

Goods and Services Tax : Future Opportunities And Challenges



Rahul Joshi¹

Goods and Services tax scheme is one of the most popular indirect tax schemes launched by Government of India with a vision to improve the unity of the Indian common market. Here, burden of tax fall on the consumer of goods and services. It has been known to most of the people that NDA led Vajpayee Government gave the proposal of GST back in 2000 and it was initiated in the Year 2000 only. The researcher takes objectives for present study to cognize the concept of GST, to study the features of GST and to evaluate the advantages and challenges of GST. Researcher find out that due to disorient environment of Indian economy, it is the demand of time to implement GST. The GST is the only indirect tax that directly affects all sectors and sections of our economy. This paper deals with the introduction of GST, objective, benefits proposed GST and its conclusion.

Keywords: Economy, Tax, Indirect tax, Goods and Service Tax, transparency

Introduction:

GST, which is being implemented by Government of India with a motive to set aside all the indirect taxes being levied earlier by them. The idea of GST in India was started by task force on the implementation of the fiscal responsibility and budget in 2004. The framework of GST model was under Vijay Kelkar Committee. Due to its popularity in other countries, the Kelkar committee was almost convinced regarding that dual GST tax scheme system will help in putting tax on most of the goods and services being available in India which will increase the revenue earned by government and will further help government to utilize the abundant resources in more efficient ways in every aspect of the society. GST has launched with the mission to eliminate most multiple taxes being levied which used to create havoc like situation for economic planners. And this system will benefit both national as well as international markets. GST will help in entitle every person to pay tax on output. Various taxes like central excise, state vat, purchase tax, entry tax, entertainment tax etc were amalgamated into 1 tax i.e. GST reducing the loopholes created by the common man in order to escape from giving tax properly to Government. GST is considered to be a comprehensive model of collecting taxes in India as it has eliminated both central and state Government taxes. Through the input tax credit method, GST can be levied and collected at each state of sale and purchase of goods and services.

This GST system involves the registration of commercial houses i.e. Business firm should be enables to claim credit of the tax they pay by purchasing goods and services as a part of their daily businesses. The GST system involved the classification of goods and services in five categories according to their needs and preferences by common man such as 0%, 5%, 12%, 18% and 28%. These classifications lead to the nullifying and eliminating other various indirect taxes which was implemented by government earlier. This system of tax collection by government has not only cut down the paper work of government and businesses but also of consumers of the commodities. Unifying of diverse motives and factors of different firms GST is being launched to bring a positive impact in the business industry. Tax payers, defaulters who were before left out from the eyes of government officials will now be held responsible if they do not pay their tax regularly and in a fair manner. The GST was launched at the parliament by the Finance Minister of India Mr. Arun Jaitley with the hope of bringing reforms in the industrial sector. GST is said to be implemented and hoped to be followed by every citizen of the country for the upliftment and growth of economy.

The tax not only benefits the corporate sector or market but also a consumer as the biggest advantage is the reduction of overall tax burden on goods and services. As GST aims at unifying the different interests, it is been

also considered that it will less to cut down of inflation and people who were defaulters in paying the tax will not be left out. The GST system will help in possessing extra resources by the government which will further help in the development and upliftment of poor sections of the society. With the final passing of GST Bill in Lok sabha, there is a hope of extreme positive significant impact on each and every individual of the country. GST also aims at reducing the loopholes of current tax and revenue system of country as well as boosting the performance of the Indian economy. There is no denying that upliftment of Indian economy can only be possible through major policies change and more efficient system of which GST is only a start. GST is said to be implement throughout the India.

Concept:

GST, subsume all the indirect taxes of both Central and state Governments in to a unified tax. It is levied at all the stages of value addition. It works as a dual model which includes state goods & service tax and central goods service tax. CGST covers all indirect taxes central sales tax, service tax, counter veiling duties while SGST covers luxury tax, state vat, tax on lottery and gambling. Apart from these two major taxes, integrated goods and service tax (IGST) is also a component of GST. It is just a system to examine the interstate transactions rather than an additional tax. It always assures that the tax should be received by the importer state.

Timeline Of GST: Indian View :

In the beginning of 2000, a committee with extraordinary vision was established by NDA led Vajpayee government under the chairmanship of Mr. Asim Das Gupta in order to formulate GST model. As UPA was in power, then union finance minister Mr. P. Chidambaram initiated the implementation of GST from April 2010, budget of 2007 with the help of committee of state finance ministers to work with the central government in order to ensure proper structure of GST to be carried out by them. As on May 10 2007, the Joint Working Group which was strip and carried out by empowered committees of state finance ministers submitted their report on November 2007. In November 2009, the Committee submitted the first detailed discussion paper on structure and formulation of GST with the vision of starting a debate and getting the reviewed from all the stakeholders. And after that in March 2011, constitution 115th amendment Bill was introduced to make laws regarding the implementation of GST nationwide.

It includes the followings:

- 1) Establishing of GST council by the president within 60 days of passage of bill. The council will chaired by union finance minister and its members includes MoS for revenue and finance ministers of states. It will work on GST rates, exemption limits etc.
- 2) Setting up of a GST Dispute Settlement Authority having three members to resolve dispute arising among states and take action against states.
- 3) GST Amendment Bill was referred to parliamentary committee on finance for evaluation.

In Aug 2013 the standing committee submitted the report and recommended that proposed Dispute Settlement Authority should be removed and its mechanism should be given to GST Council itself. It also recommended that GST Council should take decision by voting rather than consensus. The representation in the GST Council should be 1/3 from central and rest 2/3 from states. The decision in the council should be passed with more than $\frac{3}{4}$ vote representatives present. The quorum of council is raised from proposed 1/3 to half by standing committee. But the proposed 115 amendment bill was lapsed with dissolution of 15th Lok Sabha. On 19 Dec 2014 after making slight changes in GST Bill, NDA government redefined it in 16th Lok Sabha as 122nd amendment of constitution. On 6 may 2015 it passed in lower house of government. Currently, the 122nd constitutional amendment is crag fasted in Rajya Sabha where it has to passed with 2/3rd majority in order to be implemented from 1 April 2016.

Need For GST :

- One of the biggest reasons to implement GST was to improve the economic condition of the country.
- VAT rates and regulations were seem to be different in most of the states and it was observed that states were in urge to cut down the minimum required tax in order to attract the investors. This caused the loss in revenue for both state as well as central government.
- As GST on one hand, ultimate goal of GST was to bring uniformity in tax across the country and with a vision not to leave behind any sector or industry which is working on India. With the help of pre defined strategies and formula, the taxes between central and state will be divided equally by benefiting both the governments in long run. Also it will cause much ease in conducting business related issues due to the uniformity it will bring by

levying same and non differentiated tax among same goods and services.

- GST focuses on bringing out various serious issues related to the disagreement caused by both central and state government on same and certainly important issues. The GST is also expected to be out on 1st July 2017 nationwide.

Features Of GST:

- GST will be single indirect tax scheme for whole nation which means that GST is launched with vision i.e. one nation, one tax, one market.
- This will cause the removal of various multiple taxes such as VAT, CST, Excise Duty, Entry Tax, Octroi, LBT, Luxury Tax etc.
- The four types of category of GST are :
 - SGST – State GST, collected by the State Govt.
 - CGST – Central GST, collected by the Central Govt.
 - IGST – Integrated GST, collected by the Central Govt.
 - UTGST – Union Territory GST, collected by the Union Territory
- Tax Payers with an aggregate turnover in a financial year (Rs. 20 Lakhs & Rs. 10 Lakhs for North Eastern States and Special Category States) would be exempted from tax.
- GST slabs are measured at 5%, 12%, 18% & 28%.

Impact Of Gst In India:

Positive Impact of GST in India:

- With GST, India is now a unified market and the foreign investment has increased in India. The goods that are manufactured within India because of their reduced costs have become more competitive in international market leading to growth in export.
- It is considered as an individual tax system implemented all over India which would eventually lead to cut in various tax system which were proposed earlier causing less problems and controlling the loopholes which were caused because of various taxes like VAT, Cess etc.
- It is one tax system for all states of India and so we have already got rid of various taxes and duties on our businesses.
- The tax administration has started working corruption free. Also enabling sales invoices to show the tax applied has resulted in transparency.

- It helps in reductions in prices of goods and services which would make every individual of this country happy as they are tend to pay less price for the goods and services they uses.
- GST is not to be imposed at every step of production.
- Removes cascading effect of taxes.
- Due to reduced costs some products like cars, FMCG etc. Services and goods prices are tend to be reduced.

Negative Impact of GST in India:

- The introduction of GST in the country would have tremendous impact in real estate market. It increases home buying price by 8% and reduce buyers market by 12%.
- Although GST is a single tax but it includes various sects of tax interest being charged to various products of different industries of the country.
- Most of the dealers don't pay central excise tax and cheat the government by simply giving the VAT. But all of those dealers would now be forced to pay GST.
- The impact of GST for short term is expected to be neutral-to-negative for the economy.
- Production and manufacturing firms are tend to be slowly adjust with this system as they would require to have capital and man power according to the new tax scheme launched by Government of India.
- For consumers, this system is expected to hike the prices of individual goods and for some goods it leads to lowering of price.
- Services will become expensive e.g. Telecom, banking, airline etc.
- Being a new tax for most of the people, it would take time to make people know about its features and benefits for them in long term.
- There are always some complications attached. It is a consumption based tax, so in case of services the place where service is provided needs to be determined.
- Since GST is mostly related to the manufacturing segment, most manufacturing states may incur losses

Research Methodology:

This study is based on Secondary data. The data is collected from different newspapers, articles in magazines and websites. The study is Exploratory in nature.

GST- Analysis And Opinions:

Although GST has been initiated in order to bring one nation, one tax, one market but it will have diverse impacts on different industries in India and each one of them will face different benefits and different difficulties. The level of difficulty will depend upon whether the industry is manufacturing, retailing, distributing or providing a service. The degree of impact will definitely lead to boosting of manufacturing sector of India and will lead to decline in exports. GST is hoped to ease the burden of administration cost which was caused previously due to various taxes imposed in nation.

Impact of GST on Service Providers:

There was a total estimation of 12,76,861 services tax assessed in the country on March 2014 out of which 50% of tax collected was paid by only top 50. Most of the tax is collected through IT services, telecommunication sector, insurance sector, business support services. Banking support services etc. As these various sectors already work as a unified market, by implementing GST they will have to face less burden which will make them to work more efficiently and effectively and this will lead to less change in the way they were working before GST.

Logistics:

In a developing country like India where government has to take care of diversified needs of people and their business, logistics sector is considered to be the backbone of economy. For example Make in India initiative by government somehow leads to push in business sector into its desired position.

E-commerce:

E-com sector is no doubt that helping business and businessmen to have better growth in their respective fields. E-commerce is expected to help through GST as long term benefits of GST will be shown soon as GST model specifically focuses on bringing better upliftment of business in long run. Although there has been estimated that tax collection source which is specific purpose of GST will somehow e commerce will have difficult time to be adjust with.

Pharmacy:

Pharmacy and other Healthcare industries are set to see benefit from GST as it will lead to boost in medical tourism and generic drug makers as GST is single and simplified tax structure which will help health care industries to work in more effective manner. As per latest news the price structure of Pharmacy sector is expected to see a relief as this new tax reform will lead to have an affordable Healthcare access to each and every

person in country. Moreover, telecommunication sector services prices are tend to come down after GST is being implemented.

Manufacturing Industry:

Handset manufacturers as well as manufacturers will save cost through cut down in taxes by firm as well as prices are expected to come down due to efficient Management of inventory after GST. These will not only benefit manufactures in long run but also will cause manufacturers to bear less cost in future. This will also lead to save logistics costs bear by the firm.

Textile Industry:

The textile industry of India which is one of the largest providers of employment in India of skilled and unskilled workers which tends to contribute almost 10% of total annual export is expected to rise under GST scheme. As small medium enterprises which deal in cotton business of textile industry, GST is set to help in expansion of business as it currently attracts zero central excise duty.

Real Estate sector:

This is one of the major sectors of revenue of government by Indian economy. Real estate's plays an important role in employment generation in India. GST impact on real estate cannot be measured exactly as it mostly depends on the tax rates. The fluctuation of rate does cause major impact on working of real estate. However it has been expected that GST will benefit the real estate sector in long run as it will lead to much transparency and accountability on the side of real estate business firms.

Agriculture:

This sector in India covers almost 16% of Indian GDP. Agriculture sector of India is one of the biggest sectors of India since independence. Although the share of agriculture sector is being reduced since independence one of the major issues faced by agriculture sector is transportation. As GST will promote same type of tax to be implemented all over India, the agricultural products transportation will have ease in transporting of products. So it can be said that GST will resolve this issue in an effective way. GST is set to provide India with its first National Market for the Agricultural goods. But still it has many clarifications to be made before it launch.

FMCG:

The FMCG sector of India is such a promising industry as it provides significant growth of country through its functions. Through initiation of GST the FMCG sector will see significant cost savings in logistics and

distribution as it will eliminate the need of multiple taxes to be filled by firm. The GST rate for this sector is around 17% which is way lesser than the 24-25% tax rate paid currently by FMCG companies. This includes excise duty, VAT and entry tax – all of which will be subsumed by GST.

Freelancers:

Freelancing in India is still a new industry. This new industry is still hot to have some rules and regulations for better function of this sector. And GST will help the freelancers to fill their taxes easily because GST can be filled by sitting at home only through online forum. This new tax structure will lead to do much easier filing of taxes and will thus boost more accountability.

Automobiles industry:

Automobile industry in India is a very large business producing a large number of cars yearly, as automobiles are demanded in huge population country like India. So before GST the automobile industry had to pay various taxes such as sales tax, motor vehicle tax, registration duty tax etc. But by the introduction of GST various taxes are being amalgamated which will cause less taxes to be paid by automobiles businessmen. Although there is still some difficulties are faced by this industry due to different incentives and exemptions are being provided to different dealers such as car, bus, bike etc, startups which are increasing in this current scenario will have a do it yourself compliance model which will benefit them in order to work more efficiently.

Banking, Financial Services and Insurance:

BFSI is one of the major sectors which hold the economy of India will see that services provided by Banks and NBFCs and financial services such as fee based and insurance services will show major shifts in current scenario of Indian economy. GST implementation will be difficult to implement in these sectors as the volume of operations, lease transactions, hire purchase and related actionable claims is hard to assess but government is trying its best to make people habitual of this change.

Gst Impact On Make-In-India:

In order to make world class position of Indian manufacturing hub, the make in campaign was started. And GST played a critical role to attract large scale investors to invest in businesses, the GST is considered to be as progressive tax system which is initiated to overcome previous tax system loopholes, GST is tend to increase the trust as well as it will also help Indian market to be a true common market. It will not only lead to reduction of production in business firm but also allows the cut down of haphazard type of supply of

goods to free supply of goods. Through this, more ease investment will help in doing business in India.

Unification of market:

GST model is established on three basic points i.e. one nation, one tax, one market, so, GST will facilitate easy movement of goods across the country and this will cause reduction in expense of transaction cost of businesses. A study by UBS securities study found out that truck driver in India spends almost 60% of their day time negotiating check posts and toll plazas because there are almost 11 categories of taxes are being levied on road transport. The GST model will cause reduce costs in logistics sector.

Clean up Indian taxation system:

The clean up Indian taxation system will lead to reduction in number of excise duty exemptions. Approximately revenue of Rs. 1.8 lakh crore is forgone due to the exemption provided by government of India. Because of this India loses about 2.7% of GDP due to exemptions provided by them.

Less compliance and procedural cost:

As various taxes were being implemented by government of India before, the cost of collecting taxes were very high and even maintenance of collected records were even high and difficult to process. So GST will definitely lead to decrease in taxes maintenance by the government.

Pricing and Profitability:

The expected result of GST Bill being passed will have direct impact on price and profitability of different goods as the GST rates vary with different products related to different sectors of economy. This will not only impact the marketers but also have direct impact on consumers demand.

Cash Flow:

A boost in cash flow is expected due to removal of excise duty by GST. As it is consumption based tax, GST will be collected through sales and supply.

Redress location bias:

As GST is to implemented all over India uniformly this would enable consumers to consume products of same price which they can buy all over India.

Uniform Per Capita Taxation:

As it has been said above Goods and Service Tax is being destination-based consumption tax that would allow some progress in poor states such as Bihar to increase its tax revenue. As GST involves states to have consumption of goods and services, it has been forecasted that revenue will be affected due to more

population for example; more population is equal to more consumption which will ultimately help in uniformity of per capita taxation.

Share Market & GST:

Market showed a drastic slowdown as both marketers and consumers took time to understand what this new amendment regarding tax was and its structure. For this also, to make people understand about his new tax scheme, extension period of time was given by government to fill income tax return and other activities. There was a huge amount of loss for those traders was calculated who were without the excise paid bills as they were deemed to pay previous as well as current tax imposed by the government. One of the major setback GST faced is that negative image of the project was displayed also showing back lashing and criticism by opposition party as they took government to be held responsible for not putting this project at right place and also took its preparation in question. The GST council also slashed GST rate on 27 common items on 6th October 2017.

Also the setup panel of ministers is trying to bring down tax rate from 18% to 12% on AC & restaurants. GST on unbranded namkeen, ayurvedic medicine, sliced dried mango and khakra has been cut to 5% from 12% while the same on man-made yarn used in textile sector has been reduced to 12% from 18%. Tax on stationery items, stones used for flooring other than marble and granite, diesel engine parts and pump parts has been cut to 18% from 28%. GST on e-waste has been cut to 5% from 28%. Food packets given to school kids under ICDS will attract 5% tax instead of 12%. Job works like Zari, imitation, food items and printing items would attract 5% tax instead of 12%. Government contracts involving high amount of labour will be levied 5% GST instead of 12%.

Conclusion:

GST model is said to be on Infant stage as Indian economy saw this kind of change in decades. GST as well as Indian economy will take some time to experience and affect themselves with their benefits. GST was designed with a vision and it holds such mechanism that it will cause a great amount of revenue for Indian government. Businessman and corporate sector will soon take benefit of this change in the long run as it promotes transparency which will help central as well as state government to collect indirect taxes more efficiently from people.

There is no excuse to be given after GST implementation that it will make people do extra study or work regarding paying taxes as all the taxes are being

covered in GST only so there is no doubt that GST will simplify the Indian tax system in India. However, its implementation across country has caused rise in prices of goods and services, it has also caused a halt in GDP growth rate of 6.3% in 12 of 2017-2018 as against 7.5% in the second quarter of last year. We can clearly see that after GST has been initiated and has come into lives of common men there has been a slow down in economic conditions of the country due to unplanned and abrupt implementation of it. The solution to this problem is to simply give more proper access of knowledge to common men and also giving some relief to costumers and producers. There is still a chance for government to do formulation of GST in a better way in order to gain mass amount of revenue which will benefit both men of the country as well as government of India.

GST is in need to have a concrete efforts provided by government and a positive approach by men of country in order to make it successful. GST is indeed will have positive impact on various sectors of economy and it can be possible only if all the stakeholders I.e. Central and state government, trade and industry, electronic processing of tax returns, refunds and tax payments through GST Net without a human intervention will lead to reduction in tax evasion and loopholes in the tax schemes which was previously present. Scope of black money earning by businessman will be out of picture as transparency will lead to fair income tax return to be filled by them which will help in building a prosper as well as better future of economy.

There is no doubt that in a country like India, GST is the need of an hour. GST not only put VAT implications on aside as well as helps the government to improve the cut of loopholes in VAT system. An individual tax will definitely promote one nation, one tax, one market by treating every person equal and by improving transparency. Enormous amount of positive aspects of GST such as reducing the litigation on classification of issues, unfair trade will be seen in coming time. Economic development at large scale will be shown as India is forecast to have a tremendous growth in agriculture, trade sector and soon due to GST India will join international standards of taxation, corporate laws and will also provide Indian corporate sectors to behave like more world leaders and possess managerial practices of them.

References:

1. <https://cleartax.in/s/gst-law-goods-and-services-tax>
2. <https://www.gst.gov.in/>
3. <https://www.omicsonline.org/open-access/a-research-paper-on-an-impact-of-goods-and-service-tax-gst-on-indianeconomy-2151-6219-1000264.pdf>
4. file:///C:/Users/User/Downloads/2-5-82-733.pdf
5. http://granthaalayah.com/Articles/Vol3_Iss12/15_IJRG15_C12_76.pdf
6. file:///C:/Users/User/Downloads/IJF_February2018Paper4.pdf
7. file:///C:/Users/User/Downloads/SSRN-id3098357.pdf