

Anatomy of GST in India

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Abstract

The impact of GST on the Indian economy has reshaped taxation by creating a unified market, reducing tax cascading effect and supporting long term economic formalization. At the outset, it is essential to be aware with the nexus of sophisticated tax structure. Since we live in an age of information, where we find sincere efforts for building a superhighway for economic development by one country one tax. The GST is a nationwide tax reform. It has been long pending issue to streamline all different types of induced taxes and implement a single taxation system. It was initially proposed to replace a blow of indirect taxes with a unified tax and therefore set to reshape a countries two trillion economy. On 30th June 2017, Prime Minister Narendra Damodar Modi launched this GST for India. In India, the discussion on GST Law was flagged off in the year 2000, when the then PM Sri A.B. Vajpayee highlighted this issue and brought it on desk.

Key words: Economy, GST, India, service and Tax

1.1 INTRODUCTION

GST in india is a comprehensive, multi stage destination based indirect tax to create a one nation, one tax system. GST has transformed the Indian economy to reduce cascading taxes, by lowering logistics costs. The current central government is very much determined to implement GST constitutional Bill On June 30th, 1917 addressed the nation and launched Goods and Service Tax (GST). The GST is an indirect tax applicable throughout the whole nation, which replaces multiple cascading taxes levied by the central and state government. India has adopted this unified taxation regime for its economic development to become part of global practices. The key objective of GST is to abolish all indirect taxes and levied only on tax. It is hoped that this tax system will improve the collection of tax and will boost the development of Indian economy by combating indirect tax barriers. It is single tax on the supply of goods and services right from manufacture to the consumer, which makes India one unified common market. From July 1, 2017 India move toward new indirect tax regime as GST subsume nearly a dozen of central and state taxes. From the consumers point of views the biggest advantage of GST is reduction in overall

tax burden on goods. For business, it means reduction in multiplicity of taxes and a much simpler tax regime with fewer rates. For Indian economy it is treated as "game changer" which will change the ways of business operation.

1.2 WORKING OF GST

The country had been facing a image problem of high magnitude related to tax structure. The most effective way of resolving the same is making available to them only one tax the GST. The GST is levied on both goods and services at all the stages of value addition. It has dual model including Central Goods and Services Tax (CGST) and States Goods and Services Tax (SGST). Integrated goods and service tax (IGST) also known as interstate goods and services tax is also component of GST. The GST council has devised a full proof method of implementing this tax regime by dividing it into following categories for proper functioning

CGST — When the revenue will be collected by the central government of India.

SGST — When the revenue will be collected by the state Government for intra-state sales.

IGST — Where the revenue will be collected by the central government for inter-state sales.

The CGST is the area where the centre has the power and SGST, where the state has taxation capabilities. The Integrated GST (IGST) is for movement of goods. Within the states of Indian Union. This will be collected by the union however transferred over to states.

1.3 Benefits of GST

Development is an ongoing process. Change is a natural phenomenon. During yester decades, we find large scale domination of techniculture in almost all the areas of economics. The information and communication technologies are found very much instrumental in improving the operational efficiency of Indian economy. The GST has been meet with sharp criticism from various fronts. However the idea behind having on consolidated indirect tax to subsume multiple currently existing indirect tax have benefit to the Indian economy in various ways:

- Making easier to do business GST bring uniformity in process that will make starting a business much easier. The objective of GST is to simplify the tax regime by reducing the multiplicity of taxes. This will bring compliance costs down and make taxation transparent with digital tax processing.

- **Reduction in logistic cost and time across state:** The GST ensure interstate movement of goods cheaper and less time consuming by eliminating small border taxes and resolving check post issues. GST can reduce logistic costs of business houses producing non-bulk goods, by more than 20 percent.
- **Higher exemptions to new business:** The GST introduces an optional scheme known as composition scheme, which empowers small business with turn over between Rs. 20 to 50 lakhs to pay lower cost. This bring respite from tax burden to newly set up business under GST. VAT for turnover of Rs. 5 lakhs from any business has been increased to Rs. 20 lakhs, providing respite for founder of many startups and small business.
- **Financial Inclusion:** In the long run, GST will enable financial inclusion in the economy. It will pay pivotal role in boosting it from 1.5 percent to 2 percent and will reduce fiscal deficit.

1.4 IMPACT ON ECONOMY

The GST is one of the biggest fiscal reform in India since independence. It aims at streamlining the indirect tax regime. It will put Indian economy on par with global nations, having structured tax system. It will insure indirect tax rate and structure common through out the nation, which will make easy of doing business. It will minimize tax burden on producers and foster growth through more production. The current taxation structure, pumped with myriad tax clauses, prevents manufacturers from producing to their optimum capacity and retards growth. GST will take care of this problem by providing tax credit to the manufacturers. Different tax barriers like check posts and toll plazas, lead to wastage of unresolved items being transported. This transforms into major costs due to higher needs of buffer stock and warehousing costs. A single taxation system will eliminate this road block. There will be more transparency in the system as the customers will know exactly how much taxes they are being charged and on what base. GST will bet add to the government revenues by extending the tax base. The GST will be leuied at multile rates ranging from 0 per out to 28 per cent GST Council finalised a form tier GST structure of 5%, 12%, 18%, and 28 % with lower rates for essential items and higher for luxury and de-merit good that would attract an additional cess .It is expected that GST will improve the collection of tax and will boost the development of Indian economy by combating indirect tax barriers .

1.5 The impact of GST on Indian economy

- It introduces two-tiered one country-one-tax regime.
- GST will make India a manufacturing hub. It would make free the manufacturing sector from cascading effect of taxes.

- This tax structure create a unified common National Market .
- In long run lower tax burden could translate into lower price on goods for consumers that will create more demand.
- Seamless tax credit system across boundaries of the states will ensure minimal cascading of taxes and will reduce hidden cost.
- It will focus on less tax compliance and simplified tax policy compared to current tax structure.
- It will control black money circulation in the system.
- It will reduce number of tax departments in order to lead less corruption.
- It would create business-friendly atmosphere by increasing tax-GDP ratio.
- More business entities will come under tax system that will generate more revenue for the country and state .
- Unorganised sector companies will come under the ambit of tax regime.
- This system will make level playing field for producers and consumers across the country.
- This tax reform will generate more employment by increasing economic activity Fastly .
- Sense of nation hood and unity can be strengthen.
- It will boost Indian economy in long run by eradicating tax on tax.

1.6 CONCLUSION

It has been long issue to streamline all different types of indirect taxes and implement a "single taxation" System called GST. The main objective of this system is to abolish all indirect taxes and levied out GST. The Goods and Services Tax (GST) is a vast concept that simplifies the gains tax structure by supporting and enhancing the economic growth of country. It is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at national level. On bringing GST into practice, there would be amalgamation of central and state taxes into single tax payment. This would enhance the position of India in both domestic as well as international market. The GST will make the Indian market more competitive than before and create a fuel playing field between large and small business houses. India has no option other than to introduce GST for its economic growth. Consumption and production of goods and services and multiplicity of taxes in the past tax regime has accelerated the compliance cost. In order to negate this situation a simple user friendly, transparent tax system (GST) has been launched, by which GDP of country can flourish. This tax system can be instrumental in shaping the pattern of economic development and deciding fate and future of the country.

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