

RECENT TREND IN INDIAN TAXATION SYSTEM-

“An overview of GST in rapid growth of Indian economy”

Dr. Simran Kaur¹, Er.Gurpreet Singh² and Dr.Pramod Gupta³

¹Department of Commerce, Manav Rachna International University

²Department of Mechanical Engineering, Manav Rachna International University

³IET Group of Institutions MIA, Alwar

Abstract: India has a well-developed tax structure with clearly demarcated authority between Central and State Governments and local bodies. Central Government levies taxes on income (except tax on agricultural income, which the State Governments can levy), customs duties, central excise and service tax. Value Added Tax (VAT), stamp duty, state excise, land revenue and profession tax are levied by the State Governments. Local bodies are empowered to levy tax on properties, octroi and for utilities like water supply, drainage etc. Indian taxation system has undergone tremendous reforms during the last decade. The tax rates have been rationalized and tax laws have been simplified resulting in better compliance, ease of tax payment and better enforcement. The process of rationalization of tax administration is ongoing in India.

Overview

GST and its future aspects in Indian economy showing a signal of rapid growth of Indian economy. Goods and Service tax is a key for our GDP, this should be send a strong signal to the investors (Internal & External) that India's economy can overcome serious global issues and challenges. GST would help country to make 'One India rather than divide India' India is proposing to implement "dual GST". All transaction of goods and service made for a consideration would attract two levies – CGST (Central good & Service Tax) and SGST (State goods and service Tax) Country's economic growth forecast, Indian economy is expected to register a growth of 7.5 percent to 8 Percent in 2016-17 and 9 percent in 2018-19 and it will be depend upon the all economy factors. In an overview help to understand GST will or doing work in India and benefit for Indian economy as well as consumers and how much relief to the customer on tax burden point of view.

Introduction

In Indian current scenario mixed economy paly a vast role for its growth. About recant trend, the overall direction in which a nation economy are going to move through the all aspects (FDI, Infrastructure, inflations, banking, jointventure, capital etc.)

Recently introduction of GST (Goods and service tax) by the central government, is it play a important role for economy growth or GDP (Gross Domestic product). GST is defined in article 366 (12 A) to mean "any tax on supply of goods and service or both except taxes on supply of the alcoholic liquor, human consumption"

During the winter session of Indianparliament began with parties to help in passage of GST bill for India in challenging global times. Goods and Service tax is a key for our GDP, this should be send a strong signal to the investors (Internal & External) that India's economy can overcome serious global issues and challenges. Indian economy was affected by demand slowdown, uncertain geopolitical situations.

GST will harmonies indirect taxes by doing away with multiplicity of taxes. It will also help to reduce cost of production, which will be then passed on consumers, thus lower inflations. Timely implementation of GST would raise the GDP by 1.5 to 2 percent. Country's economic growth forecast, Indian economy is expected to register a growth of 7.5percent to 8 Percentin 2016-17 and 9 percent in 2018-19 and it will be depend upon the all economy factors.GST would help country to make 'One India rather than divide India'

First we have need to clear the impact of economic tsunami. GST is levied on supply of goods and services at each stages on supply chain from supplier up to the retail stage (wholesaler- retailer/ Agent/Middle men) of the distribution. Even though GST is imposed at each level of supply chain, the GST does not become a part of cost of production because Input tax incurred at previous stage is always deducted by the businesses at the next level in supply chain.

GST is a extensive based consumption tax covering all sectors of the Indian economy. GST basic fundamental is itself- policing feature which allow the businesses to claim their input tax credit by way of automatic deduction in their accounting system.

Objective:-Of an overview

- To understand the concepts and fundamental of GST.
- To understand how GST work in India for economic rapid growth.
- To understand the benefit of GST for consumers and businesses.

Understanding GST concept and fundamental

How GST is charged at each level of supply chain – standard Rate (Assume rate GST=6%)*



*Rate of GST is not yet specified in the draft GST law

GST is to be levied and charged at the proposed rate, but in current scenario proposed lowerrate are 17 percent to 18 percent by Chief economic advisor **Mr. Arvind Subramanian** for concessional goods and higher rate upto 40 percent for luxury goodson thetaxable value of supply on businesses is registered under GST. A Businesses can apply to be registered firstly. From the press release dated 4 December 2015, Revenue Neutral Rate (RNR) as per proposed

Silent feature of proposed GST Model

1. Consistent with the federal structure of the country- CGST and SGST.
2. CGST and SGST would be applicable to all transactions of Goods and Services except the exempted Goods and Services.
3. CGST and SGST are to be paid to the account of center as well as state government separately.
4. CGST and SGST are to be treated separately, normally taxes paid against the CGST shall allow to be taken as Input Tax Credit for CGSTand same principle will be applicable for SGST.
5. The administration of the CGST would be center and SGST with sate.
6. Assessment, enforcement, scrutiny and audit would be undertaken by the authority witch is collecting the Tax.

Rate of GST vs. other Taxes

The different rates of taxes on goods and services is tabulated below:			
S.no	Particular	Goods	Service
1	Excise duty	12.50%/ 6% / 2%	-
2	VAT	12.50% / 13.50% / 14%	-
3	CST (against Form C)	2 %	-
4	Local Body Tax	0.10% to 8%	-
5	Service Tax	-	14%

GST rate structure is tabulated below:				
S.no	Particular	Concessional Goods	Standard Goods	Luxury goods
1	GST Rate	12 %	17 % to 18 %	40%

Taxes that will be subsumed in GST:- GST would be levied on all the transactions of goods and services made for the consideration. In particular, it would replace the following indirect taxes:-

At Central level:-

1. Central excise Duty (Including additional duties of excise)
2. Service tax
3. CVD (Levied on import in lieu of excise duty)
4. SACD (Levied on imports in lieu of VAT)
5. Central sale tax (CST)
6. Excise Duty levied on Medicinal and Toiletries preparations
7. Such charge and cessess

At State level:-

1. VAT / sales Tax

2. Entertainment Tax (Unless it is levied by the local bodies)
3. Luxury Tax
4. Entry tax not in lieu of Octroi
5. Cesses and surcharges

Why GST instead of the other higher tax

In the month on October 2015 the government has placed in public domain four reports on key business processes (Registration, Payment, refund and return) in GST regime. From these four reports one can fairly gauge the board structure and process in GST regime. This is biggest tax reform since independence. Only few point as below.

1. **Sensitize the business eco system:** It is an accepts fact that GST is not merely a tax change but a business change as it will impact all functions of an organization.
2. **Lower business cost:** in current scenario businesses pay multiple taxes and high levels of tax on tax. But with GST recovering input tax on raw material and incurred expenses and reducing the cost.
3. **Increase the Global competitiveness:** GST incurred on inputs can be recovered along the supplies chain all level.
4. **Equity:** With GST, Taxes are leveled fairly among all the businesses involved where they are in the manufacturing, wholesaling, retailing or service sectors.
5. **Transparency:** consumer will get the benefit under GST unlike the present sale tax.

Important step show Government is actively working on GST:

- 1) 122nd constitutional Amendment for GST is already passed by Lok Sabha and pending in Rajya Sabha.
- 2) Contract to manage IT infrastructure already awarded to Infosys.
- 3) GST law is already drafted and available in public Domain.

Benefit of GST: - in prospectus

Benefit to consumer: All supply chain businesses like suppliers, manufactures, wholesalers and retailers are able to recover GST incurred on input. This will be reduces the cost of doing business, thus enabling fairer prices for consumers. Certain basic good and service are not subject to GST for socio-economic objectives. Include basic food, residential accommodation, education, health service, public transport, domestic consumption etc.

Benefit to Industry, trade and agriculture: GST will give more relief to the industry through a more comprehensive and wider coverage of input tax set-off and service tax set-off, subsuming of several central and state tax in the GST.

Benefit to the Exporters: complete set-off of input goods and services and phasing out of CST would reduce the cost of locally manufactured goods and services and this will increase the competitiveness of Indian goods and services in the International marketing and give to boost to Indian exports.

Central government of India

S. No.	Parliament of India
1	Taxes on income other than agricultural income (List I(Union List), Entry 82)
2	Duties of customs including export duties (List I(Union List), Entry 83)
3	Duties of excise on tobacco and other goods manufactured or produced in India except (i) alcoholic liquor for human consumption, and (ii) opium, Indian hemp and other narcotic drugs and narcotics, but including medicinal and toilet preparations containing alcohol or any substance included in (ii). (List I(Union List), Entry 84)
4	Corporation Tax (List I(Union List), Entry 85)
5	Taxes on capital value of assets, exclusive of agricultural land, of individuals and companies, taxes on capital of companies (List I(Union List), Entry 86)
6	Estate duty in respect of property other than agricultural land (List I(Union List), Entry 87)
7	Duties in respect of succession to property other than agricultural land (List I(Union List), Entry 88)
8	Terminal taxes on goods or passengers, carried by railway, sea or air; taxes on railway fares and freight (List I(Union List), Entry 89)
9	Taxes other than stamp duties on transactions in stock exchanges and futures markets
10	Taxes on the sale or purchase of newspapers and on advertisements published therein
11	Taxes on sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-State trade or commerce
12	Taxes on the consignment of goods in the course of inter-State trade or commerce
13	All residuary types of taxes not listed in any of the three lists of Seventh Schedule of Indian Constitution

State governments

S. No.	State Legislate
1	Land revenue, including the assessment and collection of revenue, the maintenance of land records, survey for revenue purposes and records of rights, and alienation of revenues (List II, Entry 45)
2	Taxes on agricultural income (List II, Entry 46)
3	Duties in respect of succession to agricultural land (List II, Entry 47)
4	Estate Duty in respect of agricultural land (List II, Entry 48)
5	Taxes on lands and buildings (List II, Entry 49)
6	Taxes on mineral rights (List II, Entry 50)
7	Duties of excise for following goods manufactured or produced within the State (i) alcoholic liquors for human consumption, and (ii) opium, Indian hemp and other narcotic drugs and narcotics (List II, Entry 51)
8	Taxes on entry of goods into a local area for consumption, use or sale therein (see Value added tax) (List II, Entry 52)
9	Taxes on the consumption or sale of electricity (List II, Entry 53)

- 10 Taxes on the sale or purchase of goods other than newspapers (List II, Entry 54)
- 11 Taxes on advertisements other than advertisements published in newspapers and advertisements broadcast by radio or television (List II, Entry 55)
- 12 Taxes on goods and passengers carried by roads or on inland waterways (List II, Entry 56)
- 13 Taxes on vehicles suitable for use on roads (List II, Entry 57)
- 14 Taxes on animals and boats (List II, Entry 58)
- 15 Tolls (List II, Entry 59)
- 16 Taxes on profession, trades, callings and employments (List II, Entry 60)
- 17 Capitation taxes (List II, Entry 61)
- 18 Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling (List II, Entry 62)
- 19 Stamp duty (List II, Entry 63)

Any tax levied by the government which is not backed by law or is beyond the powers of the legislating authority may be struck down as unconstitutional.

Conclusions:

This paper only lightly overview about the GST and related point bases on secondary data. GST is reform of Indian taxation. We can say that after the implementations of GST, tax burden on consumer and businesses will be reduce and number of extra taxes will be cover under this model. GST help to improve the transparency in taxation and make a healthy environment to the investors and government polices implementations. GDP growth are depends upon number of aspects in nation but taxation part are main because this work as revenue model for the country and necessary for every nation. For growth of Nation and avoidance the double tax burden need to update the tax system, GST play a strong role. Before implementation the GST government have need to study all aspects related to country economy growth with the point of view of businesses and customers.

Reference:

1. "Directorate of Town Panchayats".
2. Article 265 of the Indian Constitution (PDF), retrieved 2009-04-18
3. "Analysis of Tax and Non-tax Revenue Receipts Included in Annex" (PDF). IndiaBudget.nic.in. Retrieved 2014-09-01.
4. Article 246 of the India Constitution (PDF), retrieved 2009-04-18
5. Seventh Schedule of the Indian Constitution (PDF), retrieved 2009-04-18
6. Distribution of Powers between Centre, States and Local Governments, retrieved 2009-04-18
7. "Union Budget 2012: GAAR empowers I-T department to deny tax benefits to 'companies'". The Times Of India. 2012-03-16.
8. "Direct Taxes Code Bill: Government keen on early enactment". The Times Of India. March 16, 2012.
9. Indian Income Tax Act, 1961, retrieved 2009-04-18
10. Section 14 of Income Tax Act, retrieved 2009-04-18
11. Taxation System in India, India in Business, Ministry of External Affairs, Government of India, Investment and Technology Promotion Division
12. "New service tax rate of 14% to come into effect from June 1". Times of India. 19 May 2015. Retrieved 21 May 2015.
13. Blankenau, W., S. Nicole, and M. Tomlja novich, 2004, "Public Education Expenditures, Taxation, and Growth," Journal of Development Economics, Vol. 73, Issue 2, pp. 583-605.

14. Burgess, Robin, Stephen Howes, and Nicholas Stern, 1997, "The Reform of Indirect Taxes in India," in *India: the Future of Economic Reform*, ed. by R. Cassen and V. Joshi (New York: Oxford University Press).
15. Carey, David and Josette Rabesona, 2002, "Tax Ratios on Labour and Capital Income and on Consumption," *OECD Economic Studies*, No. 35, Vol. 2, pp. 129–174.
16. Dalsgaard, Thomas, 2001, "The Tax System in New Zealand: An Appraisal and Options for Change," *Economics Department Working Paper No.* (Paris: Organization for Economic Cooperation and Development).