

GST: A Challenge

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ABSTRACT

GST (Goods and Service Tax) is one of the most vital tax reforms in India which is still not implemented. Due to various political contentions and disputes regarding the interests of various stakeholders, it was supposed to be enforced from April, 2010, and is still in its due course. Since Independence it is the single broad tax reform. It will be levied on both goods and services at every stage of value to be added to the goods. It deals with the tax system that will include all indirect taxes of state and central government and unified economy into a smooth national market. It plays a significant role in the growth of the economy and proves to be more fruitful than the existing tax system. With the implementation of GST in the country it will result in the growth of economy as a whole as GST will boost the overall Gross Domestic Product (GDP) of the country. This paper shows the overview of GST concepts; explain its advantages, timeline of enforcement in India, its features and challenges faced in the process of its execution in India.

Keywords:-

Indirect Tax, Challenges, GST (Goods and Service Tax), India

Introduction:-

GST is focused to change the whole era of the modern indirect system of tax. GST or Goods and services tax Bill was taken in the Lok Sabha on 19-dec-2014. Since Independence; it is the single biggest tax reform in India. Finance minister, Mr. Arun Jaitley, while introducing the bill urged that the GST law will include with it all the indirect levies from April, 2016 and would assure that the flow of goods and services across the country will be smoother.

The main objective of GST is to simplify the Indirect tax regime with a single tax on consumption of goods and services at national level, manufacture and sale. According to NCAER (National council of applied economic research), the GST would boost the GDP growth of India by 1% to 2%. CRISIL had also presented that GST is the better way to mobilize the revenue and fiscal deficit. GST is commonly accepted worldwide and around 140 countries of the world are followed the GST law. The

implementation of GST is not only going to boost the growth of the economy but also the engine pursued by the government. But it is also essential as it will switch over from the existing indirect taxation system around the country.

LITERATURE REVIEW:-

Agogo Mawuli (May 2014) Studied, “Goods and Service Tax-An Appraisal” and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Dr. R Vasanthagopal (2011) studies, “ GST in India: A big leap in the indirect taxation system” and concluded that switching to seamless GST for current complicated indirect tax system in India will be positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world & a new preferred form of indirect tax system in Asia also.

Ehtisham Ahmed and Satya Poddar (2009) studied, “Goods and services 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) studied, “Goods and service tax- a way forward” and concluded that implementation of GST in India help in removing economic distortions by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Monika Sehrawat and Upasana dhande (2015) studied,”GST in India- A key tax reform” and concluded that Implementation of GST stands for coherent tax system which will colligate most of current indirect taxes and in long term it will lead to output , more employment opportunities and flourish GDP by 1%- 1.5%.

RESEARCH METHODOLOGY:-

It is an elaborative research based on the secondary data of Journals, internet, books and various research papers, articles, newspapers etc. It is according to the data provided on secondary basis i.e., based on true analysis which has been adopted previously by various researchers. This data is only for research study.

CONCEPT of GST:-

GST is a type of Indirect tax which is in proposition of almost all the indirect taxes of central and state government into a unified tax. It is levied on both goods and services at every stage of value added in the good. It has 2 models:

1. CGST (central goods and service tax)
2. SGST (states goods and service tax)

CGST includes Indirect taxes like central excise duty, central sale tax, service tax, special additional duty on customs, counter veiling duties.

SGST absorbs with it state VAT, purchase tax, luxury tax, octroi, tax on lottery and gambling.

The 3rd main component of GST is IGST (Integrated goods and services tax) also known as interstate goods and service tax. It is a method to check interstate transactions of goods and services, not any additional tax.

FEATURES OF GST:-

1. One country- One tax
2. Boost in GDP Ratio
3. Reduce chances of manipulation of tax
4. Reduce Corruption
5. Decreasing economic destructions
6. Increase in production
7. Include all central and state level indirect taxes
8. Mobilize fiscal deficit and revenue

ADVANTAGES OF GST:-

1. GST is a true and fair tax system and excludes various numbers of indirect taxes.
2. With the implementation of GST in the country, there will be no scope for Tax Evasion. There will be no hidden taxes and the cost of doing the business also gets reduced. As a result of which Exports becomes more competitive.

3. GST leads to the expansion of the sources of income for the government other than Income tax, sales tax, etc

4. Under the system of GST in the economy, the burden of paying the taxes will be distributed equally among the manufacturers and service providers.

5. Both central & state GST will be charged on the cost of manufacturing the goods & the same will be collected on the level of sale of that particular product. It results in the decrease in the prices of the product which in turn will increase the consumption by the people which help the companies in return.

6. With the implementation of GST in country, other taxes like state sale tax, entry tax, octroi, turnover tax, central sales tax, license fee, and so on will no longer be applicable, as all these taxes will be included in GST.

CHALLENGES FOR THE FUTURE ORIENTED SUCCESS OF GST IN THE COUNTRY:-

1. The amendment bill of the Indian constitution has to be passed in both the houses of the parliament:-

The central government has sufficient majority in the lok sabha & as a result of which GST Bill would be able to pass in the lower House of the parliament without any barrier. But due to insufficient majority in Rajya Sabha the central government would not be able to pass the GST bill in the upper house of the parliament.

2. Amendment Bill of Indian constitution to be passed by Majority of States:-

For the purpose of enforcing the GST bill, it is essential that GST bill is passes by the respective state governments in State assemblies so as to bring majority. This is a tough task.

3. GST Council: -

The council for GST should comprise of Union Finance Minister who will be a chairperson, Union minister of state as a member in charge of Finance, the state finance minister or state revenue minister as the member of the council. The state finance minister is authorized to select the vice-chairperson of council. After that the council shall make recommendation to the Union & States on the followings concerns: Which taxes, Surcharge, goods and services shall be exempted under GST tax system; threshold limit under GST, etc.

4. Revenue Neutral Rate (RNR):

It is one of the significant element for the success of GST in the country. With the help of RNR, the government will be able to adjust the tax in such a way that the revenue remains unchanged, despite of giving tax credits.

5. Threshold limit of turnover of dealers under GST:

The recent threshold limit under Central Excise Duty is Rs. 1.50 lacs & that under Service tax is Rs. 10 lacs, but the threshold limit under state VAT is between Rs.10 lacs- 20 lacs. The central government has imposed threshold limit of Rs. 25 lacs on all central and state GST. Under this all the big businessmen have to pay tax by following the system of GST.

TIMELINE OF GST IN INDIA:-

The NDA government, in 2000, set up an empowered committee with the chairmanship vested in the hands of Mr. Asim Das Gupta. This committee was constructed in order to design GST model. Mr. P Chidambaram proclaimed that the implementation of GST from April 2010 in 2007 budget and with this regard he came up with the empowered committee of state finance ministers to work with centre. Hence, finally on 10th may 2007, a joint working group was motivated by the committee and the report was submitted in November, 2007. The Empowered committee in November, 2009 introduced the first detailed discussion paper on structure of GST with the aim of generating a debate and to get inputs from the stakeholders. The bill in the 115th amendment in the Indian constitution was introduced for the purpose of enforcing and regulating the laws for implementing GST. It includes the following:

1. The president has to set up GST COUNCIL with 60 days of passing of bill. The union finance minister will chair the council and the MOS for revenue and finance ministers of states would be its members. And the council will work on GST rates, exemption limits, etc.
2. A GST dispute settlement authority should be set up consisting of 3 members in order to resolve the disputes arising among states and stringent measures are to be taken against the states.
3. The parliamentary committee on finance will evaluate the GST Amendment Bill.

It was then decided and the report was submitted in this respect in August 2013 by standing committee recommending that proposed dispute settlement authority should be removed and the mechanism of it should be handed over to GST council itself. And it was also recommended that the GST council should take decision by voting instead of consensus. The criteria of voting should be 1/3 from central and rest from 2/3 states. The decision should be passed only when the 3/4th vote representatives are present.

