Goods and Service Tax in India: A Paradigm Shift in Indian Economy

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Abstract

Up to late 90s, Indian Tax regime was heavily dependent on indirect taxes. Earning revenues from indirect taxes was the main source of collection of taxes available to Indian Govt. But the common man find himself puzzled in the knot of multiple tax rates, laws and often failed to comply with these complex legislations. Cascading effect of Taxes is one of the major distortions of the Indian Taxation Regime. In order to avoid the payment of multiple taxes ie. Exercise duty, Sales Tax at Central level and VAT at State Level, Government of India come up with a solution named Goods and service tax (GST) which would subsume all indirect taxes of state and central government and unified economy into a seamless national market. Replacing the existing tax system with the Goods and service tax (GST) ***One nation One tax One market*** will surely unify these taxes and creates a platform for collection of taxes through the giant tax structure by supporting and enhancing the economic growth of India. This paper presents an overview of GST origin, concept, registration process and its regime implementation part in Indian economy.

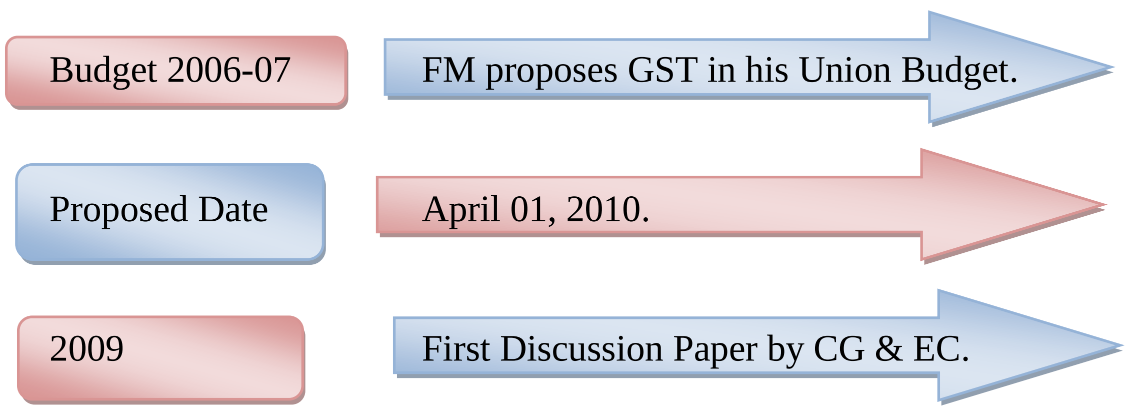
Keywords: Indirect Taxes, Composition Schemes, Appropriate Govt, Economy.

***Introduction*.**

Goods and Services Tax (GST) is most ambitious and biggest tax reform plan, which aims to stitch together a common market by dismantling fiscal barriers between states. It is a single national uniform tax levied across India on all goods and services. In GST, all the indirect taxes will be subsumed under a single regime. The GST taxation laws will put an end to multiple taxes which are levied on different products, starting from the source of manufacturing to reaching the end consumer. GST works on the fundamental Principle of "One Country one Tax".

Experts say that GST will help the economy to grow in more efficient manner by improving the tax collection as it will disrupt all the tax barriers between states and integrate country via single tax rate. The tax compliance is going to be easy as all the laws are subsumed and only one GST law to be implemented. The four GST slabs have been set at **5%, 12%, 18%** and **28%** for different items or services. The integration of tax laws in GST is expected to reduce the tax bur-den on the tax payer compared to present system where the tax payer's burden is high. Presently the tax is at two points i.e., when the product moves out of factory and other at the retail outlet.

Journey of GST



2010	Feb 2010, FM mention in speech GST to be introduced in April 2011.
2011	March 2011, 115th Constitutional amendment bill introduce in Lok Sabha for levy GST.
2013	Standing committee submit its report on GST.
2014	Constitution (122nd Amendment) Bill, 2014 introduced in Rajya Sabha.
2015	FM in his speech set deadline April 01,2016
2016	Constitution (101st Amendment) Act, 2016 on Sept. 16, 2016.
June 14, 2016	First Model GST Law.
Nov 26, 2016	Second Model GST Law.
March 27, 2017	GST Bills placed before Lok Sabha
March 29, 2017	Lok Sabha passed GST Bills.
April 06, 2017	Rajya Sabha passed GST Bills.

April 12, 2017

President given his ascent to GST bills.

Goods and service tax council and its Authorization in India

As per section 279A The President shall, within sixty days from the date of commencement of the Constitution (One Hundred and First Amendment) Act, 2016, by order, constitute a Council to be called the Goods and Services Tax Council. This Council shall consist of the following members, namely: —

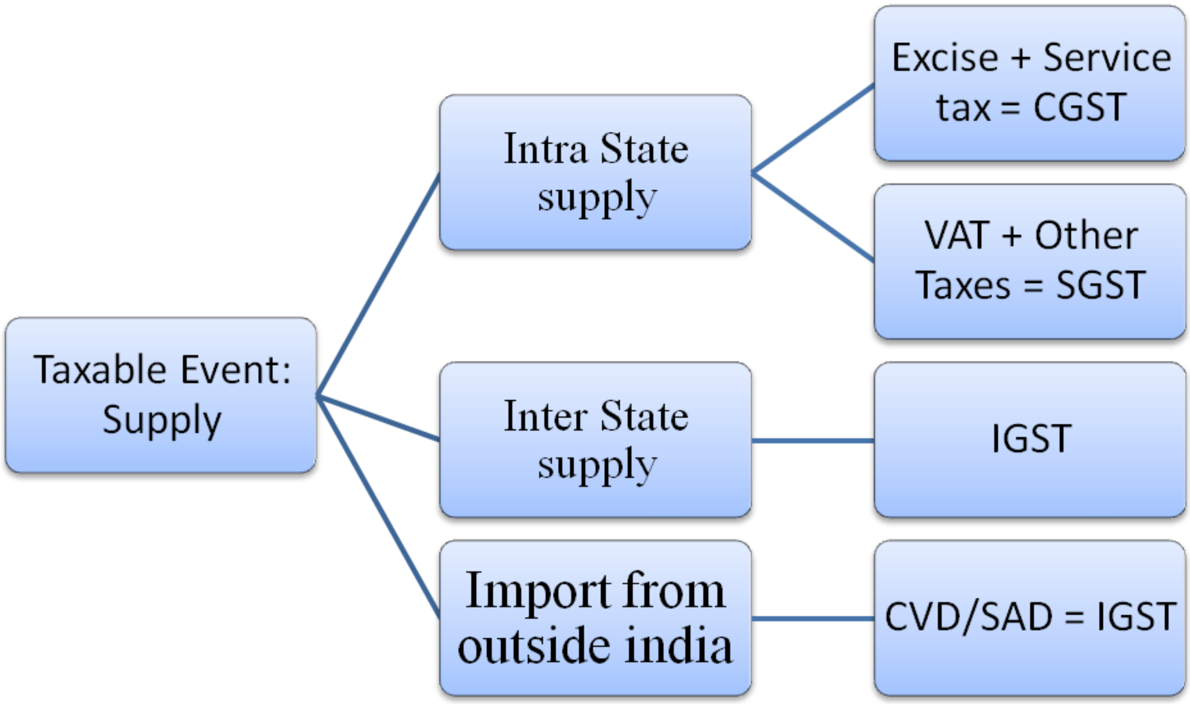
1) The Union Finance Minister as its ***Chairman.***

2) The Union Minister of State in charge of Revenue or Finance as its ***Member***.

3) The Minister in charge of Finance or Taxation or any other Minister nominated by each State Government as its other ***Members***.

The Members of the ***GST Council*** referred to in sub-clause (c) of clause (2) shall, as soon as may be, choose one amongst themselves to be the ***Vice-Chairperson*** of the Council for such period as they may decide. The GST Council shall make recommendations to the Union and the States on the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax. Moreover the council shall take into consideration the threshold limit of turnover below which goods and services may be exempted from goods and services tax, the goods and services that may be subjected to, or exempted from the goods and services tax. Model Goods and Services Tax Laws, principles of levy, apportionment of Goods and Services Tax levied on supplies in the course of inter-State trade or commerce under article 269A and the principles that govern the place of supply.

GST Regime Implementation



Under the GST regime, the tax will be levied at every point of sale. In case of interstate sales, Central GST and State GST will be charged. Intra-state sales will be chargeable to Integrated GST.

As mentioned above – GST is a comprehensive, multi-stage, destination-based tax that will be levied on every value addition. There are multiple change-of-hands an item goes through along its supply chain: from manufacture to final sale to the consumer. For Example: Purchase of raw materials, Production or manufacture, Warehousing of finished goods, Sale to wholesaler, Sale of the product to the retailer, Sale to the end consumer and many more. The GST rules, laws and rates are in place and operational. Replacing 17 Central and State taxes and 35 tax administrations with one GST and one tax administration across the country was no mean feat. It is facilitating large-scale tax collection. During July-Nov 2017, 53 lakh entities filed 3.5 crore returns and paid GST of rs.4.4 Lakh Crore. But like any system of this size and complexity, it needs constant improvements. Without 100 per cent online GST operations, the vices of the earlier system will return. But software persons alone cannot get us there. We also need to revisit the rules and forms, rates and thresholds. Addressing these five concerns will cut operational cost, reduce GSTN's load and help small firms in their functioning as well

GST Registration

GST is the biggest tax reform in India, tremendously improving ease of doing business and increasing the taxpayer base in India by bringing in millions of small businesses in India. By abolishing and subsuming multiple taxes into a single system, tax complexities would be reduced while tax base is increased substantially. Under the new GST regime, all entities involved in buying or selling goods or providing services or both are required to register for GST. Entities without GST registration would not be allowed to collect GST from a customer or claim input tax credit of GST paid or could be penalized. Further, registration under GST is mandatory once an entity crosses the minimum threshold turnover of starts a new business that is expected to cross the prescribed turnover.

Persons liable for registration (Sec 22)

- **a)** Other than special category States = Aggregate Turnover in a FY >20 Lakhs.
- **b)** Special category States = Aggregate Turnover in a FY >10 Lakhs.
- **c)** Registered person on appointed date under existing law.
- **d)** Transfer or Succession of business by taxable registered person.
- **e)** From the date of transfer of succession.
- **f)** Amalgamation or demerge by order of order of a High Court, Tribunal.

g) With effect from the date on which the Registrar of Companies issues a certificate of incorporation.

The Aggregate Turnover = (Taxable +Exempt +Export) + Supply on behalf of all his principals.

Persons not liable for registration (Sec 23)

1) Supply not liable to tax or wholly exempt from tax.

2) An agriculturist, to the extent of supply of produce out of cultivation of land.

3) Notified persons.

Compulsory registration in certain cases (Sec 24)

1) Persons making any inter-State taxable supply.

2) Casual taxable persons making taxable supply.

3) Persons who are required to pay tax under reverse charge.

4) Notified services provided through electronic commerce operator such Electronic commerce operator.

5) Non-resident taxable persons making taxable supply.

6) Person required to deducted TDS under GST.

7) Persons who make taxable supply of goods or services or both on behalf of
other taxable persons whether as an agent or otherwise.

8) ISD.

9) Supplier of services through electronic commerce operator on which TCS is
applicable.

10) Every electronic commerce operator.

11) Every person supplying online information and data base access or retrieval

Services from a place outside India to a person in India, other than a registered person.

12) Notified persons.

Procedure for registration (Sec 25)

1) Casual taxable person or a non-resident taxable person-----At least five days prior to the commencement of business.

2) Others-----30 days from the date on which he becomes liable to registration.

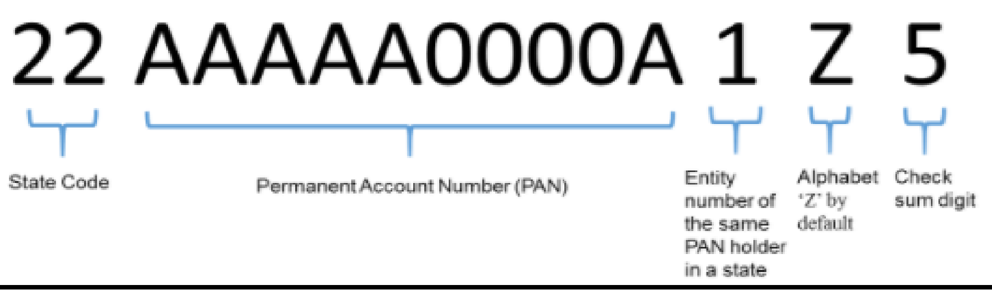
3) Single registration in a State or Union territory------ Multiple business verticals in a State or Union territory may be granted a separate registration for each business vertical

4) Voluntarily Registration.

5) Every registration shall be treated as distinct person.

6) United Nations Organization, Consulate or Embassy of foreign countries ie. Unique Identity Number.

<u>Layout of GST No</u>.



Intra state and Interstate supply under GST:

Intra-State Supply

Where the location of the supplier and the place of supply of goods/services are in the same State or same Union territory shall be treated as intra-State supply.

Inter-State Supply:

1) Where the location of the supplier and the place of supply are in:

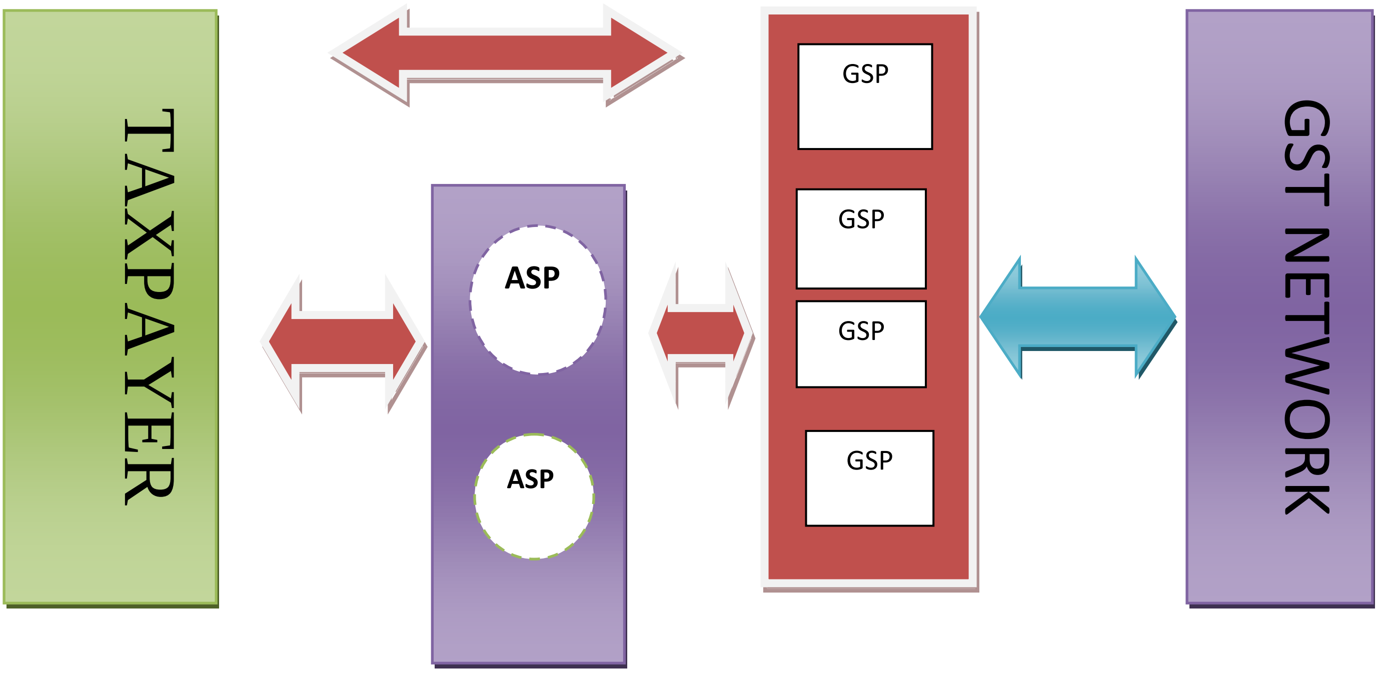
a) Two different States.
b) Two different Union territories.
c) A State and a Union territory.

2) Supply of goods/services imported into the territory of India

3) Supply of goods or services or both:

a) When the supplier is located in India and the place of supply is outside India.
b) To or by a Special Economic Zone developer or a Special Economic Zone unit or

c) In the taxable territory, not being an intra-State supply and not covered elsewhere in this section.



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GSP Selected **Infosys is**

First batch

MSP

- **MSP** : Managed service Provider
- **GSP** : GST Suvidha Provider
- **ASP** : Application Service provider

Input Tax Credit

Section 2 (63): "Input tax credit" means the credit of input tax.

Section 2 (62) : "input tax" in relation to a registered person, means the central tax, state tax, integrated tax or union territory tax charged on any supply of goods or services or both made to him and includes—

(a) The integrated goods and services tax charged on import of goods;

(b) The tax payable under the provisions of sub-sections (*3*) and (*4*) of section 9;

(c) The tax payable under the provisions of sub-section (*3*) and (*4*) of section 5 of the Integrated Goods and Services Tax Act;

(d) The tax payable under the provisions of sub-section (*3*) and sub-section (*4*) of section 9 of the respective State Goods and Services Tax Act; or

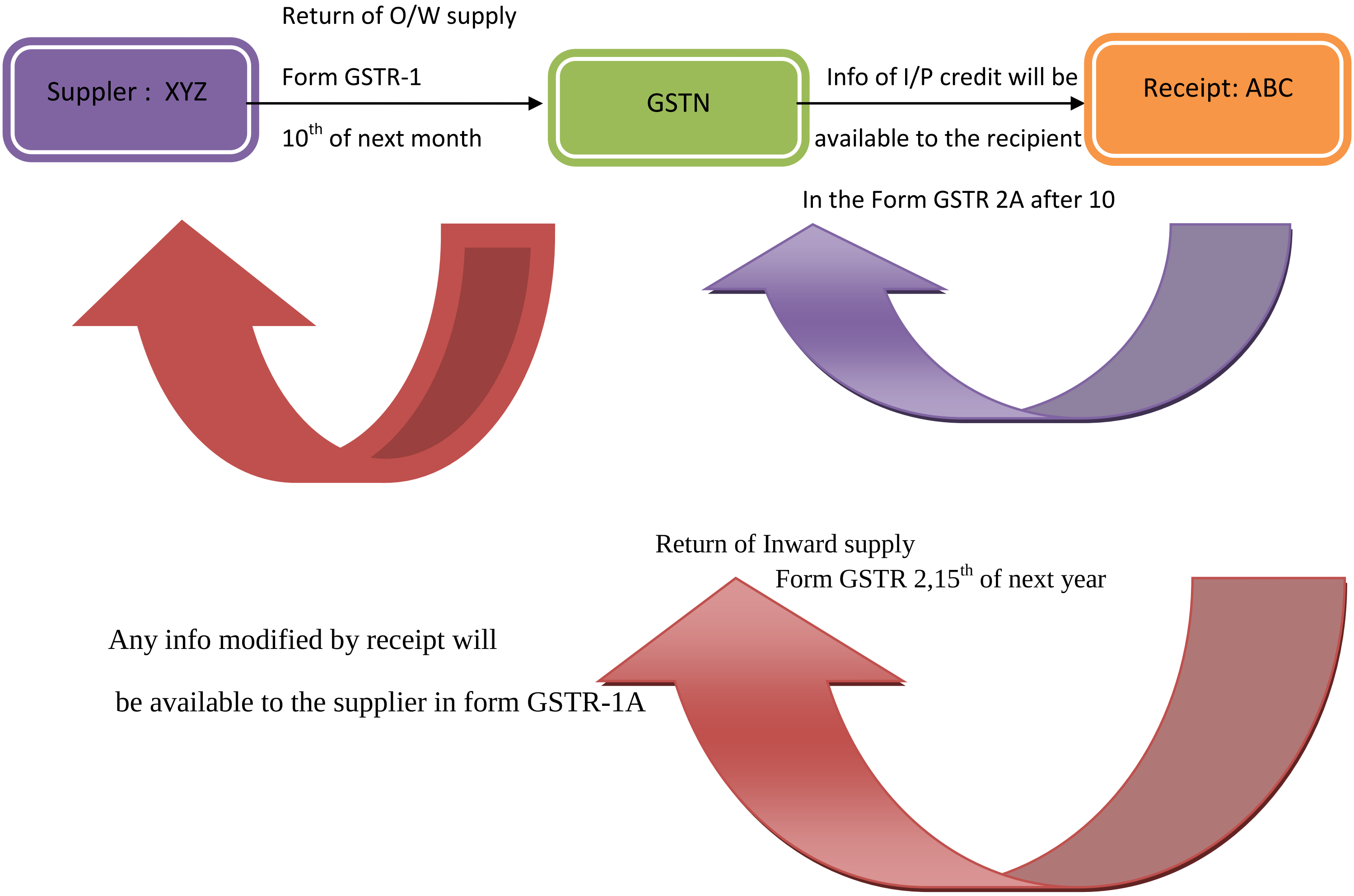
(e) The tax payable under the provisions of sub-section (*3*) and sub-section (*4*) of section 7 of the Union Territory Goods and Services Tax Act.

But does not include the tax paid under the composition levy.

Section 2 (52): "Goods" means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.

Section 2 (102): "Services" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

Return Mechanism under GST



Monthly Return Form

GSTR -3

20th of next year

Conclusion:

The advent of Goods and Services Tax will be a very noteworthy step in the field of indirect tax reforms in India. GST the biggest tax reform in India founded on the notion of ***"one nation, one market, one tax***" is finally here. There are approx. 140 countries where GST has already been implemented. Some of the popular countries being Australia, Canada, Germany, Japan, and Pakistan By merging a large number of Central and State taxes into a single tax, GST is expected to significantly ease double taxation and make taxation overall easy for the industries. The idea behind implementing GST across the country in 29 states and 7 Union Territories is that it would offer a win-win situation for everyone. Manufacturers and traders would benefit from fewer tax filings, transparent rules, and easy bookkeeping, consumers would be paying less for the goods and services, and the government would generate more revenues as revenue leaks would be plugged. For the end customer, the most beneficial will be in terms of reduction in the overall tax burden on goods and services. This will make Indian products competitive in the domestic and international markets. Last but not least, the GST, because of its transparent character, will be easier to administer. Once implemented, the proposed taxation system holds great promise in terms of sustaining growth for the Indian economy.

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