

GOODS AND SERVICE TAX – A LONG JOURNEY AHEAD

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ABSTRACT

We know that the prevailing taxes in India are mainly divided into direct taxes and indirect taxes. The indirect taxes levied by central governments are service tax, excise duty, CST, Custom duty etc. and the state governments levying VAT, Entry Tax, Octroi and luxury taxes etc. From July 1st 2017 onwards, all these indirect taxes will be replaced by GST. After a long wait of 10 years, the goods and services tax (GST) is now a reality. Most of the work required for implementation of GST from July 1 has been completed. The GST Act was enacted. GST Laws are mainly consisting of 14 rules. The tax payers will be allotted a state wise pan or GSTIN (Goods and Service Taxpayer unique Identification Number). The people of India are going to be a part of the biggest tax reforms in the history of India. ‘One Nation, One Tax’ is the slogan for GST. Through GST, we can mitigate the ill effects of cascading and pave the way for a common national market. We are expecting an increase in trade volumes and improved tax compliance due to widening of tax base. In this context, it is felt necessary to discuss about some challenges in this regard.

Key Words: Goods and Service Tax, Implementation, ‘One Nation, One Tax’, Cascading effects, GSTIN & Challenges.

1. Introduction

The people of India are going to be a part of the biggest tax reforms in the history of India. We know that the prevailing taxes in India are mainly divided into direct taxes and indirect taxes. The indirect taxes levied by central governments are service tax, excise duty, CST, Custom duty etc. and the state governments levying VAT, Entry Tax, Octroi and luxury taxes etc. From 1st July 2017 onwards, all these indirect taxes will be replaced by GST. After a long wait of 10 years, the goods and services tax (GST) is now a reality. Most of the work required for implementation of GST from July 1 has been completed. ‘One Nation, One Tax’ is the slogan for GST. Through GST, we can mitigate the ill effects of cascading and pave the way for a common national market. We are expecting an increase in trade volumes and improved tax compliance due to widening of tax base. In this context, it is felt necessary to discuss about some challenges in this regard.

2. Objectives

- i. To understand the concept of goods and service tax
 - ii. To study how GST will work in India
 - iii. To know the awareness level of tax payers about GST.
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3. Research Methodology

The data collected for the study is mainly from secondary sources like various books, journals, government publications & reports, newspapers and various websites. The primary data for the study is collected from 50 tax payers in the Palakkad & Thrissur districts using convenient sampling methods. Tool used for study is percentage.

4. Discussions

Objective (i). To understand the concept of goods and service tax

GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. That is, the GST is designed as a value-added tax, which means starting from the manufacturer to the wholesaler and then the retailer, each person will pay tax only on the value addition done by him. The final consumer will thus bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages. It is a destination based tax on consumption of goods and services. The concept of destination based tax on consumption means that tax would accrue to the taxing authority which jurisdiction over the place of consumption which also termed as place of supply.

The main advantages of GST to trade are reduction in multiplicity of taxes, mitigation of cascading or double taxation, more efficient neutralization of taxes especially for exports, development of common national market fewer tax rates & exemptions and the distinction between Goods and services is no longer required. In consumer point of view, the main advantages of GST are simpler tax system, reduction in prices of goods and services due to elimination of cascading effect, uniform price throughout the country, transparency in taxation system and increase in employment opportunities.

Objective (ii). To study how GST will work in India

As per the constitution of India, both Central and state governments have the powers to levy collect taxes through appropriate legislation. Both levels of government have their own responsibilities to perform according to the division of powers prescribed in the Constitution for which they need to raise resources. Therefore, a dual GST system is going to be adopted in India for fulfilling the fiscal federalism. Hence, the central and states can simultaneously levy taxes on a common tax base.

The GST levied by Centre on intra-state supply of goods and /or services would be called as Central GST (CGST) and that to be levied by the states would be called the State GST (SGST). For the every inter-state supply of goods and services the Centre will administer an Integrated GST (IGST). The GST will be implemented in multi-tiered system. The proposed tax rates are 0%, 5%, 12%, 18% and 28%. Liability of the tax payer arises when the taxable person crosses the threshold exemption, i.e.20 lakhs. In certain specified cases where the taxable person is liable to pay GST even though he has not crossed the threshold limit. Tax payers making Inter-State supplies or paying tax on reverse charge basis shall not be eligible for threshold exemption. There is a composition scheme under GST. Small taxpayers with an aggregate turnover in a financial year

up to Rs.50 lakhs shall be eligible for composition scheme. Under the scheme, a tax payer shall pay tax as a percentage of his turnover during the year without the benefits of ITC. A tax payer opting for composition levy shall not collect any tax from his customers.

The tax payers will be allotted a State wise PAN based 15 digit Goods and/or Service Taxpayer Unique Identification Number (GSTIN). The first two numbers in the GSTIN denotes state code, next 10 digits denote PAN number, next code denotes the Entity code, 14 are blank and 15 is check digit. The GST regime allows multiple registrations within the state for business verticals of a taxable persons as an Option.

Under GST the tax payer should maintain three ledgers namely, e-cash ledger, e-credit ledger and e-tax liability ledger.

GST Laws:-

There are mainly five Acts come under the purview of GST.

- (i) CGST Act, 2017 (174 Sections, III Schedules)
- (ii) IGST Act, 2017 (25 Sections)
- (iii) UTGST Act, 2017 (26 Sections)
- (iv) GST (Compensation to States) Act, 2017 (14 Sections)
- (v) State GST Bills 2017.

There are mainly 14 rules under GST Laws.

GSTN: It is an exclusive national agency responsible for delivering integrated indirect tax-related services involving multiple authorities. It is a special purpose vehicle set up by the central and state governments to lay the information technology infrastructure of GST. It will have a self-sustaining revenue model, where GSTN will be able to levy user charges on tax payers and tax authorities for availing its services.

Objective iii. To know the awareness level of tax payers about GST.

(a) Awareness on Present GST Laws, Rules and Regulations

Table 1.

Awareness Level	No. of Respondents	%
Fully Aware	Nil	0
Aware	10	20
Partially Aware	26	52
Somewhat aware	14	28
Not at all Aware	Nil	0
Total	50	100

Source: Primary Data

From the table, it is clear that majority of the taxpayers are aware about GST Laws, Rules etc.

(b) Awareness about Proposed Tax slabs**Table 2**

Awareness Level	No. of Respondents	%
Fully Aware	6	12
Aware	14	28
Partially Aware	25	50
Somewhat aware	5	10
Not at all Aware	Nil	0
Total	50	100

Source: Primary Data

From the table, it is clear that majority of the taxpayers are aware about proposed tax slabs.

(C) Applied for Registration under GST**Table 3**

option	No. of Respondents	%
Yes	36	72
No	14	28
Total	50	100

Source: Primary Data

From the table, it is clear that majority of the taxpayers are applied for registration under GST.

(d) Awareness about GST Tax ledgers**Table 4**

Awareness Level	No. of Respondents	%
Fully Aware	Nil	0
Aware	14	28
Partially Aware	25	50
Somewhat aware	7	14
Not at all Aware	4	8
Total	50	100

Source: Primary Data

From the table, it is clear that majority of the taxpayers are not properly aware about GST tax ledgers.

(e) Awareness about the Compliance rating**Table 5**

Awareness Level	No. of Respondents	%
Fully Aware	Nil	0
Aware	3	6
Partially Aware	20	40
Somewhat aware	19	38
Not at all Aware	8	16
Total	50	100

Source: Primary Data

From the table, it is clear that majority of the taxpayers are not properly aware about Compliance rating.

(f) Awareness on the benefits of GST

5 =Fully Aware, 4 =Aware, 3 =Partially Aware, 2= Some What Aware, 1 =Not Aware.

Table 6

No	Benefits	5	4	3	2	1
1	reduction in multiplicity of taxes	38 (76%)	12 (24%)	0	0	0
2	mitigation of cascading or double taxation	15 (30%)	22 (44%)	10 (20%)	2 (4%)	1 (2%)
3	more efficient neutralization of taxes especially for exports	0 (0%)	3 (6%)	20 (40%)	19 (38%)	8 (16%)
4	development of common national market	11 (22%)	26 (52%)	10 (20%)	3 (6%)	0
5	fewer tax rates	7 (14%)	13 (26%)	25 (50%)	3 (6%)	2 (4%)
6	the distinction between Goods and services is no longer required	1 (2%)	15 (30%)	14 (28%)	15 (30%)	5 (10%)
7	Transparency in taxation system	9 (18%)	18 (36%)	13 (26%)	6 (12%)	4 (8%)
8	Increase in employment opportunities	29 (58%)	13 (26%)	8 (16%)	0	0

Source: Primary Data

From the table, it is clear that majority of the taxpayers are aware about the advantages of GST.

(g) Awareness about the issues relating to GST

5 =Fully Aware, 4 =Aware, 3 =Partially Aware, 2= Some What Aware, 1 =Not Aware.

Table 7

No	Issues	5	4	3	2	1
1	Clubbing of Taxes	38 (76%)	12 (24%)	0	0	0
2	Statutory Requirements	15 (30%)	22 (44%)	10 (20%)	2 (4%)	1 (2%)
3	Make-Shift Arrangements	0 (0%)	3 (6%)	20 (40%)	19 (38%)	8 (16%)
4	Frame work for Tax disputes	11 (22%)	26 (52%)	10 (20%)	3 (6%)	0
5	Defining interstate transactions	7 (14%)	13 (26%)	25 (50%)	3 (6%)	2 (4%)
6	Number of Returns to be filed	1 (2%)	15 (30%)	14 (28%)	15 (30%)	5 (10%)
7	Lack of clarity about taxes on existing stocks	9 (18%)	18 (36%)	13 (26%)	6 (12%)	4 (8%)
8	Uploading of bills related to B2B transactions	29 (58%)	13 (26%)	8 (16%)	0	0
9	Lack of laws to prevent excess profit	38 (76%)	12 (24%)	0	0	0
10	Selling of existing stock after July 1 st will incur loss	15 (30%)	22 (44%)	10 (20%)	2 (4%)	1 (2%)
11	Lack of awareness and infrastructure constraints.	15 (30%)	22 (44%)	10 (20%)	2 (4%)	1 (2%)
12	Lack of Professionals	11 (22%)	26 (52%)	10 (20%)	3 (6%)	0

Source: Primary Data

From the table, it is clear that majority of the taxpayers are ware about the issues relating to GST.

5. Suggestions

- i. Proper awareness about GST must be given to tax payers
- ii. Infrastructure facilities must be increased
- iii. Uninterrupted power supply and net facilities must be provided in all areas.
- iv. Clarity must be given about the tax liability of existing stocks
- v. Proper guidance must be given on the sale of existing stock, excess profit etc.

- vi. Create professionals to deal with GST.

6. Conclusion

The GST is designed as a value-added tax, avoiding cascading effect. By educating people and professionals, by giving more clarity to the laws and through seeking the whole hearted from the people the government can implement GST on July 1st 2017 itself. Thus, all of us are going to witness another historic move of India.

7. References:

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