

GST in India- A Comprehensive Tax Reform

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Abstract

This paper presents an overview of concept of GST and explains its benefits along with its impact on the people/consumer in India. GST can be considered as one of the biggest taxation reforms in India. Earlier, the companies and businesses were paying a lot of indirect taxes such as VAT, service tax, sales tax, entertainment tax, octroi and luxury tax. But after the implementation of GST, taxes are levied at the final point of consumption and not at the manufacturing stage, which has eliminated the cascading effect of tax. The seamless 'tax-credits system' has reduced the hidden costs of doing the business. Overall, due to these benefits, it helps in reducing and maintaining the uniformity in the price of goods and services throughout the nation, which is in turn, is beneficial for the end users/consumers. Also, as GST works on the advanced IT platform so, it is even more simpler and easier to administer it as compared to all the other previous indirect taxes of the Centre and State.

GST would give India a world-class tax system and improve the tax collection system. It will help in ending the distortions of differential treatments of manufacturing and service sector. It is expected to

create a business and consumer-friendly environment. It will also improve the government's fiscal health as tax collection system would become more transparent, making the tax evasion even more difficult, which is in turn, is really good for the growth of India's economy in long-term.

Keywords: Goods and Service Tax (GST), India, Indirect tax, Excise duty, VAT, Tax.

I. INTRODUCTION

Goods and Services Tax (GST) is an indirect tax on the sale of goods and services for the whole nation (India), which will, in turn, make India one unified common market (Fig. 1). It is a single tax which is levied on the supply of goods and services (except for the exempted goods and services), right from the manufacturer to the consumer.

GST came into effect from July 1, 2017, and it replaced the existing multiple cascading taxes levied by the central and state governments. Goods and Services Tax Council governs the tax rates, rules and regulations, this council comprises of finance ministers of centre and all the states.



Fig.1 GST- Single Tax to Promote Indian Trade and Industry

GST is divided into four tax slabs i.e 5%, 12%,18% and 28% (Fig. 2). Alcoholic drinks and petroleum products are taxed separately by each individual state governments. A special rate of 0.25% is charged on rough precious and semi-precious

stones and 3% rate is applicable on gold. On few items like aerated drinks, tobacco products and luxury cars in addition to 22%, cess and other rates are also applicable on top of 28% GST.

Input tax credits paid at each and every stage will be available in the resulting stages of value addition, which makes GST a tax only on value addition at each stage.

The goods and Services tax as mentioned above is an indirect tax in which only final consumer will bear tax charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.



Fig. 2 Different GST slabs (Note: items mentioned under different slabs are just for reference and not the complete list)

II. TAXES UNDER GST

A. *Under GST, there are three types of taxes as follows: (Fig: 3)*

B. *SGST- State GST*

SGST is a tax that is levied by the State Government on the Intra State movement of goods and services. And it is governed by the SGST Act.

C. *CGST- Centre GST*

CGST is a tax that is levied by the Central Government on the Intra State movement of goods and services. And it is governed by the CGST Act.

D. *IGST- Integrated GST*

IGST is a tax that is levied on all the Inter-State supplies of goods and services and is governed by the IGST Act.

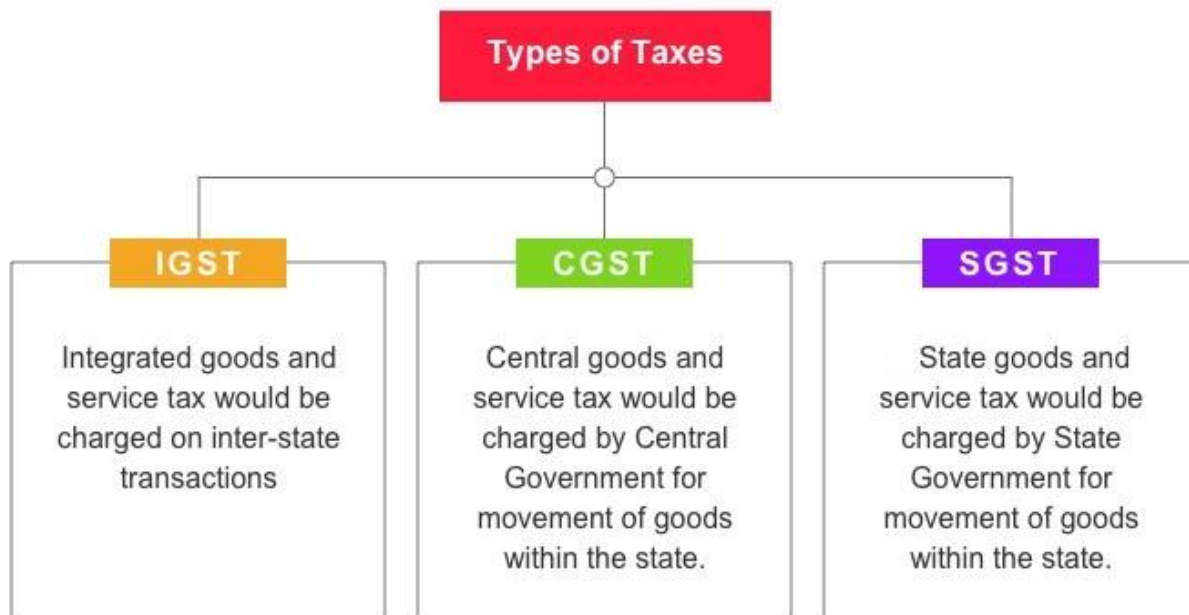


Fig. 3 Taxes under GST

III. BENEFITS OF GST: (Fig. 4)



Fig. 4 Benefits of GST

A. Benefits for the ordinary consumers

B. For consumers, GST will help bring in the following benefits-

1) **Reduced Prices Of Goods And Services**

GST helps to remove "tax on tax" or the cascading effect of tax, as the Input Tax Credit (ITC) is available for all goods and services at each and

every stage of the supply chain thus, the overall cost of goods go down. And as a result, the reduced prices of goods and services will be there for the final consumers. Also, the post-GST tax rate on most products and services are lower than pre-GST.

2) **Uniformity in price throughout the country**



Fig. 5 GST- Single tax replaced multiple levies of Centre and States

As GST is ONE NATION ONE TAX, there is uniformity in the price for all the goods and services throughout the nation. In the previous tax regime, we had State Value Added Tax (VAT) which was levied on the sale of goods (Fig. 5). As the rate of tax differs from one state another, due to this variation in prices occurred. Also, certain taxes and duties (eg. entry tax) was levied only in certain states.

3) *Simpler Tax System*

B). Benefits for the Business (Fig. 6)

1. *Ease of registration for new businesses*

Any new business in India needs to have a VAT registration from the sales tax department. A business operating in many states has to face a lot of issues and difficulties regarding the different procedures and fees in each state. GST has brought about a

As GST is digital and online, it will increase the level of trustworthiness and the transparency of the consumer on businesses and tax administrators.

4) *Better accessibility of goods and services*

As all the goods and services are charged at one tax rate across the nation, the consumer does not need to travel across the states to make purchases for the purpose of saving tax. Further, the online shopping companies are planning their operations in a way to reduce the lead time, and deliver the products to the final consumers as soon as possible.

uniformity in the process and centralised registration that has made starting a business and expanding in different states much simpler.

2. *No overlapping or cascading effect of taxes*

GST has eliminated the cascading effect of tax. Also, this system of seamless 'tax-credits' has reduced the hidden costs of doing business.



Fig. 6 Benefits of GST for the business

3. Gain to exporters and manufacturers

Because of GST, the central and state taxes would go away and input tax credits (ITC) is available. So, as a result, the cost of Indian industry will be reduced which in turn will make India more competitive in the global market and will also help in boosting India's exports.

4. Simple and easy online procedure

GST has simplified the process by integrating all taxes, making the process of paying tax simpler also the number of compliances is lesser under GST which will lead to reduced errors and increase in efficiency.

5. Improved efficiency of logistics with reduced cost and time

After GST interstate movement has become easier as before GST many transport vehicles get delayed during the movement across states due to small border tax and check post issues and difficulties. Interstate movement has become cheaper and lesser time consuming, as these taxes have been eliminated. The whole Indian market has been opened up for manufacturers as interstate supply become tax-neutral.

6. Improved competitiveness

Transaction costs of doing the business have been reduced after GST, as a result, the competitiveness of the trade and industry has improved.

Also, GST helps those businesses which have been paying right taxes. Since GST will minimize the tax evasion, the good business, as a result, will become more competitive.

C. Benefits for the central and state governments

1) Simple and easy to administer

GST has replaced multiple indirect taxes at the central and state levels. And it works on Advanced IT platform which has made it simpler and easier to administer it as compared to all the other indirect taxes of the Centre and State. All the management of GST is being handled by the Goods and Services Tax Network (GSTN).

2) Better control on leakage

As GST works on advanced IT platform, it's difficult to evade GST, as a result, there will be better control on leakage.

3) Higher revenue efficiency

With GST the cost of tax collection is expected to decrease as a result it will lead to higher revenue efficiency.

IV. OBJECTIVES OF THE STUDY

- To study the impact GST implementation on people/ consumer
- To cognize the concept and advantages of GST
- Research Methodology:
- Research Type: Descriptive Research
- Sampling Technique: Stratified Sampling
- Sample Size: 50
- Data Collection: Data is collected through primary as well as secondary sources.

Primary data is collected in the form of questionnaire survey method. Secondary data is collected from various references as mentioned below.

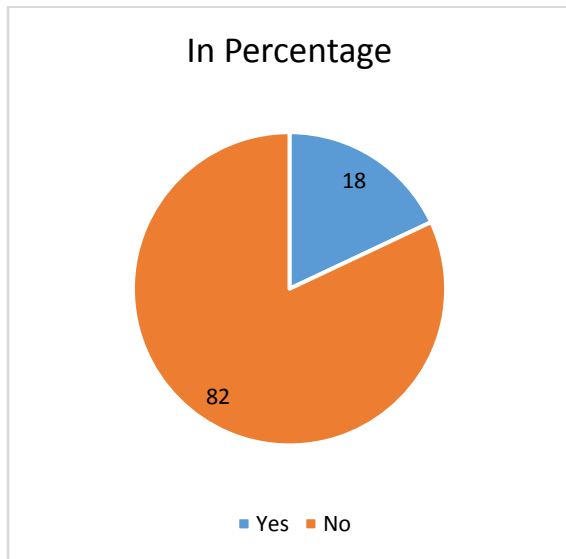
An attempt has been made to study the impact of GST implementation on Delhi people/ consumer. Target population selected comprises of educated people/ consumer and business professionals of an urban area only. The study is undertaken by using stratified sampling in which population strata is divided according to gender, age, occupation. For the collection of data, a questionnaire was designed keeping in mind the objectives of the research.

V. DATA ANALYSIS AND INTERPRETATION

VARIABLES	PERCENTAGE
GENDER:	
Male	42
Female	58
AGE:	
15-20	10
20-25	12
25-30	40
30-35	26
35-40	Nil
40-45	Nil
45-50	8
50-55	4

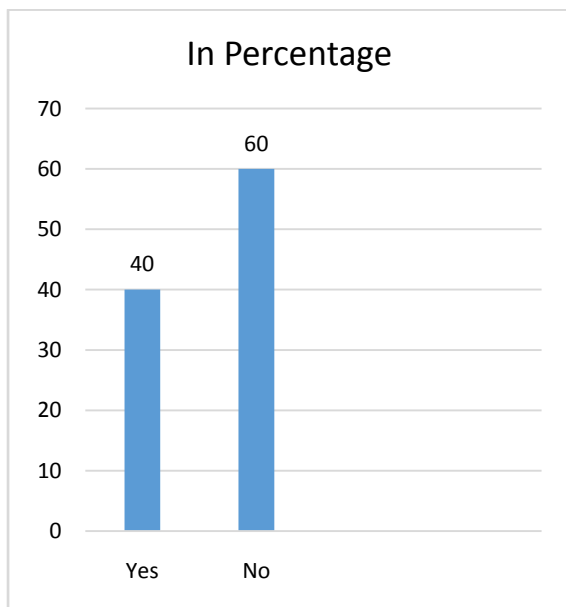
Question no 1. Do you think implementing GST has resulted into higher price of goods and service?

Yes	18
No	82



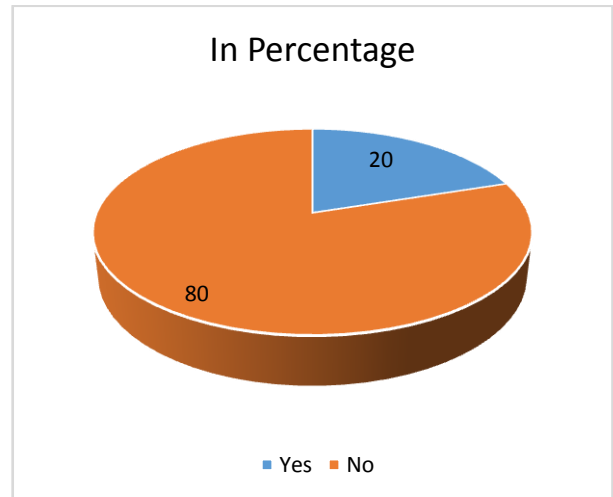
Question no 2. Do you think GST will increase the burden on people/consumer?

Yes	40
No	60



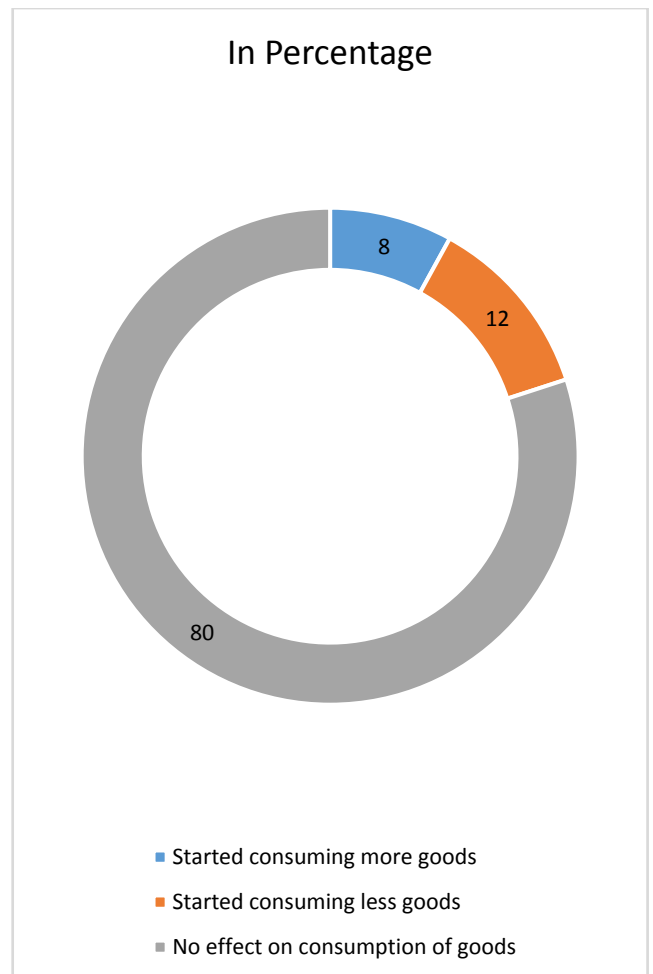
Question no 3. Has GST influenced your consumption behaviour?

Yes	20
No	80



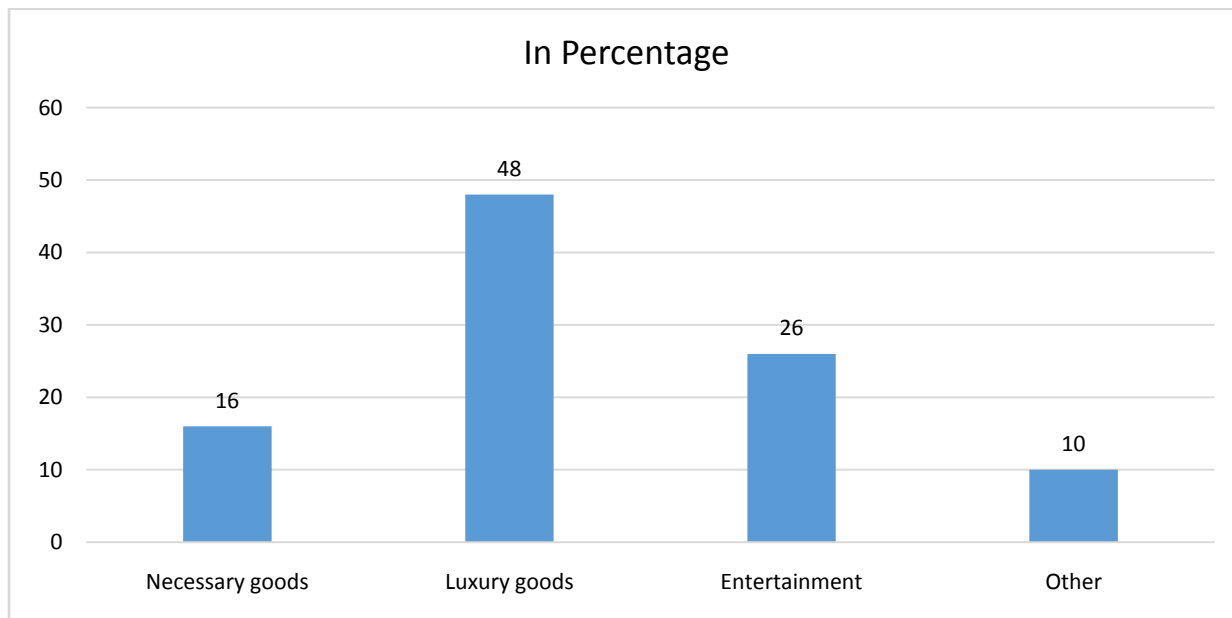
Question no 4. How GST has affected your consumption behaviour?

Started consuming more goods	8
Started consuming less goods	12
No effect on consumption of goods	80



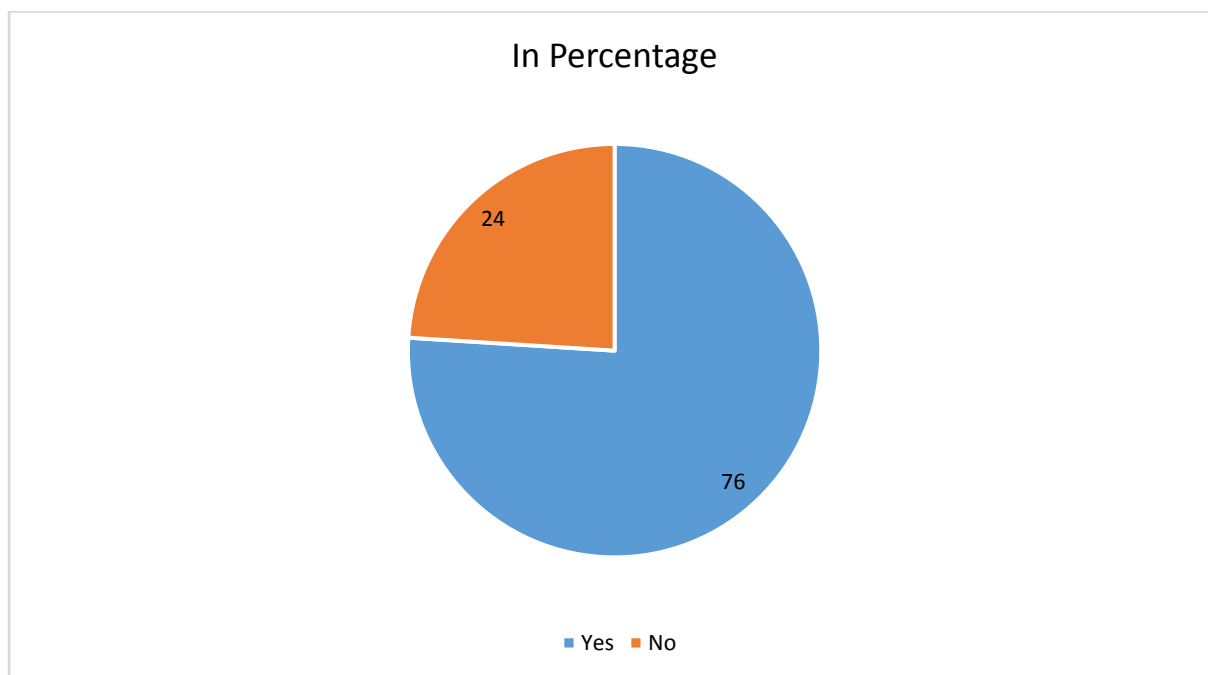
Question no 5. What kind of expenditure has been affected most by GST?

Necessary goods	16
Luxury goods	48
Entertainment	26
Other	10



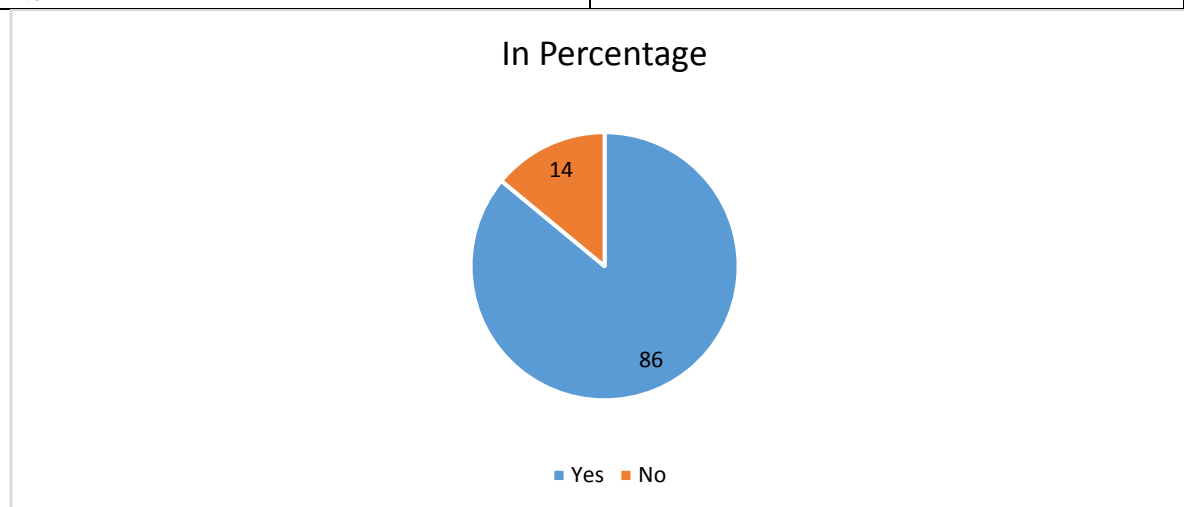
Question no 6. Are you aware about all the GST slab rates?

Yes	76
No	24



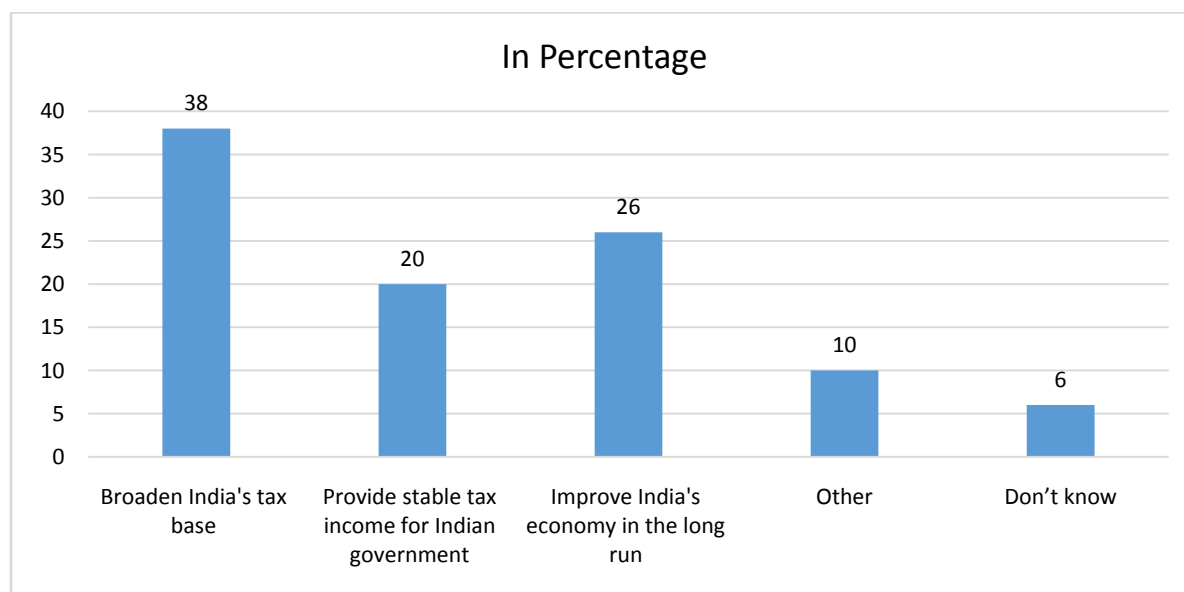
Question no 7. Do you support GST?

Yes	86
No	14



Question no 8. Why do you support GST?

Broaden India's tax base	38
Provide stable tax income for Indian government	20
Improve India's economy in the long run	26
Other	10
Don't know	6



VI. FACTS AND FINDINGS

- According to the survey, the results are as follows:
- Most consumers agreed that implementation of GST has not resulted into higher prices of goods and services.
- Additionally, most of the consumers agreed that GST has not resulted into increased burden on them.
- The buying behavior of consumer has also not been influenced and affected by the GST.

- After the implementation of GST, the consumption of luxury goods has been impacted the most as because of GST luxury goods price have been increased.
- Most of consumers were aware about the different GST slab rates.
- Most of the consumers supported GST as it will result into broadening India's tax base, will provide stable tax income for the Indian government and moreover it will improve India's economy in the long run.

VII. CONCLUSION

GST can be considered as one of the biggest tax reform in India. It is a single national uniform tax levied across India on all goods and services. It has eliminated all the indirect taxes such as excise duty, octroi, central sales tax (CST) and value-added tax (VAT) etc.

GST has brought a corruption-free and transparent tax administration, and it will also help in removing the shortcomings in the previous indirect tax structure. It is also expected to bring about transparency and efficiency in the indirect tax mechanism in India.

GST will greatly help in removing the economic distortions which have been caused by the previous complex tax structure and it will help in the development of a common national market.

GST will allow India to negotiate better in terms of the international trade forums. GST aims at broadening the tax base by bringing SMEs and the unorganized sector under its compliance. This will, in turn, make the Indian market more stable than before and the Indian companies can compete with the foreign companies.

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