

GST: A REQUIREMENT OR A COMPULSION

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Abstract

Goods and Services Tax (GST) is an indirect taxation in India , introduced as The Constitution (One Hundred and First Amendment) Act 2016, following the passage of Constitution 122nd Amendment Bill. The GST is governed by GST Council and its Chairman is Union Finance Minister of India Arun Jaitley. Present paper highlights the weaknesses of the present tax structure and also throws some light on the concept, nature & significance of newly introduced tax i.e. GST. GST, as the giant indirect tax structure designed to support and enhance the economic growth of a country. This paper will try to understand why there is so much huge hue and cry against its implementation and how this proposed GST regime may hamper the growth and development of the country.

Key words: GST, VAT, Indirect Tax

INTRODUCTION

The word “tax” is derived from Latin word “taxare” which means to estimate. A tax is an obligatory payment, exact pursuant to legislative authority. Indian Taxation System comprise of- Direct and Indirect Tax. Tax policies play a significant role on the economy through their impact on both efficiency and equity. A good tax system should keep in outlook issues of income distribution and, at the same time, also make an effort to generate tax revenues to maintain government expenditure on public services and infrastructure development. Even though the nation has stimulated on the path of tax reforms since mid 1980s yet there are various issues which need to be reorganized so as

to boost productivity and international competitiveness of the Indian exporters. Goods and Services Tax (GST) is one of the most discussed Indirect Taxation reforms. It is a comprehensive tax regime levied on manufacture, sales and consumption of goods and services. It is expected to bring about 2% incremental GDP growth of the country.

Meaning of GST

Goods and Services Tax (GST) is an indirect taxation in India , introduced as The Constitution (One Hundred and First Amendment) Act 2016, following the passage of Constitution 122nd Amendment Bill. The GST is governed by GST Council and its Chairman is Union Finance Minister of India Arun Jaitley. GST is a comprehensive indirect tax on manufacture, sale and consumption of goods and services throughout India (Except state of Jammu and Kashmir) , to replace taxes levied by the central and state governments.

Firstly before introducing the objectives of GST we will see the present Indirect Tax structure prevailing in India

PRESENT INDIRECT TAX STRUCTURE
(SOME KEY CONSTITUENTS AS PER ARTICLE 246)

Excise Duty	Service Tax	Sales Tax/Vat	Custom Duty	Central Sales Tax	Local Body Tax
Taxable Event -Manufacture	Taxable Event -Provision Of Service	Taxable Event -Sale Within The State	Taxable Event -Import &Export	Taxable Event -Inter State Sale	Taxable Event -Entry Of Goods To A State From A Place Outside The State

Present Indirect Tax structure in India is very dense and complex in nature. It consists of cascading effects of tax. These add to cost of goods and services through “tax on tax”

which the final consumer have to bear. There are manifolds in indirect taxation structure. The GST has been framed keeping in mind certain objectives.

Objectives of Goods and service tax:-

GST is anticipated to execute the following objectives

- GST would help to eliminate the cascading effects of production and distribution cost of goods and services. This would help to increase GDP and then to economic condition of the country.
- GST would eliminate the multiplicity of indirect taxation and streamline all the indirect taxes which would be beneficial for manufacture and ultimate consumer.
- GST would be able to cover all the shortcomings of existing VAT system and hopefully serve the economy health.
- Incidence of tax falls on domestic consumption
- The efficiency and equity of system is optimized
- There should be no export of taxes across taxing jurisdiction
- The Indian market should be integrated into single common market
- It enhances the cause of co-operative federalism.

Objectives of the study

1. To understand the present tax structure in Indian Economy.
2. To study the working of GST in context of different sectors of service industry.
3. To explore whether the GST will bring a positive effect on economic condition of the country.
4. To know about business impact of GST.
5. To conclude about whether GST application will bring uniformity in tax structure.

Research Methodology

Research methodology is partly analytical, partly descriptive, partly exploratory and partly casual. The aim of this study is mainly focused on understanding the present tax structure and studying the positive effect of GST on economic condition of the country.

These objectives can only be analysed with the help of secondary data. For this purpose data and information has been collected through secondary sources which includes Books, Magazines, Newspapers, Research Articles, Research Journals & E-Journals etc.

LITERATURE REVIEW ON GST

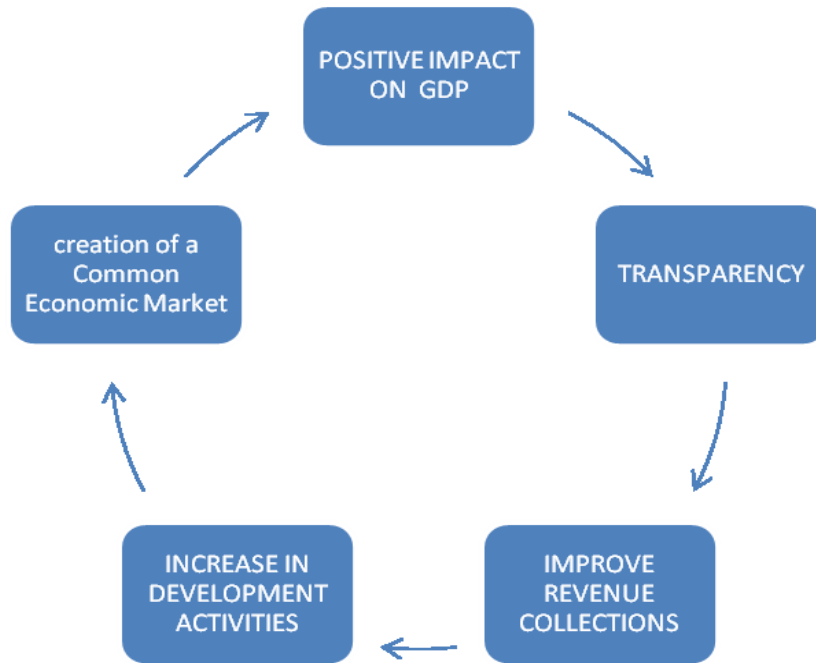
Ehtisham Ahmed and Satya Poddar (2009)³ studied, “Goods and Service Tax Reforms and Intergovernmental Consideration in India” and found that GST introduction will provide simpler and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically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

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

RELEVANCE OF GST



Positive impact on GDP- GST has a positive Impact on GDP. It leads to an Increase in economic activity which helps in many developmental activities. Simplicity, certainty, common law, cost reduction, cascading reduction, ease of compliance, savings to industry/ government and consumer, creation of a Common Economic Market, Removing State Trade Barriers & Transparency are some positive outcomes of GST.

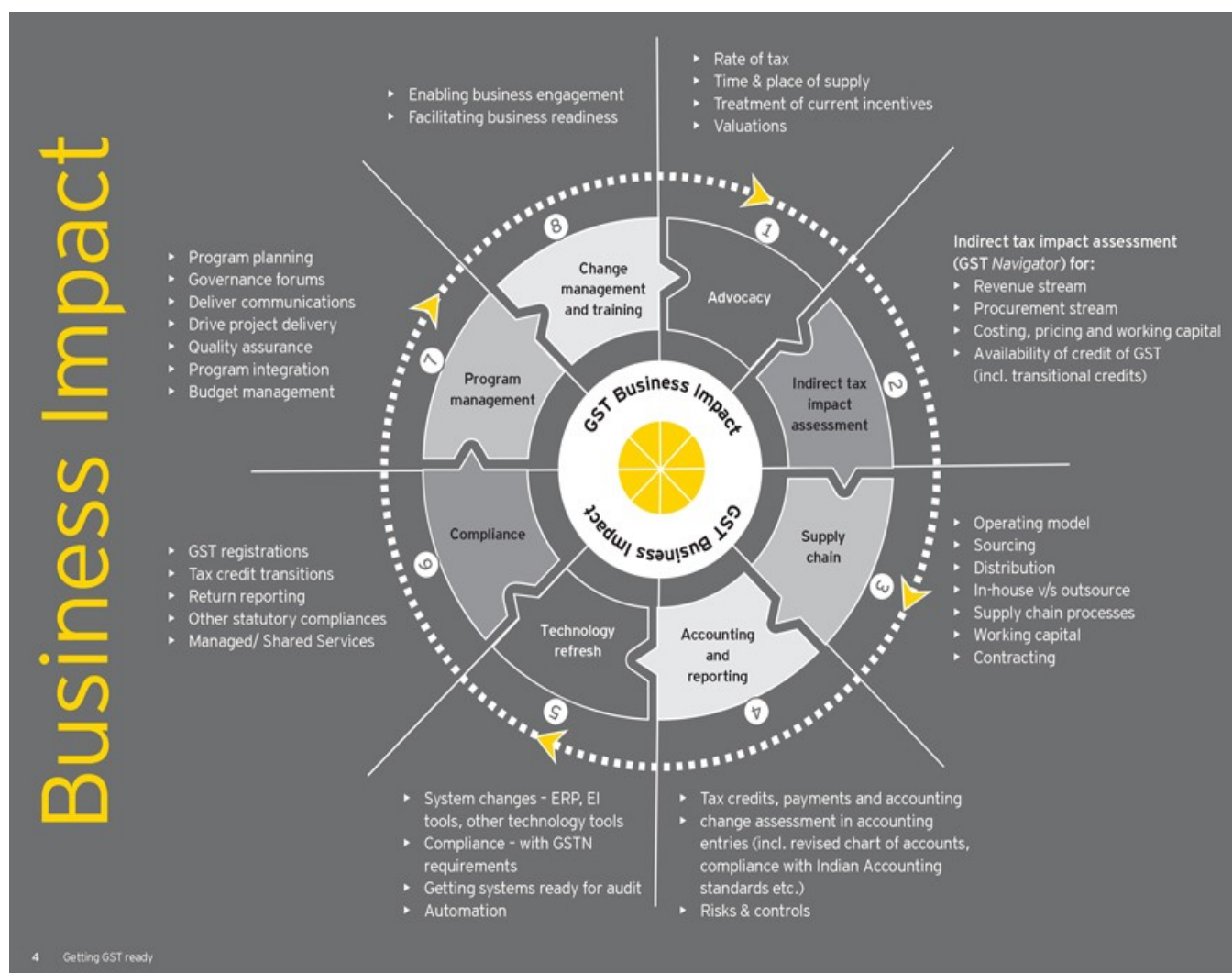
Creation of a Common Economic Market- GST helps in the creation of a common economic market by removing State Trade Barriers.

Transparency - Total tax element for consumer is reflected on the invoice - seamless credit across the value chain.

Improve Revenue Collections- The GST will bring about a qualitative change in the tax system by redistributing the burden of taxation equitably between manufacturing and services. The Finance Commission had commissioned a study by NCAER to assess its impact on GDP growth and exports. The increase in exports can be between 10-14%. It is indeed a staggering impact and demands an energetic action to usher in a well designed GST at an early date.

Increase In Development Activities- A well-designed GST in India is expected to

simplify and rationalize the current indirect tax regime, eliminate tax cascading and put the Indian economy on high-growth trajectory. The proposed GST levy may potentially impact both manufacturing and services sector for the entire value chain of operations, namely procurement, manufacturing, distribution, warehousing, sales, and pricing. It will also stimulate the need to relook at internal organization and IT systems.



CONCLUSION

GST is the need of hour. Tremendous increase in the consumption and productions of goods and services & accelerated complexities and compliance of policies calls for a change in present tax structure. The implementation of GST 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 be

used as an effective tool for fiscal policy management and lowering down the 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. There are various challenges in way of GST implementation which only can be removed only by resolving the interest of various stake holders and accomplish the commitment for a cardinal reform of tax structure in India.

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Goods And Services Tax In India - A Positive Reform For Indirect Tax System

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