



GOODS AND SERVICES TAX (GST) – ONE NATION AND ONE TAX: A REVIEW

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ABSTRACT

‘One nation and one tax market’, does this statement really holds true in our country? India witnessed one of the historic indirect tax reforms in the name of ‘Goods and Services Tax’ (GST) on 1st July, 2017. Goods and Services Tax (GST) is consumption based unified tax levied on every supply of goods and services within the nation. It is a comprehensive taxation system that subsumes all indirect taxes of states and central regimes and cumulated economy into a flawless national market. Like every bright morning has a dark night too, the launch of Goods and Services Tax (GST) by the regime of India is also not free from controversies’. The main thrust of the present study is to make a detailed survey of GST’s existing literature and to place an outlook on its probable effect on Indian economy. The findings of the study revealed Government (both central and state) and most of the other stakeholders of the nation would be benefitted with implementation of Goods and Services Tax (GST) and it would foster India’s economic growth rate.

Keywords: Goods and Services Tax (GST), Indirect tax, One Nation and One Tax, Indian Economy

1. INTRODUCTION

1.1 What is Indirect Tax?

Indirect Taxes are those taxes which the taxpayer pays indirectly to the Government. In other words, tax, incidence, and impact of which falls on two different persons is known as Indirect Tax. According to Datey (1998), “indirect taxes are those which are paid before the goods reach the taxpayer.” Here, the burden of tax is shifted to another person (i.e. consumers), who ultimately pays the tax.

1.2 Previous Indirect Tax Structure at a glance

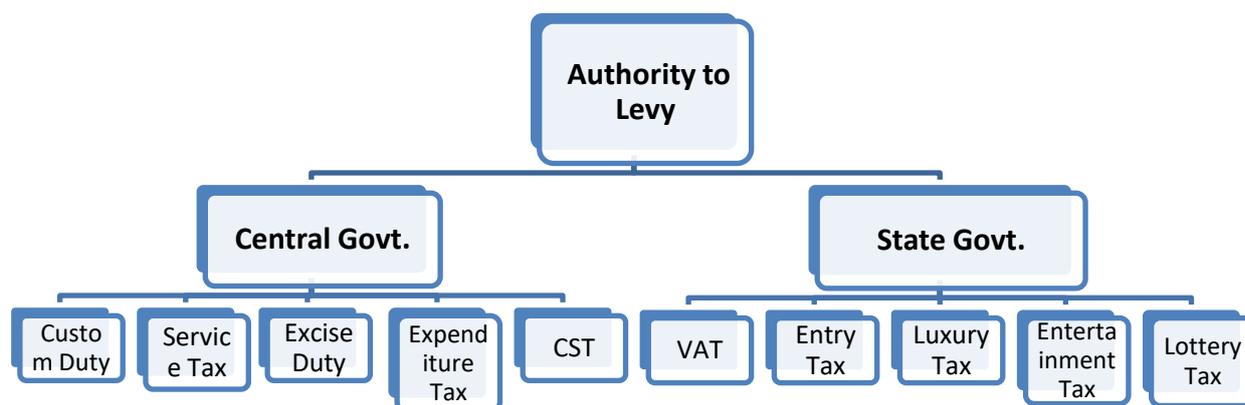


Fig 1. Previous Indirect Tax Structure

1.3 What is GST?

GST stands for “Goods and Services Tax”. Goods and Services Tax (GST) is consumption based unified tax levied on every supply of goods and services within the nation. It will be levied at all the stages right from the production up to the final consumption with a wider coverage of input tax set-off. It is a comprehensive model that subsumes all indirect taxes of states and central regimes and cumulated economy into a flawless national market. However, products such as Liquor (i.e. alcohol), Petroleum Products, and Electricity are outside the purview of GST.

1.4 Salient Features of GST

Salient features of GST are as follows:

- GST is an indirect tax with a refinement over VAT.

- GST is a dual concept based model – One levied by the Central Government (i.e. CGST) and the other being levied by the State Government (i.e. SGST).
- It is a unified tax, levied on every supply of goods and services within the nation (except liquor, petroleum products and other exempted goods).
- It is applicable for any business whose turnover in a financial year exceeds Rs 20 lakhs (Rs 10 lakhs for North Eastern and hill states).
- It is a consumption based tax.
- It is a multi-rate tax with a rate of 0%, 5%, 12%, 18% and 28%.
- It eliminates the cascading effects of taxes.

1.5 Present Indirect Tax Structure (i.e. GST Model) at a glance

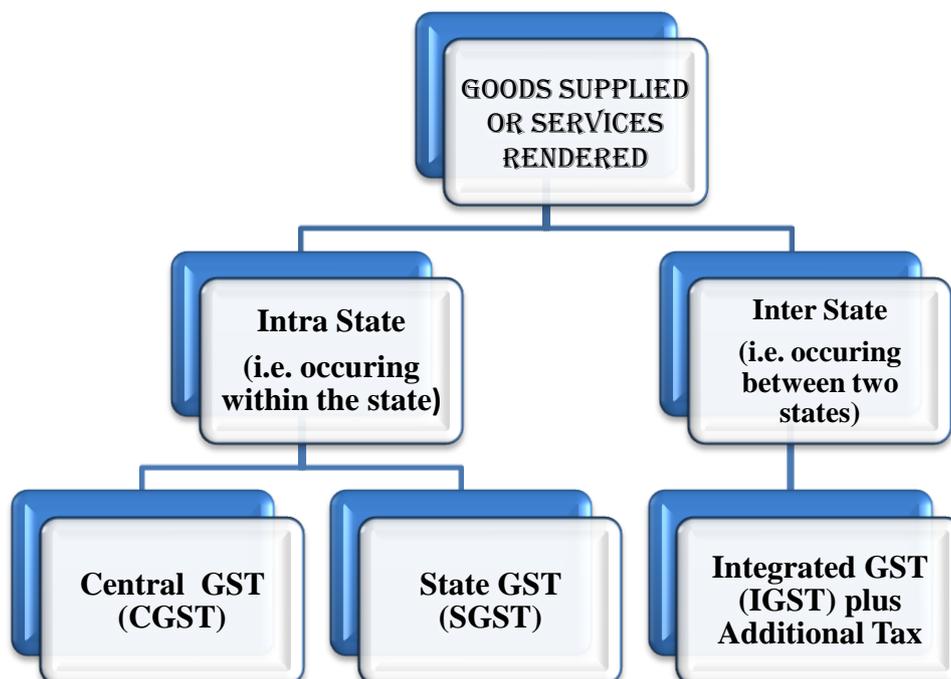


Fig 2. Present Indirect Tax Structure (i.e. GST Model)

1.6 Indirect taxes of States and Central regimes subsumed under GST

1.6.1 List of State Government taxes subsumed under GST:

1. VAT/ Sales Tax
2. Luxury Tax
3. Entertainment Tax
4. Entry Tax
5. Taxes on lotteries, Betting and gambling
6. Octroi

1.6.2 List of Central Government taxes subsumed under GST:

1. Service Tax
2. Central Excise Duty
3. Additional Excise Duty
4. Excise Duty under Medicinal and Toiletries preparation Act
5. Additional customs duty (Countervailing Duty)
6. Surcharges and Cesses

2. REVIEW OF LITERATURE

Before moving forward into the depth of the study, let us have a quick glance on the studies made so far related to GST.

Garg (2014) made an attempt to highlight basic concepts and features of Goods and Services Tax (GST). The study was descriptive in nature and conducted on the data collected from secondary sources. The study concluded that since independence, GST is one of the most comprehensive indirect tax reforms in our country. Further, GST will have a direct impact on all sections of economy viz., big, medium, small-scale units, intermediaries, importers, exporters, traders, professionals, and consumers. **Agarwal (2017)** in his study stated that GST will bring transparency in the taxation system and it will boost revenue for both Central and State Government. **Lourdunathan and Xavier (2017)** conducted a study to emphasize the background, prospectus and challenges in Implementation of Goods and Services Tax (GST) in India. The researchers used secondary data to accomplish their objectives and the research design was descriptive in nature. They concluded that GST will bring One Nation and One Tax market and producers, consumers, and government (both central and state) would be benefitted with its implementation. Further, the study concluded that GST will have a positive impact on various sectors and industry. **Shailesh and Taruna (2016)** carried out a study to highlight the needs and the probable impact of GST on Indian Economy. They reported that implementation of GST in the Indian framework will bring commercial benefits and there is a likelihood of collective gain for industry, trade, agriculture and common consumers as well as for the Central Government and the State Government. **Vasanthagopal (2011)** based on his study “GST in India: A Big Leap in the Indirect Taxation System” claimed that switching to a seamless GST from the present complicated indirect tax system in India will be a positive step in booming Indian economy. **Ahmed and Poddar (2009)**

claimed that introduction of GST will present simpler and transparent tax system. Further, it will have a positive impact on output and productivity of India economy. But the benefits of GST are critically dependent on the rational design of GST. The study of **Kumar (2014)** concluded that implementation of GST in India will assist in removing economic distortion that prevails in the current indirect tax system and expected to promote impartial tax structure throughout the nation as a whole. Another group of researchers, **Pinki, Kamma, and Verma (2014)** reported that implementation of GST is favourable for the central government, state government and as well as for consumers in long run, but its implementation should be backed by strong IT infrastructure. **Gupta et al. (2017)** carried out a comparative study on the model of Indian GST with other countries. Their findings revealed GST procedures are simple and easy to understand for everyone. Further, they claimed GST must be implemented in India as it will reduce tax evasion. But, they added an important viewpoint that as GST replaces all the indirect taxes, these will reduce the government revenue and it tends to increase the rates of other direct taxes and even the prices of other goods which in turn will increase the burden of the people. **Kumar and Kumar (2017)** made an effort to analyze GST & Its Probable Impact on the FMCG Industry in India. They discovered that GST would result in a simpler tax regime, especially for industries like FMCG. Moreover, under the proposed GST regime, the revenue neutral rate would be probably within the range of 5% to 28%, hence resulting in a significant benefit for the sector. **Sehrawat and Dhanda (2015)** in their study on GST in India – A key tax reform stated that GST implementation will provide India a world-class tax system by grabbing different treatment to manufacturing and service sector. Another study, on the issue GST- A positive reform for Indirect taxation system made by the researchers **Khurana and Sharma (2016)** found that the GST will provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes. **Mujalde and Vani (2017)** made a descriptive attempt, to study the concept of Goods and Service tax over the current taxation system in India. They reported that moving to GST regime will have a positive impact on various sectors and industry and Country's economic condition will be significantly benefitted. Moreover, they claimed that single rate would help to maintain simplicity and transparency and if implemented successfully it can also be used as an effective tool for fiscal policy management. The study of **Rupa (2017)** throws an insight into the Goods and Service Tax concept, advantages, disadvantages and international scenario. She reported that the Indian Indirect taxation system is characterized by a multiplicity of taxes, the complexity in

registration process, cascading, distorting tax on production of goods and services and others which leads to hampering productivity and slower economic growth. Hence, a simpler tax system is required to remove such hindrances and for reducing the burden of the taxpayer and it is possible through implementation of GST. An attempt was made by **Sharma and Sain (2017)** to investigate the Impact of GST on Indian Stock exchanges and various stock Sectors. They reached into the conclusion that though GST has a positive impact on stock prices of various sectors and industry, the proposed GST regime is a weak attempt to rationalize indirect taxation system and it requires intense efforts of all stakeholders namely, Central and State Government, trade and industry for its fruitful implementation. **Rani and Sunil (2016)** carried out a descriptive study to identify the probable impact of GST on different sectors like Start-up Business, E-Commerce, IT, Hospitality & Tourism, Automobiles and Media & Entertainment etc. They found that the overall impact of GST will be favourable on start-up business, automobile sector, tourism industry, FMCG sector, media & entertainment industry while, in case of hospitality, alcoholic products as well as e-commerce sector will suffer due to its implementation.. Another group of researchers, **Munde and Chavan (2016)** tried to figure out probable pros and cons about proposed GST regime. They concluded that if certain probable loopholes in the proposed GST regime were taken proper care off and curtail down then, GST will help to foster country's economic growth rate, keep up sound and stable price level, and promote export. **Kumar (2016)** made an effort to highlight the positive as well as negative effects of Goods and Services tax bill. He concluded that GST is worldwide accepted system and the major reason for its introduction is to remove the cascading effects of tax and to increase the tax base. Further, he stated that whether India will be benefitted or not with its implementation that cannot be finalized now. **Mukaria (2017)** conducted a study to analyse the impact of GST (Goods and Services Tax) on Indian Taxation System. She claimed that this new tax system will prove a boon for our economy and also for consumers. The studies of **Chaurasia et al. (2016)** concluded that on the whole GST will be helpful for the development of Indian economy and this will lead to foster the Gross Domestic Products of the country more than two percent. **Nabi and Vivek (2017)** in their study also placed a similar type of view that the introduction of GST will foster common Indian market and it will contribute significantly to the growth of the economy. **Shaik et al. (2015)** made an attempt to study the concept of goods and service tax and its impact on Indian economy. The study concluded that GST is a major improvement over the pre-existing central excise duty at

the national level and the sales tax system at the state level. Further, they stated that the new tax is a comprehensive indirect tax reform in the country. A study focused on the effect of the GST on Indian Growth made by **Leemput and Wiencek (2017)**. They reported that the GST is expected to raise overall Indian welfare as well as the welfare of all Indian states. Furthermore, the model suggests that the GST would lead to growth in real GDP gains by 4.2 percent and the distribution of goods across tax rate tiers matters for the growth outlook. **Kour et al. (2016)** conducted a study on the impact of GST after its implementation. They concluded that GST will reduce the compliance burden at present and it will play a dynamic role towards the growth and development of our country. The study of **Lala (2017)** also claimed the same thing that GST will play a dynamic role towards the growth and development of our country. **Poonam (2017)** made an attempt to highlight the concept of GST & its current status in India. The study reported that with the implementation of GST, consumer's tax burden will be reduced roughly to 25% to 30%. Moreover, she asserted that Indian products would become more competitive in the domestic as well as in the international markets and this tax would foster economic growth. In their study, **Jaiprakash (2014) and Singh (2017)** argued that the comprehensive and wider coverage of input tax set-off and service tax set-off, and subsuming of several taxes in the GST is expected to provide more relief to industry, trade, agriculture, and consumers. **Roy (2016)** in his research study claimed GST is probably the best tax structure because of its buoyancy, flexibility, and effectiveness. The study of **Rathod (2017)** on an Overview of Goods and Service Tax (GST) in India asserted that rational use and effective implementation of GST will provide India a world class and a smart tax system. Moreover, one country and one tax market will provide relief to Manufacturers, Consumers, Governments, and nation as a whole. **Yadav (2017)** made an attempt to analyse GST concept, benefit, and impact on Indian economy. She found that with the implementation of GST, the manufacturing cost of goods will be reduced and this will lead to bringing down the price of consumer goods. Moreover, she stated that all the sectors such as Pharmaceuticals, Infrastructure, Textile, IT, Agriculture, Food Industry, Transport, Real estate industry will be benefitted from it. The study of **Yogita (2012)** on the issue "Problems and Prospects of Goods and Services Tax (GST) in India" argued that GST implementation will become one of the major indirect tax reforms in India. It will bring the nation into one common tax market. The implementation of GST will widen the Central Government's tax base through the levy of central taxes both on goods and services. **Dash (2017)** highlights the positive and negative impacts of GST on Indian Economy. The study

reported that the launch of GST is a good effort made by the government of India and it could reduce the black money of the nation. **Lala and Rajput (2017)** made an attempt to highlight the benefits of GST and challenges faced by India in execution. They concluded that GST will subsume all indirect taxes of states and central regimes and it will reduce the compliance burden at present. Further, they claimed GST will play a significant role in our country's growth and development process. The study of **Kankipati (2017)** highlights the impact of GST on the growth of the economy, and its associated benefits for the business, the government and for the consumers. He claimed GST will make India industry-friendly and it will help in attracting more foreign investments. Further, the study reported that with the implementation of a dual model of GST there is a possibility of creating more employment opportunities. **Shankar (2017)** claimed that GST is very crucial tax reform but both the central and the state have to conduct awareness programmes and various literacy programmes about GST to its various stakeholders. **Venkataramana and Reddy (2017)** reported that GST will boost the Indian exports in global markets. They pointed out that GST will reduce the tax burden for the customers and cost of compliances for the dealers. Moreover, they claimed that with the introduction of GST, the tax administration will be improved and indirect tax revenue of the Government will be increased. In a study on the recent trend in Indian taxation system, **Kaur et al. (2016)** pointed out that GST implementation will reduce the tax burden of consumers and the businesses. Moreover, it will improve the transparency in taxation.

3. OBJECTIVE OF THE STUDY

The main thrust of the present study is to make a detailed survey of GST's existing literature and to place an outlook on its probable effect on Indian economy.

4. RESEARCH METHODOLOGY

The present study is descriptive in nature. All the data for the present study are collected from the secondary sources i.e. from Research articles, Working papers, Newspapers, Magazines, Academic Books, and Websites. This study is made exclusively based on the findings of existing literature i.e. of 38 research articles over a time period ranges from 2011 to 2017. This manuscript includes studies basically related to India and the selection is made based on the availability and consistency of the data.

5. FINDINGS AND DISCUSSIONS

The key findings of the present study are reported below.

- GST is one of the biggest indirect tax reforms in India.
- The major reason for such a transformation is to eradicate the cascading effects of tax and to boost the tax base of Central Government.
- It is probably the best tax structure implemented in India since independence and it is expected to promote impartial tax structure throughout the nation as a whole.
- GST is a comprehensive taxation system that subsumes all indirect taxes of states and central regimes and cumulated economy into a flawless national market. But, it fails to follow the principle of diversity. As GST replaces all the indirect taxes, these will reduce the government existing revenue and it tends to increase the rates of other direct taxes and even the prices of other goods too which in turn will raise the burden of the people.
- It will provide India a world-class and a smart tax system for its simplicity and transparency.
- It will lead to better tax administration and control, which in turn will reduce tax evasion practice thereby, enhance the indirect tax revenue of the Government.
- GST is based on the concept of “One Nation and One Tax” hence it will reduce complexities and will improve the transparency in the present taxation system.
- Moreover, it is expected to provide a sigh of relief to industry, trade, agriculture, and consumers because of its comprehensive and wider coverage of input tax set-off and service tax set-off.
- The tax burden for the customers and cost of compliances for the dealers are expected to be reduced.
- Dual model of GST will widen the Central Government’s tax base through the levy of central taxes both on goods and services.
- GST will make India industry-friendly and it will help in attracting more foreign investments. Thereby, will generate more employment opportunities in the near future.
- GST will play a dynamic role towards the growth and development of our country.
- It will help to foster country’s economic growth rate, keep up sound and stable price level, and promote export but its implementation should be backed by strong IT infrastructure.

- Indian products would become more competitive in the domestic as well as in the international markets and thereby, lead to growth in India's real GDP.
- Especially, sectors like FMCG, Pharmaceuticals, Automobile, Infrastructure, Textile, IT, Agriculture, Food Industry, Transport, Real estate industry, media & entertainment industry will be benefitted from it whilst, hospitality, alcoholic products as well as e-commerce sector will suffer due to its implementation.
- Finally, it is expected that this new indirect taxation reform will elevate overall Indian welfare as well as the welfare of all Indian states in the long run.

6. CONCLUSION

A country's taxation system plays a pivotal role in shaping country's economic condition. A good tax system is the one which upholds fairness, transparency, simplicity, adequacy, and administrative ease.

Based on the above findings, it can be concluded that GST is a refinement over VAT with a comprehensive and wider coverage of input tax set-off and service tax set-off that will curtail down the cost of manufacturing thereby, would reduce the tax burden of the customers. GST possess almost all the qualities of an effective tax system. It will play a significant role towards the growth and development of our country. GST is likely to foster India's economic growth through better tax monitoring and control, reduced tax evasion practices, reduced compliance burden, attracting more foreign investments, and creating more employment opportunities. Moreover, the dual model of GST will enhance the tax base of the Central Government.

At present, GST is just at the beginning stage hence, it will take some time to get its actual impact on the Indian economy. Undoubtedly, this new indirect taxation reform will elevate overall Indian welfare as well as the welfare of all Indian states in the long run but it should be backed by well-built IT infrastructure and cooperation from all of its stakeholders.

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