

Goods and Service Tax: Benefits and Challenges

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Abstracts :-Goods and Service Tax is the biggest reform in Indian Taxation system founded on the notion of 'One Nation, One market, One Tax' is finally here. The moment that the Indian government was waiting for a decade has finally arrived. The single biggest Indirect Tax regime has kicked into force, eliminating all the Inter-state barriers with respect to trade. The GST model has converted India into a unified market of 1.3 billion citizens with a single stroke. More than 150 Countries have Implemented GST so far. However the idea of GST in India was mooted by 'Vajpayee Government' in 2000 and the Constitutional amendment for the same was passed by the Lok Sabha on 6th may, 2015. Thereafter, it was passed by Rajya Sabha on 03rd August, 2016. On 9th April, 2017 Telangana becomes the first state to pass GST Law in its assembly, In Jharkhand on 27th April, 2017 Jharkhand Goods and Service Tax Act, has passed by the ministry of Finance, Govt of Jharkhand in its legislative assembly. Lastly, GST is implemented on 01st July, 2017 as a constitution Act, 2017 by passage of Constitution 122nd amendment Bill in the Parliament. Thereafter in Jammu & Kashmir a state GST law has passed on 5th July, 2017. The legal framework of GST is governed by GST Council. 'Arun Jaitely' The Finance Minister Of India is the chairman of GST Council. Thus, the idea behind implementing GST across the country in all 29 States and 7 Union Territories. Out of these States, Kerala and West Bengal has opted ordinance route for GST. India needs a strong and refine system of GST to overcome the shortcomings of VAT. This paper highlights benefits, challenges, and some schemes of GST applicable in the nation.

Keywords:-Goods and Service Tax, Indian Economy.

I. INTRODUCTION

Goods and Service Tax also known as GST is defined as a replaced Indirect Tax structure designed to support and enhance the economic growth of a country it is a comprehensive tax Levy on manufacture, sale and consumption of Goods and Services at a National Level. In order to avoid the payment of multiple Taxes such as Service Tax, Excise duty, Central Sales Tax, Custom Duty at Central Level and VAT, Entry Tax, Octroi, Luxury Tax etc at State Level, GST would amalgamate these 17 distinct taxes into a single tax. Integration of various taxes into GST system will create a uniform market throughout the country. Therefore, GST is a vast concept that simplifies the 'complex Tax' structure into 'Good and Simple Tax' structure.

II. OBJECTIVE OF STUDY

- To understand the Concept of GST.
- To understand how GST will work in India.

- To understand the benefits of GST over the current taxation system.
- To learn about GST composition scheme in India.

III. RESEARCH METHODOLOGY

The study focuses on extensive study of secondary data collected from various books, National Journal Government Report by GST Council, Publication from various websites which focused on various aspects of GST

3.1 What is Goods and service tax:

Goods and service tax in India is a comprehensive, multi-stage, and destination based tax that will be levied on every value addition. In simple words, GST is an indirect tax levied on the supply of goods and services. GST law has replaced many indirect tax laws that previously existed in India.

3.2 Salient Features of GST Model

The GST system is based on same concept as VAT. Here, set off is available in respect of taxes paid in previous level against the GST charged at the time of sale. The GST model has some aspects which are as follows:-

- Components: -GST will be divided into two components namely Central goods and Service Tax and State goods and service Tax.
- Rates: - Rates charged across all states and the Central level will be uniform alongwith the regulations, definitions, and classifications.
- Applicability: -GST will be applicable to all Goods and services sold or provided in India except from the list of exempted Goods.
- Payment: -GST will be charged and paid separately in case of Central and State level.
- Input Tax Credit: - Facility of input tax credit at central level with only be available in respect of Central Goods and Service Tax. In other words, the ITC of Central Goods and Services shall not be allowed as a set off against State Goods and Service Tax and Vice-versa.

3.3 Benefits of GST

- It would introduce two-tiered one country one tax regime.
- It would eliminate all indirect taxes at the Central and State level.

- It makes tax system transparent.
- It would free the manufacturing sector from Cascading effect of taxes.
- It would bring down the prices of Goods and Services.
- It would create Business friendly environment thus, by increasing tax-GDP Ratio.
- It would enhance the smooth conduct of doing business in India.

3.4 Rates of GST in India:-

There are five rates of GST applicable in India which are explained as follows

Multi-tiered system

Source:-GST council

Tax rate	Indicative items
0%	50% of the consumer price basket, including food grains
5%	Mass consumption items like spices and mustard oil
12%	Processed foods
18%	Soap, oil, toothpaste, refrigerator, Smart phones
28%	White goods, cars
28%	Luxury cars, pan masala, tobacco, aerated drinks

3.4.1. The list of commodity on which GST will not be Levied:-

Petroleum crude, high speed diesel, Motor spirit (commonly known as petrol), Natural Gas, Aviation turbine fuel, Alcoholic liquor for human consumption, While it may be levied with effect from such date, notified by the Government on the recommendation of the GST Council.

3.5. GST on Line Return Filing forms in India:-

As per GST Law, a normal registered Taxpayer whose aggregate turnover is 1.5 crore or more, has to submit following GST Returns in regular intervals:-

GSTR 1	Outward Supply	10 th of Next Month
GSTR 2	Inward supply	15 th of Next month
GSTR 3	Monthly Return	20 th of Next Month
GSTR 9	Annual Return	31 st Dec of Next FY

From the above table, it is clear that a normal taxpayer has to submit $(12 \times 3) + 1 = 37$ returns in a year. However, as per 22nd GST council meeting held on 6th october2017, small and medium enterprises (SMEs) whose annual aggregate turnover is less than 1.5 crore will be allowed to file quarterly GST returns and GST payment with effect from oct to dec-2017 quarterly. Thus, SMEs has to submit $(4 \times 3) + 1 = 13$ returns in a year.

3.6. GST LAWS:

- CGST Act, 2017 [174 Sections. III Schedule]
- IGST Act, 2017 [25 Sections]
- UTGST Act, 2017 [26 Sections]
- GST (Compensation to States) Act, 2017 [14 Sections]
- State GST Bills 2017 (separate for each states)

3.7. Utilisation of Input Tax Credit and Cross-Utilisation:

Input Tax	Output Tax (In order of Preference)
IGST	IGST CGST SGST
CGST	CGST IGST
SGST	SGST IGST

3.8 Exemption Limit for Small scale Business under GST:

GST council has decided that businesses in the North Eastern and Hill states with annual Turnover below Rs 10 Lakhs would be out of the GST net, while the threshold for the exemption in the rest of area would be annual turnover of Rs 20 Lakhs.

3.9. GST Composition Scheme:

Every tax authority aims towards timely recovery of tax, filing of returns, Maintenance of records, invoice and other document, such elements are challenge for small businesses. To overcoming these shortcomings, a composition scheme was introduced under respective state law. GST composition scheme also contains an option for a registered taxable persons having turnover less than the limit to pay tax at a lower rate respect to certain specified conditions. GST composition scheme is an option available to a registered tax payer who needs to inform the tax authorities of his intension to be registered under the scheme. Such option needs to be for all businesses of the tax payers i.e, both for Goods as well as Services.

3.9.1 Turnover & Rate of Tax under GST Composition Scheme:

As per 22nd GST council meeting held on 6th October 2017, a registered taxpayer, whose aggregate turnover does not exceed Rs 1 crore in the preceding Financial year, pay tax at the rate of following:-

SL NO.	Category of registered person	Rate of Tax CGST	Rate of Tax SGST	Total
1	Manufacturer Sector	1%	1%	2%
2	Restaurant Sector	2.5%	2.5%	5%
3	Other Supplies	0.5%	0.5%	1%

3.9.2 Merits:

- Furnishing of returns, Maintenance of books of Accounts are limited.
- Tax liability of taxpayers are limited.
- Liquidity of taxpayers will be high.

3.9.3. Demerits:

- The scheme holder cannot do Inter State transaction and International trade.
- The input tax credit will not be allowed to scheme holder on purchase of Goods and Inputs.
- Scheme holder cannot collect GST output from buyer.
- The scheme is not applicable to the supplier supplying goods through E-commerce.

3.9.4. GST Returns For Composite/Compounding Scheme :-

GSTR 4	Quarterly Return	18 th of Next month to quarter
GSTR 8	Inward Supply	31 st Dec of Next Financial Year

From the above table, it is clear that the dealers who are registered in composite scheme has to submit total five returns in a year.

3.10. Challenges:

Alteration of Tax Structure: - The Industry, at present, is struggling to get on with the destination based tax system from an origin based tax system. The shift from the previous tax regime and carry forward the input tax credit into GST is the biggest challenge that Businesses are facing today.

- Complete Online system: - Government has already GST networks and portals which ensures technology support for registration, return filing, Tax Payment, IGST settlement etc. Thus, there should be a powerful IT backbone.

- Lack of clarity on GST Provisions: - Various rules and regulations of GST are still ambiguous. Categorization of Goods and Services in various cases is still unclear.

- Lack of Skilled Resources and need for Re-Skilling :- All the employees of the tax department shall undergo extensive training in GST so that its implications as well as documentation can be well understand

- Increased Compliance: - Business will need to file multiple returns; a minimum of 37 in most cases for taxpayers and this can increase multifold in according with business models.

- Preparedness of IT system: - Various businesses are yet map the accounting software and IT system in line with the new tax provision to create GST invoice, and extract required report.

IV. CONCLUSION

- GST will boost economic activities and will benefit everyone.
- It will streamline the Tax administration, avoid harassment of the business and result in high revenue collection for the centre and State
- Compliance costs for the Industry will go down.
- Last but not the least, it will create more jobs.
- In sum, it would be a win-win situation for everyone i.e, taxpayers, Governments, Consumers etc.

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