
GST- Finally Implemented

Dr. Anita Sharma,

Reader, Maharaja Surajmal Institute (Affiliated to GGSIP University), New Delhi,

ABSTRACT

The Goods and Services Tax (GST) has been finally implemented from 1st July 2017 after passing through a challenging long journey. It was not an easy task to introduce GST but yes it really happens. The Constitution Amendment Bill (the Bill) for introduction of the Goods and Services Tax (GST) the GST Bill has been passed in 2016. It had taken a journey of nearly 10 years to arrive at a consensus on The Constitution (122nd Amendment) (GST) Bill, 2014. In 243-member House 203 votes are casted in the favor of the bill and none against in the Rajya Sabha. The bill was passed after a seven-hour debate. The main aim of GST is to abolish all types of indirect taxes and adopt a single taxation system that is GST. It is based on secondary data as the data been collected through internet and other published sources. The paper ends with the conclusion that although there are lots of challenges in implementation of GST in India but the GST finally come into force in 2017 with certain amendments

KEYWORDS - Bill, CGST, GST, States, SGST and Taxes

INTRODUCTION

After passing through a long journey full of oppositions, the Goods and Services Tax (GST) has been finally implemented from 1st July 2017. It was not an easy task to introduce GST but yes it really happens. GST means Goods and Services Tax. Multiplicity of indirect taxes by centre and state level increases the cost of goods manufactured till final consumption. GST concept was first initiated in the year 2000, by the then BJP Government. In 2011, the previous United Progressive Alliance (UPA) Government also introduced a Constitution Amendment Bill. The Constitution Amendment Bill (the Bill) for introduction of the Goods and Services Tax (GST) the GST Bill has been passed in 2016. The bill was presented in the Parliament and was passed by the Rajya Sabha on 3 August 2016 and by the Lok Sabha on 8 August 2016. It had taken a journey of nearly 10 years to arrive to a consensus on The Constitution (122nd Amendment) (GST) Bill, 2014. In 243-member House 203 votes are casted in the favor of the bill and none against in the Rajya Sabha. The bill was passed after a seven-hour debate. Now, the GST have come into force in 2017 with certain amendments after passing it again by the Lok Sabha and finally by the President of India. The tax base is expected to be comprehensive, as GST is applicable on nearly all the goods and services. The main aim of GST is to abolish all types of indirect taxes and adopt a single taxation system that is GST.

Analysts say GST could boost India's economic growth by up to 2 percentage points.

OBJECTIVES OF THE STUDY

The objectives of this study are as follows

-) To have a brief about the journey of GST.
-) To discuss the worldwide applicability of GST.
-) To discuss the benefits and challenges of GST implementation.
-) To understand the objectives and journey of implementation of GST.
-) To discuss the product wise applicable tax rates under GST.

RESEARCH METHODOLOGY

The present research paper is secondary data base. The data for this paper has been collected through internet and other published sources.

JOURNEY OF GST

) **GST concept was first initiated in the year 2000, by the then BJP Government** under the leadership of AtalBehari Vajpayee. A committee which was headed by AsimDasgupta (the then Finance Minister of the West Bengal Government) was empowered for the purpose. The work assigned to the committee was designing the model of GST and at the same time inspect the preparation of the IT department for its rollout.

) **In 2011, the previous United Progressive Alliance (UPA) Government also introduced** a Constitution Amendment Bill to facilitate the introduction of the GST in the Lok Sabha but it was rejected by many States.

) **In 2014, Finance Minister Arun Jaitley again introduced** the constitutional amendment bill of GST in Lok Sabha.

) The GST Constitutional Amendment Bill **was passed by the Lok Sabha in May 2015**. But the bill is to be passed by in the Rajya Sabha two-thirds majority in both Houses of Parliament and by the legislatures of half of the 29 States. However, some of the states outrightly rejected it by giving some points.

) The Constitution Amendment Bill (the Bill) for introduction of the **Goods and Services Tax (GST) is finally the GST Bill has been passed in 2016**. The bill was presented in the Parliament and was passed by the Rajya Sabha on 3 August 2016 and by the Lok Sabha on 8 August 2016. It had taken a journey of nearly 10 years to arrive to a consensus on The Constitution (122nd Amendment) (GST) Bill, 2014. In 243-member House 203 votes are casted in the favor of the bill and none against in the Rajya Sabha. The bill was passed after a seven-hour debate.

) Now, the GST has come into force from 1 July 2017 with certain amendments after passing it again by the Lok Sabha and finally by the President of India.

WORLDWIDE GST

The country France was the first among all the nations to introduce GST in the year 1954. Now around 150 countries have adopted GST in the one form or the Canada has dual GST system. A unified GST system is adopted by most of the countries in the world. In China GST applies to only goods and the provision of repairs, replacement and processing services.

GST rates of some countries.

Table-1
Worldwide GST Rates

Country	Rate
Australia	10%
France	19.6%
Canada	5%
Germany	19%
Japan	5%
Singapore	7%
New Zealand	15%

OBJECTIVES OF GST

-) Removal of Cascading effects of taxes on cost of goods and services.
-) Developing a common National market, for goods and services.
-) Increase the domestic as well as international competitiveness of Indian trade and industry and contribute significantly to the growth of the economy.

BENEFITS OF GST

Uniform Tax

In the present system multiplicity of tax system is available. For example Central taxes such as excise duty, service tax and countervailing duty, and State taxes, such as VAT, entertainment tax and luxury tax are levied on the products. GST will eliminate these multiple taxes and bring uniformity of taxes all over the country. This will surely prove beneficial in simplifying the tax system.

Increased tax compliance

GST will bring better transparency in the tax system. This is so because as the tax is collected at one place that is at the stage of final consumption, the number of tax collection department reduces and the chances of corruption will also reduce. Now more business entities like unorganized sector also come under the tax umbrella which in turn increases the revenue of the country as a whole.

High Growth Trajectory

As per the experts GST will provide a gain of \$15 billion a year to India. They have the given logic behind it that GST will promote more exports; increase in exports will generate more employment opportunities and all this boost the overall growth of the country. According to a study by the National Council of Applied Economic Research (NCAER), full implementation of the GST could expand India's growth of gross domestic product by 0.9-1.7 percentage points.

Softening of prices

As there will a single tax system. Indian market will convert into a unified market. This results in lowering business costs and also facilitates free flow of goods from one state to another. This will also reduce the transaction cost of business.

Unified national market

The difference of taxes in different states divides the National Market along the state boundaries. GST will be levied only at the final destination of consumption based on VAT principle. GST is likely to eliminate these state boundaries and make the market as one unified National Market with a simple levy and lowering effective tax on goods

Beneficial for both Individuals and Companies

Under GST, taxes for both the Centre and State are collected at the point of sale. These taxes are charged only on the manufacturing cost of the product. No multiple taxes will be imposed on the same product due to which the cost of the product becomes lower than earlier. This will directly benefit the consumers as lower price will be paid by him. Other things remaining the same lower prices will increase the consumption and this will create more demand which increase the production of goods and will also result in more employment generation also. This will prove beneficial towards the growth of the individuals as well as the companies.

Beneficial to Traders and producers

Suppliers, Manufacturers, wholesalers and retailers become able to recover the GST incurred cost on input costs as tax credits. This reduces the cost of doing business, thus enabling fairer prices to consumers.

Better segregation of Manufacturing and service cost

Imposition of taxes separately on goods and services requires division of transaction values into value of goods and services. This leads to greater complications, administration, including compliances costs. Under GST when all the taxes got integrated, it would make possible the taxation burden to be split equitably between manufacturing and services.

CHALLENGES IN IMPLEMENTATION OF GST

Fear of States for loss of revenue

States are under the impression that after the implementation of GST they will not earn that much revenue which they are earning presently. Due to this reason they want to have compensation from the government for first few years of implementation of GST.

Technological Challenges

To cover the GST nationwide for the effective calculation of revenue generation reports, tracking of interstate movement of goods and services, preparation of list of defaulters etc. A high end and efficient IT Infrastructure which is capable of Centralised revenue generation is the required. Lready Although the Government has already incorporated Goods and Services network (GSTN). GSTN has to develop GST portal which ensure technology support for registration, return filing, tax payments, IGST settlements etc.

Trained Tax Administration Staff

As GST is to be implemented for the first time in India an efficient and fully trained tax administration staff is required at both Centre and State Level. The staff should have clarity about the concept of GST, its legislation and procedure as well.

Passing the Bill

The GST Constitutional Amendment Bill was passed by the Lok Sabha in May 2015. But the bill is to be passed by in the Rajya Sabha two-thirds majority in both Houses of Parliament and by the legislatures of half of the 29 States. However, some of the states outrightly rejected it by giving some points. So, passing of GST Bill is itself a big challenge in it.

Revenue Neutral Rate (RNR)

It is one of Prominent Factor for its success. We know that in GST regime, the government revenue would not be the same as compared to the current system. Hence, through RNR Government is to ensure that its revenue remains the same despite of giving tax credits.

Threshold Limit in GST

While achieving broad based tax structure under GST, Both empowered committee and Central Government must ensure that lowering of threshold limit should not be a “taxing” burden on small businessmen in the country.

Dispute Resolution Mechanism

There are a lot of questions regarding the resolutions of pending cases and the solutions of further disputes which may arise in future. There is no clarity that whether there will be a separate tribunal after the implementation of GST or the the same tribunal will deal with the cases.

Implementation of GST from 1st July 2017

In spite of various challenges the GST is finally implemented in India from 1July 2017. The tax rates of different products under GST are mentioned in Table-2.

Table 2 GST Rates of various products

Tax Rates	Products	Products	
0%	Milk	Kajal	
	Eggs	Educations Services	
	Curd	Health Services	
	Lassi	Children's Drawing & Colouring Books	
	Unpacked Foodgrains	Unbranded Atta	
	Unpacked Paneer	Unbranded Maida	
	Gur	Besan	
	Unbranded Natural Honey	Prasad	
	Fresh Vegetables	Palmyra Jaggery	
	Salt	Phool Bhari Jhadoo	
5%	Sugar	Packed Paneer	
	Tea	Coal	
	Edible Oils	Raisin	
	Domestic LPG	Roasted Coffee Beans	
	PDS Kerosene	Skimmed Milk Powder	
	Cashew Nuts	Footwear (< Rs.500)	
	Milk Food for Babies	Apparels (< Rs.1000)	
	Fabric	Coir Mats, Matting & Floor Covering	
	Spices	Agarbatti	
	Coal	Mishti/Mithai (Indian Sweets)	
	Life-saving drugs	Coffee (except instant)	
	12%	Butter	Computers
		Ghee	Processed food
Almonds		Mobiles	
Fruit Juice		Preparations of Vegetables, Fruits, Nuts or other parts of Plants including Pickle Murabba, Chutney, Jam, Jelly	
Packed Coconut Water		Umbrella	
18%	Hair Oil	Capital goods	
	Toothpaste	Industrial Intermediaries	
	Soap	Ice-cream	
	Pasta	Toiletries	
	Corn Flakes	Computers	
	Soups	Printers	
28%	Small cars (+1% or 3% cess)	High-end motorcycles (+15% cess)	
	Consumer durables such as AC and fridge	Beedis are NOT included here	
		Luxury & sin items like BMWs, cigarettes and aerated drinks (+15% cess)	

In order to ensure the affordability of purchasing the basic goods like , while cereals, milk they are kept exempted while 5 percent GST is applicable on sugar, tea ,coffee and edible oil.For making it comfortable to domestic manufacturers, capital goods and industrial intermediate items are kept at 18 percent tax bracket. Power sector will feel relaxed as the tax rate on coal has been reduced to 5 percent from 11.9 percent. Similar is the case with Toothpaste, hair oil, and soaps as they are also taxed at 18 percent rather than the precious 28 percent. Sweets are also now come in tax bracket of 5 percent.

Plus, it was announced that:

-) for restaurants serving alcohol, the tax bracket will be 18 per cent
-) education, healthcare are going to be exempted from GST
-) services on Non-AC restaurants will be 12 per cent

CONCLUSION

GST being the goods and service tax is going to be finally implemented after facing a lot of challenges and oppositions. The journey of GST was started n the year 2000 and finally passed in 2016 and finally implemented in 2017.GST being the goods and service tax will work as a powerful tool in eliminating the loopholes present in the current taxation system and also gives a basket full of benefits like increased GDP, employment, better markets, more exports, lower costs and better markets etc.

REFERENCES

-) Choudhary Raju (2016), “GST Definition, Objective, Framework, Action Plan & GST Scope” at <http://gst.caknowledge.in/gst-definition-objective-framework-action-plan-scope/#ixzz4Ky8vmVng>
-) Ernest and young (2016) “All about GST in India” at <http://www.ey.com/in/en/services/tax/EY-goods-and-services-tax-gst>
-) *Francis Blossom Tina, Dr. Ebby Joseph Idiculla* (2016)“An Introduction To Gst-The Comprehensive Indirect Tax Reform Of India” International Education and Reaearch Journal, Vol2,No.6.
-) Jain Udit, “Challenges in Implementation of GST” at assets.cacharya.com/Challenges-in-Implementation-of-GST-India
-) Mohan Rajat (2010) “ Basics of Goods and Service Tax with the help of examples” at <http://taxguru.in/goods-and-service-tax/basics-of-goods-and-service-tax-with-help-of-aexamples.htm> C A Mahure Pritam (2016)” GST India at <http://www.gstindia.com/gst-concept-status-may-2016>.
-) Phukan Sakia Rumani (2015)”What is GST: How will it change India” at <http://www.mapsofindia.com/my-india/government/gst-one-step-towards-simplifying-the-muddled-up-tax-system>
-) The Economic Times(2016) ,“Dr Amit Mitra made chairman of GST committee of state finance ministers” at <http://economictimes.indiatimes.com/news/economy/policy/dr-amit-mitra-made-chairman-of-gst-committee-of-state-finance-ministers/article>
-) Srivastava Shruti (2014)“ Tax rates firmed up as GST gets set for 2016 rollout” at: <http://indianexpress.com/article/business/business-others/tax-rates-firmed-up-as-gst-gets-set-for-2016-rollout>
-) Sikarwar Deepshikha(2016) “ Companies may be forced to pass on benefits to consumers under GST” at <http://economictimes.indiatimes.com/news/economy/policy/companies-will-have-to-pass-on-gst-benefits-to-consumers/articleshow/55609088.cms>
-) <http://www.relakhs.com/wp-content/uploads/2015/01/Applicability-of-GST-centre-state.jpg>