

CAN WE AFFORD TO IGNORE GST

Femina S R* Renjith R**

*Junior research fellow, Kerala University library, Thiruvananthapuram..

**Junior research fellow, Govt. Arts College, Thiruvananthapuram..

Abstract

As a major improvement over the existing indirect tax system prevalent in the country, ministry of finance has introduced Goods and Service Tax (GST) – next logical step towards a wide spread indirect tax reforms in the country. This paper covers the Global and Indian scenario of GST, its proposed key features benefits and shortcomings and identifies the proper implementation of GST may boost growth of overall economy and create a single, co-operative, undivided Indian market.

Key Words: Goods and service Tax, Central Goods and service Tax, State Goods and service Tax.

Introduction

The present tax structure of India is broadly classified as Direct tax and Indirect tax. Income tax, corporate tax and Wealth tax are the major direct tax where as Excise duty, Customs duty, Service tax, Octroi and Value Added Tax(VAT) are comes under Indirect tax head. VAT was implemented on 1st April 2005 as a replacement to complex Sales Tax. It is applied on value added portion in sales price to overcome the cascading effect of tax , But was failed to maintain uniformity in all states. The proposed Goods and Service Tax said to replace all indirect tax levied on goods and Services by the government both central and state once it is implemented. The basic idea is to create a single cooperative and undivided Indian market to make the economy stronger and powerful. GST is a consolidated tax based on a uniform rate of tax fixed for both Goods and services and it is at the final point of consumption. At each stage of sales or purchase in the supply chain, this tax is collected on value added goods and services through a tax credit mechanism.

GST : A Global Outlook

France was the first country to introduce GST system in 1954. More than 140 countries have already introduced GST/ National VAT. Typically it is a single rate system but two or three rate system is also prevalent. Canada and Brazil alone have a dual VAT. Standard GST rate in most countries ranges between 15-20%. It has been a part of the tax landscape in Europe for the past 50 years. It is fast becoming preferred form of indirect tax in the Asia Pacific region. While countries such as Singapore and New Zealand tax virtually everything at a single rate. Indonesia has five positive rates a zero rate and over 30 categories of exemptions. In China GST applies only two goods and the provision of repair, replacement and processing services.

List of major countries introduced GST across the Globe and its rates.

S.No	Country	Rate (%)
1	Australia	10
2	Austria	20
3	Canada	7
4	China	17
5	Denmark	25
6	Finland	22
7	France	19.6
8	Germany	16
9	Indonesia	10
10	Italy	20
11	Japan	5
12	Malaysia	5
13	Mexico	15
14	New Zealand	12.5
15	Philippines	10
16	Russia	18
17	Singapore	7
18	South Africa	14



19	Sweden	25
20	Taiwan	5
21	UK	17.5

Source: Gst ppt Hirak Parmar

GST In Indian Scenario

In India the concept of GST was first introduced in 2006. In January 2007 a study on GST by ASSOCHAM was released by Dr.Shome and in February 2007 Finance Ministry announced introduction of GST from 1st April 2010 in the budget. The government come out with a first discussion paper on GST in November 2009. The constitution (122nd amendment) bill 2014 was introduced in the Lok sabha by Finance Minister Arun Jaitely on 19th December 2014 and passed by the house on 6th May 2016. The bill was passed by the Rajya Sabha on 3rd August 2016. The bill after ratification by the states received assent from President Pranab Mukharjee on 8th September 2016 and was notified in the Gazette of India on the same date.

The levy of GST is administered by GST council, which is chaired by Union Finance Minister. Other members of the council are Union minister in charge of state revenue or finance, minister in charge of finance or taxation and any other minister of the state nominated by each state government.

GST Model In India

India follows a dual GST model.

- I. CGST - central Goods and Service Tax levied by central government
- II. SGST - State Goods and Service Tax levied by State government.

The CGST and SGST would be applicable to all transactions of Goods and Services made for a consideration except the exempted goods and services. The CGST and SGST are to be paid to the account of the centre and the state individually.

GST proposed key features

- Destination based state GST
- Uniform classification
- Uniform forms- returns, challans (in Electronic modes)
- No cascading of Central and State taxes
- Tax levied from production to consumption
- Cross credit between Central and State not allowed
- GST integrated all major Indirect Taxes of Central and State

List of Indirect Taxes Subsumed in GST

A. State taxes

- VAT/ Sale Taxes
- Entertainment Tax
- Luxury Tax
- Tax on lottery, betting and gambling
- State Cess and Surcharges in so far they relate to supply of goods and services
- Entry Tax not on in lien of Octroi
- Purchase Tax

B. Central

- Central excise duty
- Additional excise duty
- The excise duty levied under the medical and toiletries preparation Act
- Service Tax
- Additional customs duty
- Special additional duty of customs
- Surcharges

Products Excluded From GST

- Petroleum products
- Alcohol
- Tobacco products



Why GST ? :- Benefits

- Transparent tax system
- Uniform tax system across India
- Export will more competitive
- Remove uncertainties in the current Indirect tax structure due to multiple rates and forms
- Increased tax collection due to wider tax base and better compliance
- Helps as a weapon against corruption
- Reduce tax evasion

Shortcomings of GST

Despite of many advantages GST also proposes the following demerits.

- Highly sophisticated IT infrastructure is required
- Issue of taxing e- commerce is to be appropriately addressed and integrated
- Political imbalance
- All credits will be alone and some penalties are like criminal activity. So it is threatening for small business men who are now free from taxes.

Conclusion

A seamless implementation of GST may boost growth of the overall economy to a level that the above stated pitfalls might be merely seem as part and parcel of the Indian growth story. GST is the most logical step towards the comprehensive Indirect Tax reform in our country since independence. GST will create a single, unified Indian market to make the economy stronger. GST is likely to improve tax collection and boost India's economic development by breaking tax barriers between states and integrating India through a uniform tax rate.

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