GST and its Implications on Business

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Abstract

The study is about the impact of Goods and Services Tax (GST) on Indian Economy.GST is a tax levied on manufacture, sales and consumption of Goods and Services. GST have been subsume all the other indirect taxes paid earlier like excise duty, Sales Tax, VAT, etc. Indirect taxes in India have made the business community to restructure their business system and taxation methods.

Key Words:

Obligation, Economic growth, Inequalities, Launched, Amendment, Cascading

Introduction

Goods and Services Tax is taking India by the storm. India has undertaken Goods and Services Tax Last Year. To unite indirect taxes under one umbrella and facilitate Indian businesses to be globally competitive The Indian GST case is structured for efficient tax collection, reduction in corruption, easy inter-state movement of goods and services etc.

Tax on Supplying of any goods or service except alcohol,petroleium. It is implemented to abolish multiple tax and bring into single taxation form so it is generally called as Uniform Tax. It is implemented from 1st July 2017. It is implemented to make one tax one nation and one market. The motive to adopt the GST is to increase the government revenue and this comes under the article 279 and 122 amendment Act.

The GST was launched by our Former President and Prime Minister of India (Pranab Mukherjee and Narendra Modi). The launch was approved by the both houses of the parliament. GST have been modified multiple times. Finally, our federal and finance ministers have been decided to revise GST rates on 29 goods and 53 services

Goods and Services Tax in India

In the year 1994, Amaresh Bagchi report suggests that the introduction of Value Added Tax (VAT) will act as root for implementation of Goods and Services Tax in India. In 2000 Ashim Dasgupta, empowered committee, which introduces VAT system in 2005, which has replaced old age taxation system in India.

In the year 2004 Vijay Kelkar Task Force strongly recommended the integration of indirect taxes into the form of GST in India. After successful implementation of VAT system in India and suggestion of

various committees and task forces on GST, the union government first time in union budget 2006-2007 announced that the GST would be applicable from 1st April, 2010

The government has formed various joint working groups of state finance ministers to study the impact of GST on the revenue of various states. The empowered committees of state finance ministers after various meetings reached on amicable formula for implementation of GST in India.

Task force of finance ministers had submitted their report in December,2009 on structure of GST in India .Government of India has issued first discussion paper in November,2009. Constitution (115th amendment) bill introduced on 22 nd march, 2011 and same was referred to parliamentary standing committee on finance for discussion. Finance minister in his speech announced that the GST will be rolled out by April, 2011.

In august, 2013 standing committee on finance tablet submitted its report on GST bill. In December, 2014 revised constitution amendment bill was tabled in parliament. Constitution (122nd amendment) bill was introduced in the parliament in December, 2014; since 115 th amendment bill has been lapsed due to completion of parliamentary terms. The government of India has introduced constitution (122nd amendment) bill on 19th December, 2014 in the Lok Sabha and Passsed the bill on 6 th may,2015 but bill is pending in Rajya
Sabha as on that date .On June 14,2016, the Ministry of Finance released draft model law on GST in public domain for views and suggestions. GST bill was passed in Rajya Sabha on 3rd August 2016 (03-08-2016).

Goods and services are divided into 5 tax slabs- 0%, 5%, 12%, 18% and 28%. The following products are taxed separately by our individual government.

Basic rates

- 0% - fruits, vegetables, milk, chicken ,fish
- 5% - tea, coffee, raw cotton, medicine
- 12% -ayurvedic medicines, books , mobile phones
- 18% - electric products, steel products, cosmetics
- 28% - luxury goods, car, motor vehicles

Only gold and silver comes under the extra slab rate 3%.

There is a special rate of 0.25% on rough precious and semi-precious products, 3% on gold, 22% on cess and others rates on top of 28%. GST is applicable to aerated drinks, luxury cars and tobacco products. The rules and regulations are governed by our GST council which comprises of finance ministers of centre and all the state.GST simples a slew of indirect taxes. Trucks travel time is dropped by 20% because of no interstate check posts.

Comparison of Indian GST model with United Kingdom

Particulars	**India**	**UK**
Name of GST in the country	Goods and Service tax	Value Added Tax
Standard Rate	0% (for food staples), 5%, 12%, 18% and 28% (+cess for luxury items)	20% Reduced rates-5%, exempt, zero rated
Threshold exemption Limit	20 lakhs (10 lakhs for NE states)	73,000 (Approx. Rs.61.32 lakhs)
Liability arises on	Accrual basis: Issue of invoice OR Receipt of payment –earlier	Accrual Basis: Invoice OR Payment OR Supply-earliest Cash basis (T/O up to 1.35mn): Payment
Returns and payments	Monthly and 1 annual return	Usually quarterly, Small business option-annual
Particulars	**India**	**UK**
Reverse charge Mechanism	Apply on goods (new) as well as services (currently under Service tax)	Applicable
Exempt services	Manufacture of exempted goods or Provision of exempted services (to be notified)	Medical, Education, Finance, Insurance, Postal services
Name of GST in the country	Good and Service tax	Good And Services Tax
Standard Rate	0% (for food staples), 5%, 12%, 18% and 28% (+cess for luxury items)	6%
Threshold exemption Limit	20 lakhs (10 lakhs for NE states)	MYR 500,000 (Approx. Rs. 75 lakhs)
Particulars	**India**	**UK**
Liability arises on	Accrual basis: Issue of invoice OR Receipt of payment –earlier	Accrual Basis: Delivery of goods OR Issue of invoice OR Receipt of payment
Returns and payments	Monthly and 1 annual return	Large organizations-Monthly

Reverse charge Mechanism	Apply on goods (new) as well as services (currently under Service tax)	Reverse charge applies to imported services
Exempt services	Manufacture of exempted goods or Provision of exempted services (to be notified)	Basic food, Health Transportation, Residential property, Agricultural land

Concepts of GST

1. GST is levied on manufacture, sale and consumption of goods and services.
2. GST is a continuous chain of tax credits from the producer's point of view up to the customers view thereby taking only the value added at each stage of supply chain.
3. As the credit is available under the GST regime, only the final consumer bears the GST charged by the last supplier in the supply chain, with set-off benefits at all previous stages.
4. Since, only the value added at each stage is taxed under GST, there is no tax on tax cascading of taxes under GST system.

Agenda of Meeting;-

- The Union Master for Finance , Shri Arun Jasitley will chair the 17th meeting of the GST council scheduled to be held on June 18,2017 at Vigyan Bhavan, New Delhi
- Agenda of meeting; The meeting was originally held to thanks the council members for helping in the implementation of GST. there was no formal agenda for their council
- The GST Launched at midnight of June 30, 2017 by Prime Minister Narendra Modi, in the presence of President Pranab Mukherjee from the parliaments central hall.
- GST council have met for the 19 th time on Monday, July 17,2017 to take stock of the implementation of the new indirect tax and GST tax rate on cigarette
- The GST council in its 20th meeting made an appeal to indianindustries to pass on the benefit of input tax credit to customers
- The major decisions taken in twenty first GST council meeting held at Hyderabad on 9th September 2017
- The goods and services tax (GST) council hold its 22nd meeting was conducted to consider relaxing the return filing cycle for MSMEs and faster refunds porters.
- The GST council in its twenty third meeting held in guwahati came up with a range of new decisions which will lead to easing tax rates and compliance issues.

Framework of GST

1. **Dual GST -** India has adopted a dual GST which is imposed concurrently by the Centre and States.
2. **Legislative framework –** There is a single legislation (CGST Act, 2017) for levying CGST. Similarly, Union Territories without state legislatures are governed by UTGST and Union Territories with state legislature is governed by SGST.
3. **Classification of goods and services –** HSN (Harmonized System of Nomenclature) code is used for classifying the goods under GST
4. **Registration –** Every supplier of goods and/or services is required to obtain registration in State/UT from where he makes the taxable supply if his aggregate turnover exceeds Rs. 20 lakh during a F.Y
5. **Composition scheme –** For providing relief to small businesses making intra-state suppliers, a simpler method of paying taxes and accounting is known as Composition Levy.
6. **GST common portal -** Common GST electronic portal – www.gst.govt.in – website managed by goods and service network (GSTN) .A company incorporated under the provisions of section 8 of the companies Act 2013 has been set by the government to establish uniform interface for the tax payer and a common and shared IT infrastructure between the central and states. GSTN provides three front and services to the tax payers namely :
    - Registration
    - Payment
    - Return

Advantages of GST

- It is a major source of tax revenues for the Government
- It is levied on manufacture or sales or purchase or import/export
- Indirect taxation directly affects the prices of commodities and services and leads to inflationary trend
- High taxes are imposed on the consumption of harmful products such as alcoholic products, tobacco products etc.
- The rich and poor have to pay the same rate of indirect taxes on certain commodities between the rich and the poor.
- GST reduces a number of indirect taxes.
- Under GST the obligations of taxes is divided equally.
- GST benefits the middle class people by reducing the prices of some goods.
- Business will become easier as all the indirect taxes are included in GST.
- In GST there will no hidden taxes.
- It developed not only our economic growth but also generate employment.
- It increases our GDP growth.

GST Council

The GST in India is governed by a GST council .the composition of the GST council includes.

- The union finance minister (as chairman)
- The union minister of state in charge of revenue or finance
- The minister in charge of finance or taxation or any other minister, nominated by each state government.

The GST council will make decisions on

- Taxes, cesses and surcharges to be subsumed under the GST
- Goods and services which may be subject to or exempt from GST
- The threshold limit of turnover for applications of GST
- Rates of GST
- Model GST laws ,principles of levy, apportionment of IGST and principles related to place of supply
- Special provisions with respect to the eight north eastern state, Himachal Pradesh, Jammu and Kashmir and Uttarkhand and
- Other related matters.

GST Council Meetings

- The maiden meeting of the GST council was held in New Delhi for two days in September 2016 (22&23) headed by Arun Jaitley who is the union finance minister of India.
- The second meeting of GST council was held on 30th September 2016. GST council has finalized rules for payments, returns, refunds and invoices.
- The third meeting of GST was started on 17th October 2016. The GST council has reached a consensus on state compensation.
- The fourth meeting of GST council was started on 3rd November 2016.A fourth GST rate structure of 5%, 12%, 18% and 28% was decided by the GST council.
- The fifth meeting of GST council was held for two days from 2nd December and 3 rd December. Nothing was decided in fifth meeting of GST council
- The sixth GST council meeting was conducted on 11th December 2016 to discuss the draft model GST legislation related in the public domain in November 2016t.In a series of goods and services tax (GST) council meetings.
- The 7th GST council meet was conducted on 22-23 December 2016. Amidst the political friction due to demonetization, the 7th GST council meet started with the agenda of building consensus on three major GST legislations (central GST, integrated GST and the compensation law) and sorting out the issue of 'Cross Empowerment' (dual control over the assessee) .

- 8th GST council meet concluded on January 4, 2017 but, the dead lock continues between the centre and the states on the vexed issue of 'cross empowerment', or 'dual control' of assessee.
- The Ninth GST council meeting was held on 16 th January 2017.This meeting also fails to break the dead lock of dual control issues. The GST council meeting headed by finance minister Arun Jaitley was held in Udaipur on 18th February 2017.the GST council was likely to finalize draft model of GST law in the meeting
- The Eleventh GST council meeting was held on March 4, 2017 in Delhi Vigyan Bhavan. The council cleared the crucial CGST and IGST bills
- The Twelth meeting of GST council was held on 16 th march 2017.State GST bill and union territory bill have been given approval by the council
- The 13th meeting of GST council was held on 31st march 2017.The GSTC inter alia, decided on following approval to draft GST rules (5 out of 9) which were released in September 2016 duly aligned with GST law as approved by Lok Sabha on 29 th March,2017
- The 14 th Goods and Services Tax (GST) council meeting chaired by the union minister of finance Shri Arun Jaitley, was held at Srinagar, Jammu and Kashmir on 18 th and 19 th may 2017.The fitments of rate of goods were discussed during the council meeting.

Structure of GST in India

- India is a federal country where the centre, states and union territories have been assigned the powers to levy and collect taxes. All the three levels of government have distinct responsibilities to perform, as per the constitution, for which they need to raise resources. A dual GST will, therefore ,be keeping federalism
- The Centre, States and union territories have been simultaneously levying GST
- Four taxes will be implemented to help tax payers to take credit against each other thus ensuring 'One Nations One Tax'. They are
    - Central Goods and Services (CGST)
    - State Goods and Services Tax (SGST)
    - Union Territory Goods and Services Tax (UTGST)
    - Integrated Goods and Services Tax (IGST)

Central Goods and Services Tax

Central goods and services tax will replace the existing central value added tax and service tax. The revenue collected under CGST is for central government of india. The following central indirect taxes and levies were submitted under GST

1. Central excise duty
2. Additional excise duty
3. Excise duties levied under medical medical preparations (excise duties) act 1995
4. Service tax
5. Additional customs duty
6. Special additional duties of customs(SAD)
7. Centeral surcharge and cess

State Goods and Service Tax (SGST)

State Goods and Service Tax is meant for states in India other than union territories .the revenue collected under SGST is for state governments. State and services tax replace the state VAT. The following state indirect taxes and levies were subsumed under SGST.

- Value Added Tax
- Entertainment Tax (other than the tax levied by local bodies)

Persons Liable for Registration Under SECTION 22 of GST ACT, 2017

1. Every supplier shall be liable to be registered under this act in the state or union territory Other than special category states, from where he was makes the person as going concern the transfer or the successor as the case may be shall be of goods and services or both if his aggregate turnover in a financial year exceeds twenty lakh rupees

2. Every person who on the day immediately preceding the appointed day is registered or holds a license under an existing law shall be liable to be registered under this act with effect from the appointed day

3. Where a business carried on by a taxable person registered under this act It shall transferred whether on account of succession or otherwise to another person as a going concern. The transferee or the successor as the case may be shall be liable to be registered with effect from the date of such transfer or succession

Registration Procedure Under GST Section 25 of GST ACT, 2017

- Section 25(l) of GST act, every person who is liable to be registered under section 22 or section 24 shall apply for registration in every such state or union territory in which he is so liable within thirty days from the date on which he becomes liable to registration, in such manner and subject to such conditions as may be prescribed

- Provided that a casual taxable person or a non resident taxable person shall apply for registration atleast five days prior to the commencement of business

- A person seeking registration under this act shall be granted a single registration in a state or union territory

- A person ,who is not liable to be registered under sec 22 or sec 24 may get himself registered voluntarily and all provisions of this act as are applicable to a registered person shall apply to such person

- A registration or a unique identity number shall be deemed to have a granted after expiry of the period .If no deficiency has been communicated to the applicant with that period.

GDP Ratio

GST boost tax revenue to GDP ratio. If GDP ratio increases it will be favor for lower income strata. To increase our income first, we should accompanied by good governance standards. India's ratio off tax revenues to GDP is lower than the average for emerging markets, this is the key reason why our India's fiscal deficit has been relatively higher versus peers.

If India's primary deficit becomes surplus there will be fall in debt/ GDP. So, that our government become more flexible to undertake infrastructure spending which lead more employment opportunity and boost our GDP growth. By this way we can reduce income inequalities.

Greater Efficiency for low Income People by the Government

The other sources of income inequalities reduces which comes from direct transfers, and are linked to two pillars- Aadhar card and jandhan. Before, government transfers were conducted physically through government networks &agents.

Jandhan has made to the opening of nearly 300 million bank a/c. Since 2014, brings unbanked people into banking system. These are the people who are beneficiaries of government transfers. As armed with bank accounts, they get to a position to receive benefits directly from the governments.

Reverse Charge Under GST

Normally, the supplier of goods or services pays the tax on supply. In the case of Reverse charge, the receiver becomes liable to pay the tax, i.e., the chargeability gets reversed.

Normal GST Payment Process:

Under normal GST payment process the supplier of the goods or services receives price of the goods with GST from the receiver of the goods or services and pay the GST to the government.

GST payment in case of reverse charge:

Under reverse GST payment process the supplier of the goods or services receives only the price of the goods from the receiver of goods or services and the receiver will pay the GST to the government.

The reverse charge is applicable in the following cases:

1. Supply from an unregistered dealer to a registered dealer:

If a vendor who is not registered under GST, supplies goods to a person who is registered under GST, then Reverse Charge would apply. This means that the GST will have to be paid directly by the receiver to the Government instead of the supplier.

An unregistered dealer cannot make interstate supplies. This means that Reverse Charge in this case will apply only in case of intra-state supply by an unregistered dealer.

Only if the total supply from unregistered person exceeds Rs 5,000 in a day, then reverse charge will be applicable (Notification No. 8/2017 – Central Tax)

2. Services through an e-commerce operator:

If an e-commerce operator supply services then reverse charge will be applicable to the e-commerce operator. He will be liable to pay GST.

For example, Urban Clap provides services of plumbers, electricians, teachers, beauticians etc. Urban Clap is liable to pay GST and collect it from the customers instead of the registered Services providers.

If the e-commerce operator does not have a physical presence in the taxable territory, then a person representing such electronic commerce operator for any purpose will be liable to pay tax. If there is no representative, the operator will appoint a representative who will be held liable to pay GST.

3. Supply of certain goods and services specified by CBEC:

The following goods were specified by CBEC for GST Reverse charge:

1. Cashew nuts (not shelled or peeled), bidi wrapper leaves (tendu), tobacco leaves supplied by agriculturist to any registered person under GST.
2. Silk yarn supplied by any person who manufactures silk yarn from raw silk or silk worm cocoons for supply of silk yarn to any registered person under GST.
3. Supply of Lottery by State Government or Union Territory or any local authority to lottery distributor or selling agent.

Category of supply of services

Supply of services by a goods transport agency (GTA) in respect of transportation of goods by road to –

(a) any factory registered under or governed by the Factories Act, 1948(63 of 1948); or
(b) any society registered under the Societies Registration Act, 1860 (21 of 1860) or under any other law for the time being in force in any part of India; or
(c) any co-operative society establish by or under any law; or

Services supplied by the Central Government, State Government, Union territory or local authority to a business entity excluding,

(1) renting of immovable property, and

(2) services specified below-

(i) services by the Department of Posts by way of speed post, express parcel post, life insurance, and agency services provided to a person other than Central Government, State Government or Union territory or local authority:

(ii) services in relation to an aircraft or a vessel, inside or outside the precincts of a port or an airport:

(d) any person registered under the Central Goods and Services Tax Act or the Integrated Goods and Services Tax Act or the State Goods and Services Tax Act or the Union Territories Goods and Services Tax Act ; or

(e) Anybody corporate established, by or under any law; or

(f) Any partnership firm whether registered or not under any law including associations of persons ; or

(g) Any casual taxable person.

Services supplies by an individual advocate including a senior advocate by way of representational services before any court, tribunal or authority, directly or indirectly, to any business entity located in the taxable territory, including where contract for provision of such Services has been entered through

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- Services supplied by an arbitral tribunal to a business entity.
- Services provided by way of sponsorship to anybody corporate or partnership firm.
- Transport of goods or passengers
- Services supplied by a director of a company or a body corporate to the said company or the body corporate.
- Services supplied by an insurance agent to any person carrying on insurance business.
- Services supplied by a recovery agent to a banking company or a financial institution or a non-banking financial company.
- Supply of services by an author, music composer, photographer, artist or the lie by way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literary, dramatic, musical or artistic works to a publisher, Music Company, producer or the like.

GST in Business

- **Impacts on small and medium enterprises**

In new tax regime there will be merge of central and state taxes which make our annual turnover ratio above 20 lakh. In the previous tax regime, the exemption limit for SMEs was Rs 5 lakhs. . The positive point of the GST is that it will reduce double taxation, improve logistics and deliver service became faster etc..

- **impacts on real estate industry**

The real estate plays significant role in generating employment in India. In constructing buildings GST is imposed 12% but to enclose the construction the buyer should bear stamp duty and registration charges. The actual GST on real estate sector is 18%.

- **Impact on automobile sector**

Automobile sector manufacture large numbers of cars. In new GST regime, road tax, excise sales tax, Vat etc. Will be eliminated.

The Impact of GST on Indian Business

The SME and start-up are rejoicing as this system is deemed to bring relief to entrepreneurs and business;

- **Reduced interaction and dealing with tax officials**

Under this system, there will be reduction in dealing with different tax inspectors.

- **Hassle-free filing of tax**

Earlier, paying tax amount was a pain in neck but after the launch of the GST, it is relatively much easier.

- **Lower tax rate**

Many taxes which is combine, the damage on a manufacturer revenue is 32% but it is reduced up to 18-22 percent

- **Starting your business was never easier**

VAT registration is needed in starting a new business but in India every state has its own procedures.

- **Tax exemptions**

Under this system, if business revenue is extended to Rs 5 lakh. We need to pay vat but it is extended to Rs 10 lakh and there is also some exemptions.

- **Automobiles**

The current effective tax rate is 30-47 % but we expect to mellow out to 20-22%.

- **Consumer durables**

The current tax rate levied on this sector is 7-30%. But GST has negative impacts on this sector as many companies enjoying tax exemptions.

- **Cement**

Tax rate is reduced from 27-32 percent to 18%.so companies prepare themselves for increased demand and growth.

GST: Changing the Face of Indian Business

GST has become one of the worlds most evolved and business- friendly countries. GST impacts the efficiency and operations of these businesses. It emerge one of the most complex and elaborate tax structure globally. This system steered several business into remodeling the approach to multiplicity of taxes collected at both state and central level. This in turn impacts the overall development of business enterprises.

It is one of the most important economic reform in the country and also reshape and restructure its corporate landscape in more than one ways. Through GST our India get more development. In phrase, get is an ‘’GAME CHANGER”. GST has proven to be an effective method tax collection across countries such as France, Canada, Uk etc....

It promises to remove existing barriers around investments and entrepreneurship. GST plays important role in organized and unorganized sector. GST is applicable to 140 countries. GST is faced also by small time business.

Seamless flow of credit:

- The interstate suppler in the exporting state is allowed to set of the available credit of IGST, CGST, and SGST\UGST
- The buyer in the importing state is allowed to avail the credit of IGST paid on interstate purchase made by him
- The revenue of interstate sales does not accrue to the exporting state and the exporting state transfers to the central credit of SGST\UGST used in the payment of *IGST*
- The central transfers to the importing state the credit of IGST used in the payment of
- SGST\UGST
- The common portal was needed which could act as a clearing house and verify the claims and inform the respective governments to transfer
  the funds.

GDP Growth Rate

After GST implementations the export of goods and services will become competitive because of nil effect of cascading effect of taxes on goods and products. In a research done by NCAER, it was suggested that GST would be the key revolution in Indian Economy and it could increase the GDP by 1.0 to 3.0 percent.

Taxes subsumed in GST

- **Central Levies Subsumed**
  - Central Excise Duty and Additional Excise Duties
  - Service Tax

- Excise Duty under Medicinal & Toilet Preparation Act
- CVD & Special CVD
- Central Sales Tax
- Central surcharged and Cesses in so far as they relate to supply of goods & services

➢ **State Levies Subsumed**

- State surcharges and cesses in so far as they relate to supply of goods & services
- Entertainment Tax (except those levied by local bodies)
- Tax on lottery, betting and gambling
- Entry Tax (All forms) & Purchase Tax
- VAT/ Sales Tax
- Luxury Tax
- Taxes on advertisements

Conclusion

Many economists and experts have predicted that the GST bill will boost up the economy in long run. India is a collective economy where each state has its own set of rules for them. This makes the growth of the country slow, causes difficulties to the businesses and higher possibilities of tax evasion and corruption. To make the tax payment process simpler and create a win-win environment for both, government as well as businesses, and to reduce the corruption, GST bill is introduced in India which is very important

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