



ORIGINAL RESEARCH PAPER

Commerce

AN OVERVIEW ON GOODS AND SERVICE TAX (GST)

KEY WORDS: Direct Tax , Indirect Tax , Composite scheme, Return file , burden , levied , cascading

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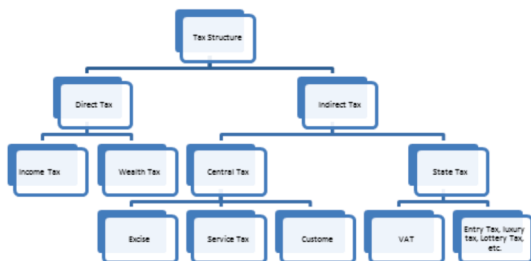
ABSTRACT

GST Stands for goods and service tax it is one nation one tax. It has been made effective in India from 1st July 2017. 163 nations all over the world has adopted GST .It is one of the remarkable changes in the history of tax system in India. It is applicable on wide range of goods and services. So it's essential to understand the impact of GST as it will affect everyone in some way or the other. This research paper will throw light on the concept of GST.

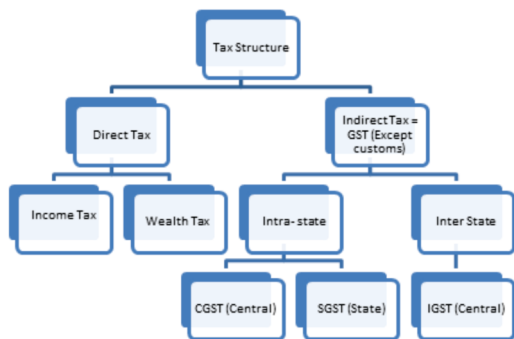
INTRODUCTION

To have a detail study about GST it is essential to first understand the Indian tax system. In India the tax system is divided into two categories – direct tax and indirect tax. The direct tax is one which is levied on the income of an individual and is borne by the person liable to pay tax and its burden cannot be shifted to any other person. Whereas the indirect tax is levied on the goods and services and its liability can be shifted to another person. It means the person liable to pay tax can collect the tax from someone else and then pay it to the government thus shifting the tax burden. GST is an associate degree revenue enhancement on goods and services. The previous and new tax system in India is summarized below:

Previous tax system :



Tax system after GST :



From the above chart it can be seen that GST has simplified the indirect tax system by merging all other state and central indirect tax (Except custom) in it. So only a single indirect tax exists that is GST. It has replaced the various taxes like vat , Central excise , luxury tax , stamp duty , octroi , entertainment tax etc.

In the older indirect tax regime a manufacturer needed to pay tax when a finished product moved out from the factory, and it again taxed at the retail outlet when sold. The taxes were levied at the multiple stages such as CENVAT, Central sales tax, State Sales Tax, Octroi, etc. but now all in the new tax system these tax on tax effect will be replaced by GST. In the new tax system the tax is levied only at the destination point

and not at various points. The assesee is charged to tax only on the value addition at each stage and the supplier at each stage is permitted to set off through a tax credit mechanism which eliminates the cascading effect. There is different rate structure under GST as discussed below.

TAX SLAB UNDER GST

GST council has introduced five rate structure under GST comprising of 0% ,5% ,12% ,18 % ,and 28 %.

RATE	Applicable on
0 %	Food grains and produce out of cultivation of land
5 %	Essential Items
12 %	Standard Rate
18 %	Standard Rate
28 %	Luxury items and Sin goods

No Tax (0%)

No tax will be imposed on items like jute, fresh meat, fish chicken, eggs, milk, butter milk, curd, natural honey, fresh fruits and vegetables, flour, besan, bread, prasad, salt, bindi. Sindoor, stamps, judicial papers, printed books, newspapers, bangles, handloom, Bones and horn cores, bone grist, bone meal, etc.; hoof meal, horn meal, Cereal grains hulled, Palmyra jaggery, Salt - all types, Kajal, Children's image, drawing or coloring books, Human hair, Khadi purchased from Khadi and Village Industries stores, Clay idols, brooms, Cotton seed oil cake, Charkha, Guar meal, hop cone, certain dried vegetables, unworked coconut shell and fish, and bangles of lac/shellac , Hotels and lodges with tariff below Rs 1,000, Grandfathering service has been exempted under GST. Rough precious and semi-precious stones will attract GST rate of 0.25 per cent, admission to "protected monuments",

5% Tax Slab

Goods such as fish fillet, Apparel below Rs 1000, packaged food items, footwear below Rs 500, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee, tea, spices, pizza bread, rusk, sabudana, kerosene, coal, medicines, stent, lifeboats, Cashew nut, Cashew nut in shell, Raisin, Ice and snow, Bio gas, Insulin, Agarbatti, Kites, Postage or revenue stamps, stamp-post marks, first-day covers. Transport services (Railways, air transport), small restaurants. Textile job work will be taxed at 5%.

Cashew nut ,Cashew nut in shell ,Ice and snow ,Bio gas ,Insulin ,Aggarbatti, Kites ,Coir mats, matting and floor covering ,Pawan Chakki that is Wind-based Atta Chakki ,Postage or revenue stamps, stamp-postmarks, first-day covers, etc. ,Numismatic coins ,Braille paper, braille typewriters, Braille watches, hearing aids and other appliances to compensate for a defect or disability ,Railways-Transportation of goods, passengers ,Renting a motor cab not running on fuel cost ,Transport services in AC contract/stage or radio taxi ,Transport by air ,Tour operator services ,Leasing of aircrafts ,Print media ad space ,Working

for printing of newspapers

12% Tax Slab

In this necessity goods and services are taxed at 12%, Goods such Appare above Rs 1000, frozen meat products , butter, cheese, ghee, dry fruits in packaged form, animal fat, sausage, fruit juices, Bhutia, namkeen, Ayurvedic medicines, tooth powder, agarbatti, coloring books, picture books, umbrella, sewing machine, cell phones, Ketchup & Sauces, All diagnostic kits and reagents, Exercise books and note books, Spoons, forks, ladles, skimmers, cake servers, fish knives, tongs, Spectacles, corrective, Playing cards, chess board, carom board and other board games. Services like State-run lotteries, Non-AC hotels, business class air ticket, fertilizers, Work Contracts will fall under 12 per cent GST tax slab

After the GST council meeting on 11th June, the following items were added to the 12% GST rates category- Preparations of vegetables, fruits, nuts or other parts of plants, including pickle, murabba, chutney, jam, jelly ,Ketchups, sauces and mustard sauce but excluding curry paste, mayonnaise and salad dressings, mixed condiments and mixed dressings ,Bari made of pulses including mungodi ,Menthol and menthol crystals, peppermint, fractionated /de-terpenated mentha oil, dementholised oil, Mentha piperita oil and spearmint oil ,All diagnostic kits and reagents ,Plastic beads ,Exercise books and note boks ,Fly ash blocks ,Glasses for corrective spectacles and flint buttons ,Spoons, forks, ladles, skimmers, cake servers, fish knives, tongs ,Fixed Speed Diesel Engines ,Two-way radio (Walkie talkie) used by defence, police and paramilitary forces etc. ,Intraocular lens ,Corrective spectacles ,Playing cards, chess board, carom board and other board games, like ludo, ,Rail transportation of goods in containers from a third party other than Indian Railways ,Air travel excluding economy ,Food /drinks at restaurants without AC/heating or liquor license ,Renting of accommodation for more than Rs.1000 and less than Rs.2500 per day ,Chit fund services by foremen ,Construction of building for the purpose of sale ,IP rights on a temporary basis

18% Tax Slab

Most items are under 18% tax slab which include footwear costing more than Rs 500, Trademarks, goodwill, software, Bidi Patta, Biscuits (All catogories), flavoured refined sugar, pasta, cornflakes, pastries and cakes, preserved vegetables, jams, sauces, soups, ice cream, instant food mixes, mineral water, tissues, envelopes, tampons, note books, steel products, printed circuits, camera, speakers and monitors, Kajal pencil sticks, Headgear and parts thereof, Aluminum foil, weighing machinery], Printers [other than multifunction printers], Electrical Transformer, CCTV, Optical Fiber, Bamboo furniture, Swimming pools and padding pools, Curry paste; mayonnaise and salad dressings; mixed condiments and mixed seasonings, and Tractor parts. Services like AC hotels that serve liquor, telecom services, IT services, branded garments and financial services will attract 18 per cent tax under GST, Room tariffs between Rs 2,500 and Rs 7,500, Restaurants inside five-star hotels.

The items mentioned below have been added to the 18% GST tax rate slab among the other existing items- ,Kajal pencil sticks ,Dental wax ,Plastic Tarpaulin ,School satchels and bags other than of leather or composition leather; toilet cases, Hand bags and shopping bags of artificial plastic material, cotton or jute; Handbags of other materials excluding wicker work or basket work ,Headgear and parts thereof ,Precast Concrete Pipes ,Salt Glazed Stone Ware Pipes ,Aluminium foil ,All goods, including hooks and eyes ,Rear Tractor tyres and rear tractor tyze tubes ,Rear Tractor wheel rim, tractor centre housing, tractor housing transmission, tractor support front axle ,Weighing Machinery other than electric or electronic weighing machinery ,Printers other than multifunction printers ,Ball bearing, Roller Bearings, Parts & related

accessories ,Transformers Industrial Electronics ,Electrical Transformer ,Static Converters (UPS) ,Recorder ,CCTV ,Set top Box for TV ,Computer monitors not exceeding 17 inches ,Electrical Filaments or discharge lamps ,Winding Wires, Coaxial cables and Optical Fiber ,Perforating or stapling machines (staplers), pencil sharpening machines ,Baby carriages ,Instruments for measuring length, for use in the hand (for example, measuring rods and tapes, micrometers, callipers) ,Bamboo furniture ,Swimming pools and paddling pools ,Food/drinks at restaurants with liquor license ,Food /drinks at restaurants with AC/heating ,Outdoor catering ,Renting for accommodation for more than Rs.2500 but less than Rs.5000 per day ,Supply of food, shamiyana, and party arrangement ,Circus, Indian classical, folk, theatre, drama ,Supply of works contract

28% Tax Slab

Luxury Goods and Services are taxed at 28%. These includes Goods such as Bidis, chewing gum, molasses, chocolate not containing cocoa, waffles and wafers coated with choclote, pan masala, aerated water, paint, deodorants, shaving creams, after shave, hair shampoo, dye, sunscreen, wallpaper, ceramic tiles, water heater, dishwasher, weighing machine, washing machine, ATM, vending machines, vacuum cleaner, shavers, hair clippers, automobiles, motorcycles, aircraft for personal use. Services like Private-run lotteries authorised by the states, hotels with room tariffs above Rs 7,500, 5-star hotels, race club betting, cinema will attract tax 28 per cent tax slab under GST

The council meeting was held to 'reduce' the tax rates on certain items based on customer preferences. Hence, no additional items were added to the highest GST rates slab of 28%. ,Entertainment events-amusement facility, water parks, films, theme parks, joy rides, merry-go-round, race course, go-carting, casinos, ballet, sporting events like IPL, Race club services ,Gambling ,Food/drinks at AC 5-star hotels, Accommodation in 5-star hotels or above

GST on Loans and Advances

Earlier Service Tax was charged on Loans which is now replaced by gst. The service tax was charged @ 15 % but GST is charged @ 18 %. Common people are of the opinion that the effective value of getting a loan , the value of EMI would increase because of high rate of GST. But in reality it is not so GST is only levied on the processing charges and any other charges paid to the bank excluding the principal repayment and interest payment. These other charges include the Loan Processing Fees, Loan Prepayment Charges and other charges, if any. As a major chunk of the loan repayment comprises of principal repayment and interest payment, the impact of GST on Loans would be very negligible. The impact of GST on Home Loans and Personal Loans has been explained below for a much better understanding of the impact.

Mentioned below are the important loans and their GST rates:

- (a) Personal Loan- 18%
- (b) Home Loans- 18%
- (c) Car Loan- 18%

Registration under GST

Taxpayers whose aggregate turnover in previous final year exceeds Rs 20 lakhs have to get themselves registered under GST , In case of taxpayers situated in specific category states such as Himachal Pradesh , North east etc. the threshold limit shall be Rs. 10 lakhs . The assessee whose aggregate annual turnover on PAN India basis does not exceed Rs. 75 Lakhs can opt for composite scheme, in which the one has to pay GST at the nominal rates on their supply. A taxpayer opting for regular registrations has to file 37 returns per registrations and the one opting for composite scheme has to file 5 returns. Every person who is registered under any previous law will have to take register again under the regime of gst. If the

business is transferred to someone than the transferee will be the registered person under gst from the date of transfer. Registration is compulsory for the person who does interstate supply of goods and/or services. Registration is compulsory for Casual Taxable payer ,Non-Resident Taxable Person, Agents of a supplier, Taxpayers paying tax under reverse charge mechanism ,Input Service Distributors, E-commerce operator or aggregator and their suppliers , If a Person is indulge in supplying online information and database service from a place outside India to a person in India, other than a registered taxable person.

A person with multiple business in a state has to get registered for each business separately.. PAN is necessary for GST registration (except for non-resident person who can get GST registration premise of alternate document).

The following shall not be needed to get registration and will be assigned UIN (Unique Identification Number) instead. They can receive refund of taxes on notified supplies of goods/services received by them: Any specialized agency of UNO (United Nations Organization) or any multilateral financial institution and organization notified under the United Nations Act, 1947 Consulate or Embassy of foreign countries Any other person notified by the Board/Commissioner .The central government or state government may on the recommendation of the GST council, issue notification on exemption from registration to specific persons.

CONCLUSION

GST – a huge reform for indirect taxation in India, which has not been seen by India in earlier days. GST has simplified the indirect taxation, reduce complexities, and remove the cascading effect. Experts believe that it'll have a large impact on businesses each massive and little, and change the way the economy functions.

GST is the indirect tax for the whole nation, which will bond India in the unity of taxation. It is rightly said that “One Nation, One Tax, One Market” - GST. The GST simplifies the giant indirect tax structure by replacing multiple levies, right from manufacture, and supplier to consumer. It would be supporting and enhancing the economic growth and development of country. The benefits of GST is an easy compliance, Uniformity of tax rates and structure, Removal of cascading of taxes, Single and Transparent Tax, Facilitating Business Friendly Environment to manufacturers and exporters, Relief in overall tax burden of consumers, Improved competitiveness for the trade and industry. GST is expected to diminish the expenditure occurred in collecting tax by the Government, and will therefore, lead to higher revenue efficiency. GST also will facilitate to create a clear and corruption free tax administration. It is expected to change the Indian Economy on a positive note, enhance the position of India in domestic as well as international market.

It will boost export and producing activity, generate more employment and thus increase GDP with gainful employment leading to substantive economic growth. Ultimately it will facilitate in economic condition demolition by generating additional employment additional monetary resources. GST can guarantee comprehensive assets with minimum exemptions, will help industry, which will be able to reap benefits of common procedures and claim credit for taxes paid. GST, as per government estimates, can boost India's gross domestic product. GST is not only the tax change but it is also a 'behaviour change' and its successful implementation will depend on how well we as a nation adapt to the new requirements of doing business.

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