

GST OR GOODS AND SERVICES TAX

5.1 HISTORY OF GST IN INDIA

The implementation of the Goods and Services Tax (GST) in India was a historical move, as it marked a significant indirect tax reform in the country. The amalgamation of a large number of taxes (levied at a central and state level) into a single tax is expected to have big advantages.

One of the most important benefits of the move is the mitigation of double taxation or the elimination of the cascading effect of taxation. The initiative is now paving the way for a common national market. Indian goods are also expected to be more competitive in international and domestic markets post GST implementation.

From the viewpoint of the consumer, there would be a marked reduction in the overall tax burden that is currently in the range of 25% to 30%. The GST, due to its self-policing and transparent nature, is also easier to administer on an overall scale.

When did GST start?

Several countries have already established the Goods and Services Tax. In Australia, the system was introduced in 2000 to replace the Federal Wholesale Tax. GST was implemented in New Zealand in 1986. A hidden Manufacturer's Sales Tax was replaced by GST in Canada, in the year 1991. In Singapore, GST was implemented in 1994. GST is a value-added tax in Malaysia that came into effect in 2015.

- Eliminates the multiplicity of taxes and their cascading effects
- Rationalizes the tax structure and simplifies compliance procedures
- Automates compliance procedures to reduce errors and increase efficiency
- **Dual GST:-** Many countries in the world have a single unified GST system i.e. a single tax applicable throughout the country. However, in federal countries like Brazil and Canada, a dual GST system is prevalent whereby GST is levied by both the federal and state or provincial governments. In India, a dual GST is proposed whereby a Central Goods and Services Tax (CGST) and a State Goods and Services Tax (SGST) will be levied on the taxable value of every transaction of supply of goods and services.
- **Benefits of Dual GST:-** The Dual GST is expected to be a simple and transparent tax with one or two CGST and SGST rates. The dual GST is expected to result in:-
 - Reduction in the number of taxes at the Central and State level
 - Decrease in effective tax rate for many goods
 - Removal of the current cascading effect of taxes
 - Reduction of transaction costs of the taxpayers through simplified tax compliance
 - Increased tax collections due to wider tax base and better compliance

5.4 NEED OF GST IN INDIA

There are various taxes that have to pay at every stage and differently collected by State and Central Government and rates differ from one state to another. If we talk about GST, it will be imposed. Imposing several taxes on goods and services can lead to high cost and inefficient tax structure which can subject to shirking and revenue disclosures. The need for GST in Indian Taxation System will add value at each stage and will set off the rates both at the State and at Central level. Introducing GST, will increase the efficiency of taxation, improves the economic growth and it will bring whole nation to one national market.

Following are some of the points that can easily explain the need for GST:-

- **Tax Structure will be Simple:-** At present, there are huge number of taxes that has to be paid by consumers, with GST it will single tax to pay, which is much easier to understand. For businesses, accounting complexities will reduce and results less paperwork, which will save both time and money. GST will increase economic GDP by 2%-2.5%.
- **Tax revenue will increase:** Simple tax structure will bring more tax payers and in return it will be revenue for government.
- **Competitive pricing:** What GST will do? Well, it will eliminate all other taxes of indirect taxes and this will effectively mean that tax amount paid by end users (consumers) will reduce. As in Economics, lower will the prices, more will be demand for that product, results in more consumption of goods, which will be benefited to companies.
- **Boost to exports:** If Indian market will be competitive in pricing, then more and more foreign players will try to enter the market, which will result in more number of exporters

5.5 ADVANTAGES OF GST

1) Uniformity in Taxation

The objective of GST is to drive India towards becoming an integrated economy by charging uniform tax rates and eliminating economic barriers, thereby making the country a common national market. The subsuming of the aforementioned State and Central indirect taxes into just one tax also provide a major lift to the Government's 'Make in India' campaign, as goods that are produced or supplied in the country will be competitive not only in national markets, but in the international ones as well. Moreover, IGST (Integrated Goods and Services Tax) will be levied on all imported goods. IGST will be equal to State GST + Central GST, more or less, thus bringing uniformity in taxation on both local as well as imported goods.

2) Helping Government Revenue Find Buoyancy

GST is forecasted to help the Government Revenue find buoyancy by expanding the tax base whilst enhancing the taxpayer compliance. The reform is also expected to improve the country's ranking so far as the 'Ease of Doing Business Index' is concerned. To add to it, it is also estimated to enhance the GDP by 1.5% - 2%.

3) Cascading of Taxes

The cascading of taxes will be prevented by GST as the whole supply chain will get all-inclusive input tax credit mechanism. Business operations can be streamlined at each stage of supply thanks to the seamless accessibility to input tax credit across products or services.

4) Simpler and Lesser Number of Compliances

Compliance will be simpler through the harmonization of tax rates, procedures, and laws. Synergies and efficiencies are expected across the board. Thanks to common formats/formats, common definitions, and common interface via the GST portal. Inter-state disputes such as those on e-commerce taxation and entry tax that currently prevail will no longer cause concerns, while multiple taxation on the same transactions will also be removed. Compliance costs will also reduce as a result.

The previous tax regime had service tax and VAT, and they both had their own compliances and returns. GST will merge them and lower the number of returns as well as the time spent on compliances. GST has around 11 returns under it. Four of them are basic returns that are applicable to all taxable entities under GST. Although the number of returns could increase, the main GST return shall be manually populated, while GSTR-2, GSTR-3, AND GSTR-4 shall be auto-populated.

5) Common Procedures

The procedures for refund of taxes and registration of taxpayers will be common, while the formats of tax return will be uniform. The tax base will also be common, as will the system of assortment of products or services in addition to the timelines for each activity, thereby ensuring that taxation systems have greater certainty.

Common Portal

Since technology will be used heavily to drive GST, taxpayers will have a common portal (GSTN). The procedures for different processes like registration, tax payments, refunds, claims, payment of taxes, or even registration, all processes will be done online via GSTN. The verification of input tax credit will be done online too, and input tax credit across the country will be matched electronically, thereby turning the process into an accountable and transparent one. As a result, the process will also be much quicker since the taxpayer will not have to interact with the tax administration.

6) Lowered Tax Burden on Industry and Trade

The average tax burden on industry and trade is expected to lower because of GST, resulting in a the reduction of prices and increased consumption, which will eventually increase production and ultimately enhance the development of various industries. Domestic demand is set to increase and local businesses will have greater opportunities, thus generating more jobs within the country.

7) Regulation of Unorganised Industries

Certain sectors in the country, such as textile and construction, are highly unorganised and unregulated. GST aims to ensure that payments and compliances are done online, and input credit can only be availed when the supplier accepts the amount, thus ensuring that these industries have regulation and accountability.

8) Composition Scheme

Small businesses can find respite from tax burdens through the composition scheme. Small businesses that earn turnovers ranging from Rs.20 lakh to Rs.50 lakh will be subject to lower taxes.

These are some of the main benefits offered by GST. In the following sections we shall take a brief look at the advantages of the regime to the common man, the economy, and industry and trade.