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# "CRITICAL ANALYSIS OF GST & ITS IMPLICATIONS".

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## I. ABSTRACT:

*"For any developing country taxation system is required and in a country like India with such a huge population, the taxation system should be easy and simple. The system of calculating the direct as well as indirect taxes should be such that the people can calculate themselves; the need of tax consultant should not arise. In order to simplify and reduce so many overlapping taxes from being paid the Government of India has introduced GST (Goods and Services Tax) which is referred to as a single tax replacing other. Such a taxation system which brings all the transactions in recording and everything will become transparent. Moreover, it will help in reducing tax theft and increase the GDP of the country."*

***Keywords: Taxation System, GST (Goods and Services Tax), recording, transparent, tax theft, GDP.***

## II. INTRODUCTION:

Till now three major events have taken place in India which can be named as: when India got independence on 15th August 1947, this action was a result of series of activities led by the freedom fighters. The second major event that took place in June 1991 was the economic liberalisation of the economic policies where the goal was to make the country more market oriented and that the economy could be expanded. In simple terms, India married with the market economy. Now, the last and the very recent major that took place is the introduction of Goods and Services Tax (GST). This article will connect you with the situation when GST was not known and the after effects of GST. Many efforts have been made earlier to bring a common tax but, did not succeed. Atal Bihari Vajpayee is known as the father of GST, he belonged to Bhartiya Janata Party (BJP). It was in the year 2000 that he and his government came up with the concept that there should be one tax or in other words, uniform tax imposed on the same product or service throughout the country. The interesting factor is that the concept of one single tax came out from BJP leader and was also finally implemented under the governance of BJP. In 2014, BJP came into power and the new Finance Minister – Arun Jaitley introduced the GST Bill in the Lok Sabha and also set 1 April 2017 as the deadline to implement GST. Later a 21-member committee was formed in order to look into the proposed laws of GST. Various tax bills were passed and became acts on 12 April 2017 and it was after the enactment of GST laws that GST was launched in India on 1 July 2017. After the launch, various amendments have been made in GST rates.

Talking about the taxes that GST axes are: Direct Tax and Indirect Tax. Direct Tax can be referred as the tax whose impact and the incidence is on one and the same person whereas, on the other hand, Indirect Tax is the tax whose impact is on one person and the incidence is on the other person. For instance, there is a supplier of goods and now the government expects the supplier to pay tax, but it is understood that the consumers of those specific goods pay the tax. In other words, it can be understood as one party i.e. the supplier collects the tax from the second party who is the recipient and then pays it to the third party who is namely the government. Indirect taxes are paid by every individual of the country, irrespective of being rich or poor while, Direct Taxes are referred for a particular class of people who have an income above a particular level.

Goods and Services Tax (GST) is an indirect tax and is imposed on the supply of goods and services, it is considered as a summation of all the indirect taxes except a few taxes. GST has abandoned five taxes at the Central level and five taxes at the State level. ***The taxes rejected at the Central level are:***

- *Excise Duty (CENVAT)*

- *Central Sales Tax*
- *Service Tax*
- *Countervailing Duty*
- *Additional Special Duty*

***At the State level, the taxes abandoned are:***

- *Value Added Tax (VAT)*
- *Sales Tax*
- *Octroi*
- *Entertainment Tax*
- *Luxury Tax*

## III. GST: NEED OF THE HOUR:

From every Rs 100 earned an individual has to pay Rs 34 as tax which is not much appreciated as there are a number of taxes to be paid which may sometimes overlap. Therefore, a system was required which could simplify the tax structure hence GST was introduced. Introduction of GST has reduced the various number of taxes that had to be paid by the consumers since GST is a single tax.

It is beneficial for the companies as lesser cost of production will be involved which will result in lesser prices to the consumers which will result in increased demands. Increased demands mean more supply and more revenue to the company. When there is a simpler method of tax payment, it will involve a greater number of payers, which will help in the economy of the country.

Then, it will impose a standard tax rate across the country, divided between the CGST (Central Goods and Services Tax) and SGST (State Goods and Services Tax). Trading has become easier as now no additional taxes will be levied on offering goods from one state to another.

## IV. SCENARIO OF TAX LAWS BEFORE GST:

Before GST came into existence, there were many taxes to be paid in the indirect tax regime levied by the Central Government and the State Government and the country basically paid Value Added Tax (VAT). The list of indirect tax regime before GST consisted of ***Central Excise Duty, Duties of Excise, Additional Duties of Excise, Additional Duties of Customs, Special Additional Duty of Customs, Cess, Sales Tax, Central Sales Tax, Purchase Tax, Luxury Tax, Entertainment Tax, Luxury Tax, Taxes on Advertisements, and Taxes on Lotteries, Betting and Gambling***. Some of these taxes also overlapped each other. Excise Duty is paid in the post-GST tax regime on petroleum products. Therefore, there was a need where so many taxes could be replaced by one single tax and thus, Goods and Services Tax came into force.

***The structure of indirect tax levied before the Goods and Services Tax is as follows:***

When raw materials are bought or purchased, the purchaser has to pay the VAT for it. Now when the raw materials are in the process of making or manufacturing again VAT is charged. When the goods are manufactured and ready, the manufacturer sells them to the wholesalers – this process again involves VAT and Excise Duty. Again, VAT will be charged on sales to the retailers and the same will be done when the product is being sold to the final consumers. There were so many taxes to be paid and if these products have to be transported to other states, then those charges were also applicable as every state had different tax laws and at every stage, tax had to be paid.

## V. SCENARIO OF TAX LAWS AFTER GST:

Taxation is a system used by countries to achieve growth and maintain and expand the economic growth of the country in a long-term evaluation. The taxes paid by individuals on their income (the income from all the five heads: salary, house property, business and profession - PGBP, capital gain and income from other sources – residuary head) is not much impactful in comparison to the taxes paid by the corporate houses which makes a larger part of the economic growth of the country. As GST is a summation of many indirect taxes, it has come as a relief to the taxpayers as now they will have to pay one single tax instead of so many. GST has come as a benefit to the government. For instance, a manufacturer purchases raw materials for Rs 15,00,000 now he will give tax on the input, he converts it into the final product and sells it to the consumers for Rs 24,00,000 and the consumers will have to pay the tax on Rs 24,00,000. Earlier in the pre-GST tax regime, the tax was paid on Rs 15,00,000. Therefore, GST has benefited the government and the customers have to pay a higher tax.

GST being charged from the manufacturer to buy raw materials, then again charged for sales to wholesalers, retailers make it a multi-stage tax. For every step, monetary value addition takes place, thus GST is levied making it a tax on value addition.

This can be understood with the help of another example – There is a manufacturer of soaps, detergents and other materials used for cleaning. He purchases raw materials and processes it thus makes it a step closer to a saleable item and so, increases the value of the material. Now these are sent to warehousing for further processing and storage this adds as another value addition, labelling is another stage of value addition and the final consumers have to now pay tax on this sum of value additions.

GST rates are implied on different goods and services throughout the country. The goods and services have been categorised under different slab rates for payment. The luxury goods have been placed under higher tax slabs while the essentials, daily need items and the necessities have been placed under a lower or zero tax slab. There are five tax slabs: 0%, 5%, 8%, 12% and 28%.

## VI. SIGNIFICANT COMPONENTS OF GST:

***GST has three main components:***

- ***CGST:*** Central Goods and Services Tax is paid to the government on intra-state sales.
- ***SGST:*** State Goods and Services Tax is collected by State governments on the sales within the state.

- ***IGST:*** Integrated Goods and Sales Tax is collected by the Central Government on sales affected inter-state.

Talking about the taxable supply within the state, excise and services taxes are replaced by central taxes and the local VAT and other state taxes have been replaced by SGST.

Taxable supply outside the state, CST will be replaced by IGST where IGST is the total of SGST and CGST.

## VII. HOW GST IS BENEFICIAL:

- ***Cascading effect of taxes:*** There is a tax on the tax system, for example – VAT on the excise duty. This can be eliminated only by the implication of GST.
- ***GDP Rise:*** GDP increases due to GST as the GSTN (Goods and Services Network) is linked to PAN which helps in tracking all the transactions and bring all the income into the tax dragnet. When the seller records sales in GSTN, purchaser's a/c is upgraded automatically, therefore, GDP rises. As per economists, the growth is expected by 2%. When logistics efficiency increases production of the country by 20% GDP rises by 2%.
- *Eliminates black money*
- *Easier to do business*
- *Financial Inclusion*
- *Increased revenue*
- *Decrease in tax avoidance*
- *Easy tax filiation and documentation*
- *Unorganised sector is regulated under GST*

## VIII. DISADVANTAGES OF GST:

- *Increased operational costs*
- *Difficult to coordinate with online taxation method*
- *New name for VAT, Excise Duty, Custom Duty*

- *Unable to completely avoid black money*
- *Can't bring all the tax payers on the front*

## IX. CONCLUSION:

The very important is that every individual is not aware of the technology and is facing difficulty in filing tax. Then comes the idea of various slabs where some daily products are being charged at 28% rate, the new tax was supposed to benefit people while it brought much higher tax rates. Moreover, the smaller shopkeepers selling their products ask their customers whether they want a genuine bill or not. Knowing the fact that if they purchase without the receipt it will cost them cheaper, thus, lesser tax payers. If the tax rates would have been lower, the consumers must have preferred to pay the taxes instead of evading.

Pre-GST one report had to be filed every quarter while, post-GST regime three reports are to be filed every month. ***Mr. Navin Kumar, the chairman of GSTN*** stated that there is no time for testing of the software now – which shows lack of preparedness of the IT sector; such a big tax reform should not have been implemented without full preparation.

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