ABSTRACT

The introduction of the goods and services tax (GST) represents a prodigious task, which took almost 17 years since inception to be finally implemented. With the new unifying “one country- one tax- one market” regime ready to be implemented nationwide, and would be a very important step in the meadow of indirect tax reforms in India. GST is one indirect tax for the whole nation, which will make India one unified common market. By amalgamating a large number of Central and State indirect taxes into a single tax, it would mitigate cascading or double taxation in a major way and pave the way for a common national market. From the consumer point of view, the main benefit would be in conditions of a lessening in the overall tax burden on goods, which is at present estimated to be around 25%-30%. Introduction of GST would also make Indian products competitive in the domestic and international markets. Studies show that this would have a boosting impact on economic growth.

Keywords: GST, Indirect Tax, VAT, unified indirect tax regime, Indirect tax reform.

INTRODUCTION

The Jammu and Kashmir State lies in the extreme north of the Himalaya and constitutes about 67.5 per cent of the North West Himalayan region. Total geographical area of the State is 2, 22, 236 km² out of which 78,114 km² (35.15%) area lies under the occupation of Pakistan, and 42,735 km² (19.23%) under the occupation of China (including the area handed over by Pakistan to China). Therefore, the State is left with an area of 101,387 km² (45.62%). Ladakh is the largest hilly arid zone which occupies 58321 km² (42.00%). As per land utilization statistics for the year 2010-2011 the total reported area of the state is 2416 thousand hectares of which 74 per cent, 23 per cent and nearly 3 per cent in Jammu, Kashmir and Ladakh regions, respectively.

Agriculture constitutes an important sector of the state economy as more than half of the population of J&K derives greater part of their income directly or indirectly from this sector. As per census 2001, 18.38 lakh persons comprising 15.92 lakh as cultivators and 2.46 lakh as agricultural labours depend directly on agriculture for their livelihood forming 49 percent of the total working force (37.54 lakh) of the state. The average holding size as per Agriculture census 2000-01 was 0.67 hectares in J&K and 1.31 hectares for all India.

INTERNATIONAL SCENARIO

France was the first country to implement GST in 1954. GST has been part of European tax system for past 50 years and is increasingly preferred form of indirect tax in Asia pacific region. There are over 40 models of GST currently in force, each with its own peculiarities. In some countries, a single tax rate is adopted for all goods and service such as Singapore while others such as Canada and Brazil have implemented dual tax rate system (a zero rate, certain exemptions and higher and lower rates) levied both Union and State level. In New Zealand GST was introduced in 1986 as a part of tax reform.
with an aim to reduce economic efficiencies caused due to narrow tax base and high rate of income

tax. At that time, the income tax was levied at a higher rate of 66% and was major source of tax for

New Zealand government. GST in China is applicable only to goods and the provision of repairs,
replacement and processing services. The standard GST rates in most of the countries ranges between
15-20%.

THEORETICAL BACKGROUND OF GST IN INDIA

Tax is one of the primary sources of revenue for any government across the world. In our country tax
procedure constitutes a major portion of government’s revenue. Taxes in India can be classified into
two broad categories direct tax and indirect tax. When the tax is levied and rewarded by the identical
person it is recognized as direct tax such as income tax. On the other hand, when tax is levied on one
person and the load of same is bear by another person i.e. when the incidence of tax can be shifted to
other person it is known as indirect tax. At present a large number of taxes are enclosed under indirect
taxes which are levied at different stages of production and supply chain such as excise, custom, value
added tax (VAT), service tax and etc. Tax reforms started in India, when Modified Value Added Tax
(MODVAT) was introduced in Central Excise Duty for selected commodities in 1986. Initially, it was
introduced at national level and its main aim was to provide credit of excise duties already paid by the
manufactures. In April 2000, MODVAT was renamed as CENVAT (Central value added tax) which
widens the scope of credit of taxes already paid. Later, in 2005 state level VAT was being introduced
replacing all the obtainable local sales tax. Other significant reforms were preface of Service tax in
1994 and most recently introduction of Constitution Amendment Bill on Goods and Service (GST) in
2011. Goods and Service tax is a sole inclusive tax in place of all existing indirect taxes. As the name
suggests it covers both goods and services. It is a single national regular tax levied across India on all
goods and services. GST works on the elementary Principle of “One Country-One Tax-One Market”.

Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and
was appropriate throughout India which replaced multiple cascading taxes levied by
the central and state governments. It was introduced as The Constitution (One Hundred and First
Amendment) Act 2017, following the route of Constitution 122nd Amendment Bill. The GST is
governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and
services are taxed at the following rates, 0, 5%, 12%, 18% and 28%. There is a special rate of 0.25%
on rough precious and semi-precious stones and 3% on gold. In addition a cess of 15% or other rates
on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products. GST
was primarily planned to replace a slew of indirect taxes with an integrated tax and was consequently
set to considerably reshape the country's 2 trillion dollar economy. The rate of GST in India is between
double to four times that levied in other countries like Singapore. The most important indirect reform
since 1947, GST is at the dawn of implementation. A 17-year long pending journey will bring a
complete revolution in the tax history regime. It is a step ahead from the existing structure as only
value addition will be charged with the provision of input tax credit. Thus, GST is a consumption
based tax levied on the supply of goods and services. Over 160 countries have levied GST; India
however has adopted Dual GST like Canada and Brazil. A federal economy with powers entrusted to
both Centre and state requires dual GST. The Centre will levy and collect CGST and state will levy
and collect SGST. For all interstate commerce, IGST will be levied by Centre. Imports will be treated
as interstate supplies attracting IGST. In order to boost growth and development, exports have been
exempt from the purview of GST.

REVIEW OF LITERATURE

Pranesh Debnath studied, “Implementation of Goods and Service Tax (GST) in India and its Control
over the Tax Collection “and concluded that GST would bring a comprehensive tax reform in the
economy. It will contribute to development of a unified national market followed by increased tax
collections and better trade. The effect of double taxation will be mitigated as one rate subsuming
numerous taxes will be implemented. Girish Garg studied, ‘Basic Concepts and Features of Good and
Service Tax in India “and concluded that implementation of GST will exert influence on all sectors of economy including industry, government departments, business and service sector. The destination based tax levied on supply of goods or services will boost India’s economic development, widen tax base and improve tax collections. Yogita Beri studied, “Problems and prospects of GST in India” and concluded that input tax credit provided at each stage of value addition coupled with subsuming multiple state and central taxes into one unified tax would provide aid to industry, trade and agriculture. GST would make domestic goods more competitive against imports and boost Indian exports. Pinki, Supriya Kamma and Richa Verma studied, “Goods and Service Tax- Panacea for Indirect Tax System in India” and concluded that GST would be worthwhile for Central government, state government and consumers if supported by rational design and infrastructure. Shilpa Parkhi studied, “Goods and Service Tax in India: the changing face of economy” and concluded that implementation of GST is the outcome of a fast paced economy. It is a welcome move contributing to development of the economy. Dr. R. Vasanthagopal studied, “GST in India: A Big Leap in the Indirect Taxation System” and concluded that the success of GST depends on numerous factors. The transition from prevailing system to GST would be a huge jump in the tax reform driving growth of the economy.

OBJECTIVES

The study has the following objectives:

1. To study about the concept of GST
2. To study the Impact of GST on Jammu and Kashmir Economy
3. To assess the synergies and pitfalls of GST
4. To study the innovative requirements introduced under the GST law

DATA SOURCE AND METHODOLOGY

The study is based on the secondary data that is obtained from the Articles, Reports, Journals, Magazines, News Papers and Government websites.

BRIEF TIMELINE OF GST

1. GST was first mooted by Dr. Manmohan Singh in the mid-1990s
2. The GST was recommended by the Kelkar Task Force on FRBM act in 2005
3. In 2011, the Constitution (115th Amendment) Bill was introduced in Parliament to enable the Levy of GST.
4. In December 2014, the Constitution (122nd Amendment) Bill was introduced in Lok Sabha.
5. The Bill was passed by Lok Sabha in May 2015 and referred to a Select Committee of Rajya Sabha for examination.
7. In March 2017, 12 GST council meetings were held, CGST, SGST, UTGST, IGST, Compensation Cess Bills recommended.

NEED FOR GST IN INDIA

At present, in VAT regime the input of taxes paid on purchase of goods can be availed only if it is an intra state transaction. However, in case of an interstate transaction Central Sales tax (CST) is levied and no input can be availed by the purchaser in such transaction and consequently, when those goods are sold whether in intrastate transaction or interstate transaction there is no set off available for the input and goods become costlier as the tax is levied twice. This is known as cascading effect of VAT. Also, VAT do not provide input credit of central taxes paid by the manufacturer/dealer of goods such
as central excise duty, custom duty under section 3(1) and 3(5) of Indian Custom tariff Act,1975 and surcharges etc. Hence, GST is implemented by the government to overcome the problem of cascading effect of VAT. GST is a single levy tax both at centre and state level and integrates the union excise duties, custom duties, services tax, State VAT, octroy and entry tax. A single tax in place of several indirect taxes will remove the problem of cascading effect of tax. Also, GST is expected to reduce the tax burden on the tax payer compared to present system where the tax payer's burden is high. Currently the tax is at two points i.e., when the product is manufactured and other at the retail outlet. But GST is to be levied at final destination of consumption and not at various points. This brings transparency and corruption free tax administration. As per World Bank ranking of Ease of Doing Business, India is ranked 130 out of 190 countries in 2017. The most significant reason behind such a low ranking is the existing multiple tax structure. If today an MNC want to start business in India it faces new laws relating to local VAT and octroy in each state. Moreover, complicated laws and lengthy procedures reduce the interest of the foreign entity to take up any business in India. Hence, introduction of GST with minimum multiplicity of tax laws will ensure efficiency, equity and simplicity in the tax structure.

THE GST MODEL

1. GST at Union Government Level Only (Central GST)
2. GST at State Government Level Only (State GST)
3. GST at both, Union and State Government Levels (Concurrent/Dual GST)

For Intra State Transactions: In case of Intra State transactions, both CGST & SGST are levied; CGST needs to be deposited with Central Govt. and SGST with State Govt. For Inter State Transactions: Integrated Goods and Service Tax (IGST) shall be levied on Inter State transactions of goods and services which is based on destination principle. Tax gets transferred to Importing state. Moreover, it is proposed to levy an additional tax on supply of goods, not exceeding one percent, in the course of inter-state trade or commerce, to be collected by the Central Government for a period of two years, and assign to the States where the supply originates. Exports and Supplies to SEZ units will be zero rated.

To understand the working of GST let us take a hypothetical example (with a manufacturer, one wholesaler and one retailer). Let us suppose that GST rate is 10 per cent with the manufacturer making value addition of Rs.50 on his purchases worth Rs.100 of input of goods and services used in the manufacturing process. At 10 per cent GST, the input tax credit (ITC) would be Rs 10 (i.e. tax on purchase value). Similarly, GST on output would be Rs 15 (tax on the value of output). The manufacturer will then pay net GST of Rs 5 after subtracting Rs10 as GST paid on his input (i.e. input tax credit) from gross GST of Rs 15. The manufacturer sells the goods to the wholesaler when the wholesaler sells the same goods after making value addition of (say), Rs 30 he pay net GST of only Rs 3 to the manufacturer after setting off of input tax credit of Rs 15 from gross GST of Rs 15. Similarly, when a retailer sells the same goods after a value addition of say Rs 20 he pays net GST of only Rs 2 to the wholesaler after setting off Rs 18 from his gross GST of Rs 20. Thus, the manufacture, wholesaler and retailer have to pay only Rs 10 (Rs 5+Rs 3+ Rs 2) as GST on the value addition along the entire value chain after setting off GST paid at the earlier stages. This is shown in the following figure. The same illustration will hold in the case of final services provider as well.

Net GST = INR. 5 + INR.3 + INR. 2 = INR. 10

Therefore, GST would be beneficial for:
Consumers: the final burden of tax would be much less.
Government: reduction of tax compliance efforts and administrative costs.
Business: easier compliances

Working of GST as stated above is also explained with the help of following figure.
### Figure 1: Proposed mechanism of GST in India

#### Step 1: Manufacturer
1. Purchase Value Input - Rs100
2. Value addition - Rs50
3. Value at which goods and services are supplied to next stage - Rs150
4. Rate of GST - 10%
5. GST on Output - Rs15
6. GST on Input/ Input Tax credit - Rs10
7. Net GST payable = GST on output - GST on Input = Rs5

#### Step 2: Wholesaler
1. Purchase Value Input - Rs150
2. Value addition - Rs30
3. Value at which goods and services are supplied to next stage - Rs180
4. Rate of GST - 10%
5. GST on Output - Rs18
6. GST on Input/ Input Tax credit - Rs15
7. Net GST payable = GST on output - GST on Input = Rs3

#### Step 3: Retailer
1. Purchase Value Input - Rs180
2. Value addition - Rs20
3. Value at which goods and services are supplied to next stage - Rs200
4. Rate of GST - 10%
5. GST on Output - Rs20
6. GST on Input/ Input Tax credit - Rs18
7. Net GST payable = GST on output - GST on Input = Rs2

Source: Ministry of State Finance, Government of India, New Delhi.

The Empowered Committee of the state finance minister released the first discussion paper on GST in 2009. According to it, following Central Taxes would be subsumed under the Goods and Services Tax:

(i) Central Excise Duty (ii) Additional Excise Duties (iii) The Excise Duty levied under the Medicinal and Toiletries Preparation Act (iv) Service Tax (v) Additional Customs Duty, commonly known as Countervailing Duty (CVD) under section 3(1) of Indian Customs tariff Act, 1975 (vi) Special Additional Duty of Customs - 4% (SAD) (vii) Surcharges and (viii) Cesses.

Following State taxes and levies would be subsumed under GST:

(i) VAT / Sales tax (ii) Entertainment tax (unless it is levied by the local bodies). (iii) Luxury tax (iv) Taxes on lottery, betting and gambling. (v) State Cesses and Surcharges in so far as they relate to supply of goods and services (vi) Entry tax (vii) Octroi.

At present, four GST slabs have been set at 5%, 12%, 18% and 28% for different items or services. As gold and other precious metals tax rate is 3%.
BENEFITS OF GST
The benefits of GST can be summarized as under:

For Business and Industry
1. Easy compliance
2. Uniformity of tax rates and structures
3. Removal of cascading
4. Improved competitiveness
5. Gain to manufacturers and exporters

For Central and State Governments
1. Simple and easy to administer
2. Better controls on leakage
3. Higher revenue efficiency

For The Consumer
1. Single and transparent tax proportionate to the value of goods and services
2. Relief in overall tax burden

ASPECTS OF GST
The aspects of GST can be summarized as under:

Positive Aspects
1. The main reason to implement GST is to abolish the cascading effect on tax. A product on which excise duty is paid can also be liable for VAT. Suppose a product A is manufactured in a factory. As soon as it releases from factory, excise duty has to be paid to central government. When that product A is sold in same state then VAT has to be paid to state government. Also no credit on excise duty paid can be taken against output VAT. This is termed as cascading effect since double tax is levied on same product.
2. The GST is being introduced to create a common market across states, not only to avoid enfeebled effect of indirect tax but also to improve tax compliance.
3. GST will lead a more transparent and neutral manner to raise revenue.
4. Price reduction as credit of input tax is available against output tax.
5. Simplified and cost saving system as procedural cost reduces due to uniform accounting for all types of taxes. Only three accounts; CGST, SGST, IGST have to be maintained.
6. GST is structured to simplify the current indirect system. It is a long term strategy leading to a higher output, more employment opportunities, and economic boom.
7. GST is beneficial for both economy and corporations. The reduced tax burden on companies will reduce production cost making exporters more competitive.

Negative Aspects
1. GST is being referred as a single taxation system but in reality it is a dual tax in which state and centre both collects separate tax on a single transaction of sale and service.
2. At present the main Indirect tax system of central Government is central excise. All the goods and commodities are not covered by the central excise and further there is an exemption limit
of Rs. 1.50 Crores in the central excise and further traders are not liable to pay central excise. The central excise is payable up to the stage of Manufacturing but now GST is payable up to the stage of sale.

3. Majority of dealers are not covered with the central excise but are only paying VAT in the state. Now all the VAT dealers will be required to pay “Central Goods and service tax”.

4. The calculation of RNR (Revenue Neutral Rate) is very difficult and further Govt. wants to enhance its revenue hence rate of Tax will be a problem. As per the News reports the proposed rate for State GST is 12% and Central GST is 14% Plus Govt. wants to impose 1% CST at the initial stage of GST on the interstate sale of Goods and services. So the normal rate of overall tax will be 26%. This rate is very high comparing to the fact that small and medium Industries are at present not covered by the central excise and most of the Goods such as agricultural products are out of the preview of the Central Excise.

5. Improvement in the Manufacturing and distribution of Goods and service, increase in exports, various reforms, check on corruption, less Government control are some of the factors which are responsible for the economic growth of the country. A tax system can make a revolution in the economy of the country is “rarest of the rare” thing.

**EFFECTS OF GST ON GOODS AND SERVICES**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Goods and Services</th>
<th>(%) Before GST</th>
<th>(%) After GST</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Cereals, Rice, Wheat, Pulses, Milk</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>02</td>
<td>Coffee, Tea, Sugar, edible oil</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>03</td>
<td>Biscuits, Corn flakes, Ice creams</td>
<td>32%</td>
<td>18%</td>
</tr>
<tr>
<td>04</td>
<td>Chocolates</td>
<td>33%</td>
<td>28%</td>
</tr>
<tr>
<td>05</td>
<td>Hair oil, Soaps, Tooth Paste</td>
<td>24%</td>
<td>18%</td>
</tr>
<tr>
<td>06</td>
<td>Shampoo, Face cream</td>
<td>39%</td>
<td>28%</td>
</tr>
<tr>
<td>07</td>
<td>Silk and Jute</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>08</td>
<td>Cotton</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>09</td>
<td>Ayurvedic Medicine</td>
<td>9%</td>
<td>12%</td>
</tr>
<tr>
<td>10</td>
<td>Footwear (Below Rs 500)</td>
<td>14%</td>
<td>5%</td>
</tr>
<tr>
<td>11</td>
<td>Footwear (Above Rs 500)</td>
<td>9%</td>
<td>12%</td>
</tr>
<tr>
<td>12</td>
<td>Gold</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>13</td>
<td>Smart Phone</td>
<td>17%</td>
<td>12%</td>
</tr>
<tr>
<td>14</td>
<td>Cement</td>
<td>31%</td>
<td>28%</td>
</tr>
<tr>
<td>15</td>
<td>Movie Tickets &gt; 100</td>
<td>40%</td>
<td>28%</td>
</tr>
<tr>
<td>16</td>
<td>Ola, Uber Rides</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>17</td>
<td>Railway Sleeper Class</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>18</td>
<td>Railway A.C. 2 &amp; 3 Tier</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>19</td>
<td>Air Fare Economy Class</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>20</td>
<td>Air Fare Business Class</td>
<td>9%</td>
<td>12%</td>
</tr>
<tr>
<td>21</td>
<td>Health Care</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>22</td>
<td>Hotels (Below Rs 1000)</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>23</td>
<td>Hotels (1000-2500)</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>24</td>
<td>Hotels (2500-5000)</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>25</td>
<td>Luxury Hotels &gt; 5000</td>
<td>15%</td>
<td>28%</td>
</tr>
<tr>
<td>26</td>
<td>Electronic Goods ( TV, A.C, Refrigerator, Washing Machine, Furniture)</td>
<td>33%</td>
<td>28%</td>
</tr>
<tr>
<td>27</td>
<td>Services (Insurance Premium, Banking Charges, Telephone and Mobile Bills)</td>
<td>15%</td>
<td>18%</td>
</tr>
</tbody>
</table>
IMPACT OF GST ON JAMMU AND KASHMIR STATE ECONOMY

A per the study report on GST, The indirect taxes committee of The Institute of Chartered Accountants of India (ICAI) has recently prepared GST study report for the Jammu and Kashmir state, which is based on discussion with Honorable Finance Minister of Jammu and Kashmir. The study report entails the impact of GST implementation on Jammu and Kashmir state economy, provides a comparative report on revenues under present and GST regime, analysis impact of GST on Jammu and Kashmir based traders, industries, consumers and so on. We believe that this report would help in providing clarity towards implementation of GST in Jammu and Kashmir.

1. Final impact on Tax collections under GST regime: Based on analysis of report and data collected, implementation of GST in Jammu and Kashmir would result in net gain of Rs. 1580 crores in the revenue to the J&K government. Though the government would lose on the revenue from Entry tax, toll tax and Entertainment tax but will also gain from increase in revenue from tax on services.

2. Analysis of cost to Industry under present vs. GST regime: As per the analysis of the data collected, there will be a saving in cost to industry of Rs. 2.21 on approximate sale price of Rs 100. In other terms there is benefit of 2.21 percent of the sale to the local industry of Jammu and Kashmir.

3. Analysis of cost to traders under present vs. GST regime: As per data collected and analysis drawn, in case of inter-state purchase from an industry by a trader, there will be a saving in cost to traders of Rs. 12.41 on approximate sale price of Rs. 100. However, in case of local purchase from an industry by a trader, there would be an increase in cost by Rs. 1.91 under GST regime scenario.

4. Analysis of cost to buyers under present vs. GST regime: Upon implementation of GST, cost to local as well as inter-state buyers would generally reduce as compared to the present scenario.

5. Analysis of cost when J&K is not adopting GST: In a situation where GST is not adopted by J&K but is made applicable to the rest of country, we may deduce that cost to traders and industry as well as the cost to buyers would be negatively impacted and hence not adopting GST (when the same is applicable to rest of the country) would not bring in positive returns to J&K economy. Though the local transactions would remain unaffected, the transactions involving inter-state exchange of goods and services may get affected to large extent.

JAMMU AND KASHMIR ECONOMY AND BUDGETS

Jammu and Kashmir State with its varied and diversified geographic, agro-climatic and topographic features poses peculiar problems of development. J&K economy depends mainly on farming and animal husbandry. Though the manufacturing and services sector is small, but it is growing rapidly. Several consumer goods companies have opened manufacturing units in the region. The growth as per advance estimates for the state during 2017-18 at current prices is projected at 14.9 percent. Similarly, the state economy is expected to grow at 7.8% during 2017-18 as compared to achievement of 7.6 percent in 2016-17. Understanding the budget also provides a clue in better understanding of the impact of GST in Jammu and Kashmir.

Budget highlights of the year 2017-2018

1. The Gross State Domestic Product of Jammu and Kashmir for 2017-18 at constant prices is estimated to be Rs 1, 06, 530 crore. This is 7.8 percent higher than the estimate for 2016-17.
2. Total expenditure for 2017-18 is estimated to be Rs 79,472 crore, a 29.3% increase over the revised estimate of 2016-17. In 2016-17, there was a decrease of Rs 3,189 crore (4.9%) of expenditure in the revised estimate over the budget estimate.

3. Total receipts (excluding borrowings) for 2017-18 are estimated to be Rs 65,798 crore, an increase of 26.8% over the revised estimates of 2016-17. In 2016-17, total receipts fell short of the budgeted target by Rs 1,300 crore.

4. Revenue surplus for the next financial year is targeted at Rs 9,349 crore, or 6.2% of the state Gross Domestic Product (GDP). Fiscal deficit is targeted at Rs 9,354 crore (6.2% of state GDP).

5. Departments of power, rural development, police, and health saw the highest increase in allocations

**GST IMPACT ON SERVICE SECTOR**

Before understanding the GST impact on service sector, we need to understand the following extracts from Indian Constitution. As per article 270 (1) Taxes on income other than agricultural income shall be levied and collected by the Government of India and distributed between the union and the states in the manner provided in Clause (2).

Under 122 constitutional amendment bill, Article 279A deals with the framework of Goods and Services Tax Council, which will uphold the responsibility of making recommendations for proposed GST implementation.

Under Clause (4) (g) of this article, special provision with respect to the states of Jammu and Kashmir, Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand.

**IMPACT ON COLLECTIONS IF J&K IMPLEMENTS SERVICE TAX UNDER PRESENT SCENARIO**

As service tax is not levied in the state of Jammu and Kashmir, proceeds cannot be assigned to the state. If the service tax starts to be levied in J&K during the award period of 14th Finance Commission, the share of the state will be 1.854 percent.

Based on certain case studies, it can be implied that if J&K Government implements service tax under present scenario, it will earn around 587 crores only on account of introducing service tax which would boost the government revenues positively.

**ADVANTAGES OF GST**

1. GST is a transparent tax and also reduces number of indirect taxes.

2. GST will not be a cost to registered retailers therefore there will be no hidden taxes and the cost of doing business will be lower.

3. Benefit people as prices will come down which in turn will help companies as consumption will increase.

4. There is no doubt that in production and distribution of goods, services are increasingly used or consumed and vice versa.

5. Separate taxes for goods and services, which is the present taxation system, requires division of transaction values into value of goods and services for taxation, leading to greater complications, administration, including compliances costs.

6. In the GST system, when all the taxes are integrated, it would make possible the taxation burden to be split equitably between manufacturing and services.
7. GST will be levied only at the final destination of consumption based on VAT principle and not at various points (from manufacturing to retail outlets). This will help in removing economic distortions and bring about development of a common national market.

8. GST will also help to build a transparent and corruption free tax administration.

9. Presently, a tax is levied on when a finished product moves out from a factory, which is paid by the manufacturer, and it is again levied at the retail outlet when sold.

10. GST is backed by the GSTN, which is a fully integrated tax platform to deal with all aspects of GST.

DISADVANTAGES OF GST

1. All credit will be available through online connectivity with GST Network. Hence, small businesses may find it difficult to use the system.

2. Taxes on some products may become higher than the current levels.

3. States may lose autonomy to change their tax rates.

4. Manufacturing states would lose big revenue as GST is destination based taxation.

5. For PAN India based entities there will be 30 separate registrations each in every state and the compliance with every has to be done.

6. GST will increase taxes paid by retail business and also their compliance cost as now they have to deal with both central and state governments.

7. GSTN may not work optimally for quite some time due to lack of infrastructure and poor electrification in many states.

8. Some Economist says that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.

CONCLUSION

GST is one indirect tax for the whole nation, which will make India one unified common market. The GST is a significant improvement in the next logical step towards a comprehensive indirect tax reform in India. Indeed, it has the potential to be the single most important initiative in the fiscal history of India. It can pave the way for modernization of tax administration; make it more simple and transparent and a significant enhancement involuntary compliance. However, the positive impact of GST depends on a neutral and rational design of the GST. Also, it is imperative to have a robust country-wide IT network and infrastructure to make the implementation seamless.

In the ambit of detailed study of the available data, it may be deduced that implementation of GST in Jammu and Kashmir would not only benefit the state economy but will also bear positive fruits for the local traders as well as industries and may also provide a gain of 1580 crores in totality to the state government. Overall costs may reduce under GST and state may gain with GST on services, thus creating a win-win scenario for all. In cases where the traders /dealers face some loss, state government may propose to provide them special status for a specified period and may compensate them from the additional earning under proposed GST regime vs. present regime. new reform, subsuming array of indirect taxes into one unified tax structure aims at accompanying host of benefits with it. The initial phase might result in technical glitches and bump in the road but the hope is that GST is followed in letter as well as in spirit. All sectors of the economy will be impacted by implementation. What direction will the road take will be seen in the months to come.

REFERENCES


WEBSITES