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IMPLIMENTATION OF GST IN INDIA-AN OVERVIEW

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ABSTRACT:

GST is one of the most crucial tax reforms in India which has been long pending. It was supposed to be implemented from April 2010, but due to political issues and conflicting interests of various stakeholders it is still pending. It is a comprehensive tax system that will subsume all indirect taxes of states and central governments and unified economy into a seamless national market. It is expected to iron out wrinkles of existing indirect tax system and play a vital role in growth of India. This paper presents an overview of GST concept, explains its features along with its timeline of implementation in India. The paper is more focused on advantages of GST and challenges faced by India in execution.

KEYWORDS:

Implementation and tax reforms, Goods and Service Tax (GST), India.

1. INTRODUCTION

India's biggest tax reform is now a reality. A comprehensive dual Goods and Services Tax (GST) has replaced the complex multiple indirect tax structure from 1 July 2017.

The concept of GST was visualized for the first time in 1999. On 8 August 2016, the Constitutional Amendment Bill for roll out of GST was passed by the Parliament, followed by ratification of the bill by more than 15 states and enactment of the bill in early September.

The GST Council consisting of representatives from the Central as well as state Government, met on several occasions and cleared –

- GST laws,
- GST Rules,
- Tax rate structure including Compensation Cess,
- Classification of goods and services into different rate slabs,
- Exemptions,
- Thresholds,
- Tax administration On 12 April 2017, the Central Government enacted four GST Bills:
 - Central GST (CGST)
 - Integrated GST (IGST)
 - Union Territory GST (UTGST)
 - Bill to Compensate States

In a short span of time, all the states approved their State GST (SGST) laws. Union territories with legislature, i.e., Delhi & Puducherry, have adopted SGST Act and the balance 5 Union territories without legislatures have adopted UTGST Act.

The government has also notified GST rules, tax rates on goods and services, exemption list and categories of services on which reverse charge is applicable.

Till 31 March 2018, all registered persons have to file monthly return in form GSTR3B (containing summary of outward and inward supplies) by 20th of succeeding month. The due

dates for filing form GSTR-1. The time period for filing Form GSTR-2 and GSTR-3 for the period July 2017 to March 2018 would be worked out by a Committee of Officers and hence the same is not required to be filed till such time.

2. LITERATURE REVIEW

Agogo Mawuli (May 2014)¹ studied, “Goods and Service Tax-An Appraisal” and found that GST is not good for low-income countries and does not provide broad based growth to poor. Dr. R. Vasanthagopal (2011)² studied, “GST in India: A Big Leap in the Indirect Taxation System” and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also.

Ehtisham Ahmed and Satya Poddar (2009)³ studied, “Goods and Service Tax Reforms and Intergovernmental Consideration in India” and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Nitin Kumar (2014)⁶ studied, “Goods and Service Tax- A Way Forward” and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Pinki, Supriya Kamma and Richa Verma (July 2014)⁷ studied, “Goods and Service Tax- Panacea For Indirect Tax System in India” and concluded that the new NDA government in India is positive towards implementation of GST and it is beneficial for central government , state government and as well as for consumers in long run if its implementation is backed by strong IT infrastructure.

TIMELINE OF GST IN INDIA

In 2000, an empowered committee was set up by NDA government under the chairmanship of Asim Das Gupta to design GST model. With UPA in power union finance minister, Mr. P.Chidambaram, proclaimed the implementation of GST from April 2010 in budget of 2007 and set up an empowered committee of state Finance ministers to work with center. Therefore, on 10 May 2007 Joint Working Group was set up by empowered committee of state finance ministers which submitted the report in Nov 2007. First detailed discussion paper on structure of GST was introduced by empowered committee in Nov 2009 with the objective of generating a debate and getting the inputs from all stakeholders. It suggested a dual GST Module along with a GST council and finally in March 2011, constitution 115th amendment bill was introduced to draw up laws for implementing GST. It includes the followings:

- 1) Setting up of GST COUNCIL by the president within 60 days of passage of bill. The council will be chaired by union finance minister and its members include 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 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 cragfasted in Rajya Sabha where it has to pass with 2/3rd majority in order to be implemented from 1 April 2016

FEATURES OF PROPOSED GST

AMBIT OF GST

- 1) It is applied to all taxable goods and services except the exempted goods and services and on transactions below the threshold limit.
- 2) Exempted goods and services include alcohol for human consumption, electricity, custom duty, real estate.[Proposed article 366(12A)]
- 3) Petroleum products [crude oil, HSD(high speed diesel),motor spirit(petrol), natural gas, ATF(aviation turbine fuel)] are initially exempted from GST till the GST Council announces date of their inclusion.
- 4) Tabaco products are included in GST along with central excise tax.

IMPOSITION AND COLLECTION OF GST

- 1) The power of making law on taxation of goods and services lies with both union and state legislative assemblies. A law made by union on GST will not overrule a state GST law.(proposed article 246A)
- 2) GST has two components CGST and SGST as discussed above. CGST will be collected by central government whereas states governments will collect SGST.
- 3) IGST is levied on supplies in the course of interstate trade including imports which is collected by central government exclusively and distributed to imported states as GST is destination based tax. The proportion of distribution between center and states is decided on recommendation of GST Council. (proposed article 269A)

GST COUNCIL

- (1) It is set up by president under article 279-A. It is chaired by union finance minister.
- (2) It will constitute union minister of state in charge of revenue and minister in charge of finance or taxation or of any other field nominated by state governments. The $\frac{2}{3}^{\text{rd}}$ representatives in council are from states and $\frac{1}{3}^{\text{rd}}$ from union.
- (3) The decision of council is made by $\frac{3}{4}^{\text{th}}$ majority of the votes cast and quorum of council is 50%.
- (4) It will make recommendations on

- a) Taxes, surcharge, cess of central and states which will be integrated in GST.
 - b) Goods and services which may be exempted from GST
 - c) Interstate commerce – IGST- proportion of distribution between state and center
 - d) Registration threshold limit for GST
 - e) GST floor rates
 - f) Special rates during calamities
 - g) Provision with respect to special category states specially north east states
- (5) It may also work as Dispute Settlement Authority for GST.

To availability of cheap goods the number of taxpayers will increase and overall tax collection of states will also boost. This increase in tax revenue will lead to fiscal consolidation which is demanded by current state of Indian economy. As per CRISIL recent report GST is best reckon for fiscal consolidation as there is not much scope to cut government expenditure in India.

EXPORT WILL BE ZERO RATE

No GST will be levied on exports because of which input credit of exporter will not be affected and he/she can use these input credit in future. With zero rated exports, domestic goods will be more competitive in international market and will help in increasing exports which in turn the fulfillment of objective of 3.5% share of India in world exports by 2020.

CHALLENGES OF GST

HIGH REVENUE NEUTRAL RATE (RNR)

RNR is the rate which neutralize revenue effect of state and central government due to change in tax system, means ,the rate of GST which will give at least the same level of revenue that is currently earned by state and central governments from indirect taxes is known as RNR.

As per

13 finance commission the RNR should be 12% whereas state empowered committee demanding

26.68%. Union government is reckoning the rate band should be 15%-20% which is very high as compare to other counties. Hungary implemented GST from 1/4/2014 with 7% rate. Due to high RNR

- Competitive edge of India in Asian giants will decrease and domestic industry may be wrecking.
- Tax evasion and smuggling will increase.
- Regressive nature of indirect taxes will badly affect the purchasing power of poor people which will have negative impact on human development index.

So, before implementing GST, RNR should be minimized. This can be achieved by inclusion of petrol, liquor, land, electricity within the ambit of GST which will enhance the tax base and increase revenue of government.

ADDITIONAL 1% TAX

- 1) Additional 1% tax on interstate taxable supply of goods which is levied by center and directly portioned to the exporter state (origin state).
- 2) This tax will be charged for two years or for longer time period recommended by GST Council.

ADVANTAGES OF GST

Eliminating tax on tax effect

Previously, several taxes were levied on the same product that increased the price of the product. With the passing of , it will eliminate the tax on tax effect by providing credit for the taxes paid.

Product identification

Under the previous regime, classification of products into different categories caused a lot of confusion and was a litigious issue. GST aims to solve this issue by bringing in , which is an eight-digit code to identify products according to

One tax :

Instead of several different taxes being levied by state and central government, proposes to impose only one tax. GST will replace several hidden taxes that were imposed by state governments and it will improve ease of doing business.

Decrease in price of products : will be charged at the manufacturing cost and collected at the point of sale, which means that the price will come down that will benefit the consumers. Once the prices come down, the consumption of consumers will increase which will benefit the companies.

Easy Compliance

All the will have to be done online, which will make compliance under the GST system hassle-free and transparent.

WAY FORWARD FOR IMPLEMENTATION OF GST

- 1) The 122nd amendment bill to be passed by upper house with $2/3^{\text{rd}}$ majority and then will be ratified by at least 50% state legislatures and will be followed by assent of president.
- 2) After the bill has been passed, GSTC (GST Council) to be established.
- 3) GSTC to advocate GST law and procedure.
- 4) GST law to be introduced in parliament.
- 5) GSTN (GST Network) a section- 25 company established to design IT infrastructure of GST

CONCLUSION

Consumption and productions of goods and services is undoubtedly increasing and because of multiplicity of taxes in current tax regime administration complexities and compliance cost is also accelerating. Thus, a simplify, user -friendly and transparent tax system is required which can be fulfilled by implementation of GST. Its implementation stands for a coherent tax system which will colligate most of current indirect taxes and in long term it will lead to higher output, more employment opportunities and flourish GDP by 1-1.5%. It can also be used as an effective tool for fiscal policy management if implemented successfully due to nation-wide same tax rate. It execution will also results in lower cost of doing business that will make the

domestic products more competitive in local and international market. No doubt that GST will give India a world class tax system by grabbing different treatment to manufacturing and service sector. But all this will be subject to its rational design and timely implementation. There are various challenges in way of GST implementation as discussed above in paper.

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