



GST- ON THE PATH OF FINAL IMPLEMENTATION

Dr. Anita Sharma

Reader, Maharaja Surajmal Institute

(Affiliated to GGSIP University), New Delhi, India.

ABSTRACT

The Constitution Amendment Bill (the Bill) for introduction of the Goods and Services Tax (GST) the GST Bill has been passed in 2016. It had taken a journey of nearly 10 years to arrive at a consensus on The Constitution (122nd Amendment) (GST) Bill,2014. In 243-member House 203 votes are casted in the favor of the bill and none against in the Rajya Sabha. The bill was passed after a seven-hour debate. Now, the expectations are that the GST will come into force in 2017 with certain amendments after passing it again by the Lok Sabha and finally by the President of India. The main aim of GST is to abolish all types of indirect taxes and adopt a single taxation system that is GST. It is based on secondary data as the data been collected through internet and other published sources. The paper ends with the conclusion that although there are lots of challenges in implementation of GST in India but the GST will come into force in 2017 with certain amendments

Keywords - GST, Taxes, VAT, States, SGST and CGST and System

Introduction

GST means Goods and Services Tax. Multiplicity of indirect taxes by centre and state level increases the cost of goods manufactured till final consumption. GST concept was first initiated in the year 2000, by the then BJP Government. In 2011, the previous United Progressive Alliance (UPA) Government also introduced a Constitution Amendment Bill. The Constitution Amendment Bill (the Bill) for introduction of the Goods and Services Tax (GST) the GST Bill has been passed in 2016. The bill was presented in the Parliament and was passed by the Rajya Sabha on 3 August 2016 and by the Lok Sabha on 8 August 2016. It had taken a journey of nearly 10 years to arrive to a consensus on The Constitution (122nd Amendment) (GST) Bill,2014. In 243-member House 203 votes are casted in the favor of the

bill and none against in the Rajya Sabha. The bill was passed after a seven-hour debate. Now, the expectations are that the GST will come into force in 2017 with certain amendments after passing it again by the Lok Sabha and finally by the President of India. With GST, it is anticipated that the tax base will be comprehensive, as virtually all goods and services will be taxable, with minimum exemptions. The main aim of GST is to abolish all types of indirect taxes and adopt a single taxation system that is GST.

Analysts say GST could boost India's economic growth by up to 2 percentage points.

Objectives of the study

The objectives of this study are as follows

- To understand the salient features and journey of implementation of GST.
- To understand the mechanism of GST application in India.
- To discuss the worldwide applicability of GST.
- To discuss the benefits of GST implementation.
- To explain the benefits of GST implementation

Research Methodology

The present research paper is secondary data base. The data for this paper has been collected through internet and other published sources.

Journey of GST

- **GST concept was first initiated in the year 2000, by the then BJP Government** under the leadership of AtalBehari Vajpayee. A committee which was headed by AsimDasgupta (the then Finance Minister of the West Bengal Government) was empowered for the purpose. The work assigned to the committee was designing the model of GST and at the same time inspect the preparation of the IT department for its rollout.
- **In 2011, the previous United Progressive Alliance (UPA) Government also introduced** a Constitution Amendment Bill to facilitate the introduction of the GST in the Lok Sabha but it was rejected by many States.
- **In 2014, Finance Minister Arun Jaitley again introduced** the constitutional amendment bill of GST in Lok Sabha.
- **The GST Constitutional Amendment Bill was passed by the Lok Sabha in May 2015.** But the bill is to be passed by in the Rajya Sabha two-thirds majority in both

Houses of Parliament and by the legislatures of half of the 29 States. However, some of the states outrightly rejected it by giving some points.

- The Constitution Amendment Bill (the Bill) for introduction of the **Goods and Services Tax (GST) is finally the GST Bill has been passed in 2016**. The bill was presented in the Parliament and was passed by the Rajya Sabha on 3 August 2016 and by the Lok Sabha on 8 August 2016. It had taken a journey of nearly 10 years to arrive to a consensus on The Constitution (122nd Amendment) (GST) Bill,2014.In 243-member House 203 votes are casted in the favor of the bill and none against in the Rajya Sabha. The bill was passed after a seven-hour debate.
- Now, the expectations are that the GST will come into force in 2017 with certain amendments after passing it again by the Lok Sabha and finally by the President of India.

Worldwide GST

The country France was the first among all the nations to introduce GST in the year 1954. Now around 150 countries have adopted GST in the one form or the Canada has dual GST system. A unified GST system is adopted by most of the countries in the world. In China GST applies to only goods and the provision of repairs, replacement and processing services. GST rates of some countries.

Table-1
Worldwide GST Rates

Country	Rate
Australia	10%
France	19.6%
Canada	5%
Germany	19%
Japan	5%
Singapore	7%
New Zealand	15%

Objectives of GST

- Removal of Cascading effects of taxes on cost of goods and services.
- Developing a common National market, for goods and services.
- Increase the domestic as well as international competitiveness of Indian trade and

industry and contribute significantly to the growth of the economy.

Salient Features

- The proposed Article 246A intends to grant concurrent powers to the Union and state legislatures to make laws with respect to GST. The power to make laws in respect of supplies in the course of inter-state trade or commerce will be vested only in the Union Government. States will have the right to levy GST on intra-state transactions including services.
- Centre Government will levy Integrated GST (IGST) on inter-state supply of goods and services. On intra-state supply of goods and services, the Central Government will levy Central GST (CGST) while state Governments will levy State GST (SGST). Import of goods will be subject to basic customs duty and IGST.
- GST is defined as any tax on supply of goods and services other than on alcohol for human consumption.
- Central taxes such as, Central Excise duty, Additional Excise duty, Service tax, Additional Custom duty and Special
- Additional duty, Central Sales tax as well as state-level taxes such as, VAT or sales tax, Entertainment tax, Entry tax, Purchase tax, Luxury tax and Octroi will subsume in GST.
- Petroleum and petroleum products will be subject to GST on a date to be notified by the GST Council.
- Alcohol for human consumption will be out of GST; states will continue to levy taxes on alcohol. Tobacco products will be subjected to separate Excise Duty by the Centre over and above GST.
- There is a provision to remove imposition of entry tax/Octroi across India.
- Entertainment tax, imposed by states on movie, theatre, etc., will be subsumed in GST, but taxes on entertainment at panchayat, municipality or district level will continue.
- GST is likely to be levied on the sale of newspapers and advertisements and this will give the Government access to substantial incremental revenues.
- Stamp duties, typically imposed on legal agreements by the state, will continue to be levied by the states.
- Article 279 provides the constitution of GST Council by the president within 60 days from the date of the passing of the Bill and also provides for the appointment of

members of the GST Council and its composition and powers to make recommendation.

- Administration of GST will be the responsibility of the GST Council, which will be the apex policy-making body for GST. Members of the GST Council are Central and State ministers in charge of the finance portfolio. In the GST Council, the Centre will have a one-third vote and all states combined will have two-third vote. Quorum for GST Council is 50% of total members and for majority of Council decisions 75% of the weighted votes of the members present and voting.

Applicability of GST

Table-2
Applicability of GST

Indirect Taxes	GST	Goods/Services Produced & Consumed in same State	Goods/Services Produced & Consumed in different States (Inter-State)	Goods & Services Exported	Goods & Services Imported
Excise Duty	CGST	CGST rate + SGST rate Levied	Integrated GST	GST not Applicable	CGST rate + SGST rate Levied
Service Tax					
Custom Duties					
Central Sales Tax					
State Sales Tax	SGST	CGST rate + SGST rate Levied	Integrated GST	GST not Applicable	CGST rate + SGST rate Levied
Entertainment Tax					
State VAT					
Professional Tax					

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It is proposed by the empowered committee that a dual GST system will be implemented in India under which GST will be divided in two parts:

- State Goods and Services Tax (SGST)
- Central Goods and Services Tax (CGST)

For tackling the complicated issues related to inter-state transactions, an innovative Integrated Goods and Services Tax (IGST) is also under consideration. Both SGST and CGST will be levied on taxable value of a transaction. GST will not be applicable on few goods viz. petroleum crude, high speed diesel, petrol and natural gas, Aviation turbine fuel, Alcohol for human consumption. All the goods and services except these goods will come under GST. Goods and services will be treated as same under GST. Central Excise duty, additional excise duty, services tax, State VAT, entertainment tax etc. all will come under one tax i.e. GST. GST rates have not yet finally decided. Two or three different rates are

expected to be imposed on the goods and services based on their importance or necessity. Like a lower rate is expected for an essential commodity and higher rate on luxury or precious goods or services. The rate expectations will be around 14-16 percent. The SGST and CGST rates will be decided by the States and Centre after the fixation of GST rates. Presently 10 percent rate is levied on services and 20 percent indirect taxes are imposed on most of the goods.

Benefits of GST

Uniform Tax

In the present system multiplicity of tax system is available. For example Central taxes such as excise duty, service tax and countervailing duty, and State taxes, such as VAT, entertainment tax and luxury tax are levied on the products. GST will eliminate these multiple taxes and bring uniformity of taxes all over the country. This will surely prove beneficial in simplifying the tax system.

Increased tax compliance

GST will bring better transparency in the tax system. This is so because as the tax is collected at one place that is at the stage of final consumption, the number of tax collection department reduces and the chances of corruption will also reduce. Now more business entities like unorganized sector also come under the tax umbrella which in turn increases the revenue of the country as a whole.

High Growth Trajectory

As per the experts GST will provide a gain of \$15 billion a year to India. They have the given logic behind it that GST will promote more exports; increase in exports will generate more employment opportunities and all this boost the overall growth of the country. According to a study by the National Council of Applied Economic Research (NCAER), full implementation of the GST could expand India's growth of gross domestic product by 0.9-1.7 percentage points.

Softening of prices

As there will a single tax system. Indian market will convert into a unified market. This results in lowering business costs and also facilitates free flow of goods from one state to another. This will also reduce the transaction cost of business.

Unified national market

The difference of taxes in different states divides the National Market along the state boundaries. GST will be levied only at the final destination of consumption based on VAT principle. GST is likely to eliminate these state boundaries and make the market as one unified National Market with a simple levy and lowering effective tax on goods

Beneficial for both Individuals and Companies

Under GST, taxes for both the Centre and State are collected at the point of sale. These taxes are charged only on the manufacturing cost of the product. No multiple taxes will be imposed on the same product due to which the cost of the product becomes lower than earlier. This will directly benefit the consumers as lower price will be paid by him. Other things remaining the same lower prices will increase the consumption and this will create more demand which increase the production of goods and will also result in more employment generation also. This will prove beneficial towards the growth of the individuals as well as the companies.

Beneficial to Traders and producers

Suppliers, Manufacturers, wholesalers and retailers become able to recover the GST incurred cost on input costs as tax credits. This reduces the cost of doing business, thus enabling fairer prices to consumers.

Better segregation of Manufacturing and service cost

Imposition of taxes separately on goods and services requires division of transaction values into value of goods and services. This leads to greater complications, administration, including compliances costs. Under GST when all the taxes got integrated, it would make possible the taxation burden to be split equitably between manufacturing and services.

Conclusion

GST being the goods and service tax is going to be finally implemented after facing a lot of challenges and oppositions. The journey of GST was started in the year 2000 and finally passed in 2016 and hoped to be finally implemented in 2017. GST being the goods and service tax will work as a powerful tool in eliminating the loopholes present in the current taxation system and also gives a basket full of benefits like increased GDP, employment, better markets, more exports, lower costs and better markets etc.

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