A Conceptual Study On One Nation, One Tax And One Market.

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ABSTRACT

All the necessary steps are being taken for the effective implementation of much-awaited Goods and Services Tax (GST) from April 2017 in India. GST will eradicate 17 indirect taxes and as a result the Indian economy will get a major push as many economists have predicted a 1.5 - 2 per cent boost for the country's GDP. Apart from manufacturing sector, logistics, warehousing and even the common man will benefit from the amendment. GST will be beneficial to the Centre, states, industrialists, manufacturers, the common man and the country at large since it will bring more transparency, better compliance, an increase in GDP growth and revenue collections. Thus, GST has been a hot topic of discussion everywhere in India. Therefore, we need to be aware of different aspects of GST. In this connection, this paper is an outcome of an explanatory research which is based on secondary data to understand the concept of GST and its mode of operation. This paper will also focus on the impacts of GST and problem associated with the implementation of GST in India.

Keywords— *CGST, Goods and Services Tax (GST), Indirect Tax, SGST and Supply Chain*

INTRODUCTION

The word 'Tax' is derived from Latin word 'Taxare' which means 'To Estimate'. A tax is an enforced contribution, exacted pursuant to legislative authority. Taxation System in India includes both Direct and Indirect Tax. Goods and Services Tax (GST) is one of the most debated Indirect Taxation reforms. GST is a comprehensive tax regime levied on manufacture, sales and consumption of goods and services. It is expected to bring about 2% incremental GDP growth of the country. Therefore, the introduction of GST would be a substantial step in the reform of indirect taxation in India. Merging several Central and State taxes into a single tax would diminish cascading or double taxation, facilitating a common national market. The simplicity of the tax would lead to easier administration and enforcement. From the consumer point of view, the major advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25% - 30%, free movement of goods from one state to another without stopping at state borders for hours for payment of state-tax or entry-tax and reduction in paperwork to a large extent.

Meaning-GST:

GST is one indirect tax for the whole nation, which will make India one unified common market.GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

The benefits of GST:

Business and industry

Easy compliance: A robust and comprehensive IT system would be the foundation of the GST regime in India.

Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.

Uniformity of tax rates and structures: GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.

Removal of cascading: A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading oftaxes. This would reduce hidden costs of doing business.

Improved competitiveness: Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry.

Gain to manufacturers and exporters: The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.

For Central and State Governments

TAX PLAN 2017:

Simple and easy to administer: Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.

Better controls on leakage: GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an inbuilt mechanism in the design of GST that would incentivize tax compliance by traders.

Higher revenue efficiency: GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.

For the consumer

Single and transparent tax proportionate to the value of goods and services: Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.

Relief in overall tax burden: Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers.

For Men Below 60 Years Of Age

Income Tax Slab	Income Tax Rate
Income upto Rs. 2,50,000	Nil
Income between Rs. 2,50,001 - Rs. 500,000	10% of Income exceeding Rs. 2,50,000
Income between Rs. 500,001 - Rs. 10,00,000	20% of Income exceeding Rs. 5,00,000
Income above Rs. 10,00,000	30% of Income exceeding Rs. 10,00,000

For Women Below 60 Years Of Age

Income Tax Slab	Income Tax Rate
Income upto Rs. 2,50,000	Nil
Income between Rs. 2,50,001 - Rs. 500,000	10% of Income exceeding Rs. 2,50,000
Income between Rs. 500,001 - Rs. 10,00,000	20% of Income exceeding Rs. 5,00,000
Income above Rs. 10,00,000	30% of Income exceeding Rs. 10,00,000

For Senior Citizens (Age 60 years or more but less than 80 years)

Income Tax Slab	Income Tax Rate
Income upto Rs. 3,00,000	Nil
Income between Rs. 3,00,001 - Rs. 500,000	10% of Income exceeding Rs. 3,00,000
Income between Rs. 500,001 - Rs. 10,00,000	20% of Income exceeding Rs. 5,00,000
Income above Rs. 10,00,000	30% of Income exceeding Rs. 10,00,000

For Senior Citizens (Age 80 years or more)

Income Tax Slab	Income Tax Rate
Income upto Rs. 5,00,000	Nil
Income between Rs. 500,001 - Rs. 10,00,000	20% of Income exceeding Rs. 5,00,000
Income above Rs. 10,00,000	30% of Income exceeding Rs. 10,00,000

Hindu Undivided Families (HUF)

Income Tax Slab	Income Tax Slab Rate
Up to Rs.2,50,000	Nil
Rs.2,50,000 to Rs.5,00,000	10% Income exceeding Rs. 2,50,000
Rs.5,00,000 to Rs.10,00,000	20% Income exceeding Rs. 5,00,000
Over Rs.10,00,000	30% Income exceeding Rs. 10,00,000

Legal Entities Registered as Associations of Persons

Income Tax Slab	Income Tax Slab Rate
Up to Rs.2,50,000	Nil
Rs.2,50,000 to Rs.5,00,000	10% Income exceeding Rs. 2,50,000
Rs.5,00,000 to Rs.10,00,000	20% Income exceeding Rs. 5,00,000
Over Rs.10,00,000	30% Income exceeding Rs. 10,00,000

Legal Entities Registered as Bodies of Individuals

Income Tax Slab	Income Tax Slab Rate
Up to Rs.2,50,000	Nil
Rs.2,50,000 to Rs.5,00,000	10% Income exceeding Rs. 2,50,000
Rs.5,00,000 to Rs.10,00,000	20% Income exceeding Rs. 5,00,000
Over Rs.10,00,000	30% Income exceeding Rs. 10,00,000

Partnership Firms

Partnership Firms and LLPs (Limited Liability Partnerships) are to be taxed at the rate of 30%

Local Authorities

Local Authorities are to be taxed at the rate of 30%.

Domestic Companies

Domestic Companies are to be taxed at the rate of 30%

Co-operative Societies

Income Tax Slab	Income Tax Slab Rate
Up to Rs.10,000	10% Income
Rs.10,000 to Rs 20,000	20% Income exceeding Rs. 10,000

Also,

Surcharge:

- 2% of the income tax amount (If income is greater than Rs.1,00,00,000/-)
- 5% of the income tax amount. Subject to marginal relief (If income is greater than Rs.10,00,00,000/-)

Education Cess: 2% extra (charged on the amount of income tax + surcharge being paid)

Secondary and Higher Education Cess: 1% extra (charged on the amount of income tax + surcharge being paid)

Positive Impact of GST:

- A unified tax system removing a bundle of indirect taxes like VAT, CST, Service tax, CAD, Excise etc.
- A simplified tax policy as compared to earlier tax structure.
- Tax evasion will become difficult.
- Removes cascading effect of taxes (i.e) removes tax on tax.
- Due to lower burden of taxes on the manufacturing sector, the manufacturing costs will be reduced, hence prices of consumer goods likely to come down.
- Due to reduced costs, some products like cars, FMCG etc. will become low-priced.
- This will help in lowering the burden on the common man (i.e) you will have to spend less money to buy the same products which were earlier costly.
- The low prices will further lead to an increase in the demand of goods.
- Increased demand will lead to increase in supply. Hence, this will ultimately lead to increase in the production of goods.
- The increased production will lead to more job opportunities in the long run. But, this can happen only if consumers actually get low-priced goods.

Negative Impact of GST

- Service tax rate @ 15% is presently charged on the services. So, if GST is introduced at a higher rate which is likely to be seen in the near future, the cost of services will increase (i.e) all the services like telecom, banking, airline etc. will become more expensive.
- Increased cost of services means, an add-on to your monthly expenses.
- You will have to reorganize your budgets to bear the additional services cost.
- An increase in inflation might be seen initially.
- If actual benefit is not passed to the consumer and the seller increases his profit margin, the prices of goods can also see a rising trend.
- But the rate of GST and how effectively GST is introduced in all the States and at the Centre also plays a crucial role in deciding the actual impact of GST.

The sectors stand to lose / gain from the implementation of GST

SECTORS STAND TO GAIN

- **FMCG:** Large companies manufacturing FMCG products like Hindustan Unilevers, ITC, Godrej and Procter & Gamble are likely to be benefited more from lower taxes and logistics cost.
- **Cement:** With the implementation of GST, most cement companies will have more demand and thereby going to lower down the overall cost of infrastructure in India.
- **Logistics:** Logistics with ‘Make in India’ ground are likely to be gainers. In this regard, the companies which will receive a boost are Container Corporation of India, Allcargo, Interglobe Aviation, Adani

SEZ, Aegis Logistics and Gujarat Pipavav.

- **Consumer Durables:** Like FMCG, companies which manufacture consumer durables are also likely to be benefited more from lower taxes and logistics cost and especially manufacturer of electrical appliances are mostly expected to be benefited.

- **Automobiles:** As costs are likely to drop significantly, two-wheeler manufacturing companies like Hero-Motors, Eicher and Bajaj Auto as well as companies manufacturing small cars like Maruti, Hyundai and Tata-Motors will be the big beneficiaries.

SECTORS STAND TO LOSE

- **Mobile Phones:** With the implementation of GST, the mobile phones are going to become costlier and the buyers are expected to pay more for their phones.

- **Branded Jewellery:** Companies like Titan are already suffering due to high cost of gold imports and these companies are going to be affected more as the branded jewelleries are going to become more expensive.

- **Utilities:** With sale of electricity being kept out of GST, companies using coal-based power and renewable energy are likely to see an increase in costs.

- **Luxury Cars:** Luxury cars are going to become costlier and this would lead to the pressure of the existing low sales.

- **Restaurants:** Implementation of GST will hit the salaried class at the maximum as eating out is going to cost more.

- **Pharmaceutical:** Patients will have to pay more than existing prices for their medicines as most of the pharma companies are likely to see an increase in indirect taxes with consumers and this is likely to see protests in forth-coming days.

- **Oil and Gas:** If dual indirect taxes are not removed, then the products like High Speed Diesel, Aviation Turbine Fuel, Crude Oil and other petroleum will see a rise in costs as these products are excluded from GST.

CONCLUSION

India is all set to introduce Goods and services tax after crossing the various hurdles in its way. GST is a long-term strategy planned by the Government and its positive impact shall be seen in the long run only. Also, this can happen if GST is introduced at a nominal rate to reduce the overall tax burden of the final consumers. Let us hope GST will leave a positive impact and will help to boost-up the Indian economy and will convert India into a unified national market with simplified tax regime. A rising Indian economy will anyways help in the financial growth of the common man! Let us hope this 'One Nation - One Tax' proves to be a game changer in a positive way and proves to be beneficial not only to the common man but to the country as a whole. There are various challenges in way of GST implementation as discussed above in paper. They need more analytical research to resolve the fighting interest of various stake-holders and accomplish the commitment for a fundamental reform of tax structure in India.

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