

“Fundamental Concept, Impact and Need of Goods and Service Tax in Present Tax Structure in India”

Dr. Ashwin H. Solanki

Assistant Professor, Department of Business Management,
Saurashtra University, Rajkot

Mr. Nishit V. Davda

Assistant Professor, Dr. Subhash Mahila Arts,
Commerce and Home Science College, Junagadh

Abstract

In this research paper an analysis has been done on Goods and Service Tax in India. Researcher has discussed fundamental concept of GST, impact of GST in current tax structure in India and is it rational for India to move towards GST? In 1954 France was the first country to introduce GST in their tax structure. Presently almost 140 countries have adopted this tax in their tax system. In our country our former finance minister Shri P. Chidambaram has given an idea to introduce GST in his union budget 2006 - 2007. In India there are many direct and indirect taxes are present but out of all GST is the only indirect tax that would affect all section and all sector of the Indian economy. This indirect tax would affect both corporate sector and our own economy. GST will give boost to our economy to grow faster. Implementation of GST will make our tax structure simple. It will harmonize the tax structure. It is also estimated that the cost of goods and services would be decreases. National and international trading activity in our country will also get improved. In this research article, the author have started with introduction than after fundamental concept of GST and then after author tried to emphasize the impact of GST and lastly attempt has been made to discuss that is it rational for India to move towards GST.

Keywords: Implementation, GST, Tax structure, Harmonize, Fundamental

Introduction

Government of India has taken a very important step to introduce Goods and Service Tax in Indian indirect tax structure. It would prove to be indirect tax reforms in Indian tax structure. GST will indeed to be very important and logical steps towards the perfection in indirect tax reforms in our country. Introduction of this tax would result in combining of central taxes and state taxes in to a single one. If we see on customer point of view, the main benefit of this tax is that it would reduce the overall tax burden on goods and service in our country. Means it would make the cost of Indian product cheaper and competitive in national as well as international market because there would be no chance of multiplicity of taxes. It would also make Indian tax structure simpler. In India from 1st April, 2010, government had attempted their best to introduced GST in our current indirect tax structure but still implementation is not yet declared. The law relating to GST is still under process.

Gst Concept:

Government has taken a very good step to implement VAT in India if it is chief improvement over the pre existing tax than GST would definitely be the next logical step towards

indirect tax reforms in India. After the proper discussion it was decided that there would be a Dual GST in India. Means tax can be levied by both central and state government. There will two types of GST laws at central level it called (CGAT) and at state level it is called (SGST). There seems to have different tax rates at both the level which is depend on the based on the need, location and resources of each state. If we say about the nature of GST than we can say that GST will include excise duty, countervailing duty, service tax, and state level VATs among others. In GST system of tax, the cost of tax will be less as compared to the current one the customers have to bear less and certain amount of tax so that GST will reduce the average tax burdens on the customer. We can say that implementation of GST is a big leap towards corruption free Indian revenue service. Implementation of GST will not only reduce tax at customer view point but also it may increase the revenue to central and state level. It also motivates the tax payer to pay tax regularly and gradually avoidance of tax is to be decreased. Further it is estimated that after implementation of GST our GDP would increase up to 2 percent.

Impact of GST in India:

Introduction of Goods and Service Tax will have many impacts on consumer, producer, corporate world and Indian economy. We have discussed some of them here below.

- GST is a kind of transparent tax and after introduction of this tax many indirect taxes would be reduced.
- The cost of production and monetary value of service would be decreased after implementation of GST.
- Uniform tax structure should be created in our country if this tax will be introduced in our tax system.
- In our country there will not be any hidden taxes and cost of doing business will be decrease so competitiveness in the market also is increases.
- The possibility of national level business and international level trading activity will be increases.
- Under this tax, burden on manufacturing and providing services will be divided equally.
- Introduction of GST will decrease the tax load on manufacturer and promote the growth through more production.
- Under this tax, the price of the product will be decrease and consumption of goods will increase.
- Under this tax, multiplicity of tax will no longer be present and provide uniformity in tax structure.
- It is probable that GST will reforms tax structure and ultimately our GDP will be increase up to 2 percent and make our economy will be stronger.
- After this tax reforms Indian revenue collection will get a boost up and our economy will grow faster.
- Under this tax reforms, fiscal deficit of our country will be corrected at some percentage.

Does It Rational To Move Towards GST?

Currently, in India the central government levy excise duty on manufacturing of goods and it levy service tax on the supply of services. And then after Indian tax authority give powers to the state government to levy sales tax or VAT on the sales of goods. Because of this both the tax in India multiplicity of indirect taxes has been found in the country. This multiplicity of taxes by central government and state government has resulted in a complex indirect tax structure in India. Because of this multiplicity of taxes the hidden costs of industry goods industries.

It is also found that in India there is no uniform tax structure and rates in all the state in India. And due to the complex tax structure cascading of taxes is found. Means tax on tax which resulted in increase in the price of service and goods

in the whole country. Because of cascading of tax, tax avoidance is indirectly motivated. Further in Indian tax structure no proper system of credit is available at an initial stage.

If GST will be presented in Indian tax structure than it would make a clear departure from the scheme of distribution of fiscal powers of both state and central government. There state and central government will be given power to levy tax across the value chain from the initial stage to the final stage.

Goods and service tax will simplify the indirect tax in India. It will harmonize the indirect tax structure. It is predicted that the cost of goods produced in India and Indian cost of providing services would decrease. It will make Indian trade market become more competitive. Domestic trade and international trade of the country will get boost. It is also predicted that Indian economy will grow significantly by applying the GST in Indian tax structure.

Introduction of GST in our country will broaden the tax structure which resulted in payment of tax will be small amount and ultimately government will get more revenue from indirect tax. It is very clear that GST will make administration of tax easier and it also has some transparent feature which would lead it to be implanted in our tax reforms.

Conclusion:

At last researcher want to convey one message that in India from 1st April, 2010, government had tried their best to introduced GST in our current indirect tax structure but in India still active discussion had been taken place about the implementation of GST, some legal issues and some administrative issue related to GST are going on between central, state government and between various committees. Looking to the simplicity, uniqueness, easier to administer, transparent feature and benefit of GST it would rightly say that our government should implement this tax in our tax structure.

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