



One Nation One tax:-Goods and service Tax (GST)

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Introduction: - Goods And Service Tax (GST) is a consumption based tax levied on sale, manufacture and consumption on goods and services at a national level. In state (*SGST*) State Goods and Services Tax levied by state and (*IGST*) Inter Goods and Services Tax levied by central government on inter-state supply of goods and services.”

Finance minister Arun Jaitely introduced the GST bill in the loksabha, where the BJP had a majority. The tax came into effect from **1 July, 2017** through the implementation of **one hundred and first amendment** of the **constitution of India** by the government of India. The tax rates, rules and regulations are governed by the Goods and Services Tax council which comprises finance minister of centre of all states.

GST is an indirect tax, it is a broad based and consumption based tax and will be levied at uniform rate on the supply of various goods and service consumed in India. It will replace many existing indirect central and state taxes such as **central sales tax, stamp duty, excise duty service** etc. It have uniform tax rates, creditable throughout to neutralize the cascading effects of tax and simple in terms of procedural compliance goods and services are divided in to five tax slabs for collection of tax-**0%, 5%, 12%, 18%, and 28%** .GST is leviable at each point of sale or provision of service .In which at the time of sale of goods or providing the services provider can claim the input credit of tax which he has paid while purchasing the goods or purchasing the services. It will boost foreign investment , it is an major step to lead indirect tax reforms, it will generate more employment and it like an average tax burden on firms to come down .The major idea behind it is that the more consumption and production will strengthen India as a **“MANUFACTURING HUB”**.

The implementation of the Goods and Service Tax (GST) in India was a historical move, as if marked a significant indirect tax reform in the country. The mixture of large number of taxes levied at a central and state level in to single tax is expected to have big advantages. The most important benefit of this move is the mitigation of double taxation or the elimination of the cascading effect of taxation. Indian goods are also expected to be more competitive in international and domestic market post GST implementation from the view point of consumer.

Taxes on Various product not under GST:-The following tax & product types are not covered under GST:-

Basic customs duty,
Exports duty,
Roads & passenger tax,
Toll tax,
Property tax,
Stamp duty,
Electricity duty.

Goods and Service Tax levied on products:-The following tax & product types are covered under GST:-

Under 5%:- Cooking oils, oil seeds, cashew nuts, tea, coffee, tractors, food grains, emergency goods, etc,

Under 12%:- Medicines, cotton dresses, cycles, Restaurant Turnover below 1.50 crore etc.

Under 18%:- Fertilizers, Computers, computer spares items, iron, phones, steel, readymade, other cottons etc.

Under 28%:- Motor cars, AC's, TV's, washing machines, fridge, electrical items, cosmetics and cold drinks etc.

Formation of Goods and service tax (GST)

The GST launched at midnight on 1st July 2017 by the former president of India Pranab Mukherjee and PM Narendra Modi .the launched marked by a historic midnight (30June-1 July)*1 . Several countries have already established the goods and service tax. In Australia, the system was introduced in 2000 to replace the federal wholesale tax. GST was implemented in New Zealand 1986. A hidden manufacture's sales tax was replaced by GST in Canada, in year 1991. In Singapore, GST was implemented in 1994 GST is a value-added tax in Malaysia that come into effect in 2015*2.

In India work for India's indirect tax was started in 1986 by Vishwanath Pratap Singh*3. Finance minister in Rajiv Gandhi Government ,with the introduction of Modified Value Added Tax(MODVAT) , After that Prime Minister P.V.Narsimha Rao and his finance minister Manmohan Singh initiated early discussions on a Value Added Tax (VAT) at the state level*4. In a simple way ``GST'' go ahead, in 1999 during a meeting between the PM Atal Bihari Vajpayee and his economic advisory panel*5 and further in 2002, The Vajpayee Government formed a task force under vijay khelkar to recommend tax reform. In 2014, The NDA Government was elected in to power, this time under the leadership of Narendra Modi with the consequential dissolution of the 15th Lok Sabha .The GST bill approved by the standing committee for reintroduction, After the seven months of the formation of the Modi government, the new finance minister Arun Jaitley introduced the GST bill in Lok Sabha, where the BJP had a majority. In many 2016, the Lok Sabha passed the constitution amendment bill, makes a way for GST .After a huge opposition by the congress; In Aug 2016 Ammendment Bill was passed. A 22- Members select committee was formed to look into the proposed GST *6 State and Union territory GST laws were passed by all the states territories of India except Jammu and Kashmir. The Jammu and Kashmir state legislative passed its GST act on 7th July 2017, Thereby ensuring that the entire nation is brought under an unified indirect Taxation system.

Important changes made in Indian constitution (new articles/ amended articles) via this law are:-

GST involve a huge interest of the centre and the state governments, such a historical Tax reform needed suitable changes to the Indian constitution -

- Article 246(A)
- Article 250
- Article 268
- Article 268(A)
- Article 269 &269 (A)
- Article 279 (A)

Article 246 (A) of Indian constitution: - Both Union and State have concurrent powers to make law with respect to goods and services. The Intra State Trade comes under the jurisdiction of both centre and state While, Inter State Trade and Commerce is "exclusively" under Central government. This Article Says That :-Anything contained in Article 246 and Article 254 of Indian Constitution Parliament and subject to clause (2) Legislature of every state have power to make law's with respect to goods and services tax imposed by union or by such state . Parliament has exclusive power to make laws with respect to goods and service tax where the supply of goods or of services or both take place in the course of interstate trade or commerce.

Article 250:- This section has been amended so that parliament will have powers to make laws related to GST during emergency period.

Article 268:- Has been amended so that excise duty no medicinal and toilet preparation will be omitted from the state list and will be subsumed in GST. Article 268 (A) of the Indian constitution has been repealed so now service tax subsumed in GST.

Article 269:- This article empowers the parliament to make GST related laws for inter-state trade and commerce.

Article 269 (A) :-This article goes ahead with inter-state trade and commerce the tax will be levied and collected by the government of India shared between the union and state as per recommendation of GST council .

Article 279 (A):- It is a major Article amended in Constitution it deals with establishment of goods and service Tax. Similarly there are various changes in GST are also occurs such as, GST council held in 23rd GST council meet on 10th November 2017. Various changes will made prospectively from 15th November 2017.

Changes in Consumption Scheme:-

- Composition Scheme limit to be increased to Rs. 1.5 Crore can be extended to Rs 2 Crore later.
- 1% GST rate for manufacturers and traders.
- Composition Tax of 1% on turnover of taxable goods (turnover of exempted goods to be excluded.)
- Those supplying goods and services. (Services not exceeding Rs. 5 Lakh in total) eligible for composition Scheme.
- Composition dealers cannot make inter-state sales input tax benefit not allowed.

GST Rate Changes:-

- GST Rate for manufacturers and traders under composition scheme is 1%.
- Reduced from 28% to 18% with effect from 15 November 2017 Shampoo, Perfume, Tiles, and Watches.
- Reduced from 18% to 12% - condensed milk, refined sugar, diabatic food.
- Reduced from 12% to 5% - Desiccated coconut, idli dosa butter, coir products.
- Reduced from 5% to nil – Duar meal , dried vegetables
- For Restaurants within hotels and room tariff less than 7,500 the GST rate is 5%, also the credit of ITC paid on inward supplies cannot be taken.
- For Restaurants within hotels and room tariff greater than 7,500 the GST rate is 18% and credit of ITC paid on inward supplies can be avoided.
- Outdoor catering continues to be charged at 18% with the availability of ITC on inward supplies.

GST on Advances: - GST is required to be charged on all advances, whether they were received against supply of goods or against supply of services. This was a significant shift from the earlier VAT laws and did impact the trading community as it was hitting their working capital. In order to provide relief to small business GST council has decided that business, GST council has decided that business with annual aggregate to charge GST on advances received on services.

Relief for small firms, rates cut for many groups: - There are various difficulties faced by small and medium enterprises. After the council meeting, Mr. Arun Jaitely announced a decision which will ease compliance burden on near90% of the tax assesses. These companies and individuals, contribute only 10% tax on indirect collection. Those assesses who have turnover less than 1.5 Crore, instead of monthly returns, they can now file Quarterly returns. Such tax payers are required to pay taxes only a Quarterly basis, starting from Oct – Dec. The registered buyers from such small tax payers would be eligible to avail input tax credit on a monthly basis. The government also allowed small service providers to operate across multiple states without registering with the GST Network.

GST Council

As per article 279 (A) of the amended Constitution, the GST Council has to be constituted by the president within 60 days of the commencement of Article 279 (A). The notification for bringing into force Article 279 (A) with effect from 12th September 2016 was issued on 10th September 2016. As per Article 279 (A) of the amended Constitution, the GST Council which will be a joint forum of the centre and the states shall consist of the following members:-

- Union Finance Minister – Chairperson
- The union Minister of State , in charge of Revenue of finance – Member
- The Minister in – charge of finance or taxation or any other Minister nominated by each state Government – Member

GST and Centre – State Financial Relations

Currently, fiscal powers between the centre and the states are clearly demarcated in the constitution with almost no overlap between the respective domains. The centre has the powers to levy tax on the manufacture of goods (except alcoholic liquor for human consumption, opium, narcotics etc.) while the states have the power to levy tax on sale of goods. In case of inter-state sales, the Centre has the power to levy a tax (the central Sales Tax) but, the tax is collected and retained entirely by the originating States. As for services, it is the centre alone that is empowered to levy any tax on the sale or purchase of goods in the course of their importation into or exportation from India, the centre levies and collects this tax as additional duties of customs, which is in addition to the basic customs duty. This additional duty of customs (commonly known as CVD and SAD) counter balances excise duties, sales tax, state VAT and other taxes levied on the like domestic product. Introduction of GST would require amendments in the constitution so as to concurrently empower the Centre and the States to levy and collect the GST.

Role of CBEC

CBEC (Central Board of Excise and customs) is playing an active role in the drafting of GST law and procedures. Particularly the CGST and IGST law, which will be exclusive domain of the centre. This apart, the CBEC would need to prepare, in advance, for meeting the implementation challenges, which are quite formidable. The number of taxpayers is likely to go up significantly. The existing IT infrastructure of CBEC would also need to be suitably scaled up to handle such large volumes of data. Based on the legal provisions and procedure of GST, the content of workflow software such as ACES (Automated Central Excise and Service Tax) would require re-engineering. DG system has already constituted a steering committee for implementation of GST system for CBEC. The IT project of CBEC under GST has been approved by the Cabinet on 28th September, 2016. The name of this project is 'SAKSHAM' involving a total project value of Rs 2,256 Crores.

Goods and Services Tax Network

Goods and Services Tax Network (GSTN) has been set up by the government as a private company under erstwhile Section 25 of the companies Act, 1956. GSTN would provide three front end services, namely registration, payment and return to taxpayers. Besides providing these services to the taxpayers, GSTN would be developing back-end IT modules for 25 states that have opted for the same. The migration of existing taxpayers has already started from November, 2016. The Revenue department of both Centre and States are purifying the presently registered taxpayers to complete the necessary formalities on the IT system operated by Goods and Services Tax Network (GSTN) for successful migration. About 60 percent of existing registrants have already migrated to the GST system. GSTN has already appointed M/s Infosys as Managed Service Provider (MSP) at a total project cost of around Rs. 1380 Crores for a period of five years.

Challenges of goods and services tax (GST)

GST is the greatest tax reform since independence is here. As are the challenges for business across the country. Like everything else, all is not smooth sailing for GST and there are some obvious challenges for business and end consumers which we will discuss in detail here.

Challenges in Business software :- Most business use accounting software or ERP's for filling tax returns which have excise, VAT, and service tax returns which have excise, VAT, and service tax already incorporated in them. The transition to GST will require business to change their ERP's too, either by upgrading the software or by purchasing, New GST compliant software. This will lead to increased costs of buying new software and training employees on how to use it. Clear tax is the first company in India to launch a ready to use GST software. It is currently available at reduced prices for SME's to help them to transit to GST to smoothly ease the pain of the people, It doesn't require you to update the existing software and provide free service for first 3 Months.

Increase in Operating Cost:- Most of the small businesses in India do not employ tax professionals, and have traditionally preferred to pay taxes and file returns on their own to save costs however they will require professionals; the small businesses will have to bear the additional cost of hiring experts. Also, business will need to drain their employees in GST compliance further increasing their overhead expenses.

Policy Change during the Middle of the Year: - GST will go live three months into the financial year 2017-2018. So, for financial year 2017-2018 business will follow the old tax structure for the first 3 months, and GST for the rest of the time. It is impossible to cross over from one tax structure to the other in just a day, and hence business will end up running both tax systems in parallel, which might result in confusion and compliance issues.

Higher Tax Burden for Manufacturing SME's:- Higher tax burden for manufacturing sector will not have it is in the GST rule. Under the excise laws only manufacturing business with a turnover exceeding Rs.1.50 Crores had to pay excise duty. Whereas under GST the turnover limit has been reduced to Rs. 20 Lakh, thus increasing the tax burden for many manufacturing SME's. However, SME's with a turnover of up to 75 Lakhs can choose for the composition scheme and pay only 1% tax on turnover in exchange of GST and enjoy lesser

compliance the catch though is these businesses will then not be able to claim any input tax credit. The decision to choose between higher taxes or the composition scheme (and thereby no ITC) will be a tough one for many SME's.

No clarity on Tax Holiday: - Many manufacture's (Textile, pharmaceuticals, FMCG industries) Enjoy tax holidays and state benefit schemes. There is still no notification regarding these benefits regarding these benefits will mean probably be passed on to end consumers.

Disruption to Business:-Cloth merchant's (Unorganised) are going on strike to protest again GST. Eateries and drug shops in Chennai are also threatening to protest the regime change – and this is only the tip of the iceberg in the coming days, we can accept to see more of these protests happening across the country and these will undoubtedly disrupt business.

Lack of Clarity on GST Provisions (Rules and Regulations):- Various provisions of GST are still ambiguous categorization of goods and services in various cases is still nuclear. Provisions for anti – profiteering, as well as the now – deferred e – way bill, which tracks consignments across states, are nuclear. The new tax regime requires transfer to generate e – way bills on the GST portals which includes incurring substantial costs to install (radio frequency identification devices) (RFID`s) currently there is no clarity on who will bear the bill for the infrastructure . The government has also made the rules, related to assessment and audit public, but the absence of actual ferns in the public domain challenges the effectiveness of the rule.

Consent of States:-For implementing it is critical that GST bill is passed by the respective State government in State assemblies as to bring the majority. There is a difficult task, the very prominent factor for its success is Revenue Neutral Rate (RNR). We know in GST regime the government revenue would not be the same as compared to the current system. Hence, through RNR government is to ensure that its revenue remains the same despite of giving tax credits.

Impacts of GST

There are always two phases of every coin, Similarly GST have its different impact on different sectors. The present GST Tax System is full of flaws and lacks economic vision as the present GST bill has various loopholes which are laying adverse effects on Indian economy and the people of the country either from working or business class. The present model of GST we cannot conclude the system just by seeing its few advantages but we should also consider its disadvantages and the wrongful decision of implementing. GST on Indian phase which is recovering from death phase after demonetization.

The present GST tax system has certain flows that thereby weakens due movement thus started and proves to be a shockwave for the disturbed economy. GST system is totally dependent on the online submission of taxes which is result overburdens the online system of the ministry of corporate affairs and the online infrastructure existing is not very sound , so , the problem of hanging and website crashes occurs repeatedly which make tax filing more adverse than before . According to the previous tax system in our country , one had to fill tax twice a year but now the system has been made so complicated that one has to fill GST thrice a month respectively , only through online system . India's GST model is based on the Canadian GST model but is a failure in country like India because in Canada throughout there is uniformity and same culture but country like India which is a diversified country and is not uniform throughout as in the north where people demand wheat , in south there is huge demand for rice , so by the implementation of GST uniformly in India would lay adverse impacts in near future , as the demands in different areas differ in a huge country like India , unlike small ones like in Singapore . This is true a tax rate should be devised in accordance with the states necessity of funds. Whenever states fell they need to raise greater revenues to fund the increased expenditure then ideally, they should have power to increase the revenues.

Impacts of Goods and Service Tax (GST)

Impact on Food Industry: - **The** application to GST to food items will have a significant impact on those who are living under subsistence level. But at the same time, a complete exemption for food items would drastically shrink the base. Food includes grains and cereals, meat, fish and poultry milk and dairy products, foods and vegetables, candy and confectionary snacks, prepared meals for home consumption, restaurants meals and beverage. Even if the food is within the scope of GST, such sales would largely remain exempt due to small business registrations threshold. Given the exemption of food from CENVAT and 4% VAT on food item, the GST under a single rate would lead to a doubling of tax burden on food.

Housing and Construction Industry:-In India construction and housing sector need to be included in the GST tax base because construction sector is a significant contributor to the national economy.

Fast Moving Consumer Goods Sector (FMCG):- Despite of Economic slowdown India's Fast Moving Consumer Goods (FMCG) has grown consistently during the past 3-4 years reaching to 52 billion at retail sales in 2008. Implementation of proposed GST and opening of Foreign Direct Investment (FDI) are expected to full the growth and raise industry `s size to and 45 billion.

Rail Sector: - There have been suggestion for including the rail sector under the GST umbrella to bring about significant tax gains and widen the tax net so as to keep overall GST rate low. This will have the added benefit of ensuring that all inter-state transportation of goods can be tracked through the proposed Information Technology (IT) Network.

Agriculture Sector:-Before and After independence of the India its economy is mainly dependent on primary sector i.e., Agriculture Sector and now also agriculture sector and new also agriculture sector is considered the backbone of Indian economy but due to implementation of GST this backbone is broken and is suffering a lot as tax slabs in agro-sector has been increased

Without taking initiative for making the infrastructure and new irrigation techniques for the betterment of farmers but imposing more tax than before not only lays adverse effects on agriculture sector but is also responsible for the increase in price in manufacturing sector too

, as cost of production will increase if the primary or raw material is vastly we can analyze adverse effects on agro sector by following aspects:-

- Fertilizers are considered as key factor of agricultural sector but previously 6% tax levied on those items but after GST it put under tax slab of 12%.
- The same impact is there in tractors, waiver on the manufacture of the tractor is removed and GST of 12% has been imposed and its spare parts lie under the 28% tax slab which is considered as luxury category tax slabs and kept with the parts of luxury vehicles such as luxury cars and there parts for eg. AUDI which is totally irrelevant as without tractor agriculture is not possible.
- India's milk production in 2015-2016 was 160.35 million ton, increased from 146.31 million ton is 2014-2015 previously only 2% VAT was charged on milk and certain milk products but under GST the rate of fresh milk is nil and skimmed milk is kept under 5% bracket and condensed milk is taxed under 18% tax slab which again is burden on farmers and cattle farmers.
- Tea is considered as a critical item in the Indian household but its prices are also increased due to imposed 5% GST more than previous VAT rate of 4-5% with Assam and West-Bengal with the exception of 0.5% and 1%.

Impact of GST on Insurance Sector: - On one Hand the government is pushing every citizen of the country is to open a bank account by initiating 'Pradhan Mantri Jan Dhan Yojna' and on the other hand GST has made financial service expensive. Transactions fees in financial services have become more expensive. Transactions fees in financial services have become more expensive as these services are put under 18% tax bracket in the new Good and Service Tax (GST) regime. Previously these services were so taxed at 15% and the increased in the tax rate meant individuals have to pay more.

Impact of GST on Telecom Sector:-The telecom sector is already under server debt and a burden of license fee. The current debt stands at around 4 lakh Crore so with the implemented GST Model further taxes in this field will increase definitely. On one hand government is initiating "Digital India" and on the other hand (Phones Broad band, Gadgets) and other telecom services getting costlier as most of the operators will pass on the increase in to the consumer in order to cope up with GST. Therefore it creates contradiction with the initiative of Digital India in order to give boost to Digital India Initiative.

Impact on Small Industries:-There will be 3 categories of Small Enterprises in the GST regime. Those below threshold need not register for the GST those between the threshold and composition turnover will have the option to pay a turnover based tax or opt to join the GST regime. Those above threshold limit will need to be within framework of GST possible downwards changes in the threshold in some states consequent to the introduction of GST may result in obligation being created for some dealers. Small scale unit manufacturing specified goods are allowed exemptions of excise up to Rs. 1.5 Crore these units may be required to register for the payment of GST , may see this is an additional cost .

CONCLUSION:-

GST is the most logical steps towards comprehensive indirect tax reform in our country since independence. GST is leviable on all supply of goods and provision of services as well combination therefore. All sectors of economy whether industry, business including government departments and service sector shall have to bear impact of GST. All sections of economy VIP, Big, Medium, Small directly affected by GST. One of the biggest taxation reforms in India. The Goods and Service Tax (GST) is all set to integrate state economies and boost overall growth. GST will create a single unified Indian Market to make the economy stronger. Experts says that GST is likely to improve tax collections and boost India's economic development by breaking tax barriers between states and integrating India through a uniform Tax Rate under GST , the Taxation burden will be divided equitably between manufacturing and services , through a lower tax rate by increasing the tax base and minimizing exemptions with Goods and Services Tax (GST) there may be a decline in inflation but economic growth may not improve significantly in the short term even though it will benefit both India inc. and the government in the medium term and long term . Also some things which do not come under earlier taxes are now taxed in GST which will in turn increase prices leading to slight inflation Moreover, in the initial phase people have to face difficulties related to the complex filing and tax Structure. Also people have to adopt IT structure to cope up with the coming changes and filing in GST. Some Goods are taxed too high as compared to earlier

taxes. But this is bearable as it will move the country in to complete new age with a lot of transparency in the systems which will reduce black marketing and will help the Economy to grow and prosper. The Government is trying to reduce the burden of compliance for business by relaxing the return filing requirements for the first two months post implementations. Also, the provision of TCS on e-commerce and registrations for online sellers have also been relaxed for the time being change is definitely never easy the government is trying to smoothen the road to GST it is important to take a leaf from global economies that have implemented GST before us, and who overcome the teething troubles to experiences the advantages of having a unified Tax system and easy input Credits. Once GST is implemented most of the current challenges of this move will be a story of the past. India will become a single market where goods can move freely and there will lesser compliances to deal with for businesses.

