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## GOODS AND SERVICES TAX (GST)

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### ABSTRACT

GST widely known as Goods and Services Tax is an indirect tax which is imposed for the economic growth of a country. There are many countries who have adopted GST. Earlier, State and Central Government used to take multiple taxes. In GST there is no need to pay any other tax in all over the nation, it is well said in an article that it is “ONE NATION, ONE TAX”. There was a lot of public outcry for its implementation. Government’s objective to adopt this kind of tax was to bring citizens under the tax and to put an end to black money. The study systematically reviews the impact of GST in India. The study provides some important concept of GST, it’s origin, various tax slabs imposed in it for different item, concept of GSTN and also various advantages and disadvantages of GST. It was observed that there is need to revise the GST for it’s improvement and for the betterment of nation.

**KEY WORDS :** GST , Goods and Services, Dual GST, Fiscal Federation, GSTN

### INTRODUCTION

“GST is a Game Changer for most industries and especially for e-commerce” (written in an article in tax management in India). GST stands for Goods and Services Tax is an indirect tax which has make India one unified market. Earlier a number of taxes were levied on supply of goods and services from manufacturers to consumers. This tax has replaced various indirect taxes. “GST is one of the most significant tax reform in the history of India”, said by Finance Minister Arun Jaitley. Earlier credit inputs cannot be used to pay off taxes at Central level. To eliminate this problem GST was implemented. GST has subsumed various Central level taxes and State level taxes.

### MEANING OF GST

The Goods and Services Tax (GST) is a valued-added tax levied on most goods and services sold for domestic consumption. The GST is paid by consumers, but it is remitted to government by the businesses selling goods and services. GST is governed by GST council and its Chairman-Finance Minister of India, Arun Jaitley. GST is the significant step and biggest tax reform after independence in India. It is expected that GST will make the taxation system easier.

### HISTORY

France was 1<sup>st</sup> country to introduce GST system in 1954, consequently Japan, China, Australia, South Korea, United Kingdom, Malaysia and many more countries have adopted GST. Now more than 150 countries have implemented GST and India is one of them.

Genesis of GST occurred during the previous NDA (National Democratic Alliance) in 1999 under Atal Bihari Vajpayee Government when it set ASIM DASS GUPTA COMMITTEE to design a model of GST. After the NDA Government, the UPA (United Progressive Alliance) Government took the matter further and announced

in 2006 that this tax would be introduced from 1, April 2010. However so far it was not introduced. But during BJP Government, finally GST came into existence on 1<sup>st</sup> April, 2017 after various iterations.

## **TWO TYPES OF GST**

There are two types of GST, one is single or unified GST and other is dual GST. Most of countries have unified GST. Brazil and Canada follows dual GST system and our country India as well has adopted dual GST System. It means Central and State has assigned the power to levy and collect taxes through appropriate legislation.

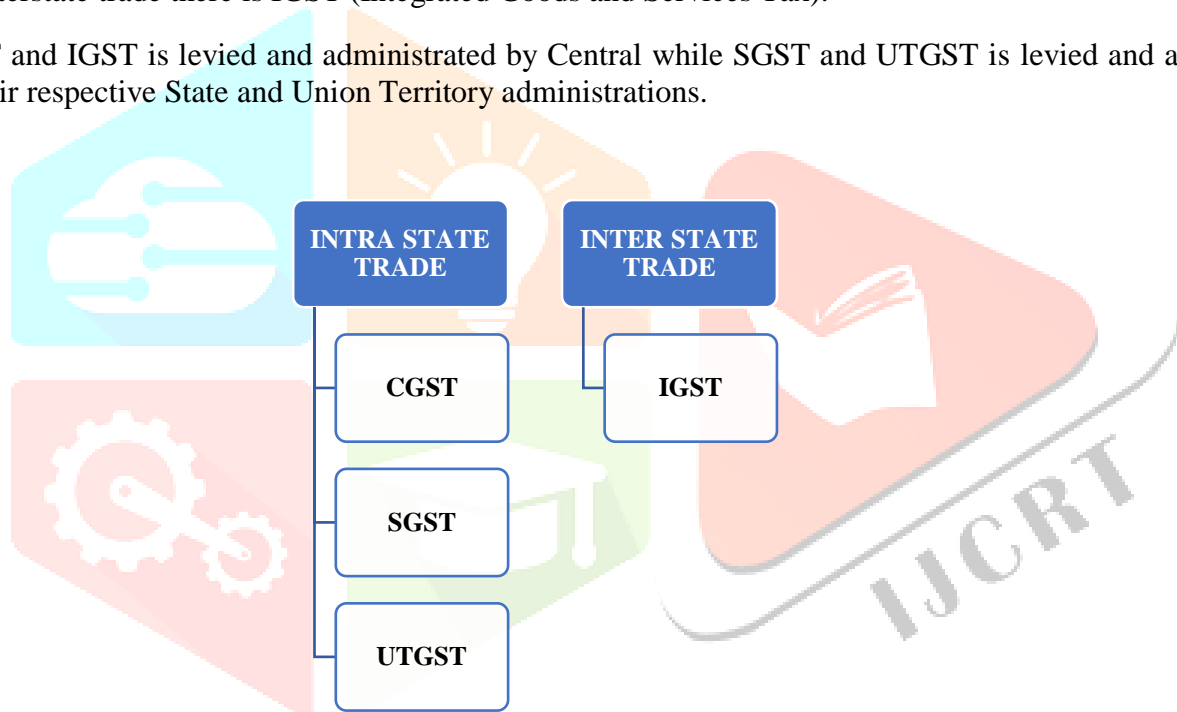
## **STRUCTURE OF GST**

The structure of GST is such that there are two types of trade, intra State trade and interstate trade.

For intra State trade there are CGST (Central Goods and Services Tax), SGST (State Goods and Services Tax), and UTGST (Union Territory Goods and Services Tax).

For interstate trade there is IGST (Integrated Goods and Services Tax).

CGST and IGST is levied and administrated by Central while SGST and UTGST is levied and administrated by their respective State and Union Territory administrations.



## **THE PRINCIPLE OF FISCAL FEDERATION**

The Principle of Fiscal Federation has been adopted where centre and State have been assigned power to levy and collect taxes through appropriate legislations.

## MULTIPLE BRACKETS OF GST

GST has multiple tax rates for different items like 0%, 5%, 12%, 18% and 28%.

<b><u>GST Rates Structure</u></b>	
<b>Tax Rates</b>	<b>items</b>
0%	Milk Eggs Curd Lassi Unpacked food grains Unpacked Cheese Jaggery Unbranded natural honey Fresh vegetables Salt
5%	Sugar Tea Edible Oils Domestic LPG PDS Kerosene Cashew Nuts Milk Food for Babies Fabrics Spices Coal Life-saving Drugs
12%	Butter Ghee Almonds Fruit Juice Packed Coconut Water
18%	Hair Oil Toothpaste Pasta Corn Flakes Soups
28%	Small Cars(+1% or 3% cess) Consumer durables such as AC and fridge

## GOODS AND SERVICES TAX NETWORK (GSTN)

GST is supported by GSTN it is a special purpose vehicle set up to support the needs of GST. A separate GST portal is developed for registration, payments and filling return. Under GST, all taxes will be paid online. GSTN provide a uniform interface, a shared IT infrastructure and service to Central and State government, tax payers and other stakeholders.

## **ADVANTAGES OF GST**

There are various advantages of which are as follows:

- Firstly it replaces various kinds of indirect taxes like custom duty, Value Added Tax(VAT), purchase tax etc
- As it is paid online, it involves transparency which helps to eliminate black money in the economy.
- GST is backed by the GSTN, which is fully integrated tax platform to deal with all aspects of GST.
- It is kind of “One Nation, One Tax and One market”.
- It eliminates cascading effects of various taxes.
- Domestic companies are able to compete with MNC’s due to low cost of production because of decrease in taxes and its interest rates.
- The number of compliances is less.
- Due to GST there is improved efficiency of logistics.
- There is Composition Scheme for small business.
- Earlier the credit inputs of State cannot be used to pay off taxes and liabilities of Central but now it is possible.
- GST levied only at the final destination of consumption based on VAT principle and not at various points (like from manufacturers to retail outlets). So this will help in removing economic distortion and bring about development of a common national market.

## **DISADVANTAGES OF GST**

- As there are various advantages of GST but still there are various loopholes in the system of GST which are as follows:
- GST has negative impact on various goods and services like earlier some items were not taxable but after GST they become taxable. Also some retail items were taxable with fewer amounts but now they are taxable with high tax rates.
- It was said that GST is simple but actually it is complex enough as it has multiple tax brackets for different items. But it was envisaged that only 18% tax rate will be there.
- It has multiple levels like CGST, SGST, IGST and UTGST.
- Adoption and migration to new GST system has involved teething troubles, here teething troubles means short term problems that occur in early stages.
- Small and medium enterprises have higher tax burden.
- GST structure is likely to succeed only if the country has a strong IT Network.

## **CONCLUSION**

“Every coin has two sides”, so as with GST. it has positive and negative effects on the economy. Though there are drawbacks and loopholes in GST but if necessary steps taken it can be improved to its best and its disadvantages can be turned into advantages. People are not properly aware of GST. So government needs to take steps to increase their knowledge like conduct trainings, seminars, workshops, etc on GST.

One of the Economists says “India could go into double digit Growth Rate with GST”.

We need to change the mindset of people towards GST and GST too needs some modification for its success. GST is definitely going to be a Boon for Indian business and Indian customers.

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