



Good and Services Tax

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Abstract

The implementation of GST would ensure that India provides a tax regime that is almost similar to the rest of world. It will also improve the International cost competitiveness of native Goods and Services GST will provide unbiased tax structure that is neutral to business processes and geographical locations. It will help to avoid distortions caused by present complex tax structure and will help in development of a common national market. The present research paper is an attempt to study the present tax structure in India and the relevance of goods and service tax in the tax structure.

Keywords: Good and Services Tax, Need, Advantages, Impacts

Introduction

There are multiple taxes in our country. But have you ever wondered, what does the term 'tax' means and why is it charged to us? In this introduction to taxation, we'll understand the concept of charging tax. Tax is a fee charged by a Government on a product, income or activity. Indian taxation consists of two types of taxes, i.e. Direct Tax and Indirect Tax.

Direct taxes are levied directly on the income or the wealth of a person, for example Income Tax. A direct tax is one whose burden cannot be shifted by the taxpayer to someone else. On the other hand, Indirect taxes are levied on the price of a good or service, e.g. Goods and Services Tax (GST) or Custom Duty. In the case of indirect taxes, the taxpayer is just a channel of paying tax to the government. At every stage the tax-incidence is passed on till it finally reaches the consumer, who really bears the burden of the tax.

The GST regime was implemented in India on 1 July 2017. This indirect tax replaced several taxes that were levied by the State and Central Government. GST (Goods and Services Tax) is a single indirect tax aimed at making the country a unified common market. It is imposed on the supply of goods and/or services within India. Multiple indirect taxes that the Central Government or State Governments impose on suppliers and consumers are subsumed by GST The taxes levied and collected by the Centre until 1 July 2017, that are subsumed by GST include Central Excise duty, Duties of Excise (medicinal and toilet preparations), Additional Duties of Excise (goods of special importance), Additional Duties of Excise (textile and textile products), Additional Duties of Customs, Special Additional Duties of Customs, Service Tax, and Central surcharges. The State taxes subsumed under GST include State VAT, Entry Tax, Central Sales Tax,



Entertainment and Amusement Tax, Luxury Tax, Purchase Tax, Taxes on advertisements, Taxes on gambling, betting and lotteries, and State surcharges. Relating to the supply of commodities and services.

Advantages of GST

1. GST will also help to build a transparent and corruption free tax administration.
2. Under the GST national market, this can be dispersed, creating opportunities for others. Investment boost as for many capital goods, input tax credit is not available.
3. Reduction in prices of goods and services due to elimination of cascading.
4. Uniform prices throughout the country.
5. Transparency in taxation system.

Need for GST Model in India

Following are the supporting reasons to adopt GST:

- A Present system allows for multiplicity of taxes, the introduction of GST is likely to rationalize it.
- Many areas of Services which are untaxed. After the introduction of GST they will also get covered.
- GST will help to avoid distortions caused by present complex tax structure and will help in development of a common national market.
- Existing taxes i.e. Excise, VAT, CST, Entry Tax have the cascading effects of taxes. Therefore, we end up in paying tax on tax. GST will replace existing taxes.
- GST will lead to credit availability on interstate purchases and reduction in compliance requirements.
- Introducing GST will do more than simply redistribute the tax burden from one sector or Group in the economy to another.
- Achieves, uniformity of taxes across the territory, regardless of place of manufacture or distribution.
- Provides, greater certainty and transparency of taxes.
- Ensure tax compliance across the country
- GST will avoid double taxation to some extent.
- The implementation of GST would ensure that India provides a tax regime that is almost similar to the rest of world. It will also improve the International cost competitiveness of native Goods and Services.
- GST will provide unbiased tax structure that is neutral to business processes and geographical locations.
- If the Goods and Service Tax is implemented in the true spirit, it will have many positives for the stakeholders and will lead to a better tax environment.

Impact of GST on Economy:

- Removal of bundled indirect taxes such as VAT, CST, Service Tax, Excise Duty etc. caused less tax compliance i.e. taxpayer has to comply only GST instead of too many



different acts hitherto.

- Removal of cascading effect of taxes, i.e. removal of tax on tax, For example Formerly VAT/CST was levied on cost of goods which was arrived at after addition of Excise Duty. Also service tax paid on services are not allowable as ITC while complying the VAT liability and as such service tax paid on service in production of goods liable to VAT was indirectly increasing the cost of Goods. On the other hand VAT paid on goods purchased for providing any service was not allowable as ITC while fulfilling the liability of Service Tax and it will also indirectly increase the cost of services. However in the GST regime, any tax paid on goods is allowable as ITC while discharging the liability of GST on Service and vice versa. Thus GST has removed cascading effects of tax.
- Easy compliance - Formerly a particular entity providing both goods and services have to comply both VAT and Service Tax Act separately. However as under GST both goods and services are taxable on 'one roof Compliance, compliance of more than one act at a time is eliminated.
- Cost effective - ITC of all tax paid on all expenses/services, which are incurred in the furtherance of business, is allowable to the tax payer. This is affecting to minimize the cost of production as tax paid on raw material and expenses are not forming part of cost of finished goods.
- Hassel free transportation formerly a tax regime had created too many hassles for transportation sector. The long queues at checkpoints and inter-state entry points have caused vehicles to stand idle for long periods of time adding labor and fuel cost. Under GST the old CST on interstate sale was replaced by IGST which composed of CGST and SGST and is collected by the Central Government. As the removal of border and check post, taxes made state boundaries less significant under GST regime, both the delay and transportation cost has been reduced.

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