

A Road Trip to GST

Abstract

The purpose of this study is to enable the reader to understand the impact of GST on the taxation of goods and services in contrast to the traditional system of VAT, Excise and all other list of taxes which prevailed before 1st July, 2017. Originally GST was supposed to be implemented in April, 2010 but due to political issues and in the best interest of all the stakeholders, its implementation was deferred to 1st July, 2017. This is one of the biggest reforms in India since independence and for this, the Indian constitution witnessed amendment for the 122nd time in order to transform India into a unified market of 1.35 billion citizen. This bold step could prove to be a complete game changer which can aid all – the Govt, the businessmen as well as the general public by eliminating redundant taxes&cascading effects, and minimizing tax evasion & corruption. Thus, bringing transparency in collection of taxes and thereby increasing government revenue by widening tax base. The following article will help the user to understand the purpose and the concept of GST with the help of practical illustrations and examples.

Keywords: GST, CGST, SGST, UTGST, VAT, Indirect Tax.

Introduction

GST – Good and Services Tax is an 'Indirect Tax' i.e. it's incidence can be shifted from one person to another. GST was first implemented in France long back in year 1954. Till then over 160 countries has adopted GST tax regime for levy of indirect taxes. In India, the GST system came into force after the Parliament of India enacted the Goods and Services Act on 29th March 2017. The act came into force on 1st July, 2017. Since then the act has undergone numerous amendments and got various circulars & clarifications as per the need of the situation.

Goods and Services Tax, as said above is an indirect tax i.e. it's ultimate burden can be shifted to the ultimate consumer. For example, when you buy a pen or say daily bread from a shop, the shopkeeper charges an amount for you, say ₹20. This ₹ 20 is inclusive of GST amount as also written on the label as – "MRP Inclusive of all taxes". The shopkeeper does not pay GST portion from his own portion, but charges it from you. Thus, ultimate burden is on consumer.

GST is a destination based in which taxes are levied at every stage of value addition. There is a chain of inputs and out tax and each member in this chain gets credit of input tax paid by him while discharging his output tax liability.

Under the GST Taxation, there are broadly 4 acts, namely: -

1. Integrated Goods and Services Tax Act, 2017 (IGST)
2. Central Goods and Services Tax Act, 2017 (CGST)
3. State Goods and Services Tax Act, 2017 (SGST)
4. Union Territory Goods and Services Tax Act, 2017 (UTGST)

The purpose of these multiple acts is to enable the center and the state to simultaneously collect the GST. This "Dual GST" concept is the unique feature of Indian GST tax regime.

Methodology

This is research of the conceptual framework of the Indirect Tax Regime. I have used both – Primary as well as the secondary sources of data which include – government websites, books, journals and newsletters from various verified sources. My research revolved around the study of impact that GST has made on the existing system of indirect taxation. It involved comprehensive study of the concept of GST, its rules and notifications. After giving a detailed introduction of GST and its scope, I highlighted its purpose and benefits long with showering the light on the key difference points of Pre-GST and Post GST tax regime.



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Scope

GST law extends to whole of India including the State of Jammu & Kashmir although its applicability might be delayed in some special category states.

Also, there are few goods which are deliberately put of scope of GST. They are:

1. Petroleum Crude
2. Motor Spirit (Petrol)
3. High Speed Diesel
4. Aviation Turbine Fuel (ATF)
5. Natural Gas
6. Alcoholic liquor for human consumption.

Purpose and Benefits of GST

The basic purpose behind introduction of GST are -

To Remove Cascading Effect as in the Previous Tax Regime

During the pre-GST period, there was cascading effect i.e. tax on tax. Due to this the overall price of product was inflated. GST aimed to tackle this problem by imposing tax only on the value addition made by each intermediary in the input-output chain. This can be better understood with the help of a practical illustration.

Particulars	Pre-GST (₹)	Post GST (₹)	Net Decrease in Cost (₹)
Price of goods	10,000	10,000	-
Excise @ 12.5%	1,250	-	1,250
Sub-total	11,250	10,000	1,250
VAT @ 14.5%	1,631.25	-	1,631.25
IGST @ 18%	-	1,800	-1,800
Total Invoice Price	12,881.25	11,800	1,081.25

In the above example –

- a. Except Manufacturers, no other person gets the credit of Excise Duty paid. In GST regime, since no Excise is levied and tax is only on value addition, this problem of tax on tax is taken care of.
- b. It is to be noted that even though Tax rate of GST (18%) is higher than VAT (14.5%), still there is a savings. Additionally, in case the tax rate under GST is reduced to say 5%, there will be huge impact of this as compared to earlier system.
- c. As per above example, cost to a trader shall be ₹11,250 in Pre-GST period and ₹ 10,000 in Post GST period. Thus, clear cut cost savings of ₹1,250 as the trader can take credit of entire GST amount whereas the same is not possible in case of Excise.

Remarking An Analisation**To Introduce Simplicity in the Complex Indirect Tax Structure and Promote the Concept of "One Nation, One Tax"**

By eliminating multiple redundant taxes GST sub-summed multiple taxes by imposing levy only on "Supply" instead of levying chargeability merely on Manufacture or Sale of Goods and/or Services.

Supply here has much wider scope than Sale and inter alia includes sale, transfers including stock transfers between the branches, barter exchange, renting etc.

By doing this GST managed to eliminate following taxes: -

A. Central Levies

1. Central Excise Duty
2. Additional Excise Duties
3. Excise Duty levied under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955
4. Service Tax
5. Additional Customs Duty commonly known as Countervailing Duty
6. Special Additional Duty of Customs
7. Central Surcharges and Cess, so far as they relate to the supply of goods and services.

B. State Levies

1. State Value Added Tax/Sales Tax
2. Entertainment Tax (other than the tax levied by the local bodies)
3. Central Sales Tax (levied by the Centre and collected by the States)
4. Octroi and Entry Tax
5. Purchase Tax
6. Luxury Tax
7. Taxes on lottery
8. Betting and gambling
9. State cess and surcharges insofar as they relate to supply of goods and services.

To Increase Govt. Revenue by Covering More People under Tax System

GST law encourages even the small businessmen to opt for GST as it helps them to avail cost reduction by taking Credits of inputs used in the process of making a taxable supply.

The threshold limits for registration under GST is ₹ 20 Lakhs (except for some specified states). Thus, the umbrella is wide open to include larger number of people under its cover.

Also, the needs of small businessmen are taken care of by providing them simplicity in compliance of GST law by opting for Composition levy Scheme as per Section 10 of CGST Act. This scheme allows the certain class of small businessmen having turnover up to ₹ 1.5 Crore to file Quarterly returns instead of monthly returns

1. To do away with his input and simply pay tax at certain specified rate instead of indulging into calculation of input and output.
2. To not to mandatorily make records of stock as per GST law.

To Minimize Corruption by Taking Aid of Technology

Switching to online platform i.e. GSTN Portal for return filing, assessment, payment of taxes, cess, penalties and other dues has reduced the interaction

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with the taxation authorities. This reduces the chances of corruption and bribery.

Also, there is transparency in the system as each person can clearly see his details on GSTN portal. This include

1. His purchases in GSTR 2A,
2. Vehicle number& movement of vehicles carrying the goods.
3. Assessment pending against him,
4. Status of any application made by him,
5. real time picture of his Input Ledger or Cash Ledger
6. And much more

Introduction of E-Way Bill concept will help to trace bogus purchases and sales made by parties by tracking the movement of vehicles and conducting surprise checks on the way. Govt. is constantly aiming to improve the current taxation regime by making right use of technology.

Conclusion

GST is a new law which is undergoing amendments as per the need of the situation. But it seems a bit lack of implementation in practical life. These amendments are becoming hurdles in the process of smoothening the Indirect Tax regime as till now hundreds of amendments have been made making is troublesome not only for common man but even for the professionals keep pace with them. The GST system was earlier introduced with the objective of reducing complexities and introducing simplicity but

Remarking An Analisation

on contrary the multiple returns, constant amendments, ambiguity among the people regarding the law are making it difficult for the people to comprehend.It is not like government has not made remarkable efforts to streamline the issues, but still there are areas which needs attention. We surely have implemented GST law way back in 2017 but still there is a long way to go in order to achieve the desired GST system which the government and people together dreamed of.

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