

TAX REFORMS IN INDIA

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Abstract—Being deemed as the country's biggest Tax Reform, the Goods and Services Tax better known as GST, rolled out on July1. The reform is anticipated to benefit the common man and, the tax payers of the nation. With a promise, to further concretize, the Indian economy, it is designed specifically to demystify corruption to a significant extent. Although Goods and Service Tax (GST) is planned and pottle and to decongest the indirect tax scenario, prevalent in India, Since independence, it somehow seems to have induced a sense of apprehension amongst the countrymen. Goods and service Tax (GST) for filling methodology and simpler tax structures Prime Minister Narendra Modi led government is working to enhance the government's revenue collection at the same time ensuring that aim per some taxes do not deter investors. Who are trying hard to adopt and educate themselves about the most ambitious tax reforms ever implemented.

Keywords—Excise Duty, Indian Economy, Goods and Services Tax, Tax Payers, Tax Reforms.

INTRODUCTION

Goods and Services Tax (GST) means a tax on supply of goods or services, or both except taxes on supply of alcoholic liquor for human consumption (Article 366 (12A) of Constitution of India inserted w.e.f 16.09.2016). The word used is 'Supply' and not 'Sale'. Thus, stock transfers, branch transfers will also get covered under GST net. IGST will be payable on inter-state stock transfers and branch transfers. For stock transfers or branch transfer within the state. SGST and CGST will be payable only where the taxable person has more than one GST registrations within the States. If there is single registration within State, 'Bill of Supply' (Challan) will be sufficient. As of today, some of these taxes are levied by the Central Government and some are by the State Government. It has been long pending issue to streamline all the different types of indirect taxes and implement as "single tax system. The main expectation from this system is to abolish all indirect taxes and only GST would be levied. As the name suggest, the GST will be levied both on Goods and Services.

GOODS AND SERVICES TAX APPLIED (GST)

Goods and Service Tax is a consumption based tax levy. It is based on the "Destination Principle. Goods and Service Tax (GST) is applied on goods and services at the place where final and actual consumption happen. Goods and Service Tax (GST) is collected on value added Goods and Services at each stage of sale or purchase in the supply chain. Goods and Services Tax (GST) paid on the procurement of Goods and Services can be set off against that payable on the supply of Goods and Services. The manufacturer or wholesaler or retailer will pay the applicable GST rate but will claim back through tax credit mechanism.

But being the last person in the supply chain, the end consumer has to bear this tax and so, in many respects, Goods and Service Tax (GST) is like a last-point retail tax. Goods and Service Tax is going to be collected at point of sale. The Goods and Services Tax is an indirect Tax which means that the tax is passed on till the last stage wherein it is the customer of the customer of the Goods and Services who bear the tax. This is the case even today for all indirect taxes but the difference under Goods and Services Tax (GST) is that with streamlining of the multiple taxes the final cost to the customer will come out to be lower on the elimination of double charging in the system.

REVIEW OF LITERATURE

Introduction of GST would make Indian products competitive in the domestic and international markets. This would

instantly spar economic growth. (Girish Gang-2014- Basic concepts and features of GST in India- International Journal of Scientific Research and Management- vol. 2 ISSUE 2 PP 542- 549)

The ambitious GST would help the transport sector in improving its efficiency besides reducing the logistics costs. GST will help the country in two areas- logistics cost will come down and efficiency will increase both within India and exports. (Decan Chronicle May 15, 2016).

FRAME WORK OF THE GOODS AND SERVICE TAX (GST) WILL REPLACE INDIRECT TAXES

- The Goods and Services Tax have a ‘dual structure, which means it will have two components the Central GST and State GST. They will both have separate powers to legislate and administer their respective taxes.
- Taxes such as Excise duty, service, Central Sales Tax, VAT (Value Added Tax), Entry tax or Octroi will all be subsumed by the GST under a single umbrella.
- With passing of the GST bill, we can expect climate of improved tax compliance.
- Thus, the GST will basically have only three kinds of Taxes, Central, State and another called the integrated GST to tackle inter-state transactions.

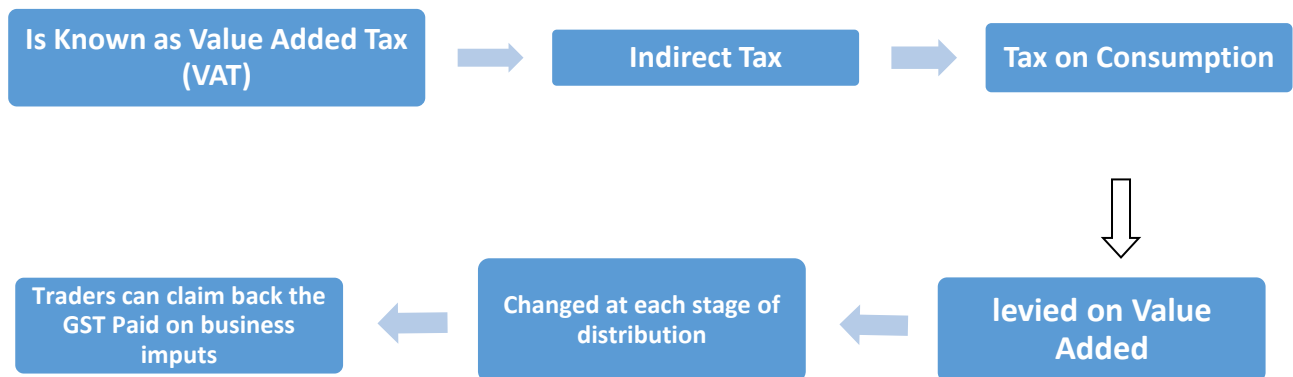
OBJECTIVE OF THE STUDY

- To identify the level of knowledge about issue of GST in India.
- To study on features and mechanism of Goods and Services Tax (GST) in India.
- To evaluate the Awareness level implementation of GST among the People.
- To understand the present structure of indirect Taxes.

MECHANISM OF PROGRESSIVE TAXATION

India is a country will federal structure of Government where the Central Government and the State Government both have been empowered by the Indian Constitution to levy and collect taxes and in certain cases only Central Government is empowered to levy and collect taxes like, Central Excise, Customs, Income Tax and certain like, sales Tax, Octroi, et., are exclusively levied and collected by the state governments. This generates a lot of fiscal administration problem. In simplicity, Central Government is empowered to tax services and goods up to production stage and state government are empowered to tax sale of goods. The central government does not have constitutional authority to levy and collect tax on sale of goods. Again, the state government do not have power to levy and collect tax on supply of services. More than 165 countries across the globe have introduced goods and services tax so far. Under the Goods and Service tax mechanism, every person shall be liable to pay tax on output and shall be entitled to enjoy credit on input tax paid and tax shall be only on the amount of value added. GST registered commercial houses shall be entitled to claim credit of the tax they paid on purchase of goods and services as a part of their day to day business.

CONCEPTS OF GOODS AND SERVICES TAX (GST)



NEED FOR CONSTITUTIONAL AMENDMENT

Article 264 and 293 are related to the financial relation between the Union and the State Governments. Since, the State Government have their interest in GST, the implementation of GST cannot take place without amendment of the Indian Constitution. For this, purpose, Constitution (122nd amendment) Bill, 2014 is currently pending in the parliament. The bill was passed in Lok Sabha on May 06, 2015 is currently needs to be passed in Rajya Sabha where ruling coalition is in minority.

RESEARCH METHODOLOGY

Being an explanatory Research, it is based on Secondary date of Journals, Articles, Newspapers, Magazines considering the objective of study descriptive type research design is adapted have more accuracy and rigorous analysis of research study. Reassigned secondary data intensively used for research study.

SALIENT FEATURES

Some of the salient features of GST.

REGISTRATION

GST Registration threshold is Rs.10 Lakh for special category. States and Rs 20 lakh for rest of India. Approximately 7-8 million business are likely to be registered under GST. Small dealers with turnover below Rs.60 lakh have the option of adopting the composition scheme and pay flat 1 to 4 % tax on turnover.

DUAL GOODS AND SERVICES TAX (GST)

In consideration of the federal structure of India. Dual GST has been chosen as the apt model where in tax would be jointly levied by both centre and the states on supply of goods and service.

- CGST: Central GST
- SGST: State GST
- IGST: Integrated GST

On the Intra- State transactions (GST + SGST) will be applicable and on Inter-State transaction IGST will be applicable.

GST RATES

There are likely to be 3 sets of rates as below

- Merit Rate
- Standard Rate
- Demerit Rate

There is also likely to be a lower rate for precious metals and Zero-rate for essential goods.

RETURNS

The Goods and Services Tax (GST) regime introduces the following changes.

- The GST regime requires all business to mandatorily file monthly returns along with the requisite quarterly or annual returns. Even business which now file returns quarterly or half yearly (such as returns for services tax etc.,) now need to file returns every month.
- There will now be 3 compliance events every month compared to 1 event today. This means business will now need to comply with the requirements of filing form GSTR. Form GST-2 and form GSTR-3 as mention as against filing return today.
- The first compliance event filing form GSTR-1 has date 10th of the subsequent month as against the deadline of 20th in the current VAT regime.
- Composition scheme will no longer be favorable option since returns need to be filed quarterly and the defects in those returns needs to be filed relating to purchases, though sales would be lump sum like earlier. Another big deterrent in the scheme would be non-availability of input credit to the chain below which would in (rease in selling

price for the composite dealers. This would mean that businesses composite reduces their purchases from these dealers.

MAJOR IMPACT AREAS

Principal areas of Impact for business will be

- **Adoption of Technology is imperative**

As all the processes will be online and return filling is of granular nature (invoice-wise) the tax payer will have to adopt suitable technology to ensure efficiency and effectiveness. Unlike, Parlier paper filling will not be an option.

- **Access to Pan-India Market**

Intra-State and Inter State traders would become tax natural, and the whole of India will open up as a market for both sourcing vendors and customers without hassles of compliance.

- **Cash flow planning**

Input tax credit on purchase will be provided only provisionally during return filing and will be confirmed only often corresponding sale has been uploaded and after the liability is discharged by supplier. Hence, cash flows will get imported in cash of mismatch. A any supply would be taxable branch transfer would result in tax liability leading to cash blocking. GST will also be applicable on advantage received and reserve charge is extending to goods as well. Business will need to rethink how to effectively do business and structure deals.

- **Easier Compliance**

GST requires business to provide granular level of data (invoice-wise) that needs to be reported with HSN codes. The good news is that compliance is going to get easier with GST replacing most of the prevalent indirect taxes and with the support of technology with GST, the government has shifted its burden of following up with vendors who have not uploaded their returns by letting out the input credit.

- **Branch / subtly chain re-engineering**

Business having multi-state presence due to tax consecutions to avail concessional (CST rate) need to re-plan their warehouse and branch networks and locate them nearer to markets rather than state-wise.

- **Pricing Strategy**

Due to elimination of cascading effect, prices of prices of products are likely to come down. Hence, businesses end need to realign to the new realities in procurements and sale.

- **Re-negative contracts**

Works contracts and other multi-supply deals have to be renegotiated to absorb GST rates. As tax would be on advance, such conditions need a relook.

Table 1: Rates of GST

<i>Products</i>	<i>Tax Rates</i>
Milk, eggs, lassie, unpacked food grains, unpacked pannier, Guar, unpacked natural honey, Fresh vegetables, Salt.	0%
Sugar, Tea, Edible oils, domestic LPG, PDS Kerosene cushewnuts, milk, spices, coal lite saving drugs.	5%
Butter, ghee, Almonds, Fresh juice, packed coconut water, umbrella, mobiles, chutney, jam, Jelly.	12%

Hair oil, Toothpaste, soap, Pasta, cctv, corn flakes, soups, ice-creams, printers, staples, pasta.	18%
Small cars (+% or 3 % less) consumer durables such as Ac and.	28%

BENEFITS OF GST

GST has been envisaged as a more efficient tax system, neutral in its application and attractive in distribution the advantage of GST are:

- i) Wider tax base, necessary for lowering the tax rates and eliminating classification disputes.
- ii) Elimination of multiplicity of taxes and their cascading effects.
- iii) Rationalization of tax structure and simplification of compliance procedures.
- iv) Harmonization of center and state tax administration, which would reduce duplication and compliance costs.
- v) Automation of compliance procedures to reduce error and increase efficiency.

Table 2: Taxes to Be Subsumed

GST would replace most indirect taxes currently in place such as:

<i>Central Taxes</i>	<i>State Taxes</i>
Central Excise Duty including additional excise duties, excise duty under the medical and toilet preparation Excise Duties Act, 1955)	Value added Tax octrol and entry tax
Service Tax	Purchase Tax
Additional customs Duty (CUD)	Luxury Tax
Special Additional Duty of Customs (SAD)	Taxes on lottery betting & gambling State cesses and surcharges
Central Sales Tax (levied by the centre and collected by the states)	Entertainment tax (other than the tax levied by the local bodies)
Central surcharges and cesses (relating to supply of goods and services)	Central Sales Tax (levied by the centre and collected by the States.

CONCLUSION

Indian economy is demand for implement Goods and Services Tax (GST). Consumption and productions of Goods and Services Tax (GST) is undoubtedly increasing and because of number of taxes in current regime administration. From the above analysis, it is clear that the implementation of GST will have a significant impact on logistics sector in India. If GST is properly implemented, then it will have a double positive impact on the logistics industry that is logistics costs will come down and logistics efficiency will increase both within India and exports. The transparent stand for a coherent

tax system. The Indirect tax and long term it will lead to high output and more number of employments will be increase. Goods and Services Tax (GST) is the effective mechanism to the fiscal policy and management for going to a successfully economy.

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