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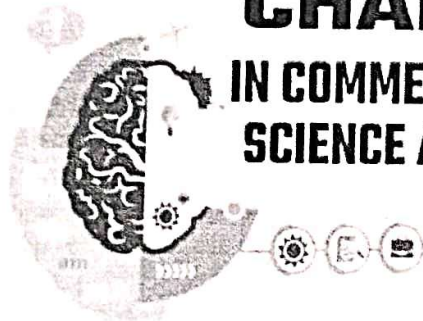
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## **INNOVATIONS AND CHALLENGES**

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## **GST and Indian Economy : Introduction to GST**

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### **Introduction to GST( Goods and Service Tax) :**

#### **An One Nation One Tax regime**

The largest democracy in the world has achieved its dream to become a nation having only one tax system i.e. Goods and Services Tax. Prime minister of India Mr. Narendra Modi in his speech had assured that we should have a unique and one taxation system i.e. one nation one tax. Practically some products like petroleum are excluded from GST Taxation but near about All Goods and Services are under GST System.

As we all know that before introduction of GST we had to pay several taxes on the various types of Goods and services which resulted in the high price of the commodities and services at large. Sales Tax, Value Added Tax, CENVAT, Service Tax, Wealth Tax, Gift Tax etc. are some of the taxes levied on Goods and Services, which made the taxation system complex. Now as there is only one tax on the Goods you purchase or services you receive, it help you simply to understand the GST taxation system, GST Act has enacted in 2016. GST Council is formed to decide the rate, Level and other matters regarding centre and state government.

#### **Classification of GST:-**

Basically GST has been classified in three sub-categories –

##### **a) CGST:-**

It is called as Central Goods and Service Tax or CGST, which is levied and collected by Central Government on intra-State supplies of goods / services in India.

##### **b) SGST:-**

It is called as State Goods and Service Tax or SGST, which is levied and collected by State Government on intra-State supplies of goods / services in India.

##### **c) IGST:-**

It is called as Inter-state Goods and Service Tax. IGST is levied by Central Government and distributed among the states in proportion. IGST levied & collected by the Centre applicable to Inter-State supplies of goods / services in India, Inter-State stock transfers of goods, Import of goods / services, Export of goods / services (if made on payment of GST under claim of rebate)

#### **All goods or services likely to be covered under GST except:**

- Alcohol for human consumption - State Excise + VAT
- Electricity - Electricity Duty
- Sale / purchase of Real Estate - Stamp Duty + Property Taxes
- Five specified petroleum Products – to be brought under GST from a later date on recommendation of GSTC
- Tobacco Products – under GST + Central Excise

#### **GST Council(GSTC) :-**

GST Council has been constituted by President of India as per Article 279(A) after constitutional amendment. Finance Minister is a Chairperson of GSTC. Presently FM Nirmala Sitaraman is the Chairperson of the GSTC. It also consists of Union MOS (Revenue) also Ministers in charge of Finance / Taxation of each State Council is to make recommendations on Taxes, etc. to be subsumed in GST Exemptions & thresholds, GST rates, Band of GST rates Model GST Law & procedures. GST



Council constituted w.e.f. 12.09.2016. Seven Meetings held so far is a legitimate and apex body concerning the issues related to GST. Every Indian state and union territories

Tax rates

- Four tax rates namely 5%, 12%, 18% and 28%
- Some goods and services would be exempt
- Separate tax rate for precious metals
- Cess over the peak rate of 28% on specified luxury and sin goods

**Benefits of GST To Trade**

1. Reduction in multiplicity of taxes
2. Mitigation of cascading/ double taxation
3. More efficient neutralization of taxes especially for exports
4. Development of common national market
5. Simpler tax regime
  - i) Fewer rates and exemptions
  - ii) Distinction between Goods & Services no longer required

**Advantages of GST To Consumers:-**

1. Simpler Tax system
2. Reduction in prices of goods & services due to elimination of cascading
3. Uniform prices throughout the country
4. Transparency in taxation system
5. Increase in employment opportunities

**GST Return Filing:-**

Normal taxpayers, composition taxpayers, Casual taxpayers, non-resident taxpayers, TDS Deductors, Input service Distributors (ISDs) to file separate electronic returns with different cut-off dates. Annual return is to be filed by 31st December of the following Financial Year along with a reconciliation statement. Short-filed returns not to be treated as a valid return for matching & allowing ITC and fund transfer between Centre and States. Tax Return Preparers scheme to assist taxpayers mainly in filing of returns. Time limit for refund of tax or interest is two years.

**Impact of GST on Indian economy :**

The GST rollout, with a single stroke, has converted India into a unified market of 1.3 billion citizens. Fundamentally, the \$ 2.4 – trillion economy is attempting to transform itself by doing away with the internal tariff barriers and subsuming central, state and local taxes into a unified GST.

The idea behind implementation of GST is that it would offer a win-win situation for everyone. Manufacturers and traders would benefit from fewer tax filing, transparent rules and easy book-keeping. Consumer would be paying less for the goods and services, and the government would generate more revenues as revenue leaks would be plugged but the ground realities are vary. From the viewpoint of consumers, they would now have pay more tax for most of the goods and services they consume. The majority of everyday consumables now draw the same or a slightly higher rate of tax. The GST has cost compliance attachment but it will be prohibitive and high for small scale manufacturers and traders, who have also protested against the same.

If we discuss about the long-term benefits of GST, it is expected that GST would just not mean lower tax rates but minimum tax slabs. Currently in India, we have 5 slabs and 3 rates- an integrated rate, a central rate and a state rate. In addition to these, a cess is also levied. The fear of losing out on revenue has kept the government from gambling on fewer or lower rates. This is very unlikely to see a shift anytime soon; though the government has said that rates may be revisited once the RNR( Revenue Neutral Rate) is reached.

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**Summery :**

In and all the GST is the best taxation system if implemented with considering the nature of Indian economy and Indian market structure. On priority , it is up to the government to address the capacity building amongst the lesser -endowed participants, such as the small-scale manufacturers and traders. Ways have to be found for lowering the overall compliance cost, and necessary changes may have to be made for the good of masses. GST will become good and simple, only when the entire country works as a whole towards making it successful.

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