



## GOODS AND SERVICES TAX IN INDIA– CHALLENGES AND OPPORTUNITIES

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**Abstract:**

*This paper focuses on the features, challenges and opportunities of Goods and Services Tax. It also presents an overview of GST concept its features along with focused in challenges faced by India in execution. The Goods and Services Tax is a value added tax implemented in India and it has been made clear that there would be a dual, taxation power – both by the centre and the state to levy the taxes on the goods and services. Goods and service tax is a new story of VAT which gives a widespread setoff for input tax credit and subsuming many indirect taxes from state and national level. GST is meant to simplify the indirect tax regime of India by replacing a host of taxes by a single unified tax. GST is the only indirect tax that directly connects all the sector of Indian economy thus enhancing the economic growth of the country by creating a single unified market. More than 160 countries of the world have implemented GST. The idea of GST in India was proposed by Atal Bihari Vajpayee in 1999 and a committee was set up under the leadership of Asim Das Gupta the then finance minister of West Bengal. It was supposed to be implemented from 1st April 2010 under flagship of P Chidambaram the then finance minister of UPA government but due to political issues and conflicting interests of*

*various stakeholders it did not come into force. In May 2016 the constitutional amendment bill for GST was passed by Lok Sabha and deadline of 1st April 2017 to implement GST was set by Arun Jaitley the finance minister of India.*

**Keywords:** *Indian Economy, Goods and Services Tax, VAT, Indirect Tax*

## **Introduction**

Taxation policy plays a very crucial and important role on the economy of a country. The main source of revenue of the government comes from the taxes levied on the citizens who can be direct or indirect. When the impact and incidence falls on same person it is called as direct tax and when the impact and incidence falls on two different people i.e. the burden can be shifted to any other person it is called as indirect tax. GST will reduce the overall tax burden of customer which is currently estimated at 25-30%. The Goods and services tax or GST which is popular as what it is all over the world was first introduced in France in the year 1954 and subsequently more than 160 countries had implemented the GST law like Germany, Italy, UK, South Korea, Japan, Canada, Australia, etc. Most of the countries had adopted unified GST while some countries like Brazil, Canada follow a dual GST system where tax is imposed both by central as well as by state government.

India had adopted the dual system of GST as CGST and SGST. The idea of GST in India was proposed by Atal Bihari Vajpayee in 1999 and a committee was set up under the leadership of Asim Das Gupta the then finance minister of West Bengal to design a GST model. It was supposed to be implemented from 1st April 2010 under flagship of P Chidambaram the then finance minister of UPA government but due to political issues and conflicting interests of various stakeholders it did not come into force. In May 2016 the constitutional amendment bill for GST was passed by Lok Sabha and deadline of 1st April 2017 to implement GST was set by Arun Jaitley the finance minister of India. Finally the goods and service tax was launched at midnight on 1st July 2017.

## **Objectives of the Research Study**

The main objectives of present research paper are as follows :

1. To study and understand the concept of Goods and Services Tax (GST)
2. To study the Features and Advantages of Goods and Services Tax.

3. To examine the challenges and opportunities in Implementation of Goods and Services Tax

### **Research Methodology**

The present research study is basically based on secondary data. The said research study is an explanatory in nature. The secondary data is collected from various research journals, government reports, various websites and reference books on Goods and Services Tax, Commerce, Management, Economics, Banking and Taxation.

### **Conceptual Background**

New Article 366(12A) of the Indian Constitution, defines Goods and Services Tax to mean any tax on supply of goods or services or both except taxes on the supply of the alcoholic liquor for human consumption. New Article 366(26A) defines service to mean anything other than goods. Existing Article 366(12) defines goods to include all materials, commodities and articles. Goods and Services Tax in India is proposed to be the maiden REFORM in the existing indirect taxation structure. The proposed GST is a long pending and much awaited tax reform which India which is hoped to iron out the wrinkles in the existing indirect taxation system. This comprehensive tax policy is expected to be one of the most important contributor to the India growth story.

GST is meant to simplify the indirect tax regime of India by replacing a host of taxes by a single unified tax. GST is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST will bring a new dimension to the Indian economy by making a common market and reducing the cascading effect of tax on the cost of goods and services. It will affect the entire indirect tax system the tax structure, tax incidence, tax computation, compliance, input credit utilization and reporting procedures. India had adopted the dual system of GST as CGST and SGST.

The main features of GST are as under

1. The GST slabs have been set at 0%,5%,12%,18% and 28% for different goods and services.
2. GST would be applicable if there is an import of goods and services .

3. Pan card based identification number would be allotted to the taxpayer to facilitate tax payment and return.
4. All transactions on goods and services will be covered up except exempted goods and services.
5. Input credit can be claimed from respective department where GST paid, i.e. central GST paid on inputs can be claimed against central GST only and same for state.
6. Meaning of taxable person, taxable events, chargeability, measure to levy tax, etc would be same in CGST and SGST.
7. There are two segments of GST, one is central GST and other is state GST. Central GST will be paid to central government and state GST will be paid to respective state government Tax return to be filled separately to central government for CGST and state government for SGST.

### **Challenges of Goods and Service Tax**

#### **The challenges for implementing GST are as under**

1. The GST administration intends to keep petroleum products out of the ambit of GST, being petroleum products have been a major contributor of inflation in India.
2. Small traders are confused with the GST tax rate application and increasing cost of operations, as they are unable to afford the cost of computer and accounting staff for maintenance of record and filling of returns under GST.
3. Another principle ideology behind implementation of GST-one rate of tax is not possible in India due to, According to the 101st amendment in the constitution, Article 246 A states that parliament and legislative assembly can impose taxes on goods and services. Hence not only union government but also state government had power to have own GST rate. Article 279 A of the constitution states that GST council has only recommendatory powers, now it's up to state government to levy its own GST rate and distorts the entire GST uniformity rate system of the country.
4. The principle ideology behind implementation of GST-one country one tax is not suitable for India. Previously there were 32 taxes which include service tax, excise duty, sale tax and 29 state VAT taxes and after implementation of GST it comes to 31 taxes which

include IGST, CGST and 29 SGST which again bear complicated tax structure in the country and rebuts the principle of one country one tax.

5. Government had incorporated goods and services tax network(GSTN), which is responsible for developing GST portal to ensure services like GST registration, GST return filling, IGST settlement, etc. which requires robust IT network. It is widely known that India is in an embryonic stage as far as IT network connectivity is concerned.
6. Trained and skilled man power with updated GST subject knowledge are not easily available, this had created an additional work load on professionals across industry.
7. The telecommunication sector assumes a serious problem as on the one hand the government is initiating digital India and on the other hand telecom services is getting costlier as telecom services will attract GST tax rate of 18% which is 3% higher than the previous service tax rate, even when India's rural teledensity is not even 60%. [8,9]
8. It is true that a tax rate should be devised in accordance with the state's necessity of funds. Whenever states feel that they need to raise greater revenues to fund the increased expenditure, then, ideally, they should have power to decide how to increase the revenue.
9. It depends on the states and the union how they are going to make GST a simple one. Success of any tax reform policy or managerial measures depends on the inherent simplifications of the system, which leads to the high conformity with the administrative measures and policies.
10. The taxes that are generally included in GST would be excise duty, countervailing duty, cess, service tax, and state level VATs among others. Interestingly, there are numerous other states and union taxes that would be still out of GST.
11. There will two types of GST laws, one at a centre level called 'Central GST (CGST)' and the other one at the state level - 'State GST (SGST)'. As there seems to have different tax rates for goods and services at the Central Level and at the State Level, and further division based on necessary and other property based on the need, location geography and resources of each state.

### **Opportunities of Goods and Service Tax**

1. One of the great advantages that a taxpayer can expect from GST is elimination of multiplicity of taxation. The reduction in the number of taxation applicable in a chain of

transaction will help to clean up the current mess that is brought by existing indirect tax laws.

2. This will be the major contribution of GST for the business and commerce. At present, there are different state level and centre level indirect tax levies that are compulsory one after another on the supply chain till the time of its utilization.
3. It is one of the major problems that India is overwhelmed with. We cannot expect anything substantial unless there exists a political will to root it out. This will be a step towards corruption free Indian Revenue Service.
4. It is expected that the introduction of GST will increase the tax base but lowers down the tax rates and also removes the multiple point This, will lead to higher amount of revenue to both the states and the union.
5. Under GST mechanism, the cost of tax that consumers have to bear will be certain, and GST would reduce the average tax burdens on the consumers.
6. If government works in an efficient mode, it may be also possible that a single registration and single compliance will suffice for both SGST and CGST provided government produces effective IT infrastructure and integration of such infrastructure of states level with the union.

## **Conclusion**

GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. GST is leviable on all supply of goods and provision of services as well combination thereof. All sectors of economy whether the industry, business including Govt. departments and service sector shall have to bear impact of GST. All sections of economy viz., big, medium, small scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GST... One of the biggest taxation reforms in India – the Goods and Service Tax (GST) -- is all set to integrate State economies and boost overall growth. GST will create a single, unified Indian market to make the economy stronger. Experts say that GST is likely to improve tax collections and Boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions.

The government should study in depth the GST mechanism set up by different countries around the globe and also their fallouts before implementation. No doubt GST had simplified the existing indirect tax system and helps to overcome the cascading effect of tax

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