

# **GST Overview and Implications**

**Asiya Ansari**

Shri G.P.M. Degree College of Science and Commerce, Andheri, Mumbai, Maharashtra

**Abstract:** *This Project aims:*

*To study and understand the concept of GST.*

*To learn about the positive and negative aspects of GST.*

*To learn about the effect of GST on different sectors of the economy.*

*To gain knowledge about the effects on the prices of different commodities after the introduction of GST.*

*To know the advantages and disadvantages of GST.*

*To gain knowledge about which products fall under GST and what are the different GST rates.*

*To learn about the long-term and short-term impact on the economy.*

*To learn about the different taxes that the different countries had adopted*

*Dynamics of GST*

**Keywords:** GST.

## **I. INTRODUCTION**

Earlier the constitution empowered the central government to levy excise duty on manufacturing and service taxes on the supply of services. Similarly, it empowers the state government to levy the state tax on Value Added Tax (VAT) on sales of goods. This exclusive division of fiscal powers has led to a manipulation of indirect tax in the country. Further, a central tax was levied on intrastate of goods. In addition, many states also levy entry tax on the entry of goods in their locality. So, as to overcome this problem, the government at this stage has introduced a single taxation system which includes in itself all taxes to avoid the various problems related to taxation system and thus giving this control in only one hand. GST stands for Goods and Services Tax. It is an indirect tax throughout India to replace taxes levied by the central and state government. It was introduced as the 122 Amendment Act, 2016, following passage of Constitution 122 Bill Amendment. The GST is governed by GST Council and its chairman is UNION FINANCE MINISTER OF INDIA ARUN JAITLEY. Its introduction is a step in the reform of indirect taxation in India. Amalgamating of several central and state taxes into a single tax. This would mitigate crusading or double taxation, defoliation a common national market. This simplicity of the tax is leading to easier terms of a reduction in the overall tax burden on goods, which is currently estimate at 28-30% free movement of goods from one state to another without stopping at borders for hours for checking or state tax or entry tax and reduction of work to a large extent. GST was applicable from 1st July 2017. The reform in indirect taxes was introduced by VISHWANATH PRATAP SINGH. By introduction of Modified Value Added Tax (MODVAT), GST will be levied concurrently by the central government (CGST) and state government (SGST). The features would be common for an individual or interstate suppliers within India. It would attract an Integrated GST (IGST) which is an aggregate of CGST and SGST. The transactions made within a single state will be levied within GST and SGST by the government.

### **Meaning and Definition**

GST is set to become one of the biggest financial reform that our country has witnessed. GST is a comprehensive tax levied on the manufacture, sale, and consumption of goods and services at the national level under which no distinction is made on goods and services by central and state government in India. GST is a tax on goods and serves under which every person is liable to pay tax on his output and is entitled to get Input Tax Credit (ITC) on its input (a tax on value addition only) and ultimately the final consumer shall bear the tax. GST is a Canadian value-added tax levied on the sale of domestic consumption. It has streamlined all the different types of indirect. taxes and implements a single taxation system. This single taxation system is GST. The main purpose accomplished by the implementation of GST is the abolition of all other indirect taxes prevailed earlier, we can also say that all those taxes that had finally come to an

end with only one indirect tax in the country called GST. It is the collaboration of all taxes within a new name which replace all indirect tax rate with a new and single rate taxation system purpose accomplished by the implementation of GST is the abolition of all other indirect taxes prevailed earlier, we can also say that all those taxes trap had finally come to an end with only one indirect tax in the country called GST. It is the collaboration of all taxes within a new name which replace all indirect tax rate with a new and single rate taxation system.

### **Types of GST**

There are three kinds of taxes under the GST. They are: -

1. SGST: -State Goods and Services Tax is a part of a tax diverted to the state which is credited by the revenue department of the state government. This is generally equivalent to GST. This compensates the loss of existing VAT or sales tax revenue to the state government. In the case of local sales, 50% quantum of tax amount under GST is diverted to SGST tax.
2. CGST: - Central Goods and Services Tax is all the goods tax diverted to revenue department of Central Government. This share of the tax compensates the loss of existing excise duty and service tax to the Central government. In the case of local sales, balance i.e. 50% quantum of GST is transferred to CGST.
3. IGST: Integrated Goods and Services Tax is levied under interstate sales and purchase is made. One part of this tax transferred to the central government and other to the state government to whom goods and services belong. The IGST is the separate tax which is charged only in case of interstate sales or when transactions between two states are issued.

### **Features of GST**

Dual Good and Services Tax: The functioning of CGST and SGST has helped a lot to the economy

Interstate transactions and IGST mechanism: The centre would levy and collect the Integrated Goods and Services. Tax on all interstate supply of goods and service IGST mechanism has been signed ok ensure seamless Flow of Goods and services from one state to another The interstate seller would pay IGST on the sale of his goods the Central Government After adjusting, credit to IGST, CGST and SGST on his purchases hat order. The exporting states will transfer to the Centre. The credit of SGST used in payments of IGST. The importing dealer will claim a credit of IGST while discharging his content tax liability (both CGST added GST of state) in his own state. The centre will transfer to the importing state, the credit of IGST used in payment of SGST. Destination-based consumption tax: GST will be a destination-based tax. This implies that all SGST collected will ordinarily occur to the state where the consumer of goods and services sold resides

Consumption of GST on the basis of Invoice Credit Method: The liability under the GST will be invoice credit method Le. credit will be allowed on the basis of the invoice issued by suppliers

Payment of GST: The CGST and SGST are to be paid to accounts of the central and state respectively.

Input Tax Credit (ITC) set off: ITC for CGST and SGST will be taken for taxes. allowed against central and staterespectively.

### **Problems of Implementation of GST**

VAT or sales tax is levied and collected by State Government. Different state government. charge different rate of taxes on the kinds of goods traded within their territories limits under the extreme power provided to the state under the state list of the constitution whereas GST is levied by the central government and collected by the state as per concurrent list of the constitution whereas the excise duty as per Central Excise Act in 1994 and service tax as per Finance Act 1994 is levied and collected by central government through the extreme power provided under Union list of constitution. Due to this distribution of powers under the constitution, no state government wants to lose the revenue source I called VAT or Sales Tax. GST is a subject matter of union list and no state agrees to bifurcate their income to the central government but as some political party is in maturity in India and or state government agreed to the proposal. As a result, GST roll act. GST was first time introduced instead after being initiated in 1986 by VishwanathPratap (7th Prime Minister of India) than in 2007 and 2011. After the passage of time (25 years) of economic reforms, in indirect taxes is giving for a revolutionary change in form of GST. So, we can say that GST is a complete insight impact tax rate and conclusion posted on 22nd July 2017.

### **Why does India need GST?**

Firstly, the GST will greatly increase the reserves available at the states and centres disposal by expanding the tax base. More importantly, the resources of the power states like U.P., Bihar, Madhya Pradesh will increase substantially.

Secondly, the GST will facilitate "Made in India" by converting the geographical landscape of the country into a single market. Despite being one country, India is a union of 30 or more markets. Too many taxes in the current system like the central sales tax or interstate taxes and the extensive nature of the countervailing duty exemptions, favour imports domestic production. GST would get rid of and subsume most of the other taxes and since it will also be applicable to imports, the major tax factor working against "Made in India" disappear, greatly boosting the production and in turn exports. This will ultimately help to bridge the current account deficit.

Thirdly, the GST would improve tax governance in two ways: One like the VAT, it is a self-collecting and self-enforcing text, what essentially means that the companies which are buying suppliers from outside parties will insist on tax payment on the goods supplied as without this, they cannot get set off on their own final product sales.

Two, due to dual monitoring structure of GST—one by the states and another by the centre. It is difficult to evade taxes. Even if one set of tax authorities overlooks or fails to detect evasion, there is the possibility that the other overseeing may not happen the next authorities.

Moreover, the current structure of taxes in India is a rat trap. The wide powers to levy and collect taxes provided to state and Central Government. As a result, both levy different kind of taxes which makes the Indian tax structure very complex and complex economy too.

### **How is GST applied?**

consumption-based based on destination It is applied all goods services the place where final consumption happens. GST paid procurement and services. The manufacturers or wholesaler's retailers applicable rate will claim back through credit mechanism.

consumption of goods and services. It will have levied intrastate supply and on consumption of and services. GST comprehensive tax levied the manufacture, sale, consumption. The change from the current production-based taxation to consumption based. is expected to increase efficiency

### **GST Rates**

Goods and services tax is set to be rolled out from 1st July 2017 and GST Council in its meet in Srinagar on 18th may 2017 decided on tax rates on 1211 items. It is found that 43% of 1211 items have put in 18% GST slab which is bound to make things cheaper, 14% items have been brought under 5% GST slabs, 17% items in 12% tax slab and rest only 7% have been exempted from GST ambit.

Starting from quite essential soap two to hotel and restaurant services will become cheaper.

1. Soaps are being taxed at 28% but not at 18% under GST cheaper as it dropped to 10% from 28%.
2. Cereals and food grains that have a current tax rate of 6% and 5% will be excluded from GST and brought under 10% tax rate are milk and cream, not concentrated nor containing added sugar or other sweetening matter. Excluding UHT milk and dairy products.
3. Food grains will be at 0% tax rate.
4. Eggs, butter, curd, milk etc. will be at 0% tax rate under GST.
5. Edible oil that is currently taxed between 3 to 9% will be brought down to 5% under GST.
6. Tea, coffee, and masala that are taxed at 3 to 9% will be at 5% under GST
7. Coal will come down from 11.7% to GST 5%-
8. Entertainment services will fall from 22% to 18%.
9. Restaurants at 18% tax

### **Opposition to GST**

Presently, the government has long-term prospects in their minds. It is clearly a long-term strategy which will lead to higher investments, higher output, more employment opportunities, and higher economic growth but during the initial phase of implementation, it is expected then there will be a hike in inflation rates, more administered cost and stiff

protest from the opposition. In pre-GST India, states have the capability of reduction of taxes, thereby making a comparative advantage for themselves, now places like Puducherry relied on the ability to create a lower tax burden. Aside from this, it was seen that there were zero women on GST Council. Thus, aids for pregnant ladies are not being taken care of.

## **II. CONCLUSION**

GST is one tax in India, is not a correct statement. Indirect taxes such as customs duty or import or export will remain continuous to levy. Further, few amendments have already been made in customs law and the same will remain applicable in India. All other direct taxes like income tax, gift tax, property tax, etc. will remain continued in forces as earlier.

This project helped me to learn that changes in society are bound to happen. We need to bring change accordingly to the society. Economic reforms are one such step. Seeing the present scenario, old economic policies seem to be outdated as it used to divide India into economic terms. Value of money was not the same to all persons. States which used to have less tax help their people save more tax which brings disharmony among people. New GST policy will put people of all states on equal footing. Moreover, the interstate trade will become easier that will help to boost the economy. It also brings the feeling of united Although, people are finding new rules regulations much difficult. But this problem will surely be solved in the long run and India will move towards economic growth smoothly.

Most analysts forecast the economy to grow close to 7.4% in 2017-18, the first year of GST rollout, which is slightly higher than 7.1% in 2016-17, but lower than 7.4 in 2015-16 GST is unlikely to be a positive for economic growth in short term. This reform will improve the ease of doing business, bold star investor sentiment and have a more foreign investment in coming years. GST rates are divided into 5, 12, 18 and 28% slabs. Petrol, gas, crude oil are out of GST. It is the best decision taken by the government. For the same reason, 1st July is celebrated as Financial Independence Day in India wherein all MPs attend the function in the Parliament House. Confusion and complexities are expected to happen. It is up to the government to address the capacity building amongst the participants of GST. GST will become Goods and Services Tax only if the entire country works as a whole towards making it successful.

## **REFERENCES AND WORK CITED**

- [1]. [www.gstindia.com](http://www.gstindia.com)
- [2]. <https://cleartax.in>.
- [3]. [economicstimes.indiatimes.com](http://economicstimes.indiatimes.com) The Tribune
- [4]. Times India
- [5]. The Economic
- [6]. [www.successmantra.com](http://www.successmantra.com)