



An overview of Goods and Service Tax in India

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Introduction

Taxation is a method of levying and collecting tax in the form of revenue by the government to development activities in the country. The Indian Constitution has clearly expressed that the State and Central governments clear and demarked and not overlapping authority to levy tax on goods & services. The Government levies two types of taxes they are Direct tax and indirect tax. The Direct tax is that the burden of tax cannot be shifted to other person. For ex: Income Tax , Property tax which is paid by a person to central government . On the other hand the indirect tax means tax burden can be transferred to another person. Ex: CEN-VAT, and VAT which are included in the price of the product collects from the buyers.

Stages to levy and collect the indirect taxes

During the period of pre-implementation of GST there were many stages to levy and collect the indirect taxes as explained below

CENTRAL EXCISE TAX : The tax that is being levied on manufacturing or production of goods which are listed in Central excise tariff for levy of duty. This tax is levied and collected by the Central government.

STATE VAT TAX : The tax that is levied on sale of goods within the

state, its mean in the exclusive territory of the state. Sale of goods to be done by one person to another for consideration. This tax is levied and collected by the State government in India.

CENTRAL SALES TAX: This tax is levied when the sale transaction take place between the states in another words if sale transaction take place in inter-state then this tax is levied by Central government and collected by State government.

Demerits of Indirect Taxation before Implimentation Of GST

- Various indirect taxes like Octroi entry tax entertainment tax that were levied by state and local authorities were not subsumed under State VAT Tax and also these taxes are controlled by different legislations.
- While calculating State VAT Tax on sale of goods value that includes the levied tax of CEN-VAT and it leads to tax cascading effect.
- There is no proper integration of CEN VAT and State VAT to avoid cascading of tax .Ex A Product is being produced by use of physical inputs as well as services, in such case the scope of cascading of tax is possible due to service tax payable by the trader of the goods.



- Since the Central and State government taxes are being controlled by different legislation, the traders need to understand with each type of tax laws like filing various types of returns, paying taxes through various challans, separate audit requirements and interaction with different departments etc.
- The tax law which is followed by the Central government and various State governments and local authorities is not one and uniform in other words different tax laws are followed by them
- Due to variance in tax rates and different input tax credit structure, there was a lot of price difference for the same class of goods across the country.

As Indian government is a federal form of government, so it has federal financial structure under the federal form of government, state and central government should be independent from each other on powers to levy taxes on goods and services. In India the state and central governments have empowered by the constitution of India, to levy various indirect taxes that are not overlapping in nature.

India has witnessed unstable governments at central level, the reason for this is the old-fashioned and disordered functioning of political parties. the state level parties influence the central government and this alliance and co-alliance are made, broken and changed at whim. The political party system in india is influenced by social regional and other factors.

IMPLIMENTATION OF GST IN INDIA

In 1991, under the chairmanship of Raja J Challaiah setup a committee for tax reforms to examine the then tax structure in the country and to suggest a suitable changes in tax structure itself. This committee suggested the following recommendation in then the taxation system.

- 1) To remove the present defects under tax systems, and
- 2) To make the tax system more productive i.e. more efficient to raise revenue.

After implementation of the CENVAT and VAT at Central and State level governments respectively, the tax system in the country is quite satisfactory however there was no integration between the both CENVAT and STATE VAT.

On the occasion of the introduction of GST on the midnight of 1st July 2017 The Hon'ble Prime Minister of India said "The scope of GST is not limited to the financial system. GST is a big boost to cooperative federalism. GST is not just a simple taxation system but will also help us fight corruption and black money. It will also help us introduce a new type of governance." He further said, "GST stands for 'Good and Simple Tax'. GST will not only ease the process of doing business but will also improve the way of doing business."

On this occasion, the Hon'ble Finance Minister said that "There will be a check on inflation, tax avoidance will be difficult, rates will be lower compared to earlier, the country's GDP will benefit, and the extra resources the States and



the Centre will get, that will be used to serve the poor,". He further stated that the GST will subsume 17 taxes and 23 cesses levied by the States and the Centre. "The old India was economically fragmented. The new India will create one tax, one market and for one nation".

After implementation of GST we think that this law will serve the purpose for which it is enacted.

Constitution of GST Council:

This council body consists of the following positions.

1. Chairperson: Union Finance Minister
2. Vice- Chairperson: One member amongst is to be chosen as a Vice-Chairperson
- 3.Members:i) Union State finance Minister ii) State Finance Minister s of all states
4. Ex-Officio Secretary: The Secretary of Revenue will work as the ex-officio secretary to the GST Council.
5. Permanent Invitee: without voting power Chairman of Central Board of Excise and Customs
6. Additional Secretary and
7. GST Council Commissioners.

CONCLUSION

Now the GST Council leveling the tax rate from the range of 0-22 percentage of price of goods and services. With implementation of GST Tax regime in india , the limitations and problems in tax levying and collecting by the centre and state government would be

eliminated and the GDP of the country would grow.

REFERENCES:

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