Available online www.jsaer.com

***Journal of Scientific and Engineering Research*, 2022, 9(6):41-44**

Review Article

ISSN: 2394-2630
CODEN(USA): JSERBR

A Study on Importance of GST in India

Dr. Shreekant Vyas

Assistant Professor (ABST), Govt. M.S. College, Bikenar (Rajasthan)

Abstract GST is a multi-stage, all-inclusive tax system that is used to tax the sale of both goods and services. This taxation scheme, which is used throughout India, is primarily intended to reduce the cascading effect of other indirect taxes. The term "Goods and Services Tax" (GST) is used. The value added tax, service tax, purchase tax, excise duty, and other indirect taxes were all replaced by it when it was put into existence. India charges a tax known as GST on the supply of some goods and services. In India, there is just one tax that is levied.

Keywords GST, importance

Introduction

Decoding the GST definition is simple. It is a multi-stage, destination-based tax that is assessed at every point where value is added. The country's numerous indirect taxes have been replaced, and this has enabled the Indian government carry out its 'One Nation One Tax' objective.

On products and services sold for domestic consumption in India, a tax is imposed. The tax, which has been enacted by the vast majority of countries with appropriate customizations, has been successful in streamlining India's indirect taxes system.

Internally produced products and services are subject to GST, which is based on the final market price, which reflects the highest retail price. Customers must pay this tax as part of the total cost of the goods or services they purchase. It is first needed to be paid to the government after being collected by the seller, implying an indirect incidence.

The GST rates on various goods and services are applied consistently across the nation. However, different tax slab rates have been assigned to different categories of goods and services. While basics are included in lower and zero slab rates, luxury and comfort items are categorized under higher slab prices. The primary goal of this classification is to guarantee an equitable distribution of income among Indian citizens.

History of GST

On July 1st 2017, the Goods and Services Tax implemented in India. But, the process of implementing the new tax regime commenced a long time ago. In 2000, Atal Bihari Vajpayee, then Prime Minister of India, set up a committee to draft the GST law. In 2004, a task force concluded that the new tax structure should put in place to enhance the tax regime at the time.

In 2006, Finance Minister proposed the introduction of GST from 1st April 2010 and in 2011 the Constitution Amendment Bill passed to enable the introduction of the GST law. In 2012, the Standing Committee started discussions about GST, and tabled its report on GST a year later. In 2014, the new Finance Minister at the time, Arun Jaitley, reintroduced the GST bill in Parliament and passed the bill in Lok Sabha in 2015. Yet, the implementation of the law delayed as it was not passed in Rajya Sabha.

GST went live in 2016, and the amended model GST law passed in both the house. The President of India also gave assent. In 2017 the passing of 4 supplementary GST Bills in Lok Sabha as well as the approval of the same by the Cabinet. Rajya Sabha then passed 4 supplementary GST Bills and the new tax regime implemented on 1st July 2017.

Objective of GST

The following are the key objectives of Goods and Services Tax:

- To minimise the cost
- To enhance the productivity and efficiency
- To make taxation simple by eliminating multiple tax system
- Enhances the compliances with businesses
- To improve the country's revenue
- To make 'One Nation, One Tax'
- To replace majority of indirect taxes
- To widen taxpayer base in India
- To decrease the cascading effect of taxes

Working of GST

- **Manufacturer**: The manufacturer will have to pay GST on the raw material that is purchased and the value that has been added to make the product.
- **Service Provider**: In this case, the service provider will be responsible for paying GST on both the product's purchase price and the value added to it. However, the manufacturer's tax payment may be deducted from the total GST that must be paid.
- **Retailer**: It must be paid by the retailer on both the product they bought from the distributor and the margin they added. However, the retailer's tax payment may be deducted from the total amount of GST that must be paid.
- **Consumer**: GST must be paid on the product that has been purchased.

Types of GST

There are four different components of GST such as CGST, SGST, IGST, and UTGST.

1. **CGST**: Central Goods and Services Tax is charged on the intra state supply of products and services.
2. **SGST**: State Goods and Services Tax like CGST, is charged on the sale of products or services within a state.
3. **IGST**: Integrated Goods and Services Tax is charged on inter-state transactions of products and services.
4. **UTGST**: Union Territory Goods and Services Tax is levied on the supply of products and services in any of the Union Territories in the country, viz. Andaman and Nicobar Islands, Daman and Diu, Dadra and Nagar Haveli, Lakshadweep, and Chandigarh. UTGST is levied along with CGST.

GST Rates

The GST Council has assigned GST rates to different goods and services. While some products can be purchased without any GST, there are others that come at 5% GST, 12% GST, 18% GST, and 28% GST. GST rates for goods and services have been changed a few time since the new tax regime was implemented in July 2017.

Table 1: GST Rates

Items	GST rates
Mobile Phone	18%
Sanitizer	18%
Gold Jewellery	3%
Two wheeler	28%
Car	28%

Exempted from GST

The following are the goods that are exempted from GST payments:

Table 2: Exempted Goods from GST

Tools or instruments	Tools for differently abled individuals, agricultural tools, etc.
Raw materials	Handloom fabrics, unprocessed wool, cotton for khadi yarn, raw jute fiber, raw silk, etc.
Food item	Vegetables and fruits, meat, fish, cereals, etc.
Miscellaneous	Books, newspaper, journals, vaccines, map, non-judicial stamps, etc.

Advantages of GST

The following are the advantages of goods and services tax in India**:**

- Regulation of the unorganized sector
- E-commerce operators no longer suffer from differential treatment
- Fewer complications
- Composition scheme
- Registration process and filing of returns are simple
- Higher threshold
- Elimination of the cascading tax effect

Conclusion

GST has been so designed that credit of taxes paid at every stage of value addition from the point of manufacture to the point of consumption, can be availed at the next stage. GST is essentially a tax on value addition, and there is a seamless transfer of input tax credit across the value chain. GST will simplify and harmonise the indirect tax regime in the country. It is expected to reduce the cost of production and inflation in the economy**,** thereby making Indian trade and industry more competitive, domestically as well as internationally. It is also expected that the introduction of GST will foster a common or seamless Indian market and contribute significantly to the growth of the economy. Further, GST will broaden the tax base**,** and result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.

References

[1]. Benedict K., 2011, The Australian GST regime and financial services: How did we get here and where are we going?, E Journal of Tax Research, Volume 9, (Issue 2), Page 174-193

[2]. Central Statistical Organisation (2008): "National Account Statistics", GOI, Ministry of Statistics & Programme Implementation, Central Statistical Organisation, New Delhi.

[3]. Chadha, Rajesh, Sanjib Pohit, Alan Deardorff and Robert Stern (1998): "The Impact of Trade Policy Reforms: A CGE Modeling Approach", University of Michigan Press.Chen and Mintz (2003): "How Canada's Tax System Discourages Investment". No. 68, C.D. Howe Institute.

[4]. Direct Taxes Code, 2010, Bill No. 110 of 2010.

[5]. Eugene D. and Marius H. and Florin B. and Cornel D., 2011, The Value Added Tax and the Evasion Chain of Intra Communitarian VAT, Annals of the University of Oradea, Volume 1, (Issue 2), Page 347-353

[6]. Eva S., 2008, Cost Effectiveness of paying Value Added Tax from the viewpoint of businesses, International Journal of Economic Sciences and Applied Research, Volume 2, (Issue 2), Page 87-94

[7]. Fathi B. and Esmaeilian M., 2012, Evaluation of Value Added Tax and Tax Evasion, Current Research Journal of Economic Theory, Volume 4, (Issue 1), Page 1-5

[8]. Grigore M. and Gurau M., 2012, EU Comparison of VAT, Lex ET Scientia, Volume 19, (Issue 1), Page 170-180

[9]. Muntean M., 2010, Initiatives of European Union's Council on the Value Added Tax, Studies and Scientific Researches, Volume 15, Page 105-107

[10]. Ramona M., 2012, Taxation of financial sector after the crisis in the European Union, The Journal of faculty of economics, Volume 1, (Issue 2), Page 477-482

[11]. Saeed A. and Ahmad A. and Zaman K., 2012, Validity of the Value Added Tax in the SAARC region, The Romanian Economic Journal, Volume 45, Page 143-170