



A COMPARATIVE STUDY ON PROPOSED MODEL OF GST AND EXISTING INDIRECT TAX MODEL.

KEYWORDS

GST, CENTRAL GST, STATE GST, INPUT TAX CREDIT.

PRATYASHI TAMULY

GAUHATI UNIVERSITY, PASSED OUT STUDENT

ABSTRACT Tax system of India is classified into Direct taxes and Indirect taxes. Goods and Service Tax(GST) reform in the regime of Indirect tax, which is a value added tax aiming to replace all other indirect taxes levied on goods and services expected to straighten the fold in the existing indirect tax regime. The paper tries to give a strong concept on GST, study the proposed model of GST and show its difference from the present model of indirect tax.

INTRODUCTION

GST stands for Goods and Service Tax bill. It is 122nd amendment of the constitution. It is the taxed only on the value additions, thus GST is a value added tax that will replace all of the indirect tax levied on goods and services. On 03 august 2016 GST Bill was passed by the parliament. The aim of GST is to break the complex structure of indirect tax in India, to minimize the problem of double taxation or the problem of cascading and also aims in amalgamating the large number of central and states taxes as a result to reduce the cost of product in the long run. The study is to understand the concept of GST and the differences in the proposed model of GST and existing indirect tax model.

REVIEWS OF LITERATURE:

Mishra S. (6 June 2016) Goods and service tax: Moving towards an efficient indirect tax reform of India. The study gives a comprehensive idea on the concept of goods and service tax, its features and benefits. International education and research journal, E- ISSN no 2454-9916. Reddy S.(2016) . What is goods and service Tax: Details and Benefits. This study tries to give a clear picture on GST ,explaining about the benefits if GST is implemented in Indian economy .

Thowseaf S., Millath M.A.(2016). A Study on GST implementation and its impact on Indian industrial sector and export . This study describe the impact of GST on the industrial sector and export areas.

Mishra S. (JUNE, 2016) . Goods and Service Tax: Moving towards an efficient indirect tax regime. The study has maid an attempt to explain the broad contours of GST. The chartered accountant .vol 20 no. 1.

OBJECTIVES OF THE STUDY:

The study aims in describing the proposed model of GST and how it is different from the existing indirect tax regime and benefits of implementing GST.

METHODOLOGY OF THE STUDY

The study is descriptive in nature. The data has been collected from secondary sources like news paper, articles, journals, Publications, etc. The study in confined to limited area, no generalization can be made from the study.

1. History of GST

Fiscal Responsibility and Budget Management by the then Finance minister Yashwant Sinha in the year 2000 had the concept of GST, Which became an Act on 2003 passed by the parliament, headed by Vijay Kelkar, the Kelkar Task Force which stated the requirement of GST on 28 February 2006, but could not implemented because on political invasion and all, and on 19 December 2014 Arun Jaitley published the GST Bill and on 3rd august 2016 the GST Bill was passed by the parliament.

2. Concept of GST

GST model is a comprehensive tax system which will merge all the indirect taxes of states and central government on unified economy into seamless national markets. GST is a way which aims to unify the complicated indirect tax system by bringing into a unified pool, which will help to have a uniform tax charge.

GST is a value added tax which will be levied on Goods and Services by the government ie, central ,state or by both at each stage of supply chain on the value added.

The proposed model of GST is known as Dual GST , as it will have a dual rate structure that is rate of central government and states government along with a combined rate of both.

The GST Model compost of

- **CGST:** Central Goods and Service Tax , levied and collected by central government. It is applicable on supplies within the state.
- **SGST:** State Goods and Service tax, levied and collected by the state government. This is applicable on supplies within the state.
- **IGST:** Integrated Goods and Service Tax, tax collected is shared between the central and the state in and agreed proportion. This is applicable on interstate that is inter supply transaction and import transaction.

3. COMPARISION BETWEEN PROPOSED MODEL OF GST AND THE RUNNING INDIRECT TAX MODEL:

A. DIFFERENT INDIRECT TAXES OF CENTRAL GOVERNMENT AND CGST

Central excise duty, Central sales tax (CST), Service Tax, Additional Excise duties, Excise duty levied under medicinal and toiletries proportion Act, CVD(Additional Custom Duty-Countervailing Duty, Special Additional Duty of Custom(SAD), Surcharges and Cesses etc comes under the present indirect tax system having different rates rules and norms, which make the whole indirect tax system complicated to both the parties that is payer and receiver, But under proposed model of GST , all this come under one head i.e., Central GST having a single rate and uniform rules and regulations. The manufacturer need not required to give central excise duty on production and sales tax on sale of the product.

B. DIFFERENT INDIRECT TAXES OF SATATE GOVERNMENT AND SGST:

State Sales Tax, Value Added Tax(VAT), Luxury Tax, Entertainment Tax, Taxes on Lottery, betting and gambling, Entry tax not in lieu of Octroi, State Cesses and Surcharges and some taxes charged by the state, But under this CST proposal all these taxes comes under the SGST, they are summed under SGST have a single rate, hence avoiding the problem of cascading by both central and state or on tax on tax.. For example, if a producer purchase raw material cost Rs 100/-, where the cost of production is Rs 40/-, hence the total cost will

be Rs 140(100+40), where he has to pay excise duty to the central government say 12% that is Rs 16.8/-, cost of the product became Rs 156.8 at the time of production, and again when he will sell the commodity he will have to pay sales tax say 10% ie 10% on Rs 156.8, resulting addition of 15.68 to 156.8. Thus the producer will charge Rs 172.48. Where the price of the product increases because tax is again charged on the tax amount of 16.8(it is the amount in which the producer had paid tax). This problem of tax on tax. The upcoming GST will mitigate the problem of cascading.

C. THE INTEGRATED GOODS AND SERVICE TAX (IGST)

This model deals with the tax on interstate supply of Goods and Services. This will be a sum of CGST AND SGST. IGST replaces CST, CVD, SAD etc on the running model.

4. BENEFITS OF GOODS AND SERVICE TAX:

a. Input tax credit: Input tax credit is major problem of all the input tax payer of the country. They does get back their credit. But under GST model, the payer will get back their credit, say it may be within state or interstate. As credit will be available across the entire supply chain. The input tax credit would be permitted in the following way, Like ITC of CGST will be allowed to adjust with CGST

ITC of SGST will be allowed to adjust with SGST

ITC of IGST will be allowed to adjust with IGST

ITC of CGST will be allowed to adjust with IGST and CGST

ITC of SGST will be allowed to adjust with IGST and SGST,

ITC of IGST will be allowed to be adjusted with IGST, CGST and SGST in order.

b. Elimination of the problem of cascading: The problem of cascading that is the problem of tax on tax will eliminate, as the producer will have only two rate of taxes one for central government under CGST and the other for state under SGST.

c. Elimination of the problem of double taxation: GST has combined or subsume most of the indirect taxes both levied by central and the state government into one tax by imposing a single tax rate by central and the state.

d. Benefits the consumer : Implementation of GST will benefits the consumer of goods and services the most may not be in the short run but surely on the long run by reducing the prices of the commodity, resulting increase in demand as when the price of a product decreases the demand for the product increases, leading to more and more production.

e. Benefits the central government and state government: Implementation of GST will also benefits both the central government and the state government like, it will reduce the complexity of indirect tax by having uniform rates for tax, clear picture of authority and responsibility along with proper understanding of duties.

f. Encourage production: GST will encourage production of goods and services, as the producer will have a clear picture of different tax charges.

CONCLUSION

From the study it can be said that Goods and Service Tax is a simplified form of the complex Indirect tax system of India. Which aims in mitigating and eliminating the various drawbacks of the existing Indirect tax system of India. It is the tax which will be only levied on the value addition on supply of goods and services and not against sales, hence transfer of goods like stock transfer, free supplies of services will also come under the preview on tax and will be liable for GST. Thus is a new reform in the whole indirect tax scenario of the country for the betterment of the country including economic development, employment generation and clear picture of tax charge on goods and services having the capacity to raise tax as a source of revenue to the government in the most transparent and neutral manner.

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