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**GOODS AND SERVICES TAX**

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**Abstract**

Taxes are the compulsory payments which we have to pay compulsory. In India a large number of taxes have been implemented by our govt. There are direct taxes and indirect taxes like income tax, wealth tax, entertainment tax, excise duty, sales tax etc. Now our govt. has decided to implement a single tax in the place of all these taxes. It is called as goods and services tax. It has been thought by our govt. that by adopting one type of tax we can make our taxation system very easy and accessible. It has been said that due to many merits of GST, many countries have adopted this policy. Nearly 140 countries have adopted it. It is the utmost desire of NDA govt. to adopt in 2016. but due to some parliamentary problems is not becoming easy. In this paper I want to discuss all the aspects of GST. I want to discuss it in detail. I am also discussing its merits and demerits.

**INTRODUCTION:-**

GST is an abbreviation which stands for goods and services tax. Actually it is a comprehensive indirect tax on the sale and consumption goods and services at national level. It has been decided that it will replace all indirect taxes which have been levied on the goods and services by the Indian central and state governments. For this purpose an amendment has been made in our constitution which is called as amendment bill 112nd 2014. This bill was introduced by our honorable Finance Minister Mr. Arun Jaitly. It was passed in Lok Sabha on 6th May 2015 but it is still pending in Rajya Sabha. It has been thought that its introduction would be a significant step to reform our country's indirect taxation. Actually GST is a value added tax which is consolidated in nature. The basic idea to adopt it to create a single, cooperative and undivided Indian market. It will help to make our economy stronger and powerful. So we can define GST as an indirect tax that brings most of the taxes imposed on most of the goods and services on manufacture, sale and consumption of goods and services under a single domain at the national level. In the present scenario in our country taxes have been implemented separately on goods and services. It is a consolidated tax which is based on a uniform tax rate fixed for both goods and services and it is payable at the final point of consumption.

Our govt. is planning to implement a dual GST system which is proposed by empowerment committee. Under this system GST will be divided into two parts

State goods and services tax- SGST

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Central goods and services tax- CGST

CGST and SGST will be levied on the taxable value of transaction. All goods and services leaving a few, will be brought under GST and there will be no difference between goods and services. The GST system will combine central excise duty, additional excise duty, service tax, state VAT, entertainment tax under a single banner. It is expected that GST will be around 14% to 16%. After the combined GST rate is fixed, the states and centre will decide on SGST and CGST rates. At present tax on the services is 14.5% and on the goods is around 20%.

APPLICATION OF GST:-

Actually GST is a consumption based tax. It has been said that it is based on the "destination Principle." It is applied on the goods and services at the place where final consumption takes place. It is collected on value added of goods and services at each stage of sale or purchase in the supply chain. GST payable on the acquisition of goods and services can be set off against that payable on the supply of the goods and services. The producer or the wholesaler or the retailer will pay the applicable GST rate will claim back through tax credit mechanism. But the end consumer who is the last person in the supply chain, has to bear this tax. So we can say that GST is the last point retail tax and it is collected at the point of sale.

**GST SUPPLY CHAIN (example) assuming GST rate @ 8%**

Supply of goods	GST flow	Input costs	Sale price	GST collected
A weaver sells a fabric to a tailor for Rs. 108 per meter	A weaver pays GST of Rs. 8	0	Rs. 100	Rs. 8
The tailor sells a readymade complete shirt to a retailer for Rs. 270	The tailor pays GST of Rs. 12	Rs. 100	Rs. 250	Rs. 12
The retailer sells the shirt in his showroom for Rs. 540	The retailer pays the GST of Rs. 20	Rs. 250	Rs. 500	Rs. 20
Customer's purchase of shirt for Rs. 540	No tax credit claim, customer pays entire tax	NA	NA	Total Rs. 40

source - www.relaka's.com

**HISTORY OF GST AND EMPOERMENT COMMITTEE:-**

The history of GST is related to NDA govt. when Honable Atal Bihari Vajpayee was our country's Prime Minister, he set up a committee under the chairmanship of Asim Dasgupta (Finance Minister of West Bengal) to design a model of GST.

The Kelker Task Force on the implementation of Fiscal Responsibility and Budget Management Act 2003, enquired that the existing taxation system in India was suffering from many problems and on the basis of its enquiry this committee suggested a comprehensive

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goods and services tax based on VAT principle. It has been decided that GST system will be made simple, transparent and efficient

An announcement was also made by P. Chidambaram, the then respectable Finance Minister during cabinet budget of 2006-07 on 28th February 2006, he announced that GST would be introduced from 1st April 2010 and for this purpose an empowerment committee of finance ministers of states will be made which would work with the central govt. to prepare a road map for the GST. After this announcement, the empowerment committee decided to set up a joint working group on 10th May 2007, with the advice of union Finance Minister and member secretary of empowerment committee as co-convenor and concerned joint secretaries of Deptt. of Revenue of Finance Ministry and all Finance secretaries of the states as its members. After making intensive internal discussions with experts and representatives of chambers of commerce and industry, the joint working group submitted its report to empowerment committee on 19th November 2007.

In this way GST is not a new concept for our economy and its era has been started since 2000.

### **ADVANTAGES OF GST:-**

- 1) GST is related to only indirect taxes so this system will not affect overall taxation structure of our economy.
- 2) It is a consolidated type of tax.
- 3) It will make and maintain a uniform taxation regime in our country where we pay a large number of indirect taxes.
- 4) Due to its uniform nature we can easily understand it without any hotch potch.
- 5) Many economists say that this type of tax will lead to equitable distribution of burden of tax.
- 6) It will be levied on the final point of consumption based on VAT principal.
- 7) It will remove all the distortions to our economy and can help to develop a common national market.
- 8) some economists say that GST will help to build a transparent and corruption free tax administration in our economy.
- 9) It is estimated that GST will give revenue of \$15 billion in a year to central govt.
- 10) It is expected that this tax will promote exports, create more employment opportunities and help in economic development of our economy.
- 11) It will divide burden of tax between manufacturing and services.
- 12) Due to its uniform and consolidated nature it is estimated that it will lower the prices of goods and services.

### **DISADVANTAGES OF GST:-**

- 1) Some economists say that GST in India will adversely affect real estate market. According to one calculation GST will add upto 8% to the cost of new homes and it will reduce demand for new homes by 12%
- 2) According to some economists that CGST and SGST are nothing but new and refined names of central excise, service tax, VAT and CST.
- 3) According to some economists that GST will increase administrative headache and it is against the Principles of Taxation.

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### CONCLUSION:

This paper shows that GST has both merits and demerits but merits are more than demerits. So it is the requirement of the time that our ministers should try to implement it as early as possible because the solution of this problem is must for economic and social development of our country. It is the need of hour to develop an efficient IT system to formulate GST in country. Our govt. is working on a special IT platform for smooth functioning of proposed GST in our economy.

### REFERENCES:-

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