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RESEARCH ARTCLE

GOODS AND SERVICES TAX-ONE NATION, ONE TAX

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ABSTRACT

The Goods and Services Tax, commonly known as GST is a reality now and it has brought the Indian taxation system under its unique ideology 'one nation, one tax'. Reduces tax burden on producers and fosters growth through more production. The current taxation structure, pumped with myriad tax clauses, prevents manufacturers from producing to their optimum capacity and retards growth. GST will take care of this problem by providing tax credit to the manufacturers. Different tax barriers, such as check posts and toll plazas, lead to wastage of unpreserved items being transported. This penalty transforms into major costs due to higher needs of buffer stock and warehousing costs. A single taxation system will eliminate this roadblock. There will be more transparency in the system as the customers will know exactly how much taxes they are being charged and on what base. GST will add to the government revenues by extending the tax base.GST will provide credit for the taxes paid by producers in the goods or services chain. This is expected to encourage producers to buy raw material from different registered dealers and is hoped to bring in more vendors and suppliers under the purview of taxation.GST will remove the custom duties applicable on exports. The nation's competitiveness in foreign markets will increase on account of lower costs of transaction. The advent of GST has subsumed all the indirect taxes in India, including Value Added Tax (VAT), Service tax, Excise duty, and Octroi. These indirect taxes or VAT were levied on each step of value addition of the product, thus creating a cascading effect. Therefore, GST was introduced to bring down unwanted inflation in the economy. Both VAT and GST are levied on the value of sale or supply of goods. But still, there are lots of differences between VAT and GST.

Key words: *GST, indirect tax, transparent, differences between VAT and GST.*

Introduction:

The concept of GST in India was proposed by Atal Bihari Vajpayee in 1999 and a committee was set up under the chairmanship of Asim Das Gupta, the then finance minister of West Bengal. Introduction of GST would be a very significant step in the field of indirect tax reforms in India.

India has introduced GST very recently, that is, in July 2017. It is expected to increase the efficiency of tax collection, reduce corruption and make it easy for inter-state movement of goods. It seeks to make India a single market in terms of tax for any

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good or service. It has been rightly said that it would lead to one-nation, one-tax [1].

By amalgamating a large number of Central and State taxes into a single tax and allowing set-off of prior-stage taxes, it would mitigate the ill effects of cascading and pave the way for a common national market. Some of them gave positive responds and some others gave negative feedbacks as the implementation has resulted in higher prices for goods and services and thus this tax may cause burden to people.

By merging all levies on goods and services into one, GST acquires a very simple and transparent character with less paperwork and reduction in accounting complexities. A simple taxation regime can make the manufacturing sector more competitive and save both money and time.

The benefits of Goods and Services Tax (GST)

GST is beneficial not only for the business and industry, but also for the government and consumers. The benefits of Goods and Services Tax (GST):

1. Easy compliance:
   A robust and comprehensive IT system would be the foundation of the GST regime in India. Therefore, all tax payer services such as registrations, returns, payments, etc. would be available to the taxpayers online, which would make compliance easy and transparent.
2. Uniformity of tax rates and structures:
   GST will ensure that indirect tax rates and structures are common across the country, thereby increasing certainty and ease of doing business. In other words, GST would make doing business in the country tax neutral, irrespective of the choice of place of doing business.
3. Removal of cascading:
   A system of seamless tax-credits throughout the value-chain, and across boundaries of States, would ensure that there is minimal cascading of taxes. This would reduce hidden costs of doing business.
4. Improved competitiveness:
   Reduction in transaction costs of doing business would eventually lead to an improved competitiveness for the trade and industry. World Bank believes that the implementation of the Goods and Service Tax (GST), combined with dismantling of inter-state check-posts, is the most crucial reform that could improve competitiveness of India's manufacturing sector.
5. Gain to manufacturers and exporters:
   The subsuming of major Central and State taxes in GST, complete and comprehensive set-off of input goods and services and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.
6. Simple and easy to administer:
   Multiple indirect taxes at the Central and State levels are being replaced by GST. Backed with a robust end-to-end IT system, GST would be simpler and easier to administer than all other indirect taxes of the Centre and State levied so far.
7. Better controls on leakage:
   GST will result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built

mechanism in the design of GST that would incentivize tax compliance by traders.

8. Higher revenue efficiency:

GST is expected to decrease the cost of collection of tax revenues of the Government, and will therefore, lead to higher revenue efficiency.

9. Single and transparent tax proportionate to the value of goods and services:
Due to multiple indirect taxes being levied by the Centre and State, with incomplete or no input tax credits available at progressive stages of value addition, the cost of most goods and services in the country today are laden with many hidden taxes. Under GST, there would be only one tax from the manufacturer to the consumer, leading to transparency of taxes paid to the final consumer.

10. Relief in the overall tax burden:
Credits of input taxes paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. Because of efficiency gains and prevention of leakages, the overall tax burden on most commodities will come down, which will benefit consumers. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

Inclusions in GST:
Introduction of the GST will eliminate multifarious taxes and duties being levied at present. They include
1. Central Excise 2. Service Tax 3.Additional Excise duties of customs in lieu of central excise and sales tax 4. Cess on additional duties of customs 5.State Value added tax (VAT) 6.Central Sales Tax Entry Tax 7.Octroi 8.Local Entry Tax.

Exclusions in GST:
1. Basic Customs Duty 2. Cess on Basic Customs Duty 3. Entertainment Tax levied by Panchayat, municipality, regional or district council. 4. Alcohol for human consumption 5.Tobacco and tobacco products 6. Crude, Diesel, petrol, natural gas, air turbine fuel.

GST will add to the government revenues by extending the tax base. GST will provide credit for the taxes paid by producers in the goods or services chain. This is expected to encourage producers to buy raw material from different registered dealers and is hoped to bring in more vendors and suppliers under the purview of taxation.GST will remove the custom duties applicable on exports. The nation's competitiveness in foreign markets will increase on account of lower costs of transaction. The advent of GST has subsumed all the indirect taxes in India, including Value Added Tax (VAT), Service tax, Excise duty, and Octroi. These indirect taxes or VAT were levied on each step of value addition of the product, thus creating a cascading effect. Therefore, GST was introduced to bring down unwanted inflation in the economy. Both VAT and GST are levied on the value of sale or supply of goods. But still, there are lots of differences between VAT and GST. Read on to know how GST is different from VAT.

The main differences between VAT and GST are:

1. Value Added Tax is a direct tax where the charges are levied from the state level, within every production and distribution level of commodities and services. There is an additional credit applicable from tax paid previously. Goods and Services Tax on the other hand, is a singular tax charged on the supply of commodities and services which relies mostly on the value addition concept.

2. VAT is charged at the sale point, GST is levied at the point of goods and services supply.
3. Value Added Taxation is performed offline, whereas Goods and Services Tax is performed purely online. The registration, returns filing and all other related functions are fulfilled via a GST portal which is controlled and managed by a Goods and Services Network.
4. The turnover determines which tax regime a supplier will fall into. For example, in India, suppliers with a turnover above Rs. 10 lakhs is susceptible to register under the VAT. Turnovers above 20 lakhs require the acquisition of registration under the GST.
5. GST is a transaction based tax system, whereas VAT is a summary based system. The latter requires the seller to submit returns at the end of a particular period.
6. In the VAT system the seller is responsible for the collection of revenues, whereas in the GST the revenue collection is performed by consumers.
7. Double taxation is present in the Value Addition Tax regime, where the manufacturer pays tax on the excisable goods during production and VAT on sales made. The excise duty within the Goods and Services Tax is subsumed up, double taxation is not possible on such goods.
8. VAT system does not allow for the input tax credit during interstate sales. A good example is where a manufacturer for shoes pays excise duty and an additional VAT on the sale of the shoes within another state. Despite both the taxes being value addition taxes, tax credit is not applicable as they are levied by different bodies, the central and state governments. GST is based on the principle of 'one nation one single tax", so the tax credit will be available during interstate trade.

Built-in check on business transactions through seamless credit and return processing will reduce scope for black money generation leading to productive use of capital, Therefore It is necessary on the part of the government to educate, conduct proper training, continuous seminars and workshop on GST is need of the hour. Thus, necessary steps should be taken.

GST has been so designed that credit of taxes paid at every stage of value addition from the point of manufacture to the point of consumptions, can be availed at the next stage. GST is essentially a tax on value addition, and there is seamless transfer of input tax credit across the value chain. GST will simplify and harmonise the indirect tax regime in the country.

It is expected to reduce cost of production and inflation in the economy, thereby making the Indian trade and industry more competitive, domestically as well as internationally. It is also expected that introduction of GST will foster a common or seamless Indian market and contribute significantly to the growth of the economy. Further, GST will broaden the tax base, and result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.

It can be concluded that, GST will bring India into One Nation and One Tax market, Electronic processing of tax returns, refunds and tax payments through 'GSTNET' without human intervention, will reduce corruption and tax evasion.

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