GOODS & SERVICE TAX BILL IN INDIA

Dr.Prema Arun Yadav, Dept of Economics, Kisan Veer Mahavidalaya.Wai, Dist. Satara

---

Introduction- The constistution (one hundred & Twenty –second Amendment) Bill, 2014 was introduced in the lok sabha by finance minister Arun Jaitley on 19 Dec 2014, &passed by the house on 6 may 2015. The bill was passed by rajsabha on 3 augest 2016 & the amended bill was passed by the lok sabha on 8 augest 2016, proposes a national value added tax to be implemented in india from 1 April 2017.The proposed goods & services tax(GST) is said to replace all indirect taxes levied on goods & services by the Governments, both central & states once it is implemented. The GST will consolidate all state economics. It will be one of the biggest taxation reforms to take place in india once the bill gets the official green signal. The basic idea is to create a single, cooperate & undivided Indian markets to make the economy stronger & powerful. The GST will make a significant breakthrough paving way for an all-inclusive indirect tax reform in the country.

Objectives of GST Bill : The proposed GST bill aims to provide a uniform & transparent indirect tax regime in the country that will improve ease of doing business, widen the tax base & increase tax revenues, improve compliance remove multiple tax strutures ,ease filing of the returns by businesses reduce inflation &increase overall GDP. The new GST regime will subsume over 17 indirect central taxes like excise duty, countervailing tax, state taxes like sales tax, VAT, octroi & luxury tax.

The Proposed Model of GST & the rate- A due GST system is planned to be implemented india as proposed by the empowered committee under GST will be divided into two parts-

1) State Goods &Services Tax(SGST)
2) Central Goods & Services Tax(CGST)

Both SGST &CGST will be levied on the taxable value of a transaction. All goods & services leaving aside few, will be brought into the GST & there will be no difference between goods & services. The GST system will combine central excise duty, addition excise duty, services tax, state VAT, entertainment tax, etc,under one banner. The GST rate is expected to be around 14-16percent. After the combined GST rate is fixed , the state and the centre will decide on the CGST&SGST rates. At present, 10percent is levied on services & the indirect taxes on most goods is around 20 percent.

Union finance minister Arun Jaitley will seek parliamentary approval for bills later this month that would set the rate & scope of the GST.

Multi-Tiered System-

1	0%	50% of the consumer price basket, including foodgrains	4	18%	Soaps, oil, toothpaste, refrigerator,smartphone
2	5%	Mass consumption items like spices & mustard oil	5	26%	White goods, cars
3	12%	Processed Foods	6	28%	Luxury cares, pan masala, tobacco, aerated drinks

Proposed rate-The collection from the proposed cess on luxury or demerit supplies over and above the higher tax slab are estimated on be around Rs.50,000 crore, out of which around Rs.26,000crore will be collected through clean environments cess, adhia said, adding that the cess collection will be exclusively used by the centre to compensate states.

Proposed Rate Structure-

No	items	Proposed GST rates	Present rate structure merging inti GST rates
1	Lower rate	6%	>=3% to <9%
2	Standard 1 rate	12%	>=9% to <15%
3	Standard 2 rate	18%	>=15% to <21%
4	Higher rate	26%	>=21%

In the presentation at the meeting of the GST council, which is headed by finance minister Arun Jaitley & has representatives of all states, it was said that t told impact of the proposed rate structure on consumer price index(CPI)-based inflation atee will be (-)0.06percent.

Under the proposed GST structure , the inflation impact on constitution of CPI such as health services, fuel& clothing is estimated, to be 0.56percent, 0.05percent & 0.23percent respectively, while for transport it is estimated at (-) 0.65 percent. Total revenue collection under the proposed GST structure is estimated at 8.72lakh crore (based on 2015-16 estimates.

Advantages of GST bill

Introduction of a GST bill is very much essential in the emerging environment of the Indian economy.

1) There is no doubt that in production and distribution of goods & services are increasingly used to consumed & vice versa. Separate taxes for goods & services, which is the present taxation system requires division of transaction values into value of goods % services for taxation, leading greater complications administration, including compliane s costs.In the GST. In the GST system, when all the taxes are integrated, it would make possible the taxation burden to be split equitably between manufacturing & servies

2) GST will be levied only at the final destination of consumption based on VAT principle & not all various Point (from manufacturing to retail oulets) This will help in removing economic distoritions & bring about development of a common national markets.

3) It will also to build a transparent &corruption –free tax administion. Presently a tax is levied on when a finished product moves out from a factory, which is paid by the manufacturer & and it is again levied at the retail outlet when sold.

4) **Disadvantages of GST bill-**The Indian parliament gave unanimous decision on implemenndiat of GST(Goods & services tax) in india from the coming financing years FY 17-18. Undoubtedly the is move is historic in the history of Indian economy. The passing of the GST bill is being seen the next big move after the govts reforms of the Indian economy . The government is already gearing up for timely implementation of the GST by strengthering of IT back bone which shall propel the decision ahead. But at t he some time there are few aspects with contradict the growth story and be seen as hurdles which will take time to overcome post the implementation of GSTen

1) When the aviation industry was witnessing the much awaited growth the increasing domestic traffic , the GST implementation might slower the rate at which the industry is expecting growth as flying will become expensive .service tax on fares currently range between 6% & 9% (depencing on the 15 percent of travel) with GST , the rate will surpass 15% , if not 18%, effectively doubling the tax rate.

2) India , on the hand , has the lowest insurance penetraton in the world (less than 5% of the Indian population & half of the global average) and on the other GST will further make the insurance products dearer life health &motor insurances will being to cost more from 1 april 2017 as taxes will go up by to 300 basis points.

3) It companies have adopted a strategy of spreading their operation and stationing their majority workforce where the cost of operation in low (e.g Chennai, Bangalore).The GST may lead to increasing costs of operation at their most cost effective delivery centres.

4) The Banking & financing sectors (including insurances as stated above) might take a hit as currently the effective tax rate in the sector is 14 percent .

Conclusions- A seemless implementation of GST may boots growth of the overall economy to a level that the above stated pitfalls might be merely seem as part & parcel of the india growth story e.g when most of the sectors grows simultaneously , it might increase jobs & disposable increase of individuas to an extent that the dearness brought by GST gets offset. Analysts are already predicting 10% GDP growth for the Indian economy with GST coming into effect. All eyes will be focused on Q1 earning of FY2017-18 once the GST comes into effect of the companies start disclosing their numbers.

References-1) A Sqrvor allan(2016); “ GST and the state : sharing tax administration” , vol-51,Issue no.31, Economic & political weekly

2) Alok kumar prasanna (2016),: “ Goods & Services Tax” vol-51,issue no-34, Economic & political weekly)

3) Daily newspaper LOKMAT, PUGHARI, LOKSATT ECONMICS TIMES (3 aug to 30 aug 2016)

4) www.finmin.nic.in GST FAQ

5) www.mapsofinidia.com