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## A STUDY OF GOODS AND SERVICE TAX

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### **ABSTRACT-**

Goods and Service Tax (GST) is an indirect tax (or consumption tax) levied in India on the supply of goods and services. GST is levied at every step in the production process, but is refunded to all parties in the chain of production other than the final consumer. The tax came into effect from July 1, 2017 through the implementation of One Hundred and First Amendment of the Constitution of India by the Indian government. The tax replaced existing multiple cascading taxes levied by the central and state governments. Present paper aims to study the research which has been conducted on current topic till now so that the researchers can make an insight on what have been done till now.

### **INTRODUCTION –**

GST is known as the Goods and Services Tax. It is an indirect tax which has replaced many indirect taxes in India such as the excise duty, VAT, services tax, etc. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017 and came into effect on 1st July 2017. GST is the most ambitious and remarkable indirect tax reform in India's post-Independence history. Its objective is to levy a single national uniform tax across India on all goods and services. GST has replaced a number of Central and State taxes, made India more of a national integrated market, and brought more producers into the tax net. By improving efficiency, it can add substantially to growth as well as government finances. Implementing a new tax, encompassing both goods and services, by the Centre and the States in a large and complex federal system, is perhaps unprecedented in modern global tax history. GST is a tax on goods and services with comprehensive and continuous chain of set-off benefits up to the retailer level. It is essentially a tax only on value addition at each stage, and a supplier at each stage is permitted to set-off, through a tax credit mechanism, the GST paid on the purchase of goods and services. Ultimately, the burden of GST is borne by the end-user (i.e. final consumer) of the commodity/service.

### **KEYWORD-**

VAT, CENVAT, CGST, SGST and IGST, Amendment, Consumption tax, constitution, cascading, levied.

### **OBJECTIVES-**

- (1) To study the concept and scope of Goods and Service Tax
- (2) To study To Impact of how GST will work in India.
- (3) To study the advantages and challenges of GST in Indian context.
- (4)To study Better tax management

### **SCOPE OF STUDY-**



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GST is levied on every transaction of supply of goods & services except the exempted goods & services, Goods which are outside the purview of GST and transactions below the prescribed threshold limits.

Alcoholic Liquor for human consumption & Electricity is outside the purview of GST.

GST is not levied on Petroleum crude, high speed diesel, motor spirit (Petrol), Natural Gas & Aviation Turbine Fuel presently. The GST Council will recommend the date on which the GST would be levied on these goods

### **POSITIVE IMPACTS OF GST IN INDIA:**

1. GST is a single taxation system that will reduce the number of indirect taxes. From now a single taxation term

Would cover of all of these indirect taxes.

2. It includes all indirect taxes under a single roof at the central and state level which reduce the burden from the state

And central government.

3. By improving the cost competition of goods and service GST has freed the manufacturing sector from cascading

Effect (i.e., Tax on tax) of taxes.

4. A business friendly environment has been created by increasing tax-GDP ratio and inflation rate would come down.

5. GST would introduce corruption free taxation system.

6. Manufacturing cost will be reduced, hence prices of consumer goods likely to come down.

7. A unified tax regime will lead to less corruption which will indirectly effect the common people.

8. In the long run GST will add to the government revenue thus providing a boost to the Indian economy.



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## NEGATIVE IMPACTS OF GST IN INDIA:

1. The Real estate market was affected badly by the introduction of GST.
2. Most of the dealers don't pay central excise tax by simply giving the VAT. But all of those dealers would now be forced to pay GST.
3. The short term impact of GST is expected to be negative for broader economy.
4. GST is mystifying term where double tax is changed in the name of single tax.
5. For consumer GST will be a mixed vegetable ingredients bag as some goods become cheaper while others will be expensive.
6. Service like Telecom, Banking, and Airline etc will become expensive.
7. For imposing of GST online shopping will be more expensive.
8. If seller increases his profit margin the prices of goods can also see a rising trend.
9. The final consumer will bear only the GST charged by the last dealer in the supply chain and it helps uniformity of tax rates across the states in India.
9. Only the centre may levy and collect GST on supplies in the course of interstate trade of companies.

## Research Methodology-

This is a descriptive cum conceptual research paper, which studies the concept and framework of GST based on past literature, books, journal, magazines, research papers and articles etc. The study is based on secondary sources of data or information. Different books, newspapers and relevant websites, Govt. Publications and research papers, have been consulted in order to make the study effective one.

Goods and repair Tax (GST) is a revenue enhancement levied in India on the sale of products and services. Goods and services are divided into five tax slabs for collection of tax - 0%, 5%, 12%, 18% and 28%. Petroleum products and alcoholic drinks are taxed separately by the individual state governments.

## LITERATURE REVIEW-

The literature review covers many areas such as : Consumption tax, constitution, cascading, VAT, CGST, SGST, IGST etc.

## ADVANTAGES-

1. GST has brought together a number of indirect taxes under one umbrella, simplifying taxation for services and commodity businesses.
2. GST is aimed at reducing corruption and sales without receipts.
3. GST reduces the need for small companies to comply with excise ,services, VAT.
4. GST brings accountability and regulation to unorganised sectors such as textile industry.



## CHALLENGES –

GST or Goods and Service Tax is a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India, to replace taxes levied by the central and state governments. Goods and Service Tax was introduced as The Constitution (One Hundred and First Amendment) Act 2016, following the passage of Constitution 122nd Amendment Bill. GST will be the biggest reform in Indian taxation since 1947, but various challenges has been estimated for its successful implementation.

### Major challenges for GST –

- **Consent of States:** For implementing it is critical that GST bill is passed by the respective state Governments in state assemblies so as to bring majority. This is a herculean task.
- **Revenue Neutral Rate (RNR):** It is one of Prominent Factor for its success. We know that in GST regime, the government revenue would not be the same as compared to the current system. Hence, through RNR Government is to ensure that its revenue remains the same despite of giving tax credits.
- **Threshold Limit in GST:** While achieving broad based tax structure under GST, Both empowered committee and Central Government must ensure that lowering of threshold limit should not be a “taxing” burden on small businessmen in the country
- **Robust IT Network:** Government has already incorporated Goods and service tax network (GSTN). GSTN has to develop GST portal which ensure technology support for registration, return filing, tax payments, IGST settlements etc. Thus there should be a robust IT backbone
- **Extensive Training to Tax Administration Staff:** GST is absolutely different from existing system. It, therefore, requires that tax administration staff at both Centre and state to be trained properly in terms of concept, legislation and Procedure.
- **Numbers of enactments of statutes:** 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.
- **Additional Levy on GST:** The Purpose of additional Levy is to compensate states for loss of revenue while moving to GST. We acknowledge that fundamental purpose of GST is to make “INDIA” as one state where inter-state movement of goods is common. In this situation, it would defeat the very purpose of GST in the country.
- **Clubbing Taxes:** The biggest challenge of GST implementation is bringing all the indirect taxes under one roof, which is the biggest feature of GST. There has been opposition asking to including purchase tax by a few states. Other states are reluctant about alcohol, tobacco products coming under GST. This is due to the fact that a major chunk of state revenue is derived from these products.



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- **Statutory Requirements:** As the imposition of GST will be delegated to both state and central government, the constitution has to grant powers to both through an amendment. It is seen as a difficult task as the law expects at least two-thirds majority from the members of the parliament and that isn't easy given the current political scenario of the country.
  - **Make-shift Arrangements:** State governments are demanding compensation from the central government as they foresee a major dent in the revenue due to CST losses. This is asked for the first 5 years after the implementation of GST, for which the central government has agreed to 3 years. A final conclusion is yet to be drawn.
  - **Framework For Tax Disputes:** There has to be a uniform legal procedure for tax disputes and litigations to avoid any confusion.
  - **Defining Inter-State Transactions:** With the transportation services available everywhere, the place of sale and consumption may not be the same. This makes it difficult to go forward with revenue allocation. Hence, it becomes important to define procedures to tackle such problems.
  - **Infrastructure For The Collection Process:** Proper infrastructure has to be designed to track the movement of goods and services between states, collection and monitoring revenue, identify defaulters etc.
  - **Determining GST Rates:** This is a major step in ensuring the success of GST. Arriving at rates which are conducive to both the government and public is will be a daunting task.

## FINDINGS –

One Nation, One Tax: GST replaced multiple indirect taxes levied by the Central and State Governments, such as excise duty, service tax, value-added tax (VAT), and others. It brought uniformity in the tax structure across India, eliminating the cascading effect of taxes.

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