into a new tax regime and shall also result in generating more employment opportunities and help all business sectors to grow.

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 on value addition at each stage. The final consumer thus bears only the GST charged by the last dealer in the supply chain, with set off benefits at all the above stages. Moreover with the increase in the international trade, GST has become a global standard.

The following are the Prospects of GST:

1. To implement the concept of "One Country-One Tax".
2. To Introduce Consumption based tax base instead of manufacturing based.
3. To eliminate the cascading effect. (Tax on Tax effect).
4. To broaden the tax base and thereby increase the contribution to the exchequer.
5. To Simplify the Administration of Indian tax system as it gives a unified tax rate
6. To eliminate the complexities in the current tax regime
7. To Subsume multiple indirect taxes like State VAT, Central Excise, Customs under the Uniform Umbrella of GST.
8. To Promote and Motivate Tax Compliance.
9. To reduce Tax Evasion and Corruption
10. To encourage productivity and reduce Economic Distortions.

IMPACT OF GST ON INDIAN ECONOMY

- GST will be a game changing reform for the Indian economy by creating a common Indian market and reducing the cascading effect of tax on the cost of goods and services. It will impact the tax structure, tax incidence, tax computation, tax payment, compliance, credit utilization and reporting, leading to a complete overhaul of the current indirect tax system.
- GST will have a far-reaching impact on almost all the aspects of the business operations in the country, for instance, pricing of products and services, supply chain optimization, IT, accounting, and tax compliance systems.

- 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. GST would take care of this problem by providing tax credit to the manufacturer.
- 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. 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.
- Also, there will be more transparency in the system as the customers would know exactly how much taxes they are being charged and on what base.
- GST would add to government revenues by widening the tax base.
- GST provides credits for the taxes paid by producers earlier in the goods/services chain. This would encourage these producers to buy raw material from different registered dealers and would bring in more and more vendors and suppliers under the purview of taxation.
- GST also removes the custom duties applicable on exports. Competitiveness of domestic business houses in foreign markets would increase on account of lower cost of transaction.
- The proposed GST regime, which will subsume most central and state-level taxes, is expected to have a single unified list of concessions/exemptions as against the current mammoth exemptions and concessions available across goods and services

Industry and large sections of the media have strongly believed that the new Indirect tax reform in the form of GST will alter the economic landscape of India and usher in a benign, assessee-friendly tax regime. GST can be successfully implemented only and only with the whole hearted support from different States of India which seems only a dream looking at the current political scenario prevailing in the nation. Moreover if India keeps on suffering from the deadly and chronic diseases like Inflation, Unemployment and Poverty and if is unable to curb it; then even the best of the fiscal policies are destined to fail, which is certainly a matter of concern for the policy makers. It is the need of the hour to end the tax terrorism. Every Indian citizen needs to contribute to the growth and development of the nation by paying genuine taxes rather than finding faults with the policy makers. It is therefore aptly said by the Father of the Nation **“Be the change you wish to see in the world”**.

CONCLUSION

The introduction of Goods and Services Tax would be a very noteworthy 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 alleviate 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 reduction in the overall tax burden on goods and services. Introduction of GST would also make Indian products competitive in the domestic and international markets. Last but not the least, this tax, because of its transparent character, would be easier to administer. However, once implemented, the system holds great promise in terms of sustaining growth for the Indian economy.

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