



## “Implementation of Goods & Service Tax (Gst) in India Emerging Opportunities & Challenges”

Sabari Nath T V

Designation: Guest Lecturer Institution Address: Christian College, Chengannur, Dept. Of Commerce

### ABSTRACT

[Key-word: VAT, GST, CGST, SGST, Indirect Tax Regime, Input Tax Credit]

Received 19 January, 2019; Accepted 02 February, 2019 © the Author(S) 2019.

Published With Open Access At [www.Questjournals.Org](http://www.Questjournals.Org).

### I. INTRODUCTION:-

The introduction of the GST in India is the landmark reform in indirect tax regime which will have structural impact in contemporary Indian economy. The Govt. of India implemented the historic tax reform in Indirect taxes from 1<sup>st</sup> July 2017. At present more than 140 countries have implemented the GST in the World with the thrust objective to maintain the transparency in the system and to minimize tax evasion in phased manner and to push the further creation of infrastructure facility to match the growing expectation of the industrial houses, farmers, traders and the citizen of each country. It has replaced total indirect structure such as central excise, custom, entry tax and service tax etc. GST will unify all the indirect tax under an umbrella in order to foster a common market in the country.

#### Objective of the Study:

- To overview the present indirect tax structure in India with justification of introduction of GST in India.
- To understand the core concepts of Goods and Service Tax (GST) with empirical analysis of GST Model
- To examine various opportunities and challenges after the implementation of GST along with a comparative study on impact of taxes in non-GST regime and GST regime

### II. RESEARCH METHODOLOGY

The study focuses on extensive study of Secondary data collected from various books, government reports from various websites which focused on various aspects of Goods and Service tax.

### III. LITERATURE REVIEW

**Ehtisham Ahmed** and **Satya Poddar (2009)** 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.

**R. Vasanthagopal (2011)** studied, “GST in India: A Big Leap in the Indirect Taxation System” and concluded that switching to 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 140 countries in world and a new preferred form of indirect tax system in Asia also.

**Jaiprakash (2014)** in his research study mentioned that the GST at the Central and the State level are expected to give more relief to industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax set-off and service tax setoff, subsuming of several taxes in the GST and phasing out of CST. Responses of industry and also of trade have been indeed encouraging. Thus GST offers us the best option to broaden our tax base and we should not miss this opportunities to introduce it when the circumstances are quite favourable and economy is enjoying steady growth with only mild inflation.

**Nitin Kumar (2014)** 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.

**Nishitha Gupta (2014)** in her study stated that implementation of GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development. Hence GST may usher in the possibility of a collective gain for industry, trade, agriculture and common consumers as well as for the Central Government and the State Government.

**Mrs. Poonam (2017)** in her study stated that the introduction of Goods and Services Tax (GST) would be a very significant step in the field of indirect tax. The cascading or double taxation effects could be reduced by combing many central and state taxes. Consumer’s tax burden will approximately reduce to 25% to 30% after introduction of GST. After introduction of GST Indian products would become more competitive in the domestic and international markets. This tax would instantly encourage economic growth.

### **An Overview of Present Indirect Tax Structure**

The growth and prosperity of any economy in the World is exclusively depends upon the revenue generated from both indirect and direct taxes. The finance is the pre-requisite strength for creating the basic and core infrastructure in order to facilitate trade, industry and other ancillary services. The taxation policy of Govt. aims to meet its legitimate need to collect the tax revenue to fund public services and developing core infrastructure in phased manner which is the important instrument for stimulating industrial growth, promotion of trade and commerce and generating employment opportunity for young India.

The structure of Indirect Taxes as existing up to 30.06.2017 was based on three lists in Seventh Schedule to Constitution of India in 1950, which was based on Government of India Act, 1935.

The Ministry of Finance, Govt. of India has initiated many tax reforms and made structural changes in economic policy in phased manner in order to strengthen our tax regime.

Let us examine the following model of transition over **CST to VAT**.

#### **Illustrated Model No 1**

<b>Producer</b>	<b>Product</b>	<b>Input</b>	<b>Output</b>	<b>Value Added</b>	<b>CST (Say 10%)</b>	<b>VAT (Say 10%)</b>
Farmer	Wheat	10	30	20	--	--
Miller	Flour	30	50	20	5	2
Baker	Cake	50	90	40	9	4
Shopkeeper	Sale	90	100	10	10	1
				<b>Total</b>	<b>24</b>	<b>7</b>

#### **FARMER → MILLER → BAKER → CONSUMER**

Farmer spends Rs.10 on producing wheat. Purchasing cost for Miller is 30, for Baker and Shopkeeper is 50 and 90 respectively. Selling price of output produced by them is 30, 50, 90, and 100.

Under the sales tax regime, tax is paid on the total output produced by the tax payer. So, here amount to be paid by each of the producers if the rate of tax is 10% will be 0, 5, 9 and 10 respectively. Now in the case of VAT tax is paid only on the value addition made to the products. And the value addition in 1<sup>st</sup> case is 20, second case is also 20, in 3<sup>rd</sup> it’s 40 and lastly it is 10. If the VAT rate is 10% then amounts payable for each producer will be 0, 2, 4 and 1 rupee.

Total tax collected under CST is `24 and under VAT it is `7.

Multiplicity of taxes at the State and Central levels has resulted in a complex indirect tax structure in the country that is ridden with hidden costs for the trade and industry. Firstly, there is no uniformity of tax rates and structure across states in our country. Secondly, there is cascading of taxes due to ‘tax on tax’. No credit of excise duty and service tax is paid at the stage of manufacture but is available to the traders while paying to the State level sales tax or VAT and vice-versa. Hence, the prices of goods and services get artificially inflated to the extent of ‘tax on tax’.

### **CORE CONCEPT OF GST**

Indian industries are not able to compete in the global market because of the various limitations of Indirect Taxes such as complicated and comprehensive tax structure, lack of transparency and more legal conflict due to different interpretation.

GST is one indirect tax for the whole nation, which will make India a unified common market. GST is one tax that is levied on supply of goods and services, which will be shared among the Central Government and the State Governments as per the GST council.

#### IV. TYPES OF GST

**CGST (Central GST):** CGST is levied on supply of goods and services within a state and the revenue collected belongs to the central government.

**SGST (State GST):** SGST is levied on supply of goods and services within a state and the revenue collected belongs to that state government.

**UTGST(Union Territories GST):** The union territories in India are accounted under a specialized taxation called UTGST.

**IGST(Integrated GST):**The inter-state trade and commerce activities that involve the movement of commodities and services will be levied with IGST. The revenue out of IGST is shared by state government and central government as per rates fixed by the authorities.

#### Comparison of Non-GST Regime & GST Regime with help of a Case Study

- **Background of the Comparison**

#### Illustrated Model-II

Sale By	Value Added	Non-GST Regime			GST Regime		
		Value of Output	Tax (10%)	Selling Price	Value of Output	Tax (10%)	Selling Price
Raw Material supplied to Manufacturer	-	100	10	110	100	10	110
Manufacture to Wholesaler	40	150	15	165	150	5	155
Wholesaler to Retailer	35	200	20	220	190	4	194
Retailer to Consumer	20	240	24	264	214	2.4	216.4

#### Emerging opportunities in GST

- 1) GST will empower Indian Industrial Houses and Trade Centre.
- 2) GST will encourage the Exporters to penetrate the Global Market
- 3) GST for the Common Consumers
- 4) Scope for enhancement of Tax Revenues both Central & State Govt.

#### Impact of GST on Manufacturing Sectors:

- 1) Reduced Cost of Production
- 2) Hassle-free Supply of Goods
- 3) Increased Compliance Requirement
- 5) Area-based Exemptions

#### V. CONCLUSION

The historical and biggest Indirect Tax reform since Independence i.e. GST was implemented from 1<sup>st</sup> July 2017 with a definite mission of “**One Nation One Market and One Tax**”.

From the above empirical analysis in the GST model, there will be multi-fold benefits to industrial houses, ultimate consumers, traders, taxation authorities and both Central & State Govt.

To conclude the prologue of GST will help to reduce distortion of prices due to tax policies, also reduce the burden of tax payer by eliminating the cascading of taxes at multiple levels, help in equal distribution of burden of taxation between manufacturing and services and to lower the tax rate by broadening the tax base & reducing exemptions. It will help to build a transparent and corruption-free tax administration. There will be many challenges towards the implementation of GST which is expected in any economic reform initiated by Govt. So the negative impacts cannot be ignored as a whole, but they can be workout and remedial measures including revisions in the comprehensive reforms can be initiated in phased manner for the greater interest of the nation.

Sabari Nath T V" Implementation of Goods & Service Tax (Gst) in India Emerging Opportunities & Challenges" Quest Journals Journal of Research in Business and Management, vol. 07, no. 01, 2019, pp 58-60