

UNIT – II

Introduction and Historical Back Round of GST:

Introduction The tax structure prior to Goods and Service Tax (GST) was tedious and complex with so many types of indirect taxes that were levied by the Central and State Governments of India on for availing the services such as Entertainment Tax (for watching movies), Value Added Tax (on purchasing goods and services), excise duties, luxury tax et cetra. The levying of tax is done on both direct taxes and indirect taxes by both State and Central Government. Thus, to forgo the tediousness and to have a unified law by subsuming duties levied on services such as ‘custom duty, excise duty, service tax, sales tax, VAT’ the central government came up with Goods and Service .

The introduction of Goods and Services Tax (GST) is a very significant step in the field of indirect tax reforms in India. In the pre GST regime, there was multiplicity of indirect taxes. The central excise duty and service tax was levied by the Central Government, while VAT and Entry Tax was levied by the State Government. Moreover, there was cascading effect of taxes, i.e. tax on tax, at various stages as credit of taxes levied by one government was not available against payment of taxes...

Understanding Goods and Services Tax

- 1: Historical Background for implementation of GST in India Goods and Services Tax i.e. GST has been in the news for numerous reasons during the last decade be it the game changing concept in the history of Indian Economy or which GST Approach should be preferred i.e. common GST or Dual GST or whether Indian political system has the required will and common approach for implementation of GST and discussion has gone to the extent of deciding that whether it would anytime be implemented in India or not. What exactly is Goods and Services Tax, popularly known as “GST”. The Report of the Task Force on “Goods and Services Tax Thirteenth Finance Commission” referred to the report of the Task Force on “Implementation of the Fiscal Responsibility and Budget Management Act, 2003” as follows: “Accordingly, the Task Force recommended that a well designed destination-based value added tax on all goods and services is the most elegant method of eliminating distortions and taxing consumption. Under this structure, all different stages of production and distribution can be interpreted as a mere tax pass-through, and the tax essentially ‘sticks’ on final consumption within the taxing jurisdiction. Therefore, the Task Force recommended

the introduction of a destination based VAT type dual Goods and Services Tax (hereafter referred to as 'GST')." Some of the relevant extract of speech of Hon'ble Finance Minister Shri Arun Jaitley while presenting the 122nd Constitutional Amendment Bill in Lok Sabha highlighting the features of GST is as follows: "The object behind the GST is to have a seamless transfer of goods and services across the country. Let there be no tax on tax. On the destination principle, the tax is at the last stage. Just as in the case of VAT which was the fear of the unknown that will go down, the Centre benefited, the States benefited. We will address the concerns of each State. We will ensure that their rights are preserved. No State is a loser.

It is unquestionably a very important moment because the whole process of indirect taxation in India will change once the GST itself is implemented. There will be uniformity to taxation as far as the whole country is concerned. There will be a seamless transfer of goods and services. The other important feature of this taxation is that there would be no tax on tax. It may bring inflation slightly down. Economists estimate that it has a potential to give a boost to India's GDP itself." Therefore, GST is a destination based Multipoint Tax system covering in its ambit both Goods and Services. All stages of production and distribution are held as mere pass through wherein tax paid is given as a credit to be adjusted against the liability to be paid at the next stage and tax finally "sticks" or gets added to the cost at the final consumption stage in the taxing jurisdiction. It has been further described as a destination based VAT Type dual Goods and Services Tax. There are so many questions which arises to a common mind and some of them are a) What is GST b) How it is different from present structure of Taxes at Central and State Level c) Is it really a magic stick which would bring about a boon as soon as it is implemented d) What is the impact of DUAL GST and is it really the best available option e) How will it be implemented

GOODS AND SERVICE TAX IN INDIA: A SWOT ANALYSIS Seema Devi Goods and Service Tax (GST) is a Value Added Tax (VAT), which hypothetically to be put into effect from April 2010, but because of conflicting interest of stakeholders and various political controversies it has been passed in both Houses of Parliament on Aug. 3, 2016.

- GOODS AND SERVICE TAX IN INDIA: A SWOT ANALYSIS

- Goods and Service Tax (GST) is a Value Added Tax (VAT), which hypothetically to be put into effect from April 2010, but because of conflicting interest of stakeholders and various political controversies it has been passed in both Houses of Parliament on Aug. 3, 2016. It alone indirect tax which influence the whole economy directly. It is aspiring as iron out wrinkles of current indirect taxes and has a far-reaching impact on GDP. India is a centralized constitutional economy. GST is applicable on all States and Union territories, known as CGST (Central Goods & Services Tax) and SGST (State Goods & Services Tax). The ill effects of cascading can be mitigated after tie up the central and states taxes in solitary tax. The economy is expected to pave the way of common national market as it will provide benefits to consumer by reducing overall tax burden of goods, which is currently estimated at 25% to 30%. Thus, introduction of Goods and Service Tax (GST) is a gigantic tax transform in contemporary ancient times.
- Ignorance of law is no excuse but is liable to penal provisions, hence why not start learning GST and avoid the cost of ignorance. We all need to know, whether GST is willingly or imposed. This paper describes a brief introduction of current indirect tax structure and GST in India. What are challenging factor in implementation and what can be the opportunities of GST in India.

The era of British rule was eyewitness of significant changes in taxation system of India. Despite the fact, it was extremely benefiting the British government but it provides a base to modernized and scientific taxation system. The Britishers divide Indian taxation system in Direct and Indirect taxes. With the passage of time various amendments has been done for perfecting Indian taxation system. Presently, following taxation system is applicable in India GST in India In 2000, Vajpayee Government initiated groupthink on GST in India. But due to incompatible stakeholder's interests and political differences, its journey passes through numerous ups and downs. At the last, the day come and written in golden words in Indian taxation history. In December, 2014 the Constitution 122th bill was passed in Lok Sabha which make possible execution of GST from April, 2017. But in the interest of politicians, it was passed on Aug. 3, 2016 in Rajya Sabha.

Following is the proposed GST structure in India: i. The GST will substitute the following taxes currently levied and collected by the Centre: a) Central Excise duty b)

Duties of Excise (Medicinal and Toilet Preparations) c) Additional Duties of Excise (Goods of Special Importance) d) Additional Duties of Excise (Textiles and Textile Products) e) Additional Duties of Customs (commonly known as CVD) f) Special Additional Duty of Customs (SAD) g) Service Tax ii. The GST will incorporate following State Taxes: a) State VAT b) Central Sales Tax c) Taxes on advertisements d) Purchase Tax e) Entry Tax in lieu of octroi f) Entertainment Tax (not levied by the local bodies) g) Taxes on lotteries, betting and gambling h) State cesses and surcharges insofar as they relate to supply of goods and services i) Luxury Tax

What is SWOC Analysis?

SWOC analysis is a strategic planning method used to research external and internal factors which affect company success and growth. Firms use SWOC analysis to determine the strengths, weaknesses, opportunities, and challenges of their firm, products, and competition.

Strengths of Goods and Service Tax in India

- 1) It will dropping out the cascading effects of tax on production and distribution of goods and services which will competitiveness and consequently, GDP will increase.
- 2) It will apply all goods and services except some exempted products.
- 3) Tobacco is not exempted from the area of GST. It is treated as Sin goods and come under the taxation with central excise tax.
- 4) Natural gas, Aviation Turbine Fuel (ATF), High Speed Diesel (HSD), Crude oil, Petrol products are exempted till the GSTC (Goods and Service Tax Council) discloses date of their formation.
- 5) Alcohol, real estate, custom duty and electricity are exempted from GST. (Proposed article, 366 (12A).
- 6) GST would be dual taxation system. It would be charged intra-State by Central and State governments. It would be called CGST (Central Goods and Service Tax) and SGST (State Goods and Service Tax).

Weaknesses of GST System in India

- 1) The doorstep goal is very ground level for traders and service providers. It will raise appropriation of government ways and means which are costlier than government's revenue.

2) GST is a subsume of various States and Central taxes like excise duty, cess, service tax, countervailing duty etc., but many more are left which should be included like electricity, alcohol etc.

3) GST for States and Central (SGST, CGST) seems to be different, further it can be diversified on the basis of location, geographical structure etc.

4) The tax rate is depends upon availability of fund in States. The States has power to increase the rate according to their need.

5) This system is very fond of technology, but India is a developing country where people are not habitual of technology.

Opportunities of GST in India

1) The rates of tax are set at ground level which will help States and Unions to collect more revenue. 2) It will reduce the transaction costs and wastages of scare resources because at a one registration people can do transactions from States and Unions. So, it will connect the whole nation from a single.

3) In indirect tax structure multiple taxes were charged from taxpayers. But GST will eliminate the taxes on chain of transactions.

4) GST is also known as “One Point Single Taxation System”. This is a helping hand for businessman’s, they can come to agreement on price modalities, supply chain etc., without thinking too much about taxes imposed on them at later stages.

5) GST will reduce average tax burden of consumers. They will be certain about their taxes which will reduce evasion of taxes.

Threats of GST in India

1) Inter-States supply of goods and services are considered as import and IGST will be applied (1%) in addition to custom duties.

2) The Central government promised for compensation to loss making States for a period of 5 years. The compensation will be as: 100% for first 3 years, 75 % for 4th year and 50% for 5th year. So, it is possible that all States does not implement it in effective manner to get compensation.

3) GST is not friendly with banking sector. Because the cost of goods become cheaper after GST and it will promote export. Presently, 14% service tax is being levied on banking transactions. GST will make these transactions more costly. Over and above, in most of countries banking sector is excluded from GST.

4) GSTC (Goods and Service Tax Council) will set the benchmark for resolving the dispute on recommendations of GSTC. It means GSTC will lay down the criteria for GSTC itself. It is against the principle of natural justice. 5) GST is not a guarantee in itself that it would not be influenced by political parties and politicians will not use it as a win-loss game.

What is CGST, SGST, IGST AND UTGST? Compensation made to the state for loss of revenue

Conclusion

Goods and Service Tax (GST) GST is an indirect tax throughout India to replace taxes levied by the Central and State Government. The very concept of the GST was initially adopted by France and over 160 countries have adopted and implemented GST. It was brought in by 101st amendment to the Constitution of India, following the passage of the Constitution 122nd Amendment Bill. On 1st July 2017 GST took force, having its head quarters located at Delhi. The GST is governed by the GST council and its chairman is Union Finance Minister of India and it is applicable to all over India including the state of Jammu and Kashmir. According to GST Act, the goods and services are taxed at the rate of 0%, 5%, 12%, 18% and 28% with cess on luxury goods and 3% special rate on precious metals such as gold.

Background and necessity of the GST

2003 – The Vajpayee government formed a task force under Vijay Kelkar to recommend tax reform. 2005 – The 12th Finance commission headed by Kelkar committee recommended rolling out GST.

Challenges of previous Act(s) The challenges under the previous indirect tax structure could be attributed to Central Excise wherein there were variable rates under Excise Duty such as 2% without CENVAT 6%, 10%, 18%, 24% and 27%, coupled with multiple valuation system where the collection of CENVAT on domestically produced goods as well as the additional duty of customs on imported goods. While input tax credit of CENVAT or additional duty of custom paid on goods was available to service provided paying service tax, they were unable to neutralize the state VAT or other state paid on their purchase of goods. Further, under VAT, different states were changing VAT at different rates, which were resulting in imbalance of trade between the states and also lack uniformity in terms of tax payment.

Also, interstate sale of goods was liable to the central sales tax levied by the centre and collected by the states and this couldn't be set off against VAT in many situations. State Government also levied and collected a variety of other indirect taxes such as luxury tax, entertainment tax etc for which no set off is available. 2016 – Amendment made to the Constitution of India Insertion of Article 246 A Special Provision with Respect to Goods and Services Tax – Bringing an Amendment to the Article 246, the following is inserted as Article 246 A – State(s) of the Nation – The Legislature of the every State, have power to make laws with respect to GST tax imposed by the Union or by such State. Inter-State Trade and Commerce – the power is vested only with the parliament to make laws with respect to the GST of Inter-State Trade and Commerce. Insertion of Article 269 A Goods and service tax on supplies in the course of interstate trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between Union and the State. Appropriation of the State shall not be a part of consolidated fund in India. State Tax collected and used in payment of the State Tax is also not a part of consolidated fund in India. State Tax collected by State used in payment of State tax shall not be part of consolidated Fund of State. Insertion of Article 279 A The amended Article shall be known as 279A further, this shall be known for GST Council. Members to the Council – Union Finance Minister Union Minister of State in charge of Revenue or Finance Member The Minister in charge of Finance or Taxation or any other Minister nominated by each State Government Members The appointed members of the council shall make recommendations to the Union and the States. Insertion of Article 286 A The sale or purchase of goods where such sale or purchase takes place the words the supply of goods or of services or both, where such supply takes place shall be substituted and the word goods includes both goods and services.

What is CGST, SGST, IGST AND UTGST? CGST CGST is the component of GST that will be levied by the central government on all items, both goods and services. It only appears to intra state. SGST State GST is the component of GST that will be levied by the state government on all items, both goods and services. It only applies to intra state trade. IGST Integrated GST is the component of GST that will be levied by the central government in case of interstate trade. It's applicable on all items, both goods and services. UTGST Union territory SGT is applicable on all the goods and services availed in the union territory. Compensation made to the state for loss of revenue Parliament shall, by law, on the recommendation of the Goods and Service Tax Council, provide for compensation to the States for loss of revenue arising on account of implementation of the goods and service tax for a period of 5 years.

Conclusion An Indirect Tax is collected by an intermediary from the person who bears the unlimited economic burden of the tax. The taxpayer has an undeniable duty for paying the tax to support the society and further, the burden of indirect tax can't be waived off to others. An indirect tax may increase as the price of a goods goes up which states that the consumer are actually paying the tax as and when any services being availed by an individual. Since 2017 (after implementing Goods and Service Tax), the central government holds control over the GST and further, the council also tracks and governs the movement of goods within the state and interstates and also gives power to the State(s) of the country to amend the structure of law, to collect and consolidate the fund with the central government. By this way every individual of the nation becomes responsible and becomes a part in making the contribution to the welfare of the society. Tags: goods and services tax, GST.

Rates of GST:

primary GST slabs for any regular taxpayers are presently pegged at 0% (nil-rated), 5%, 12%, 18% & 28%. There are a few lesser-used GST rates such as 3% and 0.25%. Also, the composition taxable persons must pay GST at lower or nominal rates such as 1.5% or 5% or 6% on their turnover.

Tax Rate Slab	Products
0%	Milk, unbranded atta, unbranded ...
5%	Household items like edible oi ...
12%	Computers, processed food item ...
18%	Personal Care items like hair ...

The GST to be levied by the Centre on intra state supply of goods and / or services is Central GST ([CGST](#)) and that by the States is State GST ([SGST](#)). On supply of goods and services outside the state, Integrated GST ([IGST](#)) will be collected by Centre. IGST also applies on imports as well.

Transaction	Erstwhile taxation laws - GST - levies	Analysis
	levies	

Sale within the state	Value Added Tax (VAT) & Excise / Service Tax	CGST & SGST	Under GST, a transaction of sale within the state shall have two taxes, SGST which share is taken by the state and Central GST which goes to the centre.
Sale outside the state	Central Sales Tax (CST) & Excise / Service Tax	IGST	A transaction of sale outside the state shall have only one type of tax, IGST which goes to the centre.

Consumption determines the type of levy – CGST/ SGST and IGST

GST is a consumption based tax i.e. proceeds of taxes should be received by the state in which the goods or services are consumed and not by the state in which such goods are manufactured. Integrated GST is designed to ensure seamless flow of [input tax credit](#) from one state to another.

One state has to deal only with the Centre government to settle the tax amounts and not with every other state, thus making the process easier.

Difference between CGST and SGST in tabular form

Central GST & State GST are components of GST, Goods and Service Tax.

Parameter	CGST	SGST
Expansion	CGST expands as Central Goods and Service Tax.	The expansion of SGST is State Goods and Service Tax.

What are the taxes that are subsumed	Different indirect taxes of Central Excise Duty, Central Sales Tax, CST, Service Tax, Additional excise duties, excise duty, CVD (Additional Customs duty – Countervailing Duty), SAD (Special Additional Duty of customs) surcharges and cesses are merged with CGST.	In SGST, the taxes like State Sales Tax, VAT, Luxury Tax, Entertainment tax (unless it is levied by the local bodies), Taxes on lottery, betting and gambling, Entry tax, State Cesses and Surcharges in so far as they relate to supply of goods and services etc. are subsumed.
Share of tax revenues	The share of tax revenue under CGST is meant for central government.	The share of tax revenue under SGST is meant for state government.
Mechanism for usage of credits	A dealer can use input tax credit of CGST against CGST or IGST. The credit of CGST cannot be used against SGST	A dealer can use input tax credit of SGST against SGST or IGST. The credit of SGST cannot be used against CGST

Can SGST Credit Be Used to Pay IGST?

The SGST act provides that the cross sectional usage of tax credits of SGST with CGST or CGST with SGST is not permissible under the Act. But the usage of SGST credit against IGST liability is possible under the Act.

The rule is simple the tax credit of SGST be first used to settle SGST liability and balance if any be used to settle IGST liability but SGST credit shall not be used to settle IGST liability.