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Title: An Outline of Goods and Service Tax (GST) In India

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An Outline of Goods and Service Tax (GST) In India

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ABSTRACT: At present India's Tax structure is very difficult and is also very complex in nature. It includes cascading effects (inevitable and sometimes unforeseen chain of events due to an act affecting a system) of tax. GST is one particular indirect tax for the whole nation, which will make India one integrated and incorporated common market. It is imposed on the supply of goods and services. There are still many inadequacies in current VAT system in spite of the success of VAT (Value Added Tax). India needs a well designed and well structured GST model to beat the shortcomings of VAT. This paper is an attempt to highlight the background, objectives and advantages of the planned GST and the challenges against it. The paper also portrays the impact of GST in the present tax scenario in India.

INTRODUCTION

Taxes are the only way for financing the public goods because they can't be priced properly in the market. They can only be presented by governments, funded by taxes. Tax policies play an imperative role on the economy through their impact on both efficiency and equity. It is a domestic trade tax that will be imposed in the form of value

added tax on all goods and services. Every nation of the world must have a good tax system for their economic development. India moved towards the road of tax reforms since 1980 but still there are some issues which should be solved earliest. GST is considered as a major tax reforms in India since its independence. At present, we are suffering from a difficult indirect tax system



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by states and central Governments. GST is a hope that it will change the composition or structure of tax system in India. GST will consider all kind of indirect taxes of central and state governments in to a simple unique tax.

Review of Literature:

Nishita Gupta (2014) in her study stated that implementation of GST in the Indian structure will direct to commercial benefits which were unaffected by the VAT system and would really direct to economic development. She concluded that GST is the opportunity of a collective gain for trade, agriculture, industries etc.

Nitin Kumar (2014), “Goods and Service Tax in India-A Way Forward” in “Global Journal of Multidisciplinary Studies”, and he noted that implementation of GST in India will be a great move and it will remove all the problems of current tax structure in India.

Jaiprakash (2014), mentioned that GST at the central and state level are expected to give more relief to industry, trade, consumers and agriculture through a more comprehensive and broader coverage of input tax set off and service tax set off.

Dr. R. Vasanthagopal (2011) concluded “GST in India: A Big Leap in the Indirect Taxation System” in International Journal of Trade, Economics and Finance, that GST will be boosting Indian economy. According to him India is suffering from complicated tax system. GST will give a boost to the Indian economy.

Objectives of the Study:

- 1) To study the concept of Goods and Service Tax (GST) and necessity of GST.
- 2) To examine the advantages of GST.
- 3) To know the challenges against GST in Indian context.

Research Methodology:

The study focuses on extensive study of secondary data collected from various books, reputed journals, government reports, publications from various websites related to GST.

Concept of GST

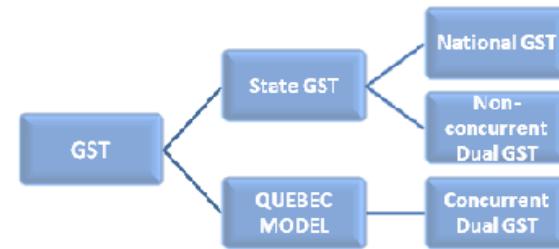
At present major components of indirect taxes are as under. Government collects indirect taxes in different ways like Excise Duty, Service tax, sales tax/vat, Custom Duty, Central sales Tax, Octroi etc. These

taxes are playing an important role in the total income of government. The rates of all the indirect taxes are different as per their types and rules and regulations of government. GST is a tax that is applicable to Goods and Services both and it is levied at every stage of supply. It is applied to all taxable goods and services in India. There will be two components of GST in India CGST and SGST. Central Government will collect CGST and State Government will collect SGST. It is a destination based tax. In the case of interstate trading, GST will be collected by Central Government and distributed it to the imported states.



Various Models of GST:

The first country of the world to implement GST in 1960 was France. There are various models of GST across the world.



State GST: In this model the tax is levied by different states of a nation. This system of GST is applicable in United States of America.

National GST: In this system tax levied by Centre with provisions for sharing with its states and/or provinces. Nations like China and Australia are following this system of indirect tax system.

Non Concurrent Dual GST: In this model of tax, GST on goods levied by states and GST on services levied by Centre.

Concurrent Dual GST: In this model of GST, tax levied by Centre & State on both goods & services. Canada and Brazil has adopted this type of GST. India also proposed to accept this type of tax structure of GST.

Quebec Model: in this model, there is a provision for separate legislation of tax for National/states.

Advantages of GST



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- ✓ Reduction in Prices: Due to full and scam less credit, traders do not have to include taxes as a part of their cost of production, which is a very big reason to say that we can see a reduction in prices.
- ✓ Benefits to Government: Government also gets advantages from replacing VAT by GST. GST is a very easy indirect tax system. It is very easy to understand and also easy to implement. It will broaden the current tax structure in India. Government can get more and more investment from consumers whose saving increased by GST.
- ✓ Benefits to Customer: The most important impact of GST is that it will reduce the cost of a product or service and customer gets direct advantages of it. Customers can get products or service on lower price than the current situation of VAT. It will increase the purchasing power and saving capacity of customer. And finally customers can make additional investment from their savings.

Challenges against GST in India:

The GST is a very good type of tax however for the successful implementation of the same there are some challenges as:

- ❖ The largest challenge against GST is compensations to state Governments from Central Governments. At present in India, indirect taxes are imposed by both Central and State Governments. VAT is a main indirect tax and it's added highest in the income of state governments. After GST, state governments will face financial loses and due to this they will be more depended on Central Governments and Financial Commission.
- ❖ Another big challenge against GST is estimation of stock transfer. There is also a big issue of Registration process in GST. It also involves a solid IT infrastructure for implementation of GST in India. GST also required changing in accounting system of corporate world.

CONCLUSION

Tax policies play an important role on the economy through their impact on both efficiency and equity. There are various



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challenges in the way of Goods & Service Tax, but its advantages are more than its disadvantages. It will also give India a world class and a smart tax system. It requires rational use and effective implementation of GST in a nation like India. The main aim behind GST is to replace VAT. GST is a comprehensive indirect tax that subsumes all types of indirect taxes of central and state governments in it. We can say that GST will provide relief to Consumers, Manufacturers and Governments and whole nation. Furthermore we can say that GST will surely knock the doors of India. And when that happens, we as future torch bearers of the profession are required to be prepared and fully equipped with our knowledge regarding GST.

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