ABSTRACT
The Goods and Service Bill (GST) in India proposes to implement a Value Added Tax on 1st April 2017. The GST would be a comprehensive indirect tax on manufacture, sale and consumption of goods and services, which is payable in the final round of consumption. This proposal has been at the centre of controversy with opinions being voiced for and against its implementation.

The objectives of GST include ensuring availability of input credit across the value chain; minimizing cascading effects of taxation; harmonization of tax base, laws and administrative procedures; minimization of tax slabs; prevention of unhealthy practices among states and increasing tax base and compliance.

Among the benefits of CST are splitting of equal burden between centre and states, removing economic distortions, building a transparent and corrupt free administration, making exports more competitive, generating greater revenue, enabling carrying on business easier, and thereby giving rise to economies of scale in production and efficiency in supply chain.

However, the concept is not devoid of demerits and challenges such as readiness for successful implementation, efficiency of government machinery in managing changes, the preparedness of taxpayers, impact on government revenue and the possibility of disastrous consequences on consumers, traders and businessmen.

Keywords: GST, VAT, Dual taxation.

INTRODUCTION
The Goods and Service Bill or GST Bill is officially called the Constitution Bill 2014. It proposes to implement a National Value Added Tax on 1st April 2017. The GST would be a comprehensive indirect tax on manufacture, sale and consumption of goods and services. The general feeling is that the existing indirect tax structure is a major obstacle in the process of India’s growth and competitiveness, as it is believed that cascading effects on taxation can make indigenous manufacturers more attractive. Under this situation introduction of GST can be considered as crucial for economic growth.

The introduction of GST would be a measure which would avoid double taxation and facilitate a common national market. The proposal to introduce GST in India has been the centre of controversy with arguments both for and against its implementation. In this Paper therefore an attempt has been made to look into the concept of GST, examine its benefits, challenges and demerits, discuss the effects on the economy and make a comparison with other countries in terms of the tax rates.
OBJECTIVES OF THE STUDY

The study is based on the following objectives:

1) To examine in detail the concept, features and objectives of GST;
2) To discuss the advantages and disadvantages/challenges of GST in India;
3) To discuss the effects of GST in India;
4) To compare the proposed Indian tax rates under GST with those prevailing in other countries.

Concept of GST

The basic idea of GST is to create a single cooperative and undivided Indian market to make the economy stronger and powerful. It is felt that in this way GST would pave the way for an all-inclusive tax reform in the country.

At present there are two types of taxes in India:
   i) Direct Tax; and
   ii) Indirect Tax.

One can also classify taxes on the basis of imposition: While some taxes are imposed by the Central Government such as service tax, custom duty etc, the states have the sole power to levy and collect taxes such as Value added tax, stamp duties, land revenue etc.

Simply speaking, GST can be considered as an indirect tax that brings most of the taxes imposed on most goods and services, on manufacture, sale and consumption of goods and services and is payable at the final round of consumption. The tax is collected at each stage of sale/purchase in the supply chain on the value added goods and services through a tax credit mechanism.

On this basis one can say that GST is:
   a) A tax on goods and services;
   b) It is levied at each point of sale or provision of service;
   c) It is very similar to VAT (Value Added Tax) – the difference being that, in addition to the fact that it is levied by the Central Government, it is not levied only on goods but it also involves services;

When one tries to look into the origin of GST in India, one observes that in 2000, the then Prime Minister of India Shri Atal Bihari Vajpayee had appointed a Committee to streamline the GST Model.

In his Budget Speech on 26th February 2006, the Finance Minister Mr. P.Chidambaram announced that 1st April 2010 would be the target date for implementing GST and accordingly formed an empowered Committee to streamline the GST Model. The latter submitted its Report in April 2008 and the First Discussion Paper on GST was released in 2009.

The Finance Minister Mr. Arun Jaitley introduced the Constitution (122nd Amendment Bill 2014) on 19th November 2014 and was subsequently passed by the House on 6th May 2015. In the Rajya Sabha the Bill was referred to a Select Committee on the 14th of May 2015. The Select Committee of the Rajya Sabha submitted the Report on 22nd July 2015. The Bill was passed by the Rajya Sabha on 3rd August 2016 and subsequently the amended Bill was passed by the Lok Sabha on 8th August 2016. After ratification by the states the Bill received the assent from the President Sri Pranab Mukherjee on 8th September 2016.
FEATURES AND OBJECTIVES OF GST IN INDIA

The following are the features of GST in India

1) The Central GST and State GST would be applicable for all transactions of goods and services except the exempted goods and services, goods and services which are outside the purview of GST and transactions which are below the threshold limits;

2) The Centre and State GST have to be paid in the accounts of the Centre and State separately.

The Constitution Bill has proposed to insert new Article 279A on the formation of GST Council, which would comprise Union Finance Minister as Chairperson, Union Minister of State of Finance as Member, State Finance/Revenue Minister as a Member and the State Finance Minister shall in turn select one of them as Chairpersons of the Council.

The Council would have to make the following Recommendations:

1) Which of the taxes surcharges, cesses, which are levied by the Union, state and local bodies have to be submitted to GST;
2) Which are the threshold limits under GST;
3) Which goods and services will be exempt from GST Regime?
4) What would be the floor rates with bands of goods and services;
5) What are the modalities for settlement of disputes;

A dual GST system is proposed by the Empowerment Committee. GST under this would be divided into two parts:

i) State Goods and Service Tax (SGST); and
ii) Central Goods and Service Tax (CGST).

Firstly, after completion of several procedures the question is one of ensuring uniformity in the implementation of GST rules across different states. This is a herculean task in a country like India characterized by heterogeneity.

The objectives of GST can be discussed as follows:

a) To ensure that input credit is available across the value chain;
b) To minimize the cascading effects of taxation;
c) To simplify tax administration and compliance;
d) To harmonize tax base, laws and administrative procedures across the country;
e) In order to avoid classification issues the tax rate slabs should be minimized;
f) To prevent unhealthy competition among states;
g) To increase the tax base and increase compliance.

Benefits of GST

Let us dwell into the benefits which the economy would enjoy because of the introduction of GST:

One, it is generally felt that GST would enable the splitting of the tax burden equitably between manufacturing and services. This can be done by reducing the tax base thereby lowering the tax rate and decreasing exemptions;
Two, as GST would only be levied on the final destination of consumption, on the basis of VAT Principle, it would help in the removal of economic distortions and thereby bring about developments of the common national market.

Three, it is a transparent tax which reduces the number of indirect taxes. Customers would get to know the exact amount of tax they would be paying on the product. It would help in building a transparent and corruption free tax administration.

Four, on account of GST there will be no hidden taxes and the cost of doing business will be lower. This will make exports more competitive.

Five, GST can help divert income sources for government apart from income tax and petroleum tax, which in the long run would generate revenue.

Six, Carrying on business would become a smoother proposition as the process would be devoid of multiple taxes like octroi, Central Sales tax, State Sales Tax, entry tax, license fees, turnover tax etc.

Seven, it is felt it would also ease administration and enforcement by facilitating movement of goods from state to state, as they need not stop for sales tax or entry tax.

Eight, introduction of a common market will lead to economies of scale in production and efficiency in supply chain. Goods such as FMCG, pharmaceuticals, consumer durables, automobiles and engineering will be the major beneficiaries. This is so because in the current situation in their case there is a large value chain from basic goods to final consumption.

Nine, stable, transparent and predictable tax regime will encourage local and foreign investment in India which would create job opportunities.

One can say that the benefits of GST can be split as:

A) For the Centre and States: India it is estimated will gain $15 billion a year. This they say is possible because it will provide greater employment opportunities, boost growth and divide the burden of tax between manufacturing and services.

B) For individuals and Companies: Individuals will benefit on account of low prices. A virtuous circle would emerge, as consumption will increase which in turn would lead to expand production and contribute to the growth of companies.

Challenges for and demerits of GST in India

GST can be simply considered as a game changing Reform for the Indian economy through creation of a common market and reducing the cascading effect of tax on the cost of goods and services. It will affect tax structure, tax incidence, tax computation, tax payment, compliance credit utilization and reporting leading to a complete overhaul of the current indirect system.

A number of bottlenecks confront the implementation of GST in India. They include:

1) What are the preparations required at both the central and state levels to successfully implement GST;

2) Whether the government machinery is efficient enough to manage the changes;

3) Whether the tax payers are prepared for the change;

4) What would the impact of GST on government revenue;

5) How would it affect the traders, manufacturers and other consumers;

6) Will it be helpful to small entrepreneurs and traders.

While the proposed GST Bill is about 18-20%, the Service tax is 15%. It is feared that GST will make services costlier and this will in turn will increase the cost.
GST in other countries

All round the world GST has the same concept. It is estimated that approximately 160 countries have implemented GST/VAT in one form or another. However, only Canada has a dual GST Model like the one India is going to implement. The contentious issue that needs urgent attention is the GST rate as some countries are struggling to rationalize the adopted tax structure.

One cannot deny the fact that acceptance of GST by the general public, business and firms would not be an easy task. Empirical evidence shows that GST has proved to be an efficient tax collection system despite of initial problems during the implementation period.

The following table throws light on the GST rates in different countries.

<table>
<thead>
<tr>
<th>Serial No</th>
<th>Country</th>
<th>Rate of GST/HST/VAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Canada</td>
<td>13%-15%</td>
</tr>
<tr>
<td>2</td>
<td>France</td>
<td>Standard Rate 20%, Reduced Rate 5.5% and 10%</td>
</tr>
<tr>
<td>3</td>
<td>UK</td>
<td>Standard Rate 20% Reduced Rate 5%</td>
</tr>
<tr>
<td>4</td>
<td>New Zealand</td>
<td>Peak Rate 15%</td>
</tr>
<tr>
<td>5</td>
<td>Malaysia</td>
<td>6%</td>
</tr>
<tr>
<td>6</td>
<td>Singapore</td>
<td>7%</td>
</tr>
<tr>
<td>7</td>
<td>India</td>
<td>Expected Rate is between 12% to 20%.</td>
</tr>
</tbody>
</table>

In India it is imperative that a reasonable tax structure be adopted to ensure the success of GST. Else the fear is that it could fuel inflationary pressures in the country. It is proposed that the higher rate of services under indirect tax would be 18% while essential services like transportation would be levied between 6% and 12%. Ultra luxury items like high end cars and demerit goods like tobacco, cigarettes, pan masala and aerated drinks would require an additional cess over and above the higher rate of 26%.

Effects of GST

Let us discuss the crucial factors which would determine the success of GST in India.

1) RNR – It refers to the rate at which there would be no revenue loss to the government after implementation of GST. Experts opine that the RNR is going to affect India adversely. At present the Cenvat rate is 12%, Service tax rate is 12% and average VAT rate is between 12.5 to 13% across states. Therefore even under the present scenario indirect tax component is between 12.5% to 13% across states and one can say that even now the indirect tax component is 25-28%.

2) Threshold limit of turnover for dealers under GST. It should be ensured that lowering of threshold limit should not be a taxing burden on small businessmen in the country.

Robust it network

The success of GST would to a large extent depend on the robust IT backbone connecting all state governments. As of now GSTN (Goods and Services Tax Network) has completed the following tasks:

a) Mapping of Dealers data with PAN;

b) Pilot run for registration returns and payments;

c) Back-end process for 12 states;

d) Integration with five banks and the process is underway with 25 other banks.

Extensive training of administrative staff

In view of the fact that GST is imperative, the need of the hour is training of tax administration staff at both the central and state level about the concept, legislation and procedures.
Additional levy on GST

States will be allowed a levy of an additional 1% non vat able tax on inter-state supply of goods for an initial period of 2 years. The main motive is compensating the states for loss of revenue on account of GST.

CONCLUSION

Even as the IMF says that the proposed GST would improve tax compliance and thereby accelerate economic by 1-1.5%, it does not hesitate to point out that the structure is very complex. This is in view of the fact that India is adopting a dual tax structure with both the centre and states taxing a single transaction.

GST will no doubt have far-reaching impact on the economy. This would include pricing of products and services, supply chain optimization, IT accounting etc. However, its implementation is a long drawn out process. A lot of aspersions have been cast and we will have to wait to realize the exact magnitude of the impact of GST on the Indian economy.

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