

A COMPARATIVE STUDY BETWEEN PRE AND POST GST IN INDIA

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Abstract: Goods and Service Tax, a significant breakthrough and the next logical step towards a comprehensive Indirect tax reform in India. This paper gives an overview of GST and further discusses how the mechanism reduces the tax burden and other cascading effects. Brief description is given on the history of tax, GST background, introduction, salient features and illustration of reducing tax burden. GST is the new story of VAT to be implemented in India decision on which is pending. It aims at creating a single and unified market benefiting both corporate and economy because this is the only Indirect tax that directly effects all sectors of economy, it enables widespread setoff for Input Tax Credit(ITC) and subsuming of many indirect taxes having a dual concept model operating at centre(CGST) and state(SGST) to maintain commonality. Therefore this paper focuses on the overview and reducing tax burden through GST. With an aim of simplifying tax structure in India, GST proposes to remove the geographical obstacles for trading, and transforming the entire nation to 'One Common Market Place.' While it is believed that the 'One Nation- One Tax' regime is paving path towards a better economy of our country, questions related to how is this reform going to be any better than the earlier tax transformations India has seen over the past years (VAT-Service Tax-Excise), is a matter of concern. How is the new tax structure going to effect the consumer and the impact it will have on various sectors? We de-code this myth by listing down key differences between GST and the previous tax structure.

Keywords: Goods and Service tax (GST), Value added tax (VAT), Central and State Government, Sectors, Implementation Taxation, Administration, transactions, democratic, integrated, initializing, economy, manufacturers



OBJECTIVES OF STUDY:

The study has been geared towards achieving the following objectives:

1. To understand the concept of Goods and Services Tax.
2. To examine the prevailing tax structure and the proposed GST model in India.
3. To examine how the GST mechanism reduces the tax burden eliminating the multiple Taxation and other cascading effects.
4. To know the benefits of introduction of Goods and Service Tax
5. To study the impact of GST on various Sectors

RESEARCH METHODOLOGY:

The research paper is an attempt of exploratory research, based on the secondary data Sourced from Journals, Magazines, Articles, Media reports and Websites. Looking into requirements of the objectives of the study the research design employed for the study is of descriptive type. Keeping in view of the set objectives, this research design was adopted to have greater accuracy and in depth analysis of the research study.

INTRODUCTION:

- **HISTORY OF GST:** In Year 2000 Vajpayee government started discussion on Goods and Service Tax by setting up an empowered committee, headed by Asin Das Gupta, finance minister of West Bengal. The committee was given the task of designing the GST model and overseeing the IT back-end preparedness for its role out. During this period a major improvement over existing Centre excise duty at national level and sales tax at sales level was done. Later in 2006, union finance minister P. Chidambaram moved towards GST in his budget and proposed to introduce it by 1st April 2010. However Empowered Committee of State Finance

ministers (EC) released its “first discussion paper” on GST in November 2009. In 2007-08 budget, empowered committee of state finance ministers on P. Chidambaram’s request work with central government to prepare a road map for introduction of GST in India. State finance ministers, decided to set up Joint Working Groups on 10th May 2007 with the advice to the union finance ministers and minister’s secretary of empowered committee. In 2008 EC report to the titled “a model and road map for GST in India” containing broad recommended above the structure and design of GST. In 2009 first discussion paper was released based on inputs from GOI and state with objective of generating a debate and obtaining inputs from all stake holders.

• **WHAT IS THE GST?:** Goods and Service Tax (GST) is a comprehensive tax levy on manufacture, sale and consumption of goods and service at a national level. In simple terms, GST may be defined as a tax on goods and services, which is livable at each point of sale or provision of service, in which at the time of sale of goods or providing the services the seller or service provider may claim the input credit of tax which he has paid while purchasing the goods or procuring the service. It is basically a tax on final consumption. Under the GST regime, both the Centre and the State would have the powers to tax the supply of goods and services right from their primary stage to final consumption. At the centre’s level, introduction of the GST will mean that it takes the place of central excise duty, service tax and additional customs duties. At the state level, the GST will take the place of State VAT. Goods and Service Tax will be levied on levy on manufacture, sale and consumption of goods and service at a national level. GST is at value addition at each stage and value added tax and continuous chain of set of benefits from producer’s /service provider’s point up to the retailer level where only final consumer bear the tax.

WHY GST?:

- Uniformity, the main aim of GST is to eliminate all other indirect taxes and to bring it under a single, unified market that will benefit both corporate and the economy.
- GST will be paid at the final point of consumption and not at every stage; this will promote a stronger economy and will bring about a common national market.
- GST is expected to increase economic growth between 0.9 to 1.7%.
- The current rate of indirect taxes levied in India is about 20% GST is expected to be around 15% in the first year and eventually come down to 12% in the second year.
- GST will reduce production costs hence making exporters more competitive. (Economic Time 2015)

GST IN INDIA:

Goods and service tax has taken India by the storm as it is believed that it will bring in “**One nation one tax**” to unite indirect taxes under one umbrella and facilitate Indian businesses to be globally competitive. The Indian GST case is structured for efficient tax collection, reduction in corruption, easy inter-state movement of goods, and betterment of the economy as well as demolition of the possibility of tax evasion with some other important considerations. The Goods and Services Tax has revolutionized the Indian taxation system. In India the GST Act was passed in the Lok Sabha on 29th March, 2017 and came into effect from 1st of July, 2017 however it took drastically long enough for the act to be implemented. While having a discussion on GST in India there are certain difficulties necessary to be mentioned which states that Unlike India, other countries have a much higher threshold for GST applicability which in turn helps them in reducing the burden for small businesses while in India it seems a bit difficult and it will bring in challenges for the Indian SMEs (i.e. Small and medium enterprises). The other thing to be taken care of is that India has the highest rate of GST at 18% compared to some other emerging market economies of the world. India has two types of GST hence it called as dual GST model which includes CGST (Central Goods and Services Tax) and SGST (State Goods and Services Tax). The GST in India was implemented after so many controversies, so let us have a look at the timeline of the GST implementation in India

THE TAX COMPONENTS OF GST



While we now know the tax components of GST, it is equally important for you to know the taxes existing in the current regime, and how they are subsumed under GST.

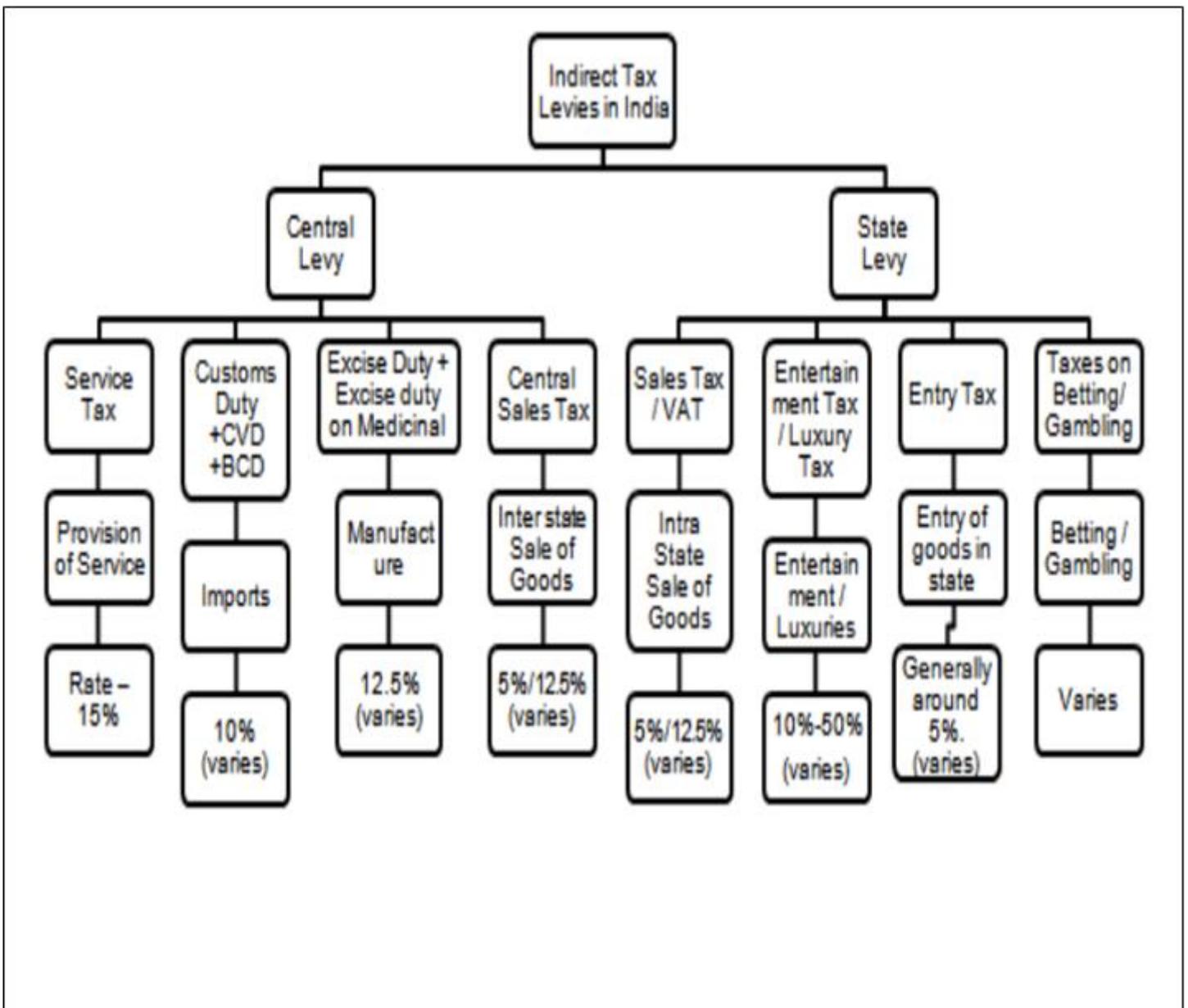
TIMELINE OF GST IN INDIA:

From the below mentioned artifact it can be derived that in India GST came in to force on 1st of July, 2017. One India, One Tax became a reality on the 1st of July, 2017, when the Goods and Services Tax came into effect. This landmark moment in the history of modern India comes after nearly 20 years of debate and negotiations among states and successive central governments from different parties, members of Parliament and other interested stakeholders

TAXATION MODEL IN INDIA BEFORE GST:

As discussed earlier there were numerous taxes applicable at different levels in the old taxation system of India but now after the implementation of GST the tables have turned. With the implementation of GST now the tax is payable at the final point of consumption which means that the taxable event will be the 'supply of goods' and the 'supply of services' only if a good or service does not move at all it is not termed as a supply and hence it is not taxable. Before GST the taxes were levied on various stages like on manufacturing of goods, sale of goods and on rendition of services which from now on will not be relevant under the GST model of Taxation. While discussing GST it would be important to mention that there had been certain central taxes (e.g. sales tax, excise duty tax, and service tax) In India with co-existence of some state level taxes (e.g. entertainment tax, entry tax, transfer tax and luxury tax) which now are collected with a unique taxation model called GST.

The very first attraction towards implementation of GST was that it will replace 15 Indirect taxes. And to one's amazement and wonder 15 taxes did seem a lot of chaos and confusion. How does such a tax model functioned and where was it actually lacking? And how these lacunas will be met by GST?



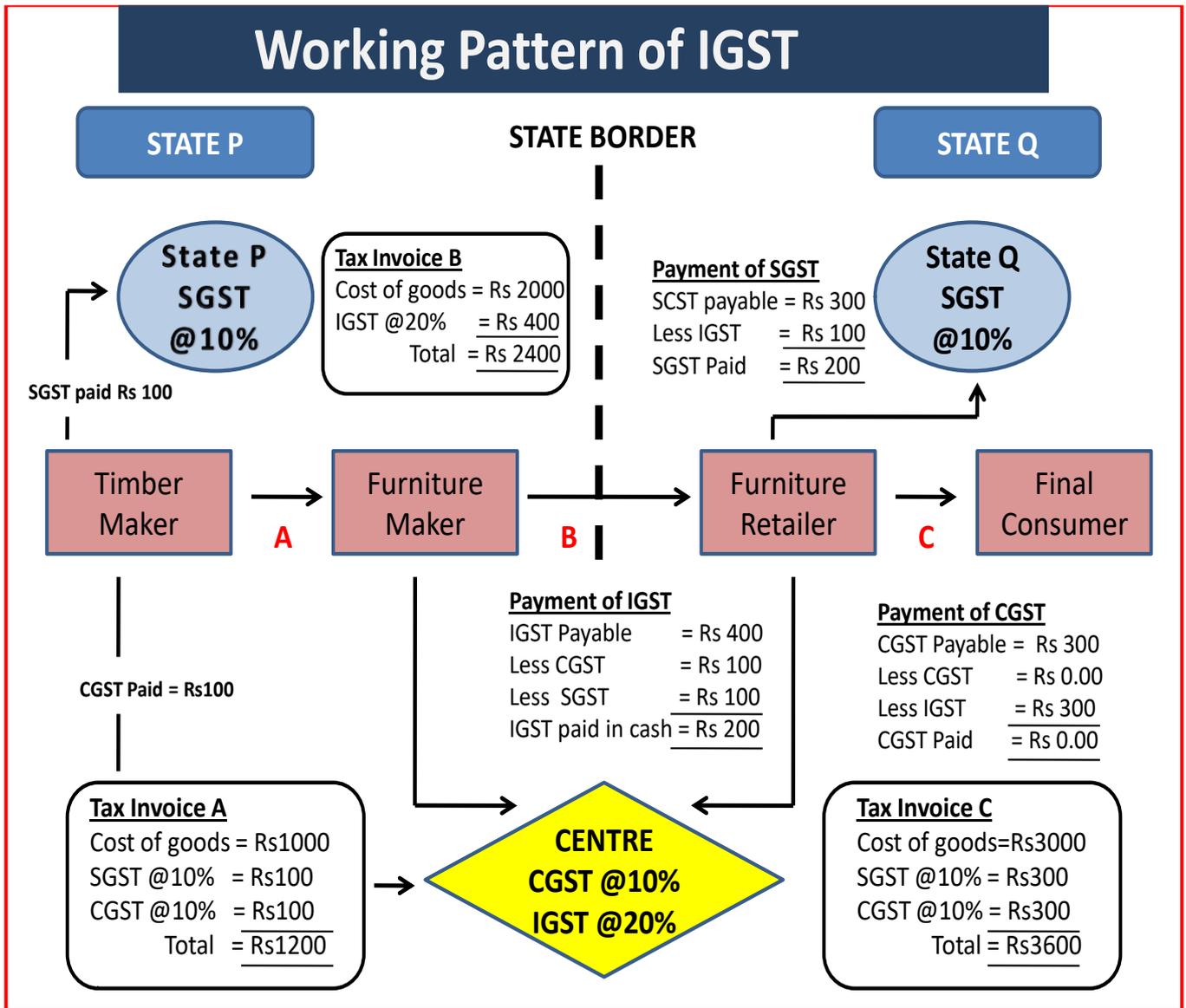
The above flow chart states all the indirect taxes that were earlier levied both at central and state level. India had a dual system of taxation of goods and services, which was quite different from dual GST. Central Government levied taxes on the following.

STATE TAXES WHICH SUBSUMED IN SGST:

VAT/Sales Tax, Entertainment Tax (unless it is levied by local bodies), Luxury Tax, Taxes on lottery, betting and gambling. State cess and surcharges to the extent related to supply of goods and services. Entry tax not on in lieu of Octroi.

CENTRAL TAXES WHICH SUBSUMED IN CGST:

Central Excise Duty, Additional Excise Duty, The Excise Duty levied under the Medical and Toiletries Preparation Act Service Tax, Additional Customs Duty, Commonly known as Countervailing Duty (CVD) Special Additional duty of customs (SAD) Education Cess Surcharges



THE DIFFERENCE BETWEEN THE PREVIOUS TAX SYSTEM AND GST

S.N	ISSUES	PRESENT REGIME	GST REGIME
1	Single Tax for Good and Service	Currently there are different tax for transactions related to Goods and services separately.	Under GST- there will be single tax for both Good and Service.
2	Broad Regime	Currently there are various laws like Central excise Act, Service Tax, Central state laws, State VAT laws from.	There will be one law i.e. GST. Under GST there will be CGST, IGST, SGST.
3	Sorting of Commodities	Sorting of commodity plays major role for the valuation purpose and to fix the rates of tax. Excise Duty based on HSN.	It's presume that GST likely to be based on HSN.
4	Registration Number	Registration number are called as TIN.	Registration number are PAN based.
5	Stead of Taxation	Existing based tax are origin based tax.	GST will be a location based tax.
6	Tax Basis	Narrow as compared to GST.	GST will be wider as comparative to existing indirect tax framework.
7	Tax load	In present scenarios- tax load are very high.	Under GST Tax load are expected to be less

8	Tax rates	Different tax rates levied across products and across states. Different tax rates across states leads to economic distortions.	Under GST-there will be one CGST rate and a uniform rate of SGST across all states and IGST for interstate. Single national tax rate reduces economic distortions.
9	Inter-State Transactions	All interstate transactions for good are covered under CST while all interstate transactions for services are comes under Service tax.	All the interstate transactions for both goods and services will be charged under IGST.
10	Tax on inter-State Transactions of Goods to Branch / Depot or Agent	In present scenarios- all interstate transactions are taxable and the party will get exemption against Form F.	Under GST all interstate transactions of Goods will be charged and will be taxable.
11	Tax on Exportation of Goods & Services	Exempt / Zero-rated.	No change is proposed.
12	Tax on Importations in India	Import Goods are taxed to Customs Duty (comprises Basic Customs Duty, CVD & SAD); Import Services are taxed to Service Tax.	Importation of goods and services will be taxable which will be comprising of BCD and GST. Basic Custom Duty on goods: No Change- CVD & SAD on import of goods and import of services: To be subsumed in GST.
13	Excise Duty	Under Current system, all the manufacture of goods are subject to excise duty if the prescribed conditions are matched. This is being controlled by Centre under separate Act, Central Excise Act, 1944.	To be subsumed in CGST; Taxable event will be sale; To be taxed up to retail level... Though for most of the manufactured products excise duty will not be applicable, Tobacco and tobacco products will be taxable under existing excise law as of now. In future it may change to GST purview.
14	Essential Customs Duty	BCD is Imposed by Centre under separate Act, i.e. Customs Act, 1962. Taxable event is imported	There will be BCD for import. As of now, there is no change.
15	CVD/SAD	CVD and SAD is Imposed by Centre under separate Act, i.e., Customs Act 1962. Taxable event is imported.	Under GST-CVD and SAD will be subsumed in CGST; Taxable event will be import.
16	Service Tax	Service tax is Imposed by Centre under separate Act (Finance Act, 1994).	Under GST - service tax to be subsumed in CGST & SGST.
17	State VAT	State VAT is Imposed by States, Taxable event is sale within the State.	State VAT to be subsumed in SGST; Taxable event is sale within State.
18	Cascade impact	Cascading impact in various industry results in increase the cost of the product as taxes become part of cost.	GST mechanism will remove the cascading effect by providing credit. The seamless tax credit will be available under GST. Input credit set off will be available at all stages of production.
19	Cross-Levy set-off / adjustment	Cross set off allowed under -Excise duty and Service tax.	There will not be any cross set-off between CGST and SGST.
20	Adherence/Compliance	Tax compliance is complex as there are various laws and regulations with provisions which is being followed.	It's presume that Tax compliance would be easier as there will be only one GST for both Goods as well service.
21	Concomitant Power	At present, there is no concomitant power is available for both Centre and State on same subject, Inter-State: Centre Local: State.	As per the amendment in the Indian Constitution, there will be concomitant power for both Centre and State.

FINDINGS & DECISIONS

THE BENEFITS THAT ONE CAN GET FROM GST IMPLEMENTATION

ON BUSINESS AND INDUSTRY:

- All work of taxation is available online. Like registration, returns, payments, etc. This made everything simpler for tax payers and increase the transparency of all the activities.
- GST removed all the differences in the structure of taxation in between the states and the indirect tax this lead to neutral tax and common market.
- There were several hidden costs of doing business that piles up in the business chain which is filtered while paying tax with the help of GST.
- The reduction in the taxation and improvement of tax policies lead to better competition in trade business.

ON CENTRAL AND STATE GOVERNMENTS:

- All the central, state and indirect taxes are replaced by GST making it all simpler to manage and pay.
- GST made better tax compilation with the seamless transfer of input tax credit from one stage to another in the chain of value addition.
- GST reduced the tax collection of the government which will lead to higher revenues.

ON CONSUMERS:

- Due to the high tax rate and tax on every item and value being added by the time it reaches the consumer the amount increases but with GST the consumer is paying clearly only for one and having a clear view of what is her / she paying for.
- Overall tax burden is reduced and the consumer's burden is decreased preventing leakages.

ON COMMON MAN:

- The ordinary man can take a big sigh of relief because there are many opportunities for making significant savings on GST.

CONCLUSION

The main purpose of GST is to make the previous taxation system more comprehensive, efficient, effective and transparent and business friendly. As a developing country, it is important for India to review its fiscal policy continuously. The Indian government should always make sure sufficient revenues are raised for the country with minimum impacts on people and resources, while at the same time improve the standards of living of poor people. Moreover, the government should always seek for ways to lower poverty level in India, thus a more equitable society can be achieved. The Indian government and the people in the country have to get ready for the tax reform. Various sectors in the economy also have a lot to benefit from GST, sectors like IT and service will be able to claim tax exemptions and a lot the other taxes such as CST for traders can be avoided, this will be a big relief on such sectors since the an enormous amount of the tax burden will reduce and in the long run they can lower the prices of their commodities which will be beneficial for the consumers. The bill would benefit both the individual and different sectors in the long run.

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