

Goods and Services Tax in India and its Journey

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Abstract - GST is an acronym of Goods and Services tax. It is a destination based tax levied on goods and services at each point of sale or rendering services. The main aim of the implementation of GST is to bring nation under one tax regime. GST is payable only on value addition at each stage of production, then the consumer has to pay only the GST charged by the last dealer in the supply chain. This paper is focusing on GST, components of GST, GST regime, advantages, GST rates and its impact on Indian economy.

Key Words: GST, tax, value addition, supply chain.

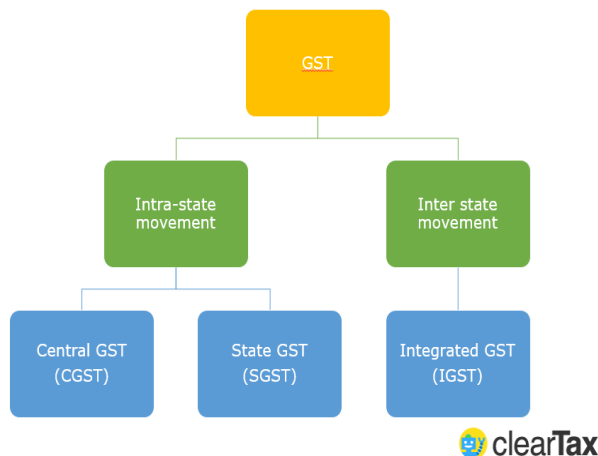
I. INTRODUCTION

Goods and Services tax is a single tax system subsumed all previously existing taxes (federal & state) with an objective to make India unified under the umbrella of one tax. It is an indirect tax also called as consumption tax, it is a comprehensive, multi-stage destination based tax that is levied on every value addition.

GST includes three components mainly:

1. CGST-Central Goods and Services Tax :- A tax which is levied on intra-state(where both seller and buyer are in same place) sale collected by central government.
2. SGST-State Goods and Services Tax :- A tax which is levied on intra-state sales and is collected by state government.
3. IGST-Integrated Goods and Services Tax :- A tax which is levied on inter-state(where seller and buyer belongs to different place) sales. In this taxes will be shared between state and central government.

Taxes under GST



II. OBJECTIVES OF THE STUDY

1. To study about the concept of the goods and services tax in India.
2. To study about the evolution of goods and services tax in India.

3. To study about the impact of goods and services tax on product's price.
4. To understand the working and differentiating the current taxation system in India v/s GST.
5. To know the advantages of GST.
6. To examine the impact of GST on economy.

III. REVIEW OF LITERATURE

Evolution of goods and services tax in India:

1. In 1985, Vishwanath Pratap Singh, Finance Minister in Rajiv Gandhi's government introduced modified value added tax as a reform of India's tax regime.
2. Subsequently, PV Narsimha Rao and his Finance Minister Manmohan Singh, had early discussions on the value added tax.
3. A common goods and services tax was proposed in a meeting between Vajpayee and his economic advisory panel. And then he set up a committee to draft goods and services tax law in the year 2000.
4. During 2004, a task force concludes goods and services tax must be implemented to improve the structure during that time.
5. In 2006, Finance Minister P Chidambaram proposes goods and services tax introduction from 1st April 2010. CST was to be phased out, rates were reduced from 4% to 3% in the year 2007.
6. In 2008, the Empowered Committee (EC) finalises dual goods and services tax to have separate levy and legislation.
7. In 2010, project to computerize commercial taxes has been launched but goods and services tax implementation was postponed.
8. During the year 2011, a constitution amendment bill to enable goods and services tax was introduced.
9. In 2012, Standing Committee begins discussion on goods and services tax but stalled it over clause 2798 and tables its report on it in the year 2013.

10. In 2014, goods and services tax bill was reintroduced in the Parliament by Finance Minister Arun Jaitley.
11. In the year 2015, goods and services tax was passed in Lok Sabha but not in Rajya Sabha.
12. During the year 2016, Goods and services tax network (gstn) goes live and amended model goods and services tax law was passed in both the houses and President Pranab Mukherjee gives the consent.
13. In the year 2017, four supplementary goods and services tax bills were passed in Lok Sabha, approved by the cabinet and they were also passed in Rajya Sabha.
14. Final goods and services tax was launched on 1st July, 2017 in a midnight function at Central Hall of Parliament of India by Narendra Modi in the presence of Pranab Mukherjee.

Under GST regime, five tax slabs are used for the collection of taxes – 0%, 5%, 12%, 18%, 28%. Petroleum products, alcoholic drinks, electricity are not under goods and services tax, instead they are taxed under previous tax regime separately by their individual state governments.

Tax laws before the implementation of goods and services tax:

In pre-gst regime, there were many indirect taxes levied by both state and central like value added tax (VAT), Central Sales Tax (CST), octroi and local taxes which led to the overlapping of taxes.

These taxes were replaced by CGST, SGST, IGST.

IV. GST TAX RATES ON SOME OF THE COMMON ITEMS

Tax Rates	Products
5%	Household necessities such as edible oil, sugar, spices, tea, and coffee (except instant) are included. Coal, Mishti/Mithai (Indian Sweets) and Life-saving drugs are also covered under the slab.
12%	Computers and processed food falls under this category.
18%	Hair oil, toothpaste and soaps, capital goods and industrial intermediaries falls into this slab
28%	Luxury items such as small cars, consumer durables like AC and Refrigerators, premium cars, cigarettes and aerated drinks, High-end motorcycles are under this category.

V. ADVANTAGES

1. Elimination of cascading effect of taxes as the tax is calculated only on value addition at each stage on the transfer of ownership.
2. Improves tax compliance.

3. The tax system will be neutral and transparent.
4. Reduction in transaction costs, and are easy to administer.

VI. GST RATES AND ITS IMPACT ON ECONOMY

As GST has changed the scenario of the economy at its peak. It is considered as game-changing reform in the Indian economy as it brings about net appropriate price for the goods and services considered under a single taxation system. The following points mentioned below are some of the important GST rates impacts on the Indian economy

1. After adopting GST regime, there has been a decrease in the prices of goods and services which ultimately has brought the final consumer to have less tax burden on the goods and services.
2. GST increased production, leading to increase in the competition in the economy.
3. GST has simplified the calculation of tax with the adoption of single taxation system in the economy.
4. GST saves time and money.
5. Earlier there was multiple taxes at each and every stage of supply chain, causing confusion to the taxpayer. The concept of GST, made it easier for the taxpayer to pay uniform tax.
6. After implementation of GST the cost of production got decreased. Thus, it resulted in increased exports.

VII. DATA ANALYSIS AND INTERPRETATION:

Impact of GST on the product and services prices:

Suppose there is a manufacturer of goods whose cost of production is Rs.1000.

Pre-GST tax regime:

	Manufacturer	Wholesaler	Retailer
Cost of production (Rs)	1000	1210	1331
Add: Profit margin @ 10%	100	121	133.1
	1100	1331	1464.1
Add: Excise duty @ 10%	110		
	1210	1331	1464.1
Add: VAT @ 10%	121	133.1	146.41
Sales Price (Rs)	1331	1464.1	1610.51

Post-GST tax regime:

	Manufac turer	Wholes aler	Retai ler
Cost of production (Rs)	1000	1100	1210
Add: Profit margin @ 10%	100	110	121
	1100	1210	1331
Add: GST @ 20%(Includes all VAT, CESS etc)	220	242	266.2
Sales Price(Rs)	1320	1452	1597.2

Analysis:

	Pre GST	Post GST	Diff
Excise duty rate	10%		
Vat rate	10%		
GST rate		20%	
Final price to consumer(Rs)	1610.51	1597.2	13.31
Taxes to government(Rs)	256.41	266.2	9.79

VIII. CONCLUSION

GST was introduced to make tax simplifier and reduce tax liabilities. Implementation of GST is considered as the best decision taken by Indian Government by the economists and July 1st is celebrated as Financial Independence Day. People believe that thought the structure of GST might not be perfect, but such tax structure will make India a better economy.

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