GST: ONE OF THE BOLDEST REFORMS IN POST-INDEPENDENCE INDIA

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ABSTRACT

GST is one of the boldest reforms in post-independence India which has been long pending. It has been long pending issue to streamline all the different types of indirect taxes and implement a “single taxation” system. The main expectation from this system is to abolish all indirect taxes and only GST would be levied. This paper is an analysis of why GST is needed and what the impact of GST will be on Indian Tax Scenario. The researcher has state the brief meaning of GST, its benefits and challenges in implementation.

Keywords: GST, Constitutional Amendment Bill

INTRODUCTION

India is a developing nation and the sixth-largest economy in the world measured by nominal GDP and third-largest by purchasing power parity (PPP). Currently, India has the complicated indirect tax system which is followed by imbrications of various taxes imposed by union and states government separately. GST will unify all the indirect taxes and will create a smooth national market. Experts say that GST will improve the economic condition of the nation by improving the tax collection system and remove all the barriers among states and brings the uniformity in the whole nation via single tax rate. GST system was first introduced in the year 1954 by France, and today around 140 countries of the world have implemented the GST. Some of the countries followed unified GST while some other countries follow a dual GST where tax is imposed by central as well as states government. India also proposed to implement dual GST consisting CGST and SGST.

OBJECTIVES OF THE STUDY

1. To take a glance on GST
2. To know about the various changes in tax structure in India

What is GST?

It has been long pending issue to streamline all the different types of indirect taxes and implement a “single taxation” system. This system is called as GST (GST is the abbreviated form of Goods & Services Tax). The main expectation from this system is to abolish all indirect taxes and only GST would be levied. As the name suggests, the GST will be levied both on Goods and Services.

GST was first introduced during 2007-08 budget session. On 17th December 2014, the current Union Cabinet ministry approved the proposal for introduction GST Constitutional Amendment Bill. On 19th of December 2014, the bill was presented on GST in Loksabha. The Bill will be tabled and taken up for discussion during the coming Budget session. The current central government is very determined to implement GST Constitutional Amendment Bill.
NEEDS FOR GST

The need of GST can be explained by way of the following reasons or weaknesses in the present system:

i. In the present tax structure there is no system of providing input credit in between taxes levied by states and the center. Thus cascading effect arises;

ii. There are various definitional issues relating to manufacturing, sale, service, valuation etc. These need to be rationalized;

iii. Several transactions take the character of sales as well as services thus there is complexity in determining the nature of transaction;

iv. The mechanism of imposing taxes, exemptions, abatements, other benefits are different in states and centre;

v. Existing laws have resulted in significant number of issues relating to interpretation/tax disputes;

vi. Credit mechanism is also very narrow with several conditions along with procedural formalities which make the compliances difficult

vii. Administrative machinery at the centre and in different states is different, resulting in inefficiencies;
Comprehensive levy and collection on both, goods and services at the same rate with the benefit of seamless input credit for competitiveness;

Subsume multiple taxes like luxury tax, entertainment tax, octroi etc;

To limit the number of tax rates;

Common law and procedure is the need of the hour;

Strong administration of the legal compliances is required.

Taxation of goods and services separately by union as well as states brings in distortion in tax structure, is derogatory and adversely affects revenues. The present consumption tax system in India is complicated as well as multi-layered. GST is a part of ongoing tax reforms which aims at evolving an efficient and harmonized consumption tax system. It shall replace the multiple taxes with a single tax operating at various levels of supply chain, thus, avoiding the cascading effects of multiple taxes. Also it cover all goods and services, unlike the present system, with a negative or exempted list. It will also end the distortion in differential tax treatment of various goods and services.

BENEFITS OF GST BILL IMPLEMENTATION

1. The tax structure will be made lean and simple

2. The entire Indian market will be a unified market which may translate into lower business costs. It can facilitate seamless movement of goods across states and reduce the transaction costs of businesses.

3. It is good for export oriented businesses. Because it is not applied for goods/services which are exported out of India.

4. In the long run, the lower tax burden could translate into lower prices on goods for consumers.

5. The Suppliers, manufacturers, wholesalers and retailers are able to recover GST incurred on input costs as tax credits. This reduces the cost of doing business, thus enabling fairer prices for consumers.

6. It can bring more transparency and better compliance.

7. Number of departments will reduce which in turn may lead to less corruption

8. More business entities will come under the tax system thus widening the tax base. This may lead to better and more tax revenue collections.

9. Companies which are under unorganized sector will come under tax regime.

CHALLENGES FOR IMPLEMENTING GOODS & SERVICES TAX SYSTEM

1. The bill is yet to be tabled and passed in the Parliament.

2. To implement the bill (if cleared by the Parliament) there has to be lot changes at administration level, Information Technology integration has to happen, sound IT infrastructure is needed, the state governments has to be compensated for the loss of revenues (if any)and many more..

3. GST, being a consumption-based tax, states with higher consumption of goods and services will have better revenues. So, the co-operation from state governments would be one of the key factors for the successful implementation of GST.

WHY IT IS BOLDEST DECISION?

Terming GST as the “Boldest reform in the field of taxes in the country”, Chandrjit Banerjee, director general, CII said: “GST is expected to remove the cascading effects of various multilevel indirect taxes on goods and services and will subsume most of the country’s central and state level duties and taxes, thus making the country a national market.”
“GST will bring in much needed transparency and higher investments in the coming years and we hope that a few percentage points to India’s GDP will be added through higher tax revenue and investments”.

The Rajya Sabha gave its approval to the long pending GST Bill as government forged consensus with Opposition parties for passage of the reform legislation.

Assocham President Sunil Kanoria termed it as a milestone in India’s economic reforms after the 1991 reforms.

He, however, said the biggest challenge is to make it people friendly.

“We have to ensure that the overall tax rates do not go up, they should rather come down so that GST gets approval of the people” Kanoria said. “The cooperation extended by the Opposition to this crucial legislation is the cornerstone of democracy and gives industry a lot of hope on progress of reforms in the country.”

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Calling it a historic day as Parliament has passed Constitution Amendment Bill for introduction of GST which will make India a truly common economic market, Nihal Kothari, executive director, Khaitan & Co, said, “It will accelerate economic growth. The real challenge now will be to have rational GST law and Rules to ensure that objective of GST is met. Equally important is that tax rate should be moderate to avoid inflation.”

Hailing the government for a giant economic leap, Rana Kapoor, MD & CEO, YES Bank, said, “In one bold move, this will unify India’s tax architecture, make manufacturing efficient, and boost Ease of Doing Business, thus ushering a virtuous growth cycle in India for several decades up to 2050.”

Welcoming the passage of the GST Bill in Rajya Sabha, Kenichi Ayukawa, managing director and CEO, Maruti Suzuki India said: “The automotive industry wholeheartedly welcomes this tax reform. GST is about unifying the market, widening the tax net and generating c the value chain.”

“It is a proud moment for India as another step has been taken towards this transformational change in the tax regime. GST is a win-win scenario for industry, end consumers and the government,” says Anita Rastogi Partner Indirect Tax PwC India.

**FINDINGS**

1. In 2000, Vajpayee Government started discussion on GST by setting up an empowered committee headed by Asim Das gupta.
2. On 3rd August 2016, the constitution (122nd amendment) bill passed by Rajya Sabha.
3. GST will facilitate Make in India by making India a unified market, improve competitiveness of Indian businesses and help bring down the prices of goods for consumers.
4. GST is a win-win scenario for industry, end consumers and the government.

**SUGGESTIONS**

1. Implementation of GST must be people friendly.
2. There must be refinement, improvement and changes in order to be business friendly and lead to ease of doing business, boost economic growth, tax collection and balancing between inflation, revenue neutrality and participation of citizens by way of contribution to the exchequer in the form of goods and service tax.
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