

GOODS AND SERVICE TAX IN INDIA



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GST – Why so much noise...

- **Goods and Services Tax** is basically proposed to replace all indirect taxes levied on goods and services by both Central and State Government. This is the biggest taxation reforms to take place in India since independence.
- The Current Indirect tax regime is quite complex. Central and State Governments levy a large number of taxes such as Central Excise duty, Service Tax, VAT, Purchase Tax, Central Sales Tax, Entry Tax, Local Body Taxes, Octroi, Luxury Tax, etc.
- This creates complexity and makes it difficult for the taxpayers to adhere to the legal requirements. The different tax systems are also not interconnected, which provides various avenues for tax evasion.
- To simplify this tax regime, the Goods and Services Tax (GST) was implemented across India from 1 July 2017. GST will be levied on the supply of goods or services or both (composite supply) and will be beneficial for all stakeholders viz. Citizens, Taxpayers, Industry and Government.

History of GST:

- France is the first country in the world, which has implemented GST in 1954. Presently, there are more than 140 countries that have implemented GST.
- In India Finance Ministry has placed 122nd Constitution Amendment Bill in Lok Sabha in 19th December, 2014.
- The Government of India has appointed various committees , task force to give their views to introduce a vibrant and modern Indirect Tax Structure in India.
- The long-awaited GST regime is all set to roll out with the President assent to the following four GST related Bills :
 - Central GST Bill, 2017
 - The Integrated GST Bill, 2017
 - Union Territory GST Bill, 2017
 - GST (Compensation to States) Bill, 2017

History of GST:



- The law will replace various indirect taxes with one simple tax, creating a boundary less and a unified national market that will also lead to increase in country's GDP.

The comprehensive tax structure passed through various stages before being implemented:

- Vijay Kelkar Task Force strongly recommended the integration of indirect taxes into GST in India(2004).
- The Union Government for the first time in Union Budget 2006-07 announced that the GST would be applicable from 1st April, 2010.
- The government has formed various Joint Working Groups of state finance ministers to study the impact of GST on the revenue of various States.
- Task force of Finance Ministers has submitted their report in December, 2009 on structure of GST in India.
- Government of India has issued first discussion paper in November, 2009.
- Finance Minister in his speech announced that the GST will be rolled out by April, 2011.
- In August, 2013 Standing Committee on Finance tabled its Report on GST Bill.
- In December, 2014 revised Constitution Amendment Bill was tabled in Parliament.

The comprehensive tax structure passed through various stages before being implemented:

- The Government of India has introduced Constitution (122nd Amendment) Bill on 19th December, 2014. The Lok Sabha has passed the bill on 6th May, 2015.
- On June 14, 2016, the Ministry of Finance released draft Model law on GST in public domain for views and suggestions.
- GST Bill was passed in Rajya Sabha on 3rd August 2016 (03-08-2016). On August 03, 2016, the Constitution (122nd Amendment) Bill, 2014 was passed by Rajya Sabha with certain amendments.
 - The changes made by Rajya Sabha were unanimously passed by Lok Sabha.
 - The final step to the Constitution (122nd) Amendment Bill, 2014 becoming an Act was taken when the Hon'ble President of India gave his final assent on September 8, 2016.
 - The Constitutional Amendment Act came into force which empowers both the States and Centre to levy this tax.

Here are the GST rates levied by Indian Government :

0% Exempted categories

5% Commonly used Goods & Services

12% Standard Goods & Services fall under 1st slab

18% Standard Goods & Services fall under 2nd Slab

28% Special category of Goods & Services including luxury

No tax will be imposed on items like fresh meat, fish chicken, eggs, milk, butter milk, curd, natural honey, fresh fruits and vegetables, flour, besan, bread, prasad, salt, bindi. Sindoor, stamps, judicial papers, printed books, newspapers, bangles, handloom etc.

0% TAX ON



Items such as fish fillet, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee, tea, spices, pizza bread, rusk, sabudana, kerosene, coal, medicines, stent, lifeboats will attract tax of 5 percent.

5% TAX ON



Frozen meat products ,
butter, cheese, ghee, dry
fruits in packaged form,
animal fat, sausage, fruit
juices, Bhutia, namkeen,
Ayurvedic medicines,
tooth powder, agarbatti,
colouring books, picture
books, umbrella, sewing
machine, and cellphones
will be under 12 per cent
tax slab.

12% TAX ON



18% TAX ON

Most items are under this tax slab which include flavoured refined sugar, pasta, cornflakes, pastries and cakes, preserved vegetables, jams, sauces, soups, ice cream, instant food mixes, mineral water, tissues, envelopes, tampons, note books, steel products, printed circuits, camera, speakers and monitors.



Chewing gum, molasses, chocolate not containing cocoa, waffles and wafers coated with chocolate, pan masala, aerated water, paint, deodorants, shaving creams, after shave, hair shampoo, dye, sunscreen, wallpaper, ceramic tiles, water heater, dishwasher, weighing machine, washing machine, ATM, vending machines, vacuum cleaner, shavers, hair clippers, automobiles, motorcycles, aircraft for personal use, and yachts will attract 28 per cent tax - the highest under GST system.

28% TAX ON



Example to understand GST Calculation:

PRESENT TAX SYSTEM

PRODUCT sold from
Mumbai to Nagpur.
PRICE = Rs. 1000

VAT @ 10% = Rs.100

Product sold from Nagpur
to Chennai.
COST = Rs. 1100
PROFIT = Rs. 1000
SELL PRICE = Rs. 2100

CST @ 10% = Rs. 210

TOTAL COST of product = Rs. 2310

GST SYSTEM

PRODUCT sold from
Mumbai to Nagpur.
PRICE = Rs. 1000

CGST @ 5% = Rs.50

SGST @ 5% = Rs.50

Product sold from Nagpur
to Chennai.
COST = Rs. 1100
PROFIT = Rs. 1000
SELL PRICE = Rs. 2100

IGST @ 10% = 110

= 210 - CGST- SGST

TOTAL COST of product = Rs. 2210

GST in Detail:

Let us now explain how GST is beneficial to the Manufacture, Wholesaler, Retailer & Customers.



MANUFACTURING

I. Eg Manufacture of a furniture

+Wood
+Screw
+Paint
+Labour

Rs.100

+Value added

Rs.30

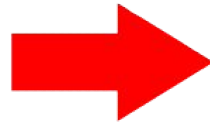
Gross Value

Rs.130

Tax already paid on raw material Rs.10

GST incidence on Manufacture

$Rs.13 - Rs.10 = Rs.3$



WHOLESALE

II. From Manufacture to Wholesaler

+Add value
Rs.20

+Gross value

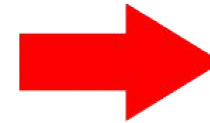
Rs.130+20= Rs.150

Tax Rate 10%

GST = Rs.15

GST incidence = $15 + 13$
 $= Rs.2$

For wholesaler



RETAIL

III. From Wholesaler to Retailer

+Add value
Rs.10

+Gross value

Rs.150+RS.2+Rs.10

$= Rs.162$

GST incidence = Rs.16

GST incidence = $Rs.16 -$
 $Rs.15 = Rs.1$

$10+3+2+1 = 16$

Advantages of Goods and Services Tax (GST):

Increase in government revenue.

The cost of doing business will significantly reduce.

After the implementation of GST act Indian will be one market.


Boon to Manufacturers and Exporters.

Simple and Easy to understand.

Eradicate the Black money.

It will end Tax Terrorism.

Disadvantages of Goods and Services Tax (GST):



• Currently, in India tax rate is 15% but after GST tax rate will be 18-20% approximately.




• Due to this rate, all the service will be costlier for the common man and it is the biggest disadvantage of GST Bill.



• Higher Tax Burden for Manufacturing Small and Medium-sized Enterprises.




• Change in Business Software.



• It would put negative impact on real estate market and put 8% extra tax on new homes and reduce demand by 12%.




• Some retail products like clothes, garments becomes more expensive.



• All credits will be online and some penalties are like criminal activity. So it is threatening for small businessman who are now free from Taxes.

LATEST GST COUNCIL MEET(DECEMBER 22,2018)

- Reduction in GST rates/exemptions on services:
- 1. GST rate on cinema tickets above Rs. 100 shall be reduced from 28% to 18% and on cinema tickets up to Rs. 100 from 18% to 12%.
- 2. GST rate on third party insurance premium of goods carrying vehicles shall be reduced from 18% to 12%.
- 3. Services supplied by banks to Basic Saving Bank Deposit (BSBD) account holders under Pradhan Mantri Jan Dhan Yojana (PMJDY) shall be exempted.

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- 4. Services supplied by rehabilitation professionals recognised under Rehabilitation Council of India Act, 1992 at medical establishments, educational institutions, rehabilitation centers established by Central Government / State Government or Union Territories or entity registered under section 12AA of the Income-tax Act shall be exempted.
 - 5. Services provided by GTA to Government departments/local authorities which have taken registration only for the purpose of deducting tax under Section 51 shall be excluded from payment of tax under RCM and the same shall be exempted.

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- 6. Exemption on services provided by Central or State Government or Union Territory Government to their undertakings or PSUs by way of guaranteeing loans taken by them from financial institutions is being extended to guaranteeing of such loans taken from banks.
- 7. Air travel of pilgrims by non-scheduled/charter operations, for religious pilgrimage facilitated by the Government of India under bilateral arrangements shall attract the same rate of GST as applicable to similar flights in Economy class (i.e. 5% with ITC of input services).

THANK YOU

