



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

PROPOSED CHANGES IN GST IN UNION BUDGET 2023-24

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Abstract

Goods and Service Tax (GST) is the most extent indirect tax reform in India since independence. GST is the destination based consumption tax levied on the value added to the each stage of production and distribution. The major portion of tax revenue of states constitutes on the tax on supply. GST subsumed various central tax and state tax under the old system. India has adopted DUAL-GST structure where Central GST(CGST) levied and collected by Central Government and State GST(SGST) levied and collected by State Government. Integrated GST (IGST) also levied and collected by Central Government.

Finance Minister of India presented the Union Budget 2023-24 and proposed several amendments in GST. The proposals have been made in the provisions related to taxability, registration, return filing, input tax credit etc. The result of these amendments will steer the Indian economy towards high development. This paper has highlighted on the GST system in India. Also focused on the reforms proposed in GST in the Union Budget 2023-24.

Keywords: GST, Indirect tax Union Budget, Proposals, Provisions.

Introduction

Separate taxes were levied in the previous system of indirect tax regime such as Excise duty on manufacturing, VAT on sales within the state, CST on Interstate sale, Service tax on Provision of taxable services Import duty and Export duty on Import and export etc.. By subsuming these previous taxes into a single tax, it helps to avoid the cascading effects and it will be the light for Indian economy.

GST is an indirect tax which is levied on supply of goods or services or both except taxes on the supply of alcoholic liquor for human consumption. The four slabs in GST are 5%,12%, 18%, and 28%. There are three schedules to CGST Act,2017. Schedule I related to activities to be treated as Supply even if made without consideration. Schedule II related to the activities to be treated as Supply of Goods or Services. Schedule III related to the transactions which shall not be treated as supply of Goods or Services. The administrative structure in GST is also a dual system ie Centre and States. CGST and IGST shall be administrated by Central Board for Indirect Taxes and Customs (CBIC) and SGST and UTGST shall be administrated by State/Union Tax authorities.

Objectives of the study

1. To understand the GST system in India
2. To focus on the key changes in GST as per Union Budget 2023-24

Scope of the study

This paper provides a view regarding the Goods and Service Tax regime in various sectors in India. Also insight the proposed amendment provisions of GST highlighted in the Union Budget 2023-24. The GST will become very advantageous in the several areas of the Indian economy.

Research Methodology

This paper is based on descriptive research and data were collected through secondary sources such as various websites, Annual reports, Newspaper, Journals etc.

Historical background of GST

In 1974, LK Jha committee suggested introduction of Value Added Tax (VAT) system in India to avoid the cascading effect.

In 1986, took initiative to introduction of Modified Value Added Tax (MODVAT) for central excise duties.

In 1994, the Centre introduced Service Tax on rendering services.

In 2004, MODVAT was replaced by Central Value Added Tax (CEN VAT) based on the report of Vijay Kelkar Committee.

In 2005, implemented VAT system in India based on the recommendations of Raja Chelliah Committee.

In 2008, Empowered Committee (EC) submitted a report contained the recommendation about structure and design of GST.

In 2009, recommended DUAL Model of GST for India. i.e Centre levied and collected Central GST (CGST) and State levied and collected State GST (SGST).

In 2016, Constitution (One Hundred and First) Amendment Bill paved the way for the implementation of GST.

In 2017, Goods and Service Tax (GST) has been implemented.

The CGST/SGST Act came into force on 1st July 2017.

GST Structure in India

India has adopted DUAL-GST structure where Central GST(CGST) levied and collected by Central Government and State GST(SGST) levied and collected by State Government. Integrated GST (IGST) also levied and collected by Central Government.

Central Goods and Service Tax (CGST)

Central Government levied and collected the CGST when the transactions take place within the same State or same Union Territory i.e intra-state / intra-UT transactions.

State Goods and Service Tax (SGST)

SGST is the tax payable to State Government on the supply of goods or services or both with in the same state i.e intra-state transactions.

Union Territory Goods and Service Tax (UTGST)

UTGST levied and collected by Central Government on Intra Union Territory transaction i.e transactions take place with in the same Union Territory.

Integrated Goods and Service Tax (IGST)

IGST levied and collected by Central Government on inter-state/inter-UT transactions i.e transaction take place between two or more states or UTs.

GST Council

The constitutional body for making recommendations to the government and union on GST issues is the GST Council. As per Article of 279A(1) of amended Constitution, GST Council constituted by president on 10th September,2016. As per article 279A of amended constitution, the GST Council shall be manned by officers from both Central and State Governments.

The designated personnels are:

Chairman - The Union finance minister

Members - The Union minister of state in charge of revenue or finance

The Minister in charge of Finance or Taxation or any other Minister nominated
each State Government.

Union Budget- 2023: GST amendments

Finance Bill 2023, part of Union Budget 2023-2024 presented by Finance Minister Smt. Nirmala Sitharaman on 1st February, 2023 has proposed several changes in Goods and Services Tax system in India. Following are the key amendments proposed in the GST Law in Union Budget- 2023

- Composition Scheme for E-Commerce Operator

The proposed amendment in the CGST Act that tax payers engaged in supply of goods through electronic commerce (e-commerce) operator who is required to collect tax at source under section 52 of CGST Act shall be eligible for composition scheme under section 10 of CGST Act.

- Reversal of ITC

It has been proposed that, where a recipient tax payer fails to pay the invoice amount including GST to the supplier within 180 days from the date of issue of invoice, then the recipient will have to pay with interest under section 50 of CGST Act.

- Furnishing details of various return.

Section 37(1) of CGST Act amended to restricted tax payers from filing of outward supplies in Form GSTR-1 that will be limited to three years from the due date of filing of the relevant return that is being inserted in new section 37(5).

Section 39 of CGST Act amended to restricted tax payers from filing return in Form GSTR-3B that will be limited to three years from the due date of filing of the relevant return that is being inserted in new section 39(11).

Section 44 of CGST Act amended to restricted tax payers from filing annual return in Form GSTR-9 that will be limited to three years from the due date of filing of the relevant return that is being inserted in new section 44(2).

Section 52(4) of CGST Act amended to restricted tax payers from furnishing statement in Form GSTR-8 that will be limited to three years from the due date of filing of the relevant statement that is being inserted in new section 52(15).

- Ineligible ITC on CSR

Section 17(5) of CGST Act amended to restricts that no ITC to be allowed in respect of goods or services or both received by taxable person which are used or intended to be used for activities related to his obligation under Corporate Social Responsibility activities referred to in section 135 of the /Companies Act, 2013.

- Persons not liable for GST Registration

Section 23 of CGST Act override sections 22(1) of CGST Act (Persons required to take registration in GST) and section 24 of CGST Act (Compulsory registration).

The following persons not liable to obtain registration under section 23(1) of CGST Act:

Persons engaged in exclusively in business of supplying goods or services or both that are not liable to tax or wholly exempted from tax under CGST Act or IGST Act.

An agriculturist to the extend of supply of produce out cultivation of land.

- Non -taxable online recipient and OIDAR

Section 2(16) of the CGST act is being amended to revise the definition of ‘non-taxable online recipient’ by removing the condition of OIDAR services for purpose other than commerce, industry business or profession, so as to provide for taxability of OIDAR services received by any unregistered person located in the taxable territory from the person located in the non-taxable territory.

Conclusion

A good taxation policy plays vital role in the development of Indian economy. GST is a single tax on entire value chain supply from the manufacturer to the consumer. The aim of GST is to bring ‘One Nation, One Tax’ system in India.

The Union Budget- 2023, Government of India has proposed several amendments to Goods and Service Tax regime. The changes in GST as per Union Budget 2023 will contribute significantly to the effective development of tax system in India.

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