



A brief analysis on working of GST as one tax one nation one market in India

Dinesh Goyal

Lecturer in Commerce, Govt. Sr. Sec. School Kawi, Panipat, India

Abstract

A comprehensive tax structure covering both goods and services viz. Goods and Service Tax (GST) would address these problems. Simultaneous introduction of GST at both Centre and State levels would integrate taxes on goods and services for the purpose of set-off, relief and will ensure that both the cascading effects of CENVAT and service tax are removed and a continuous chain of set-off from the original producer's point/ service provider's point up to the retailer's level/consumer's level is established. In the GST Regime, the major indirect taxes have been subsumed in the ambit of GST. The present concepts of manufacture or sale of goods or rendering of services are no longer applicable since the tax is now levied on "Supply of Goods and/or services". GST also known as the Goods and Services Tax is defined as the giant indirect tax structure designed to support and enhance the economic growth of a country. It would be interesting to understand why GST regime may hamper the growth and development of the country. Before GST we have to pay various taxes i.e. Direct and Indirect taxes, which are felt as burden on us and due to these taxes the corruption is increasing. So, to overcome from all these taxation system the Central Government has decided to make one tax system i.e. Goods and Services Tax (GST). GST is one of the most critical tax reforms in India which has been long awaiting decision. It is a comprehensive tax system that subsumed all indirect taxes of State and central Governments and whole economy into seamless nation in national market. It is expected to remove the burden of existing indirect tax system and play an important role in growth of India. GST includes all Indirect Taxes which will help in growth of economy and proves to be more beneficial than the existing tax system. GST will also help to accelerate the overall Gross Domestic Product (GDP) of the country. GST is now accepted all over the world and countries are using it for sales tax system. This paper will help to show that, how will work GST in INDIA after its implementation, difference between present Indirect Taxes and GST.

Keywords: GST, constitution, GDP, value added tax, assent, indirect tax, dual, article

Introduction

History of GST in India

The reform process of India's indirect tax regime was started in 1986 by Vishwanath Pratap Singh, Finance Minister in Rajiv Gandhi's government, with the introduction of the Modified Value Added Tax (MOD VAT). Subsequently, Manmohan Singh, then Finance Minister under of P V Narasimha Rao, initiated early discussions on a Value Added Tax at the state level. A single common "Goods and Services Tax (GST) was proposed and given a go-ahead in 1999 during a meeting between then Prime Minister Atal Bihari Vajpayee and his economic advisory panel, which included three former RBI governors IG Patel, Bimal Jalan and C Rangarajan. Vajpayee set up a committee headed by the then finance minister of West Bengal, Asim Dasgupta to design a GST model. The Ravi Das Gupta committee was also tasked with putting in place the backend technology and logistics (later came to be known as the GST Network, or GSTN, in 2017) for rolling out a uniform taxation regime in the country. In 2002, the Vajpayee government formed a task force under Vijay Kelkar to recommend tax reforms. In 2005, the Kelkar committee recommended rolling out GST as suggested by the 12th Finance Commission. After the fall of the BJP-led NDA government in 2004, and the election of a Congress-led UPA government, the new Finance Minister P Chidambaram in February 2006 continued work on the same

and proposed a GST roll out by 1 April 2010. However in 2010, with the Trinamool Congress routing CPI (M) out of power in West Bengal, Asim Dasgupta resigned as the head of the GST committee. Dasgupta admitted in an interview that 80% of the task had been done. In 2014, the NDA government was re-elected into power, this time under the leadership of Narendra Modi. With the consequential dissolution of the 15th Lok Sabha, the GST Bill—approved by the standing committee for reintroduction—lapsed. Seven months after the formation of the Modi government, the new Finance Minister Arun Jaitley introduced the GST Bill in the Lok Sabha, where the BJP had a majority. In February 2015, Jaitley set another deadline of 1 April 2016 to implement GST. In May 2016, the Lok Sabha passed the Constitution Amendment Bill, paving way for GST. However, the Opposition, led by the Congress demanded that the GST Bill be again sent back to the Select Committee of the Rajya Sabha due to disagreements on several statements in the Bill relating to taxation. Finally in August 2016, the Amendment Bill was passed and became Constitution (101 Amendment) Act 2016 after receiving the assent of President on 8th September 2016. Over the next 15 to 20 days, 18 states ratified the GST Bill and the President Pranab Mukherjee gave his assent on 12th April 2017 to it. A 21-members select committee was formed to look into the proposed GST laws. State and Union Territory GST laws were passed by all the

states and Union Territories of India except Jammu & Kashmir, paving the way for smooth rollout of the tax from 1 July 2017. There was to be no GST on the sale and purchase of securities. That continues to be governed by Securities Transaction Tax (STT). Goods and Services Tax (GST) is an indirect tax which was introduced in India on 1 July 2017 and was applicable throughout India which replaced multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122nd Amendment Bill. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Under GST, goods and services are taxed at the following rates, 0%, 5%, 12%, 18% and 28%. There is a special rate of 0.25% on rough precious and semi-precious stones and 3% on gold. In addition a cess of 15% or other rates on top of 28% GST applies on few items like aerated drinks, luxury cars and tobacco products.

Study of constitutional authority to levy indirect tax

Article 265 of the Constitution lays down that no tax shall be levied or collected except by the authority of law. Schedule VII divides this subject into three categories-

Table 1

Union List	Only central Government have power of Legislation
State list	Only State government have power to legislation
Concurrent List	Both central and state government can pass legislation

Article 246 in The Constitution of India: Subject matter of laws made by Parliament and by the Legislatures of States

- i) Notwithstanding anything in clauses (2), Parliament has exclusive power to make laws with respect to any of the matters enumerated in List I in the Seventh Schedule (Union List)
- ii) Parliament, and, subject to clause (1), the Legislature of any State also, have power to make laws with respect to any of the matters enumerated in List III in the Seventh Schedule (Concurrent List)
- iii) Parliament has power to make laws with respect to any matter for any part of the territory of India not included (in a State) notwithstanding that such matter is a matter enumerated in the State List

Article 254 in The Constitution: Inconsistency between laws made by Parliament and laws made by the Legislatures of States

- i) If any provision of a law made by the Legislature of a State is repugnant to any provision of a law made by Parliament which Parliament is competent to enact, or to any provision of an existing law with respect to one of the matters enumerated in the Concurrent List, then, subject to the provisions of clause the law made by Parliament, whether passed before or after the law made by the Legislature of such State, or, as the case may be, the existing law, shall prevail and the law made by the Legislature of the State shall, to the extent of the repugnancy, be void
- ii) Where a law made by the Legislature of a State with

respect to one of the matters enumerated in the concurrent List contains any provision repugnant to the provisions of an earlier law made by Parliament or an existing law with respect to that matter, then, the law so made by the Legislature of such State shall, if it has been reserved for the consideration of the President and has received his assent, prevail in that State: Provided that nothing in this clause shall prevent Parliament from enacting at any time any law with respect to the same matter including a law adding to, amending, varying or repealing the law so made by the Legislature of the State

Article 246A After Constitution (One Hundred and First Amendment) Act, 2016 Special provision with respect to goods and services tax.

- i) Notwithstanding anything contained in articles 246 and 254, Parliament, and, subject to clause (2), the Legislature of every State, have power to make laws with respect to goods and services tax imposed by the Union or by such State.
- ii) Parliament has exclusive power to make laws with respect to goods and services tax where the supply of goods, or of services, or both takes place in the course of inter-State trade or commerce

Explanation. - The provisions of this article, shall, in respect of goods and services tax referred to in clause (5) of article 279A, take effect from the date recommended by the Goods and Services Tax Council.

Article - 269A, Constitution of India 1950 [Inserted by the Constitution (One Hundred and First Amendment) Act, 2016, w.e.f. 16-9-2016.

Levy and collection of goods and services tax in course of inter-State trade or commerce. (1) Goods and services tax on supplies in the course of inter-State trade or commerce shall be levied and collected by the Government of India and such tax shall be apportioned between the Union and the States in the manner as may be provided by Parliament by law on the recommendations of the Goods and Services Tax Council. Explanation.-for the purposes of this clause, supply of goods, or of services, or both in the course of import into the territory of India shall be deemed to be supply of goods, or of services, or both in the course of inter-State trade or commerce. (2) The amount apportioned to a State under clause (1) shall not form part of the Consolidated Fund of India

GST - A cure for ills of existing indirect tax regime.

A comprehensive tax structure covering both goods and services viz. Goods and Service Tax (GST) would address many problems. Simultaneous introduction of GST at both Centre and State levels would integrate taxes on goods and services for the purpose of set-off, relief and will ensure that both the cascading effects of CENVAT and service tax are removed and a continuous chain of set-off from the original producer’s point/ service provider’s point up to the retailer’s level/consumer’s level is established. In the GST Regime, the major indirect taxes have been subsumed in the ambit of GST. The present concepts of manufacture or sale of goods or rendering of services are no longer applicable since the tax is now levied on “Supply of Goods and/or services”.

Deficiency in the existing value-added Taxation

The existing indirect tax framework in India suffer from various shortcomings. Under the existing indirect tax structure, various indirect taxes being levied are not necessarily mutually exclusive. To illustrate, when the goods are manufactured and sold both central excise duty (CENVAT) and State-Level VAT are levied. Though CENVAT and State-Level VAT are essentially value added taxes, set off of one against the credit of another is not possible as CENVAT is a central levy and State-Level VAT is a State levy. Moreover, CENVAT is applicable only at manufacturing level and not at distribution levels. The existing sales tax regime in India is a combination of origin based (Central Sales Tax) and destination based multipoint system of taxation (State-Level VAT). Service tax is also a value added tax and credit across the service tax and the central excise duty is integrated at the central level. Despite the introduction of the principle of taxation of value added in

India - at the Central level in the form of CEN VAT and at the State level in the form of State VAT - its application has remained piecemeal and fragmented because the following reasons: • Non-inclusion of several local levies in State VAT such as luxury tax, entertainment tax, etc. • Cascading of taxes on account of - (i) levy of Non-VAT able CST and (ii) inclusion of CEN VAT in the value for imposing VAT • No CEN VAT after manufacturing stage • Non-integration of VAT & service tax • Double taxation of a transaction as both goods and services

GST model adopted by India

Model of Goods and Service Tax Goods and Service tax which is globally know as VAT, is an old concept which was first implemented in France. Various countries across the globe have implemented GST by adopting different models. The detail of which is as follows:-

Table 2

National GST	National GST Tax Levied by Centre with sharing of revenue with State	Australia China
State GST	Tax Levied by the state and retained by the state themselves	USA
Non Concurrent Dual GST	Center levies GST on services and State levies GST on goods	-----
Concurrent Dual GST	Tax levied by center & state on both goods and services	Brazil, Canada India

GST Model From the various model of GST, India has proposed to adopt concurrent Dual GST Model for Implementing GST.

Structure of GST in India

GST is a destination based tax applicable on all transactions involving supply of goods and services for a consideration subject to exceptions thereof.

Table 3

CGST	Central Goods and Service Tax	Levied and Collected by Central Gov
SGST	State Goods and Service Tax	Levied and Collected by State Govt./Union Tert. (with state legislative i.e Delhi and Punducherry)
UGST	Union Territories Goods and Service Tax	Levied and Collected by Union Tert.(Without state legislative on intra- State Supplies
IGST	Integrated Goods and Service Tax	Levied by Centre on all inter-state Supplies. [IGST = CGST + SGST

In GST regime, tax (i.e. CGST and SGST/UTGST for intra-State supplies and IGST for inter State supplies) shall be paid by every taxable person and in this regard provisions have been prescribed in the law. However, for providing relief to small businesses, a simpler method of paying taxes and accounting thereof is also prescribed, known as Composition Scheme. Along with providing relief to small-scale business,

the law also contains provisions for granting exemption from payment of tax on specified goods and/or services.

Difference between Previous law and Goods and services Tax

In the GST regime, the main differences between the existing tax laws and GST are

Table 4

Taxable event under State VAT Laws - Sales Excise Laws and - Manufacture Service Tax Laws - Provision of service	By levying tax on the supply of goods and/or services under GST there is a depart from the historically understood concepts of taxable event
Before GST there were many controversies related to issues like whether a particular process amounts to manufacture or not, whether the sale is pre-determined sale, whether a particular transaction is a sale of goods or rendering of services etc.	The GST laws seek to resolve these issues by laying down one comprehensive taxable event i.e. "Supply
In the existing indirect taxes, taxes are charged independently either on the manufacture or sale of goods, or on the provisions of services.	the entire value of supply of goods and / or services will be taxed in an integrated manner
Many indirect taxes exist	Only some indirect taxes exist
Diffrent tax rates available on same product/services in INTER STATE SALE	Same tax rates available on same product/services in INTER STATE SALE I.e ONE MARKET
Compex compliane due to many taxes	Easy compliance due to one tax

Negative List under GST

Schedule III in the CGST Act is akin to the negative list under the service tax regime. This schedule specifies transactions/ activities which shall be neither treated as supply of goods nor a supply of services.

- 1) Services by an employee to the employer in the course of or in relation to his employment.
- 2) Services by any Court or Tribunal established under any law for the time being in force.
- 3) Functions performed by the MPs, MLAs, Members of municipality and Member of other local authorities.
- 4) Duties performed by any person who holds any constitutional post.
- 5) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
- 6) Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
- 7) Sale of land and sale of building where entire consideration has been received after issuance of completion certificate.
8. Actionable claims other than

lottery, betting and gambling

Working of GST in India

1. Production and sale in same state

Table 5

	Old system	GST system
Production cost	100	100
Add: excise duty 10%	10	-
Vat 10%	11	-
GST 20%	-	20
Cost to purchaser	121	120

Production in other state and sale in other state

Table 6

	Old system	GST system
Production cost	100	100
Add: excise duty 10%	10	-
Central sales tax 10%	11	-
GST 20%	-	20
Cost to purchaser	121	120

2. Pre GST: - In case of production and sale in same state with middlemen

Table 7

	Manufacturer	Trader 1	Trader 2	Consumer
Selling price	100	132	158.4	Cost to Consumer =174.24
Add: excise duty 10%	10	-		
Vat 10%	11	13.2	15.84	
S GST 20%	-	-		
Invoice price	121	145.2	174.24	-----
Cost to purchaser	110	132	174.24	-----
Margin 20%	22(100+10)	26.40		-----
Net Tax Payable	10			
To Central Govt.				
To State Govt.		11	13.2-11=2.2	15.84-13.2=2.64

Post GST: - In Case of Production and Sale in Same State with Middlemen

Table 8

	Manufacturer	Trader 1	Trader 2	Consumer
Selling price	100	120	144	Cost to Consumer = 172.8
Add: excise duty 10%	--	-	-----	
Vat 10%	-----	-----	-----	
GST 20%	20	24	28.8	
Invoice price	120	144	172.8	-----
Cost to purchaser	100	120	172.8	-----
Margin 20%	20	24		-----
Net tax payable				
To central govt.				
To state govt.	20	24-20=4	28.8-24=4.8	-----

3. Pre GST: - In Case of Production and Inter State Sale with Middlemen

Table 9

	Manufacturer	Trader 1 Same state	Trader 2 Other state	Consumer
Selling price	100	132	161.57	Cost to Consumer =177.73
Add: excise duty 10%	10	-	-	
vat 10%	11	-	16.16	

CST		2.64	-	
S GST 20%	-	-	-	
Invoice price	121	134.64	177.73	-----
Cost to purchaser	110	134.64	177.73	-----
Margin 20%	22(100+10)	26.93		-----
Net tax payable				
To central govt.	10			
To state govt.	11	2.64-2.64=0	16.16-0=16.16	-----

Post GST: - In case of production and sale in inter State with middlemen

Table 10

	Manufacturer	Trader 1 same state	Trader 2 other state	Consumer
Selling price	100	120	144	Cost to Consumer = 172.8
Add: excise duty 10%	--	-	-----	
Vat 10%	-----	-----	-----	
GST 20%	20	24 (IGST)	28.8	
Invoice price	120	144	172.8	-----
Cost to purchaser	100	120	172.8	-----
Margin 20%	20	24		-----
Net tax payable				
To central govt.				
To state govt.	20	24-20=4	28.8-24=4.8	-----

Intra State GST Flow

Table 11

RM Price : ` 100 CGST 9% : ` 9 SGST 9% : ` 9	INPUT TAX CREDIT IGST ` 13.5 SGST ` 13.5 ` 27/-	INPUT TAX CREDIT CGST ` 18 SGST ` 18 ` 36	INPUT TAX CREDIT CGST ` 22.5 SGST ` 22.5 ` 45	
Manufacturer A	Manufacturer B	Whole Seller	Retailer	Consumer
Tax Invoice - "A" Supply Price: 150/- CGST 9% 13.5 SGST 9% 13.5 Total 177	Tax Invoice - "B" Supply Price: 200/- CGST 9% 18 SGST 9% 18 Total 236	Tax Invoice - "C" Supply Price: 250/- CGST 9% 22.5 SGST 9% 22.5 Total 295	Tax Invoice - "D" Supply Price: 300/- CGST 9% 27 SGST 9% 27 Total 354	TOTAL COST ` 354/
Tax Payments Payable (in `) CGST 13.5 SGST 13.5 27/- Less: Receivable CGST 9 SGST 9 18/- Net Payable ` 9	Tax Payments Payable (in `) CGST 18 SGST 18 36/- Less: Receivable CGST 13.5 SGST 13.5 27/- Net Payable ` 9	Tax Payments Payable (in `) CGST 22.5 SGST 22.5 45/- Less: Receivable CGST 18 SGST 18 36/- Net Payable ` 9	Tax Payments Payable (in `) CGST 27 SGST 27 54 Less: Receivable IGST 22.5 SGST 22.5 45 Net Payable ` 9	

Inter State GST Flow

Table 12

RM Price : ` 100 CGST 9% : ` 9 SGST 9% : ` 9	INPUT TAX CREDIT IGST ` 27	INPUT TAX CREDIT CGST ` 18 SGST ` 18 36	INPUT TAX CREDIT IGST ` 45	
Manufacturer A	Manufacturer B	Whole Seller	Retailer	Consumer
Tax Invoice - "A" Supply Price: 150 IGST 18% 27 ---- Total 177	Tax Invoice - "B" Supply Price: 200 CGST 9% 18 SGST 9% 18 ---- Total 236	Tax Invoice - "C" Supply Price: 250 IGST 18% 45 ---- Total 295	Tax Invoice - "D" Supply Price: 300 CGST 9% 27 SGST 9% 27 --- Total 354	TOTAL COST ` 354/

Tax Payments Payable (in `) IGST 27 Less: Receivable CGST 9 SGST 9 ---- 18 Net Payable `9 IGST	Tax Payments Payable (in `) CGST 18 SGST 18 ---- 36 Less: Receivable IGST 27 Net Payable `9 SGST	Tax Payments Payable (in `) IGST 45 Less: Receivable CGST 18 CGST 18 ---- 36 Net Payable `9 IGST	Tax Payments Payable (in `) CGST 27 SGST 27 ---- 54 Less: Receivable IGST 45 Net Payable `9 SGST	
--	--	--	--	--

Conclusion

The existing indirect tax framework in India suffer from various shortcomings. Under the existing indirects tax structure, the various indirect taxes being levied are not necessarily mutually exclusive. GST (ONE TAX ONE NATION ONE MARKET) is the most beneficial steps towards the comprehensive indirect tax reform in India since independence to remove various shortcomings in existing indirects tax structure. GST (ONE TAX ONE NATION ONE MARKET) is leviable on all supply of goods and provision of services as well combination thereof. All sectors of economy whether the industry, business including Govt. departments and service sector shall have to bear impact of GST. All sections of economy viz., big, medium, small scale units, intermediaries, importers, exporters, traders, professionals and consumers shall be directly affected by GST. One of the biggest taxation reforms in India – the Goods and Service Tax (GST) is all set to integrate State economies and boost overall growth. GST will create a single, unified Indian market to make the economy stronger. Experts say that GST is likely to improve tax collections and Boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate. Under GST, the taxation burden will be divide equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions with Easy compliance, Uniformity of tax rates and structures, removal of cascading, Improved competitiveness.

References

1. Ca Deepak Gupta, overview of GST
2. Icai. Study material overview of GST
3. Icai, GST in India an introduction
4. Yogesh Garg, an exploratory study on evolution & implementation of GST in India
5. Central goods and service tax act, 2017.
6. Indian constitution
7. Goods & Service tax impact analysis on various sectors
8. Farooq Haq, goods and services tax for ca final
9. GST FAQs Apparel Export Promotion Council
10. GST in India - A Comprehensive Guide Book by Clear Tax
11. Icai, An Insight of GST In India
12. CA Vishal Bhattad, overview of GST
13. www.Wikipedia.com