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Good and Service Tax in India: An Over View

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Abstract

This paper focuses on the process of introducing the Goods and Services Tax (GST), bringing out the perspectives of different stakeholders and the contentious issues. The GST was expected to subsume a variety of taxes and simplify the indirect tax regime. The Empowered Committee (EC) was mandated in 2007, to bring about consensus among the States to move towards GST. The important stakeholders in the process were the Government of India, individual States, industry and the committees commissioned by the GoI or EC. However, the EC faced challenges since there were issues of control between the Centre and States, perceived loss of revenue by some States, extent of uniformity across various commodities and their tax rates, input credit mechanism and dispute settlement. The deadline for the introduction of GST kept getting postponed due to the slow resolution of the challenging issues. Finally, it was tabled in the Parliament as the 122nd Constitutional Amendment Bill (CAB) in December 2014. The Goods and Services Tax is a value added tax to be implemented in India, the decision on which is pending. GST is the only indirect tax that directly affects all sectors and sections of our economy. Ignorance of law is no excuse but is liable to panel provisions, hence why not start learning GST and avoid the cost of ignorance. Therefore, we all need to learn it whether willingly or as compulsion. The goods and services tax (GST) is aimed at creating a single, unified market that will benefit both corporate and the economy. The changed indirect tax system GST-Goods and service tax is planned to execute in India. Several countries implemented this tax system followed by France, the first country introduced GST. Goods and service tax is a new story of VAT which gives a widespread setoff for input tax credit and subsuming many indirect taxes from state and national level. The GST Implementation is not yet declared by government and the drafting of GST law is still under process and a clear picture will be available only after announcement of Implementation. India is a centralized democratic and therefore the GST will be implemented parallel by the central and state governments as CGST and SGST respectively. The objective will be to maintain a commonality between the basic structure and design of the CGST, SGST and SGST between states .In this paper, I have started with the introduction, in general of GST and have tried to highlight the objectives the proposed GST is trying to achieve. Thereafter, I have discussed the possible challenges and threats; and then, opportunities that GST brings before us to strengthen our free market economy.

***Keywords**: Constitutional Amendment, Indirect Tax, Federalism, GST, CGST, SGST, VAT,*

Introduction:

On December 20, 2014, the Empowered Committee (EC) of the State Finance Ministers (FMs) agreed to support the 122nd Constitution Amendment Bill (CAB) if the States were adequately compensated for the loss of revenue. On December 19, 2014, the 122nd CAB was tabled in Parliament for the introduction of Goods and Services Tax (GST) that allowed a parallel levy of indirect taxes on the supply of goods or services or both by the Centre and State Governments (including Union Territories). It introduced a dual taxation system subsuming the various indirect taxes levied then (Exhibit 1). The 122nd CAB was a culmination of the sustained efforts of the EC, which had been working since its constitution on July 17, 2000 .

According to the 122nd CAB,1 the term 'GST' was defined by introducing a clause 12A in Article 366 of the Constitution of India, to mean *"any tax on supply of goods or services or both except taxes on supply of the alcoholic liquor for human consumption."* „Services‟ under the 122nd CAB means anything other than goods. „State‟ with reference to articles 246A, 268, 269, 269A and article 279A includes a Union territory with the Legislature.

Thus, all the supply of goods or services or both would attract Centre level Goods and Service Tax (CGST; to be levied by the Centre) and State level Goods and Service Tax (SGST; to be levied by State) unless kept out of the purview of GST. As GST would be applicable to 'supply', the erstwhile taxable events such as 'manufacture', 'sale' and 'provision of services' would lose their relevance. GST would enable a larger tax collection base and prevent cascading of taxes1.

The EC was formed on July 17, 2000 with FMs of seven states as its members with the objective to monitor the smooth implementation of the then proposed Value Added Tax (VAT) across the country. Later on, the reconstituted EC with FMs of all the States was registered as a society on August 17, 2004 with Asim Dasgupta (then FM, West Bengal) as its Chairman.

History of Taxation What is Tax?

The word tax is derived from the Latin word '*tax are*' meaning to estimate. A tax is not a voluntary payment or donation, but an enforced contribution, exacted pursuant to legislative authority" and is any contribution imposed by government whether under the name of toll, tribute, impost, duty, custom, excise, subsidy, aid, supply, or other name." The first known system of taxation was in Ancient Egypt around 3000 BC - 2800 BC in the first dynasty of the Old Kingdom. Records from that time show that the pharaoh would conduct a biennial tour of the kingdom, collecting tax revenues from the people.

Other records are granary receipts on limestone flakes and papyrus. Early taxation is also described in the Bible. In Genesis, it states "But when the crop comes in, gives a fifth of it to Pharaoh. The other four-fifths you may keep as seed for the fields and as food for yourselves and your households and your children." Joseph was telling the people of Egypt how to divide their crop, providing a portion to the Pharaoh.

A share3 of the crop was the tax. In India, the tradition of taxation has been in force from ancient times. It finds its references in many ancient books like 'Manu Smriti ' and 'Arthasastra'. The Islamic rulers imposed jizya . It was later on abolished by Akbar. However, Aurangzeb, the last prominent Mughal Emperor, levied *jizya* on his mostly Hindu subjects in 1679. Reasons for this are cited to be financial stringency and personal inclination on the part of the emperor, and a petition by the *ulema* . The period of British rule in India witnessed some remarkable change in the whole taxation system of India. Although, it was highly in favour of the British government and its exchequer but it incorporated modern and scientific method of taxation tools and systems. In 1922, the country witnessed a paradigm shift in the overall Indian taxation system. Setting up of administrative system and taxation system was first done by the Britishers.

Broadly, there are two types of Taxes viz. Direct and Indirect taxes8. Taxes in India are levied by the Central Government and the State Governments. Some minor taxes are also levied by the local authorities such as Municipality or Local Council. The authority to levy tax is derived from the Constitution of India which allocates the Power to levy various taxes between Centre and State.

Indirect Taxation Reforms in India

Charges levied by the State on consumption, expenditure, privilege, or right, but not on income or property are called Indirect Taxes (Exhibit 3). There was an effort to reform indirect taxes with the formation of an Indirect Taxation Enquiry Committee (ITEC) in 1976 (Annexure 1). The ITEC submitted its report in 1978. After a decade of submission of the report by ITEC, a Long Term Fiscal Policy report (Annexure I) was presented along with the Union Budget of 1985-86 under VP Singh, the then Union FM. Accepting its recommendations, a Modified Value Added Tax (MODVAT) was introduced on a few commodities on March 1, 1986. A Tax Reforms Committee with Raja J Chelliah as its Chairman was formed on August 29, 1991. The committee gave its recommendations to introduce VAT at the manufacturing level covering all goods in December 1991. The recommendations were accepted and introduced partially by the Government of India (GoI) in the Budget of 1993-94.3

On November 16, 1999, it was decided by Yashwant Sinha, the then Union FM in a meeting of State Chief Ministers (CMs) to take steps for introduction of nationwide State level VAT in order to avoid the cascading effect of taxes. MODVAT was renamed as Central level Value Added Tax (CENVAT) wef April 1, 2000, which introduced new CENVAT Credit Rules. The EC formed was to supervise the implementation of VAT and to monitor the phasing out of the sales tax based incentive schemes. These Rules sought to introduce simplified CENVAT provisions and procedures for allowing credit of duty paid on specified inputs and capital goods used in or in relation to manufacture of specified final products. CENVAT Credit Rules were introduced wef March 1, 2002.

The new rules contained complete provisions for taking credit of duty paid on inputs and capital goods.4 A Task Force on Indirect Taxes, formed in July 2002 under the chairmanship of Vijay Kelkar, Adviser to Minister of Finance and Company Affairs, gave its view that "VAT is a major reform in the indirect tax system of India."5 The EC had been working for the execution of State level VAT dealing with inside (State demands) and outside (industry, exporters and other stakeholders) pressures.

Moving towards GST

A Task Force on the implementation of Fiscal Responsibility and Budget Management Act was formed by the Central Government on February 18, 2004 under the chairmanship of

Vijay Kelkar in 2003. The report submitted to the Central Government on July 16, 2004, strongly recommended the adoption of GST for the indirect taxation in India.

The Kelkar Task Force report stated that India has been moving slowly but steadily towards VAT since 1986 but the system still had many problems leading to a low tax GDP ratio (Exhibit 4). Giving solution to the problems, they suggested the introduction of „CGST". The report said, "the tax on services should be fully integrated with the existing CENVAT on goods by a modern VAT type levy on all goods and services to be imposed by the central government (CGST)." The report also gave the features to be included in the design of CGST.

The concept of GST was introduced in the Parliament for the first time on February 28, 2006 by P Chidambaram, the then Union FM in the Union Budget Speech of 2006-07. He remarked, "It is my sense that there is a large consensus that the country should move towards a national level GST that should be shared between the Centre and the States. I propose that we set April 1, 2010 as the date for introducing GST. The world over, goods and services attract the same rate of tax. That is the foundation of a GST."

In the budget speech of 2007-08, P Chidambaram reiterated, "At my request, the EC of State FMs has agreed to work with the Central Government to prepare a roadmap for introducing a national level GST wef April 1, 2010."9

After the announcement made by P Chidambaram, the EC decided to set up a Joint Working Group on May 10, 2007, with Dr Parthasarthi Shome, the then Adviser to the Union FM and Satish Chandra, the Member-Secretary of EC 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.

This Joint Working Group, after intensive internal discussions as well as interaction with experts and representatives of Chambers of Commerce and Industry, submitted its report10 to the EC on November 19, 2007.

The objectives of this report were:

- To study the various models of GST existing globally
- To identify the possible alternative models for introduction of GST in India
- To examine their various characteristics and assess their suitability in India's fiscal federal context.
- To identify the Central Taxes and State Taxes which possess properties to be appropriately subsumed under GST
- To suggest a model for the base and rate structure of GST
- To constitute sub working groups

This report was then discussed in detail at the meeting of EC held on November 28, 2007. On the basis of this discussion and written observations of the States, certain modifications were made and a final version of the views of EC at that stage was prepared.

In his 2008 budget speech, P Chidambaram announced the reduction of Central Sales Tax (CST) from four percent to two percent. He also expressed the desire of GoI to introduce GST from April 1, 2010.

The views of the EC prepared in November were sent to the GoI on April 30, 2008. In the meantime, Manmohan Singh, the then Prime Minister (PM) took over as interim FM on November 28, 2008 from P Chidambaram. The comments of the GoI were received on December 12, 2008 and were duly considered by the EC on December 16, 2008."

However, the report was never made public. In the meantime, Parthasarthi Shome had quit his post as advisor to the FM on January 11, 2008, after being passed over for the post of Union Revenue Secretary.

A Committee of Principal Secretaries/Secretaries (Finance/Taxation) and Commissioners of Trade/Taxes of all States was set up to consider the comments of GoI and work out CGST and SGST rates. They had detailed deliberations on January 5 and 6, 2009 and submitted their recommendations to the EC. These were accepted by the EC on January 21, 2009.

On the same day, the EC also decided to constitute a Working Group consisting of Principal Secretaries/Secretaries (Finance/Taxation), Commissioners of Trade/Taxes of all States and senior representatives of GoI to give their recommendations concerning three issues. They were related to (i) commodities and services on the exempted list, (ii) rules and principles in taxing services and (iii) finalising the model of interstate stock transfers of goods and services. Pranab Mukherjee took over as Union FM from Manmohan Singh on January 24, 2009. The Working Group met on February 10, 2009 and formed three sub working groups to study the three issues.

Structure of GST

The Working Group submitted their detailed recommendations on the three issues which provided a structure of GST. They submitted their report on November 11, 2009. The report favoured a dual GST system. The dual system implied that tax was to be levied concurrently, both at the Centre and at the State level called CGST and SGST respectively.

In the meantime, Sukumar Mukhopadhyay, former member of the Central Board of Excise and Customs (CBEC) called the dual GST system as the best solution for a country like India in June 2009. A single GST system was also not agreed upon by the States, fearing revenue loss because a single system of tax would be levied by GoI alone.

On June 29, 2009, Govinda Rao, then a member of Union FM‟s Economic Council had urged PM Manmohan Singh to delay the implementation of new tax rules till the Centre and the States reached a consensus. The FM of Tamil Nadu, K Anbazhagan had also shared the same viewpoint.

The new Union FM Pranab Mukherjee, while presenting the Budget on July 6, 2009 reiterated that GST would come into effect from April 1, 2010.

A FICCI-Technopak report on Fast Moving Consumer Goods (FMCGs) was released in July 2009. This report suggested that the GoI needed to rapidly implement GST to replace the multiple indirect taxes currently levied on FMCGs. This would lead to reduced prices and increased tax collections.

In September 2009, the States reached a consensus on a two rate system as suggested by Asim Dasgupta. This system implied a concessional rate for essential items and a standard rate for other goods. The two rate system proposed by the states also had a special GST for precious metals and a list of exempted items. In the same month, Asim Dasgupta also announced that a

Joint Working Group would be formed to decide the framework of the dual tax system and issues relating to special rates. The committee was mandated to submit its report in two months time. Chhattisgarhi, Haryana, Tamil Nadu, Rajasthan and Madhya Pradesh expressed their reservations on the introduction of GST.

On October 17, 2009, Sushil K Modi, then Deputy CM of Bihar demanded adequate compensation from the Centre. In his view, Bihar would lose Rs 600 cr since entry tax would get merged with GST and another Rs 260 cr as service tax from the Centre would be subsumed under GST. At that time, entry tax was imposed by the States and service tax was levied by the Centre and distributed to the States. Following this, on October 26, 2009, Rajnath Singh, President of BJP, opposed the GST regime stating that the trader organizations should also be considered before bringing forward any new laws.

Saurabh Patel, the then Minister of State for Finance and Industry, Gujarat, asked the Central Government on November 2, 2009 for the protection of industries under GST administration. He also wanted an open debate on GST and the list of exempted items.

Salient features of the GST model:

Salient features of the proposed model are as follows:

(I) the GST shall have two components: one levied by the Centre (referred to as Central GST), and the other levied by the States (referred to as State GST). Rates for Central GST and State GST would be approved appropriately, reflecting revenue considerations and acceptability.

(ii) The Central GST and the State GST would be applicable to all transactions of goods and Services made for a consideration except the exempted goods and services.

(iii) The Central GST and State GST are to be paid to the accounts of the Centre and the States individually.

(iv) Since the Central GST and State GST are to be treated individually, taxes paid against the Central GST shall be allowed to be taken as input tax credit (ITC) for the Central GST and could be utilized only against the payment of Central GST.

(v) Cross utilization of ITC between the Central GST and the State GST would not be permitted except in the case of inter-State supply of goods and services.

(vi) Ideally, the problem related to credit accumulation on account of refund of GST should be avoided by both the Centre and the States except in the cases such as exports, purchase of capital goods, input tax at higher rate than output tax etc.

(vii) To the extent feasible, uniform procedure for collection of both Central GST and State GST would be prescribed\ in the respective legislation for Central GST and State GST.

(viii) The States are also of the view that Composition/Compounding Scheme for the purpose of GST should have an upper ceiling on gross annual turnover and a floor tax rate with respect to gross annual turnover.

(ix) The taxpayer would need to submit periodical returns, in common format as far as possible, to both the Central GST authority and to the concerned State GST authorities.

(x) Each taxpayer would be allotted a PAN-linked taxpayer identification number with a total of 14/15 digits. This would bring the GST PAN-linke system in line with the prevailing PAN-based system for Income tax, facilitating data exchange and taxpayer compliance.

Benefits of GST

1. GST provide comprehensive and wider coverage of input credit setoff, you can use service tax credit for the payment of tax on sale of goods etc.
2. CST will be removed and need not pay. At present there is no input tax credit available for CST.
3. Many indirect taxes in state and central level included by GST, You need to pay a single GST instead of all
4. Uniformity of tax rates across the states
5. Ensure better compliance due to aggregate tax rate reduces.
6. By reducing the tax burden the competitiveness of Indian products in international market is expected to increase and there by development of the nation.
7. Prices of goods are expected to reduce in the long run as the benefits of less tax burden would be passed on to the consumer.

Indirect taxes included under GST

The following indirect taxes from state and central level is going to integrated with GST

11.1 State taxes

1. VAT/Sales tax
2. Entertainment Tax (unless it is levied by local bodies)
3. Luxury tax
4. Taxes on lottery, betting and gambling.
5. State cesses and surcharges in so far as they relate to supply of goods and services.
6. Entry tax not on in lieu of octroi.
7. Purchase tax (This is not sure still under discussion)

11.2 Central Taxes

1. Central Excise Duty.
2. Additional Excise Duty.
3. The Excise Duty levied under the medical and Toiletries Preparation Act
4. Service Tax.
5. Additional Customs Duty, commonly known as countervailing Duty (CVD)
6. Special Additional duty of customs- (SAD)
7. Surcharges
8. Cesses The above taxes dissolve under GST; instead only CGST & SGST exists.

Applicability of CGST and SGST

The applicability of taxes is as usual there would be a prescribed limit of annual turnover, also some goods and services are exempted under GST. Threshold for annual turnover for goods and services would be 10 lakh for SGST and threshold of CGST for goods may be 1.5 crore and service would have a separate threshold that too will be appropriately high. It is assumed that aggregate total of CGST & SGST would be 20%.

Impact of Goods and Service Tax

I. Food Industry

The application of GST to food items will have a significant impact on those who are living under subsistence level. But at the same time, a complete exemption for food items would drastically shrink the tax base. Food includes grains and cereals, meat, fish and poultry, milk and dairy products, fruits and vegetables, candy and confectionary, snacks, prepared meals for home consumption, restaurant meals and beverages. Even if the food is within the scope of GST, such sales would largely remain exempt due to small business registration threshold. Given the exemption of food from CENVAT and 4% VAT on food item, the GST under a single rate would lead to a doubling of tax burden on food.

II. Housing and Construction Industry

In India, construction and Housing sector need to be included in the GST tax base because construction sector is a significant contributor to the national economy.

III. FMCG Sector

Despite of the economic slowdown, India's Fast Moving Consumer Goods (FMCG) has grown consistently during the past three – four years reaching to $25 billion at retail sales in 2008. Implementation of proposed GST and opening of Foreign Direct Investment (F.D.I.) are expected to fuel the growth and raise industry's size to $95 Billion by 201835.

IV. Rail Sector

There have been suggestions for including the rail sector under the GST umbrella to bring about significant tax gains and widen the tax net so as to keep overall GST rate low. This will have the added benefit of ensuring that all inter – state transportation of goods can be tracked through the proposed Information technology (IT) network.

V. Financial Services

In most of the countries GST is not charged on the financial services. Example, In New Zealand most of the services covered except financial services as GST. Under the service tax, India has followed the approach of bringing virtually all financial services within the ambit of tax where consideration for them is in the form of an explicit fee. GST also include financial services on the above grounds only.

VI. Information Technology enabled services

To be in sync with the best International practices, domestic supply of software should also attract G.S.T. on the basis of mode of transaction. Hence if the software is transferred through electronic form, it should be considered as Intellectual Property and regarded as a service. And if the software is transmitted on media or any other tangible property, then it should be treated as goods and subject to G.S.T. 35 According to a FICCI – Technopak Report. Implantation of GST will also help in uniform, simplified and single point Taxation and thereby reduced prices.

VII. Impact on Small Enterprises

There will be three categories of Small Enterprises in the GST regime. Those below threshold need not register for the GST .Those between the threshold and composition turnovers will have the option to pay a turnover based tax or opt to join the GST regime.

Those above threshold limit will need to be within framework of GST Possible downward changes in the threshold in some States consequent to the introduction of GST may result in obligation being created for some dealers. In this case considerable assistance is desired. In respect of Central GST, the position is slightly more complex. Small scale units manufacturing specified goods are allowed exemptions of excise up to Rs. 1.5 Crores. These units may be required to register for payment of GST, may see this as an additional cost.

Exemption List of Goods

At the EC meet on November 23, 2013, the States rejected the GoI‟s proposal to include alcohol and petroleum in the GST and the power to notify declared goods.37 The States also argued for an independent mechanism to compensate the States for their loss of revenue. The States wanted special status for Jammu & Kashmir.

On December 19, 2013, Indian Council of Research on International Economic Relation (ICRIER) report38 on food processing industry in India mentioned the impact of GST on non alcoholic beverages. The report suggested that GST should treat food and non alcoholic beverages with uniform low tax. It also mentioned that fiscal and regulatory barriers should be removed to facilitate interstate movement of goods.

On February 3, 2014, P Chidambaram confessed that GST was unlikely to be passed in the interim budget session. In his interim budget speech of February 17, 2014, he identified GST as a key to augmenting State revenue and moving towards a modern tax regime.

The Indian National Congress (INC) released its election manifesto on March 27, 2014 in which it promised to pass the GST bill within a year, if voted to power.39 Aam Aadmi Party (AAP) put forth the idea of a tax system of „simplicity, transparency and certainty‟ without explicitly mentioning GST in the election manifesto released on April 4, 2015.40 In its election manifesto released on April 7, 2014, BJP mentioned that „simplifying and rationalising tax policy‟ was a priority. The BJP promised to bring on board all the States for the implementation of GST and address their concerns.41.

On May 26, 2014, Arun Jaitley became the Union FM following the general elections.42 He met the EC on June 10, 2014 where he emphasised that GST was a key policy of the new GoI to facilitate economic revival. At the EC meet on July 3, 2014, Andhra Pradesh FM Yanamala Ramakrishnudu brought up three concerns of the States. They were (i) the non receipt of CST compensation from the Centre since 2009-10, (ii) petroleum products, food, alcohol and tobacco to be kept out of the purview of GST and (iii) clarity on the roles of GDSA and FC.

In his pre budget meet with the EC on July 6, 2014, Arun Jaitley discussed four issues. They were (i) introduction of the 122nd CAB, (ii) release of the CST compensation package, (iii) proposal to merge service tax and Central excise duty into GST and (iv) effective Revenue Neutral Rate (RNR).43 On the same day, Microsoft, National Association for Software and Services Companies (NASSCOM) and Blackberry asked for clarity on GST and tax on software licenses.

In his Union budget speech on July 10, 2014, Arun Jaitley called for the speedy implementation of the GST.44 In a letter to the Union FM on August 6, 2014, the Madhya Pradesh CM Shivraj Singh Chauhan raised four concerns.45 He said that the 122nd CAB was a departure from the division of power between the Centre and the States as envisaged in the Constitution. He also said that timely compensation of CST was a concern. He asked the GoI to operationalize Article 268 A that has been inactive for the past ten years. He also hoped that the GST Council was a recommendatory body.

On November 17, 2014, the GoI agreed to include compensation to the States in the 122nd CAB. Arun Jaitley floated a draft Cabinet note on the 122nd CAB for inter ministerial consideration.46 It was decided that further discussion was required to determine (i) RNR for GST and (ii) threshold limit for imposing GST on small traders. On December 1, 2014, the Finance Ministry came out with a roadmap for GST implementation.47 It was decided that the 122nd CAB would be tabled in the winter session of the Parliament. The operationalization of the GST was decided to be from April 1, 2016.

The 14th FC was commissioned to look into indirect taxation issues. The subcommittees attached to the Finance Ministry looked into the RNR and suggested a rate of 27 per cent. At the EC meet on December 11, 2014, the States rejected the 122nd CAB. The States welcomed the GoI‟s announcement to release the CST compensation of Rs 11,000 cr and asked the compensation clause to be included in the 122nd CAB. They also argued for petroleum products, stamp duties and alcohol to be kept on the exemption list.

On December 13, 2014, Arun Jaitley met with the EC to resolve the contentious issues. Maharashtra FM asked the service tax coming from Mumbai to be kept out of GST. Gujarat had apprehensions about the compensation package. The meet ended inconclusively. On December 15, 2014, the Fourteenth FC submitted its report to the President on its recommendations on various issues including GST. In a meet with EC again on December 17, 2014, to resolve the impasse, the following proposals were put forth by Arun Jaitley. On the compensation package, GoI agreed to pay compensation to the States for five years beginning from 2009-10. This payment was to be made in three phases. On keeping the petroleum products out of GST, GoI rejected the States‟ demand and decided to keep it within GST with „nil‟ rate. GoI also agreed to keep alcohol out of GST.

On December 18, 2014, the Union Cabinet gave its approval to the 122nd CAB on GST.48 The bill envisaged (i) all indirect taxes to be subsumed under the GST, (ii) all petroleum products and real estate transactions to be brought under the GST and (iii) the compensation clause for CST for the first five transitional years to be included in the draft bill.

CONCLUSION:-

GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. GST is leviable on all supply of goods and provision of services as well combination thereof. All sectors of economy whether the industry, business including Govt. departments and service sector shall have to bear impact of GST. All sections of economy viz., big, medium, small scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GST. One of the biggest taxation reforms in India – the Goods and Service Tax (GST) -- is all set to integrate State economies and boost overall growth. GST will create a single, unified Indian market to make the economy stronger. Experts say that GST is likely to improve tax collections and Boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions.

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