

Goods and Service Tax – The Journey so far

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Abstract— The Goods and Service Tax (GST) Bill or GST Bill, officially known as The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, would be an Indirect Tax proposed to be implemented in India, starting April 2016. GST is proposed as an indirect tax levy on manufacture, sale and consumption of goods as well as services at the national and state level. It will replace all the indirect taxes which are levied on goods and services in India both at center and state level.

Keywords— *Service Tax, Goods Tax, VAT, MODVAT, GST*

I. INTRODUCTION

GST is a comprehensive VAT on goods and services. It is levied and collected on the value addition at every stage of sale or purchase of goods or supply of services. There is no distinction between taxable goods and taxable services, both are taxed at a single rate on value added basis till they reach the ultimate consumers. It is aimed at being comprehensive for most goods and services. Exports will be zero-rated and imports will be levied the same taxes as domestic goods and services adhering to the destination principle.

GST will bring a change in the Indian Indirect tax system by redistributing the burden of indirect tax between manufacturing and services. GST will enable to expand the tax base, which will result in the reduction of effective tax rate. The destination principle will reduce the distortion for the levy of taxes in India. It will result in a common market all over the country, which will ultimately reduce compliance costs and promote exports.

The introduction of GST would be a very significant step in the field of indirect tax reforms in India.

1. One of the major advantage of GST is that it will amalgamate numerous Indirect taxes of Central and State government into a single tax i.e. GST.
2. It would also remove the cascading effect and double taxation which is prevailing in India and pave the way for a common national market.
3. Currently indirect taxes are estimated to be around 25%-30%, which is the overall tax burden due to many levies of different kind, which consumer

have to bear, so due to GST this burden gets reduced.

4. Many countries around the globe have adopted the concept of GST resulting in the overall economic growth.
5. Due to its simple application and concept it is much easier now administer it, nor like the current senior where the authorities needs to keep a strict tab everywhere.

Due to the two tier government structure in India, GST will be implemented both at the Central and the State level.

The Concept of GST has its beginning in India way back in 1986 when an attempt was made to remove the cascading effect of excise duty with the introduction of MODVAT (Modified Value Added Tax) which later changed to CENVAT (Central Value Added Tax). Prior to this, excise duty was levied on both inputs used and the output produced. This means that any tax paid on input will be again subject to tax in the final output. This “tax on tax” is the cascading effect of taxation. This issue was tried to get resolved with the introduction of VAT, wherein the tax paid on inputs will set off against the tax to be paid on the final output. Currently all the states have adopted the concept of VAT, with Haryana being the first and Uttar Pradesh being the last.

VAT to a great extent was able to remove the cascading effect, but still there remain some problems which need to be addressed. For example, several central and state taxes were excluded from VAT. Sectors such as real estate, oil and gas production etc. were exempt from VAT. Further, goods and services were taxed differently, thereby making the taxation of products complex. Some of these challenges are sought to be overcome with the introduction of the Goods and Services Tax (GST).

The GST aims to amalgamate most of the indirect taxes under a single tax called GST. It is the tax which is levied only on the value addition at every stage, and will remain same for all goods and services. This is expected to help broaden the tax base, increase tax compliance, and reduce economic distortions caused by inter-state variations in taxes.

II. HOW IT ALL STARTED

In the year 2000, when NDA government was in power at centre with Atal Bihari Vajpayee as a Prime Minister, an empowered committee was set up to discuss about GST. Dr. Asim Das Gupta, the then Finance Minister of the Government of West Bengal was appointed as the head of the Committee.

III. THE JOURNEY SO FAR

Considering the overall perspective, an announcement was made by P Chidambaram, the then Union Finance Minister, in the Union Budget 2007-08, that the GST would be implemented from April 1, 2010 and that the Empowered Committee of State Finance Ministers, on his request, would work with the Central Government to prepare a road map for introduction of GST in India.

After this announcement, the Empowered Committee of State Finance Ministers decided to set up a Joint Working Group on May 10, 2007, with the Adviser to the Union Finance Minister and the Member-Secretary of Empowered Committee as co-conveners and the concerned Joint Secretaries of the Department of Revenue of Union Finance Ministry and all Finance Secretaries of the states as its members. The Joint Working Group, after intensive internal discussions as well as interaction with experts and representatives of Chambers of Commerce and Industry, submitted its report to the Empowered Committee on November 19, 2007.

The report was discussed in the meeting of Empowered Committee on November 28, 2007. On the basis of the discussion, certain modifications were made, and a final version of the views of the Empowered Committee was prepared on April 30, 2008. The comments of the Government of India were released on December 12, 2008 and were duly considered by the Empowered Committee on December 16, 2008.

It all started with a presentation of "White paper on Good and Service Tax" in 2009. After some initial stints into it, on November 10, 2009 First Paper on Good and Service Tax in India was released this was prepared by The Empowered Committee of State Finance Ministers.

In 2011, the Constitution (115th Amendment) Bill, 2011 was introduced in Parliament to enable the levy of GST. However, the Bill lapsed with the dissolution of the 15th Lok Sabha. Subsequently, in December 2014, the Constitution (122nd Amendment) Bill, 2014 was introduced in Lok Sabha. The Bill was passed by Lok Sabha

in May 2015 and referred to a Select Committee of Rajya Sabha for examination.

The proposed date for the implementation of GST is April, 2016.

IV. BENEFITS OF GST

As on date India has a dual taxation system, which allows taxation of goods and services both at Centre and State level, which majorly constitutes Excise Duty, Service Tax, VAT and Custom Duty. VAT was introduced in India in the year 2005, which is working on input tax credit principle. But the major problem in this system is that it does not cover the inter-state transactions. Due to non-availability of tax credit for inter-state transactions of Goods consumer suffers double taxation burden of VAT.

With the introduction of GST this problem will get resolved, the reason being GST will include both centre and state transactions.

According to some expert opinions, GST if implemented in India will give a net benefit of \$15 billion a year. This is because; it will promote more exports, create more employment opportunities and boost growth. It will divide the burden of tax between manufacturing and services.

In GST regime, taxes for both Centre and State will be collected at the point of sale on the manufacturing cost. Individuals will be benefited by this as prices are likely to come down and lower prices mean more consumption, and more consumption means more production, thereby helping in the growth of the companies.

V. DESIRABLE FEATURES OF GOODS & SERVICE TAX

Simple to understand: The process for GST starting from the basic registration, payment of tax till the filing of tax returns should be made in such a manner so that a normal merchant or the service provide can understand it with ease.

Compliance: The compliance process need to be kept simple, which should not put undue burden on the tax payer. It must be made as an integral part of the business.

Autonomy of states: The IT system which will be in place should give due regards to the autonomy of the states, and try to make it more inclusive.

Uniformity of policy administration: The business processes surrounding GST need to be standardized. Uniformity of policy administration across states and centre will lead to a better taxpayer experience, and cut down costs of compliance as well as tax administration.

Enable digitization and automation of the whole chain: All the business processes surrounding GST should be automated to the extent possible, and all documents processed electronically. This will lead to faster processing and reconciliation of tax information and enable

VI. TAX-RATE UNDER THE PROPOSED GST

GST as proposed will be implemented both at the Central and the State level namely, Central Goods and Service Tax (CGST) and State Goods and Service Tax (SGST). The rate of tax under the proposed GST will come down, but the number of assesses would increase by 5-6 times. Although rates would come down, tax collection would go up due to increased buoyancy.

VII. A BRIEF BACKGROUND OF THE GST BILL, 2014

The Constitution (One Hundred and Twenty-second Amendment) Bill, 2014 was introduced in the Lok Sabha by Finance Minister Arun Jaitley on 19 December 2014. The Bill was passed by the House on 6 May 2015, receiving 352 votes for and 37 against. All 37 no votes came from members of the AIADMK. The Indian National Congress, which opposed the Bill, walked out of the House before voting began. Although, the BJD and the CPI(M) had previously opposed the Bill, they cast votes in favour. The Government attempted to move the Bill for consideration in the Rajya Sabha on 11 May 2015. However, members of the Opposition repeatedly stalled the proceedings of the House. In order to appease the Opposition's demand for further scrutiny of the Bill, Arun Jaitley moved a motion to refer the Bill to a Select Committee. The 21 member Committee is expected to give its report by the end of the Monsoon session.

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